Consolidated Half-Year Report at June 30, 2012

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 Euro 373,682,600.42 fully paid-in – Milan Company Registration Office, Tax and VAT Number 00957670151 - Company authorised to exercise insurance activities (art. 65 R.D.L. 29-4-1923 n. 966) – Registered at Section I of the ISVAP Company Role at number 1.00010.
Company belonging to the Fondiaria-SAI Group, recorded in the Insurance Group Register at No. 030 - management and co-ordination of FONDIARIA-SAI S.p.A.

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CONSOLIDATED HALF-YEAR REPORT

BOARD OF DIRECTORS

Massimo **Pini** *	*Chairman*
Emanuele **Erbetta** *	*Chief Executive Officer - General Manager*
Paolo **Arbarello**	
Enrico **De Cecco** *	
Barbara **De Marchi**	
Giuseppe **Lazzaroni** *	
Nicola **Maione**	
Nicola **Miglietta**	
Ugo **Milazzo**	
Piergiorgio **Peluso** *	
Antonio **Salvi**	
Alessandra **Talarico**	

(*) Members of the Executive Committee

Fausto **Rapisarda**	*Secretary of the Board and the Executive Committee*

The Board of Directors was appointed by the Shareholders' Meeting on July 10, 2012 and will remain in office until the approval of the financial statements by the Shareholders' Meeting for the year ended December 31, 2014.

The calling of this Shareholders' Meeting was necessary as under paragraph 1 of Article 36 of Legs. Decree No. 201 of December 6, 2011, enacted into Law No. 214 of December 22, 2011 (the so-called *interlocking directories* regulation) – Messrs. Angelo Casò, Chairman, Umberto Bocchino, Maurizio Burnengo, Maurizio Di Maio, Davide Maggi and Aldo Milanese, appointed by the Shareholders' Meeting of April 27, 2011 and all of whom independent directors, resigned from the board. The Director Mr. Mariano Frey, an independent director, also resigned.

The Board of Directors of May 8, 2012, in consideration of the above mentioned resignations, appointed new Directors, in accordance with Article 2386 of the civil code, until the next Shareholders' Meeting, as follows: Prof. Paolo Arbarello, Avv. Nicola Maione, Dott. Aldo Milanese, Avv. Ugo Milazzo, Prof. Antonio Salvi, Prof. Roberto Schiesari, Prof. Giuseppe Tardivo. All of the directors are independent in accordance with the Self-Governance Code of listed companies and with the Consolidated Finance Act.

In relation to Mr. Milanese, who resigned from the office of Director of Milano Assicurazioni in accordance with the interlocking directorates regulation, following his resignation from office which was considered incompatible, he was newly considered available to undertake the office of director of the Company.

On May 17, 2012 the Company Director Ms. Jonella Ligresti resigned.

On May 19, 2012 Mr. Simone Tabacci resigned and, on May 21, 2012, Mr. Roberto Schiesari also resigned, co-opted on May 8.

The resignation of Mr. Tabacci has resulted, taking into account the resignations presented by Directors at the end of April and that of Ms. Jonella Ligresti on May 17, 2012, in there no longer being a majority of directors appointed by the Shareholders' Meeting, with consequent expiry of the entire Board of Directors, which remains in office on a provisional basis, including Mr. Tabacci and Mr. Schiesari, until the Shareholders' Meeting called to appoint a new Board of Directors through voting of slates, held – as stated above – on July 10, 2012.

On May 23, 2012 the Director Mr. Giuseppe Tardivo resigned. The resignation from the office of Director was effective from the date of the appointment of the Board of Directors by the Shareholders' Meeting of July 10, 2012.

On June 14, 2012 Mr. Gioacchino Paolo Ligresti announced his resignation as Vice Chairman and as Director (non-executive) of the Company. The resignation from the office of Director was effective from the date of the appointment of the Board of Directors by the Shareholders' Meeting of July 10, 2012.

BOARD OF STATUTORY AUDITORS

Giuseppe **Angiolini**
Chairman

Antonino **D'Ambrosio**
Statutory Auditor

Giorgio **Loli**
Statutory Auditor

The Board of Statutory Auditors was appointed by the Shareholders' Meeting on July 10, 2012 and will remain in office until the approval of the financial statements by the Shareholders' Meeting for the year ended December 31, 2014.

The calling of this Shareholders' Meeting was necessary as under paragraph 1 of Article 36 of Legs. Decree No. 201 of December 6, 2011, enacted into Law No. 214 of December 22, 2011 (the so-called interlocking directories regulation) – the statutory auditors Giovanni Ossola (Chairman), Maria Luisa Mosconi and Alessandro Rayneri resigned, in addition to the alternate auditor Giuseppe Aldè. The alternate auditors Mr. Claudio De Re (as Chairman) and Ms. Michela Zeme therefore joined as Statutory Auditors.

INDEPENDENT AUDIT FIRM

RECONTA ERNST & YOUNG S.P.A.

GENERAL MANAGEMENT

Emanuele **Erbetta**

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Massimo **Dalfelli**

CONSOLIDATED HALF-YEAR REPORT OF THE MILANO GROUP AT JUNE 30, 2012

PREMIUMS WRITTEN

Direct and indirect premiums written in H1 2012 amount to Euro 1,640.2 million (-6.4% on H1 2011), of which Euro 1,438.8 million relating to the non-life classes (-7.7%) and Euro 201.4 million relating to the life classes (an increase of 3.5%).

Within the non-life classes, the **Motor sector** reports a decrease in premiums (-8.6%) due to the decline in new vehicle registrations, the difficult economic environment, which among other issues hinders the sale of accessory guarantees, and the restructuring actions of the poorly performing portfolios. The **other non-life** classes saw a contraction of 5.5%, principally due to the restructuring of the corporate portfolio in relation to structurally weak sectors and to a lesser degree also the difficulties in the retail sector which, although being the principle objective of the underwriting policy, was impacted by the current extensive crisis which reduces household disposable income for insurance coverage.

In the **life classes**, premiums overall improved slightly on the first half of 2011, although in an overall context of continued insurance demand weakness across the domestic market.
In particular the **class 1 product** result was robust, essentially due to the significant increase in single premiums. Two fixed-yield pure-capitalisation products were launched in this sector which proved extremely popular with customers. Fewer premiums were written however for annual and recurring-premium savings products, featuring longer terms. In the current highly volatile economic climate, customers prefer more affordable short-term products offering guaranteed returns.
The **securitisation** sector reports however a contraction in premiums, due substantially to a significant drop in interest in such products among institutional clients with high levels of disposable funds.

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 breakdown of the premiums written with the changes to the first half of 2011 is shown in the table below.

(in Euro thousands)	H1 2012	H1 2011	Change %
DIRECT PREMIUMS			
Non-Life Division	1,435,880	1,556,217	-7.7
Life Division	201,391	194,497	+3.5
TOTAL DIRECT PREMIUMS	1,637,271	1,750,714	-6.5
INDIRECT PREMIUMS			
Non-Life Division	2,943	2,554	+15.2
Life Division	1	1	-
TOTAL INDIRECT PREMIUMS	2,944	2,555	+15.2
TOTAL	**1,640,215**	**1,753,269**	**-6.4**
of which:			
Non-Life Division	1,438,823	1,558,771	-7.7
Life Division	201,392	194,498	+3.5

H1 OPERATING PERFORMANCE

The Group net profit for the first half of 2012 was Euro 3.1 million (loss of Euro 58.7 million in the first half of 2011).
As outlined below, the 2012 result was affected by the bankruptcy of Imco and Sinergia, with which Milano Assicurazioni had real-estate transactions in place, resulting in charges totaling Euro 61.6 million.

The income statement is reported below compared with the first half of 2011.

(in Euro thousands)	**H1 2012**	**H1 2011**	**Change**
Net premiums	1,624,077	1,700,646	-76,569
Commission income	357	220	137
Net Income from financial instruments recorded at fair value through profit or loss	24,586	-19,105	43,691
Income from subsid., ass. and jt. ventures	557	6,979	-6,422
Income from other financial instruments and property investments	212,541	200,433	12,108
- Interest income	*119,291*	*109,137*	*10,154*
- Other income	*27,341*	*31,978*	*-4,637*
- Profits realised	*63,810*	*59,318*	*4,492*
- Valuation gains	*2,099*	*-*	*2,099*
Other revenue	91,108	108,907	-17,799
Total revenues	**1,953,226**	**1,998,080**	**-44,854**
Net charges relating to claims	-1,291,333	-1,378,547	87,214
Commission expenses	-56	-101	45
Charges from subsid., ass. & jt. ven.	-8,385	-8,098	-287
Charges from other financial instruments and property investments	-85,444	-101,243	15,799
- Interest expense	*-5,873*	*-5,936*	*63*
- Other expenses	*-11,137*	*-10,488*	*-649*
- Losses realised	*-16,722*	*-25,222*	*8,500*
- Valuation losses	*-51,712*	*-59,597*	*7,885*
Management expenses	-306,847	-328,185	21,338
- Commissions and other acquisition expenses	*-247,947*	*-265,657*	*17,710*
- Investment management charges	*-2,202*	*-1,966*	*-236*
- Other administration expenses	*-56,698*	*-60,562*	*3,864*
Other expenses	-233,880	-225,279	-8,601
Total costs	**-1,925,945**	**-2,041,453**	**115,508**
Profit/(loss) before taxes in the period	**27,281**	**-43,373**	**70,654**
Income taxes	-18,830	-15,367	-3,463
Net profit/(loss) in the period	**8,451**	**-58,740**	**67,191**
Net result from discontinued activities	-5,438	-	-5,438
Consolidated profit/(loss)	**3,013**	**-58,740**	**61,753**
Minority interest loss	-52	-68	16
Group profit/(loss)	**3,065**	**-58,672**	**61,737**

Highlights:

- The **non-life sector** reports a pre-tax profit of Euro 8.1 million, significantly improving on the first half of 2011 (loss of Euro 61.1 million). This improvement was due to both net investment income, which rose from Euro 7.9 million in the first half of 2011 to Euro 74.9 million, and technical management, which generated a combined ratio of 99.1%, against 102.4% in H1 2011. The 2012 result is even more significant in light of the fact that the sector bore effects of the bankruptcy of Im.Co and Sinergia, which resulted in write-downs of Euro 61.6 million in relation to real-estate transactions in place with the aforementioned companies or their subsidiaries, originally classified under property investments.
  As regards the technical result, in the **Motor TPL Class** the measures taken to boost profitability and the more favourable market context confirmed and strengthened the signs of improvement in ordinary operations that began to appear in 2011 and in the first quarter of 2012: claims reported were down by 20.1%, claims frequency fell considerably and the underwriting result swung to profit.
  The **Land Vehicle** class also reports a positive underwriting performance and an improvement on the first half of 2011 following the greater impact of the initiatives implemented on the tariffs, on the procedures for the sale of the individual guarantees and on the underwriting risk, recently updated in light of market trends.
  In the **other non-life classes** a negative technical result was reported in the General TPL class, essentially due to the unfavourable performance of prior generation claims, and in the Other Property Damage class which was impacted by a significant claim in the Sasa division, which however was almost entirely recovered through reinsurance agreements. The recent earthquake in Emilia Romagna impacted the Fire class, although not to a significant extent and mitigated also by reinsurance coverage. Particularly good results were achieved however by the Accident, Fire and Assistance classes.

- The **Life sector** in the first half reports a pre-tax profit of Euro 26.2 million compared to Euro 18.4 million in the first half of 2011. The improvement stems mainly from the wider gap between overall income and the share attributable to policyholders, taking into account that the first half of 2011 was temporarily affected by the negative impact of deferred liabilities to policyholders. The profitability was supported in any case by a policy portfolio which is characterised principally by traditional type products, whose technical composition is focused on - through the selection of demographic and financial parameters - the guarantee of a satisfying margin. The products offered, for the quality and the wide range offered, satisfy all needs of clients, both in terms of savings (pension and non) and in terms of investments in relation to fulfilling security and protection needs.

- In the **real estate sector**, the company suffered a loss of Euro 4.9 million, due essentially to the assets of Immobiliare Milano s.r.l., whose ordinary income does not currently cover in full its maintenance costs and amortisation and depreciation;

- **Asset and financial management** generated total net gains of Euro 143.9 million, a significant increase on the Euro 79 million recorded in H1 2011; In particular, in relation to the most significant accounts:
  - interest income amounted to Euro 119.3 million, compared to Euro 109.1 million in H1 2011 (+9.3%);
  - net profits to be realised amounted to Euro 47.1 million (Euro 34.1 million in H1 2011), of which Euro 28.3 million relates to bond securities, Euro 16.6 million to property investment, Euro 1.4 million to investment fund units and Euro 0.8 million to equity securities;
  - net valuation losses amounted to Euro 49.6 million (Euro 59.6 million in H1 2011) and concern impairments on AFS financial instruments of Euro 39.6 million, depreciation on property for Euro 12.1 million and write-backs on bond securities classified to the account *Loans and Receivables* for Euro 2.1 million;
  - the financial instruments at fair value recorded through profit and loss report net income of Euro 24.6 million compared to net charges of Euro 19.1 million in the first half of 2011. It is noted that in the first half of 2011 a loss of Euro 17.9 million was incurred from the sale of option rights from the capital increase of the parent company Fondiaria-Sai;
  - the associated companies report income of Euro 0.6 million and charges of Euro 8.4million, of which Euro 7.2 million concerning companies within the real estate sector and Euro 1.2 million relating to the result in the half year of the consortium company Gruppo Fondiaria-Sai Servizi. In accordance with IFRS 5 the Atahotel result (a loss of Euro 6.6 million) is not incorporated into these income statement accounts as, following the valuation project of this investment currently in progress, it was recognised to the account *Losses from Discontinued Operations.*

- The management expenses in the non-life insurance sector amounted to Euro 292.4 million, with a percentage on net premiums of 20.5% (20.7% in H1 2011). In the Life Division management expenses totaled Euro 14.4 million - 7.3% of net premiums (8% in H1 2011).

The table below shows the results by sector. The Real Estate Sector includes the real estate subsidiary companies (Immobiliare Milano Assicurazioni, Sintesi Seconda, Campo Carlo Magno) and the Athens Real Estate Fund, while the Other Activities include the subsidiary Sogeint, which provides commercial assistance to the Agencies.

(in Euro thousands)	**Non-Life**	**Life**	**Real estate**	**Other**	**Inter-segment Elim.**	**Total**
Net premiums	1,427,839	196,238	-	-	-	1,624,077
Commission income	-	357				357
Net Income from financial instruments recorded at fair value through profit or loss	14,836	9,647	103	-	-	24,586
Income from subsid., ass. and jt. ventures	542	-	15	-	-	557
Income from other financial instruments and property investments	111,738	94,102	6,701	-	-	212,541
- Interest income	48,313	70,650	328	-	-	119,291
- Other income	13,811	7,157	6,373	-	-	27,341
- Profits realised	47,515	16,295	-	-	-	63,810
- Valuation gains	2,099	-	-	-	-	2,099
Other revenue	83,686	5,468	985	2,108	-1,139	91,108
Total revenues	**1,638,641**	**305,812**	**7,804**	**2,108**	**-1,139**	**1,953,226**
Net charges relating to claims	-1,064,286	-227,047	-	-	-	-1,291,333
Commission expenses	-	-56	-	-	-	-56
Charges from subsid., ass. & jt. ven.	-7,994	-195	-196	-	-	-8,385
Charges from other financial instruments and property investments	-51,719	-24,724	-9,001	-	-	-85,444
- Interest expense	-3,425	-2,231	-217	-	-	-5,873
- Other expenses	-6,990	-295	-3,852	-	-	-11,137
- Losses realised	-6,745	-9,977	-	-	-	-16,722
- Valuation losses	-34,559	-12,221	-4,932	-	-	-51,712
Management expenses	-292,431	-14,416	-	-	-	-306,847
- Commissions and other acquisition	-239,147	-8,800	-	-	-	-247,947
- Investment management charges	-1,617	-585	-	-	-	-2,202
- Other administration expenses	-51,667	-5,031	-	-	-	-56,698
Other expenses	-214,104	-13,217	-3,487	-4,211	1,139	-233,880
Total costs	**-1,630,534**	**-279,655**	**-12,684**	**-4,211**	**1,139**	**-1,925,945**
Profit/(loss) before taxes – H1 2012	**8,107**	**26,157**	**-4,880**	**-2,103**	**-**	**27,281**
Profit/(loss) before taxes – H1 2011	**-61,077**	**18,400**	**-705**	**9**	**-**	**-43,373**

The **Comprehensive income statement**, which includes the profits and losses recorded to net equity as established by IAS/IFRS Accounting Standards, recorded a profit of Euro 101.2 million compared to a loss of Euro 71.2 million in H1 2011 - as follows:

(in Euro thousands)	**30/06/2012**	**30/06/2011**
Consolidated profit/(loss)	**3,013**	**-58,740**
Profit or loss on AFS financial assets	102,785	-12,126
Profit or loss on cash flow hedges	-2,353	455
Actuarial profits and losses and adjustments to employee defined plans	-2,218	-795
Total other items of the Comprehensive Income Statement	**98,214**	**-12,466**
Total Comprehensive consolidated profit/(loss)	**101,227**	**-71,206**
Group share	101,278	-71,138
minority interest share	-51	-68

Non-Life Insurance Sector

Premiums written

In relation to direct business, which comprises almost the entire portfolio, premiums written in the first half amounted to Euro 1,435.9 million (-7.7% on H1 2011), of which Euro 1,017.3 million relating to the motor classes (-8.6%) and Euro 418.6 million concerning the non-motor classes (-5.5%).

The premium performance of the **Motor TPL** class (-8.1%) confirms, although in a sharper manner, that established in the 2011 accounts and highlights more extensively the effect of the restructuring policies concerning the multi-risk portfolio and the impact of regulatory changes which significantly curtailed the efficacy of the Bonus-Malus system through applying the class at a family level and also applying Malus only in the case of principal responsibility.

The portfolio continues to be impacted by the sharp drop in new vehicle registrations, which in the first half of 2012 report a reduction of approx. 20%, caused by the depressed economy and the continual increase in motor related costs.

The tariff applied from September 2011 also contributed to the reduced premiums, although in an insignificant manner, while that applied from March 2012 had a substantially neutral effect on the volume of premiums written.
The new tariffs target a recovery in profitability without neglecting the safeguarding of the portfolio, in order to reduce the tariff mutuality, taking into account regulatory changes and competitive dynamics and seek to comprehensively improve the quality of the portfolio acquired through improved competitivity on the guarantees offered throughout country.

With the objective to implement a more competitive and less mutual tariff structuring, the revision of the technical-commercial policies relating to fleet agreements was stepped up, in order to reduce the level of the fleet portfolio and redistribute the agency discounts based on more stringent technical criteria.

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

For the **Land Vehicle class**, the contraction in premiums (-12.5%, substantially in line with Q1) was also principally due to the difficult economic environment, with a continual decline in new vehicle registrations and with the reduction in household disposable income making the insertion of accessory guarantees in the motor policies more difficult. The sales policies of the motor manufacturers have also impacted volumes with the inclusion in the vehicle sales price of insurance packages with fire, theft and assistance guarantees. The review of the portfolio with poor performances also impacted the result.

In the **other non-life classes** premiums were impacted by the restructuring of the corporate portfolio, particularly in relation to structurally weak sectors and also the difficulties in the retail sector which, although being the principle objective of the underwriting policy, was impacted by the current extensive crisis which reduces household disposable income for insurance coverage.
In the current difficult economic context, the underwriting policy continues to employ prudent criteria and is principally focused on the retail sector and on small-medium sized enterprises which operate in historically profitable sectors and regions.

For the **indirect business** premiums amount to Euro 2.9 million and continue 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 breakdown of the gross premiums written of the direct business is as follows:

(in Euro thousands)	**1H 2012**	**1H 2011**	**Change %**
Accident & health	108,735	120,897	-10.1
Marine, aviation and transport	6,783	7,239	-6.3
Fire and other property damage	153,832	159,854	-3.8
General TPL	99,996	104,919	-4.7
Credit & Bonds	23,752	26,120	-9.1
General pecuniary losses	3,071	3,538	-13.2
Legal protection	3,888	4,284	-9.2
Assistance	18,515	16,085	+15.1
Total Division – Non Motor	**418,572**	**442,936**	**-5.5**
Land Motor TPL	893,598	971,962	-8.1
Land vehicles	123,710	141,319	-12.5
Total Division – Motor	**1,017,308**	**1,113,281**	**-8.6**
TOTAL	**1,435,880**	**1,556,217**	**-7.7**

Claims reported and paid

In H1 2012, 325,650 claims were made (-16.6%), of which 197,743 relating to the motor classes (-20.6%) and 127,907 relating to the other non life classes (-9.5%). The amounts paid for claims, including the direct and settlement expenses, amounted to Euro 1,216.3 million, compared to Euro 1,239.4 million in H1 2011.

The following table shows the breakdown by class and compared with H1 2012.

	Claims reported Number			**Claims paid (in Euro thousands)**		
	H1 2012	**H1 2011**	**Cge. %**	**H1 2012**	**H1 2011**	**Cge. %**
Accident & health	32,659	42,663	-23.4	59,179	68,685	-13.8
Marine, aviation and transport	345	324	+6.5	4,964	3,361	+47.7
Fire and other property damage	45,258	43,409	+4.3	102,248	104,656	-2.3
General TPL	19,427	24,707	-21.4	98,202	91,873	+6.9
Credit & Bonds	290	389	-25.4	20,003	15,505	+29.0
General pecuniary losses	560	837	-33.1	3,281	2,273	+44.3
Legal protection	385	369	+4.3	529	569	-7.0
Assistance	28,983	28,602	+1.3	5,406	4,935	+9.5
Total Division – Non Motor	**127,907**	**141,300**	**-9.5**	**293,812**	**291,857**	**+0.7**
Land Motor TPL	147,496	184,686	-20.1	847,648	859,619	-1.4
Land vehicles	50,247	64,449	-22.0	74,883	87,959	-14.9
Total Division – Motor	**197,743**	**249,135**	**-20.6**	**922,531**	**947,578**	**-2.6**
TOTAL	**325,650**	**390,435**	**-16.6**	**1,216,343**	**1,239,435**	**-1.9**

Technical performance

The principal technical indicators, relating to the non-life sector, are summarised in the table below:

	30/06/2012	**30/06/2011**
Loss ratio (*)	74.5%	76.7%
Expense ratio	20.4%	20.6%
OTI ratio (**)	4.2%	5.1%
Combined ratio	99.1%	102.4%

(*) claims of period / premiums, net of reinsurance
(**) technical charges/net premiums

As highlighted in the table, the combined ratio in H1 2012, net of outward reinsurance, amounted to 99.1% against 102.4% in H1 2011 (114.1% for 2011), impacted by the significant revaluation of the technical reserves of the Motor TPL class on the preparation of the financial statements.

In particular, in the **Motor TPL Class** the measures taken to boost profitability and the more favourable market context confirmed and strengthened the signs of improvement in ordinary operations that began to appear in 2011 and in the first quarter of 2012: claims reported reduced by 20.1%, with the frequency significantly decreasing and the average costs of claims paid substantially stable due to the lower percentage of physical injury claims. The settlement of claims from previous years confirmed that the reserve recorded in the 2011 financial statements was sufficient. The residual reserve was prudently provisioned in line with that programmed.

The **Land Vehicle** class also reports a positive underwriting performance and an improvement on the first half of 2011 following the greater impact of the initiatives implemented on the tariffs, on the procedures for the sale of the individual guarantees and on the underwriting risk, recently updated in light of market trends.

In the **other non-life classes** a negative underwriting result is reported in the General TPL class, essentially due to the poor performance of prior generation claims concerning delegated co-insurance policies and public body subscriptions - a sector with a negative structural performance. The Other Property Damage class was impacted by a significant claim which was however almost entirely covered by reinsurance agreements, with a substantially neutral impact on the income statement, while the recent earthquake in Emilia Romagna impacted the Fire class; its effects however were not particularly significant and were mitigated by reinsurance. Particularly good results were achieved however by the Accident, Fire and Assistance classes.

In any case, the actions continued targeted at improving overall profitability both in the corporate sector - with withdrawal or reform particularly pursued in sectors with unsatisfying technical results (we highlight the significant reduction in the public bodies portfolio and in particular the withdrawal from the public health sector), and in the retail sector in which the offer was restructured and attention focused on areas presenting underwriting issues, also through reform initiatives of outdated portfolios.

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In relation to Liguria Assicurazioni, a principally multi-mandate agency network, premiums written in the first half of 2012 totaled Euro 114.3 million compared to Euro 132.2 million in the first half of 2011, a decrease of 13.5%. In particular the Motor TPL class reports a reduction of 15.9% with premiums of Euro 75.9 million (Euro 90.2 million in the first half of 2011), while the Land Vehicle class reports premiums of Euro 6.1 million (-22.7%) and the other non-life classes recorded premiums of Euro 32.2 million (-5.2%).
The decreases relate to the portfolio restructuring actions and the closure of non-profitable sales points carried out principally in the previous year and continued also in the period. In this regard the reduction in premiums of only the continuing agencies was 2.9% (3.9% in the Motor classes), while the closed agencies reduced by approx. 65.4%.

The agencies at June 30 numbered 298 (302 at December 31, 2011). In 2012, no agencies were opened while 4 mandates were revoked.
In relation to the technical performance, a significant improvement in the current generation claims within the Motor TPL class was reported: claims reduced by over 30%, with the frequency decreasing and the average cost of claims remaining substantially stable. The prior generation claims continue however to report a negative run-off, also due to the prudent adjustments carried out in the half year for claims yet to be settled. Therefore the technical result, although improving on June 30, 2011 remains negative.
In the other non-life classes claims increased compared to 2011. The deterioration relates also to the Fire class, following the damage caused by the recent earthquake in Emilia Romagna. The claims stemming from this event are however covered by reinsurance which allows the recovery of a high proportion of claims.
The pecuniary losses class reports an increase in claims, impacted by claims from risks for the loss of usage in relation to risk undertaken in previous years.
The result of the company in the period, according to IAS/IFRS accounting standards, was a loss of Euro 5 million, compared to a loss of Euro 5.4 million in the first half of 2011.

Premiums written by **Dialogo Assicurazioni** via the telephone and online channels totaled Euro 15.3 million in the first six months of 2012, down by 29.7% compared with the first half of 2011, due partly to a reduction in advertising investment.
While claims reported in the period fell by 23.2%, the company’s technical result was again negative (though it represented an improvement on the previous year’s figure), due partly to an increase in the average cost of claims accepted. The trend in settlement of claims from previous years confirmed that the reserve recorded in the 2011 financial statements remained sufficient.
The contribution of the company to the consolidated result was a loss of Euro 3.1 million (a loss of Euro 4.8 million in H1 2011).

In relation to the sale of standardised products distributed by the banking partners, **Systema Compagnia di Assicurazioni S.p.A.** recorded premiums of Euro 21.3 million, growth of 12.4% compared to Euro 18.9 million in H1 2011. The overall technical performance was positive and significantly improved on the same period of the previous year, principally due to the improved results of the Motor TPL class. A profit of Euro 0.3 million is reported in the first half of 2012 (a loss of Euro 0.1 million in the first half of 2011).

New products launched on the market

Retail sector

In the **Motor class** we highlight the entry into force, from March 1, of the new tariff, which aims to acquire client loyalty and specific market segments through the introduction of new tariff factors and the review of some existing parameters, with a consequent greater competitiveness in certain regions and in certain market segments, while maintaining stringent technical parameters.

From April 1, two new packages, named Flat and Flat+, were introduced, offering Fire/Theft cover for cars for up to Euro 70,000 of insured capital. The offer provides an innovative tariff with pre-determined premiums, broken down by amount of insured capital, vehicle age and region/province. The Flat+ package differs from the Flat in that it combines Fire/Theft cover with additional "Compact" pecuniary loss cover and legal expenses. The offer is designed to attract new customers and to build a more solid, profitable relationship with existing customers who:

- have only motor TPL cover
- have cancelled their Fire/Theft cover in recent years
- own a mid/low-value car
- intend to change vehicles and take out a new policy

In the **other non-life classes** the following products were launched:

- *Difesa Più Fabbricati*, offering insurance for properties leased to third parties for commercial and/or industrial use against risks relating to "fire and other material damage" and "third-party liability";

- *Difesa per RC Vita Privata*, which covers third-party liability for events pertaining to personal life, family life and relationships. It is a pre-packaged offer with an extremely low fixed premium, aimed at individuals who are interested in entry-level insurance cover and are not looking to spend large amounts;

- *Difesa per Grandi Infortuni*, which covers cases of Death and Permanent Disability of over 15%, and is aimed at customers who currently have no accident cover and low disposable income. The policy offers a high level of cover (Euro 200,000 of insured capital for Permanent Disability) for serious accidents that could threaten the policyholder's earning capacity;

The Group continued to scale back its product catalogue and monitor technically critical areas, introducing important portfolio reform initiatives on outdated products. We highlight in particular:

- Overhaul of home insurance policies in 2012: The Group is continuing to restructure its home insurance portfolio in relation to off-catalogue products with a view to encouraging people, by offering promotional guarantees and discounts, to take out its Difesa Più Casa One product, which is currently on the market;

- Overhaul of Accident insurance policies in 2012: The Group is continuing to restructure the older policies in its portfolio, which involve regulatory/tariff conditions that are no longer in line with current practice; it has promoted its Difesa Più Infortuni catalogue product by offering special discounts, as well as creating dedicated supplements to update its old, no-excess policies;

- Withdrawal of Professional policies in 2012: the Group is withdrawing its obsolete professional TPL portfolio (policies taken out prior to January 2005) through writing to customers advising them that their policies will not be renewed upon maturity. This activity will continue throughout 2012.

- “Big Game Infortuni” operations: this policy offers accident cover to customers looking to spend large amounts and is based on the aspects not covered by social-security entities and public welfare agencies.

Corporate sector

The first half saw the launch of the new RCT/RCO product for construction companies, which involves a tariff increase, taking into account the difficulties in this sector. At the same time a specific action was taken to restructure the portfolio with negative performances.

A specific reform measure was also implemented in relation to TPL coverage in the private health sector, with actions taken on a case-by-case basis.

Finally, the restructuring of the Corporate catalogue continued, also in accordance with ISVAP Regulation No. 35.

Reinsurance

Premiums ceded amounted to Euro 50.9 million compared to Euro 54.4 million in the first half of 2011. The percentage on direct premiums written was 3.4% (3.5% in the first half of 2011).

The reinsurance structure of the non-life division, unchanged on the previous year, 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 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 Technological Risks is protected following an event which jointly concerned the Fire and Land Vehicle classes. Protection by individual risk is only permitted 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

Direct premiums in the first half of 2012 amounted to Euro 201.4 million, with an increase of 3.5% on the first half of 2011, although within continued weakness in insurance demand across the entire domestic market. The following table reports the breakdown by class:

(in Euro thousands)	**H1 2012**	**H1 2011**	**Change %**
Insurance on human life expectancy	180,438	170,204	+6.0
Insurance related to market indices	-	68	-100.0
Health insurance	82	89	-7.9
Securitisation operations	20,871	24,136	-13.5
TOTAL	**201,391**	**194,497**	**+3.5**

In particular the **class 1 product** result was robust, essentially due to the significant increase in single premiums. Two fixed-yield pure-capitalisation products were launched in this sector which proved extremely popular with customers. Fewer premiums were written however for annual and recurring-premium savings products, featuring longer terms. In the current highly volatile economic climate, customers prefer more affordable short-term products offering guaranteed returns.

The **securitisation** sector reports however a contraction in premiums, due substantially to a significant drop in interest in such products among institutional clients with high levels of disposable funds.

Financial type contracts amounting to Euro 3.5 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.

New business, expressed in terms of Annual Premium Equivalent, is reported in the table below. It is calculated through adding the annual premiums from new business and a tenth of single premiums. This is calculated both under the IAS/IFRS criteria, excluding therefore the contracts treated under the “deposit accounting” method, and under Local GAAP criteria taking into consideration all new premiums in the sector.

(in Euro thousands)	**H1 2012 Ias/Ifrs**	**H1 2011 Ias/Ifrs**	**Cge %**	**H1 2012 Local**	**H1 2011 Local**	**Cge. %**
Insurance on human life expectancy	18,049	17,741	+1,7	18,049	17,741	+1.7
Insurance related to market indices	-	-	-	163	240	-32.1
Health insurance	-	1	-100,0	-	1	-100.0
Securitisation operations	268	542	-50,6	268	542	-50.6
Management operations of Pension Funds	-	-	-	166	241	-31.1
TOTAL	**18,317**	**18,284**	**+0,2**	**18,646**	**18,765**	**-0.6**

Sums Paid

The gross sums paid amounted to Euro 445.7 million (Euro 320.9 million in the first half of 2011), an increase of 38.9%.
The breakdown by class and type is reported in the following table:

(in Euro thousands)	**Claims**	**Redemptions**	**Maturity**	**Total**
Class I	7,949	128,611	144,650	281,210
Class III	91	2,330	14,738	17,159
Class V	109	127,421	19,776	147,306
Total	**8,149**	**258,362**	**179,164**	**445,675**
Total 30/06/2011	**12,299**	**129,664**	**178,969**	**320,932**

The increase in redemptions principally stems from the securitisation sector, particularly in relation to policies undertaken by institutional investors.

Technical performance

The **Life sector** in the first half reports a pre-tax profit of Euro 26.2 million compared to Euro 18.4 million in the first half of 2011. The improvement stems mainly from the wider gap between overall income and the share attributable to policyholders, taking into account that the first half of 2011 was temporarily affected by the negative impact of deferred liabilities to policyholders.

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

Individual Insurance

In the first six months of 2012, business principally related to Segregated Funds, as they feature a guaranteed minimum return and protection of the investment, and on the new pure-capitalisation product, VALORE CERTO, in which customers showed a considerable amount of interest. The product was distributed as part of two sales campaigns, one in March and April and the other in June.

Analysing the distribution trend of products related to Segregated Funds:
- for products with a single premium there was a considerable drop in new business compared with the same period of the previous year;
- the situation was the same for the products with recurring premiums, OPEN GOLD and OPEN RISPARMIO;
- a substantial decrease was recorded for the constant annual premium products, with the exception of the Mixed sector, which saw the launch of the new OPEN FULL product in the middle of March resulting in a significant increase both in the number of policies and in the volume of premiums.

As far as the OPEN DINAMICO Multi-class product is concerned, new business was somewhat lower than the previous year. Moreover, a comparison with the first half of 2011 is not possible because the product was launched in April 2011.

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

In the supplementary pension sector, implemented through Individual Pension Plans, volumes increased slightly in the first half of the year, thanks, in particular, to transfers from other companies.

Collective insurance and Pension Funds

During the first half of 2012, which was still affected by the unfavourable economic situation, the group insurance sector showed an overall decrease in premiums written.

Difficulties for businesses in accessing credit continues to have an effect on securitisation products for corporate liquidity management, which suffered a serious decrease in premium volumes and an increase in advance divestments compared with the previous year.

The supplementary pension sector continued to suffer from the ongoing unemployment crisis, with inevitable repercussions on premium volumes and the number of applications. The Company's "existing" pension funds and open pension fund both suffered lower contributions compared with the previous year.

The difficult economic climate had repercussions also on products related to provisions for severance indemnities (TFR and TFM – types of severance payments) which, compared with the previous year, showed a reduction in business.

The sector covering risks resulting from collective bargaining continued to feature a favourable technical performance and displayed a fall in distribution terms.

Reinsurance

Premiums ceded amounted to Euro 5.2 million and represent 2.6% of gross premiums (Euro 5.6 million in H1 2011, comprising 2.9% of direct business). 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.p.A.) and the Athens Real Estate Fund, entirely held by Milano Assicurazioni.

The pre-tax loss was Euro 4.9 million in the first half of 2012. The result principally reflects depreciation and management charges of the property held by Immobiliare Milano s.r.l., not fully offset by current income.

IGLI

On March 8, 2012, Immobiliare Milano Assicurazioni sold to Autostrada Torino Milano S.p.A. the shareholding held in IGLI S.p.A., of 16.67% of the share capital, and simultaneously receiving the price of Euro 43.8 million. The acquisition price of each IGLI share subject to the sale was established at Euro 10.89572, based on the forecast balance sheet of IGLI at December 31, 2011, with each ordinary share of Impregilo S.p.A. attributed a value of Euro 3.65. The sale resulted in a loss of Euro 1.2 million, recognised to the account *Profits from Discontinued Operations*.

The following is noted:

- Immobiliare Fondiaria-Sai s.r.l. and Immobiliare Milano Assicurazioni s.r.l. each hold a 16.67% stake in IGLI and the Fondiaria-Sai Group therefore has a total holding in IGLI of 33.33% of the share capital, equal to the other two shareholders of IGLI, Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A.;

- On December 27, 2011 Immobiliare Fondiaria-Sai and Immobiliare Milano Assicurazioni agreed the acquisition with Argo Finanziaria of 8,040,000 ordinary shares of IGLI, held by Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni and comprising 33.33% of the share capital of IGLI S.p.A.;

- Argo Finanziaria may designate its subsidiary Autostrada Torino Milano to acquire the IGLI shares.

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

Metropolis S.p.A.

On January 27, 2012, the Board of Directors of Metropolis, company in which Milano Assicurazioni has a 29.73% stake, called the Extraordinary Shareholders' Meeting for the Liquidation of the Company. To date, only Euro 720 of the share capital increase approved on December 2 has been paid in and the directors consider that the non payment by the majority of the shareholders indicates their wish not to further support the company from a financial viewpoint, thereby generating a situation of management impasse.
On March 30, 2012, the Shareholders Resolution winding up the company was registered at the Company's Registration Office. The book value of the investment was therefore zero.

Other activities

The diversified activities sector includes the company SOGEINT.

SOGEINT (wholly owned by Milano Assicurazioni) provides commercial assistance to the agencies. At June 30, 2012, the company had 33 employees and 41 agencies. The contribution to the consolidated result for the period was a loss of Euro 2.1 million.

Asset and financial management

The first half of 2012 saw a first quarter in which global growth remained strong, supported by a significant recovery in the United States which more than offset the slowdown in the Eurozone with the introduction of restrictive fiscal policies and the risk of a credit crunch and also a slowdown in China, which was hit by the drop in exports to Europe and was forced to introduce a new development model more concentrated on internal consumption.

The second quarter reported a worsening in macroeconomic figures in the U.S. and in the Emerging Countries, resulting from a deepening of the European crisis, with the continued tensions linked to the elections in Greece and the difficult situation in Spain and Italy being contended with, in addition to a significant increase in the spread and the existence of restrictive fiscal policies.
In this scenario, the Fed, while continuing to show prudence concerning the American recovery, decided to keep official rates essentially at zero (0%-0.25%) and to extend Operation Twist, which consists of purchasing American government long-term and extremely long-term bonds, against the sale of short-term government bonds, until the end of 2012, in order to maintain the nominal rates structurally low and to support investment and consumption.
The Chinese Central Bank, always more concerned with the country possibly falling into recession and monitoring significant political events and institutional changes, cut interest rates pre-emptively several times in order to stimulate internal demand and thereby offset the fall in exports.
The European Central Bank, while continuing to keep the discount rate at 1% during the first half of year (reduced to 0.75% in July), stressed its concerns on several occasions regarding the economic slowdown and continued to promote the adoption of a “road map” which would accelerate the fiscal/financial union - and ultimately political union - of the 17 members states and was ready to do everything in its power to encourage the integration process. The European Council needs to be included in this context which, at the end of June, at least had the intention of making a contribution to taking significant steps forward in this process.

Bond sector operations

In the non-life sector, the half-year saw intense activity in government bonds of core countries (Germany and France in particular), supranational issues (AAA) and Italian government bonds. Lastly, there was a slight increase in exposure to corporate bonds especially through the subscription of new issues in the primary market.
The good performance of Italian bonds in the first quarter of the year made it possible, through trading operations, of relative value and diversification through supranational issues (AAA) and core area issues, to simultaneously create surplus value and a greater exposure to less volatile bond instruments with better credit worthiness. The exposure to Italy, however, remains significant, in relation to which there is an underlying positivity justified by the excellent results achieved in the rebalancing of public finances.

The overall duration of the Non-Life Portfolios during the first half of the year increased in the context of the macroeconomic climate where extremely modest growth and inflation that should not be a cause of concern is forecast for 2012.

In the Life Division actions were taken, where possible, to offset the heightened volatility in the bond markets in the period. The previously mentioned fluctuating performance of Italian government bonds allowed extensive tactical trading activity, with the realisation of gains on both existing positions and new positions opened at the start of the quarter.
At a more strategic level, based on the ALM (*Asset Liability Management*) analyses, the profiles of Segregated Funds portfolios were improved in terms of the elimination of potential cash flow mismatches.
Lastly, the diversification process in the government sector forged ahead, decreasing the exposure to Italian government bonds and increasing that to supranational issuers and issuers with a high rating.
In terms of the composition of the portfolios, the high exposure to money market instruments and zero coupons was maintained, with a decrease in the fixed rate component and a partial decrease in the variable rate component. In relation to the Corporate sector, the exposure was marginally reduced in favour of government securities.
The overall duration of the portfolios was reduced from the close of 2011; the minimum values were reached at the end of the first quarter of 2012 and there was a slight increase in the second quarter. In terms of results, prospective income levels improved in light of a limited decrease in current profitability.

Equity sector operations

In the first quarter of 2012, the reduction of tensions on Eurozone countries debt, the moderate improvement in the US and a reporting season in line (although contained) with market expectations supported an overall upward trend in the principal equity indices.

In the second quarter of the year this recovery was undermined by the re-emergence of the European debt crisis, with a worsening of the Greek situation, concern surrounding the solidity of the Spanish banks and the necessity for their recapitalisation through the public purse, in addition to the restrictive fiscal measures adopted in Spain and in Italy with consequent recessionary impacts.

The deterioration of the economic situation in America, in Europe and also in China and in the emerging markets added to the extensive uncertainty on the outlook for the principal international stock markets.

Against the difficult scenario outlined, operations in the stock market saw a reduction in exposure during the first two months, accompanying the positive stage of the market, enabling partial profit-taking in the over-performing sectors (e.g. Financial and Cyclical industries). The next corrective stage in March was taken as an opportunity for a contained tactical repositioning, accumulating positions from a trading standpoint, subsequently closed in April. The worsening of the crisis over the last two months has favoured a guarded approach, postponing the recovery of positions sold until there are precise political and technical signs.

At sector level, given both the decidedly financial nature of the crisis and the slowdown of the economic situation, the sold positions in the first quarter in cyclical and financial industries were not recovered, opting for an asset allocation that favoured more defensive sectors with high dividends (telecom, utilities, energy).

The excessive weighting on financial elements during the first quarter also allowed the portfolio to notably overperform the Eurostoxx50, almost consolidated in the second quarter given the reduction and repositioning on more defensive market components.

At geographic level, the diversification policy continued through a reduction in the exposure to Italian companies to the benefit of other European competitors.

In relation to strategic investments, during the period, risk coverage was undertaken through combo put/call options (the purchase of put options and the sale of call options with the same strike price, the same number of shares and the same due date).
During the first two months of the year, hedging positions were gradually reduced during the positive stages of the market and recovered during the consolidation stage, allowing an overall improvement in hedging conditions. Hedging activity continued during the consolidation stage in the first half of March. During the downturn in the markets seen in April, May and June, profit-taking occurred, principally during the weak market phases.

* * *

The investments at June 30, 2012 compared to December 31, 2011 are shown below. The table also shows the tangible assets and the liquidity, which is important for the correct structure of the balance sheet of an insurance group.

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
INVESTMENTS			
Investment property	717,243	910,693	-193,450
Investments in subsidiaries, associates and joint ventures	97,928	100,416	-2,488
Investments held to maturity	175,753	128,927	46,826
Loans and receivables	889,258	905,538	-16,280
AFS financial assets	5,946,740	6,084,206	-137,466
Financial assets at fair value through the profit or loss account	193,846	226,104	-32,258
Total investments	**8,020,768**	**8,355,884**	**-335,116**
Tangible fixed assets: buildings and other fixed assets	52,275	52,350	-75
Total non-current assets	**8,073,043**	**8,408,234**	**-335,191**
Cash and cash equivalents	658,706	470,804	187,902
Total non-current assets and cash and cash equivalents	**8,731,749**	**8,879,038**	**-147,289**

Investment property

Investment property are recorded at purchase 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.
Overall, the book value of property at June 30, 2012 was Euro 156 million lower than the valuation at December 31, 2011 carried out by specifically appointed independent experts.

The reduction in value on December 31, 2011 essentially relates to:

- The reversal and recognition to the account *"Other Receivables"* of € 132 million, equal to the amount of property to be constructed, previously classified to this account, and regarding properties under construction in Rome, Via Fiorentini and in Milan, Via Confalonieri-Via de Castillia by, respectively, Avvenimenti e Sviluppo Alberghiero S.r.l. and Imco S.p.A, companies within the Sinergia Group.

This change follows the bankruptcy judgment of Imco and Sinergia of June 14, 2012 by the Second Civil Section of the Milan Court. The above-stated operations provided that Milano Assicurazioni would become the owner of these buildings only when completed and approved and the contracts did not contain specific guarantees. The declaration of bankruptcy therefore put the company at risk of losing the right of delivery of these buildings under construction, remaining creditors for amounts paid on account.
The receivables were then subject to independent evaluation: the estimated realisable value was calculated based on the assumption of two competitive auctions with a reduction of around 36% in the appraisal value (for Avvenimenti e Sviluppo Alberghiero, in the case of a solvent liquidation, a discount of 20% on the appraisal value was estimated).
For the purpose of distributing the amount recovered between the creditors, consideration was given to the grounds for seniority, in addition to the statutory privileges (employees and tax authorities) and procedural costs.
The estimate of the recovery time, varying depending on the creditor profile, is expected to be in line with the procedural period. The receivables were discounted using a tax free risk, equal to the yield on Italian 10-year bonds, as the parameters related to the risk are already explicitly considered in the discount applied to the recoverable value;

- From the exit of the building for office use situated in Milan, Piazza S. Maria Beltrade, sold at the end of June to Carlyle Real Estate SGR S.p.A., at a price of Euro 63 million, which enabled a gain of Euro 14.4 million. Presently Euro 25 million has been received. The remaining part of the price, increased by interest, is subject to a payment plan over the three-year period 2012-2014 against which the acquirer provided surety guarantees.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures principally include:

- the holding of 32% in **Garibaldi S.C.A.** with a book value of Euro 59.5 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 concerns the development of approx. 50,000 sq.m. for office use, 4,000 sq.m. for residential use, 12,000 sq.m. for retail use and 20,000 sq.m. for exposition use.
- the holding of 34.63% in the consortium company **Fondiaria-Sai Servizi Group**, with a book value of Euro 12.6 million, which handles the IT and logistical services of the companies of the Fondiaria-Sai Group;

- the holding of 29.56% in **Isola S.C.A.** with a book value of Euro 11.3 million. The company, through its subsidiaries, is involved in the "Porta Nuova Isola" real estate project, promoted and managed by the US group Hines. The area concerned is located in Milan, between Via G. De Castillia and Via F. Confalonieri and involves the development of 29,000 sq. m. divided into: 21,900 sq.m. for residential use, 6,300 sq.m for office use and 800 sq. m for retail use;
- the holding of 35.83% in **Immobiliare Lombarda** with a book value of Euro 8.7 million;
- the holding of 50% in **Valore Immobiliare S.r.l.,** with a book value of Euro 0.6 million. With the completion of the sale of the property and therefore having completed its corporate purpose, the company was placed in liquidation in April. Against this liquidation, also in April, a first part of the equity was repaid to Milano Assicurazioni, amounting to Euro 4.7 million;
- a holding of 44.93% in **Borsetto S.r.l**., with a book value of Euro 2.8 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;

In accordance with IFRS 5, the holding in the associated company Atahotels S.p.A. of 49% is no longer included in this account as, following the valuation project of this investment currently in progress, the relative book value of € 2.1 million was recorded to the account *Non-current assets or of a discontinued group held for sale.*

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 account *Loans and Receivables* includes:
- debt securities of Euro 790.8 million. These principally concern Italian government bonds undertaken in "private placement" as a stable investment and not listed on the Italian Stock Market;
- receivables from agents for end of mandate indemnities (Euro 61.7 million);
- loans on life policies of Euro 20.2 million;
- other loans and receivables for Euro 12.4 million;
- deposits with reinsurers of Euro 2.2 million;
- other financial investments for Euro 2 million.

AFS financial assets

The AFS financial assets 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)	**30/06/2012**	**31/12/2011**	**Change**
AFS financial assets	**5,946,740**	**6,084,206**	**-137,466**
Equity securities and investment funds	824,899	888,844	-63,945
Debt securities	5,121,841	5,195,362	-73,521

The listed financial instruments recorded in this category are valued at the market value at the last day of trading in the period 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.

The impairments at June 30, 2012 amounted to Euro 39.6 million and principally relate to:

- further impairments on securities previously subject to impairment in the previous year, with particular reference to the Unicredit shares (Euro 9.8 million) and Generali shares (Euro 9.6 million);
- adjustments of securities which due to the continued poor performance of the financial markets resulted in the period in a stock market valuation under the book value for a period of at least 2 years, (among which Alerion, with an adjustment of Euro 4.3 million) or a loss of greater than 60% of the book value (including the investments in Nokia and Mediaset, which resulted in, respectively, adjustments of Euro 3 million and Euro 2.1 million).

The net equity reserve, based on the difference between the average weighted cost and the fair value of instruments classified in this category, was negative for Euro 119.4 million (negative for Euro 222.2 million at December 31, 2011). The following table highlights the composition and movements on the previous year:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Debt securities	-261,896	-414,424	152,528
Fund units	41,093	49,024	-7,931
Equity securities	-18,803	-25,549	6,746
Shadow accounting reserve	64,997	71,515	-6,518
Tax effect	55,215	97,256	-42,041
AFS reserve at the end of the period	**-119,394**	**-222,178**	**102,784**

Government bonds issued by Greece

As previously outlined, the difficult conditions which have affected the Greek economy for some time required the introduction of initiatives to restructure the Greek debt securities.

After various intervention proposals discussed in 2011, on February 24, 2012 an exchange offer on Greek government securities was finally approved which provides for every Euro 1,000 of nominal value of securities in circulation, the substitution with:

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

The plan, which establishes March 8 as the expiry date for the declaration of intent, reports a subscription rate by investors of approx. 95%. The companies of the Group subscribed for all securities held.

It is recalled that already in the 2011 annual accounts all the Greek securities held were recorded at year-end stock prices, recording the entire difference to the income statement of Euro 40.8 million. Following the impairment made, the total carrying value of these securities is Euro 13.1 million.

The securities issued by the Greek state through the exchange offer were recorded to the *Held-for-trading* category, recognising a loss of Euro 2.3 million, equal to the difference between the fair value of the new securities on allocation and the residual book value of the securities previously held. In the preparation of the present interim report at June 30, the securities were valued based on the stock market price at the end of June, recording a impairment of Euro 0.7 million, recognised to the income statement as per the accounting rules established for the category to which they were allocated.

Government bonds issued by Spain, Portugal, Ireland and Italy

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

State	Maturity within 12 months	Maturity between 1 and 5 years	Maturity between 6 and 10 years	Maturity beyond 10 years	Total Fair value (level 1)	AFS reserve (gross)	AFS reserve (net shadow)
Spain	-	-	-	17,639	17,639	-7,659	-4,116
Portugal	-	872	-	-	872	-151	-81
Ireland	-	1,254	1,451	-	2,705	-179	-113
Italy	506,920	1,477,177	1,051,794	422,408	3,458,299	-235,960	-184,237

Also in portfolio at June 30, 2012 are:

- Euro 489.6 million of Italian government debt securities classified in the Loans & Receivables category (of which Euro 75.2 million with maturity between 1 and 5 years and Euro 414.4 million with maturity between 6 and 10 years), presenting a loss on the fair value at the end of June of Euro 21.2 million;
- Euro 21.3 million of Italian government debt securities classified in the Held to Maturity category with maturity between 1 and 5 years. These securities report a gain compared to the stock market prices at the end of June of Euro 0.2 million.

Financial assets at fair value through the profit or loss account

The *Financial assets valued at fair value through profit or loss* includes the securities held for trading as well as those specifically allocated to this category. The listed financial instruments recorded in this category are valued at market value at the last day of trading in the period, with allocation of the difference to the carrying value to the income statement. The breakdown of the account is as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Financial assets at fair value through the profit or loss account	**193,846**	**226,104**	**-32,258**
Equity securities and investment funds	37,167	48,775	-11,608
Debt securities	147,054	165,203	-18,149
Other financial investments	9,625	12,126	-2,501

Property and other fixed assets

The account *Property*, recorded under *Tangible fixed assets*, includes buildings for use by the company. 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 book value, at the period-end, is lower by Euro 1.9 million than the expert's market-based valuations at the end of the previous period.

Income from financial instruments and property investments

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

(in Euro thousands)	**H1 2012**	**H1 2011**	**Change**
Net income from financial instruments recorded at fair value through profit or loss	24,586	-19,105	43,691
Income from subsidiary and associated companies and joint ventures	557	6,979	-6,422
Income from other financial instruments and property investments of which:	*212,541*	*200,433*	*12,108*
Interest income	119,291	109,137	10,154
Other income	27,341	31,978	-4,637
Profits realised	63,810	59,318	4,492
Valuation gains	2,099	-	2,099
Total income	**237,684**	**188,307**	**49,377**
Charges from investments in subsidiaries, associates and joint ventures	-8,385	-8,098	-287
Charges from other financial instruments and property investments of which:	*-85,444*	*-101,243*	*15,799*
Interest expense	-5,873	-5,936	63
Other charges	-11,137	-10,488	-649
Losses realised	-16,722	-25,222	8,500
Valuation losses	-51,712	-59,597	7,885
Total charges	**-93,829**	**-109,341**	**15,512**
TOTAL NET INCOME/(CHARGES)	**143,855**	**78,966**	**64,889**

Net income in the half-year amounted to Euro 143.9 million, compared to Euro 79 million in H1 2011. In particular, in relation to the most significant accounts:

- interest income amounted to Euro 119.3 million, compared to Euro 109.1 million in H1 2011 (+9.3%);
- net profits to be realised amounted to Euro 47.1 million (Euro 34.1 million in H1 2011), of which Euro 28.3 million relates to bond securities, Euro 16.6 million to property investment, Euro 1.4 million to investment fund units and Euro 0.8 million to equity securities;

- net valuation losses amounted to Euro 49.6 million (Euro 59.6 million in H1 2011) and concern impairments on AFS financial instruments of Euro 39.6 million, depreciation on property for Euro 12.1 million and write-backs on bond securities classified to the account *Loans and Receivables* for Euro 2.1 million. The impairments principally relate to:
  - further impairments on securities previously subject to impairment in the previous year, with particular reference to the Unicredit shares (Euro 9.8 million) and Generali shares (Euro 9.6 million);
  - adjustments of securities which due to the continued poor performance of the financial markets resulted in the period in a stock market valuation under the book value for a period of at least 2 years, (among which Alerion, with an adjustment of Euro 4.3 million) or a loss of greater than 60% of the book value (including the investments in Nokia and Mediaset, which resulted in, respectively, adjustments of Euro 3 million and Euro 2.1 million);
- the financial instruments at fair value recorded through profit and loss report net income of Euro 24.6 million compared to net charges of Euro 19.1 million in the first half of 2011. It is noted that in the first half of 2011 a loss of Euro 17.9 million was incurred from the sale of option rights from the capital increase of the parent company Fondiaria-Sai;
- the associated companies report income of Euro 0.6 million and charges of Euro 8.4 million, of which Euro 7.2 million relating to companies within the real estate sector and Euro 1.2 million substantially deriving from the result in the half year by the consortium company Gruppo Fondiaria-Sai Servizi. In accordance with IFRS 5 the Atahotel result (a loss of Euro 6.6 million) is not incorporated into these income statement accounts as, following the valuation project of this investment currently in progress, it was recognised to the account *Losses from Discontinued Operations.*

Other information

Integration project with the Unipol Group

The Board of Directors of Milano Assicurazioni, in a meeting held on April 20, 2012, with the support of the advisors, examined the industrial aspects of the merger proposal with the Unipol Group, subject to an agreement signed on January 29, 2012 between Unipol Gruppo Finanziario S.p.A. (UGF) and Premafin Finanziaria S.p.A..

The Board of Directors consider, based on the information received, that no issues exist which may impede discussions, although no decision has been made in relation to the proposed integration, which is subject in any case to the establishment of a share swap ratio, also with the support of the advisors, which is appropriate for the minority shareholders of Milano Assicurazioni.

On May 21, 2012, the Board of Directors of Milano Assicurazioni, after consultation with the Related Parties Committee and the advisors, considered that the continuation of negotiations with the Unipol Group in relation to the integration project should take as a starting point a minimum holding of 10.7% in the ordinary share capital of the post-merger company.

On June 6, 2012, following extensive negotiations between the parties involved in the Integration Project, UGF sent Fondiaria-SAI, Premafin and Milano Assicurazioni a proposal with the expected investment percentages in the Fondiaria-SAI ordinary capital after the merger to be allocated to those participating in the Integration Project. This proposal involved the allocation of the following investment percentages:
- Unipol 61.00%
- Other Fondiaria-SAI shareholders 27.45%
- Other Milano Assicurazioni shareholders 10.70%
- Other Premafin shareholders 0.85%

On June 11, 2012, the Fondiaria-SAI Board of Directors resolved to proceed with a further definition of the prospective merger on the basis of the June 6, 2012 proposal, and namely on the basis of an investment of the current Fondiaria-SAI ordinary shareholders, unlike the Premafin shareholders, equal to 27.45% of the ordinary share capital.

The resolution was adopted, following the majority favourable opinion of the Independent Directors Committee, established in accordance with the procedure for related parties, which was the reason for their decision that the Unipol counter-proposal, although outside of the range of values initially indicated by the financial advisors, met with the interests of shareholders in the light of the unique corporate context, in the presence, specifically, of an urgent recapitalisation request made by ISVAP pursuant to the sector regulations governing the adjusted solvency margin.

The Board of Directors of Milano Assicurazioni on June 11, 2012, with the prior favourable opinion of the Committee of Independent Directors set up in accordance with the related parties procedure, approved by majority vote to discuss the terms and conditions for the integration operation based on the proposal of UGF of June 6, 2012 and specifically on the basis of a 10.7% minimum ordinary share capital holding for the minority shareholders of Milano Assicurazioni S.p.A..

Also on June 20, 2012, ISVAP resolved, pursuant to Article 68 of the Private Insurance Code, to authorise Finsoe S.p.A., via UGF and under the scope of the Integration Project, to take control of Premafin and the Fondiaria-SAI Group, imposing a series of obligations pertaining to Finsoe S.p.A. and to Unipol, respectively as the company heading the Unipol conglomerate and as Parent Company of the insurance group following the acquisition.

On June 20, 2012, AGCM (the Competition Authority), following the beginning of the investigation into the Integration Project of April 26, 2012 (within which the operation was suspended in accordance with Article 17 of Law 287 / 90, concerning activities likely to produce irreversible effects, including the execution of the Premafin Capital increase in addition to all activities concerning the pursuit of a joint industrial plan, allowing on the other hand the pursuit of the negotiations on the share swap and activities concerning the Capital Increase) notified to UGF, Unipol Assicurazioni, Premafin, Fondiaria-Sai, Milano Assicurazioni, Mediobanca and Assicurazioni Generali S. p. A. (jointly the “AGCM Investigation parties”), the final clearance of the procedure approved by AGCM on June 19, 2012 made publicly available on the site of AGCM www.agcm.it (to which reference should be made for further information).

The Provision is conditional to certain measures and obligations being adopted by the AGCM Investigation Parties: the Authority decided that the integration between the Unipol Group and the Premafin/Fondiaria-SAI Group could be authorised based on stringent measures capable of dissolving the ties with Mediobanca (which controls Generali, the main competitor in the markets involved in the transaction) and reducing the dominant position, through the sale of assets, which would otherwise be acquired in the Non-Life markets (specifically for Motor TPL policies) at a national level and, as far as the distribution of policies is concerned, in 93 provinces.

The recommended measures can be grouped together, by subject, into three types: (i) measures aimed at guaranteeing the sale of assets; (ii) measures aimed at overcoming the equity and financial bonds between the new entity and Mediobanca; and (iii) measures for which Mediobanca is responsible.

On June 25, 2012, UGF and Premafin announced to the market that they had agreed:

- with reference to Consob's suggestions, through the provisions of May 22 and 24, 2012, containing the response to the question submitted by UGF in relation to the recognition of the exemption from the mandatory tender offer of the various stages of the Integration Project: (i) to modify the indemnification agreement signed by UGF and Premafin on January 29, 2012, to limit the transaction exclusively with regard to and in favour of the directors and auditors of Premafin, Fondiaria-SAI, Milano Assicurazioni and the respective subsidiaries, in the period 2007-2011, who did not either directly or indirectly or through subsidiaries, hold Premafin shares on January 29, 2012; and (ii) to limit the right of withdrawal, in the context of the merger, so that this right of withdrawal was not up to the Premafin reference shareholders and this would affect every future evaluation on the subject of excluding the right of withdrawal for all Premafin shareholders under the scope of the merger;
- with reference to the conditions precedent of the agreement of January 29, 2012, (i) to acknowledge that the conditions precedent in paragraph 3.1, point (vii), letter (y) (redefinition of the agreements with the creditor banks of Fondiaria-SAI, Milano Assicurazioni and the other Group companies) and letter (z) (cancellation of the liens on the Fondiaria-SAI shares held by Premafin and Finadin by the respective lender banks), point (ix) (approval of the merger project) and point (xi) (dismissal of at least the majority of the directors of Finadin, Fondiaria-SAI, Milano Assicurazioni and their main subsidiaries) of the agreement will be renounced by the parties, subject to the launch of the subscription period of the capital increase, or, if before, to the launch of the Unipol capital increase subscription period, it being understood that the activities relating to the merger will continue without a continuity solution, for the purpose of the approval of the merger project in the time schedule strictly necessary; (ii) to recognise that what has been indicated in the previous point (i) has been accepted by Unipol (a) notwithstanding the obligation of Premafin in good faith, with no obligation to produce results, to ensure that at least the majority of directors appointed by the Shareholders' Meeting, albeit appointed during 2012, of Finadin S.p.A., Fondiaria-SAI, Milano Assicurazioni and their main subsidiaries, resign their offices and (b) notwithstanding the condition precedent of Article 3.1 point (x) of the agreement (the resignation of at least the majority of the Premafin directors).

On June 27, 2012 the Shareholders' Meeting of Fondiaria-SAI approved the increase of the share capital through a paid-in capital increase for a total maximum amount of Euro 1,100,000,000.00, including any share premium, to be carried out by December 31, 2012, through a rights issue of ordinary shares and new Category B savings shares, with full dividend rights, to be offered to holders of ordinary shares and Category A Savings Shares, in accordance with Article 2441, first, second and third paragraphs of the civil code.

Resignation of members of the Board of Directors

At the end of April, under paragraph 1 of Article 36 of Legs. Decree No. 201 of December 6, 2011, enacted into Law No. 214 of December 22, 2011 (the so-called *interlocking directories* regulation) – Messrs. Angelo Casò, Chairman, Umberto Bocchino, Maurizio Burnengo, Maurizio Di Maio, Davide Maggi and Aldo Milanese, all of whom independent directors, resigned from the board. The Director Mr. Mariano Frey, an independent director, also resigned.

The Statutory Auditors Mr. Giovanni Ossola, Chairman of the Board of Statutory Auditors, Ms. Maria Luisa Mosconi and Mr. Alessandro Rayneri, in addition to the Alternate Auditor Mr. Giuseppe Aldè, also resigned under the above-stated regulation. Mr. Claudio De Re joined as a Statutory Auditor and also Chairman of the Board of Statutory Auditors and Ms. Michela Zeme joined as a Statutory Auditor.

The Board of Directors of May 8, 2012, in consideration of the above mentioned resignations, appointed new Directors, in accordance with Article 2386 of the civil code, until the following Shareholders' Meeting called for June 28/29, as follows: Mr. Paolo Arbarello, Ms. Nicola Maione, Mr. Aldo Milanese, Mr. Ugo Milazzo, Mr. Antonio Salvi, Mr. Roberto Schiesari and Mr. Giuseppe Tardivo. All of the directors are independent in accordance with the Self-Governance Code of listed companies and with the Consolidated Finance Act.

In relation to Mr. Milanese, who resigned from the office of Director of Milano Assicurazioni in accordance with the interlocking directorates regulation, following his resignation from office which was considered incompatible, he was newly considered available to undertake the office of director of the Company.

The Board meeting of May 8, 2012 also appointed to the office of Chairman Mr. Massimo Pini, for the duration of the mandate of the Board, and therefore until the approval of the 2013 financial statements.

The Board appointed, for the duration of its mandate, an Executive Committee comprising 6 directors in the persons, in addition to the Chairman, the Vice Chairman and the Chief Executive Officer, of Messrs. Ugo Milazzo, Aldo Milanese and Antonio Talarico.

On May 17, 2012 the Company Director Ms. Jonella Ligresti resigned.

On May 19, 2012 Mr. Simone Tabacci resigned and, on May 21, 2012, Mr. Roberto Schiesari also resigned, co-opted on May 8.

The resignation of Mr. Tabacci has resulted, taking into account the resignations presented by Directors at the end of April and that of Ms. Jonella Ligresti on May 17, 2012, in there no longer being a majority of directors appointed by the shareholders' meeting, with consequent expiry of the entire Board of Directors, which remains in office on a provisional basis, including Mr. Tabacci and Mr. Schiesari, until the next shareholders' meeting which will be called to appoint a new Board of Directors through voting of slates and was called for July 10/11.

On May 23, 2012 the Director Mr. Giuseppe Tardivo resigned.

On May 24, 2012 Mr. Ugo Milazzo resigned from the Executive Committee, replaced by Mr. Giuseppe Lazzaroni on June 5, 2012.

On June 14, 2012 Mr. Gioacchino Paolo Ligresti announced his resignation as Vice Chairman and as Director (non-executive) of the Company. The resignation from the office of Director will be effective from the date of the appointment of the Board of Directors by the Shareholders' Meeting already called for July 10/11, 2012.

Treasury shares and shares of holding companies

At June 30, 2012, 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 shares	9,982,557	9,269
Premafin shares	9,157,710	1,809

As established by IAS 32.33, treasury shares are valued at acquisition cost and the corresponding value is subtracted from shareholders' equity. The shares of the direct parent company Fondiaria-Sai and the indirect parent company Premafin are recognised under "AFS financial assets" and as such are valued at the market price on the last contracting day of the period.

Insurance disputes in progress

At June 30, 2012, there were 42,099 claims open, of which 32,350 related to the Motor TPL class. During the period, 11,882 cases were defined, of which 10,239 relating to the Motor TPL class.

ISVAP notification for communications to the Motor TPL Claims Databank

Firstly it is noted that:

- On March 24, 2011, ISVAP sent to all companies operating in the market a letter concerning the communication obligations to the Motor TPL Claims Databank by companies of the details concerning each claim.
  With the above-stated letter, ISVAP announced to having encountered since the entry into force of the new claims communication methods (February 2011), significant deficiencies in that communicated by companies, comprising errors or incompleteness of the data concerning the individual claims.

- On May 18, ISVAP notified Milano Assicurazioni of non-compliance concerning communications made in the period to the Motor TPL claims databank between February 1, 2011 and March 31, 2011. In particular, the company was charged with errors and incomplete communication concerning 62,880 claims, for a total amount of penalties which range from a minimum of Euro 34.4 million to a maximum of Euro 314.4 million. The penalty was calculated multiplying the number of incomplete claims or erroneous claims by the amounts established by Article 316 of the Private Insurance Code. Similar notifications were sent to other companies operating on the market;

- Against this notification Milano Assicurazioni, as with other insurance sector companies, appealed to the Lazio Regional Administrative Court, also as a significant amount of the errors recorded by ISVAP relate in fact to data which the Insurance Companies do not directly have access to (for example, data relating to the driver, the trustee, the doctor, the testimony of the counterparties) and for which proper legal instruments are not available to the companies to ensure such acquisition. Under the appeal sent on May 30, 2011, cancelation of the disputed provisions of ISVAP sanction of March 24, 2011 was requested;

- On July 15, 2011, Milano Assicurazioni presented to the Supervisory Body an appeal in accordance with Article 327, paragraph 4, of Legislative Decree No. 209 of 2005. Through the appeal, the application of an alternative penalty was requested based on the Claims Databank processes improvement actions, set out in a specific plan. The alternative penalty ranges from a minimum of Euro 50 thousand to a maximum of Euro 500 thousand.

The Lazio Regional Administrative Court on February 16, 2012 accepted the appeal of the insurance companies, including that of Milano Assicurazioni, cancelling both the letter of March 24, 2011 of ISVAP and the notice sent to Milano Assicurazioni on May 18, 2011, considering Isvap’s interpretation to apply the sanctions to each claim incorrect and ruling that these should be applied in relation to the periodic communications to be made to the Claims Databank.

We are awaiting indications from ISVAP on how they wish to manage the problems in the future given the fact that the procedure for the application of the sanctions as per Article 327 of the Insurance Code would now not be applicable.

However we report that the actions undertaken - within the situation redefined by ISVAP from July 2011 which takes account of a series of exemptions previously not adequately evaluated - have permitted a considerable reduction in the transmission errors, reducing the percentage to below 2%.

Subsequent events to the end of the half-year

No significant events took place after the end of the period such as to require an adjustment to the values recorded in the present Consolidated Half-Year Report.

Integration with the Unipol Group

On July 5, the Board of Directors of the parent company Fondiaria-Sai, under the Extraordinary Shareholders' Meeting resolution of June 27, approved the final conditions of the paid-in divisible capital increase for an amount of Euro 1,098 million. The operation was launched on the stock market on July 16 with the final date for the exercise of rights fixed at August 1.

On July 19, under the investment agreement of January 29, 2012, Unipol Gruppo Finanziario S.p.A (UGF) carried out the capital increase of Premafin Finanziaria S.p.A. – Holding di Partecipazioni ("Premafin") approved by the Extraordinary Shareholders' Meeting of June 12 and reserved to UGF, subscribing fully to the 1,741,239,877 ordinary non-listed newly issued shares of Premafin, with full rights and the same as the ordinary shares of Premafin in circulation at a unitary issue price of Euro 0.195 each for a total amount of Euro 339,541,776.02. With the subscription UGF became the majority shareholder of Premafin with a holding of approx 81%, acquiring consequently indirect control of the Fondiaria-Sai Group and, therefore, Milano Assicurazioni.

Board of Directors and Board of Statutory Auditors

The Shareholders' Meeting of July 10, 2012 of Milano Assicurazioni S.p.A. appointed the Board of Directors and the Board of Statutory Auditors for the three years 2012, 2013 and 2014 and therefore until the Shareholders' AGM for the approval of the 2014 annual accounts.

In particular, the Shareholders' Meeting, on the basis of a single slate presented by FONDIARIA-SAI S.p.A., determined the number of directors as 12, as follows: Paolo Arbarello, Enrico De Cecco, Barbara De Marchi, Emanuele Erbetta, Giuseppe Lazzaroni, Nicola Maione, Nicola Miglietta, Ugo Agostino Milazzo, Piergiorgio Peluso, Massimo Pini, Antonio Salvi and Alessandra Talarico.

The Shareholders' Meeting, on the basis of a single slate presented by FONDIARIA-SAI S.p.A., appointed the Board of Statutory Auditors as follows: Giuseppe Angiolini, Chairman; Giorgio Loli and Antonino D'Ambrosio, Statutory Auditors; Francesco Bavagnoli, Claudio De Re and Michela Zeme, Alternate Auditors.

The Board of Directors on July 16, 2012, appointed the corporate officers and the internal committees of the board as reported below.

The Board appointed, for the duration of its mandate, and therefore until the approval of the 2014 annual accounts Massimo Pini as Chairman of the Board of Directors and Emanuele Erbetta as the Chief Executive Officer.

The Board also assigned specific powers, in addition to the Chief Executive Officer Emanuele Erbetta, to the Director Piergiorgio Peluso.

The Board appointed, for the duration of its mandate and therefore until the approval of the 2014 annual accounts, an Executive Committee comprising 5 directors in the persons of - in addition to the Chairman and the Chief Executive Officer - Mr. Enrico De Cecco, Mr. Giuseppe Lazzaroni and Mr. Piergiorgio Peluso.

The Board also appointed the members of the Internal Control Committee as the Directors Nicola Miglietta (as lead coordinator), Enrico De Cecco and Nicola Maione.

The Board then appointed the members of the Committee set up in accordance with the procedure for transactions with related parties of the FONDIARIA-SAI Group, which will continue to be involved in the negotiations of the integration operation with the Unipol Group, in addition to exploring the issues concerning the Board of Statutory Auditors' Report as per Article 2408 of the Civil Code, as the Directors Nicola Maione, Nicola Miglietta, Ugo Milazzo and Antonio Salvi, who previously held this appointment.

The Board of Directors also appointed the members of the Remuneration Committee as the Directors Enrico De Cecco (as lead coordinator), Giuseppe Lazzaroni and Piergiorgio Peluso.

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

Outlook

The results in the first half of 2012 confirm the initiatives undertaken to recover the technical profitability. In the coming months the underwriting policy will therefore continue in line with the guidelines already implemented.

In particular, in the **Motor TPL** class the focus will be on an increased calibration of the tariff mutuality based on the effective risk of the insured party, while at the same time undertaking interventions on the portfolio with negative performances as well as the initiatives to combat fraud.

In the **Other non-Life classes** focus will continue to be on the retail clientele and the small and medium size businesses which operate in profitable regions and the actions will continue on the portfolio acquired with products no longer on the price list. In the corporate sector, particular attention will be paid to underwriting with the objective to improve the portfolio mix, also through the discontinuation of non profitable sectors.

In the **Life class**, attention will be focused on the traditional products (annual or recurring), which are more remunerative and engender client loyalty, creating therefore long-term value.

The **financial management** sector remains extremely volatile, given that towards the end of July renewed tensions were seen on the sovereign debt of peripheral Eurozone countries with the spread between German and Italian bonds again above 500 basis points, returning to the critical levels at the end of 2011.

Milan, August 2, 2012

MILANO ASSICURAZIONI S.p.A.
The Board of Directors

Financial Statements

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

- Balance Sheet
- Income Statement
- Statement of Comprehensive income
- Statement of change in shareholders' equity
- Consolidated cash flow statement
- Notes to the financial statements which contain, among others, the accounting policies and the evaluation 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 reports the gains and losses which were recorded to the shareholders' equity according to that required or permitted by International Accounting Standards IAS/IFRS.

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.

MILANO ASSICURAZIONI S.p.A.

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

BALANCE SHEET - ASSETS

		30/06/2012	31/12/2011
1	**INTANGIBLE ASSETS**	**238,594**	**242,489**
1.1	Goodwill	231,052	231,052
1.2	Other intangible assets	7,542	11,437
2	**PROPERTY, PLANT & EQUIPMENT**	**52,275**	**52,350**
2.1	Property	47,312	47,006
2.2	Other tangible assets	4,963	5,344
3	**TECHNICAL RESERVES – REINSURANCE AMOUNT**	**335,211**	**328,931**
4	**INVESTMENTS**	**8,020,768**	**8,355,884**
4.1	Investment property	717,243	910,693
4.2	Investments in subsidiaries, associates and joint ventures	97,928	100,416
4.3	Investments held to maturity	175,753	128,927
4.4	Loans and receivables	889,258	905,538
4.5	AFS financial assets	5,946,740	6,084,206
4.6	Financial assets at fair value through the profit or loss account	193,846	226,104
5	**OTHER RECEIVABLES**	**849,704**	**959,272**
5.1	Receivables from direct insurance operations	470,688	614,040
5.2	Receivables from reinsurance operations	32,158	47,067
5.3	Other receivables	346,858	298,165
6	**OTHER ASSETS**	**513,150**	**558,122**
6.1	Non-current assets or of a discontinued group held for sale	3,999	44,503
6.2	Deferred acquisition costs	10,832	10,741
6.3	Deferred tax assets	321,847	393,848
6.4	Current tax assets	44,573	40,595
6.5	Other assets	131,899	68,435
7	**CASH AND CASH EQUIVALENTS**	**658,706**	**470,804**
	TOTAL ASSETS	**10,668,408**	**10,967,852**

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

		30/06/2012	31/12/2011
1	**SHAREHOLDERS' EQUITY**	**1,032,853**	**929,537**
1.1	**Group**	**1,031,456**	**928,212**
1.1.1	Share Capital	373,682	373,682
1.1.2	Other equity instruments		
1.1.3	Capital reserves	406,634	951,244
1.1.4	Retained earnings and other reserves	409,183	350,086
1.1.5	(Treasury shares)	-31,353	-31,353
1.1.6	Translation reserve		
1.1.7	Profit or loss on AFS financial assets	-119,394	-222,178
1.1.8	Other gains and losses recorded directly in equity	-10,361	-5,790
1.1.9	Group net profit/(loss)	3,065	-487,479
1.2	**minority interest**	**1,397**	**1,325**
1.2.1	Share capital and reserves	1,456	1,461
1.2.2	Gains and losses recorded directly in equity	-7	-8
1.2.3	Minority interest profit/(loss)	-52	-128
2	**PROVISIONS**	**114,057**	**119,870**
3	**TECHNICAL RESERVES**	**8,705,985**	**9,072,199**
4	**FINANCIAL LIABILITIES**	**353,143**	**370,197**
4.1	Financial liabilities at fair value through profit or loss account	64,663	70,858
4.2	Other financial liabilities	288,480	299,339
5	**PAYABLES**	**214,393**	**290,509**
5.1	Payables from direct insurance operations	22,309	24,723
5.2	Payables from reinsurance operations	19,812	26,604
5.3	Other payables	172,272	239,182
6	**OTHER LIABILITIES**	**247,977**	**185,540**
6.1	Liabilities in a discontinued group held for sale		
6.2	Deferred tax liabilities	50,834	46,542
6.3	Current tax liabilities	11,332	
6.4	Other liabilities	185,811	138,998
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**10,668,408**	**10,967,852**

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

INCOME STATEMENT

		1H 2012	1H 2011
1.1	Net premiums	1,624,077	1,700,646
1.1.1	*Gross premiums written*	*1,685,576*	*1,762,832*
1.1.2	*Premiums ceded to re-insurers*	*-61,499*	*-62,186*
1.2	Commission income	357	220
1.3	Income and charges from financial instruments at fair value through profit or loss	24,586	-19,105
1.4	Income from investments in subsidiaries, associates and joint ventures	557	6,979
1.5	Income from other financial instruments and property investments	212,541	200,433
1.5.1	*Interest income*	*119,291*	*109,137*
1.5.2	*Other income*	*27,341*	*31,978*
1.5.3	*Profits realised*	*63,810*	*59,318*
1.5.4	*Valuation gains*	*2,099*	
1.6	Other revenues	91,108	108,907
1	**TOTAL REVENUES AND INCOME**	**1,953,226**	**1,998,080**
2.1	Net charges relating to claims	-1,291,333	-1,378,547
2.1.1	*Amounts paid and changes in technical reserves*	*-1,335,914*	*-1,408,537*
2.1.2	*Reinsurers' share*	*44,581*	*29,990*
2.2	Commission expenses	-56	-101
2.3	Charges from investments in subsidiaries, associates and joint ventures	-8,385	-8,098
2.4	Charges from other financial instruments and property investments	-85,444	-101,243
2.4.1	*Interest expense*	*-5,873*	*-5,936*
2.4.2	*Other charges*	*-11,137*	*-10,488*
2.4.3	*Losses realised*	*-16,722*	*-25,222*
2.4.4	*Valuation losses*	*-51,712*	*-59,597*
2.5	Management expenses	-306,847	-328,185
2.5.1	*Commissions and other acquisition expenses*	*-247,947*	*-265,657*
2.5.2	*Investment management charges*	*-2,202*	*-1,966*
2.5.3	*Other administration expenses*	*-56,698*	*-60,562*
2.6	Other costs	-233,880	-225,279
2	**TOTAL COSTS AND CHARGES**	**-1,925,945**	**-2,041,453**
	PROFIT/(LOSS) BEFORE TAXES	**27,281**	**-43,373**
3	Income tax	-18,830	-15,367
	NET PROFIT/(LOSS)	**8,451**	**-58,740**
4	**PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS**	**-5,438**	
	CONSOLIDATED PROFIT/(LOSS)	**3,013**	**-58,740**
	group share	**3,065**	**-58,672**
	minority share	**-52**	**-68**

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

COMPREHENSIVE INCOME STATEMENT

	1H 2012	1H 2011
CONSOLIDATED PROFIT/(LOSS)	**3,013**	**-58,740**
Change in reserve for net exchange differences		
Profit or loss on AFS financial assets	102,785	-12,126
Profit or loss on cash flow hedges	-2,353	455
Profit or loss on a net foreign investment hedge		0
Change in net equity of holdings		0
Change in revaluation reserve of intangible assets		0
Change in revaluation reserve of tangible fixed assets		0
Income/(charges) on non-current assets or of a discontinued group held for sale		0
Acturarial profits and losses and adjustments to employee defined plans	-2,218	-795
Others items		
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**98,214**	**-12,466**
TOTAL COMPREHENSIVE CONSOLIDATED INCOME	**101,227**	**-71,206**
group share	**101,278**	**-71,138**
minority share	**-51**	**-68**

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

Details of other comprehensive income statement items

	Allocation		Adjustments from reclassifications to Income Statement		Other changes		Total changes		Income tax		Balance	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	31/12/2011
Translation reserve							-	-				
Profit or loss on AFS financial assets	46,082	- 40,642	56,703	28,516			102,785	- 12,126	- 42,042	- 18,725	- 119,401	- 222,186
Profit or loss on cash flow hedges	- 2,353	455					- 2,353	455	1,229	- 238	- 5,894	- 3,541
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							-	-			-	
Acturarial profits and losses and adjustments to employee defined plans	- 2,218	- 795					- 2,218	- 795	1,159	415	- 4,467	- 2,249
Others items							-	-				
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**41,511**	**- 40,982**	**56,703**	**28,516**	**-**	**-**	**98,214**	**- 12,466**	**- 39,654**	**- 18,548**	**- 129,762**	**- 227,976**

Statement of change in consolidated shareholders’ equity for the first half 2012

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 result 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 AFS financial asset).

The *transfers* report any 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 AFS financial assets, attributable to policyholders and recorded under insurance liabilities.

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Balance at 31/12/2010	Change in opening balances	Allocation	Adjustments from reclassifications to Income Statement	Transfers	Balance at 30/06/2011
Group shareholders' equity	Share Capital	305,851					305,851
	Other equity instruments						-
	Capital reserves	718,147		- 39,166			678,981
	Retained earnings and other reserves	980,995		- 630,481			350,514
	(Treasury shares)	- 31,353					- 31,353
	Loss for the period	- 668,711		610,039			- 58,672
	Other comprehensive income	- 1,681		- 40,982	28,516		- 14,147
	Total Group	**1,303,248**	**-**	**- 100,590**	**28,516**	**-**	**1,231,174**
Shareholders' equity – minority interest	Share capital and reserves	1,502		- 132			1,370
	Loss for the period	- 180		112			- 68
	Other comprehensive income	- 3					- 3
	Minority share	**1,319**	**-**	**- 20**	**-**	**-**	**1,299**
Total		**1,304,567**	**-**	**- 100,610**	**28,516**	**-**	**1,232,473**

		Balance at 31/12/2011	Change in opening balances	Allocation	Adjustments from reclassifications to Income Statement	Transfers	Balance at 30/06/2012
Group shareholders' equity	Share Capital	373,682					373,682
	Other equity instruments						-
	Capital reserves	951,244		- 544,610			406,634
	Retained earnings and other reserves	350,086		59,097			409,183
	(Treasury shares)	- 31,353					- 31,353
	Net profit for period	- 487,479		490,544			3,065
	Other comprehensive income	- 227,968		41,510	56,703		- 129,755
	Total Group	**928,212**	**-**	**46,541**	**56,703**	**-**	**1,031,456**
Shareholders' equity – minority interest	Share capital and reserves	1,461		- 5			1,456
	Net profit for period	- 128		76			- 52
	Other comprehensive income	- 8		1			- 7
	Minority share	**1,325**	**-**	**72**	**-**	**-**	**1,397**
Total		**929,537**	**-**	**46,613**	**56,703**	**-**	**1,032,853**

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

CASH FLOW STATEMENT (indirect method)

	30/06/2012	30/06/2011
Profit/(loss) before taxes	**27,281**	**-43,373**
Non-cash adjustments	**-301,123**	**-108,069**
Change in non-life unearned premium reserve	-40,094	-8,583
Change in claims reserve and other non-life technical reserves	-130,600	-68,126
Change in actuarial reserves and other life technical reserves	-208,317	-85,461
Change in deferred acquisition costs	-91	812
Change in provisions	-5,813	-27,659
Non-cash income/charges from financial instruments, property investments and holdings	53,946	76,124
Other Changes	29,846	4,824
Change in payables and receivables from operating activities	**151,585**	**142,504**
Change in payables and receivables from direct insurance operations and reinsurance	149,055	153,314
Change in other payables and receivables	2,530	-10,810
Income taxes paid	**-19,862**	**-6,719**
Net liquidity generated/absorbed from cash items relating to investing and financing activities	**35,402**	**26,833**
Liabilities from financial contracts issued by insurance companies	-6,092	609
Bank and interbank payables		0
Loans and receivables from banks and interbank		0
Other financial instruments at fair value recorded to the income statement	41,494	26,224
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**-106,717**	**11,176**
Net liquidity generated/absorbed from property investments	49,307	-5,664
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	2,488	-16,773
Net cash generated/absorbed from loans and receivables	18,504	-154,878
Net cash generated/absorbed from investments held to maturity	-46,006	-2,374
Net cash generated/absorbed from AFS financial assets	238,636	225,804
Net cash generated/absorbed from intangible and tangible fixed assets	-44	-346
Net cash generated/absorbed from investing activities	40,504	-1
TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES	**303,389**	**45,768**
Net cash generated/absorbed from Group equity instruments	1,965	-937
Net cash generated/absorbed from treasury shares		
Distribution of Dividends relating to the Group		
Net cash generated/absorbed from minority interest capital and reserves	124	48
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	-147	117
Net cash generated/absorbed from other financial liabilities	-10,712	-48,883
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	**-8,770**	**-49,655**
Exchange difference effect on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	470,804	284,665
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	187,902	7,289
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	658,706	291,954

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 premiums of approx. Euro 3.4 billion and a sales network of approx. 1,800 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 interim 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. In particular, they conform with the applicable interim reporting standard (IAS 34).
The entry into force of the accounting standards with application from January 1, 2012 (including the amendments to IAS 12 – Income Taxes) did not have significant impacts on the present condensed consolidated interim financial statements at 30/06/2012.
In addition, in June 2012 the new IAS 19 which, among other issues, abolishes the corridor approach, was approved. The standard will be effective as of January 1, 2013, but we do not expect it to have a significant impact on the consolidated financial statements.
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.
These interim financial statements do not include all of the information required for the annual accounts and must be read together with the 2011 annual accounts.

Consolidation area and 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 consolidation

All of the 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, 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, 2012, 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 accounting principles utilised, the measurement and recognition criteria, in addition to the consolidation principles applied for the preparation of the present interim financial statements, are in line with those adopted for the Consolidated financial statements at December 31, 2011 - to which reference should be made and which comprise an integral part of the present notes. For a detailed description of the methodologies applied, reference should be made to the 2011 consolidated financial statements, while also considering that reported in relation to the increased use of estimates adopted for the preparation of the interim report.

Claims reserve

Motor TPL

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

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

Other Non-Life Classes

Both for the current generation and for previous year generations, the estimate of the loss performed by the technical offices was supplemented with the parameters already used for the preparation of the 2011 financial statements, in case of not significant statistical changes compared to the longstanding trends.

Reinsurance

The technical reserves relating to the reinsurers are calculated based on the portion ceded for the proportional reinsurance and as an estimate 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 indirect business items concern the share of the results estimated for the current year; the inward and outward reinsurance relating to contracts with Companies of the group are recorded on an accruals basis. The items relating to contracts with third parties concern however the year 2011, in line with that established by the applicable regulation and international practices.

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 2011 annual accounts to which reference is made for greater detail.

For the purposes of the objective recording of the reduction of value of an equity instrument, 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 60% 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,

where 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 AFS financial assets, 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.

In relation to the debt financial instruments, there is evidence of impairment if one of the qualitative factors exists of the above-mentioned paragraph 59 of IAS 39 and therefore

- significant financial difficulties of the issuer;
- non contractual compliance or non payment of interest or capital;
- the risk of commencement or the commencement of receivership of the issuer;
- the elimination of an active market for the financial assets subject to valuation;
- data which indicates the existence of a significant decrease in the future financial cash flows estimated for a group of financial assets, including:
  - unfavourable changes in the payments of the beneficiaries in the group;
  - local or national economic conditions which are related to the non compliance of the activities within the group.

Group Structure

Consolidation scope

At June 30, 2012, the Milano Assicurazioni Group, including the Parent Company, was made up of 11 Companies, of which 5 operating in the insurance sector, 4 in the real estate sector, 1 in support of the insurance business and 1 various services. The list of these companies, all fully consolidated, is shown in the table of the consolidated companies.

In the first half of 2012, there were no changes in the consolidation scope.

In the present interim report, in accordance with IFRS 5, the holding in the associated company Atahotels S.p.A. of 49% was recognised to the account *"Non-current assets or of a discontinued group held for sale"*, following the valuation project of this investment currently in progress.

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

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
IMMOBILIARE MILANO ASSICURAZIONI S.r.l.	ITALIY	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
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

Details of non-consolidated investments

Company	State	Activities (1)	Type (2)
A7 S.r.l. in liquidation	ITALY	10	B
ATAHOTELS S.p.A.	ITALY	11	(*)
BORSETTO S.r.l.	ITALIA	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
IMMOBILIARE LOMBARDA S.p.A.	ITALY	10	B
METROPOLIS S.p.A. in liquidation	ITALY	10	B
PENTA DOMUS S.r.l.	ITALY	10	(*)
SAI INVESTIMENTI S.G.R. S.p.A.	ITALY	8	B
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	ITALY	11	B
SERVIZI IMMOBILIARI MARTINELLI S.p.A.	ITALY	10	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	141
49.00	49.00	49.00	
-	44.93	44.93	2,820
32.00	32.00	32.00	59,476
-	94.97	95.00	
34.21	34.63	34.65	12,595
29.56	29.56	29.56	11,310
35.83	35.83	35.83	8,709
-	29.73	29.73	
-	20.00	20.00	
29.00	29.00	29.00	1,918
30.00	30.00	30.00	232
-	20.00	20.00	144
-	40.00	40.00	
50.00	50.00	50.00	583

Part B

Notes to the consolidated balance sheet

Balance Sheet - Assets

1. INTANGIBLE ASSETS

They include:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Goodwill	231,052	231,052	-
Other intangible assets	7,542	11,437	-3,895
TOTAL	**238,594**	**242,489**	**-3,895**

The breakdown of goodwill is as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
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.	52,555	52,555	-
Consolidation difference arising from conferment in 2008 of Liguria Vita	3,159	3,159	-
TOTAL	**231,052**	**231,052**	**-**

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.
The economic and financial results in the half-year did not indicate that the recoverable value of the Cash Generating Units identified for impairment test purposes had reduced below their book value and that consequently the goodwill recognised may have reduced on the book value at December 31, 2011, previously subject to an impairment test according to the manner established by IAS 36 (Impairment of assets).

For Liguria Assicurazioni, the results in the half-year - although negative - are in line with the objectives of the industrial plan utilised for the impairment tests carried out for the 2011 annual accounts. However, considering that at December 31, 2011 the recoverable value of the Liguria Assicurazioni CGU highlighted a small surplus compared to the book value, the impairment test was updated. This update substantially confirmed the results of 2011 and consequently the sustainability of the goodwill recorded to this CGU.

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 includes the VOBA relating to Liguria Assicurazioni of Euro 6,506 thousand, net of amortisation for the period of Euro 3,548 thousand.

The table below shows the breakdown including gross values and accumulated amortisation as at June 30, 2012:

(in Euro thousands)	**Gross carrying value**	**Amortisation and impairment**	**Net value**
VOBA Liguria Assicurazioni	49,673	-43,167	6,506
Other intangible assets	1,988	-952	1,036
TOTAL	**51,661**	**-44,119**	**7,542**

2. PROPERTY, PLANT & EQUIPMENT

The account amounts to Euro 52,275 thousand, broken down as follows:

(in Euro thousands)	**Buildings**		**Other tangible assets**	
	30/06/12	**31/12/11**	**30/06/12**	**31/12/11**
Gross carrying value	49,411	49,047	23,742	23,989
Accumulated depreciation and Impairments	-2,099	-2,041	-18,779	-18,645
NET VALUE	**47,312**	**47,006**	**4,963**	**5,344**

The buildings concern:

- 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 1.9 million than the expert's market-based valuations at the end of the previous period.

No buildings had any restrictions on title.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The account amounts to Euro 335,211 thousand (Euro 328,931 thousand at 31/12/2011), broken down as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Non-Life premium reserve – reinsurers	48,503	53,783	-5,280
Non-Life claims reserve – reinsurers	212,150	193,497	18,653
Actuarial reserves attributed to reinsurers	71,141	78,220	-7,079
Reserve for claims to be paid – reinsurers	3,417	3,431	-14
TOTAL	**335,211**	**328,931**	**6,280**

4. INVESTMENTS

The breakdown of the account is as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Investment property	717,243	910,693	-193,450
Investments in subsidiaries, associates and joint ventures	97,928	100,416	-2,488
Investments held-to-maturity	175,753	128,927	46,826
Loans and receivables	889,258	905,538	-16,280
AFS financial assets	5,946,740	6,084,206	-137,466
Financial assets at fair value recorded through the profit & loss	193,846	226,104	-32,258
TOTAL	**8,020,768**	**8,355,884**	**-335,116**

Investment property

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

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).

The reduction on 31/12/2011 is principally due to:

- the reversal of the credit positions and simultaneous recognition to the account "Other receivables" of the payments on account made to the companies IM.CO. S.p.A. and Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to real estate contracts which in the 2011 financial statements were recorded to this account for approx. Euro 132 million. This reduction followed the bankruptcy judgment against IM.CO. and Sinergia of June 14, 2012. The above-stated operations provided however that Milano Assicurazioni would become the owner of these buildings only when completed and approved and the contracts were not assisted by specific guarantees. The declaration of bankruptcy therefore put the company at risk of losing the right of delivery of these buildings under construction, remaining creditors for the amounts paid on account.
- from the exit of the building for office use situated in Milan, Piazza S. Maria Beltrade, sold at the end of June to Carlyle Real Estate SGR S.p.A., at a price of Euro 63 million, resulting in a gain of Euro 14.4 million. To date Euro 25 million has been received. The remainder, increased by interest, is subject to a payment plan over the three-year period 2012-2014, against which the purchaser has provided surety guarantees.

Overall, the book value at June 30, 2012 was Euro 156 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, 2012:

	30/06/2012	31/12/2011
Gross carrying value	843,043	1,032,706
Depreciation and impairment	-125,800	-122,013
Net value	**717,243**	**910,693**

During the half-year, rental income from investment property and expense reimbursements amounted to Euro 14.7 million while operating costs, mainly relating to building lease charges, amounted to Euro 8.6 million.
There are no significant limits to the realisation of the investment property due to legal or other restrictions.

Investments in subsidiaries, associates and joint ventures

In accordance with IAS 27 (Consolidated and separate financial statements), all of the Group companies are fully consolidated, including those which undertake dissimilar activities. The amount recorded therefore refers only to holdings in associated companies valued under the equity method.

(in Euro thousands)	30/06/2012	31/12/2011
A7 S.r.l. in liquidation	141	266
Atahotels S.p.A.	-	1,589
Borsetto S.r.l.	2,820	2,891
Garibaldi S.c.a.	59,476	56,119
Gruppo Fondiaria-Sai Servizi S.c.r.l.	12,595	11,720
Isola S.c.a.	11,310	11,096
Immobiliare Lombarda S.p.A.	8,709	8,516
Sai Investimenti SGR S.p.A.	1,918	1,639
Service Gruppo Fondiaria-Sai S.r.l.	232	351
Servizi Immobiliari Martinelli S.p.A.	144	129
Valore Immobiliare S.r.l.	583	6,100
TOTAL	**97,928**	**100,416**

In accordance with IFRS 5, the holding in the associated company Atahotels S.p.A. of 49% is no longer included in this account as, following the valuation project of this investment currently in progress, the relative book value of Euro 2.1 million was recorded to the account *Non-current assets or of a discontinued group held for sale.*

Investments held-to-maturity

This category includes securities related to policies with fixed returns or covered by contractual commitments realised through specific assets. The account amounts to Euro 175,753 thousand and is comprised of:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Non quoted debt securities	1,404	1,379	25
Quoted debt securities	174,349	127,548	46,801
TOTAL	**175,753**	**128,927**	**46,826**

Their current value at June 30 was Euro 180,908 thousand.

Loans and receivables

The account amounts to Euro 889,258 thousand (Euro 905,538 thousand at 31/12/11) and is composed as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Debt securities	790,842	799,122	-8,280
Loans on life policies	20,156	21,185	-1,029
Deposits held by reinsurers	2,195	2,193	2
Receivables from agents for indemnities paid to agents terminated	61,691	57,814	3,877
Other financial investments	2,000	13,000	-11,000
Other loans and receivables	12,374	12,224	150
TOTAL	**889,258**	**905,538**	**-16,280**

Debt securities, with a fair value at June 30, 2012 of Euro 748.4 million, principally include:

- Euro 489.6 million of Italian government bonds undertaken in “Private Placement” as a stable investment and not listed on the Italian Stock Market. The classification of these securities in this category is due therefore to the lack of an active reference market.

- approx. Euro 232 million relating to financial instruments transferred from the AFS category 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 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;

  These securities were valued at amortised cost. The related losses at the transfer date, which decreased from Euro 23.8 million at January 1, 2009 to Euro 20.5 million at June 30, 2012, were recorded under shareholders' equity in the account *Profits or losses on AFS financial assets*. The fair value of these securities at June 30, 2012 was Euro 212.5 million, recording in the income statement for the half-year gains of Euro 8.7 million.

- the book value of some issues which are classified in this category in the absence of an active reference market cannot be accurately established (in particular the special issue securities of Ania).

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.

AFS financial assets

The AFS 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)	**30/06/2012**	**31/12/2011**	**Change**
Quoted equity securities	262,004	307,672	-45,668
Non quoted equity securities	66,202	64,265	1,937
Quoted debt securities	5,083,377	5,168,581	-85,204
Non quoted debt securities	38,464	26,781	11,683
Fund units	496,693	516,907	-20,214
TOTAL	**5,946,740**	**6,084,206**	**-137,466**

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.

Under the impairment policy of the group, the impairment carried out at June 30, 2012 amounted to Euro 39.6 million. The impairments principally relate to:

- further impairments for Euro 28.5 million on securities previously written down and whose book value was aligned to the share price at June 30, 2012 in accordance with IAS 39 (IG.E.4.9). These principally refer to Generali shares (Euro 9.7 million), Unicredit (Euro 9.8 million) and RCS (Euro 2 million);

- impairments relating to securities impacted by the continued poor financial market performance, resulting in the period of a listed value lower than the book value for a continuous period of at least 2 years (Euro 4.8 million);

- impairments on securities presenting a reduction in market value at end of the period of greater than 60% of their original cost (Euro 6.2 million).

For the holding in the Bank of Italy the valuation made by independent experts for the 2011 financial statements was held up which was based on the future distributable cash flows and recognised Euro 40 million as the fair value of the 2,000 shares held against a historical cost of Euro 8 thousand, with a consequent recording of a reserve of Euro 39,992 thousand, before any tax effect.

The net equity reserve, based on the difference between the average weighted cost and the fair value of instruments classified in this category, was negative for Euro 119.4 million (negative for Euro 222.2 million at December 31, 2011). The following table highlights the composition and movements on the previous year:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Debt securities	-261,896	-414,424	152,528
Fund units	41,093	49,024	-7,931
Equity securities	-18,803	-25,549	6,746
Shadow accounting reserve	64,997	71,515	-6,518
Tax effect	55,215	97,256	-42,041
AFS reserve at the end of the period	**-119,394**	**-222,178**	**102,784**

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

The breakdown is as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Quoted equity securities	461	157	304
Quoted debt securities	137,402	151,505	-14,103
Non quoted debt securities	9,652	13,698	-4,046
Fund units	36,706	48,618	-11,912
Other financial instruments	9,625	12,126	-2,501
TOTAL	**193,846**	**226,104**	**-32,258**

The amount includes Euro 149.5 million of investment contracts where the risk is borne by the policyholders and Euro 20.9 million of investments from pension fund management. These items are recognised to the *technical reserves* for the insurance contracts (Euro 116.9 million) and to *financial liabilities* for the pension funds and for contracts without a significant insurance risk and not falling within the ambit of IFRS 4 (Euro 53.5 million).

Their fair value was determined using the stock exchange prices on the last trading day of June 2012 as a benchmark reference.

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Receivables from direct insurance operations	470,688	614,040	-143,352
Receivables from reinsurance operations	32,158	47,067	-14,909
Other receivables	346,858	298,165	48,693
TOTAL	**849,704**	**959,272**	**-109,568**

Receivables from direct insurance operations include:

- receivables from policyholders of Euro 226,548 thousand, of which Euro 205,304 thousand referring to the premiums for the year and Euro 21,244 thousand for premiums of previous years;
- receivables from insurance brokers for Euro 169,007 thousand;
- receivables from insurance companies for Euro 17,331 thousand;
- receivables from policyholders and others for sums to be recovered for Euro 57,802 thousand.

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)	**30/06/2012**	**31/12/2011**	**Change**
Receivables from Fodiaria-Sai for tax payments on account and for credits and withholding taxes transferred in accordance with the tax consolidation	88,872	94,956	-6,084
Receivables from Im.Co. and A.S.A.	78,409	-	78,409
Trade receivables	13,816	8,385	5,431
Tax reimbursements	23,992	25,071	-1,079
Other receivables	141,769	169,753	-27,984
TOTAL	**346,858**	**298,165**	**48,693**

The receivables from IM.CO. and Avvenimenti e Sviluppo Alberghiero refer to the estimated realisable value of the amounts paid concerning property to be constructed contracts signed in previous years with the above-stated companies and previously recognised to investment property. The recognition to receivables was carried out following the bankruptcy judgment against IM.CO. and Sinergia of June 14, 2012. The above-stated operations provided that Milano Assicurazioni would become the owner of these buildings only when completed and approved and the contracts did not contain specific guarantees. The declaration of bankruptcy therefore put the company at risk of losing the right of delivery of these buildings under construction, remaining creditors for amounts paid on account.
The receivables were subject to independent evaluation: the estimated realisable value was calculated based on the assumption of two competitive auctions with a reduction of around 36% in the appraisal value (for Avvenimenti e Sviluppo Alberghiero, in the case of a solvent liquidation, a discount of 20% on the appraisal value was estimated).
For the purpose of distributing the amount recovered between the creditors, consideration was given to the grounds for seniority, in addition to the statutory privileges (employees and tax authorities) and procedural costs.
The estimate of the recovery time, varying depending on the creditor profile, is expected to be in line with the procedural period. The receivables were discounted using a tax free risk, equal to the yield on Italian 10-year bonds, as the parameters related to the risk are already explicitly considered in the discount applied to the recoverable value.
The valuation resulted in a write-down of receivables in the half-year for Euro 61.6 million.
In the 2011 financial statements, in relation to the above-stated property initiatives a total impairment of Euro 42.5 million was already recognised, based on an independent expert’s valuation.

6. OTHER ASSETS

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Non-current assets or of a discontinued group held for sale	3,999	44,503	-40,504
Deferred acquisition costs	10,832	10,741	91
Deferred tax assets	321,847	393,848	-72,001
Current tax assets	44,573	40,595	3,978
Other assets	131,899	68,435	63,464
TOTAL	**513,150**	**558,122**	**-44,972**

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

The amount recognised of Euro 4 million includes:
- Euro 1.9 million concerning the investment in Penta Domus S.p.A., held through Immobiliare Milano Assicurazioni
- Euro 2.1 million concerning the 49% investment in Atahotels, held directly by Milano Assicurazioni.

The recording of these investments in this account was carried out in accordance with IFRS 5, as negotiations are in progress for their disposal.

In particular, for Atahotels, on May 8 the Board of Directors of Milano Assicurazioni, in agreement with Fondiaria-Sai which holds the remaining 51% of the company, chose private equity operator “21 Investimenti” for exclusive negotiations regarding the sale of the investment.

Deferred acquisition costs

The deferred acquisition costs of Euro 10,832 thousand (Euro 10,741 thousand at 31/12/2011) 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.

Deferred tax assets

The account amounts to Euro 321,847 thousand, of which Euro 97,179 thousand recorded against cumulative tax losses and Euro 224,688 thousand calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the accounts and the respective tax value according to the “balance sheet liability method” principle established by IAS 12. The recording occurs in relation to the probability of their recovery based on the capacity to generate assessable taxable income in the future. Where permitted by IAS 12, deferred tax assets and liabilities were compensated.

The amount relating to the fiscal losses includes:

- the potential tax benefit related to the residual tax loss recorded by Milano Assicurazioni in 2010 of Euro 5,725 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participated in the tax consolidation of the Fondiaria-SAI group in 2010, amounting overall to Euro 22,071 thousand;
- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni in 2011 of Euro 54,658 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participated in the tax consolidation of the Fondiaria-SAI group in 2011, amounting overall to Euro 14,725 thousand.

In the first half of 2012, tax losses brought forward were reduced by Euro 30,785 thousand.

The relative benefits of the residual tax losses were recorded on fulfilling the following requirements:

- there exists a reasonable certainty to achieve fiscal assessable income which will absorb the fiscal losses;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

Current tax assets

The current tax assets, amounting to Euro 44,573 thousand (Euro 40,595 thousand at 31/12/2011), refer principally to tax authorities for payments on account and withholding taxes. 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 131,899 thousand (Euro 68,435 thousand at 31/12/2011) and includes indemnities paid to agencies (Euro 12,199 thousand), payments on account for guarantee provisions in favour of policyholders, with particular reference to the Contribution to the Road Victims Guarantee Fund (Euro 19,801 thousand) and reinsurance items (Euro 23,209 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 658,706 thousand (Euro 470,804 thousand at 31/12/2011).

Balance Sheet - Liabilities

LIABILITIES AND SHAREHOLDERS' EQUITY

1. SHAREHOLDERS' EQUITY

The consolidated Shareholders' Equity, inclusive of the result for the period and the minority interest share, amounts to Euro 1,032,853 thousand. The composition compared to December 31, 2011 is shown below:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Group Net Equity	**1,031,456**	**928,212**	**103,244**
Share capital	373,682	373,682	-
Other equity instruments	-	-	-
Capital reserves	406,634	951,244	-544,610
Retained earnings and other reserves	409,183	350,086	59,097
Treasury shares	*-31,353*	*-31,353*	-
Translation reserve	-	-	-
Profit or loss on AFS financial assets	-119,394	-222,178	102,784
Other gains and losses recorded directly in equity	-10,361	-5,790	-4,571
Group net profit/(loss)	3,065	-487,479	490,544
Minority interest equity	**1,397**	**1,325**	**72**
Share capital and reserves pertaining to minority interests	1,456	1,461	-5
Gains and losses recorded directly in equity	-7	-8	1
Minority interest loss	-52	-128	76
TOTAL	**1,032,853**	**929,537**	**103,316**

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.

Share Capital

The disclosures required by IAS 1.79A is provided below:

	Ordinary 30/06/2012	Savings 30/06/2012	Ordinary 31/12/2011	Savings 31/12/2011
Number of shares issued	1,842,334,571	102,466,271	1,842,334,571	102,466,271

The above-stated shares were entirely paid in and without a nominal value as resolved by the Extraordinary Shareholders' Meeting of April 27, 2011.

The savings shares do not carry voting rights and devolve the following rights:

- a dividend up to 5% of the amount of Euro 0.52 (and therefore of Euro 0.026). Where the profits for the year do not permit a dividend of 5% for the saving shares, the difference is included as an increase in the dividend in the two following years. Furthermore, the profits distributed as dividend by the Shareholders' Meeting are divided among all the shares in order that the saving shares receive a dividend higher than the ordinary shares of 3% of Euro 0.52 (and therefore Euro 0.0156);
- when the share capital has to be written down to cover losses, this does not imply a reduction of the nominal value of the savings shares, except when the losses to be covered exceed the total nominal value of the ordinary shares;
- Should the Company be wound up, the ordinary shares shall not receive any part of the share capital until the entire nominal value of the savings shares has been reimbursed.

The following table outlines the breakdown of the share in circulation of the parent company Milano Assicurazioni at the end of the period, unchanged on the beginning of the year:

	Ordinary	Savings	Total
Shares existing at 30/06/2012	1,842,334,571	102,466,271	1,944,800,842
Treasury shares (-)	-6,764,860	-	-6,764,860
Shares outstanding: balance at 30/06/2012	1,835,569,711	102,466,271	1,938,035,982

Capital reserves

The capital reserves, amounting to Euro 406,634 thousand, refer exclusively to the share premium reserve. This account is net of the Euro 9,664 thousand relating to the costs related to the share capital increase in 2011 which, in accordance with paragraph 35 of IAS 32, is recorded as a direct deduction of net equity.

Retained earnings and other reserves

These comprise:

- retained earnings for Euro 463,728 thousand;
- the consolidation reserve, negative for Euro 36,391 thousand;
- the reserve for gains and losses deriving from the first-time application of the international accounting standards, negative for Euro 44,067 thousand;
- merger reserves for Euro 25,913 thousand.

Treasury shares

These consist 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 AFS financial assets

The account, a loss of Euro 119,394 thousand, represents the difference between the acquisition costs and market prices of the AFS financial assets where these differences are not indicative of permanent 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 20,480 thousand of losses relating to financial instruments previously classified in the AFS category and subsequently 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 4,467 thousand);
- losses deriving from the valuation of a derivative financial instrument to hedge cash flows (Euro 5,894 thousand).

2. PROVISIONS

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Provisions	114,057	119,870	-5,813

The account includes the reasonable valuation of the future charges and risks existing at the balance sheet date, also deriving from disputes in course.
Specifically:
- Euro 95,538 thousand relating to provision for risks, also related to disputes with the agency networks and disputes in course;
- Euro 18,519 thousand relating to provisions for future charges.

3. TECHNICAL RESERVES

The account amounts to Euro 8,705,985 thousand, a decrease of Euro 366,214 thousand on the end of the previous year.

The breakdown is as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
NON-LIFE DIVISION			
Unearned premium reserve	1,101,452	1,146,826	-45,374
Claims reserve	4,269,001	4,380,552	-111,551
Other reserves	2,501	2,897	-396
Total Non-Life Division	**5,372,954**	**5,530,275**	**-157,321**
LIFE DIVISION			
Actuarial reserves	3,252,607	3,453,474	-200,867
Reserve for claims to be paid	43,960	43,083	877
Technical reserves where investment risk borne by policyholders and from pension fund management	116,855	133,304	-16,449
Other reserves	-80,391	-87,937	7,546
Total Life Division	**3,333,031**	**3,541,924**	**-208,893**
TOTAL TECHNICAL RESERVES	**8,705,985**	**9,072,199**	**-366,214**

The *other technical non-life reserves* relate to the ageing reserve of the health class, in order to compensate the deterioration of the insurance risk due to the ageing of the policyholders for long-terms contracts or annual contracts with obligation to renew on expiry, where the premiums are determined, for the entire guarantee duration, based on the age of the policyholders at the moment of the signing of the contract.

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 98,755 thousand, determined applying the shadow accounting method, as per paragraph 30 of IFRS 4.

4. FINANCIAL LIABILITIES

They consist of:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Financial liabilities at fair value through profit or loss	64,663	70,858	-6,195
Other financial liabilities	288,480	299,339	-10,859
TOTAL	**353,143**	**370,197**	**-17,054**

Financial liabilities at fair value through profit or loss

The account includes Euro 53,536 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 with guarantees in relation to risks ceded in reinsurance for Euro 136,159 thousand and subordinated liabilities of Euro 152,321 thousand.

The subordinated liabilities are composed as follows:
- Euro 50,788 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 101,533 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 should be made in one repayment after 10 years.

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

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

In relation to the hybrid loan of Euro 100 million, the faculty to convert into shares of Milano Assicurazioni is subject to, in addition to any resolution by the Extraordinary Shareholders' Meeting of a share capital increase to service the conversion in line with the contractual terms indicated, the occurrence at the same time (and for a consecutive three year period) of the following situations:

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

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

This information is provided although there is little possibility of contractual events arising for the protection of the lenders.
The defining factors of the subordinated and/or hybrid loans relate in general not just to the repayment of such before the payment of all other payables owing to the insurance company at the settlement date, but also the need to obtain, in accordance with the applicable regulation, prior authorisation for repayment by ISVAP.

5. PAYABLES

The account amounts to Euro 214,393 thousand and is comprised of:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Payables to direct insurance operations	22,309	24,723	-2,414
Payables to reinsurance operations	19,812	26,604	-6,792
Other payables	172,272	239,182	-66,910
TOTAL	**214,393**	**290,509**	**-76,116**

Payables from direct insurance operations include:
- Euro 11,882 thousand with insurance intermediaries;
- Euro 8,020 thousand for payables to insurance companies;
- Euro 2,407 thousand for payables for guarantee provisions for policyholders.

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

(in Euro thousands)	**30/06/2012**
Trade payables	2,476
Post-employment benefits	19,515
Policyholders tax due	9,054
Other taxes due	32,101
Social security and welfare institutions	5,344
Other	103,782
TOTAL	**172,272**

The "Other" account principally includes payables to Gruppo Fondiaria-Sai Servizi S.c.r.l. for services obtained relating to the overheads structure at group level.

6. OTHER LIABILITIES

The composition is as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Current tax liabilities	11,332	-	11,332
Deferred tax liabilities	50,834	46,542	4,292
Other liabilities	185,811	138,998	46,813
TOTAL	**247,977**	**185,540**	**62,437**

The other liabilities include:

- commissions on premium collection of Euro 33,809 thousand;
- payments for claims in the non-life classes in course of execution at June 30, 2012 for Euro 30,725 thousand;
- over commissions to be paid for Euro 9,893 thousand.

Part C

Notes to the consolidated income statement

NET PREMIUMS

The net premiums consolidated amount to Euro 1,624,077 thousand (Euro 1,700,646 thousand in the first half of 2011).

The gross premiums written amount to Euro 1,685,576 thousand and consist of:

(in Euro thousands)	**30/06/2012**	**30/06/2011**	**Change**
Gross Life premiums written	201,392	194,498	6,894
Gross Non-Life premiums written	1,438,823	1,558,771	-119,948
Change gross premium reserve	45,361	9,563	35,798
Total Non-Life Division	1,484,184	1,568,334	-84,150
Gross premiums written	**1,685,576**	**1,762,832**	**-77,256**

The details of premiums ceded are shown below:

(in Euro thousands)	**30/06/2012**	**30/06/2011**	**Change**
Life premiums ceded	5,154	5,554	-400
Non-Life premiums ceded	50,917	54,439	-3,522
Change in reinsurers reserves	5,428	2,193	3,235
Total Non-Life Division	56,345	56,632	-287
Premiums ceded to reinsurers earned	**61,499**	**62,186**	**-687**

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)	30/06/2012	30/06/2011	Change
Commission income	357	220	137

This relates to the explicit and implicit loading of policies not within the application of IFRS 4 as not containing a significant insurance risk (Euro 56 thousand) and management commissions from unit linked and pension funds (Euro 301 thousand).

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

The account amounted to net income of Euro 24,856 thousand compared to net charges of Euro 19,105 thousand in the same period of the previous year. It is noted that in the first half of 2011 a loss of Euro 17,876 thousand was incurred from the sale of option rights from the capital increase of the parent company Fondiaria-Sai;

The breakdown is presented below:

(in Euro thousands)	Net interest	Other net income	Profits realised	Losses realised	Val. gains and recovery in values	Val. losses and adjustment in values	Total June 30, 2012	Total June 30, 2011	Change
Result of investments from									
Financial assets held for trading	119	-16	355	-84	36	-747	-337	-2,657	2,320
Financial assets designated at fair value through profit or loss	3,770	-804	17,960	-6,081	10,993	-1,018	24,820	-16,894	41,714
Financial liabilities held for trading	-	-	-	-	103	-	103	446	-343
TOTAL	**3,889**	**-820**	**18,315**	**-6,165**	**11,132**	**-1,765**	**24,586**	**-19,105**	**43,691**

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. Gains and recovery in values**	**Val. losses & adj. in values**	**Total 30/06/2012**	**Total 30/06/2011**	**Change**
Result from:									
Investment property	-	6,083	16,612	-		-12,142	10,553	-9,558	20,111
Investments in subsidiaries, associates and joint ventures	-	-7,828	-	-		-	-7,828	-1,119	-6,709
Investments held to maturity	3,820	-	-	-		-	3,820	3,427	393
Loans and receivables	21,625	-	-	-10	2,099	-	23,714	18,161	5,553
AFS financial assets	91,219	10,140	47,198	-16,712		-39,570	92,275	91,719	556
Other receivables	799	-	-	-		-	799	694	105
Cash and cash equivalents	1,828	-19	-	-		-	1,809	683	1,126
Other financial liabilities	-5,448	-	-	-		-	-5,448	-5,706	258
Payables	-425	-	-	-		-	-425	-230	-195
TOTAL	**113,418**	**8,376**	**63,810**	**-16,722**	**2,099**	**-51,712**	**119,269**	**98,071**	**17,911**

The valuation losses and impairments concern:

- AFS financial instruments for Euro 39.6 million;
- property depreciation of Euro 12.1 million;

The impairments principally relate to:

- further impairments on securities previously written-down in the previous year, with particular reference to the Unicredit shares (Euro 9.8 million) and Generali shares (Euro 9.6 million);
- impairments of securities which due to the continued poor performance of the financial markets resulted in the period in a stock market valuation under the book value for a period of at least 2 years, (among which Alerion with an impairment of Euro 4.3 million) or a loss of greater than 60% of the book value (including the investments in Nokia and Mediaset, which resulted in, respectively, write-downs of Euro 3 million and Euro 2.1 million).

OTHER REVENUES

The other revenues amounts to Euro 91,108 thousand (Euro 108,907 thousand in the first half of 2011) and is composed of:

(in Euro thousands)	**30/06/2012**	**30/06/2011**	**Change**
Other technical income	16,626	19,483	-2,857
Utilisation of provisions	12,632	34,433	-21,801
Exchange differences	2,608	-	2,608
Prior year income	1,336	776	560
Recovery of expenses/ administrative costs	47,362	42,803	4,559
Other revenue	10,544	11,412	-868
TOTAL	**91,108**	**108,907**	**-17,799**

Other technical income principally includes the reversal of commissions on premiums issued in previous years and cancelled in the present period.

The recovery of expenses and administration charges, which are offset against other charges, principally relates to the secondment of personnel within the Gruppo Fondiaria-Sai Servizi s.c.r.l consortium which, utilising unified structures, provides services to other group companies and with costs based on standard criteria.

NET CHARGES RELATING TO CLAIMS

These amount, net of the share ceded to reinsurers, to Euro 1,291,333 thousand, as broken down in the following table:

(in Euro thousands)	**30/06/2012**	**30/06/2011**	**Change**
Non-Life Division			
Amount paid	1,215,822	1,243,551	-27,729
Change in claims reserve	-130,205	-67,610	-62,595
Change in recoveries	-20,934	-16,371	-4,563
Change in other technical reserves	-397	-315	-82
Total Non-Life	**1,064,286**	**1,159,255**	**-94,969**
Life Division			
Sums paid	436,381	311,788	124,593
Change reserve for sums to be paid	891	-21,283	22,174
Change in actuarial reserve	-194,794	-48,463	-146,331
Change in technical reserves where investment risk borne by policyholders and from pension fund management	-16,458	-26,834	10,376
Change in other technical reserves	1,027	4,084	-3,057
Total Life	**227,047**	**219,292**	**7,755**
Total Non-Life + Life	**1,291,333**	**1,378,547**	**-87,214**
Amount paid	1,652,203	1,555,339	96,864
Change reserves	-360,870	-176,792	-184,078

COMMISSION EXPENSE

(in Euro thousands)	**30/06/2012**	**30/06/2011**	**Change**
Commission expenses	56	101	-45

These concern the share of commissions on financial contracts without a significant insurance risk recognised under the deposit accounting method.

MANAGEMENT EXPENSES

The details by type are shown below:

(in Euro thousands)	**30/06/2012**	**30/06/2011**	**Change**
Non-Life acquisition costs			
Acquisition commissions and changes in deferred acquisition costs	203,083	216,988	-13,905
Other acquisition expenses	42,514	46,520	-4,006
Collection commissions	11,020	11,876	-856
Reinsurers commissions and profit participation	-17,470	-18,675	1,205
Total Non-Life	**239,147**	**256,709**	**-17,562**
Life acquisition costs			
Acquisition commissions and changes in deferred acquisition costs	4,317	4,265	52
Other acquisition expenses	4,122	3,988	134
Collection commissions	1,447	1,766	-319
Reinsurers commissions and profit participation	-1,086	-1,071	-15
Total Life	**8,800**	**8,948**	**-148**
Investment management charges	2,202	1,966	236
Other administration expenses	56,698	60,562	-3,864
TOTAL	**306,847**	**328,185**	**-21,338**

OTHER COSTS

The other costs amount to Euro 233,880 thousand (Euro 225,279 thousand in the first half of 2011) and are comprised of:

(in Euro thousands)	**30/06/2012**	**30/06/2011**	**Change**
Other technical charges	85,296	104,095	-18,799
Provisions	6,933	13,754	-6,821
Losses on receivables	69,915	3,681	66,234
Prior year charges	642	2,074	-1,432
Depreciation of tangible assets	373	518	-145
Amortisation of intangible assets	3,641	3,641	-
Exchange differences	828	1,522	-694
Administrative costs/expenses incurred for third parties	47,362	42,803	4,559
Other expenses	18,890	53,191	-34,301
TOTAL	**233,880**	**225,279**	**8,601**

The other technical charges include cancellations and policyholder bad debts for premiums issued in previous years.

The write-downs concern for Euro 61.6 million the amounts paid by Milano Assicurazioni to Im.Co. and Avvenimenti e Sviluppo Alberghiero in relation to property to be constructed operations signed in previous years.
As stated in the *Other Receivables* comment, on June 14, 2012, the Second Civil Section of the Milan Court issued the judgment declaring the bankruptcy of IM.CO. and Sinergia.
Following the bankruptcy judgment, the estimated realisable value of the receivables carried out by an independent expert was calculated based on the assumption of two competitive auctions with a reduction of around 36% in the appraisal value (for Avvenimenti e Sviluppo Alberghiero, in the case of a solvent liquidation, a discount of 20% on the appraisal value was estimated).
For the purpose of distributing the amount recovered between the creditors, consideration was given to the grounds for seniority, in addition to the statutory privileges (employees and tax authorities) and procedural costs.
The estimate of the recovery time, varying depending on the creditor profile, is expected to be in line with the procedural period. The receivables were discounted using a tax free risk, equal to the yield on Italian 10-year bonds, as the parameters related to the risk are already explicitly considered in the discount applied to the recoverable value.

INCOME TAXES

(in Euro thousands)	**30/06/2012**
Current taxes	19,862
Deferred tax liabilities arising in the period	9,308
Deferred tax liabilities utilised in the period	-13,391
Deferred tax assets arising in the period	-50,558
Deferred tax assets utilised in the period	53,609
TOTAL	**18,830**

Income taxes amounted to Euro 18,830 thousand (Euro 15,367 thousand in the first half of 2011), of which current taxes of Euro 19,862 thousand and net deferred tax income of Euro 1,032 thousand. Deferred tax assets utilised in the period include Euro 30,785 thousand concerning the recovery of prior year cumulative tax losses.

PROFIT/LOSS FROM DISCONTINUED OPERATIONS

The account comprises:
- the loss of Atahotels in H1 2012 of Euro 6,593 thousand;
- the gain realised on the sale of the investments in IGLI S.p.A. of Euro 1,155 thousand.

As previously outlined, the holding in Atahotels of 49% was recognised to the account *Non-current assets or of a discontinued group held for sale* following the valuation project of this investment currently in progress. On May 8 the Board of Directors of Milano Assicurazioni, in agreement with Fondiaria-Sai which holds the remaining 51% of Atahotels, chose private equity operator “21 Investimenti” for exclusive negotiations regarding the sale of this investment.

In the first half of 2011, the contribution of Atahotels to the consolidated result was a loss of Euro 6,790 thousand.

In relation to the sale of IGLI, reference should be made to the comment in the real estate sector section.

FURTHER INFORMATION

Earnings per share

	30/06/2012	30/06/2011
Net profit/(loss) from ordinary operations attributed to the ordinary shareholders of the parent company (Euro thousand)	8,055	-55,606
Weighted average number of ordinary shares to calculate the basic earnings per share	1,835,569,711	550,670,914
Earnings/(loss) per share from ordinary operations – in Euro	0.004	-0.101
Weighted average number of ordinary shares to calculate the diluted earnings per share	N/A	579,066,468
Diluted earnings/(loss) per share from ordinary operations – in Euro	N/A	-0.096

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.

At June 30, 2012 it was not considered necessary to calculate the diluted earnings per share.
In accordance with paragraph 68 of IAS 33, we report the earnings per share from discontinued operations:

	30/06/2012	30/06/2011
Net profit/(loss) from discontinued operations attributed to the ordinary shareholders of the parent company (Euro thousand)	-5,151	-
Weighted average number of ordinary shares to calculate the basic earnings per share	1,835,569,711	550,670,914
Earnings/(loss) per share from discontinued operations – in Euro	-0.003	-
Weighted average number of ordinary shares to calculate the diluted earnings per share	n.a.	579,066,468
Diluted earnings/(loss) per share from discontinued operations (in Euro)	n.a.	-

The result reported in the table represents the portion attributable to the ordinary shareholders of the parent company of the following account items:
- the loss recorded in the half year of the associated company Atahotels (Euro 6,593 thousand), in relation to which a valuation project is in progress;
- the profit from the sale of the investment in IGLI S.p.A. (Euro 1,155 thousand) which was classified under discontinued assets in the 2011 financial statements and which was sold on March 8, 2012.

Any reclassifications within "discontinued assets" of the contributions at June 30, 2011 of the Atahotels Group and of IGLI S.p.A. do not cause any significant effects.

Derivative financial instruments

The Group makes a limited utilisation of derivative financial instruments. In fact the characteristics and the nature of the insurance activity require, as a consequence, that the utilisation of derivative financial instruments are regulated in accordance with ISVAP Regulation No. 36/2011.

At June 30, 2012, the derivative financial operations open were:

- nominal contract of Euro 50 million of an Interest Rate Swap with the counterparty HVB expiring on July 14, 2016. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 3.18% and receives the Euribor rate at 6 months.
- nominal contract of Euro 100 million of an Interest Rate Swap with the counterparty Mediobanca expiring on July 14, 2018. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 2.35% and receives the Euribor rate at 6 months;
- through the subsidiary Immobiliare Milano, an Interest Rate Swap contract for a nominal amount of Euro 3,571 thousand with expiry on December 31, 2012. Based on this contract, Immobiliare Milano pays to the counterparty a fixed annual rate of 3.77% and receives the Euribor rate at 6 months;
- through the subsidiary Immobiliare Milano, an Interest Rate Swap contract for a nominal amount of Euro 3,571 thousand with expiry on December 31, 2012. Based on this contract, Immobiliare Milano pays to the counterparty a fixed annual rate of 3.695% and receives the Euribor rate at 6 months;
- combined options (put purchase – call sell) on 1,281,952 Unicredit shares, with an average strike price of Euro 5.5406. These options generated a gain of Euro 3 million;
- combined options (put purchase – call sell) on 4,062,000 Generali shares, with an average strike price of Euro 11.7315. These options were re-valued for Euro 5.2 million;
- combined options (put purchase – call sell) on 2,846,020 Banca Popolare di Milano shares, with average strike price of Euro 0.2638. These options were written-down for Euro 0.2 million.
- combined options (put purchase – call sell) on 290,000 Mediobanca shares, with an average strike price of Euro 4.9867. These options were re-valued for Euro 0.5 million.

- Purchase of 1,650 put options on the S&P 500 index with a strike price of USD 1.325.

Below we provide a breakdown of the put purchase/call sale options undertaken by Milano Assicurazioni to hedge the shares in portfolio at 30/06/2012:

(in Euro thousands)

Attivo sottostante	**Number of options/shares**	**Assets for hedging contracts**	**Liabilities for hedging contracts**	**Adjustment in the carrying value of the AFS equities hedged**
Unicredit (non-life)	1,278,070	3,476		-3,476
Unicredit (life)	3,882	9		-9
Generali (non-life)	3,241,000	2,710		-2,710
Generali (life)	821,000	2,333		-2,333
Bca Pop. Milano (life)	2,846,020		278	278
Mediobanca (life)	290,000	460		-460
Total		**8,988**	**278**	**-8,710**

These operations were undertaken in accordance with the Board of Directors' resolution of May 14, 2011 concerning investments and 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. For each hedging operation, the relative "Hedging Relationship Documentation" was prepared in accordance with the above-mentioned resolution and also in compliance with international accounting standards.

The principal derivative finance operations closed in the half-year related to:
- advanced closure of 5,186,238 combined put/call options on Generali shares which, taking into account an average strike price of Euro 11.9906, resulted in a net gain of Euro 7.2 million;
- advanced closure of 4,045,817 combined put/call options on Unicredit shares which, taking into account an average strike price of Euro 6.6366, resulted in a net gain of Euro 8.4 million;
- advanced closure of 695,000 combined put/call options on Mediobanca shares which, taking into account an average strike price of Euro 4.7413, resulted in a net gain of Euro 0.9 million;
- advanced closure of 11,616,020 combined put/call options on Banca Popolare di Milano shares which, taking into account an average strike price of Euro 0.3176, resulted in net losses of Euro 1 million;

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

Part D

Segment information

In accordance with IFRS 8, segment information provides the readers of the accounts with an additional instrument for a better understanding of the financial results 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 which offers 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** includes the insurance categories indicated in Article 2, paragraph 3 of Legislative Decree 209/2005 (Insurance Code).

The **Life sector** includes the insurance categories and the operations indicated in Article 2, paragraph 1 of Legislative Decree 209/2005 (Insurance Code).

The **Real Estate sector** includes the activities carried out by the real estate companies controlled by the parent company Milano Assicurazioni (Immobiliare Milano s.r.l., Sintesi Seconda s.r.l., Campo Carlo Magno S.p.A.) and by the Athens Real Estate Fund.

The **Other Activities** sector, of a residual nature, includes the activities of Sogeint which operates in the sector of providing commercial assistance to agencies.

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, 2012

In Euro thousands

Segment Balance Sheet

		Non-Life Sector		Life Sector	
		30/06/2012	31/12/2011	30/06/2012	31/12/2011
1	**INTANGIBLE ASSETS**	**212,971**	**216,843**	**25,328**	**25,328**
2	**PROPERTY, PLANT & EQUIPMENT**	**3,874**	**3,664**	**25**	**19**
3	**TECHNICAL RESERVES – REINSURANCE AMOUNT**	**260,653**	**247,280**	**74,558**	**81,651**
4	**INVESTMENTS**	**4,048,018**	**4,389,254**	**3,617,327**	**3,610,055**
4.1	Investment property	406,252	594,782		
4.2	Investments in subsidiaries, associates and *joint ventures*	92,843	95,288	1,980	1,842
4.3	Investments held to maturity			175,753	128,927
4.4	Loans and receivables	276,672	275,196	603,168	609,955
4.5	AFS financial assets	3,261,380	3,411,436	2,653,451	2,655,779
4.6	Financial assets at fair value through the profit or loss account	10,871	12,552	182,975	213,552
5	**OTHER RECEIVABLES**	**773,694**	**862,555**	**66,920**	**89,562**
6	**OTHER ASSETS**	**455,638**	**404,089**	**64,233**	**119,258**
6.1	Deferred acquisition costs			10,832	10,741
6.2	Other assets	455,638	404,089	53,401	108,517
7	**CASH AND CASH EQUIVALENTS**	**556,321**	**402,926**	**49,769**	**57,318**
	TOTAL ASSETS	**6,311,169**	**6,526,611**	**3,898,160**	**3,983,191**
1	**SHAREHOLDERS' EQUITY**				
2	**PROVISIONS**	**101,083**	**107,112**	**8,881**	**9,658**
3	**TECHNICAL RESERVES**	**5,372,954**	**5,530,275**	**3,333,031**	**3,541,924**
4	**FINANCIAL LIABILITIES**	**176,859**	**174,822**	**176,181**	**182,393**
4.1	Financial liabilities at fair value through profit or loss account	6,997	6,591	57,563	64,060
4.2	Other financial liabilities	169,862	168,231	118,618	118,333
5	**PAYABLES**	**193,479**	**258,812**	**14,585**	**26,498**
6	**OTHER LIABILITIES**	**183,482**	**152,092**	**80,584**	**50,737**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

Real Estate Sector		Other		Inter-segment Eliminations		Total	
30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
295	**318**					**238,594**	**242,489**
48,294	**48,574**	**82**	**93**			**52,275**	**52,350**
						335,211	**328,931**
364,684	**365,836**	**-**	**-**	**- 9,261**	**- 9,261**	**8,020,768**	**8,355,884**
320,252	325,172			- 9,261	- 9,261	717,243	910,693
3,105	3,286					97,928	100,416
						175,753	128,927
9,418	20,387					889,258	905,538
31,909	16,991					5,946,740	6,084,206
						193,846	226,104
10,960	**9,732**	**362**	**3,093**	**- 2,232**	**- 5,670**	**849,704**	**959,272**
7,582	**49,610**	**92**	**92**	**- 14,395**	**- 14,927**	**513,150**	**558,122**
						10,832	10,741
7,582	49,610	92	92	- 14,395	- 14,927	502,318	547,381
49,899	**7,735**	**2,717**	**2,825**			**658,706**	**470,804**
481,714	**481,805**	**3,253**	**6,103**	**- 25,888**	**- 29,858**	**10,668,408**	**10,967,852**
						1,032,853	**929,537**
3,800	**2,800**	**293**	**300**			**114,057**	**119,870**
						8,705,985	**9,072,199**
103	**12,982**	**-**	**-**	**-**	**-**	**353,143**	**370,197**
103	207					64,663	70,858
	12,775					288,480	299,339
4,536	**5,339**	**4,025**	**5,530**	**- 2,232**	**- 5,670**	**214,393**	**290,509**
601	**698**	**883**	**118**	**- 17,573**	**- 18,105**	**247,977**	**185,540**
						10,668,408	**10,967,852**

CONSOLIDATED HALF-YEAR REPORT AT JUNE 30, 2012

In Euro thousands

Segment Income Statement

		Non-Life Sector		Life Sector	
		1H 2012	**1H 2011**	**1H 2012**	**1H 2011**
1.1	Net premiums	1,427,839	1,511,702	196,238	188,944
1.1.1	*Gross premiums written*	1,484,184	1,568,334	201,392	194,498
1.1.2	*Premiums ceded to re-insurers*	- 56,345	- 56,632	- 5,154	- 5,554
1.2	Commission income		-	357	220
1.3	Income and charges from financial instruments at fair value through profit/loss	14,836	- 19,134	9,647	- 417
1.4	Income from investments in subsidiaries, associates and joint ventures	542	214		
1.5	Income from other financial instruments and property investments	111,738	82,958	94,102	111,434
1.6	Other revenues	83,686	102,516	5,468	2,762
1	**TOTAL REVENUES AND INCOME**	**1,638,641**	**1,678,256**	**305,812**	**302,943**
2.1	Net charges relating to claims	- 1,064,286	- 1,159,255	- 227,047	- 219,292
2.1.1	*Amounts paid and changes in technical reserves*	- 1,106,679	- 1,182,712	- 229,235	- 225,825
2.1.2	*Reinsurers' share*	42,393	23,457	2,188	6,533
2.2	Commission expenses	-	-	- 56	- 101
2.3	Charges from investments in subsidiaries, associates and joint ventures	- 7,994	- 7,877	- 195	- 174
2.4	Charges from other financial instruments and property investments	- 51,719	- 55,916	- 24,724	- 32,911
2.5	Management expenses	- 292,431	- 313,075	- 14,416	- 15,110
2.6	Other costs	- 214,104	- 203,210	- 13,217	- 16,955
2	**TOTAL COSTS AND CHARGES**	**- 1,630,534**	**- 1,739,333**	**- 279,655**	**- 284,543**
	PROFIT/(LOSS) BEFORE TAXES	**8,107**	**- 61,077**	**26,157**	**18,400**

Real Estate Sector		Other		Inter-segment Eliminations		Total	
1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011
-	-	-	-	-	-	1,624,077	1,700,646
						1,685,576	1,762,832
						- 61,499	- 62,186
						357	220
103	446					24,586	- 19,105
15	6,765					557	6,979
6,701	6,041					212,541	200,433
985	919	2,108	5,189	- 1,139	- 2,479	91,108	108,907
7,804	**14,171**	**2,108**	**5,189**	**- 1,139**	**- 2,479**	**1,953,226**	**1,998,080**
-	-	-	-	-	-	- 1,291,333	- 1,378,547
						- 1,335,914	- 1,408,537
						44,581	29,990
						- 56	- 101
- 196	- 47					- 8,385	- 8,098
- 9,001	- 12,416					- 85,444	- 101,243
						- 306,847	- 328,185
- 3,487	- 2,413	- 4,211	- 5,180	1,139	2,479	- 233,880	- 225,279
- 12,684	**- 14,876**	**- 4,211**	**- 5,180**	**1,139**	**2,479**	**- 1,925,945**	**- 2,041,453**
- 4,880	**- 705**	**- 2,103**	**9**	**-**	**-**	**27,281**	**- 43,373**

Part E

Transactions with related parties

Reported below are the transactions with related parties, pursuant to Consob Resolution No. 17221 of March 12, 2010, amended with resolution No. 17389 of June 23, 2010 which adopted the "Regulation on related party transactions" pursuant to Article 2391 *bis* of the Civil Code, as well as Articles 113*ter*, 114, 115 and 154 *ter* of Legislative Decree 58/98.

(in Euro thousands)

	Assets June 30, 2012	**Liabilities June 30, 2012**	**Assets December 31, 2011**	**Liabilities December 31, 2011**
Parent Company	153,518	60,965	165,577	48,092
Associate/Group companies	609,121	111,894	525,455	139,925
Other related parties	190,774	1,862	223,991	3,093

(in Euro thousands)

	Revenues June 30, 2012	**Costs June 30, 2012**	**Revenues June 30, 2011**	**Costs June 30, 2011**
Parent Company	16,501	11,710	4,770	9,514
Associate/Group companies	109,540	156,009	89,946	152,623
Other related parties	6,851	67,480	6,659	5,653

Transactions with the parent companies and subsidiaries and associated companies refer principally 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.

The assets concerning other related parties include Euro 78.4 million of receivables from the group company Imco-Sinergia (of which Euro 52.9 million from Avvenimenti e Sviluppo Alberghiero and Euro 25.5 million from Im.Co.) deriving from the payments made to these companies by Milano Assicurazioni in relation to two property to be constructed operations signed in previous years. The amount was recognised net of an impairment of Euro 61.6 million carried out in the half year following the bankruptcy judgment issued by the Second Civil Section of the Milan Court on June 14, 2012. In the 2011 financial statements, in relation to the above-stated property initiatives a total impairment of Euro 42.5 million was already recognised, based on an independent expert's valuation.

The property operations were commented upon in the previous financial statements and in the interim reporting. It is considered preliminarily in this regard that:

- in 2003 Milano Assicurazioni agreed a real estate operation which provided for the sale to *Avvenimenti e Sviluppo Alberghiero* of a site in Rome, via Fiorentini and the purchase of a real estate complex to be constructed on the land in question at a price of Euro 110 million, including also the supplementary contract signed in 2009.
  For this operation, Milano Assicurazioni paid on account to *Avvenimenti e Sviluppo Alberghiero* a total amount of approx. Euro 102 million. The payments were made entirely in previous years as for some time work has been suspended while awaiting a new agreement with the Rome Council in replacement of the agreement of August 8, 2000;

- in 2005 Milano Assicurazioni carried out a similar operation, which established for the sale to IM.CO. of land in Milan, Via Confalonieri - Via de Castillia (Lunetta dell'Isola) and the purchase of a building for office use to be constructed on the land for a price of Euro 99.1 million in accordance with the supplement to the contract agreed in 2011. The payments on account made by Milano Assicurazioni for this operation totaled Euro 77.4 million, of which Euro 7 million paid in the half year;
-
- in the 2011 financial statements these operations, classified under investment property, were written down based on updated valuations prepared by independent experts. In particular, the book value of the initiative in Rome, Via Fiorentini was reduced by Euro 29.9 million, while the impairment made on the operation concerning the area in Milan, Via Confalonieri - Via De Castillia was Euro 12.6 million.

It is noted that:

- in the first half of the year the above-mentioned related parties requested for the payment of further sums against changes to the original plans. These requests are considered unfounded and therefore were turned down;
- on June 14, 2012, the Second Civil Section of the Milan Court issued a bankruptcy judgment against IM.CO. and Sinergia. Following this judgment, the book value of these real estate initiatives, which until the 2011 financial statements were recognised to the account Investment Property, was reversed and recognised to the account Other Receivables. The above-stated operations provided that Milano Assicurazioni would become the owner of these buildings only when completed and approved and the contracts were not assisted by specific guarantees. The declaration of bankruptcy therefore put the company at risk of losing the right of delivery of these buildings under construction, remaining creditors for the amounts paid on account.
- The valuation of the receivables at realisable value, carried out by an independent expert utilising the criteria previously outlined in the *other receivables* account, resulted in the recognition of impairments of Euro 61.6 million to the half-year income statement (of which Euro 20.8 million concerning Avvenimenti e Sviluppo Alberghiero and Euro 40.8 million concerning Im.Co.).

Following this impairment the receivables from the above-stated companies totaled Euro 78.4 million against an original value of approx Euro 179 million.

Assets with Other related parties also include Euro 84.1 million of bond securities held by the companies of the Milano Group and issued by companies of the UniCredit Group.

Part F

Other Information

Other Information

Solvency margin

At June 30, 2012 the adjusted solvency margin presents coverage of 132.9%.
For the calculation of the adjusted solvency margin, the company availed of the provisions of Isvap Regulation No. 43 of July 12, 2011 (published in the Official Gazzette No. 166 of July 18, 2012). Therefore, for the adjusted solvency, the securities issued or guaranteed by European Union States, allocated as non-current, were valued based on the carrying amount in the separate financial statements. The positive effect was 11.6 percentage points.

Employees

At June 30, 2012, the number of employees of the Parent Company and of the consolidated companies amounted to 1,859 (1,855 at 31/12/11). The breakdown by category is as follows:

	30/06/2012	31/12/2011
Executives	18	18
Managers & white collar	1,835	1,830
Building caretakers	6	7
	1,859	**1,855**

External Organisation

The table below shows the Agency distribution:

	30/06/2012	31/12/2011
North	912	936
Centre	439	452
South and islands	456	467
TOTAL AGENCIES	**1,807**	**1,855**

Exchange Rates

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

	30/06/2012	31/12/2011	30/06/2011
US Dollar	1.2590	1.2939	1.4453
UK Sterling	0.8068	0.8353	0.90255
Swiss Franc	1.2030	1.2156	1.2071

Milan, August 2, 2012

MILANO ASSICURAZIONI S.p.A.
The Board of Directors

Attachments

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

Details of tangible and intangible fixed assets

	At cost	At revalued amount or fair value	Total book value
Investment property	717,243		717,243
Others buildings	47,312		47,312
Other tangible assets	4,963		4,963
Other intangible assets	7,542		7,542

Details of the technical reserves - reinsurance amount

In Euro thousands

	Total book value	
	30/06/2012	31/12/2011
Non-Life reserves	***260,653***	***247,280***
Life reserves	***74,558***	***81,651***
Technical reserves where investment risk is borne by policyholders and from pension fund management	0	0
Actuarial reserves and other reserves	74,558	81,651
Technical reserves attributed to reinsurers	***335,211***	***328,931***

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

Details of financial assets

	Investments held to maturity		Loans and receivables		AFS financial assets	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
Equity securities and derivatives valued at cost						
Equity securities at fair value					328,206	371,937
of which listed securities					*262,004*	*307,672*
Debt securities	175,753	128,927	790,842	799,122	5,121,841	5,195,362
of which listed securities	*174,349*	*127,548*	*264,364*	*269,615*	*5,083,377*	*5,168,581*
Fund units					496,693	516,907
Loans and receivables from banks						
Loans and interbank receivables						
Deposits with reinsurers			2,195	2,193		
Financial asset components of insurance contracts						
Other loans and receivables			94,221	91,223		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments			2,000	13,000		
Total	**175,753**	**128,927**	**889,258**	**905,538**	**5,946,740**	**6,084,206**

Financial assets at fair value through the profit or loss account				Total book value	
Financial assets held for trading		Financial assets designated at fair value recorded through profit or loss			
30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
				0	0
		461	157	328,667	372,094
		461	*157*	*262,465*	*307,829*
1,885	4,878	145,169	160,325	6,235,490	6,288,614
1,885	*546*	*135,517*	*150,959*	*5,659,492*	*5,717,249*
		36,706	48,618	533,399	565,525
				0	0
				0	0
				2,195	2,193
				0	0
				94,221	91,223
		41	28	41	28
		8,267	9,961	8,267	9,961
		1,317	2,137	3,317	15,137
1,885	**4,878**	**191,961**	**221,226**	**7,205,597**	**7,344,775**

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

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	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
Assets in accounts	149,526	176,905	20,865	18,110	170,391	195,015
Inter-group assets*					0	0
Total Assets	**149,526**	**176,905**	**20,865**	**18,110**	**170,391**	**195,015**
Financial liabilities in accounts	32,671	43,601	20,865	18,110	53,536	61,711
Technical reserves in accounts	116,855	133,304			116,855	133,304
Inter-group liabilities*					0	0
Total Liabilities	**149,526**	**176,905**	**20,865**	**18,110**	**170,391**	**195,015**

* Assets and liabilities eliminated in consolidation

Details of technical reserves

In Euro thousands

	Total book value	
	30/06/2012	31/12/2011
Non-Life reserves	***5,372,954***	***5,530,275***
Unearned premium reserve	1,101,452	1,146,826
Claims reserve	4,269,001	4,380,552
Other reserves	2,501	2,897
of which reserves set aside following the liability adequacy test	0	0
Life reserves	***3,333,031***	***3,541,924***
Reserve for claims to be paid	43,960	43,083
Actuarial reserves	3,252,607	3,453,474
Technical reserves where investment risk is borne by policyholders and from pension fund management	116,855	133,304
Other reserves	-80,391	-87,937
of which reserves set aside following the liability adequacy test	0	0
of which deferred liabilities to policyholders	-98,755	-107,146
Total Technical Reserves	***8,705,985***	***9,072,199***

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

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	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011
Equity financial instruments				
Sub-ordinated liabilities				
Liabilities from financial contracts issued by insurance companies deriving			53,536	61,711
From contracts for which the investment risk is borne by policyholders			*32,671*	*43,601*
From the management of pension funds			*20,865*	*18,110*
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	103	207		
Hedging derivatives	9,255	6,980		
Other financial liabilities			1,769	1,960
Total	**9,358**	**7,187**	**55,305**	**63,671**

Other financial liabilities		Total book value	
30/06/2012	**31/12/2011**	**30/06/2012**	**31/12/2011**
152,321	152,468	152,321	152,468
		53,536	61,711
		32,671	*43,601*
		20,865	*18,110*
136,159	123,519	136,159	123,519
		103	207
		9,255	6,980
	23,352	1,769	25,312
288,480	**299,339**	**353,143**	**370,197**

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

Details of technical insurance accounts

In Euro thousands

		30/06/2012	30/06/2011
Non-Life Sector			
NET PREMIUMS		1,427,839	1,511,702
a	Premiums written	1,387,906	1,504,332
b	Change in unearned premium reserve	39,933	7,370
NET CHARGES RELATING TO CLAIMS		-1,064,286	-1,159,255
a	Amount paid	-1,215,822	-1,243,551
b	Change in claims reserve	130,205	67,610
c	Change in recoveries	20,934	16,371
d	Change in other technical reserves	397	315
Life Sector			
NET PREMIUMS		196,238	188,944
NET CHARGES RELATING TO CLAIMS		-227,047	-219,292
a	Sums paid	-436,381	-311,788
b	Change in reserve for sums to be paid	-891	21,283
c	Change in actuarial reserve	194,794	48,463
d	Change technical reserves where investment risk borne by policyholders and from pension fund management	16,458	26,834
e	Change in other technical reserves	-1,027	-4,084

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

Financial income and charges and from investments

		Interest	Other Income	Other Charges	Profits realised
Result from investments		**120,553**	**29,015**	**-21,440**	**82,125**
a	Deriving from property investments		14,669	-8,586	16,612
b	Deriving from investments in subsidiaries, associates and joint ventures		557	-8,385	
c	Deriving from investments held-to-maturity:	3,820			
d	Deriving from loans and receivables	21,625			
e	Deriving from AFS financial assets	91,219	12,672	-2,532	47,198
f	Deriving from financial assets held for trading	119		-16	355
g	Deriving from financial assets designated at fair value through profit or loss	3,770	1,117	-1,921	17,960
Result of other receivables		**799**			
Result of cash and cash equivalents		**1,828**		**-19**	
Result of financial liabilities		**-5,448**	**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	-5,448			
Result of payables		**-425**			
Total		**117,307**	**29,015**	**-21,459**	**82,125**

Losses realised	Total income and charges realised	Valuation gains		Valuation losses		Total income and charges not realised	Total income/(charges) 1H 2012	Total income/(charges) 1H 2011
		Valuation gains	Write-back of value	Valuation losses	Impairment			
-22,887	**187,366**	**11,029**	**2,099**	**-13,907**	**-39,570**	**-40,349**	**147,017**	**83,079**
	22,695			-12,142		**-12,142**	**10,553**	**-9,558**
	-7,828					**0**	**-7,828**	**-1,119**
	3,820					**0**	**3,820**	**3,427**
-10	**21,615**		2,099			**2,099**	**23,714**	**18,161**
-16,712	**131,845**				-39,570	**-39,570**	**92,275**	**91,719**
-84	**374**	36		-747		**-711**	**-337**	**-2,657**
-6,081	**14,845**	10,993		-1,018		**9,975**	**24,820**	**-16,894**
	799					**0**	**799**	**694**
	1,809					**0**	**1,809**	**683**
0	**-5,448**	**103**	**0**	**0**	**0**	**103**	**-5,345**	**-5,260**
	0	103				**103**	**103**	**446**
	0					**0**	**0**	**0**
	-5,448					**0**	**-5,448**	**-5,706**
	-425					**0**	**-425**	**-230**
-22,887	**184,101**	**11,132**	**2,099**	**-13,907**	**-39,570**	**-40,246**	**143,855**	**78,966**

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

DETAILS OF INSURANCE MANAGEMENT EXPENSES

	Non-Life Sector		Life Sector	
	30/06/2012	**30/06/2011**	**30/06/2012**	**30/06/2011**
Gross commissions and other acquisition expenses net of commissions and profit participations received from reinsurers	-239,147	-256,709	-8,800	-8,948
Investment management charges	-1,617	-965	-585	-1,001
Other administration expenses	-51,667	-55,401	-5,031	-5,161
Total	**-292,431**	**-313,075**	**-14,416**	**-15,110**

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

Details of financial assets and liabilities by level

		Level 1		Level 2		Level 3		Total	
		30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
AFS financial assets		5,345,381	5,476,253	535,157	543,688	40,000	40,000	5,920,538	6,059,941
Financial assets at fair value through the profit or loss account	Financial assets held for trading	1,885	546		4,332			1,885	4,878
	Financial assets designated at fair value through profit or loss account	13,011	13,650	178,950	207,576			191,961	221,226
Total		5,360,277	5,490,449	714,107	755,596	40,000	40,000	6,114,384	6,286,045
Financial liabilities at fair value through profit or loss account	Financial liabilities held for trading			9,358	7,187			9,358	7,187
	Financial liabilities designated at fair value through profit or loss			55,305	63,671			55,305	63,671
Total		-	-	64,663	70,858	-	-	64,663	70,858

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2012

In Euro thousands

Details of changes in financial assets and liabilities by level 3

	Financial assets			Financial liabilities at fair value through profit or loss	
		Financial assets at fair value through the profit or loss			
	AFS financial assets	Financial assets held for trading	Financial assets designated at fair value recorded through profit or loss	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss
Beginning balance	**40,000**				
Purchases/Issues					
Sales/Repurchases					
Reimbursements					
Profit and loss recorded in profit and loss account					
Other comprehensive items					
Transfers to level 3					
Transfers to other levels					
Other changes					
Closing balance	**40,000**	**0**	**0**	**0**	**0**

List of direct and indirect holdings in non-listed companies of above 10% of the share capital at 30/06/2012

(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	7,350,000	49.00			49.00
A7 S.r.l (in liquid.)	MILAN	40,000		20.00	IMMOBILIARE MILANO ASS	20.00
BORSETTO S.r.l.	TORINO	1,335,149		44.93	IMMOBILIARE MILANO ASS	44.93
CAMPO CARLO MAGNO S.p.A.	TRENTO	18,622,400	100.00			100.00
COMP. TIRRENA DI ASS.NI (in liquid.)	MILAN	3,900,000	11.14			11.14
DIALOGO ASSICURAZIONI S.p.A.	MILAN	8,818,363	99.85			99.85
GARIBALDI S.C.A	LUXEMBOURG	9,920	32.00			32.00
GLOBAL CARD SERVICE S.r.l	TORINO	43,472		44.00	LIGURIA ASSICURAZIONI	95.00
		50,388		51.00	LIGURIA VITA	
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	MILAN	3,421,000	34.21			34.63
		2,000		0.02	LIGURIA ASSICURAZIONI	
		18,000		0.18	SYSTEMA COMPAGNIA ASS	
		20,000		0.20	DIALOGO ASSICURAZIONI	
				0.02	LIGURIA VITA	
ISOLA S.C.A	LUXEMBOURG	9,164	29.56			29.56
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
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	FLORENCE	60,000	30.00			50.00
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
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
		3,100		0.31	LIGURIA ASSICURAZIONI	
VALORE IMMOBILIARE S.r.l.	MILAN	5,000	50.00			50.00

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 Emanuele Erbetta (as Chief Executive Officer of Milano Assicurazioni) and Massimo Dalfelli (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 conformity in relation to the characteristics of the company 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 2012.

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, 2012 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. We also declare that:

3.1 the condensed financial statements:
   a) is drawn up in conformity with the applicable international accounting standards recognised by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission, on July 19, 2002;
   b) correspond to the underlying accounting documents and records;
   c) provides a true and correct representation of the capital, economic and financial situation of the issuer and of the other companies in the consolidation scope.

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. This interim report also contains a reliable analysis of the significant operations with related parties.

Milan, August 2, 2012

Emanuele Erbetta
(Chief Executive Officer)

Massimo Dalfelli
(Executive responsible for the preparation of the corporate accounting documents)

Auditors’ Report on the limited audit of the condensed half-year consolidated financial statements at June 30, 2012

MILANO ASSICURAZIONI S.p.A.

Bilancio consolidato semestrale abbreviato al 30 giugno 2012

Relazione della società di revisione sulla revisione contabile limitata del bilancio consolidato semestrale abbreviato

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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 da stato patrimoniale, conto economico, conto economico complessivo, prospetto delle variazioni di patrimonio netto, rendiconto finanziario e relative note esplicative di MILANO ASSICURAZIONI S.p.A. e sue controllate (Gruppo MILANO ASSICURAZIONI) al 30 giugno 2012. 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.

   I dati relativi al bilancio consolidato dell'esercizio precedente ed al bilancio consolidato semestrale abbreviato dell'anno precedente presentati ai fini comparativi, sono stati rispettivamente esaminati e assoggettati a revisione contabile limitata da altri revisori e, pertanto, rimandiamo alle loro relazioni emesse in data 30 marzo 2012 e in data 29 agosto 2011.

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 2012 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. Si richiama l'informativa fornita dagli Amministratori nella parte E delle note esplicative in merito alla posizione creditoria nei confronti delle parti correlate Im.Co. S.p.A. e Sinergia H.d.P. S.p.A. e loro società controllate, nonché ai relativi fondi svalutazione che rappresentano la miglior stima degli Amministratori per fronteggiare i rischi connessi alle sentenze di fallimento emesse dal Tribunale di Milano nei confronti delle due società in data 14 giugno 2012.

Milano, 3 agosto 2012

Reconta Ernst & Young S.p.A.

Enrico Marchi
(Socio)

Reconta Ernst & Young S.p.A.
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