Consolidated Half-Year Report at June 30, 2010

in accordance with article 154-ter of Legs. Decree No. 58/1998 and Isvap Regulation No. 7 of July 13, 2007

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Share Capital € 305,851,341.12 fully paid-in – Milan Company Registration Office, Tax and VAT No. 00957670151 – Authorised to underwrite insurance (art. 65 R.D.L. 29-4-1923 No. 966) - Enrolled at Section I of ISVAP Company Register at No. 1.00010
A company forming part of the Fondiaria-SAI Insurance Group, enrolled in the Insurance Groups Register at No. 030 – under the management and co-ordination of FONDIARIA-SAI S.p.A.

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BOARD OF DIRECTORS

Salvatore **Ligresti**	*Honorary Chairman*
Fausto **Marchionni** *	*Chairman-Chief Executive Officer*
Gioacchino Paolo **Ligresti** *	*Vice Chairman*
Cosimo **Rucellai** *	*Vice Chairman*
Umberto **Bocchino** *	
Barbara **De Marchi**	
Flavio **Dezzani**	
Maurizio **Di Maio**	
Emanuele **Erbetta**	
Mariano **Frey**	
Giulia Maria **Ligresti** *	
Jonella **Ligresti**	
Lia **Lo Vecchio**	
Massimo **Pini** *	
Francesco **Randazzo**	
Salvatore **Rubino** *	
Simone **Tabacci**	
Alessandra **Talarico**	
Antonio **Talarico** *	
Alberto **Marras**	*Secretary of the Board and the Executive Committee*

BOARD OF STATUTORY AUDITORS

Giovanni **Ossola**
Chairman

Maria Luisa **Mosconi**
Statutory Auditor

Alessandro **Rayneri**
Statutory Auditor

Giuseppe **Aldè**
Alternate Auditor

Claudio **De Re**
Alternate Auditor

Roberto **Frascinelli**
Alternate Auditor

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio **Bedogni**

- The Board of Directors was appointed by the Shareholders' Meeting on April 21, 2008 and will remain in office until the approval of the financial statements by the Shareholders' Meeting for the year ended December 31, 2010. On June 11, 2010, the Director Mr. Emilio Perrone Da Zara resigned.
- The Directors that are members of the Executive Committee are indicated with an asterisk.
- An Internal Control Committee was set up with the functions of providing consultation and proposals in accordance with the provisions of the Self-Governance Code of Listed Companies. Following the resignation of the Director Mr. Emilio Perrone Da Zara, this committee is currently composed of the Directors Mr. Mariano Frey and Mr. Cosimo Rucellai.
- With reference to CONSOB Communication 97001574 of February 20, 1997, the nature of the delegated powers conferred to the Directors are as follows:
  the Chairman-Chief Executive Officer, Mr. Fausto Marchionni, is the Legal Representatives of the company pursuant to article 20 of the Company By-Laws and has all ordinary and extraordinary administrative powers, to be exercised in single signature and with possibility to confer mandates and proxies, with the exclusive exception of the following powers:
  - sale and/or purchase of property above the value of Euro 10 million for each operation;
  - sale and/or purchase of investments above the value of Euro 25 million for each operation and, in any case, of controlling interests;
  - obtaining of loans above Euro 50 million for each operation;
  - provision of non-insurance guarantees in favour of third parties.

- The Executive Committee has all the powers not attributed to the Chairman/Chief Executive Officer, with the exception of those which by law or the company by-laws are the exclusive responsibility of the Board of Directors, excluding all resolutions in relation to related party and inter-group operations identified by the Board of Directors.

CONSOLIDATED HALF-YEAR REPORT OF THE MILANO GROUP AT JUNE 30, 2010

OPERATIONAL PERFORMANCE

As already announced to the market, on June 17, 2010 Milano Assicurazioni S.p.A. and Banco Popolare di Milano S.c.r.l., under agreements signed in December 2009 in relation to the mutual winding-up of the partnership in the bancassurance sector and having received the necessary legal authorisations, concluded the transfer to Banco Popolare di Milano of the 51% holding in Bipiemme Vita S.p.A. held by Milano Assicurazioni.

Through this operation Bipiemme Vita therefore exits the Milano Assicurazioni Group consolidation scope and in accordance with IFRS 5 is considered a discontinued operation. Consequently, in the present document the income statement data of this company for the first half of 2009 is reclassified and recorded in the account *Profit/Losses of discontinued operations*. The other income statement accounts are therefore prepared at like-for-like consolidation scope with the first half of 2010, thus enabling comparison.

Premiums

Direct and indirect premiums written in the half-year amount to Euro 1,872.6 million (+0.6% on H1 2009), of which Euro 1,605.9 million relating to the non-life classes (-1.6%) and Euro 266.7 million relating to the life classes (an increase of 16.5%).

The non-life result was principally attributable to the contraction in motor premiums due to the recently introduced regulations and the management actions taken to recover profitability in a sector which, also at market level, has shown for some time signs of a technical deterioration.

The strong growth in life premiums is due to the good uptake recorded by the agency networks of traditional policies with high insurance content and securitisation policies managed centrally.

The indirect business continues to be marginal due to the decision to cease underwriting on the inward reassurance market with companies not belonging to the Fondiaria-Sai Group.

The details of the premiums written with the changes on H1 2009 are shown at like-for-like consolidation scope. The data from the 2009 first half report is also provided.

(in Euro thousands)	30/06/2010	30/06/2009 IFRS 5	Change %	30/06/2009
DIRECT PREMIUMS				
Non-Life Division	1,601,915	1,627,639	-1.6	1,630,197
Life Division	266,661	228,801	+16.5	520,524
Total direct premiums	1,868,576	1,856,440	+0.7	2,150,721
INDIRECT PREMIUMS				
Non-Life Division	3,944	4,241	-7.0	4,241
Life Division	30	52	-42.3	52
Total indirect premiums	3,974	4,293	-7.4	4,293
TOTAL	**1,872,550**	**1,860,733**	**+0.6**	**2,155,014**
of which:				
Non-Life Division	1,605,859	1,631,880	-1.6	1,634,438
Life Division	266,691	228,853	+16.5	520,576

Consolidated Income Statement

The Group net loss for the first half of 2010 was Euro 195.3 million (profit of Euro 50.7 million in the first half of 2009). The loss principally follows the impairment on available-for-sale financial instruments under the impairment policy adopted in the 2009 annual accounts which had a negative impact on the period income statement of Euro 167.6 million, as referred to in greater detail below.

The income statement in the first half of 2010 compared to the same period of 2009 is shown below.

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Changes**	**30/06/2009**
Net premiums	1,797,236	1,748,249	48,987	2,037,102
Commission income	138	95	43	9,189
Net Income from financial instruments recorded at fair value through profit or loss	1,499	39,222	-37,723	40,038
Income from subsidiaries, ass. and jt. ventures	271	283	-12	283
Income from other financial instruments and property investments	211,584	209,615	1,969	252,716
- Interest income	106,691	133,613	-26,922	165,747
- Other income	39,737	43,095	-3,358	47,884
- Profits realised	65,156	32,907	32,249	39,085
- Valuation gains	-	-	-	-
Other revenues	96,708	85,310	23,027	85,366
Total revenues	**2,107,436**	**2,082,774**	**36,291**	**2,424,694**
Net charges relating to claims	-1,512,749	-1,408,485	-104,264	-1,724,589
Commission expenses	-35	-43	8	-4,313
Charges from subsidiaries, associates & joint venture	-13,479	-6,903	-6,576	-6,903
Charges from other financial instruments and property investments	-224,988	-73,880	-151,108	-77,197
- Interest expense	-7,042	-6,949	-93	-7,269
- Other expenses	-10,099	-5,715	-4,384	-5,877
- Losses realised	-29,341	-24,748	-4,593	-27,583
- Valuation losses	-178,506	-36,468	-142,038	-36,468
Management expenses	-338,780	-326,610	-12,170	-338,994
- Commissions and other acquisition expenses	-277,710	-272,084	-5,626	-279,556
- Investment management charges	-1,367	-2,122	755	-3,355
- Other administration expenses	-59,703	-52,404	-7,299	-56,083
Other costs	-219,463	-193,065	-38,027	-204,579
Total costs	**-2,309,494**	**-2,008,986**	**-312,137**	**2,356,575**
Profit/(loss) before taxes in the period	**-202,058**	**73,788**	**-275,846**	**68,119**
Income taxes	3,485	-20,962	24,447	-19,086
Net profit/(loss) in the period	**-198,573**	**52,826**	**-251,399**	**49,033**
Profit/(loss) from discontinued operations	3,281	-3,793	7,074	-
Consolidated net profit/(loss)	**-195,292**	**49,033**	**-244,325**	**49,033**
Minority interest share	-17	-1,710	1,693	-1,710
Group net profit/(loss)	**-195,275**	**50,743**	**-246,018**	**50,743**

The key events in the first half of 2010 which contributed to this result are summarised below:

- the Non-Life sector recorded a pre-tax loss of Euro 226 million (against a profit of Euro 49.9 million in H1 2009). As already reported, the result was significantly affected by the impairments on financial instruments (Euro 155.3 million).
  In relation to the technical performance, the combined ratio net of reinsurance amounted to 105.3% against 108.9% for the full year 2009 and 105.8% for Q1 2010, and although remaining negative has begun to benefit from the effects of the actions undertaken to recover profitability.

  In particular, the result continues to be affected by the poor performance of Motor TPL contracts written in previous years, particularly in certain regions of Centre-South Italy, where a higher amount of physical injury claims were recorded, which due to the manner of the claim and the occurrence of the incident have raised suspicions of fraud against the company. The current generation claims improved due to the rolling out of the new tariff introduced at the end of 2009 and also the new underwriting policy which - despite the strong price competition still within the market - limits the recourse to discounts; the reduction in claims made and the discontinuation of the multi-claim portfolio initiated in the previous year and continued in the half-year also supported the improvement.
  The increased adoption of the new physical injury compensation tables, originally adopted by the Milan Court, necessitates the maintenance of a particularly prudent reservation policy.

  The land vehicle class presents a positive balance, although on lower levels than the first half of 2009, while the other non-life classes recorded an overall negative performance; this is particularly due to the high levels of claims which continue to be seen in the General TPL class, particularly in relation to the corporate and public entities sector;

- the life sector recorded a pre-tax profit of Euro 29.8 million, growth on the first half of 2009 (profit of Euro 26 million) despite an impairment of financial instruments of Euro 12.3 million, gross of the portion borne by policyholders. The new policy portfolio continued to offer adequate technical margins and features a large portion of traditional type products with higher remuneration and an ability to satisfy the entire client base through the quality and extensive range of products offered;

- the real estate sector recorded a loss of Euro 6.3 million (profit of Euro 4 million in H1 2009). The result was principally affected by the loss of Immobiliare Milano Assicurazioni S.r.l. (Euro 4.7 million), in large part due to financial charges relating to the Citylife project not yet offset by profits on sales of real estate assets, which will be seen in a more advanced phase of the project.
  In comparing the real estate sector data it is noted that the 2009 first half results benefited from income of the companies Meridiano Eur and Meridiano Orizzonti which, following the merger into Milano Assicurazioni, respectively in the second half of 2009 and in the first half of the current year, at June 30, 2010 were included in the non-life sector;

- the asset management sector recorded impairments on instruments classified in the available-for-sale category for a total amount of Euro 167.6 million (Euro 30.6 million in H1 2010). The continuation of poor financial market performances has for some securities in portfolio resulted in the recording a value lower than the book value for a continuous period of at least 2 years. In line with the impairment policy declared in the 2009 financial statements, the average costs of these securities was therefore aligned with the stock market values at June 30, a policy which is considered particularly punitive and often does not reflect the fundamental values of the entities concerned. The impairments carried out concern in particular the investments held by Milano Assicurazioni in the parent company Fondiaria-SAI which, considering the stock market value at June 30 of Euro 7.73, had a negative impact on the income statement of Euro 152 million.

  In relation to the other types of financial income, interest income totals Euro 106.7 million, a decrease on Euro 133.6 million in the first half of 2009, due to the difficult economic environment and particularly the continuation of the expansive monetary policy by the relevant authorities with the maintenance of low base interest rates in order to foster a recovery, which remains tentative.

  However, prudent trading activity which sought to maximise the extreme volatility in the markets again experienced in the first half of 2010 - within an overall economic environment characterised by uncertainty and concerns over the sustainability of the government deficits within various European states – resulted in net gains of Euro 35.8 million, an increase on the first half of 2009;

- the management expenses in the non-life insurance sector amounted to Euro 325.1 million, with a percentage on net premiums of 21.2% (20.3% in H1 2009). In the Life Division the management expenses amounted to Euro 13.7 million - 5.3% of net premiums (7.6% in the first half of 2009);

- the profit from discontinued operations principally relates to the gain on the conferment to the Rho Real Estate Fund of the building located in Riva Tommaso Gulli in Trieste. The conferment of this building, already planned as part of the wider operation carried out in 2009, took place in March 2010 following the registration in the Friuli Venezia Giulia region land registrar.

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

The table below shows the results by sector. The Real Estate sector includes the subsidiary real estate companies (Immobiliare Milano Assicurazioni, Sintesi Seconda, Campo Carlo Magno, Athens Fund), while the Other Activities include Sogeint, which provides commercial assistance to the Agencies and Pronto Assistance Servizi, which operates in relation to guarantees in the assistance class present in the insurance contracts of the companies of the Fondiaria-Sai Group.

(in Euro thousands)	**Non-Life**	**Life**	**Real Estate**	**Other**	**Inter-segment Elim.**	**Total**
Net premiums	1,536,794	260,442	-	-	-	1,797,236
Commission income	-	138	-	-	-	138
Net Income from financial instruments recorded at fair value through profit or loss	-1,969	3,351	117	-	-	1,499
Income from subsidiaries, ass. and jt. ventures	271	-	-	-	-	271
Income from other financial instruments and property investments	102,251	103,601	5,730	2	-	211,584
- Interest income	32,316	74,208	167	-	-	106,691
- Other income	28,296	9,210	2,229	2	-	39,737
- Profits realised	41,639	20,183	3,334	-	-	65,156
- Valuation gains	-	-	-	-	-	-
Other revenues	75,306	10,512	893	16,779	-6,782	96,708
Total revenues	**1,712,653**	**378,044**	**6,740**	**16,781**	**-6,782**	**2,107,436**
Net charges relating to claims	-1,226,408	-286,341	-	-	-	-1,512,749
Commission expenses	-	-35	-	-	-	-35
Charges from subsid., ass. and jt. ven	-10,479	-161	-2,839	-	-	-13,479
Charges from other financial instruments and property investments	-188,926	-27,781	-8,274	-7	-	-224,988
- Interest expense	-2,832	-2,880	-1,330	-	-	-7,042
- Other expenses	-5,967	-488	-3,637	-7		-10,099
- Losses realised	-17,231	-12,107	-3	-	-	-29,341
- Valuation losses	-162,896	-12,306	-3,304	-	-	-178,506
Management expenses	-325,054	-13,726	-	-	-	-338,780
- Commissions and other acquisition	-269,290	-8,420	-	-	-	-277,710
- Investment management charges	-723	-644	-	-	-	-1,367
- Other administration expenses	-55,041	-4,662	-	-	-	-59,703
Other costs	-187,739	-20,195	-1,925	-16,386	6,782	-219,463
Total costs	**-1,938,606**	**-348,239**	**-13,038**	**-16,393**	**6,782**	**-2,309,494**
Profit/(loss) before taxes 1H 2010	**-225,953**	**29,805**	**-6,298**	**388**	**-**	**-202,058**
Profit before taxes 1H 2009 (IFRS 5)	**49,914**	**26,049**	**4,044**	**49**	**-6,268**	**73,788**

Non-Life Insurance Sector

Premiums written

In relation to direct business, which comprises almost the entire portfolio, premiums written in the first half year amounted to Euro 1,601.9 million (-1.6% on H1 2009), of which Euro 1,116.3 million relating to the motor classes (-2.4%) and Euro 485.6 million concerning the non-motor classes, substantially in line with H1 2009 (+0.4%).

Premiums in the **Motor TPL** class were affected by the actions undertaken to recover profitability in a sector with an established technical deterioration and particularly due to the cancellation of multi-claim contracts and an underwriting policy, which through the new tariff launched at the end of 2009 ensures the application of correct technical parameters, limiting the use of discounts.

The level of premiums was also affected by a still hostile economic environment and in particular the lack of new vehicle registrations, due in part to the discontinuation of government incentives (in June 2010 a decrease of 19% on June 2009).

The effects of the recently introduced regulations to the sector continued to be felt, with the attribution of the bonus-malus class at family level and also the application of malus only in the case of principal responsibility.

The current economic crisis is the principal reason for the reduction in premiums in the **Land Vehicle Classes** as it is increasingly difficult to include accessory guarantees in motor contracts. The sales policies of the motor manufacturers have also impacted with the inclusion in the vehicle sales price of insurance packages with fire, theft and assistance guarantees, in addition to the winding-down of the multi-claim portfolio begun in the previous year and continued in the half-year.

In the **other non-life classes**, premium stability has been established through an underwriting policy which prioritises portfolio profitability, the application of correct technical parameters and the focusing of commercial initiatives particularly toward the retail sector which generally produces better technical margins.

The breakdown of the gross premiums written of the direct business is as follows:

(in Euro thousands)	30/06/2010	30/06/2009 IFRS 5	Change %	30/06/2009 published
Accident & health	126,743	133,517	-5.1	136,075
Marine, aviation and transport	22,229	25,631	-13.3	25,631
Fire and other property damage	169,118	161,826	+4.5	161,826
General TPL	116,741	111,472	+4.7	111,472
Credit & Bonds	24,203	25,744	-6.0	25,744
General pecuniary losses	5,582	5,438	+2.7	5,438
Legal expenses	4,870	4,912	-0.9	4,912
Assistance	16,106	15,092	+6.7	15,092
Total Division – Non Motor	**485,592**	**483,632**	**+0.4**	**486,190**
Land Motor TPL	962,888	986,269	-2.4	986,269
Land vehicles	153,435	157,738	-2.7	157,738
Total Division – Motor	**1,116,323**	**1,144,007**	**-2.4**	**1,144,007**
TOTAL	**1,601,915**	**1,627,639**	**-1.6**	**1,630,197**

Claims reported and paid

In the half-year, 443,654 claims were made (-0.9%), of which 292,194 relating to the motor classes (-2.1%) and 151,460 relating to the other non life classes (+1.6%). The amounts paid for claims, including the direct and settlement expenses, amounted to Euro 1,318.1 million, compared to Euro 1,235.4 million in H1 2009.
The following table shows the breakdown by class and compared with the first half of 2009 at like-for-like consolidation scope.

	Claims reported (Number)			Claims paid (in Euro thousands)		
	30/06/2010	30/06/2009 IFRS 5	Cge. %	30/06/2010	30/06/2009 IFRS 5	Cge. %
Accident & health	45,436	44,277	+2.6	73,656	73,065	+0.8
Marine, aviation and transport	312	306	+2.0	4,708	2,681	+75.6
Fire and other property damage	49,205	49,202	0.0	103,711	111,289	-6.8
General TPL	25,220	25,840	-2.4	82,770	83,677	-1.1
Credit & Bonds	369	289	+27.7	12,435	9,184	+35.4
General pecuniary losses	1,107	1,277	-13.3	3,773	4,097	-7.9
Legal expenses	448	483	-7.2	513	458	+12.0
Assistance	29,363	27,397	+7.2	4,081	6,542	-37.6
Total Division – Non Motor	**151,460**	**149,071**	**+1.6**	**285,647**	**290,993**	**-1.8**
Land Motor TPL	220,854	226,847	-2.6	939,219	853,409	+10.1
Land vehicles	71,340	71,733	-0.5	93,184	91,024	+2.4
Total Division – Motor	**292,194**	**298,580**	**-2.1**	**1,032,403**	**944,433**	**+9.3**
TOTAL	**443,654**	**447,651**	**-0.9**	**1,318,050**	**1,235,426**	**+6.7**

Technical performance

In the first half of 2010 the combined ratio, net of reinsurance and charges deriving from the amortisation of the commissions on long-term contracts, amounted to 105.3% against 108.9% for FY 2009 and 105.8% for Q1 2010. Although remaining in negative territory, the figure has begun to benefit from the actions undertaken to recover profitability.

The Motor TPL Class recorded a particularly poor performance due to the contracts issued in previous years, particularly in certain regions of Centre-South Italy, with a higher percentage of claims reporting physical injury and where the risk of fraud to the company is greatest.
Current generation contracts however improved significantly, with an increase in the average policy premium and a decrease in the frequency. The effects of the actions undertaken, in relation to the increase of the average premium and the reduction in the frequency, will continue to consolidate in the rest of the year following the gradual introduction of the new tariff, the discontinuation of the multi-claim portfolio and of the actions undertaken in relation to agencies with particularly poor performances.

With regard to claims costs, the greater utilisation of the new Physical Injury compensation tables, originally adopted by the Milan Court, will result in an increase in the average claims paid and require a particularly prudent reservation policy.

The Land Vehicle Class recorded lower volumes than H1 2009 but recovered on the previous period, which reported a particularly negative performance by some accessory guarantees such as vandalism and windshield guarantees, affecting the overall profit margin. Profit levels were assisted by the new guarantee sales methods which offset the claims recorded in relation to certain types of coverage and the adoption of specific compensation forms, particularly in relation to windshield guarantees.

In relation to the other Non-Life Classes, mixed performances were seen due in part to the difficult economic context which persists. The positive results in the Injury, Fire, Legal Protection and Assistance classes were negated by the still negative performance in the General TPL Class, particularly in relation to the corporate portfolio.
In this environment the performance monitoring activities were stepped up, with specific initiatives in the more sensitive business sectors (principally the health area) and in relation to agencies with unsatisfactory performances.

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In relation to the telephone and internet channels, the premiums written in H1 2010 by **Dialogo Assicurazioni S.p.A.** (controlled by Milano Assicurazioni for 99.85%) amounted to Euro 16.1 million, an increase of 14% on Euro 14.1 million in the first half of 2009.
As established in the industrial plan, at the beginning of the year a new advertising campaign was launched, with reduced costs than those previously incurred (Euro 2.4 million compared to Euro 3.5 million in H1 2009), entirely expensed to the income statement.
The Motor TPL Class which comprises the majority of the portfolio recorded an unfavourable technical performance principally due to the higher amount of physical injury claims and the increase in the average cost, also due to the application of the new compensation tables by the courts. The company's contribution to the consolidated result was a loss of Euro 7.3 million (loss of Euro 6 million in the first half of 2009)
In relation to the standardised products distributed by partner banks, **Systema Compagnia di Assicurazioni S.p.A.** (wholly owned by Milano Assicurazioni) recorded premiums in the first half of the year of Euro 10.3 million, an increase of 38.7% on the same period in the previous year.
The overall technical performance was positive, following an improvement in the claims to premiums ratio in the current period and a favourable performance of claims already recorded to the reserve.

The company recorded a profit as per IAS/IFRS accounting standards of Euro 0.8 million, against a loss of Euro 0.4 million in H1 2009.

New products launched on the market

In March, the **Difesa Più Casa One** (home protection) policy was launched. This new multi guarantee product for the home broadens the Difesa Più line of products. Due to its modularity, flexibility and the increased level of guarantees, it provides strong protection and develops the household portfolio - one of the largest Retail sectors. The launch of the new product was supported by initiatives such as the sale of accessory guarantees at subsidised tariffs.

The new policy **Difesa Più Alla Guida** (motor policy) was also launched, a product which insures the driver and passengers for injuries resulting from traffic accidents.

In the half year initiatives for the development of the Retail portfolio were also introduced, with the issue of attachments or specific appendices. The attachments to the Injuries and Household policies are particularly mentioned, which allow for additional capital in the case of a claim and the incentives related to the “Sanicard Ricovero”, incorporated in an appendix which excludes the 7 day threshold for convalescence indemnity.

Reinsurance

The premiums ceded to reinsurers amounted to Euro 66 million compared to Euro 93.6 million in the same period of the previous year. The reduction is principally due to the modification of the Motor TPL claim excess with the group company The Lawrence Re and in particular the rising of the priority from Euro 1 million to Euro 2.5 million.

The reinsurance structure of the non-life division is based on proportional cover and non-proportional coverage in claim excess.
Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.
For the Bond, Transport and Aviation classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.
The net retention of the Technology Risks is protected following an event which occurred jointly with the fire and land vehicle classes; the protection for individual risk is only utilised for some specific guarantees.
The non-proportional programmes are also utilised to protect the Fire, Motor TPL, General TPL, Theft and Injury classes.

The reinsurance contracts are with the Irish company The Lawrence Re, indirectly controlled 100% by Fondiaria-Sai, which subsequently transfers the risks underwritten in reinsurance, utilising primary international operators with an adequate rating, in line with ISVAP circular 574/D.
The only exceptions are Aviation coverage, directly placed on the reinsurance market, the Assistance class and the Transport class: for the Assistance class, the protection is guaranteed by Pronto Assistance, while for the Transport classes, in line with the concentration programme of the underwriting with SIAT (the specialised company of the Fondiaria-SAI group), the company continues to reinsure the entire portfolio with SIAT, utilising a proportional coverage.

Life Insurance Sector

Sale by Milano Assicurazioni of the holding in Bipiemme Vita

Having received the relevant authorisations, on June 17 Milano Assicurazioni transferred to Banco Popolare di Milano the entire holding in Bipiemme Vita S.p.A. comprising 51% of the share capital for a consideration of Euro 122.1 million, deducting – as agreed – the dividend paid in the intervening period by Milano Assicurazioni of Euro 8.67 million. The sale had a minor impact on the period income statement: the charge of Euro 0.7 million was recorded, in accordance with IFRS 5, in the specific income statement account *Profits/Losses of discontinued operations.*

The agreement also provides for an earn-out linked to the achievement of thresholds in favour of Milano Assicurazioni in the case in which Banca Popolare di Milano sells the majority shareholding in BIPIEMME VITA S.p.A. to third parties within 12 months, as well as the maintaining by BPM of the current financial management services provided to the Fondiaria-SAI Group.

Currently, and based on the information available, it is not possible to estimate the effect of the above-stated earn-out clause.

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The direct premiums written in the first half of 2010 amounted to Euro 266.7 million, an increase of 16.5% on H1 2009 at like-for-like consolidation scope and therefore excluding Bipiemme Vita. The increase in premiums is due to the strong uptake recorded by the agency networks of traditional policies with high insurance content and managed securitisation policies centrally.

The table below shows the breakdown by class and the percentage change:

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Change %**	**30/06/2009**
I - Insurance on human life expectancy	207,206	186,363	+11.2	465,668
III – Insurance to which points I and II are connected to investment funds	83	4,289	-98.1	4,289
IV - Health insurance	28	28	-	46
V – Securitisation operations	59,344	38,121	+55.7	50,521
TOTAL	**266,661**	**228,801**	**+16.6**	**520,524**

The strong **Class I** increase follows the fact that the contracts, characterised by minimum guaranteed yields consolidated annually, are well taken up by clients in periods - such as the current one - in which the financial markets are particularly volatile. The growth was seen across nearly all of the product range, both for the medium-high single premium products and for the smaller annual or recurring premiums.

The **securitisation** class saw fresh interest from institutional investors and corporate clients in insurance products as instruments of effective treasury management. The increase in premiums principally relates to larger contracts, managed centrally and agreed at conditions which guarantee sufficient profit levels.

In relation to the distribution channels, the contribution of the agency networks was satisfactory (approx. 74% of total premiums amounting to Euro 198.1 million, +14.8% on H1 2009). The new business from the agency networks recorded a strong contribution from annual and recurring premium products, which engender greater client loyalty and foster the long-term growth of the portfolio.

Financial type contracts amounting to Euro 3.6 million were issued in the half-year. In accordance with IFRS 4, these contracts were recorded under the deposit accounting method, which provides for recognition in the income statement, under the account commission income, of only the profit margins.

On an indicative basis, the new premiums written, determined according to the provisions of the Supervision Authority and compared on like-for-like terms with the data relating to 1H 2009, are shown below:

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Change %**
Class I	118,284	96,426	+ 22.7
Class III	104	4,287	- 97.6
Class V	41,199	18,834	+ 118.7
Class VI	159	-	n.s.
TOTAL	**159,746**	**119,547**	**+ 33.6**

New premiums written in terms of equivalent annual premiums (Annual Premium Equivalent, APE), obtained taking into account the sum of the new business annual premiums and 10% of the single premiums, is shown in the table below:

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Change %**
Class I	21,220	15,724	+ 35.0
Class III	12	506	- 97.6
Class V	4,120	1,892	+ 117.8
Class VI	125	-	n.s.
TOTAL	**25,477**	**18,122**	**+ 40.6**

Technical performance

The life sector recorded a pre-tax profit of Euro 29.8 million, growth on the first half of 2009 (profit of Euro 26 million) despite an impairment of financial instruments of Euro 12.3 million, gross of the portion borne by policyholders. The new policy portfolio continued to offer adequate technical margins and features a large portion of traditional type products with higher remuneration and an ability to satisfy the entire client base through the quality level and extensive range of products offered.

Individual Insurance

In the first half of 2010, individual policies have almost in their entirety consisted of Separated Management products, featuring clauses which guarantee the repayment of capital and a minimum return, which are particularly popular with clients in times of uncertain economic conditions. Single premium products, which strengthens the capital on maturity segment, and recurring premium products, which have seen a significant increase in new business were launched, in addition to constant annual premium products which saw very positive results by the products dedicated to young persons OPEN BRAVO and OPEN ASSICURATO, a Mixed Policy product made available to clients in the last quarter of 2009.

The new business relating to the complementary pension segment, implemented through the Individual Pension Plans, recorded a significant increase on the same period of the previous year.

The term life policy DEDICATA, which differentiates policyholders according to their smoking habits, also recorded a good performance.

In the half-year:

- the new OPEN GOLD product was launched, a recurring premium without proportional loading on entry, which has been particularly successful with the distribution networks;
- the restyling took place of the OPEN FREE product - which following the changes now appeals to a wider client base - and of OPEN RISPARMIO with a substantial decrease in the loading;
- the UNIT INVESTIMENTO and UNIT RISPARMIO Unit-Linked products were reviewed following the introduction of the new CONSOB regulations.

Collective insurance and Pension Funds

Despite the difficult economic situation and in particular the high unemployment levels, following prudent management the corporate life segment increased revenues on H1 2009 from “pre-existing” pension funds with insurance management for employees. The increase is due both to restructuring of the portfolio - in order to improve the demographics of the annuity tariffs - and the acquisition of new clients.

The Open Pension Fund created by the Company has been affected by the general economic situation and attracted a contained amount of new subscribers and substantial stability in the contribution from existing subscribers.

The employee leaving indemnity based products (TFR and TFM) recorded a decrease in premiums. In addition to the economic crisis the regulations in place also impacted. The reduction in premiums from these products, which are mainly placed in the latter part of the year, was in part offset by the recently created securitisation tariffs.

Renewed interest has been seen in securitisation products utilised as an investment liquidity and treasury management instrument. The range was extended with three new products directed at specific requirements.

The needs of collective insurance contracts continue to be addressed, adjusting coverage according to the changing regulatory environment and creating tailor made solutions for subscribers to the Pension Funds in order to attract new customers.

The difficult economic climate and in particular the crisis in the real estate sector has affected the sale of products relating to loan guarantees.

Reinsurance

Premiums ceded amounted to Euro 6.3 million and represent 2.4% of gross premiums (Euro 7.4 million in H1 2009 at like-for-like terms and therefore excluding Bipiemme Vita). The reinsurance structure is unchanged compared to the previous year, with a proportional coverage in excess and a catastrophic coverage in claims excess provided by the group company The Lawrence Re.

Real Estate Sector

The real estate sector includes the results of the subsidiary property companies of Milano Assicurazioni (Immobiliare Milano Assicurazioni S.r.l., Sintesi Seconda S.r.l., Campo Carlo Magno S.r.l., Fondo Immobiliare Athens).

The pre-tax result for the first half year was a loss of Euro 6.3 million (profit of Euro 4 million in H1 2009). The result was affected by:

- the loss of Immobiliare Milano S.r.l. (Euro 4.7 million) in large part due to charges relating to the Citylife project, not yet offset by profits on sales of real estate assets, which will be seen in a more advanced phase of the project;
- the loss of Athens Real Estate Fund (Euro 1.6 million) in part due to the damage caused to the complex at Taormina Cape, which however will be covered by the existing insurance policies.

In comparing the data, it is noted that the 2009 result benefited from real estate income of the companies Meridiano Eur and Meridiano Orizzonti which, following the merger with Milano Assicurazioni, were included in the non-life sector.

Renewal agreement of the shareholders' pact concerning the holding in IGLI S.p.A.

On June 12, 2010 a renewal and modification agreement was signed with regard to the shareholder pact concerning the holding in IGLI S.p.A. between the shareholders Argo Finanziaria S.p.A., Autostrade per l'Italia S.p.A., Immobiliare FONDIARIA-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l.

Following the spin-off of Immobiliare Lombarda, Immobiliare Fondiaria-Sai and Immobiliare Milano Assicurazioni (a company entirely held by Milano Assicurazioni), each hold 16.66% of the share capital of IGLI, therefore a total of 33.33%, equal to the holding of the other two shareholders.

The new agreement substantially confirms the governance regulations already in place both for IGLI and for Impregilo, introducing only the following modifications:

- the extension of the duration of IGLI until July 31, 2012 and the alignment of the Pact duration with this date;
- introduction of the following among the matters for which it is required that the Board of Directors of Impregilo may only approve with unanimous support of the IGLI Directors:
    a. purchase or sale (or transfer) of Impregilo holdings in so-called strategic subsidiaries (i.e. currently Fisia Italimpianti S.p.A., Impregilo International Infrastructures NV, Primav Ecorodovias S.a. and Impregilo Edilizia e Servizi S.p.A.);
    b. the exercise of the right to vote in the extraordinary shareholders' meetings of these strategic subsidiaries.

  Previously, in both cases, the support of only two shareholders was necessary;

- the introduction, on the expiry of the Pact and in the case of the non renewal, of the proportional spin-off of IGLI where previously the sale of the Impregilo shares held by IGLI to the shareholders was provided for - a sale which now will only occur in the case for whatever reason the spin-off does not take place.

On July 5, 2010 the Antitrust Authority announced that this agreement does not constitute a concentration as defined by article 5 c.1 of Law 287/90.

Other activities

The diversified activities sector includes the companies SOGEINT and PRONTO ASSISTANCE SERVIZI

SOGEINT (wholly owned by Milano Assicurazioni) provides commercial assistance to the agencies. At June 30, 2010, the company had 68 employees and 56 agencies. The company recorded a profit of Euro 0.2 million in the half-year.

PRONTO ASSISTANCE SERVIZI (Milano Assicurazioni holding of 54.51%) provides guarantees in the assistance class present in the insurance contracts marketed by the group companies.

Asset and financial management

The various geographic regions saw sharply differing economic performances in the first half of 2010.

The Emerging Countries were the first to exit the recession, aided by a significant recovery in economic activity while in the US the expansive public spending policies continued to support the economy (with large question marks over the future of some sectors once the public support is discontinued); in Europe however the fears surrounding the sustainability of the public deficits in some countries heightened. A co-ordinated plan was drawn up between the countries of the EU, the International Monetary Fund and the European Commission to create a protective “shield” of a maximum theoretical amount of approx. Euro 750 billion which may be utilised by states who have adopted wide-ranging austerity measures and face difficulties on the international capital markets.

In order to calm market fears concerning sovereign debt restrictive fiscal policies have been introduced in the countries experiencing greatest difficulties (Greece, Spain, Portugal) while in other countries the policies being pursued are no longer of an expansive nature (Italy and Germany in particular). In this context, it is expected that the ECB will maintain lower rates than initially envisaged, coordinating a much softer Exit Strategy than expected a few months ago.

The European Corporate bonds market - although not severely hit - did not record a strong performance. The offer has not been strong, with increased competition in terms of returns offered discouraging potential issuers not obliged at all costs to turn to the primary market.

Currency markets have been affected by the gradual but inevitable depreciation in the value of the Euro, following the weakness of public accounts in many Euro Zone countries and even fears relating to the sustainability of the European political/monetary Union.
The depreciation of the Euro, although testifying to the economic problems within the zone, on the other hand has favoured exports, however in a period in which inflationary pressures did not affect imported goods (the price of commodities has substantially stabilised).

The volatile stock market movements in the first half of the year do not reflect the performances of businesses in general which from the second quarter of 2009 have implemented restructuring and realignment processes toward achieving “mid-cycle” profits. European industrial companies have benefited from the need for restocking, from a weakening Euro and by the stabilisation of investments. The financial companies with greater access to credit, with the stabilisation of loan defaults, have increased the focus on deleveraging.
The poor performance in the half-year in which the Italian market lost nearly 17% (FtseMib40) is also evident in the public accounts of the Individual States.
Investors have in fact focused on the spiralling of State deficits related to the salvaging of financial institutions and the Keynesian policies implemented by individual governments. The fear that restrictive fiscal policies will be implemented to strengthen public accounts has resulted in the lowering of sales and profit estimates from the beginning of the year. The sectors greatest affected by this movement are the more cyclical sectors such as Construction

and Cement and Oil, which have been affected also by the BP crisis, as well as Utilities and Banking sectors with the so-called peripheral European countries penalised to a greater degree.
Geographical allocation is a leading factor in the sector choices. This is illustrated in considering that Germany recorded a practically unchanged result with Spain decreasing by 22.5% and Greece by 35%.

Bond sector operations

In the Non-Life sector the first half of 2010 featured intense activity in government bonds and a reduction of approximately 2% in corporate bonds in portfolio.
High spread differentials in the countries of the Euro Zone, between the peripheral and "core" countries, has enabled significant trading activity, benefiting particularly from the new bond issues at 3/5 years.
The decision was taken to remove the exposure to Greece and Portugal and in the second quarter of the year to reduce the exposure to Spain below 2%. An exposure level to Germany and France was maintained at approx. 10% while Italian bonds increased to approx. 85% of the total value of the portfolios.
In this environment of still expansive monetary policy, the CCT component was reduced to approx. 5%.

In the Life sector, the activities focused on maintaining the profit equilibrium of the sector, while taking advantage of the opportunity to manage the portfolios in a more dynamic manner.
Considering the expected interest rate movements, investments focussed on medium-term bonds in the first part of the half year, marginally increasing the portfolio durations, to achieve strong returns and at the same time appropriate risk parameters according to the market.
A refocusing of the portfolio was also carried out in particular to take advantage of the misalignments due to the difficulties of the various sovereign issuers in the Euro Zone and in the second quarter the exposure in terms of duration was partly reduced in order to create greater operational flexibility.
Overall the Government bond sector increased, while gains were also recorded in the Corporate sector which performed strongly.
The management of the portfolio consistently considered the Asset Liability Management profiles, seeking to maximise the investment objectives with strong returns and in line with the policy profiles.

The Non-Life Portfolio is comprised of fixed interest securities for 64.4% and variable interest bonds for 30.5%, while the residual 5.1% is comprised of money market instruments. The total duration of the portfolio is 2.15 years and the return is 2.03%.
The Life Portfolio has an asset allocation based primarily on fixed rates (84.7%). The duration is 5.36 years and the return is 4.50%.

Equity sector operations

At the beginning of the period a more defensive strategy was implemented in consideration of non prudent corporate revenue and profit forecasts at the beginning of the year. Once the market had incorporated the realisation of a less favourable economic environment into prices, trading positions were adopted which focussed attention on the fundamentals of the individual companies and in particular on the sustainability of dividends.
Strategic securities were increased with acquisitions on the market of approx. Euro 47.5 million.

* * *

The investments at June 30 amounted to Euro 9,683.9 million, compared to Euro 9,755.3 million at December 31, 2009 (-0.7%). The table below illustrates the breakdown:

(in Euro thousands)	**30/06/2010**	**Comp.%**	**31/12/2009**	**Comp.%**	**Change**
INVESTMENTS					
Investment property	1,062,070	11.0	1,078,543	11.0	-16,473
Investments in subsidiaries, associates and joint ventures	214,707	2.2	189,331	1.9	25,376
Investments held to maturity	118,219	1.2	114,924	1.2	3,295
Loans and receivables	460,342	4.8	510,588	5.2	-50,246
Financial assets available-for-sale	7,180,234	74.1	7,206,593	73.9	-26,359
Financial assets at fair value through the profit or loss account	335,666	3.5	343,916	3.5	-8,250
Total investments	**9,371,238**	**96.8**	**9,443,895**	**96.8**	**-72,657**
Buildings and other fixed assets	64,637	0.7	64,369	0.7	268
Cash and cash equivalents	248,051	2.6	247,015	2.5	1,036
Total	**9,683,926**	**100.00**	**9,755,279**	**100.00**	**-71,353**

Investment property

The account includes the buildings for rental or held for their capital appreciation. This also includes the down-payments in relation to real estate operations regarding the areas in Milan, Via Confalonieri, Via de Castillia (Euro 43 million) and in Rome Via Fiorentini (Euro 103.5 million).

The buildings held by Immobiliare Milano Assicurazioni are also included for Euro 273.4 million which were previously recorded as inventory under *Property, plant and equipment* in the *Buildings* account. The current classification appears more suitable given the real estate management policies, focused on a greater stability in assets over time in comparison to the focus of Immobiliare Lombarda, from which these properties originate. The data at December 31, 2009 was reclassified for comparability purposes.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures essentially include:

- the holding of 35.83% in **Immobiliare Lombarda** with a book value of Euro 8.4 million;
- a holding of 27.2% in **Citylife S.r.l.,** with a book value of Euro 70.8 million. As previously noted, the company was awarded the international tender by the Fiera Milano Foundation for the improvement of the historical area of ex-Fiera, with a project designed by the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora. The investment is for approx. Euro 2.1 billion with a total value of production equal to Euro 3.3 billion.
  In the half year, Immobiliare Milano Assicurazioni s.r.l. paid Citylife Euro 12.3 million in the form of a share capital increase. Following the non-payment by the shareholder Lamaro Appalti, the Group holding increased from 26.66% to 27.20%. Lamaro Appalti then sold its holding in Citylife to Generali Properties S.p.A. and Allianz S.p.A., following the revocation by the Fondiaria-Sai Group of the pre-emption right.
  On June 29 the associated company signed with the bank syndicate a restructuring of the loan contracts which will allow greater flexibility in the use of the credit lines to cover the project costs.
  The works on the residential lots Hadid and Libeskind have respectively reached 23% and 6% of the total works. In terms of sales, the residential units involved in the pre-sale of the above-mentioned lots were respectively 20% and 5% of the total.
  The completion of the construction and the commercialisation phase is expected for 2015;
- a holding of 16.67% in **IGLI S.p.A.**, with a book value of Euro 28.4 million, which holds in turn as its only asset approx. 29.96% of the company Impregilo.

As previously reported, on June 12 Argo Finanziaria, Autostrade per l'Italia, Immobiliare Fondiaria S.r.l. and Immobiliare Milano Assicurazioni S.r.l. signed a renewal and modification agreement of the shareholder pact which includes all those with a holding in IGLI, previously in place and with expiry on June 12. The new agreement substantially confirms the governance rules already in place;

- a holding of 44.93% in **Borsetto S.r.l.**, with a book value of Euro 3.5 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress;
- the holding of 50% in **Valore Immobiliare S.r.l.,** with a book value of Euro 8.1 million. The company, incorporated at the end of 2008 as part of a real estate operation with the companies of the Generali group, owns three buildings in Milan (Piazza Firenze n. 6 - Via Caracciolo n. 16 and Via Cagliero n. 3) and in Rozzano (MI), Via Montepenice n. 6-8-10;
- the holding of 49% in **Atahotels**, acquired in 2009 and with a current book value of Euro 11.1 million;
- the holding of 34.65% in the consortium company **Fondiaria-Sai Servizi Group**, with a book value of Euro 12.8 million, which handles the IT and logistical services of the companies of the Fondiaria-Sai Group;
- the holding of 32% in **Garibaldi S.C.A.** with a book value of Euro 44.2 million. The company is involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale Don Sturzo, via Melchiorre Gioia and the local railway station. The project will undertake the development of approx. 95 thousand sq. m. of building surface, of which approx. 50 thousand sq. m. for office use, approx. 10 thousand sq. m. for commercial use, approx. 15 thousand sq. m. for residential use and 20 thousand sq. m. for exhibition use.
  The holding decreased from 48% at December 31, 2009 to the current 32% following the changing in legal status from a S.C.S. (*a limited company*) to a S.C.A. (*a share-based company*) of the associated company and the consequent share capital increase not subscribed by Milano Assicurazioni. The change did not however have any effects on the financial commitments of Milano Assicurazioni towards the associated company nor on the repayment method and the remuneration of the sums paid;
- the holding of 29.56% in **Isola S.C.A.** with a book value of Euro 12.6 million. The company, through its subsidiaries, owns the area in which the real estate project "Porta Nuova Isola" will be completed. The project is being promoted and managed by the US Group Hines which plans, by 2013 the construction of approx. 30 thousand sq.m. of buildings, of which approx. 22 thousand sq.m. for residential use. Also in this case, the reduction in the holding on December 31, 2009 (43%) is due to the changing in the legal form of the associated company which occurred in a similar manner to that described for Garibaldi S.C.A. and which does not alter the financial commitments and the repayment methods and remuneration.

Investments held to maturity

The account exclusively includes securities related to policies with fixed returns or covered by contractual commitments realised through specific assets.

Loans and receivables

The reduction on December 31, 2009 is essentially due to time deposit operations not in place at June 30. The amount at the end of the period includes:

- debt securities of Euro 351.8 million. These principally refer to corporate bonds with subordination clauses, with carrying values below the repayment value and a high yield. The classification in this category is due to the technical characteristics of the securities, the desire to maintain them in portfolio until maturity and the high levels of volatility which continue to affect the markets and which do not always guarantee prices in line with the underlying fundamentals of the issuing companies;
- loans on life policies of Euro 27.2 million;
- receivables from agents for end of mandate indemnities (Euro 57.8 million);
- deposits with reinsuring companies of Euro 2.6 million;
- other loans and receivables for Euro 20.9 million.

Financial assets available-for-sale

The financial assets available-for-sale include debt and capital securities not otherwise classified and represents the largest category of the financial instruments, in line with the characteristics and purposes of the insurance activity. The breakdown of the account is as follows.

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Financial assets available-for-sale	**7,180,234**	**7,206,593**	**-26,359**
Equity securities and investment funds	1,215,975	1,302,351	-86,376
Debt securities	5,964,259	5,904,235	60,024
Other financial investments	-	7	-7

The listed financial instruments recorded in this category are valued at the market value at the last day of trading in the half year or, in the absence of a listing on an active market, through alternative valuation models based on parameters generally utilised by operators. The difference compared to the average weighted cost is recorded in a net equity reserve, except on the recording of impairment losses.

At June 30, 2010, the net equity reserve, which includes the fair value adjustments of the securities recorded in this category, where the losses are not permanent losses in value, was negative for Euro 149.7 million, net of the shadow accounting and fiscal effect.
However at the end of July, the partial recovery of the market prices of shares and bonds in portfolio led to the reduction in the unrealised losses on securities classified as available-for-sale of approx. Euro 70 million, net of taxes and the life policyholders share and consequently an increase of a similar amount in the group net equity.

The impairment in the half year on securities recorded in this category was Euro 167.6 million (Euro 30.6 million at June 30, 2009), of which Euro 152 million relating to the holding of Milano Assicurazioni in the parent company Fondiaria-Sai, whose stock market value at June 30 was Euro 7.73.

Financial assets at fair value through the profit or loss account

These principally consist of hedging investments on contracts in which the financial risk is borne by the policyholders. Structured bonds with significant derivative components are also included.

The listed financial instruments recorded in this category are valued at market value at the last day of trading in the half-year, with allocation of the difference to the carrying value to the income statement.

The breakdown of the account is as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Financial assets at fair value recorded through profit or loss	**335,666**	**343,916**	**-8,250**
Equity securities and investment funds	60,439	58,350	2,089
Debt securities	273,183	282,427	-9,244
Other financial investments	2,044	3,139	-1,095

Investment income

The key results of the financial and real estate activities are shown below:

(in Euro thousands)	30/06/2010	30/06/2009 IFRS 5	Cge.	30/06/2009 published
Net income from financial instruments recorded at fair value through profit or loss	1,499	39,222	-37,723	40,038
Income from investments in subsidiaries, associates and joint ventures	271	283	-12	283
Income from other financial instruments and property investments of which:	211,584	209,615	1,969	252,716
Interest income	106,691	133,613	-26,922	165,747
Other income	39,737	43,095	-3,358	47,884
Profits realised	65,156	32,907	32,249	39,085
Valuation gains	-	-	-	-
Total income	**213,354**	**249,120**	**-35,766**	**293,037**
Charges from investments in subsidiaries, associates and joint ventures	-13,479	-6,903	-6,576	-6,903
Charges from other financial instruments and property investments of which:	-224,988	-73,880	-151,108	-77,197
Interest expense	-7,042	-6,949	-93	-7,269
Other charges	-10,099	-5,715	-4,384	-5,877
Losses realised	-29,341	-24,748	-4,593	-27,583
Valuation losses	-178,506	-36,468	-142,038	-36,468
Total interest expense and charges	**-238,467**	**-80,783**	**-157,684**	**-84,100**
TOTAL NET INCOME	**-25,113**	**168,337**	**-193,450**	**208,937**

Net income from financial instruments recorded at fair value through profit or loss amount to Euro 1.5 million and was affected by the adjustments based on the stock market values at June 30. The comparison must take account that the H1 2009 total included Euro 23.5 million of profits deriving from the closure of combined put and call options on the Unicredit shares in portfolio.

The reduction in interest income (Euro 106.7 million in H1 2010 compared to Euro 133.6 million in H1 2009) is principally due to the current economic situation and in particular the continuation of the expansive monetary policy by the relevant authorities with a maintenance of low base interest rates in order to foster a recovery, which remains tentative.

The net profits from investment gains realised amount to Euro 35.8 million, principally on bond securities following the opportunities presented by the market which has seen fluctuations based on alternating optimism on the general economic climate and fears of a double dip recession and therefore still highly volatile.

The valuation losses include Euro 10.9 million of depreciation on buildings and property investments and Euro 167.6 million of impairments on securities in the Available-for-sale category, of which Euro 3.2 million relating to further adjustments on securities already subject to an impairment test in the previous year, carried out in accordance with IAS 39 (IG.E.4.9) and Euro 164.4 million relating to securities affected by the continued negative performance of the financial markets leading to a stock market valuation continually below the book value for a period of at least two years.
In line with the impairment policy declared in the 2009 financial statements, the average weighted cost of these securities was therefore aligned with the stock market values at June 30, a policy which is considered particularly punitive and often does not reflect the fundamental values of the entities concerned.

The impairments relate to:
- the holding of Milano Assicurazioni in the parent company Fondiaria-SAI which, considering the stock market value at June 30 of Euro 7.73, had a negative impact on the income statement of Euro 152 million;
- other shares in portfolio for Euro 13.1 million, of which Euro 9.1 million Monte dei Paschi di Siena shares;
- mutual investment funds for the residual Euro 2.5 million.

Charges from investments in subsidiaries, associates and joint ventures principally include the losses recorded by Citylife (Euro 2.8 million) and by Atahotels (Euro 9.1 million).
The Citylife result derives from financial charges relating to the real estate project of the same name under development in Milan, not yet offset by profits on sales of real estate assets, which will be seen in a more advanced phase of the project.
The loss of Atahotels is due to the general difficult economic environment and the crisis in the hotel sector in particular which has been particularly hit by revenues from conferences - an area in which the company is the market leader.
The Summer season usually results in an improvement in numbers, thanks to the amount of hotels located in coastal areas and in particular the Hotel Capotaormina and the Tanka Village in Sardinia. The company is however sharply focused on implementing a range of actions to improve overall operational management and the reduction of costs, which are expected to be completed by the end of the current year. The hotel rental contracts with both companies of the Fondiaria-Sai Group and third parties are currently being reviewed.

SIGNIFICANT EVENTS IN THE PERIOD

Corporate-industrial restructuring of the commercial networks of Milano Assicurazioni

A corporate restructuring project began concerning the subsidiary Liguria Assicurazioni S.p.A. (99.97% held by Milano Assicurazioni) and Liguria Vita (wholly owned subsidiary of Liguria Assicurazioni) and the agency network activities of Milano Assicurazioni relating to multi-mandate agents distributing insurance policies under the SASA and SASA Vita brands.

The strategic and industrial reasons behind the conferment of Liguria to Milano and the merger by incorporation into Milano of Sasa and Sasa Vita were based on the objective to concentrate in Milano all the agency networks of the Group with specific brand and agency characteristics, those present in specific regions and in medium to small urban centres. This is undertaken in order to gain advantages from cost synergies with the maintenance of the individual commercial identities and the autonomous management in order to consolidate the loyalty of the agency networks.

Within the context described above, the opportunity became apparent that the two distribution networks in question, which are less integrated into the overall commercial structure of the Fondiaria-Sai and Milano Groups in which - even before the entry into force of the Bersani Law – a predominance of multi-mandate agents existed, could be separately valued, at a difficult time in the market and experiencing strong competition, from the other networks historically linked to the Group, such as those who operate under a single mandate.

The above reorganisation project provides in particular for the creation of a single insurance entity, legally separate, which regroups the agency networks of the Company and its subsidiaries more focussed on a multi-mandate offer, to be created through the share capital increases of Liguria and Liguria Vita, in accordance with article 2441, paragraph 4 of the civil code, reserved to Milano, with conferment of the business units of Milano which concern the agency networks distributing the brand products respectively of Sasa and Sasa Vita.

The operation focuses on gaining a number of advantages (greater competitivity, simplification of the operational management, optimisation of Group costs) through unitary and coordinated control of the management and commercial organisation and corporate processes of the Milano Assicurazioni agency networks and its subsidiaries more focussed on multi-mandate insurance. Liguria and Liguria Vita will therefore continue to utilise the Sasa and Sasa Vita brands through separate commercial networks.

The creation of a multi-mandate entity under a single commercial and organisational profile, in addition to being significant in terms of size in the domestic market, also allows Milano Assicurazioni and the FONDIARIA-SAI Group to take advantage of any opportunities related to combined entity status, also through external means (merger, sales, etc.). The opportunity to sell the new entity to other operators interested in consolidating their presence in the domestic market or foreign operators who may be interested in entering the Italian market acquiring a significant market share and, particularly, an agency network which represents a unique opportunity due to its size and breadth throughout the country is also in fact under consideration.

The operation will strengthen Liguria and Liguria Vita, who based on the 2009 results, in addition to concentrating their activities into an historically multi-mandate agency network, would have achieved the following preliminary pro-forma results:

- Non-Life premiums written of approx. Euro 700 million;
- Life premiums written of approx. Euro 100 million;
- a network of approximately 750 agents, of which over 600 multi-mandate;
- 75% of agents located principally in the centre-north with a good mix of geographical coverage between cities and small urban centres;
- the creation of the tenth largest Italian insurance company in terms of premiums written, with a significant focus on the Non-Life Classes (approx. 70% Motor and 61% Motor TPL).

As stated, the operation provides for a share capital increase both of Liguria and of Liguria Vita, with exclusion of the rights option in accordance with articles 2440 and 2441, paragraph 4, of the civil code, through the conferment by Milano, respectively, of the Sasa and Sasa Vita Business Units.

In order to determine the amount of the above-stated share capital increases Liguria and Liguria Vita were consulted by the advisor KPMG Corporate Finance, a Division of KPMG Advisory S.p.A.

The Advisor was appointed to establish a range of new Liguria and Liguria Vita shares to be issued for the conferments by Milano of the Sasa and Sasa Vita Business Units. KPMG utilised the most widely accepted valuation methods identified in professional market practice of an analytical and empirical nature. The Advisor had the principal objective of establishing estimates which were comparable and not to establish the exact share capital values of the conferee companies and the Business Units subject to conferment.

The reference date for the estimates prepared by the Advisor was December 31, 2009.

Utilising values within the range presented by KPMG and corresponding to the central values from the application of the principal methods, the two share capital increases already approved by the shareholders' meetings of Liguria and Liguria Vita will be carried out, subject to the authorisation by ISVAP, through the issue of:

- with regard to the conferment to Liguria of the Sasa Business Unit, of 70,941,075 ordinary Liguria shares of a nominal value of Euro 1 each, for a total nominal value of Euro 70,941,075, as well as Euro 61,800,087 share premium reserve and therefore for a total value of Euro 132,741,162;
- with regard to the conferment to Liguria Vita of the Sasa Vita Business Unit, of 2,608,704 ordinary Liguria Vita shares of a nominal value of Euro 5 each, for a total nominal value of Euro 13,043,520, as well as Euro 1,141,935 share premium reserve and therefore for a total value of Euro 14,185,455.

Following the conferment by Milano of the Sasa Vita Business Unit, the share capital of Liguria Vita (currently held 100% by Liguria) will amount to a total of Euro 19,043,520, broken down as follows:

- Milano: 2,608,704 shares of a nominal value of Euro 5 each, for a total of Euro 13,043,520, amounting to approx. 68.49% of the share capital;
- Liguria: 1,200,000 shares of a nominal value of Euro 5 each, for a total of Euro 6,000,000, amounting to approx. 31.51% of the share capital.

The audit company of Liguria and Liguria Vita, Reconta Ernst & Young S.p.A., in accordance with article 2441, paragraph 6 of the civil code, issued a report on the correctness of the issuing share price.

The conferment values of the Sasa and Sasa Vita Business Units, as determined by the Board of Directors of Liguria and Liguria Vita, were subject to a subsequent valuation by an independent expert PricewaterhouseCoopers chosen by the conferring company, in accordance with article 2343-ter of the civil code.

The Boards of Directors of Milano, Liguria and Liguria Vita approved independently the operation, making reference to the results of the work carried out by KPMG.

The shareholders' meetings of Liguria and Liguria Vita, meeting on June 16, approved the respective share capital increases under the terms set out above.

Financial instruments issued by Lehman Brothers

During the half-year bonds issued by Lehman Brothers Holdings Inc. were sold and receivables from Lehman against securities already matured for a nominal value of Euro 10.2 million. The payment of Euro 2.9 million resulted in a net gain of Euro 0.9 million, taking account of the adjustments already made to the book value in previous years. Securities issued by Lehman for a book value of Euro 0.9 million, equal to 20% of the nominal value, remain in portfolio.

Other information

Treasury shares and shares of holding companies

At June 30, 2010, the Parent Company Milano Assicurazioni held treasury shares, shares of the direct parent company Fondiaria-SAI and of the indirect parent company Premafin as shown in the table below:

(in Euro thousands)	**Number**	**Amount**
Treasury shares	6,764,860	31,353
Fondiaria-SAI Group	9,982,557	77,211
Premafin shares	9,157,710	8,084
TOTAL		**116,648**

As already described in detail, the book value of shares of the parent company Fondiaria-Sai was aligned with the stock market value at June 30 of Euro 7.73, recording a total adjustment in value of Euro 152 million. The adjustment was calculated according to the impairment policy of the group, already communicated in the 2009 annual accounts and in particular in application of the standard which recognises a reduction in value following the recording of a market value continuously lower than the average weighted cost for a period of two years, even if the market value and the balance sheet fundamentals of the relative entity do not correlate.

Performance of Milano Assicurazioni shares

At June 30, 2010, the share capital of the parent company Milano Assicurazioni comprised 588,175,656 shares of Euro 0.52 each, of which 557,435,774 ordinary shares and 30,739,882 saving shares.

In the first half of 2010 the stock market prices of the ordinary shares reached a maximum of Euro 2.1789 (25/03/2010) and a minimum of Euro 1.3396 (08/06/2010). The savings share price recorded a maximum of Euro 2.3733 (21/04/2010) and a minimum of Euro 1.4657 (08/06/2010).

The table below illustrates the share price at June 30, 2010 and at December 31, 2009:

(in Euro)	**30/06/2010**	**31/12/2009**	**Change %**
Milano Assicurazioni ord.	1.3859	2.0546	-32.5
Milano Assicurazioni sav.	1.5308	2.2207	-31.1

The stock market capitalisation at June 30, 2009 was Euro 819.6 million (Euro 1,213.6 million at 31/12/2009).

Litigation

At June 30, 2010, there were 41,597 claims open, of which 32,325 related to the Motor TPL class. During the year, 9,332 cases were defined, of which 8,130 relating to the Motor TPL class.

Subsequent events to the end of the half-year

Law No. 122 of 30/7/2010 which converts into law, with amendments, Legislative Decree No. 78 of 31/5/2010 concerns “Urgent measures establishing financial stability and economic competitivity” included in article 111 of the Finance Act paragraph 1-bis, which limits the deductibility of changes in life division obligatory technical reserves according to the percentage of income components exempt or excluded from taxation as a total of revenues or income of the insurance company. The total amount deductable may not be below 95% or above 98.5% of the change in the technical reserves.

The law represents an additional tax charge directly affecting the amount of tax exempt income, such as for example that from investment in shares and stifles the development of Life sector business.

Outlook, risks and uncertainties

The second half year will be characterised by the continuation of the actions identified and already communicated for the recovery of adequate profitability in the non-life insurance sector.

In particular in relation to the motor classes, the continued rolling out of the new tariff introduced at the end of 2009, the current underwriting policy which limits the recourse to discounts and the winding-down of the multi-claim portfolio will enable further improvement in the combined ratio as already seen in the first half of the year.

In the non-motor classes the areas with unsatisfactory claim performances will be the focus of further actions in terms of contract reform and the monitoring of the agencies with particularly poor performances.

In the life classes the products and the distribution methods which supported the positive premium results in the first half-year will be focussed on further.

The asset and financial management policies will remain prudent given the continued high levels of market turbulence.
The continued weakness in the financial markets, with particularly depressed values, may result in a need to carry out further impairments on listed equity securities under the group impairment policy as already carried out in the 2009 annual accounts and in particular under the principle which requires the recording of an adjustment in value in which a market value continuously lower than the average weighted cost for a period of two years is recorded, even if the market value and the balance sheet fundamentals of the relative entity do not correlate.

Financial Statements

Pursuant to IAS 34 (Interim financial reporting) we report the following:

- Balance sheet
- Separate Income Statement
- Comprehensive Income Statement
- Statement of change in shareholders' equity
- Cash flow statement
- Notes to the financial statements which contain, among others, the accounting policies and the valuation criteria adopted.

The balance sheet, income statements, the statement of changes in shareholders' equity and the cash flow statement are prepared according to the format approved by Isvap with Regulation No. 7 of July 13, 2007 and the modifications introduced by Provision No. 2784 of March 8, 2010.
In particular, the comprehensive income statement includes profits and losses which are recorded to net equity as required and permitted by the IAS/IFRS International Accounting Standards; a statement of the other components of the comprehensive income statement are also reported, prepared based on Provision No. 2784.

The notes to the financial statements take account of the information explicitly requested by the above-stated Isvap Regulation and contain additional information which are considered best practice, particularly in relation to some illustrative examples contained in some IAS standards.

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

BALANCE SHEET - ASSETS

		30/06/2010	31/12/2009
1	**INTANGIBLE ASSETS**	**270,386**	**270,401**
1.1	Goodwill	244,131	244,131
1.2	Other intangible assets	26,255	26,270
2	**PROPERTY, PLANT & EQUIPMENT**	**64,637**	**64,369**
2.1	Buildings	58,733	58,650
2.2	Other tangible assets	5,904	5,719
3	**TECHNICAL RESERVES – REINSURANCE AMOUNT**	**476,342**	**479,323**
4	**INVESTMENTS**	**9,371,238**	**9,443,895**
4.1	Investment property	1,062,070	1,078,543
4.2	Investments in subsidiaries, associates and joint ventures	214,707	189,331
4.3	Investments held to maturity	118,219	114,924
4.4	Loans and receivables	460,342	510,588
4.5	Financial assets available-for-sale	7,180,234	7,206,593
4.6	Financial assets at fair value through the profit or loss account	335,666	343,916
5	**OTHER RECEIVABLES**	**898,593**	**1,174,486**
5.1	Receivables from direct insurance operations	572,377	727,018
5.2	Receivables from reinsurance operations	83,230	100,665
5.3	Other receivables	242,986	346,803
6	**OTHER ASSETS**	**294,397**	**4,333,867**
6.1	Non-current assets or of a discontinued group held for sale	5,116	4,102,633
6.2	Deferred acquisition costs	18,748	27,861
6.3	Deferred tax assets	114,706	105,200
6.4	Current tax assets	43,747	41,422
6.5	Other assets	112,080	56,751
7	**CASH AND CASH EQUIVALENTS**	**248,051**	**247,015**
	TOTAL ASSETS	**11,623,644**	**16,013,356**

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

		30/06/2010	31/12/2009
1	**SHAREHOLDERS' EQUITY**	**1,627,477**	**1,987,923**
1.1	**Group**	**1,626,107**	**1,881,921**
1.1.1	Share Capital	305,851	305,851
1.1.2	Other equity instruments		
1.1.3	Capital reserves	718,147	718,147
1.1.4	Retained earnings and other reserves	982,888	1,181,009
1.1.5	(Treasury shares)	-31,353	-31,353
1.1.6	Translation reserve		
1.1.7	Profit or loss on available-for-sale financial assets	-149,677	-148,605
1.1.8	Other losses recorded directly in equity	-4,474	-3,141
1.1.9	Group net loss	-195,275	-139,987
1.2	**minority interest equity**	**1,370**	**106,002**
1.2.1	Minority interest capital and reserves	1,387	104,531
1.2.2	Losses recorded directly in equity		-604
1.2.3	Minority interest profit/(loss)	-17	2,075
2	**PROVISIONS**	**110,163**	**89,801**
3	**TECHNICAL RESERVES**	**8,943,870**	**9,013,937**
4	**FINANCIAL LIABILITIES**	**467,721**	**466,147**
4.1	Financial liabilities at fair value through profit or loss	71,861	68,215
4.2	Other financial liabilities	395,860	397,932
5	**PAYABLES**	**275,286**	**351,370**
5.1	Payables from direct insurance operations	30,272	42,961
5.2	Payables from reinsurance operations	43,752	37,811
5.3	Other payables	201,262	270,598
6	**OTHER LIABILITIES**	**199,127**	**4,104,178**
6.1	Liabilities in a discontinued group held for sale		3,873,999
6.2	Deferred tax liabilities	36,034	56,687
6.3	Current tax liabilities		
6.4	Other liabilities	163,093	173,492
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**11,623,644**	**16,013,356**

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

SEPARATE INCOME STATEMENT

		30/06/2010	30/06/2009 (*)
1.1	Net premiums	1,797,236	1,748,249
1.1.1	*Gross premiums written*	*1,865,211*	*1,844,501*
1.1.2	*Premiums ceded to re-insurers*	*-67,975*	*-96,252*
1.2	Commission income	138	95
1.3	Income and charges from financial instruments at fair value through profit or loss	1,499	39,222
1.4	Income from investments in subsidiaries, associates and joint ventures	271	283
1.5	Income from other financial instruments and property investments	211,584	209,615
1.5.1	*Interest income*	*106,691*	*133,613*
1.5.2	*Other income*	*39,737*	*43,095*
1.5.3	*Profits realised*	*65,156*	*32,907*
1.5.4	*Valuation gains*		*0*
1.6	Other revenues	96,708	85,310
1	**TOTAL REVENUES AND INCOME**	**2,107,436**	**2,082,774**
2.1	Net charges relating to claims	-1,512,749	-1,408,485
2.1.1	*Amounts paid and changes in technical reserves*	*-1,536,443*	*-1,454,663*
2.1.2	*Reinsurers' share*	*23,694*	*46,178*
2.2	Commission expenses	-35	-43
2.3	Charges from investments in subsidiaries, associates and joint ventures	-13,479	-6,903
2.4	Charges from other financial instruments and property investments	-224,988	-73,880
2.4.1	*Interest expense*	*-7,042*	*-6,949*
2.4.2	*Other charges*	*-10,099*	*-5,715*
2.4.3	*Losses realised*	*-29,341*	*-24,748*
2.4.4	*Valuation losses*	*-178,506*	*-36,468*
2.5	Management expenses	-338,780	-326,610
2.5.1	*Commissions and other acquisition expenses*	*-277,710*	*-272,084*
2.5.2	*Investment management charges*	*-1,367*	*-2,122*
2.5.3	*Other administration expenses*	*-59,703*	*-52,404*
2.6	Other costs	-219,463	-193,065
2	**TOTAL COSTS AND CHARGES**	**-2,309,494**	**-2,008,986**
	PROFIT/(LOSS) BEFORE TAXES	**-202,058**	**73,788**
3	Income taxes	3,485	-20,962
	NET PROFIT/(LOSS)	**-198,573**	**52,826**
4	**PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS**	**3,281**	**-3,793**
	CONSOLIDATED PROFIT/(LOSS)	**-195,292**	**49,033**
	group share	**-195,275**	**50,743**
	minority share	**-17**	**-1,710**

(*) Data restated as per IFRS 5

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

COMPREHENSIVE INCOME STATEMENT

	30/06/2010	30/06/2009 (*)
CONSOLIDATED PROFIT/(LOSS)	**-195,292**	**49,033**
Change in reserve for net exchange differences	0	0
Loss on available-for-sale financial assets	-1,115	-15,468
Loss on cash flow hedges	-1,212	-639
Profit or loss on a net foreign investment hedge	0	0
Change in net equity of holdings	0	0
Change in revaluation reserve of intangible assets	0	0
Change in revaluation reserve of tangible fixed assets	0	0
Income/(charges) on non-current assets or of a discontinued group held for sale	1,322	2,905
Acturarial losses and adjustments to employee defined plans	-796	-511
Others items	0	0
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**-1,801**	**-13,713**
Total Comprehensive consolidated income	**-197,093**	**35,320**
group share	**-197,680**	**35,553**
minority share	**587**	**-233**

(*) Data restated as per IFRS 5

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

Details of other comprehensive income statement items

	Allocation		Adjustments of the reclassification to the Income Statement		Other changes		Total changes		Income taxes		Balance	
	30/06/2010	30/06/2009 (*)	30/06/2010	30/06/2009 (*)	30/06/2010	30/06/2009 (*)	30/06/2010	30/06/2009 (*)	30/06/2010	30/06/2009 (*)	30/06/2010	31/12/2009
Translation reserve							-	-				
Loss on available-for-sale financial assets	- 148,408	- 37,459	147,337	21,991	- 44		- 1,115	- 15,468	28,551	- 20,701	- 149,677	- 148,562
Loss on cash flow hedges	- 1,212	- 639					- 1,212	- 639	579	305	- 1,632	- 420
Profit or loss on a net foreign investment hedge							-	-				
Reserve on net equity changes in investments							-	-				
Revaluation reserve of intangible assets							-	-				
Revaluation reserve of tangible assets							-	-				
Income/(charges) on non-current assets or of a discontinued group held for sale	-	2,339		566	1,322		1,322	2,905	- 631	- 1,387		- 1,322
Acturarial losses and adjustments to employee defined plans	- 796	- 511					- 796	- 511	380	244	- 2,842	- 2,046
Others items							-	-				
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**- 150,416**	**- 36,270**	**147,337**	**22,557**	**1,278**	**-**	**- 1,801**	**- 13,713**	**28,879**	**- 21,539**	**- 154,151**	**- 152,350**

(*) Data restated as per IFRS 5

Statement of change in consolidated shareholders' equity for the first half 2010

Relating to the statement of change in shareholders' equity, the attachment to Isvap Regulation No. 7 of July 13, 2007, as modified by ISVAP provision No. 2784 of March 8, 2010, which satisfies the disclosures of IAS 1, is shown below.

The column *allocation* relates to the allocation of the profit or loss for the period, the allocation of the profit for the previous year to the reserves, the increase in share capital and other reserves, the internal movements to the equity reserves and the changes in profits and losses recorded directly in equity.

The column *Reclassification adjustments to the income statement* include the gains and losses previously recorded directly in equity which are reclassified in the income statement in accordance with international accounting standards (for example following the sale of an available-for-sale financial asset).

The *transfers* report the ordinary and extraordinary distribution of dividends, the decrease of capital and other reserves, among which the purchase of treasury shares and the attribution of profits or losses recorded directly to net equity to other Balance Sheet accounts.

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

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Balance at 31.12.08	Change in opening balances	Allocation	Adjustments from reclassications to Income Statement	Transfers	Balance at 30.06.09
Group shareholders' equity	Share Capital	305,851					305,851
	Other equity instruments						-
	Capital reserves	718,147					718,147
	Retained earnings and other reserves	1,103,937		152,406		-73,072	1,183,271
	(Treasury shares)	-31,353					-31,353
	Profit/(loss) for the period	167,916		-107,972		-9,201	50,743
	Other items of the Comprehensive Income Statement	-281,979		-37,425	22,237	-	-297,167
	Total Group	**1,982,519**	**-**	**7,009**	**22,237**	**-82,273**	**1,929,492**
Shareholders´ equity - minority interst	Minority interest capital and reserves	109,067		-5,697			103,370
	Profit/(loss) for the period	-5,655		3,945			-1,710
	Other items of the Comprehensive Income Statement	-1,293		1,159	319	-	185
	Minority share	**102,119**	**-**	**-593**	**319**	**-**	**101,845**
Total		**2,084,638**	**-**	**6,416**	**22,556**	**-82,273**	**2,031,337**

		Balance at 31.12.09	Change in opening balances	Allocation	Adjustments from reclassications to Income Statement	Transfers	Balance at 30.06.10
Group shareholders' equity	Share Capital	305,851					305,851
	Other equity instruments						-
	Capital reserves	718,147					718,147
	Retained earnings and other reserves	1,181,009		-152,095		-46,026	982,888
	(Treasury shares)	-31,353					-31,353
	Profit/(loss) for the period	-139,987		-43,180		-12,108	-195,275
	Other items of the Comprehensive Income Statement	-151,746		-150,416	147,337	674	-154,151
	Total Group	**1,881,921**	**-**	**-345,691**	**147,337**	**-57,460**	**1,626,107**
Shareholders´ equity - minority interest	Minority interest capital and reserves	104,531		-87		-103,057	1,387
	Profit (loss) for the period	2,075		86		-2,178	-17
	Other items of the Comprehensive Income Statement	-604		-		604	-
	Minority share	**106,002**	**-**	**-1**	**-**	**-104,631**	**1,370**
Total		**1,987,923**	**-**	**-345,692**	**147,337**	**-162,091**	**1,627,477**

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

CASH FLOW STATEMENT (indirect method)

	30/06/2010	30/06/2009
Profit/(loss) before taxes	**-202,058**	**68,119**
Non-cash adjustments	**190,862**	**217,858**
Change in non-life unearned premium reserve	2,139	11,958
Change in claims reserve and other non-life technical reserves	-90,167	-58,958
Change in actuarial reserves and other life technical reserves	44,288	178,045
Change in deferred acquisition costs	0	466
Change in provisions	20,362	3,733
Non-cash income/charges from financial instruments, property investments and holdings	211,571	82,379
Other movements	2,669	235
Change in payables and receivables from operating activities	**130,423**	**206,668**
Change in payables and receivables from direct insurance operations and reinsurance	165,328	177,999
Change in other payables and receivables	-34,905	28,669
Income taxes paid	**2,203**	**-69,696**
Net liquidity generated/absorbed from cash items relating to investing and financing activities	**5,046**	**30,023**
Liabilities from financial contracts issued by insurance companies	3,763	-42,377
Bank and interbank payables	0	
Loans and receivables from banks and interbank	0	
Other financial instruments at fair value recorded to the income statement	1,283	72,400
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**126,476**	**452,972**
Net liquidity generated/absorbed from property investments	5,910	-155,415
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	-25,376	-12,359
Net cash generated/absorbed from loans and receivables	50,632	-29,798
Net cash generated/absorbed from investments held to maturity	-2,637	-28,835
Net cash generated/absorbed from available-for-sale financial assets	-207,588	20,138
Net cash generated/absorbed from intangible and tangible fixed assets	-5,079	-3,747
Net cash generated/absorbed from investing activities	223,518	0
TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES	**39,380**	**-210,016**
Net cash generated/absorbed from Group equity instruments	488	-891
Net cash generated/absorbed from treasury shares	0	0
Distribution of Dividends relating to the Group	-58,621	-87,691
Net cash generated/absorbed from minority interest capital and reserves	-104,615	1,436
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	-159	-2,076
Net cash generated/absorbed from other financial liabilities	-1,913	-17,310
TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES	**-164,820**	**-106,532**
Exchange difference effect on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	247,015	220,824
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,036	136,424
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	248,051	357,248

Notes to the financial statements

Information on the group and activities carried out

Milano Assicurazioni S.p.A. is a leading insurance player on the Italian market, operating in the non-life and life sectors, with consolidated annual premiums of over Euro 3.6 billion and a sales network of over 2,000 agencies spread throughout the country.

The registered office of the company is Via Senigallia 18/2, Milan. The Company is listed on the Italian Stock Exchange. The principal activities of the group companies are described in the first part of the present report to which reference is made for greater detail.

Milano Assicurazioni is controlled by Fondiaria-Sai which exercises management and co-ordination pursuant to article 2497 bis of the civil code.

Part A

Accounting principles

Declaration of compliance with international accounting standards and general preparation principles

The present half-year financial statements were prepared in accordance with International Accounting Standards IAS/IFRS issued by the IASB (International Accounting Standard Board), approved by the European Union, and on the current interpretation by the official organisations.

The format for the financial statements schedules are those contained in the ISVAP Regulation No. 7 of July 13, 2007 and subsequent amendments and compiled based on the attached instructions.

The present interim financial statements were prepared on the going concern principle. There are no events or conditions which could give rise to doubts on the capacity to continue to operate as a functioning entity.

Consolidation scope and consolidation methods

CONSOLIDATION PRINCIPLES

The consolidation procedure is in accordance with the provisions of IAS 27 (Consolidated and Separated Financial Statements) and IAS 28 (Accounting of associated investments).
The Parent Company and all of the significant subsidiary companies are included in the consolidation scope. IAS 27 defines control as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. For the verification of the existence of control, reference was made to paragraph 13 of IAS 27.
In compliance with IAS 28, the associated companies are accounted under the equity method.

FINANCIAL STATEMENTS UTILISED FOR THE CONSOLIDATION

For the preparation of the present interim financial statements the interim financial statements as at June 30 of the respective Companies were utilised, adjusted where necessary for consolidation entries and in line with the accounting principles of the Parent Company.

CONSOLIDATION PRINCIPLES

Line-by-line

All of the principal subsidiary companies were fully consolidated. The present interim financial statements therefore includes the interim financial statements of the Parent Company and those companies in which, directly or indirectly, Milano Assicurazioni S.p.A. holds the majority of the voting rights exercisable in an ordinary shareholders’ meeting or in any case a sufficient amount to exercise control, in accordance with IAS 27.13.

Under the line-by-line consolidated method, the book value of the investments is eliminated against the relative net equity, recording the total assets and liabilities, guarantees, commitments and other memorandum accounts, as well as the income and charges of the investing company.
The share of net equity and result for the period relating to minority shareholders are recorded in specific accounts in the balance sheet and income statement.
The difference between the carrying value of the investments and the respective share of the net equity, which emerges at the date of acquisition of the investment, are allocated to the assets or intangible assets where the higher cost reflects an effective higher value of these assets, or to the Goodwill account, where the higher price paid reflects the expected value of the future economic results.

Accounting under the Net Equity method

The equity method was utilised for the associated companies, or rather those companies in which the parent company exercises a significant influence, having the power to determine the financial and operational policies of the company, without having control or joint control. In accordance with IAS 28.6, significant influence is presumed where the investment held, directly or indirectly, amounts to at least 20% of the voting rights in the shareholders' meeting.
Under the equity method, the investment in an associated company is initially recognised at cost and the carrying amount is increased or decreased to recognise the associated company's share of the profit or loss after the date of acquisition through the income statement.

The interim consolidated financial statements therefore only include the share of book net equity and result of the investment for the period, but not the individual accounts of the financial statements.

Consolidation adjustments

In order that the consolidated financial statements present financial information on the group as that of a single economic entity, the following adjustments were made:

- the dividends received from consolidated companies or valued under the equity method were eliminated;
- the significant inter-group balances and transactions were eliminated with the exception of those relating to operations with companies valued under the equity method;
- the profits from sales/purchase operations made between Companies of the Group were eliminated, even if valued under the equity method. similarly, the losses deriving from operations between Companies of the Group were eliminated, unless such losses reflect a permanent loss in value of the assets transferred.

The merger deficits generated following mergers between companies within the group and recorded in the statutory financial statements of the Parent Company, increasing the value of asset accounts, were eliminated in the consolidated financial statements, in that in these latter the consolidation differences were maintained deriving from the elimination of the carrying value of the individual investments incorporated against the relative share of net equity, allocated to the assets or recorded in the Goodwill account.
The merger operations, in fact, only produce the legal effects of that expressed in the consolidated financial statements; if the merger deficits were not eliminated this would result in a duplication of the pre-existing values within the consolidated financial statements.

Interim financial statements

The present interim financial statements are as of June 30, 2010, a date coinciding with that of the interim financial statements of the line-by-line consolidated companies.

Currency

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

Accounting principles and policies

The present interim report was prepared according to ISVAP Regulation No. 7 of July 13, 2007 and subsequent modifications. The measurement of the individual balance sheet and income statement accounts was made utilising the same criteria for the preparation of the 2009 consolidated financial statements, to which reference should be made for greater detail on the individual methods utilised, except where indicated otherwise below.

Motor TPL division claims reserve

A separate valuation was carried out by type of claim, under the following categories:
- claims within the CARD Operator regime: commencing from the valuations of the settlement networks the expected last cost was recorded based on the expected costs taking into account the amount already paid and therefore establishing the recoverable flat rate;
- claims within the CARD Debtor regime: the valuation was made based on the once-off amount defined by the Technical Committee created pursuant to Pres. Decree No. 254/2006 and subsequent changes;
- claims not within the direct indemnity system (including claims occurring before the beginning of the direct indemnity system and claims which involve more than two vehicles or with permanent physical injury above 9%): the valuation of the last cost of the claims in the current period was made revaluing the amounts indicated by the settlement offices, taking into account the average costs assumed for these type of claims, which are more costly. For previous year claims, already recorded to reserves at the beginning of the period, the valuation was based on the last costs at the end of 2009 based on the same statistical methodology of the claims cost taking account of the reversals to the reserve in the half-year.

For current claims, the valuation of the reserve, in consideration of the low maturity levels reached by these claims, requires a valuation more closely related to the average cost of the same generation, relating this value also to the available market targets.

Reinsurance

The technical reserves relating to the reinsurers are calculated based on the portion ceded for the proportional reinsurance and in a revisional manner for the excess and stop-loss reinsurance, on the basis of the information available and utilising the same criteria for the direct premium reserves, taking into account the contractual clauses.
The accounts relating to the indirect premiums represent the portion of the results estimated for the full year; in the determination of the values account was taken of the data certified relating to obligatory contracts accepted by the companies outside of the Group, whose technical results refer to the year 2009.

Valuation and impairment of financial instruments

In relation to the valuation of financial instruments classified as available-for-sale, the impairment policy utilised in the present interim financial statements is the same as that utilised in the 2009 annual accounts to which reference is made for greater detail.

For the purposes of the objective recording of the reduction of value, the Group has defined the conditions of a prolonged and significant reduction of fair value, defined alternatively as follows:
1. a reduction of the market value above 80% of the original cost at the reporting date of the accounts;
2. a market value continuously lower than the original cost for a period of two years.

the original cost relates to, in conformity with that applied from the introduction of the IAS principles, the average weighted cost at the date of preparation of the accounting documents.

In relation to financial instruments which report a significant decrease in fair value and not within the thresholds above, the analysis of the existence of impairment was made on the basis of a mixed valuation approach, differentiated by the quality and the size of the holding.
It is also reported that some valuation processes of financial assets available-for-sale, are - given their complexity - generally made in the preparation of the annual financial statements.
During the year, the absence of issues regarding the issuing companies of securities in portfolio which may significantly affect the valuations in the accounts was verified.

Group Structure

Consolidation scope

At June 30, 2010, the Milano Assicurazioni Group totalled, included the Parent Company, 12 companies. Of these 6 are insurance companies, 4 property companies and 2 service companies. The list of these companies, all fully consolidated, is shown in the table of the consolidated companies.

In the first half of 2010 Meridiano Orizzonti S.r.l. exited the consolidation scope following incorporation into the Parent Company on April 14, 2010.

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

Consolidation scope

Company	State	Method (1)	Activities (2)
ATHENS R.E. FUND	ITALY	G	10
CAMPO CARLO MAGNO S.p.A.	ITALY	G	10
DIALOGO ASSICURAZIONI S.p.A.	ITALY	G	1
DIALOGO VITA S.p.A.	ITALY	G	1
IMMOBILIARE MILANO ASSICURAZIONI S.r.l.	ITALY	G	10
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.	ITALY	G	1
LIGURIA VITA S.p.A.	ITALY	G	1
PRONTO ASSISTANCE SERVIZI S.c.r.l.	ITALY	G	11
SINTESI SECONDA S.r.l.	ITALY	G	10
SOGEINT S.r.l.	ITALY	G	11
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	ITALY	G	1

(1) Consolidation method: Line-by-line =G, Proportional=P, Line-by-line for man. unit =U

(2) 1= Italian Ins; 2= EU Ins; 3=Other Ins; 4=Holding insurance; 5=EU reins; 6=Reins. other; 7=Banks; 8=SGR; 9=Other holding; 10=Property 11=Other

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

% Direct Holding	% Total Holding (3)	% Voting in Ordinary Shareholder Meeting (4)	% consolidated
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
99.85	99.85	99.85	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
99.97	99.97	99.97	100.00
-	99.97	100.00	100.00
28.00	54.51	54.55	100.00
-	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

Details of non-consolidated investments

Company	State	Activities (1)	Type (2)
A7 S.r.l.	ITALY	10	B
ATAHOLTELS S.p.A.	ITALY	11	B
BORSETTO S.r.l.	ITALY	10	B
CITYLIFE S.r.l.	ITALY	10	B
EX VAR SCS	LUXEMBOURG	10	B
GARIBALDI S.C.A.	LUXEMBOURG	10	B
GLOBAL CARD SERVICE S.r.l.	ITALY	11	A
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	ITALY	11	B
ISOLA S.C.A.	LUXEMBOURG	10	B
IGLI S.p.A.	ITALY	11	B
IMMOBILIARE LOMBARDA S.p.A.	ITALY	10	B
METROPOLIS S.p.A.	ITALY	10	B
PENTA DOMUS S.r.l.	ITALY	10	B
SAI INVESTIMENTI S.G.R. S.p.A.	ITALY	8	B
SAI NETWORK S.p.A.	ITALY	11	B
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	ITALY	11	B
SERVIZI IMMOBILIARI MARTINELLI S.p.A.	ITALY	10	B
SISTEMI SANITARI S.c.r.l.	ITALY	11	B
SVILUPPO CENTRO EST S.r.l.	ITALY	10	B
VALORE IMMOBILIARE S.r.l.	ITALY	10	B

(1) 1= Italian Ins; 2= EU Ins; 3=Other Ins; 4=Holding insurance; 5=EU reins; 6=Reins. other; 7=Banks; 8=SGR; 9=Other holding; 10=Property 11=Other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c) joint venture (IAS 31);(*)=the companies classified as held for sale in accordance with IFRS 5

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

% Direct Holding	Total Holding % (3)	% Voting in Ordinary Shareholder Meeting (4)	Book value
-	20.00	20.00	357
49.00	49.00	49.00	11,058
-	44.93	44.93	3,489
-	27.20	27.20	70,818
-	10.00	10.00	6,889
32.00	32.00	32.00	44,220
-	94.97	95.00	-
34.19	34.63	34.65	12,786
29.56	29.56	29.56	12,589
-	16.67	16.67	28,366
35.83	35.83	35.83	8,373
-	29.73	29.73	889
-	20.00	20.00	2,280
29.00	29.00	29.00	1,655
24.50	24.50	24.50	1,960
30.00	30.00	30.00	282
-	20.00	20.00	105
19.63	20.12	20.31	188
-	40.00	40.00	303
50.00	50.00	50.00	8,100

Notes to the consolidated financial statements

The details and notes to the consolidated financial statement accounts are presented below. Further details are contained in the attachment as per ISVAP Regulation No. 7 of July 13, 2007, as modified by ISVAP provision No. 2784 of March 8, 2010, at the end of the present notes.

In June 2010 Milano Assicurazioni S.p.A. and Banco Popolare di Milano S.c.r.l., following the agreement signed in December 2009 in relation to the mutually agreed winding-up of the partnership in the bancassurance sector and having received the necessary authorisations, signed the transfer in favour of Banco Popolare di Milano of the 51% of the share capital of Bipiemme Vita S.p.A. held by Milano Assicurazioni.

Through this operation Bipiemme Vita in accordance with IFRS 5 is considered a discontinued operation. Consequently, the income statement data of this company for the first half of 2009 is reclassified and recorded in the account *Profit/Losses of discontinued operations.*

The following tables illustrate the comparison with the first half 2009 data reclassified according to IFRS 5 and therefore at like-for-like terms. The first half 2009 data as reported at the time of publication of the accounts is also shown for completeness.

The reconciliation schedules of the income statement published in the Half-Year Report and those reclassified as per IFRS 5 are also attached.

Part B

Notes to the consolidated balance sheet

Balance Sheet - Assets

1. INTANGIBLE ASSETS

The breakdown is as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Goodwill	244,131	244,131	-
Other intangible assets	26,255	26,270	-15
TOTAL	**270,386**	**270,401**	**-15**

The details of goodwill is as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Goodwill recorded following the merger with the parent company by Lloyd Internazionale S.p.A. in 1991	17,002	17,002	-
Goodwill recorded 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 insurance 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 Maa Finanziaria by Nuova Maa, incorporated into 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 into the parent company in 2003.	1,052	1,052	-
Goodwill recorded following the merger with 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	-
Consolidation difference deriving from the acquisition, in 1996, of La Previdente Vita (subsequently incorporated into Milano Ass.) by La Previdente Assicurazioni (subsequently incorporated into Milano Ass.)	3,275	3,275	-
Consolidation difference deriving from the acquisition of Dialogo Ass. by La Previdente Ass. in 1997	49	49	-
Consolidation difference arising from conferment in 2008 of Liguria Assicurazioni.	65,634	65,634	-
Consolidation difference arising from conferment in 2008 of Liguria Vita	3,159	3,159	-
TOTAL	**244,131**	**244,131**	**-**

In accordance with IAS 38 (Intangible assets), goodwill, having an indefinite useful life, is not systematically amortised, but subject to an impairment test, in order to identify the existence of any permanent loss in value. The impairment test must be made annually and whenever there is an indication of a loss in value.

In the first half of the year, there were no indications that the goodwill recorded had incurred a reduction in value compared to the existing book value at December 31, 2009, when subjected to impairment test as per IAS 36 (Impairment of assets).

The *other intangible assets* have a definite useful life and are therefore amortised over their duration. There were no intangible assets generated internally. The account principally includes the VOBA relating to Liguria Assicurazioni of Euro 20,698 thousand, recorded since 2008. The amortisation in the period amounted to Euro 3,548 thousand.

The table below shows the breakdown including gross values and accumulated amortisation as at June 30, 2010:

(in Euro thousands)	**Gross Book Value**	**Amort. and impairment**	**Net value**
VOBA Liguria Assicurazioni	49,673	-28,975	20,698
Other intangible assets	6,411	-854	5,557
TOTAL	**56,084**	**-29,829**	**26,255**

2. PROPERTY, PLANT & EQUIPMENT

The account totals Euro 64,637 thousand and is broken down as follows:

(in Euro thousands)	**Buildings**		**Other tangible assets**		**Total**	
	30/06/10	**31/12/09**	**30/06/10**	**31/12/09**	**30/06/10**	**31/12/09**
Gross carrying value	64,195	63,926	23,170	22,345	87,365	86,271
Deprec. and impairment	-5,462	-5,276	-17,266	-16,626	-22,728	-21,902
NET VALUE	**58,733**	**58,650**	**5,904**	**5,719**	**64,637**	**64,369**

The buildings included in property, plant and equipment relates to:

- the buildings used for business activities. These buildings are recorded at cost and depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.
- the buildings considered as inventory and valued in accordance with IAS 2.

The book value, at the period-end, is lower by Euro 5 million than the expert valuations based on market values at the end of the previous period.

No building is subject to restrictions on ownership, nor have any amounts been recorded in the income statement for reductions in value, losses or damages.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The account amounts to Euro 476,342 thousand (Euro 479,323 thousand at 31/12/2009), broken-down as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Non-Life premium reserve - reinsurers	58,321	53,000	5,321
Non-Life claims reserve - reinsurers	307,102	307,255	-153
Other Non-Life reserves – reinsurers	-	-	-
Actuarial reserves attributed to reinsurers	108,940	117,023	-8,083
Reserve for claims to be paid – reinsurers	1,979	2,044	-65
Class D reserves attributed to reinsurers	-	-	
Other reserves – reinsurers	-	1	-1
TOTAL	**476,342**	**479,323**	**-2,981**

4. INVESTMENTS

The breakdown of the account is as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Investment property	1,062,070	1,078,543	-16,473
Investments in subsidiaries, associates and joint ventures	214,707	189,331	25,376
Investments held-to-maturity	118,219	114,924	3,295
Loans and receivables	460,342	510,588	-50,246
Financial assets available-for-sale	7,180,234	7,206,593	-26,359
Financial assets at fair value recorded through the profit & loss account	335,666	343,916	-8,250
TOTAL	**9,371,238**	**9,443,895**	**-72,657**

Investment property

The account includes the buildings for rental or held for their capital appreciation.

The account includes also the buildings held by Immobiliare Milano Assicurazioni for Euro 273.4 million which were previously recorded as inventory under *Property, plant and equipment* in the *Buildings* account. The current classification appears more suitable given the real estate management policies, focused on a greater stability in assets over time in comparison to the focus of Immobiliare Lombarda, from which these properties originate. The data at December 31, 2009 was reclassified for comparability purposes.

The investment properties are recorded at purchase cost in accordance with IAS 16 (Property, plant and equipment), which IAS 40 (Investment property) refers to in the case of adoption of the cost model. They are therefore depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.
The separation of the land component from the buildings is made based on the updated expert valuations at the date of transition to the international accounting standards (January 1, 2004).

Overall, the book value at June 30, 2010 was Euro 214.8 million lower than the expert's valuations at the end of the previous period.

The table below shows the gross value and the accumulated depreciation at June 30, 2010:

	30/06/2010	**31/12/2009**
Gross carrying value	1,147,084	1,152,692
Depreciation and impairment	-85,014	-74,149
Net Value	**1,062,070**	**1,078,543**

During the half-year, rental income from investment property and expense reimbursements amounted to Euro 12.8 million while operating costs, mainly relating to building lease charges, amounted to Euro 8.8 million.
There are no significant limits to the realisation of the investment property due to restrictions of a legal, contractual or any other nature.

Investments in subsidiaries, associates and joint ventures

In accordance with IAS 27.20 (Consolidated and separate financial statements), all of the Group companies are fully consolidated, including those which undertake dissimilar activities, with the exception of the companies which due to their size are insignificant in terms of the consolidated financial statements. The amount recorded therefore refers to holdings in associated companies, valued under the equity method.

(in Euro thousands)	**30/06/2010**	**31/12/2009**
A7 S.r.l.	357	357
Atahotels S.p.A.	11,058	9,845
Borsetto S.r.l.	3,489	3,489
Citylife S.r.l.	70,818	61,328
Ex Var S.c.s.	6,889	6,328
Garibaldi S.c.a.	44,220	39,839
Gruppo Fondiaria-Sai Servizi S.c.r.l. (ex Uniservizi S.c.r.l.)	12,786	11,841
Isola S.c.a.	12,589	-
Igli S.p.A.	28,366	28,366
Immobiliare Lombarda S.p.A.	8,373	8,971
Metropolis S.p.A.	889	889
Penta Domus S.r.l.	2,280	2,280
Sai Investimenti SGR S.p.A.	1,655	1,872
Sai Network S.p.A.	1,960	-
Service Gruppo Fondiaria-Sai S.r.l.	282	259
Servizi Immobiliari Martinelli S.p. A.	105	105
Sistemi Sanitari S.c.r.l.	188	159
Sviluppo Centro Est S.r.l.	303	303
Valore Immobiliare S.r.l.	8,100	13,100
TOTAL	**214,707**	**189,331**

Investments held-to-maturity

The account amounts to Euro 118,219 thousand and is comprised of:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Non quoted debt securities	1,597	1,286	311
Quoted debt securities	116,622	113,638	2,984
TOTAL	**118,219**	**114,924**	**3,295**

This category includes securities related to policies with fixed returns or covered by contractual commitments realised through specific assets.

Loans and receivables

The account amounts to Euro 460,342 thousand (Euro 510,588 thousand at 31/12/2009) and is composed as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Debt securities	351,830	339,207	12,623
Loans on life policies	27,207	28,010	-803
Deposits held by reinsurers	2,579	2,358	221
Receivables from agents for indemnities paid to agents terminated	57,789	61,807	-4,018
Other loans and receivables	20,937	32,475	-11,538
Time deposits	-	46,731	-46,731
TOTAL	**460,342**	**510,588**	**-50,246**

The account *Debt securities* includes approx. Euro 250 million relating to financial instruments transferred from the category Available-for-sale at the beginning of 2009. These refer to corporate bonds with subordination clauses, with carrying values below the repayment value and high yields. The classification in this category is due to the technical characteristics of the securities, the desire of the company to maintain them in portfolio until maturity and the high levels of volatility which continued to affect the markets and which can no longer guarantee prices in line with the balance sheet fundamentals of the issuing companies.

These securities were valued at amortised cost. The related losses which decreased from Euro 23.8 million at January 1, 2009 to Euro 21.5 million at June 30, 2010 were recorded under shareholders' equity in the account *Profits or losses on available-for-sale financial assets* and valued at amortised cost. In accordance with paragraph 54(b) of IAS 39 the accumulated losses of debt securities with indefinite maturity were not amortised.

The fair value of these securities at June 30, 2010 was Euro 265.8 million, recording in the income statement for the half-year gains of Euro 8.9 million.

The debt securities also include the book values of some issuers (in particular the securities of the special Ania issues) for which it is considered appropriate to utilise the amortised cost and not the fair value in the absence of an active market.

The receivables from agents for the recovery of indemnities paid to their predecessors are recorded in this account in accordance with the requirements of Isvap Regulation No. 7 of July 13, 2007 and in consideration of their interest bearing nature.

Available-for-sale financial assets

The available-for-sale financial assets include bonds and equity securities, as well as investment unit funds, not otherwise classified. They represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.

The breakdown of the account is as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Quoted equity securities	597,939	619,908	-21,969
Non quoted equity securities	11,761	13,226	-1,465
Quoted debt securities	5,922,568	5,888,944	33,624
Non quoted debt securities	41,691	15,291	26,400
Fund units	606,275	669,217	-62,942
Other financial instruments	-	7	-7
TOTAL	**7,180,234**	**7,206,593**	**-26,359**

The listed financial instruments recorded in this category are valued at market value at the last day of trading in the half-year, with allocation of the differences compared to the average weighted cost in a specific net equity reserve, except for the recording of reductions in value which are recorded in the income statement.
In particular, the average weighted cost of some strategic significant shareholdings reduced due to further acquisitions of these capital securities in the half year for a total value of approx. Euro 47.5 million, as part of the ordinary financial management of the investment portfolio.
The net equity reserve which includes the differences between the fair value and the average weighted cost of financial instruments recorded in this category was negative at June 30, 2010 for Euro 149.7 million.

This negative reserve includes a positive component of Euro 115.7 million relating to the debt securities and the investment fund units, a negative component of Euro 234.8 million concerning the equity securities as well as the negative shadow accounting reserve of Euro 23.6 million and an overall negative tax effect of Euro 7 million.

The equity securities, already largely present in the portfolio of the Milano Assicurazioni group at December 31, 2008, recorded a fair value decrease in nearly all cases lower than 50% of the respective average weighted costs.

The impairment in the half-year on securities recorded in this category was Euro 167.6 million (Euro 30.6 million at June 30, 2009), of which Euro 152 million relating to the holding of Milano Assicurazioni in the parent company Fondiaria-Sai, whose stock market value at June 30 was Euro 7.73. The impairment relating to other equity securities in portfolio amounted to Euro 13.1 million while the residual Euro 2.5 million relates to mutual investment funds.

Financial assets at fair value recorded through the Profit or Loss account

The breakdown is as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Quoted equity securities	1,035	635	400
Non quoted equity securities	-	-	-
Quoted debt securities	222,950	230,334	-7,384
Non quoted debt securities	50,233	52,093	-1,860
Fund units	59,404	57,715	1,689
Other financial instruments	2,044	3,139	-1,095
TOTAL	**335,666**	**343,916**	**-8,250**

The amount includes Euro 269,206 thousand of investment contracts where the risk is borne by the policyholders and Euro 11,865 thousand of investments from pension fund management. These items are counter-entered under financial liabilities (Euro 67,220 thousand) and technical reserves (Euro 213,848 thousand). Their fair value was determined using the stock exchange prices on the last trading day of June 2010 as a benchmark reference.

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Receivables from direct insurance operations	572,377	727,018	-154,641
Receivables from reinsurance operations	83,230	100,665	-17,435
Other receivables	242,986	346,803	-103,817
TOTAL	**898,593**	**1,174,486**	**-275,893**

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

The receivables deriving from insurance operations include receivables from policyholders of Euro 268,565 thousand, of which Euro 235,491 thousand referring to the premiums for the year and Euro 33,074 thousand for premiums of previous years. The account also includes Euro 224,116 thousand of receivables from insurance brokers, Euro 33,297 thousand of insurance company receivables and Euro 46,399 thousand of receivables from policyholders and third parties for sums to be recovered.

With reference to the receivables from policyholders for premiums, agents and other brokers, as well as from insurance and reinsurance companies, it is noted that there are no significant concentrations of credit risks, as the credit exposure is divided among a large number of counterparties and clients.

The other receivables are broken down as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Receivables from Fondiaria-Sai for tax payments on account and for credits and withholding taxes transferred in accordance with the tax consolidation	88,506	106,306	-17,800
Trade receivables	3,517	4,307	-790
Tax reimbursements	53,986	53,619	367
Other receivables	96,977	182,571	-85,594
TOTAL	**242,986**	**346,803**	**-103,817**

6. OTHER ASSETS

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Non-current assets or of a discontinued group held for sale	5,116	4,102,633	-4,097,517
Deferred acquisition costs	18,748	27,861	-9,113
Deferred tax assets	114,706	105,200	9,506
Current tax assets	43,747	41,422	2,325
Other assets	112,080	56,751	55,329
TOTAL	**294,397**	**4,333,867**	**-4,039,470**

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

Euro 5.1 million relates to property held by Liguria Assicurazioni, situated in Segrate via delle Regioni, whose deeds have been drawn up.
The change on 31/12/2009 is principally due to the sale of 51% of the holding in Bipiemme Vita. As previously reported, on June 17, 2010 Milano Assicurazioni and Banco Popolare di Milano, following the agreement signed in December 2009 in relation to the mutually agreed winding-up of the partnership in the bancassurance sector and having received the necessary authorisations signed the transfer in favour of Banco Popolare di Milano of the 51% of the share capital of Bipiemme Vita S.p.A. held by Milano Assicurazioni.

Deferred acquisition costs

The deferred acquisition costs of Euro 18,748 thousand (Euro 27,861 thousand in 2009) refer to the acquisition commissions on long-term contracts which, in accordance with the accruals principle, are amortised for the duration of the relative contracts (average duration of seven years for the Non Life division and effective duration of each contract, in any case not above 10 years, for the Life division).

Deferred tax assets

The account amounts to Euro 114,706 thousand (Euro 105,200 thousand at 31/12/2009) and is calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the accounts and the respective tax value in relation to the probability of their recovery. Where permitted by IAS 12 (Income taxes), deferred tax assets and liabilities are compensated.

Current tax assets

The current tax assets, amounting to Euro 43,747 thousand (Euro 41,422 thousand at 31/12/2009), refer to tax authorities for payments on account, withholding taxes and income tax credits. The account also includes the amounts paid on account on the life division actuarial reserves pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02, converted into article 1 of Law 265/2002, as supplemented, recorded in accordance with Isvap Regulation No. 7 of July 13, 2007. Where permitted by IAS 12, current tax assets and liabilities are compensated.

Other assets

The account amounts to Euro 112,080 thousand (Euro 56,751 thousand at 31/12/2009) and includes indemnities paid to agencies (Euro 14,715 thousand), payments on account for guarantee provisions in favour of policyholders, with particular reference to the Contribution to the Road Victims Guarantee Fund (Euro 20,071 thousand), reinsurance items (Euro 18,177 thousand) and policy indemnities (Euro 4,710 thousand).

7. CASH ON HAND AND AT BANK

The account includes the liquidity and deposits and bank current accounts with maturity less than 15 days and amount to Euro 248,051 thousand (Euro 247,015 thousand at 31/12/2009).

Balance Sheet - Liabilities

LIABILITIES AND SHAREHOLDERS' EQUITY

1. SHAREHOLDERS' EQUITY

The consolidated Shareholders' Equity, inclusive of net profit for the period and the minority interest share, amounts to Euro 1,627,477 thousand. The composition compared to December 31, 2009 is shown below:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Group Net Equity	**1,626,107**	**1,881,921**	**-255,814**
Share Capital	305,851	305,851	-
Other equity instruments	-	-	-
Capital reserves	718,147	718,147	-
Retained earnings and other reserves	982,888	1,181,009	-198,121
Treasury shares	*-31,353*	*-31,353*	-
Translation reserve	-	-	-
Profit or loss on available-for-sale financial assets	-149,677	-148,605	-1,072
Other gains and losses recorded directly in equity	-4,474	-3,141	-1,333
Group net loss	-195,275	-139,987	-55,288
Minority interest equity	**1,370**	**106,002**	**-104,632**
Minority capital and reserves	1,387	104,531	-103,144
Gains and losses recorded directly in equity	-	-604	604
Minority interest profit/(loss)	-17	2,075	-2,092
TOTAL	**1,627,477**	**1,987,923**	**-360,446**

The changes in the consolidated net equity are shown as an attachment to the present report for an analysis of the movements in the half-year.

The disclosures required by Ias 1.79A is provided below:

	Ordinary 30/06/2010	**Savings 30/06/2010**	**Ordinary 31/12/2009**	**Savings 31/12/2009**
Number of shares issued	557,435,774	30,739,882	557,435,774	30,739,882

The table below shows the movements of the shares forming the share capital of the parent company Milano Assicurazioni at the end of the half-year, unchanged on the beginning of the year:

	Ordinary	Savings	Total
Shares existing at 30/06/10	557,435,774	30,739,882	588,175,656
Treasury shares (-)	-6,764,860	-	-6,764,860
Shares outstanding: balance at 30/06/2010	550,670,914	30,739,882	581,410,796

The capital reserves, amounting to Euro 718,147 thousand, refer to the share premium reserve recorded in the financial statements of the Parent Company.

Retained earnings and other reserves

They principally comprise profits carried forward. The account also includes the consolidation reserve, negative for Euro 40,648 thousand, the reserve for gains and losses deriving from the first-time application of the international accounting standards for a negative amount of Euro 44,067 thousand, the merger reserve of Euro 350,032 thousand and the revaluation reserve of Euro 1,277 thousand.

Treasury shares

This consists of 6,764,860 ordinary shares of the Parent Company, recorded at purchase price. This account reduced the net equity in accordance with IAS 32.

Profit or loss on available-for-sale financial assets

The account, a loss of Euro 149,677 thousand, represents the difference between the acquisition costs and market prices of the financial assets available-for-sale where these differences are not indicative of reductions in value. They are recorded net of the part attributable to the policyholders and recorded as insurance liabilities in accordance with the accounting method contained in paragraph 30 of IFRS 4 (shadow accounting). The account includes Euro 21,478 thousand of losses relating to financial instruments transferred to the *Loans and Receivables* category.

Other gains and losses recorded directly in equity

They relate to:

- losses of an actuarial nature consequent of the application of IAS 19 (Euro 2,842 thousand);

- losses deriving from the valuation of a derivative financial instrument to hedge cash flows (Euro 1,632 thousand).

2. PROVISIONS

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Provisions of a fiscal nature	-	-	-
Other provisions	110,163	89,801	20,362
TOTAL	**110,163**	**89,801**	**20,362**

The account includes the reasonable valuation of the future charges and risks existing at the balance sheet date, also deriving from disputes in course. In particular:

- Euro 87,869 thousand relating to provision for risks, also related to disputes with the agency networks and disputes in course;
- Euro 22,294 thousand relating to provisions for future charges.

3. TECHNICAL RESERVES

The account amounts to Euro 8,943,870 thousand, a decrease of Euro 70,067 thousand on the end of the previous year.

The breakdown is as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
NON-LIFE DIVISION			
Unearned premium reserve	1,181,574	1,174,114	7,460
Claims reserve	3,846,506	3,936,933	-90,427
Other reserves	3,669	3,562	107
Total Non-Life Division	**5,031,749**	**5,114,609**	**-82,860**
LIFE DIVISION			
Actuarial reserves	3,662,592	3,599,033	63,559
Reserve for claims to be paid	27,980	39,163	-11,183
Technical reserves where investment risk borne by policyholders and from pension fund management	213,849	224,411	-10,562
Other reserves	7,700	36,721	-29,021
Total Life Division	**3,912,121**	**3,899,328**	**12,793**
TOTAL TECHNICAL RESERVES	**8,943,870**	**9,013,937**	**-70,067**

The *Other non-life technical reserves* refer entirely to the aging reserve of the health class, which offsets the greater risk due to the increased life span of the policyholders.

The *Other life division technical reserves* principally include the reserve for future expenses and the reserve for deferred liabilities due to policyholders, negative for Euro 14,456 thousand, determined applying the shadow accounting method, as per paragraph 30 of IFRS 4.

4. FINANCIAL LIABILITIES

They consist of:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Financial liabilities at fair value through profit or loss	71,861	68,215	3,646
Other financial liabilities	395,860	397,932	-2,072
TOTAL	**467,721**	**466,147**	**1,574**

Financial liabilities at fair value through profit or loss

The account includes Euro 67,220 thousand of life policies that, although legal insurance contracts and have an insignificant insurance risk, do not fall within the remit of IFRS 4 (Insurance Contracts).

Other financial liabilities

The account includes the financial liabilities defined and governed by IAS 39 not included in the category "Financial liabilities at fair value through profit or loss". These include deposits comprising guarantees in relation to reinsurance risks ceded for Euro 174,668 thousand, payables to credit institutions for Euro 69,575 thousand and subordinated liabilities for Euro 151,617 thousand.

The subordinated liabilities are composed as follows:
- Euro 50,649 thousand, equal to the amortised cost of the residual subordinated loan provided to Milano Assicurazioni by Mediobanca in 2006 for an original amount of Euro 150 million (Euro 100 million was repaid in 2008). This loan provides for an interest rate of Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. The loan may also be repaid in advance, including partially, from the tenth anniversary of the loan and with authorisation from ISVAP.
- Euro 100,968 thousand, equal to the amortised costs of the loan of Euro 100 million provided to Milano Assicurazioni by Mediobanca in July 2008. This loan was of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to 50% of the lower value between the available margin and the solvency margin requested. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months +350 basis points for the first ten years and subsequently 450 basis points. The repayment may be made in one repayment after 10 years.

5. PAYABLES

The account amounts to Euro 275,286 thousand and is comprised of:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Payables from direct insurance operations	30,272	42,961	-12,689
Payables from reinsurance operations	43,752	37,811	5,941
Other payables	201,262	270,598	-69,336
TOTAL	**275,286**	**351,370**	**-76,084**

Payables from direct insurance operations include:

- Euro 18,993 thousand with insurance intermediaries;
- Euro 7,534 thousand for payables to insurance companies;
- Euro 466 thousand for cautionary monies from insurers and premiums;
- Euro 3,279 thousand for payables for guarantee provisions for policyholders.

The breakdown of the *Other payables* is shown below:

(in Euro thousands)	**30/06/2010**
Trade payables	10,747
Employee leaving indemnity	27,464
Policyholders' tax due	50,552
Other taxes due	7,194
Social security and welfare institutions	7,688
Other	97,617
TOTAL	**201,262**

6. OTHER LIABILITIES

The composition is as follows:

(in Euro thousands)	**30/06/2010**	**31/12/2009**	**Changes**
Current tax liabilities	-	-	-
Deferred tax liabilities	36,034	56,687	-20,653
Liabilities in a discontinued group held for sale	-	3,873,999	-3,873,999
Other liabilities	163,093	173,492	-10,399
TOTAL	**199,127**	**4,104,178**	**-3,905,051**

Other liabilities

The account amounts to Euro 163,093 thousand (Euro 173,492 thousand at 31/12/2009) and is comprised of.

- commissions on premium collection of Euro 46,315 thousand;
- liabilities for cheques issued against claims from beneficiaries after June 30, 2010 for Euro 51,874 thousand;
- commissions to be paid for Euro 16,945 thousand;
- various liabilities for Euro 47,959 thousand.

Part C

Notes to the consolidated income statement

NET PREMIUMS

The consolidated net premiums amount to Euro 1,797,236 thousand (Euro 1,748,249 thousand in the first half of 2009 on like-for-like terms).

The gross premiums written amount to Euro 1,865,211 thousand and consist of:

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Changes**	**30/06/2009 published**
Gross Life premiums written	266,691	228,853	37,838	520,575
Gross Non-Life premiums written	1,605,859	1,631,880	-26,021	1,634,437
Change gross premium reserve	-7,339	-16,232	8,893	-16,399
Total Non-Life Division	1,598,520	1,615,648	-17,128	1,618,038
Gross premiums written	**1,865,211**	**1,844,501**	**20,710**	**2,138,613**

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Changes**	**30/06/2009 published**
Life premiums ceded	6,250	7,378	-1,128	10,844
Non-Life premiums ceded	66,021	93,554	-27,533	95,472
Change in reinsurers reserves	-4,296	-4,680	384	-4,805
Total Non-Life Division	61,725	88,874	-27,149	90,667
Premiums ceded to reinsurers earned	**67,975**	**96,252**	**-28,277**	**101,511**

The account "gross premiums written" does not include the cancellation of securities issued in previous years, which were recorded in the account "Other costs".

In relation to the breakdown of the gross premiums written among the different classes in the accounts, the division between direct and indirect business, reference should be made to the first part of the present report.

COMMISSION INCOME

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Changes**	**30/06/2009 published**
Commission income	138	95	43	9,189

The account refers to the explicit and implicit loadings related to the investment contracts and to the management commissions on the internal funds.

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

The account amounted to net income of Euro 1,499 thousand compared to net income of Euro 39,222 thousand in the same period of the previous year. The comparison must take account that the 2009 total included Euro 23.5 million of profits deriving from the closure of combined put and call options on the Unicredit shares in portfolio.

The table is broken down as follows:

(in Euro thousands)	**Net interest**	**Other net income**	**Profits realised**	**Losses realised**	**Valuation gains and recovery in values**	**Valuation losses and adjustment in values**	**Total June 30, 2010**	**Total June 30, 2009 IFRS 5**	**Change**
Result of investments from									
Financial assets held for trading	1,161	-89	1,093	-	4	-4,475	-2,306	11,984	-14,290
Financial assets designated at fair value recorded through profit or loss	4,844	-655	1,421	-60	3,144	-5,006	3,688	27,238	-23,550
Financial liabilities held for trading	-	-	-	-	117	-	117	-	117
TOTAL	**6,005**	**-744**	**2,514**	**-60**	**3,265**	**-9,481**	**1,499**	**39,222**	**-37,723**

INCOME AND CHARGES FROM OTHER FINANCIAL INSTRUMENTS, PROPERTY INVESTMENTS AND HOLDINGS

The following table shows the breakdown:

(in Euro thousands)	Net interest	Other net income	Profits realised	Losses realised	Val losses & adjustment in values	Total 30/06/2010	Total 30/06/2009 IFRS 5	Changes
Result from:								
Investment property	-	4,022	3,346	-	-10,866	-3,498	1,466	-4,964
Investments in subsidiaries, associates and joint ventures	-	-13,208	-	-	-	-13,208	-6,620	-6,588
Investments held to maturity	3,338	-	-	-	-	3,338	3,163	175
Loans and receivables	10,951	2	27	-59		10,921	12,270	-1,349
Available-for-sale financial assets	91,591	25,626	61,783	-29,282	-167,640	-17,922	121,354	-139,276
Other receivables	487	-	-	-	-	487	2,567	-2,080
Cash and cash equivalents	324	-12	-	-	-	312	1,864	-1,552
Other financial liabilities	-6,716	-	-	-	-	-6,716	-6,754	38
Payables	-326	-	-	-	-	-326	-195	-131
TOTAL	**99,649**	**16,430**	**65,156**	**-29,341**	**-178,506**	**-26,612**	**129,115**	**-155,727**

OTHER REVENUES

The other revenues amounts to Euro 96,708 thousand (Euro 85,310 thousand in the first half of 2009) and is composed of:

(in Euro thousands)	30/06/2010	30/06/2009 IFRS 5	Changes	30/06/2009 published
Other technical income	21,061	20,354	707	20,354
Utilisation of provisions	931	2,883	-1,952	2,883
Exchange differences	15,861	1,627	14,234	1,651
Prior year income	532	1,816	-1,284	1,845
Recovery of expenses and administrative cost	46,456	42,437	4,019	42,437
Other revenues	11,867	16,193	-4,326	16,196
TOTAL	**96,708**	**85,310**	**11,398**	**85,366**

The recovery of expenses and administration charges, which are offset against other charges, principally relate to the secondment of personnel within the companies of the Fondiaria-Sai Group and charges against the division, based on standard criteria, of the overheads.

NET CHARGES RELATING TO CLAIMS

The claims paid, including the sums of the life classes and the relative expenses, net of the quota ceded in reinsurance, amount to Euro 1,512,749 thousand.

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Changes**	**30/06/2009 published**
Non-Life Division				
Amount paid	1,334,047	1,244,216	89,831	1,244,448
Change in claims reserve	-89,393	-62,165	-27,228	-62,359
Change in recoveries	-18,436	-26,666	8,230	-26,666
Change in other technical reserves	190	-286	476	-286
Total Non-Life	**1,226,408**	**1,155,099**	**71,309**	**1,155,137**
Life Division				
Sums paid	247,952	309,549	-61,597	407,994
Change reserve for sums to be paid	-10,858	-8,870	-1,988	-24,999
Change in actuarial reserve	64,886	-38,949	103,835	194,349
Change in technical reserves where investment risk borne by policyholders and from pension fund management	-9,817	2,184	-12,001	-919
Change in other technical reserves	-5,822	-10,528	4,706	-6,973
Total Life	**286,341**	**253,386**	**32,955**	**569,452**
Total Non-Life + Life	**1,512,749**	**1,408,485**	**104,264**	**1,724,589**
Amount paid	1,581,999	1,553,765	28,234	1,652,442
Change reserves	-69,250	-145,280	76,030	72,147

COMMISSION EXPENSES

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Changes**	**30/06/2009 published**
Commission expenses	35	43	-8	4,313

They relate to the commissions for the period on financial contracts which are not recorded in accordance with IFRS 4.

MANAGEMENT EXPENSES

The details by type are shown below:

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Changes**	**30/06/2009 published**
Non-Life Division				
Acquisition commissions and changes in deferred acquisition costs	231,941	228,791	3,150	229,039
Other acquisition expenses	45,473	40,889	4,584	40,948
Collection commissions	11,940	12,057	-117	12,057
Reinsurers commissions and profit participation	-20,064	-20,083	19	-20,688
Total Non-Life	**269,290**	**261,654**	**7,636**	**261,356**
Life Division				
Acquisition commissions and changes in deferred acquisition costs	4,394	4,632	-238	11,789
Other acquisition expenses	4,134	4,473	-339	5,284
Collection commissions	1,979	2,383	-404	2,383
Reinsurers commissions and profit participation	-2,087	-1,058	-1,029	-1,256
Total Life	**8,420**	**10,430**	**-2,010**	**18,200**
Investment management charges	1,367	2,122	-755	3,355
Other administration expenses	59,703	52,404	7,299	56,083
TOTAL	**338,780**	**326,610**	**12,170**	**338,994**

OTHER COSTS

The other costs amount to Euro 219,463 thousand (Euro 193,065 thousand in the first half of 2009) and are comprised of:

(in Euro thousands)	**30/06/2010**	**30/06/2009 IFRS 5**	**Changes**	**30/06/2009 published**
Other technical charges	111,120	113,229	-2,109	113,688
Provisions	23,050	5,234	17,816	5,234
Losses on receivables	11,595	1,488	10,107	1,488
Prior year charges	983	2,983	-2,000	3,045
Depreciation of tangible assets	437	913	-476	943
Amortisation of intangible assets	4,087	3,678	409	14,627
Exchange differences	6,925	36	6,889	41
Administrative costs/expenses incurred for third parties	46,456	42,437	4,019	42,437
Other costs	14,810	23,067	-8,257	23,076
TOTAL	**219,463**	**193,065**	**26,398**	**204,579**

INCOME TAXES

(in Euro thousands)	**30/06/2010**
Current income tax	-
Deferred tax liabilities arising in the year	26,066
Deferred tax liabilities utilised in the period	-6,155
Deferred tax assets arising in the year	-29,845
Deferred tax assets utilised in the year	6,449
TOTAL	**-3,485**

Taxes amount to Euro 3,485 thousand of income (Euro 20,962 thousand of charges in the first half of 2009) due to recording of deferred tax assets and are calculated applying the respective rates in force of 27.5% for Ires and 4.82% for Irap.

PROFIT FROM DISCONTINUED OPERATIONS

This amounts to Euro 3,281 thousand and comprises Euro 3,983 thousand of the net gains realised following the conferment to the Rho Fund of the property at Trieste, Riva Tommaso Gulli and for Euro 702 thousand of the loss following the sale of the 51% holding in Bipiemme Vita.

FURTHER INFORMATION

Earnings per share

	30/06/2010	30/06/2009
Net profit/(loss) attributed to the ordinary shareholders of the parent company (Euro thousand)	-188,179	47,837
Weighted average number of ordinary shares to calculate the basic earnings per share	550,670,914	550,670,914
Earnings/(loss) per share – in Euro	-0.34	0.09

The earnings per share are calculated by dividing the net result from operating activities attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the period.
It is noted that:

- the net result of operating activities attributable to ordinary shareholders of the Parent Company is calculated subtracting from the Group net result the share of the savings shareholders;
- the weighted average shares outstanding is calculated net of the weighted average treasury shares held.

In accordance with paragraph 68 of IAS 33, we report the earnings per share from discontinued operations:

	30/06/2010
Net profit attributed to the ordinary shareholders of the parent company (Euro thousand)	3,110
Weighted average number of ordinary shares to calculate the basic earnings per share	550,670,914
Earnings per share from discontinued operations – in Euro	0.01

It is currently not necessary to calculate the diluted earnings per share.

Part D

Segment information

In accordance with the IFRS 8 standard, segment information must provide the readers of the accounts with an additional instrument for a better understanding of the financial performance of the Group.
The underlying logic in the application of the standard is to provide information on the manner in which the Group results are formed, consequently providing information on the overall operations of the Group, and, specifically, on the areas where profits and risks are concentrated.

The primary reporting of the Group is by sector of activity. The companies of the Group are organised and managed separately based on the nature of their products and services, for each sector of activity which represents a strategic business unit offering different products and services.
In order to identify the primary sectors, the Group made an analysis of the risk-return profile of the sectors and considered the internal reporting structure.

The Non-Life sector provides insurance cover as indicated in article 2, paragraph 3 of Legislative Decree 209/2005.

The Life sector involves the carrying out of insurance activities and of the operations included in article 2, paragraph 1, of Legislative Decree 209/2005.

The real estate sector includes the activities of the property companies which operate actively in the management and development of property investments.

The Other Activities sector, of a residual nature, includes the activities of subsidiaries which operate in the services sector and in providing commercial assistance to agencies.

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

This section shows the balance sheet and income statement by sector, prepared in accordance with the formats approved by Isvap Regulation No. 7 of July 13, 2007. Comments and further information on the individual segments are included in the first part of the present report, to which reference should be made.

Segment Balance Sheet and Income Statement

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

Balance sheet by segment

		Non-Life Division		Life Division	
		30/06/2010	31/12/2009	30/06/2010	31/12/2009
1	**INTANGIBLE ASSETS**	**240,752**	**244,378**	**25,325**	**25,343**
2	**PROPERTY, PLANT & EQUIPMENT**	**12,123**	**12,058**	**34**	**32**
3	**TECHNICAL RESERVES – REINSURANCE AMOUNT**	**365,423**	**360,255**	**110,919**	**119,068**
4	**INVESTMENTS**	**4,631,931**	**4,619,801**	**4,218,205**	**4,257,136**
4.1	Investment property	687,657	648,230		
4.2	Investments in subsidiaries, associates and joint ventures	99,213	84,036	1,998	1,850
4.3	Investments held to maturity			118,219	114,924
4.4	Loans and receivables	122,723	126,363	319,644	365,232
4.5	Financial assets available-for-sale	3,696,420	3,731,515	3,468,596	3,460,871
4.6	Financial assets at fair value through the profit or loss account	25,918	29,657	309,748	314,259
5	**OTHER RECEIVABLES**	**765,260**	**1,007,332**	**124,028**	**159,174**
6	**OTHER ASSETS**	**247,524**	**198,266**	**83,969**	**4,132,297**
6.1	Deferred acquisition costs	11,233	19,993	7,515	7,868
6.2	Other assets	236,291	178,273	76,454	4,124,429
7	**CASH AND CASH EQUIVALENTS**	**223,839**	**212,536**	**2,708**	**9,988**
	TOTAL ASSETS	**6,486,852**	**6,654,626**	**4,565,188**	**8,703,038**
1	**SHAREHOLDERS' EQUITY**				
2	**PROVISIONS**	**99,836**	**81,110**	**7,577**	**5,941**
3	**TECHNICAL RESERVES**	**5,031,749**	**5,114,609**	**3,912,121**	**3,899,328**
4	**FINANCIAL LIABILITIES**	**171,407**	**160,323**	**225,441**	**221,961**
4.1	Financial liabilities at fair value through profit or loss	2,471	795	68,092	66,006
4.2	Other financial liabilities	168,936	159,528	157,349	155,955
5	**PAYABLES**	**226,909**	**265,304**	**26,515**	**67,865**
6	**OTHER LIABILITIES**	**198,985**	**195,426**	**43,332**	**3,908,440**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

Real Estate Sector		Other		Inter-segment Eliminations		Total	
30/06/2010	31/12/2009	30/06/2010	31/12/2009	30/06/2010	31/12/2009	30/06/2010	31/12/2009
546	569	3,763	111			270,386	270,401
52,416	52,194	64	85			64,637	64,369
						476,342	479,323
530,363	573,226	-	-	- 9,261	- 6,268	9,371,238	9,443,895
383,674	436,581			- 9,261	- 6,268	1,062,070	1,078,543
113,496	103,445			-	-	214,707	189,331
						118,219	114,924
17,975	18,993					460,342	510,588
15,218	14,207					7,180,234	7,206,593
						335,666	343,916
7,421	5,852	1,972	2,931	- 88	- 803	898,593	1,174,486
2,793	2,912	2,150	1,047	- 42,039	- 655	294,397	4,333,867
						18,748	27,861
2,793	2,912	2,150	1,047	- 42,039	- 655	275,649	4,306,006
8,139	15,481	13,365	9,010			248,051	247,015
601,678	650,234	21,314	13,184	- 51,388	- 7,726	11,623,644	16,013,356
						1,627,477	1,987,923
2,750	2,750					110,163	89,801
						8,943,870	9,013,937
70,873	83,863	-	-	-	-	467,721	466,147
1,298	1,414					71,861	68,215
69,575	82,449					395,860	397,932
5,286	9,325	16,664	9,679	- 88	- 803	275,286	351,370
510	531	1,332	436	- 45,032	- 655	199,127	4,104,178
						11,623,644	16,013,356

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

Segment Income Statement

		Non-Life Sector		Life Sector	
		30/06/2010	**30/06/2009(*)**	**30/06/2010**	**30/06/2009(*)**
1.1	Net premiums	1,536,794	1,526,774	260,442	221,475
1.1.1	*Gross premiums written*	1,598,519	1,615,648	266,692	228,853
1.1.2	*Premiums ceded to re-insurers*	- 61,725	- 88,874	- 6,250	- 7,378
1.2	Commission income		-	138	95
1.3	Income and charges from financial instruments at fair value through profit or loss	- 1,969	23,076	3,351	16,146
1.4	Income from investments in subsidiaries, associates and joint ventures	271	6,551		
1.5	Income from other financial instruments and property investments	102,251	102,259	103,601	99,585
1.6	Other revenues	75,306	64,330	10,512	6,438
1	**TOTAL REVENUES AND INCOME**	**1,712,653**	**1,722,990**	**378,044**	**343,739**
2.1	Net charges relating to claims	- 1,226,408	- 1,155,099	- 286,341	- 253,386
2.1.1	*Amounts paid and changes in technical reserves*	- 1,246,890	- 1,194,630	- 289,553	- 260,033
2.1.2	*Reinsurers' share*	20,482	39,531	3,212	6,647
2.2	Commission expenses			- 35	- 43
2.3	Charges from investments in subsidiaries, associates and joint ventures	- 10,479	- 6,718	- 161	- 185
2.4	Charges from other financial instruments and property investments	- 188,926	- 43,582	- 27,781	- 27,141
2.5	Management expenses	- 325,054	- 309,774	- 13,726	- 16,828
2.6	Other costs	- 187,739	- 157,903	- 20,195	- 20,107
2	**TOTAL COSTS AND CHARGES**	**- 1,938,606**	**- 1,673,076**	**- 348,239**	**- 317,690**
	PROFIT/(LOSS) BEFORE TAXES	**- 225,953**	**49,914**	**29,805**	**26,049**

(*) Data restated as per IFRS 5

Real Estate Sector		Other		Inter-segment Eliminations		Total	
30/06/2010	**30/06/2009(*)**	**30/06/2010**	**30/06/2009(*)**	**30/06/2010**	**30/06/2009(*)**	**30/06/2010**	**30/06/2009(*)**
-	-	-	-	-	-	1,797,236	1,748,249
						1,865,211	1,844,501
						- 67,975	- 96,252
						138	95
117						1,499	39,222
					- 6,268	271	283
5,730	7,771	2				211,584	209,615
893	43	16,779	14,499	- 6,782		96,708	85,310
6,740	**7,814**	**16,781**	**14,499**	**- 6,782**	**- 6,268**	**2,107,436**	**2,082,774**
-	-	-	-	-	-	- 1,512,749	- 1,408,485
						- 1,536,443	- 1,454,663
						23,694	46,178
						- 35	- 43
- 2,839						- 13,479	- 6,903
- 8,274	- 3,134	- 7	- 23			- 224,988	- 73,880
	- 8		-			- 338,780	- 326,610
- 1,925	- 628	- 16,386	- 14,427	6,782		- 219,463	- 193,065
- 13,038	**- 3,770**	**- 16,393**	**- 14,450**	**6,782**	**-**	**- 2,309,494**	**- 2,008,986**
- 6,298	**4,044**	**388**	**49**	**-**	**- 6,268**	**- 202,058**	**73,788**

Part F

Transactions with related parties

The principal transactions with related parties, as defined by International Accounting Standards No. 24 (Disclosures on operations with related parties) and article 2, letter h) of Consob Resolution 11971 of May 14, 1999 are shown below. The operations between the Parent Company and its subsidiaries, and related companies, were eliminated in the consolidated financial statements and are therefore not shown in these notes.

They principally relate to:

- transactions related to reinsurance activities, all at market prices;
- charges, income and consequent debtor/creditor balances related to the division between the companies of the Fondiaria-SAI Group of the cost of the general services at group level;
- credit and debit balances deriving from the involvement in the Fondiaria-SAI Group tax consolidation.

(in Euro thousands)

	Assets	Liabilities	Revenues	Costs
Parent Company	187,200	47,812	8,066	8,463
Associate/Group companies	371,167	106,167	103,322	168,315
Other related parties	158,114	215	88	575

The assets of the consolidated financial statements include:

- Euro 103.5 million recorded in the Investment property account relating to payments on account to the Company "Avvenimenti e Sviluppo Alberghiero S.r.l." for the execution of the real estate contracts on the building areas at Via Fiorentini, Rome. We recall that this operation, undertaken in 2003, included the sale to "Avvenimenti e Sviluppo Alberghiero S.r.l." of a site and the purchase of the completed real estate complex under construction on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009.

- Euro 43 million recorded to the Investment property account relating to payments on account to "IM.CO. S.p.A." for the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola). The project included the sale in 2005 to "IM.CO. S.p.A." of the above-mentioned land and the purchase for Euro 93.7 million of a building for office use under construction on the land sold.

The financial cash flows in the first half of 2010 in relation to these operations amounted to Euro 0.9 million of payments on account made by Milano Assicurazioni.

Taking into account that the corporate structure of the counterparty companies in the above-mentioned operations includes related parties of Milano Assicurazioni, in addition to the parent company Fondiaria-SAI, fairness and legal opinions from expert advisors were obtained for these operations. The fairness opinions confirmed the appropriateness of the sales price of the areas and the purchase price of the buildings under construction.

Part G

Other Information

Financial risk management

Derivative financial instruments

The Group makes a limited utilisation of derivative financial instruments. The operations were undertaken in accordance with the respective resolutions of the Group Companies Board of Directors' in relation to the utilisation of the derivative financial and structured instruments utilising control and monitoring instruments, including preventive instruments, existing within the organisation which track the operations carried out in terms of the decided strategy, the efficiency of the hedging operations and the respecting of the limits assumed.

At June 30, 2010, the following operations were open:

- 13,575 call options acquired on the DJ Eurostoxx50, with an average strike price of 2,883.44. The valuation of these options at fair value resulted in the recording of charges of Euro 499 thousand to the income statement;
- nominal contract Euro 50 million of Interest Rate Swap agreed on December 4, 2008 with the counterparty HVB, commencing on January 14, 2009 and expiring on July 14, 2016. Milano pays to the counterparty a fixed rate of 3.18% annually and the counterparty pays Milano at Euribor 6 months. The valuation at fair value of this contract resulted in the recording to net equity of a negative reserve of Euro 1,632 thousand;
- Credit Default Swap contracts, in order to hedge the insolvency risk of the securities in portfolio. In particular:
  - Credit Default Swap on a nominal amount of Euro 9.35 million which expires on March 20, 2013 to hedge the issuer insolvency risk of Morgan Stanley.
  - Credit Default Swap on a nominal amount of Euro 4.41 million which expires on March 20, 2014 to hedge the issuer insolvency risk of Merrill Lynch;
- Range accrual swap contracts on a nominal amount of Euro 5 million with expiry April 1, 2020 and on a nominal amount of Euro 2.5 million with expiry on May 7, 2020. Under these contracts Milano Assicurazioni pays to the counterparties a fixed rate of 3% annually and receives a rate respectively of 5.25% annually and of 6.50% annually for all days in which the spread between the CMS rate at 30 years and the CMS rate at 10 years is positive;
- Forward Variance Swap contracts on the DJ Eurostoxx 50, for 320 units, with expiry on December 17, 2010. These contracts are based on the difference between the volatility in the period of the DJ Eurostoxx50 and the fixed strike. The valuation at fair value of these contracts resulted in the recording of income of Euro 126 thousand to the income statement;
- a combined operation of the purchase of volatility and the sale of the change with maturity on December 17, 2010. The valuation at fair value of this contract resulted in the recording of charges of Euro 59 thousand to the income statement.

The derivative financial operations in the half-year relate to:

- combined options (purchase put-sell call) undertaken to hedge the non realised gains on Mediobanca shares in portfolio. In particular the closure of these options, through the financial settlement of the differential between the list price and the strike price (cash settlement) related to 602,700 Mediobanca shares which, based on the average strike price of Euro 9.1196 per share, recorded a profit of Euro 1,784 thousand;
- various forward variance swap operations on equity indices, with consequent recording in the income statement of net income of Euro 46 thousand.

The Group does not have derivative contracts on currencies as the exposure to exchange risk is immaterial.

Solvency margin and assets covered

Based on the economic performance in the first half of the year and taking into account the projected operation activities, it is estimated that, for the full year, the constituting elements of the solvency margin will comfortably exceed the minimum amount required by Isvap measure No. 18 of March 12, 2008.
We also report that the insurance companies included in the consolidation have sufficient assets to cover the technical reserves recorded at June 30, 2010.

Employees

At June 30, 2010, the number of employees of the Parent Company and of the consolidated companies amounted to 2,000 (2,026 at 31/12/2009). The breakdown by category is as follows:

	30/06/2010	31/12/2009
Executives	26	25
Managers & white collar	1,967	1,997
Building caretakers	7	4
	2,000	**2,026**

Exchange Rates

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

	30/06/2010	31/12/2009
US Dollar	1.2271	1.4406
UK Sterling	0.81745	0.8881
Swiss Franc	1.3283	1.4836

Milano, August 5, 2010

MILANO ASSICURAZIONI S.p.A.
For the Board of Directors

Attachments

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

Details of tangible and intangible fixed assets

	At cost	At revalued amount or fair value	Total book value
Investment property	1,062,070		1,062,070
Others buildings	58,733		58,733
Other tangible assets	5,904		5,904
Other intangible assets	26,255		26,255

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

Details of the technical reserves - reinsurance amount

In Euro thousands

	Total book value	
	30/06/2010	31/12/2009
Non-Life reserves	***365,423***	***360,255***
Life reserves	***110,919***	***119,068***
Technical reserves where investment risk is borne by policyholders and from pension fund management		0
Actuarial reserves and other reserves	110,919	119,068
Technical reserves attributed to reinsurers	***476,342***	***479,323***

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

Details of financial assets

	Investments held to maturity		Loans and receivables		Financial assets available-for-sale	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Equity securities and derivatives valued at cost						
Equity securities at fair value					609,700	633,134
of which listed securities					*597,939*	*619,908*
Debt securities	118,219	114,924	351,830	339,207	5,964,259	5,904,235
of which listed securities	*116,622*	*113,638*	*306,792*	*292,241*	*5,922,568*	*5,888,944*
Fund units					606,275	669,217
Loans and receivables from banks						
Loans and interbank receivables						
Deposits with reinsurers			2,580	2,358		
Financial asset components of insurance contracts						
Other loans and receivables			105,932	169,023		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments						7
Total	**118,219**	**114,924**	**460,342**	**510,588**	**7,180,234**	**7,206,593**

Financial assets at fair value through the profit or loss				Total book value	
Financial assets held for trading		Financial assets designated at fair value recorded through profit or loss			
30/06/2010	**31/12/2009**	**30/06/2010**	**31/12/2009**	**30/06/2010**	**31/12/2009**
				0	0
	633	1,035	2	610,735	633,769
	633	*1,035*	*2*	*598,974*	*620,543*
34,039	34,850	239,144	247,577	6,707,491	6,640,793
582	*1,263*	*222,368*	*229,071*	*6,568,932*	*6,525,157*
		59,404	57,715	665,679	726,932
				0	0
				0	0
				2,580	2,358
				0	0
				105,932	169,023
		593	160	593	160
			484	0	484
		1,451	2,495	1,451	2,502
34,039	**35,483**	**301,627**	**308,433**	**8,094,461**	**8,176,021**

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

Details of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by policyholders and from pension fund management

	Returns based on performance of investments funds and market indices		Returns related to the management of pension funds		Total	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Assets in accounts	269,206	279,940	11,865	9,157	281,071	289,097
Inter-group assets*					0	0
Total Assets	**269,206**	**279,940**	**11,865**	**9,157**	**281,071**	**289,097**
Financial liabilities in accounts	55,356	55,527	11,864	9,157	67,220	64,684
Technical reserves in accounts	213,848	224,411			213,848	224,411
Inter-group liabilities*					0	0
Total Liabilities	**269,204**	**279,938**	**11,864**	**9,157**	**281,068**	**289,095**

* Assets and liabilities eliminated in consolidation

Details of technical reserves

In Euro thousands

	Total book value	
	30/06/2010	**31/12/2009**
Non-Life reserves	***5,031,749***	***5,114,609***
Unearned premium reserve	1,181,574	1,174,114
Claims reserve	3,846,506	3,936,933
Other reserves	3,669	3,562
of which reserves set aside following the liability adequacy test	*0*	*0*
Life reserves	***3,912,121***	***3,899,328***
Reserve for claims to be paid	27,980	39,163
Actuarial reserves	3,662,592	3,599,033
Technical reserves where investment risk is borne by policyholders and from pension fund management	213,849	224,411
Other reserves	7,700	36,721
of which reserves set aside following the liability adequacy test	*0*	*0*
of which deferred liabilities to policyholders	*-14,456*	*13,342*
Total Technical Reserves	***8,943,870***	***9,013,937***

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

Details of financial liabilities

	Financial liabilities at fair value through profit or loss			
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Equity financial instruments				
Sub-ordinated liabilities				
Liabilities from financial contracts issued by insurance companies deriving			67,219	64,684
From contracts for which the investment risk is borne by policyholders			*55,355*	*55,527*
From the management of pension funds			*11,864*	*9,157*
From other contracts				
Deposits received from reinsurers				
Financial liability components of insurance contracts				
Debt securities issued				
Payables to bank clients				
Interbank payables				
Other loans obtained				
Non-hedging derivatives	1,357	1,414		
Hedging derivatives	2,412	795	873	
Other financial liabilities				1,322
Total	**3,769**	**2,209**	**68,092**	**66,006**

Other financial liabilities		Total book value	
30/06/2010	31/12/2009	30/06/2010	31/12/2009
151,617	151,776	151,617	151,776
		67,219	64,684
		55,355	*55,527*
		11,864	*9,157*
174,668	163,707	174,668	163,707
		1,357	1,414
		3,285	795
69,575	82,449	69,575	83,771
395,860	**397,932**	**467,721**	**466,147**

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

Details of technical insurance accounts

In Euro thousands

		30/06/2010	30/06/2009
Non-Life Division			
NET PREMIUMS		1,536,794	1,526,774
a	Premiums written	1,539,838	1,538,326
b	Change in unearned premium reserve	-3,044	-11,552
NET CHARGES RELATING TO CLAIMS		-1,226,408	-1,155,099
a	Amount paid	-1,334,047	-1,244,216
b	Change in claims reserve	89,393	62,165
c	Change in recoveries	18,436	26,666
d	Change in other technical reserves	-190	286
Life Division			
NET PREMIUMS		260,442	221,475
NET CHARGES RELATING TO CLAIMS		-286,341	-253,386
a	Sums paid	-247,952	-309,549
b	Change in reserve for sums to be paid	10,858	8,870
c	Change in actuarial reserve	-64,886	38,949
d	Change technical reserves where investment risk borne by policyholders and from pension fund management	9,817	-2,184
e	Change in other technical reserves	5,822	10,528

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

Financial income and charges and from investments

		Interest	Other Income	Other expenses	Profits realised
Result from investments		**111,885**	**40,281**	**-24,583**	**67,670**
a	Deriving from property investments		12,813	-8,791	3,346
b	Deriving from investments in subsidiaries, associates and joint ventures		271	-13,479	
c	Deriving from investments held-to-maturity:	3,338			
d	Deriving from loans and receivables	10,951	2		27
e	Deriving from available-for-sale financial assets	91,591	26,922	-1,296	61,783
f	Deriving from financial assets held for trading	1,161		-89	1,093
g	Deriving from financial assets designated at fair value through profit or loss	4,844	273	-928	1,421
Result of other receivables		**487**			
Result of cash and cash equivalents		**324**		**-12**	
Result of financial liabilities		**-6,716**	**0**	**0**	**0**
a	Deriving from financial liabilities held for trading				
b	Deriving from financial liabilities designated at fair value through profit or loss				
c	Deriving from other financial liabilities	-6,716			
Result of payables		**-326**			
Total		**105,654**	**40,281**	**-24,595**	**67,670**

Losses realised	Total income and charges realised	Valuation gains		Valuation losses		Total income and charges not realised	Total income and charges 30/06/2010	Total income and charges 30/06/2009
		Valuation gains	Write-back of value	Valuation losses	Impairment			
-29,401	**165,852**	**3,148**	**0**	**-20,347**	**-167,640**	**-184,839**	**-18,987**	**170,855**
	7,368			-10,866		**-10,866**	**-3,498**	**1,466**
	-13,208					**0**	**-13,208**	**-6,620**
	3,338					**0**	**3,338**	**3,163**
-59	**10,921**					**0**	**10,921**	**12,270**
-29,282	**149,718**				-167,640	**-167,640**	**-17,922**	**121,354**
	2,165	4		-4,475		**-4,471**	**-2,306**	**11,984**
-60	**5,550**	3,144		-5,006		**-1,862**	**3,688**	**27,238**
	487					**0**	**487**	**2,567**
	312					**0**	**312**	**1,864**
0	**-6,716**	**117**	**0**	**0**	**0**	**117**	**-6,599**	**-6,754**
	0	117				**117**	**117**	**0**
	0					**0**	**0**	**0**
	-6,716					**0**	**-6,716**	**-6,754**
	-326					**0**	**-326**	**-195**
-29,401	**159,609**	**3,265**	**0**	**-20,347**	**-167,640**	**-184,722**	**-25,113**	**168,337**

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

DETAILS OF INSURANCE MANAGEMENT EXPENSES

	Non-Life Division		Life Division	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Gross commissions and other acquisition expenses net of commissions and profit participations received from reinsurers	-269,290	-261,654	-8,420	-10,431
Investment management charges	-723	-1,258	-644	-863
Other administration expenses	-55,041	-46,862	-4,662	-5,534
Total	**-325,054**	**-309,774**	**-13,726**	**-16,828**

CONSOLIDATED HALF YEAR FINANCIAL REPORT AT JUNE 30, 2010

In Euro thousands

Details of financial assets and liabilities by level

		Level 1		Level 2		Level 3		Total	
		30/06/2010	31/12/2009	30/06/2010	31/12/2009	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Financial assets available-for-sale		6,454,859	6,458,425	713,614	734,942			7,168,473	7,193,367
Financial assets at fair value through the profit or loss account	Financial assets held for trading	582	1,896	33,457	33,587			34,039	35,483
	Financial assets designated at fair value recorded through profit or loss	896	5,472	300,731	302,961			301,627	308,433
Total		6,456,337	6,465,793	1,047,802	1,071,490	-	-	7,504,139	7,537,283
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading			3,769	2,209			3,769	2,209
	Financial liabilities designated at fair value through profit or loss			68,092	66,006			68,092	66,006
Total		-	-	71,861	68,215	-	-	71,861	68,215

List of direct and indirect holdings in non-listed companies of above 10% of the share capital at 30/06/2010
(in accordance with article 125-126 of CONSOB Resolution 11971 of May 14, 1999)

Name and registered office		Voting shares held	Quota held			
			Direct %	Indirect %	Through subsidiary companies	Total %
ATAHOTELS S.p.A.	MILAN	8,496,000	49.00			49.00
A7 S.r.l	MILAN	40,000		20.00	IMMOBILIARE MILANO ASS	20.00
BORSETTO S.r.l.	TURIN	1,335,149		44.93	IMMOBILIARE MILANO ASS	44.93
CAMPO CARLO MAGNO S.p.A.	TRENTO	18,622,400	100.00			100.00
CITYLIFE S.r.l.	MILAN	85,152		27.20	IMMOBILIARE MILANO ASS	27.20
COMP. TIRRENA DI ASS.NI (in liquidaz.)	MILAN	3,900,000	11.14			11.14
DIALOGO ASSICURAZIONI S.p.A.	MILAN	8,818,363	99.85			99.85
DIALOGO VITA (EX FONDIPREV S.p.A.)	FLORENCE	12,000,000	100.00			100.00
EX VAR SCS	LUXEMBOURG	250,959		10.00	IMMOBILIARE MILANO ASS	10.00
GARIBALDI S.C.A.	LUXEMBOURG	9,920	32.00			32.00
GLOBAL CARD SERVICE S.r.l	TURIN	43,472		44.00	LIGURIA ASSICURAZIONI	95.00
		50,388		51.00	LIGURIA VITA	
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	MILAN	3,419,000	34.19			34.65
		2,000		0.02	PRONTO ASSISTANCE SERVIZI	
		2,000		0.02	LIGURIA VITA	
		2,000		0.02	LIGURIA ASSICURAZIONI	
		18,000		0.18	SYSTEMA COMPAGNIA ASS	
		20,000		0.20	DIALOGO ASSICURAZIONI	
		2,000		0.02	DIALOGO VITA	
ISOLA S.C.A.	LUXEMBOURG	9,164	29.56			29.56
IGLI S.p.A	MILAN	4,020,000		16.67	IMMOBILIARE MILANO ASS	16.67
IMMOBILIARE LOMBARDA S.p.A.	MILAN	51,620,836	35.83			35.83
IMMOBILIARE MILANO ASSICURAZIONI S.r.l	MILAN	20,000	100.00			100.00
LIGURIA ASSICURAZIONI S.p.A.	SEGRATE	36,788,443	99.97			99.97
LIGURIA VITA S.p.A.	MILAN	1,200,000		100.00	LIGURIA ASSICURAZIONI	100.00
METROPOLIS S.p.A	FLORENCE	332,976		29.73	IMMOBILIARE MILANO ASS	29.73
PENTA DOMUS S.r.l	TURIN	24,000		20.00	IMMOBILIARE MILANO ASS	20.00
PRONTO ASSISTANCE SERVIZI	TURIN	144,480	28.00			54.55
		1,806		0.35	SYSTEMA COMPAGNIA	
		123,840		24.00	DIALOGO ASSICURAZIONI	
		11,352		2.20	LIGURIA ASSICURAZIONI	
SAI INVESTIMENTI S.G.R. S.p.A.	TURIN	1,134,940	29.00			29.00
SAI NETWORK	TURIN	1,960,000	24.50			24.50
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	FLORENCE	60,000	30.00			30.00
SERVIZI IMMOBILIARI MARTINELLI S.p.A.	CINISELLO BALSAMO (	200		20.00	IMMOBILIARE MILANO ASS	20.00
SINTESI SECONDA S.r.l	MILAN	1		100.00	IMMOBILIARE MILANO ASS	100.00
SISTEMI SANITARI (EX SERV SALUTE MALATTIA)	MILAN	196,295	19.63			20.31
		171		0.02	DIALOGO ASSICURAZIONI	
		4		0.00	DIALOGO VITA	
		2,170		0.22	LIGURIA ASSICURAZIONI	
		195		0.02	LIGURIA VITA	
		4,100		0.41	PRONTO ASSISTANCE SERVIZI	
		118		0.01	SYSTEMA COMPAGNIA ASS	
SOGEINT S.r.l	MILAN	1	100.00			100.00
SVILUPPO CENTRO EST S.r.l	ROME	4,000		40.00	IMMOBILIARE MILANO ASS	40.00
SYSTEMA COMPAGNIA DI ASS.NI S.p.A.	MILAN	10,000	100.00			100.00
UFFICIO CENTRALE ITALIANO S.r.l	MILAN	109,752	10.98			11.29
		1		0.00	DIALOGO	
		3,100		0.31	LIGURIA ASSICURAZIONI	
		2		0.00	SYSTEMA	
VALORE IMMOBILIARE S.r.l.	MILAN	5,000	50.00			50.00

RECONCILIATION WITH INCOME STATEMENT AT JUNE 30, 2009

In Euro thousands

INCOME STATEMENT

		1st Half 2009 published	BPM Vita 1st Half 2009	Consolidation adjustments	1st Half 2009 reclassified IFRS5
1.1	Net premiums	2,037,102	288,853		1,748,249
1.1.1	*Gross premiums written*	*2,138,613*	*294,112*		*1,844,501*
1.1.2	*Premiums ceded to re-insurers*	*-101,511*	*-5,259*		*-96,252*
1.2	Commission income	9,189	9,094		95
1.3	Income and charges from financial instruments at fair value through profit or loss	40,038	816		39,222
1.4	Income from investments in subsidiaries, associates and joint ventures	283			283
1.5	Income from other financial instruments and property investments	252,716	43,101		209,615
1.5.1	*Interest income*	*165,747*	*32,134*		*133,613*
1.5.2	*Other income*	*47,884*	*4,789*		*43,095*
1.5.3	*Profits realised*	*39,085*	*6,178*		*32,907*
1.5.4	*Valuation gains*				
1.6	Other revenues	85,366	56		85,310
1	**TOTAL REVENUES AND INCOME**	**2,424,694**	**341,920**		**2,082,774**
2.1	Net charges relating to claims	-1,724,589	-316,104		-1,408,485
2.1.1	*Amounts paid and changes in technical reserves*	*-1,771,809*	*-317,146*		*-1,454,663*
2.1.2	*Reinsurers' share*	*47,220*	*1,042*		*46,178*
2.2	Commission expenses	-4,313	-4,270		-43
2.3	Charges from investments in subsidiaries, associates and joint ventures	-6,903			-6,903
2.4	Charges from other financial instruments and property investments	-77,197	-3,317		-73,880
2.4.1	*Interest expense*	*-7,269*	*-320*		*-6,949*
2.4.2	*Other charges*	*-5,877*	*-162*		*-5,715*
2.4.3	*Losses realised*	*-27,583*	*-2,835*		*-24,748*
2.4.4	*Valuation losses*	*-36,468*			*-36,468*
2.5	Management expenses	-338,994	-12,384		-326,610
2.5.1	*Commissions and other acquisition expenses*	*-279,556*	*-7,472*		*-272,084*
2.5.2	*Investment management charges*	*-3,355*	*-1,233*		*-2,122*
2.5.3	*Other administration expenses*	*-56,083*	*-3,679*		*-52,404*
2.6	Other costs	-204,579	-596	-10,918	-193,065
2	**TOTAL COSTS AND CHARGES**	**-2,356,575**	**-336,671**	**-10,918**	**-2,008,986**
	PROFIT BEFORE TAXES	**68,119**	**5,249**	**-10,918**	**73,788**
3	Income taxes	-19,086	-1,696	3,572	-20,962
	NET PROFIT	**49,033**	**3,553**	**-7,346**	**52,826**
4	**PROFIT/LOSS FROM DISCONTINUED OPERATIONS**			**3,793**	**-3,793**
	CONSOLIDATED PROFIT	**49,033**	**3,553**	**-3,553**	**49,033**
	group share	**50,743**			**50,743**
	minority share	**-1,710**			**-1,710**

Declaration of the Condensed Half-Year Financial Statements

in accordance with article 81 ter of the Consob Resolution No. 11971 of May 14, 1999 and successive modifications and integrations

1. The undersigned Fausto Marchionni (as Chief Executive Officer of Milano Assicurazioni) and Pier Giorgio Bedogni (as Executive responsible for the preparation of the corporate accounting documents of Milano Assicurazioni) affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:
   - the accuracy of the information on company operations and
   - the effective application of the administrative and accounting procedures for the compilation of the condensed half-year financial statements in the first half-year of 2010.

2. The evaluation of the adequacy of the accounting and administrative procedures for the preparation of the condensed half-year financial statements at June 30, 2010 is based on a Model defined by Milano Assicurazioni in accordance with the "Internal Control – Integrated Framework" and "Cobit" which represent benchmarks for internal control systems generally accepted at international level.

3. It is also declared that:

3.1. the condensed half-year financial statements:

a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
b) correspond to the underlying accounting documents and records;
c) were prepared in accordance with article 9 of Legislative Decree No. 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the issuer and of the consolidated companies;

3.2. the Interim Directors' Report on operations includes an analysis of the significant events in the first six months of the year and their impact on the condensed half-year financial statements, with a description of the principal risks and uncertainties for the remaining six months. The interim directors' report also includes a reliable analysis of the information on significant operations with related parties.

Milan, August 5, 2010

Fausto Marchionni
(Chief Executive Officer)

Pier Giorgio Bedogni
(Executive responsible for the preparation of corporate accounting documents)

Auditors’ report on the limited audit of the condensed half-year consolidated financial statements at June 30, 2010

Deloitte.

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RELAZIONE DELLA SOCIETÀ DI REVISIONE SULLA REVISIONE CONTABILE LIMITATA DEL BILANCIO CONSOLIDATO SEMESTRALE ABBREVIATO

Agli Azionisti di
MILANO ASSICURAZIONI S.p.A.

1. Abbiamo effettuato la revisione contabile limitata del bilancio consolidato semestrale abbreviato, costituito dallo stato patrimoniale, dal conto economico separato, dal conto economico complessivo, dal prospetto delle variazioni di patrimonio netto, dal rendiconto finanziario e dalle relative note esplicative di MILANO ASSICURAZIONI S.p.A. (la "Società") e sue controllate (il "Gruppo MILANO ASSICURAZIONI") al 30 giugno 2010. La responsabilità della redazione del bilancio consolidato semestrale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea, nonché al Regolamento ISVAP n. 7 del 13 luglio 2007, compete agli Amministratori di MILANO ASSICURAZIONI S.p.A.. E' nostra la responsabilità della redazione della presente relazione in base alla revisione contabile limitata svolta.

2. Il nostro lavoro è stato svolto secondo i criteri per la revisione contabile limitata raccomandati dalla Consob con Delibera n. 10867 del 31 luglio 1997. La revisione contabile limitata è consistita principalmente nella raccolta di informazioni sulle poste del bilancio consolidato semestrale abbreviato e sull'omogeneità dei criteri di valutazione, tramite colloqui con la Direzione della Società, e nello svolgimento di analisi di bilancio sui dati contenuti nel predetto bilancio consolidato. La revisione contabile limitata ha escluso procedure di revisione quali sondaggi di conformità e verifiche o procedure di validità delle attività e delle passività ed ha comportato un'estensione di lavoro significativamente inferiore a quella di una revisione contabile completa svolta secondo gli statuiti principi di revisione. Di conseguenza, diversamente da quanto effettuato sul bilancio consolidato di fine esercizio, non esprimiamo un giudizio professionale di revisione sul bilancio consolidato semestrale abbreviato.

   Il bilancio consolidato semestrale abbreviato presenta ai fini comparativi i dati dell'esercizio precedente e i dati del bilancio consolidato semestrale abbreviato dell'anno precedente. Come illustrato nelle note esplicative, gli Amministratori hanno riesposto alcuni dati comparativi relativi all'esercizio precedente e allo stesso periodo dell'anno precedente, rispetto ai dati precedentemente presentati e da noi assoggettati rispettivamente a revisione contabile e a revisione contabile limitata, sui quali avevamo emesso le nostre relazioni di revisione rispettivamente in data 6 aprile 2010 e in data 28 agosto 2009. Le modalità di rideterminazione dei dati comparativi e la relativa informativa presentata nelle note esplicative, sono state da noi esaminate nell'ambito della revisione contabile limitata del bilancio consolidato semestrale abbreviato chiuso al 30 giugno 2010.

3. Sulla base di quanto svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio consolidato semestrale abbreviato del Gruppo MILANO ASSICURAZIONI al 30 giugno 2010 non sia stato redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

4. Come indicato dagli Amministratori nella relazione intermedia sulla gestione, la perdita consolidata al 30 giugno 2010 risente in misura significativa delle riduzioni di valore relative ai titoli di capitale classificati nella categoria "Attività finanziarie disponibili per la vendita". Tali rettifiche di valore sono state determinate sulla base della *impairment policy* della Società, i cui criteri ed effetti sono commentati dagli Amministratori nel paragrafo "Attività finanziarie disponibili per la vendita" delle note esplicative, cui si rimanda.

DELOITTE & TOUCHE S.p.A.

Enrico Ciai
Socio

Milano, 26 agosto 2010