



2011 First Quarter Report

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Company belonging to the Fondiaria-SAI Group, recorded in the Insurance Group Register at No. 030 – Direction and Co-ordination of FONDIARIA-SAI S.p.A.

**GRUPPO
FONDIARIA SAI**



CONTENTS

2011 FIRST QUARTER REPORT

CORPORATE BOARDS.....	Pag. 4
-----------------------	--------

INTERIM DIRECTORS' REPORT

Q1 OPERATING PERFORMANCE.....	Pag. 9
-------------------------------	--------

NON-LIFE INSURANCE SECTOR	Pag. 17
---------------------------	---------

LIFE INSURANCE SECTOR.....	Pag. 23
----------------------------	---------

REAL ESTATE SECTOR.....	Pag. 29
-------------------------	---------

OTHER ACTIVITIES SECTOR.....	Pag. 32
------------------------------	---------

ASSET AND FINANCIAL MANAGEMENT	Pag. 33
---	---------

OTHER INFORMATION	Pag. 43
-------------------------	---------

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER.....	Pag. 45
---	---------

OUTLOOK.....	Pag. 49
--------------	---------

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	Pag. 51
--	---------

EXPLANATORY NOTES	Pag. 63
-------------------------	---------

PART A - Accounting Principles.....	Pag. 65
-------------------------------------	---------

PART B – Information on the Consolidated Balance Sheet	Pag. 76
---	---------

PART C – Information on the Consolidated Income Statement	Pag. 95
--	---------

PART D - Segment Information.....	Pag. 103
-----------------------------------	----------

PART E - Transactions with related parties.....	Pag. 111
--	----------

Other Information.....	Pag. 114
------------------------	----------

DECLARATION OF THE 2011 FIRST QUARTER REPORT as per Legs. Decree no. 58/98.....	Pag. 116
--	----------

AUDITORS' REPORT ON THE LIMITED AUDIT OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	Pag. 117
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BOARD OF DIRECTORS

Salvatore **Ligresti**

Honorary Chairman

Angelo **Casò ***

Chairman

Gioacchino Paolo **Ligresti ***

Vice Chairman

Emanuele **Erбетта ***

Chief Executive Officer - General Manager

Umberto **Bocchino ***

Maurizio Carlo **Burnengo ***

Barbara **De Marchi**

Maurizio **Di Maio**

Mariano **Frey**

Giuseppe **Lazzaroni**

Giulia Maria **Ligresti ***

Jonella **Ligresti**

Davide **Maggi**

Nicola **Miglietta**

Aldo **Milanese**

Massimo **Pini ***

Salvatore **Rubino**

Simone **Tabacci**

Alessandra **Talarico**

Antonio **Talarico ***

Fausto **Rapisarda**

Secretary of the Board and the Executive Committee

BOARD OF STATUTORY AUDITORS

Giovanni Ossola

Chairman

Maria Luisa Mosconi

Statutory Auditor

Alessandro Rayneri

Statutory Auditor

Giuseppe Aldè

Alternate Auditor

Claudio De Re

Alternate Auditor

Michela Zeme

Alternate Auditor

INDEPENDENT AUDITOR

DELOITTE & TOUCHE S.p.A.

GENERAL MANAGER

Emanuele Erbetta

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio Bedogni

() Members of the Executive Committee*

- The Shareholders' Meeting of the company of April 27, 2011 appointed the Board of Directors and the Board of Statutory Auditors for the three year period 2011-2013. The Board of Directors' meeting after the Shareholders' Meeting, appointed Mr. Angelo Casò as Chairman, Mr. Gioacchino Paolo Ligresti as Vice Chairman and Mr. Emanuele Erbetta as Chief Executive Officer. Mr. Erbetta continues as General Manager.
- The Chairman, Vice Chairman and Chief Executive Officer, in accordance with Article 20 of the By-Laws have the power of legal representation of the Company. The Chief Executive Officer Mr. Emanuele Erbetta is devolved all ordinary and extraordinary powers, to be exercised with single signature and with the possibility to confer mandates and legal attorneys, with the exclusive exception of the following powers:
 - sale and/or purchase of property above the value of Euro 10 million for each operation;
 - sale and/or purchase of investments above the value of Euro 25 million for each operation and, in any case, of controlling interests;
 - obtaining of loans above Euro 50 million for each operation;
 - provision of non-insurance guarantees in favour of third parties.The Chief Executive Officer reports to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the above powers, with particular regard to extraordinary operations or those with related parties (where not reserved to the Board) and, in general, on the most significant operations.
- The Executive Committee has all the powers not already attributed to the Chief Executive Officer, except for those which in accordance with law or the company by-laws are the exclusive competence of the Board of Directors, while establishing - in accordance with the procedures for significant transactions with related parties approved by the Board of Directors' meeting of November 30, 2010 - the exclusive ambit of the Board concerning all deliberations in relation to the so-called "significant" and "less significant" transactions with related parties, according to the definitions as per the regulation adopted through CONSOB Regulation No. 17221 of March 12, 2010 and incorporated into the above-mentioned procedure. The attribution of exclusive duties to the Executive Committee in relation to specific types of operations or operations with limited amount does not exist. The Committee reports to the Board of Directors at each meeting on the exercise of its powers.
- The Board of Directors and the Board of Statutory Auditors will remain in office until the approval of the financial statements by the Shareholders' Meeting for the year ended December 31, 2013.

INTERIM DIRECTORS' REPORT

INTRODUCTION

The present Interim Report for the first quarter of 2011 was prepared in accordance with Article 154-ter of Legislative Decree No. 58/1998.

The Report comprises the Interim Directors' Report and the Condensed Interim Consolidated Financial Statements at March 31, 2011, prepared in application of IAS 34 – Interim Financial Reporting and in accordance with IAS/IFRS. This choice was taken based on the need to include the 2011 First Quarter data in the documentation to be prepared for the share capital increase subject to the resolution of the Extraordinary Shareholders' Meeting of April 27, 2011, whose exercise was delegated to the Board of Directors in accordance with Article 2443 of the Civil Code. The level of disclosure is therefore considered extraordinary and non-repeatable in relation to the interim reports for subsequent periods.

PREMIUMS WRITTEN

Direct and indirect premiums written in Q1 2011 amount to Euro 880.6 million (-8.8% on Q1 2010), of which Euro 786.3 million relating to the non-life classes (-2.8%) and Euro 94.3 million relating to the life classes (a decrease of 39.7%).

In relation to the non-life division, the Motor sector reports substantial stability in premiums (+0.8%) with an increase in the average premium, negated however by the discontinuation of portfolios with particularly poor performances. The other classes report a decrease of approx. 11%, largely relating to the aeronautical risks of the Sasa division and in particular the non-renewal of the civil protection contract and the discontinuation of new business acquisition.

The life division performance, considered within a contracting overall market both in terms of premiums written and new business, was affected also by seasonal factors, particularly in relation to some significant corporate securitisation contracts which were concentrated at the beginning of the previous year and not repeated this year. Although premiums contracted, the quality of the new business from the distribution networks significantly improved in terms of portfolio mix.

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

The breakdown of the premiums written with the changes to the first quarter of 2010 is shown in the table below.

(in Euro thousands)	Q1 2011	Q1 2010	Change %
DIRECT PREMIUMS			
Non-Life Division	784,920	807,623	-2.8
Life Division	94,311	156,424	-39.7
TOTAL DIRECT PREMIUMS	879,231	964,047	-8.8
INDIRECT PREMIUMS			
Non-Life Division	1,404	1,543	-9.0
Life Division	-	-	-
TOTAL INDIRECT PREMIUMS	1,404	1,543	-9.0
TOTAL	880,635	965,590	-8.8
of which:			
Non-Life Division	786,324	809,166	-2.8
Life Division	94,311	156,424	-39.7

Q1 OPERATING PERFORMANCE

The Group net loss for the first quarter of 2011 was Euro 16.5 million (loss of Euro 22.4 million in the first quarter of 2010). The income statement for the period is reported below and compared with the previous year:

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Changes
Net premiums	886,655	933,140	-46,485
Commission income	63	39	24
Net Income from financial instruments recorded at fair value through profit or loss	2,124	9,365	-7,241
Income from subsidiaries, ass. and jt. ventures	203	121	82
Income from other financial instruments and nonerty investments	106,724	106,308	416
- Interest income	53,487	53,300	187
- Other income	13,472	17,349	-3,877
- Profits realised	39,765	35,062	4,703
- Valuation gains	-	597	-597
Other revenues	50,721	46,554	4,167
Total revenues	1,046,490	1,095,527	-49,037
Net charges relating to claims	-707,609	-785,702	78,093
Commission expenses	-20	-17	-3
Charges from subsid., ass. & jt. ven.	-4,861	-7,905	3,044
Charges from other financial instruments and nonerty investments	-50,287	-35,238	-15,049
- Interest expense	-2,811	-2,343	-468
- Other expenses	-5,870	-4,211	-1,659
- Losses realised	-21,248	-9,393	-11,855
- Valuation losses	-20,358	-19,291	-1,067
Management expenses	-162,816	-164,068	1,252
- Commissions and other acquisition expenses	-134,364	-137,366	3,002
- Investment management charges	-1,078	-714	-364
- Other administration expenses	-27,374	-25,988	-1,386
Other costs	-130,924	-121,947	-8,977
Total costs	-1,056,517	-1,114,877	58,360
Loss before taxes in the period	-10,027	-19,350	9,323
Income taxes	-6,523	-4,087	-2,436
Net loss for the period	-16,550	-23,437	6,887
Net result from discontinued activities	-	-1,876	1,876
Consolidated loss	-16,550	-25,313	8,763
Minority interest result	-4	-2,866	2,862
Group loss	-16,546	-22,447	5,901

The operating performance in Q1 2011 can be summarised as follows:

- the non-life sector reports a pre-tax loss of Euro 19.5 million, an improvement on the loss of Euro 37.5 million in the first quarter of 2010, principally due to the insurance management actions undertaken to recover profitability, set out in the 2011 Budget and already announced to the market. The combined ratio, net of outward reinsurance, amounts to 101.3% compared to 105.8% in the first quarter of 2010 and 114.8% for the full year 2010.

In particular, the **Motor TPL** class reports an increase in the average premium and a favourable development of claims reported, decreasing 15.9% and benefitting from the discontinuation of a number of multi-risk contracts and the closure of agencies with particularly poor performances.

However, the average claims cost remained high, also as a result of the significant proportion of physical injury claims and the new compensation tables, originally adopted by the Milan court and quickly rolled out across the major Italian courts.

The **Land Vehicle** class reports a positive result and an improvement on the first quarter of 2010, particularly as a result of the actions taken on tariffs, sales methods and underwriting limits on guarantees which have reported unsatisfactory profitability. The performance of the civil responsibility contracts within the **Other non-life** classes remained poor, particularly in relation to the ASL contracts and the Public Body sector in general, while the overall result of the other classes was positive.

- the Life Division reports a pre-tax profit of Euro 12.3 million (profit of Euro 21.7 million in Q1 2010). The result in the quarter was temporarily affected by a negative impact from deferred liabilities to policyholders (so-called shadow accounting reserve), in turn stemming from the choices made in terms of target returns from separated management within the life division and the consequent management policies. The effects of these policies should emerge throughout the year - such as a reduction in technical interest.
- the real estate sector reports a loss of Euro 2.7 million (loss of Euro 3.7 million in the first quarter of 2010), principally relating to the result of Immobiliare Milano Assicurazioni s.r.l., again recording a loss due to the operating expenses of the real estate portfolio and financial charges in the period;
- the financial and asset management reports overall net income of Euro 53.9 million compared to Euro 72.7 million in Q1 2010. In particular, in relation to the most significant accounts:
 - interest income amounted to Euro 53.5 million, substantially in line with Q1 2010 (Euro 53.3 million);

- net unrealised profits amounted to Euro 18.5 million (Euro 25.7 million in Q1 2010), of which Euro 10.1 million relates to equity securities, Euro 11 million to investment fund units, Euro 0.2 million to property investments while bond securities report a loss of Euro 2.8 million;
 - net valuation losses amounted to Euro 20.4 million (Euro 18.7 million in Q1 2010) and concern impairments on AFS financial instruments of Euro 13.5 million and depreciation on property for Euro 6.9 million;
 - income from financial instruments at fair value recorded to the profit and loss account decreased from Euro 9.4 million in Q1 2010 to Euro 2.1 million. The reduction essentially relates to life contract bond securities with investment risk borne by the policyholder which in the first quarter of 2010 benefited from a generalised increase in equity prices;
 - finally, charges from investments in subsidiaries, associates and joint ventures principally include the losses recorded in the quarter by Atahotels, which continues to be affected by the difficult economic environment and the weak hotel sector in general, particularly in relation to congresses – an area in which the company is the market leader. The seasonal nature of revenues impacts the income statement of Atahotels, which in the Summer period books a greater amount of revenues with significant contributions from the resorts in Sicily and Sardinia.
- the management expenses in the non-life insurance sector amounted to Euro 156.3 million, with a percentage on net premiums of 19.7% (20.1% in Q1 2010). In the Life Division the management expenses amounted to Euro 6.5 million - 7.2% of net premiums (4.8% in Q1 2010).

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

The table below shows the results by sector. The real estate sector includes the 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 Sogoint, which provides commercial assistance to the Agencies.

<i>(in Euro thousands)</i>	Non-Life	Life	Real Estate	Other	Inter- segment Elim.	Total
Net premiums	795,222	91,433	-	-	-	886,655
Commission income	-	63	-	-	-	63
Net Income from financial instruments recorded at fair value through profit or loss	-315	2,300	139	-	-	2,124
Income from subsidiaries, ass. and jt. ventures	178	-	25	-	-	203
Income from other financial instruments and property investments	42,517	61,148	3,059	-	-	106,724
- Interest income	16,643	36,756	88	-	-	53,487
- Other income	7,151	3,398	2,923	-	-	13,472
- Profits realised	18,723	20,994	48	-	-	39,765
- Valuation gains	-	-	-	-	-	-
Other revenues	46,722	1,451	441	2,107	-	50,721
Total revenues	884,324	156,395	3,664	2,107	-	1,046,490
Net charges relating to claims	-590,266	-117,343	-	-	-	-707,609
Commission expenses	-	-20	-	-	-	-20
Charges from subsid., ass. & jt. ven.	-4,767	-94	-	-	-	-4,861
Charges from other financial instruments and nonerty investments	-30,677	-14,156	-5,454	-	-	-50,287
- Interest expense	-1,162	-1,110	-539	-	-	-2,811
- Other expenses	-3,547	-86	-2,237	-	-	-5,870
- Losses realised	-9,418	-11,830	-	-	-	-21,248
- Valuation losses	-16,550	-1,130	-2,678	-	-	-20,358
Management expenses	-156,278	-6,538	-	-	-	-162,816
- Commissions and other acquisition	-130,792	-3,572	-	-	-	-134,364
- Investment management charges	-581	-497	-	-	-	-1,078
- Other administration expenses	-24,905	-2,469	-	-	-	-27,374
Other costs	-121,847	-5,992	-882	-2,203	-	-130,924
Total costs	-903,835	-144,143	-6,336	-2,203	-	-1,056,517
Profit/(loss) before taxes – Q1 2011	-19,511	12,252	-2,672	-96	-	-10,027
Profit/(loss) before taxes – Q1 2010	-37,516	21,718	-3,711	159	-	-19,350

The comprehensive income statement, including also the profits and losses recorded to net equity in accordance with IAS accounting principles, benefitted from the increase of the AFS financial instrument valuation reserve and consequently recorded a profit of Euro 14.5 million compared to a loss of Euro 20 million in Q1 2010, as highlighted below:

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010
Consolidated loss	- 16,550	-25,313
Profit or loss on AFS financial assets	31,365	6,043
Profit or loss on cash flow hedges	920	-1,221
Income/(charges) on non-current assets or of a discontinued group held for sale	-	457
Actuarial profits and losses and adjustments to employee defined plans	-1,271	15
Total other items of the Comprehensive Income Statement	31,014	5,294
Total Comprehensive consolidated loss	14,464	-20,019
Group share	14,467	-17,385
minority interest share	-3	-2,634

Non-Life Insurance Sector

Premiums written

In relation to direct business, which comprises almost the entire portfolio, premiums written in the first quarter amounted to Euro 784.9 million (-2.8% on Q1 2010), of which Euro 558.4 million relating to the motor classes (+0.8%) and Euro 226.5 million concerning the non-motor classes (-10.7%).

The premium performance of the **Motor TPL** class (+1.8%) follows the recent tariff reviews, resulting in an increase in the average policy premium and a reduction in contracts in portfolio following the programmed initiatives concerning agencies with particularly poor performances and the discontinuation of individual multi-risk contracts. The poor economic situation also had an impact and remains difficult, particularly in relation to the continued weakness in new vehicle registrations.

The recent tariff review policy introduced greater risk differentiation, based both on the characteristics of the vehicle with particular reference to security features and the repair costs, and the specifics of the contracting party related to age and area of residence. The review of commercial policies concerning conventions and fleets initiated in 2010 has resulted in the reduction of discounts and therefore a recovery in profitability.

The contraction in premiums written in the **Land Vehicle** class is due to the difficult economic environment which limits household disposable income with a consequent reduction in accessory guarantees to new motor policies.

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 **other non-life classes** report a decrease in premiums largely relating to the aeronautical risks of the Sasa division and in particular the non-renewal of the civil protection contract and the discontinuation of new business acquisition.

Premiums have benefitted from the initiatives taken to recover profitability which has resulted in the closure of agencies with particularly poor performances, the discontinuation of individual multi-risk contracts and a reduction in the exposure to corporate risks, particularly in relation to public companies and bodies, historically reporting an unsatisfactory technical performance.

The current underwriting policy, which focuses particularly on profitability, has established the need to stringently apply correct technical parameters and is principally focused on the retail sector and on small-medium sized enterprises which operate in historically profitable sectors and regions.

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

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Change %
Accident & health	61,403	65,426	-6.2
Marine, aviation and transport	3,023	15,127	-80.0
Fire and other property damage	81,159	87,674	-7.4
General TPL	56,537	59,979	-5.7
Credit & Bonds	12,684	12,670	+0.1
General pecuniary losses	1,544	2,316	-33.3
Legal protection	2,213	2,421	-8.6
Assistance	7,933	8,062	-1.6
Total Division – Non Motor	226,496	253,675	-10.7
Land Motor TPL	488,094	479,256	+1.8
Land vehicles	70,330	74,692	-5.8
Total Division – Motor	558,424	553,948	+0.8
TOTAL	784,920	807,623	-2.8

Claims reported and paid

In Q1 2011, 190,859 claims were made (-12.1%), of which 121,666 relating to the motor classes (-14.2%) and 69,193 relating to the other non life classes (-8.2%). The amounts paid for claims, including the direct and settlement expenses, amounted to Euro 621.1 million compared to Euro 642.5 million in Q1 2010.

The following table shows the breakdown by class and compared with Q1 2010.

	Claims reported Number			Claims paid (in Euro thousands)		
	Q1 2011	Q1 2010	Cge. %	Q1 2011	Q1 2010	Cge. %
Accident & health	21,761	23,146	-6.0	32,015	37,737	-15.2
Marine, aviation and transport	156	146	+6.8	1,476	2,421	-39.0
Fire and other property damage	20,751	24,476	-15.2	55,421	56,521	-1.9
General TPL	12,339	12,669	-2.6	44,809	39,124	+14.5
Credit & Bonds	202	210	-3.8	5,861	9,188	-36.2
General pecuniary losses	335	599	-44.1	1,104	2,509	-56.0
Legal protection	198	196	+1.0	287	248	+15.7
Assistance	13,451	13,955	-3.6	1,798	2,350	-23.5
Total Division – Non Motor	69,193	75,397	-8.2	142,771	150,098	-4.9
Land Motor TPL	90,046	107,066	-15.9	435,444	443,424	-1.8
Land vehicles	31,620	34,761	-9.0	42,893	48,988	-12.4
Total Division – Motor	121,666	141,827	-14.2	478,337	492,412	-2.9
TOTAL	190,859	217,224	-12.1	621,108	642,510	-3.3

Technical performance

In Q1 2011, the combined ratio, net of outward reinsurance, amounted to 101.3% against 105.8% in Q1 2010 and 114.8% for 2010. The improvement follows the actions taken to recovery sufficient technical profitability, both in the Motor TPL class and in the other non-life classes.

In particular the **Motor TPL** class benefitted from:

- the increase in the average premium following the new tariff introduced at the end of 2010 as well as the reduction in the tariff flexibility granted to the agency networks;
- the favourable development of reported claims is a feature of the market in general and is particularly as a result of the discontinuation of the multi-claim portfolio and of the actions undertaken in relation to agencies with particularly poor performances.

On the other hand, the continued high physical injury claims ratio and the new tables for the calculation of compensation, whose rolling out across the major courts took place quicker than initially envisaged, maintains a high average claims paid cost, requiring therefore a particularly prudent underwriting policy.

The **Land Vehicle** class reports a positive performance and an improvement on Q1 2010. Also in this case the performance benefitted from an acquisition policy which focuses less on discounts, tariff actions and underwriting limits, particularly in relation to *Socio-political events, Natural Events, Windshields and Collisions* guarantees.

The **Other non-life** classes present overall a substantially balanced technical result with a negative technical performance in the Civil Responsibility classes and a positive result from the other classes. Focused actions are being implemented to improve overall profitability both in the retail sector (concerning tariff flexibility and reform or a discontinuation of contracts with unsatisfactory performances, particularly in the buildings, professional and health sectors) and in the corporate sector, where the Public Bodies portfolio (ASL in particular) is being streamlined and with an underwriting policy focused on a greater degree of prudence than the recent past.

Liguria Assicurazioni, principally relying on a multi-mandate agency network, reports premiums of Euro 68.7 million in the first quarter of 2011, a decrease of 5.3% on the first quarter of 2010, principally due to the closure of negatively performing agencies and the consequent liberalisation of the relative portfolios. The active agencies in fact recorded an increase in premiums written of 3.8%.

Claims reported decreased by approx. 26% in the Motor TPL Class, by approx. 15% in the Land Vehicle class and by approx. 5% in the Other Non-Life classes. The reversal of prior year Motor TPL claims remains negative although with a strong improvement on the first quarter of 2010.

The contribution of the company to the consolidated quarterly result was a loss of Euro 3.4 million, essentially due to the impact of technical charges which however will reduce in the coming quarters.

The benefits of the industrial restructuring actions undertaken should become more apparent during the year, which were principally focused on pricing, in particular within the Motor TPL Class, the agencies, the negatively performing portfolios and risks, the underwriting criteria, efficiency and control of the settlement process.

Considering that outlined above, the operating performance in the quarter is considered in line with budget objectives for the entire year which forecasts substantial technical re-equilibrium.

In relation to the telephone and internet channels, the premiums written in Q1 2011 by **Dialogo Assicurazioni S.p.A.** (controlled by Milano Assicurazioni for 99.85%) amounted to Euro 11.2 million, an increase of 39.6% on Euro 8 million in Q1 2010.

As established by the industrial plan of the Company, in 2011 a new advertising campaign was launched which, in a change from previous years, was principally focused on the internet channel with consequent reduced costs.

The technical performance was again negative, although improving on Q1 2010, due both to the current year claims and the impact from the settlement of claims already recorded to the reserve.

The contribution of the company to the consolidated result in the period was a loss of Euro 1.6 million (a loss of Euro 2.5 million in Q1 2010).

In relation to the standardised products distributed by partner banks, **Systema Compagnia di Assicurazioni S.p.A.** (wholly-owned by Milano Assicurazioni) recorded premiums in the first quarter of the year of Euro 7.9 million, an increase of 70% on the same period in the previous year. The increase related to the motor sector for 95.9% and the non-motor sector for 21.5%.

The overall technical performance deteriorated on the first quarter of 2010 and the contribution of the company to the consolidated result in the quarter was a loss of Euro 0.2 million, compared to a profit of Euro 0.2 million in Q1 2010.

New products launched on the market

Retail sector

Actions were taken in the quarter to improve the poorly performing portfolios (professional and buildings segments) and work began on the creation of new products which will be launched from the second quarter of the year.

We highlight the focus on products concerning the protection of the Household and of the Individual in the Accident class and with particular attention on the small business segment with the launch of a multi-risk product (Fire, Theft, Civil Responsibility, Electronics, Transport, Legal Protection Assistance).

Corporate sector

During the quarter the IT risks products were made available to the agencies. The product range review in line with Isvap regulation No. 35 continued.

Reinsurance

The premiums ceded in the non-life division amount to Euro 31.7 million compared to Euro 39.8 million in Q1 2010. The percentage on direct premiums decreased from 4.9% to 4%.

The reinsurance structure of the non-life division is based on proportional cover and non-proportional coverage in claim excess.

Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.

For the Bond 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

The direct premiums written in Q1 2011 amounted to Euro 94.3 million, a decrease of 39.7% compared to Q1 2010. The following table reports the breakdown by class:

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Change %
Insurance on human life expectancy	82,927	111,153	-25.4
Insurance related to market indices	35	43	-18.6
Health insurance	74	10	n.s.
Securitisation operations	11,275	45,218	-75.1
TOTAL	94,311	156,424	-39.7

Premiums reduced significantly in line with the Life market as a whole - as reported by the latest ANIA data in terms of premiums written and also new business.

The contraction in volumes is related also to seasonal factors, particularly in relation to some significant corporate securitisation contracts which in the previous year were concentrated at the beginning of the year and which were not replicated.

Although premiums contracted, the quality of the new business from the distribution networks significantly improved in terms of portfolio mix. In particular, the class I periodic premiums (annual and recurring), which generate a considerable amount of group income, reports an increase in new business of over 55% on the first quarter of 2010.

This shift is in line with the budget objectives for the year and with the focus on increased profitability from the Agency networks.

Financial type contracts amounting to Euro 1.8 million were issued in quarter. In accordance with IFRS 4, these contracts were recorded under the deposit accounting method, which provides for recognition in the income statement, under the account commission income, of only the profit margins.

On an indicative basis, the new premiums written, determined according to the provisions of the Supervision Authority and therefore also relating to the financial contracts governed by IAS 39 are shown below:

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Change %
Insurance on human life expectancy	40,055	65,533	-38.9
Insurance related to market indices	-	3	- 100.0
Health insurance	-	-	-
Securitisation operations	522	35,223	-98.5
Management operations of Pension Funds	182	66	+175.8
TOTAL	40,759	100,825	-59.6

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

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Change %
Insurance on human life expectancy	8,081	10,002	-19.2
Insurance related to market indices	-	3	-100.0
Health insurance	-	-	-
Securitisation operations	52	3,522	-98.5
Management operations of Pension Funds	153	66	+131.8
TOTAL	8,286	13,593	-39.0

Technical performance

The pre-tax profit of the life sector amounted to Euro 12.3 million, compared to Euro 21.7 million in Q1 2010. The result in the quarter was temporarily affected by a negative impact from deferred liabilities to policyholders (so-called shadow accounting reserve), in turn stemming from the choices made in terms of target returns from separated management within the life division and the consequent management policies. The effects of these policies should emerge throughout the year - such as a reduction in technical interest.

The new policy portfolio continued to offer adequate technical margins and features a large portion of traditional type products with higher remuneration and an ability to satisfy the entire client base through the quality level and extensive range of products offered. In relation to premiums written, although a reduction in volumes was recorded in the period, the quality of the portfolio improved with a higher percentage of periodic premium products (annual and recurring).

Individual Insurance

In the first three months of 2011, the Individual Life premiums written by the distribution network were focused almost entirely on the Separated Management products, which were characterised by a guaranteed annual minimum yield in addition to the protection of the investment, although at the beginning of the year the single and recurring premium minimum yield was reduced to 1.5%, in line with market trends. Specifically the following products were launched:

- single premium products, with attention to the capital maturity segment as stated previously. In this segment new business contracted significantly on the same period of the previous year;
- recurring premium products OPEN GOLD and OPEN RISPARMIO, with a significant increase in new business;
- constant annual premium products with very strong results for OPEN PIÙ and OPEN BRAVO.

The DEDICATA policy (Term Life product) recorded a moderate increase in new business.

In relation to the complementary pension segment, implemented through the Individual Pension Plans, in the first three months of the year there was a significant decrease in the new business on the same period of the previous year.

Collective insurance and Pension Funds

The ongoing difficulties in the wider economy in the first quarter of 2011 with knock-on effects on the labour market situation continue to affect premiums in the corporate sector.

Despite this, the sector has remained stable and some areas have seen fresh interest.

The securitisation products offered - updated with newly issued “mixed special” insurance products – report new inflows and contracts confirming a renewal of interest in these products from a section of the clientele considered of more contained means than the institutional clients who in the past extensively utilised this investment instrument; therefore the distribution data reports a contraction on Q1 2010.

The pre-existing pension fund instrument, despite the difficulties in the labour market, has held its ground in a portfolio directly related both to the number of employees and their relative salaries.

A similar situation was experienced by the Open Pension Funds created by the Company, which have continued to attract new subscribers and have seen a consolidation in contributions.

In relation to products connected to post-employment benefits (Employee Leaving Indemnity and Agents' Leaving Indemnity) the economic conditions and more restrictive regulations continue to negatively influence the portfolio which reports a small contraction on the same period of the previous year.

The coverage of risk sector continues to attract - thanks also to a policy focused on personalising the offer - a strong contribution from institutions, with collective contracts showing signs of recovery in distribution terms and an overall solidity reported for the portfolio; the results however have not yet fully fulfilled their potential.

Reinsurance

Premiums ceded amounted to Euro 2.9 million and represent 3.1% of gross premiums (Euro 2.7 million in Q1 2010, comprising 1.7% 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 result for the first quarter was a loss of Euro 2.7 million (loss of Euro 3.7 million in Q1 2010). The decrease principally relates to:

- Immobiliare Milano Assicurazioni s.r.l. which contributed a loss of Euro 1.9 million, deriving from financial charges and operating costs concerning the real estate portfolio not fully compensated by rental income;
- The Athens Real Estate Fund, which recorded a loss of Euro 0.5 million, substantially equating to the depreciation recognised in the quarter.

Citylife

As previously noted, the company was awarded the international tender by the Fiera Milano Foundation for the improvement of the historical area of ex-Fiera, with a project designed by the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora. The investment is for approx. Euro 2.2 billion with a total value of production equal to Euro 3 billion. The completion of the construction is scheduled for 2015 and the completion of the commercialisation phase is expected by 2016.

On June 11, 2010 Immobiliare Milano Assicurazioni S.r.l. and Generali Properties S.p.A. signed an agreement through which, in addition to that established by the shareholder pact concerning the investment in Citylife S.r.l. - signed also by Allianz - Generali Properties granted to Immobiliare Milano Assicurazioni a single irrevocable sales option of the entire holding in Citylife (27.20% of the share capital), at a price as set out below.

The sales option may be exercised by Immobiliare Milano Assicurazioni S.r.l. until September 30, 2011 and exclusively concerning the entire holding and therefore not comprising a smaller part.

The transfer of the share subject to exercise of the option will be based on the condition that the relative authorisations from the competent authorities are granted to Generali Properties and on the prior consent of the Lending Banks, where applicable.

In the case of exercise of the option, the sales price of the investment will be the higher between:

- all of the amounts paid into Citylife since its incorporation by Immobiliare Milano Assicurazioni, in addition to the amount proportionally paid in by this latter company to the Fondazione Fiera as consideration for the area, all amounts net of the income distributed and capitalised at the Euribor rate at 3 months plus 1.5 percentage points from the date of payment until the date of sale of the investment;
- the percentage of the net equity of Citylife equivalent to the percentage of capital represented by the investment. For these purposes the net equity of Citylife will be established by an independent arbitrator commonly agreed between Generali Properties and Immobiliare Milano Assicurazioni. In establishing the price of the investment, the arbitrator will calculate the net equity value of Citylife, adjusting the unrealised gains and losses and the tax impact.

As established by the above-stated agreement of June 11, 2010, Generali Properties undertook an irrevocable commitment, together with the acquisition of the investment, to take on all of the commitments relating to the investment sub-entering in place of Immobiliare Milano Assicurazioni S.r.l. with the Financing Banks, with the Milan Municipality, in addition to those with the Fiera Fondazione.

On March 22, 2011, the Boards of Directors of Immobiliare Milano Assicurazioni S.r.l. and Milano Assicurazioni S.p.A. agreed to commence the process relating to the exercise of the option, based on the approval of the Board of Directors of Fondiaria-Sai of March 23. Taking account on the one hand of the financial situation of the Company and of the Group following the 2010 loss and on the other of the commitments relating to the project, within also the continually weak economic environment, the Board of Directors of Fondiaria-SAI S.p.A. approved the commencement of this process.

Following these resolutions, in accordance with IFRS 5, the investment in Citylife was recognised for Euro 78.1 million to the account *Non-current assets or a group of assets held for sale* as the lower between the cost and the fair value.

Other activities

The diversified activities sector includes the company SOGEINT.

SOGEINT (wholly owned by Milano Assicurazioni) provides commercial assistance to the agencies. At March 31, 2011, the company had 74 employees and 79 agencies. The contribution to the consolidated result for the quarter was a loss of Euro 0.1 million.

Asset and financial management

In the first quarter of 2011 the world economy continued to improve. The emerging countries increased interest rates further to offset inflationary pressures related to raw material and food product price increases. In Europe, the situation concerning the so-called *Sovereign Risk* crisis improved thanks to a series of coordinated actions by the European Union, which reduced the systemic risk to the Eurozone, although with individual risks affecting the weakest countries: Greece, Ireland and Portugal. A fundamental volatility remains however as the effects of the great recession appear that they will linger for some time.

In relation to monetary policy, the ECB raised the refinancing rate as the current interest rate of 1% is typical of an emergency situation which no longer reflects the current European environment in which some countries (principally Germany) have regained much of the ground lost since the beginning of the crisis. The European Central Bank sought to quell inflationary pressures once inflation hit 2% - the acceptable medium-term level.

Bond sector operations

The non-life sector concentrated principally on government bonds, while the Corporate component of the portfolio remained substantially unchanged.

The inevitable increase in official interest rates - in order to maintain a stable inflation outlook and to facilitate renewed European growth - led to an increase in the proportion of variable rate government bonds, reducing the fixed rate component.

During the quarter the geographic allocation of government risk was reviewed, partially reducing the exposure to Italy, which remains the principal country and is still considered fundamentally sound, and also increasing the government bonds issued by core countries, particularly Germany. The overall Duration is substantially unchanged on the end of 2010.

In the Life sector, the exposure toward Corporate securities was marginally reduced in favour of so-called Core area government securities. The government portfolio was further diversified, increasing exposure towards the stronger and less volatile countries. The management activities naturally considered the Asset liability Management profiles, linking the individual portfolios to the relative insurance liability characteristics.

At March 31, the Non-Life sector is composed of fixed interest bonds for 58.4%, those at a variable rate for 39% while the residual 2.6% consists of Time Deposit investments and money market instruments. The duration of the portfolio is 2.22 years and the return is 2.82%. In the Life sector fixed rate bonds comprised 85.8% while variable rate bonds accounting for 14.2%. The duration is 5.29 years and the return is 4.65%.

Equity sector operations

The equities market reports a quarter of strong growth with the major European indices increasing by 4% due to the position in the economic cycle and across the board corporate profit increases. In the first part of the year, the improvement in the perception of the risk of the peripheral countries facilitated a positive performance within the Italian market (the strongest European market), supported in particular by strong performances by the financials which by the middle of February had improved by up to 20% since the beginning of the year. In the second part of the quarter, the new European stress tests, the indications of the Governor of the Bank of Italy and the consequent recapitalisation announcements of the major Italian banks realigned the Italian financial equities with the index overall.

A significant amount of trading of Available for sale securities enabled the realisation of significant gains. During the quarter, exposure to the equity sector was gradually reduced through divestment of individual positions.

* * *

The investments at 31/03/2011 compared to the previous year are shown below. The table also shows the assets and the liquidity, which is important for the correct structure of the balance sheet of an insurance group.

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
INVESTMENTS			
Investment property	999,953	1,000,349	-396
Investments in subsidiaries, associates and joint ventures	127,418	202,391	-74,973
Investments held to maturity	123,256	121,798	1,458
Loans and receivables	824,183	660,504	163,679
AFS financial assets	6,722,743	6,827,511	-104,768
Financial assets at fair value through the profit or loss account	280,071	288,590	-8,519
Total investments	9,077,624	9,101,143	-23,519
Tangible fixed assets: buildings and other fixed assets	64,006	64,111	-105
Total non-current assets	9,141,630	9,165,254	-23,624
Cash and cash equivalents	265,066	284,665	-19,599
Total non-current assets and cash and cash equivalents	9,406,696	9,449,919	-43,223

Investment property

Real estate investments 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 at March 31, 2011 was Euro 194.5 million lower than the valuation at December 31, 2010 carried out by specifically appointed independent experts.

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 49.4 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, 5,000 sq.m. for residential use, 10,000 sq.m. for retail use and 20,000 sq.m. for exposition use.
- a holding of 16.67% in **IGLI S.p.A.**, with a book value of Euro 28.4 million, which holds in turn as its only asset 29.96% of the company Impregilo;
- the holding of 34.63% in the consortium company **Fondiaria-Sai Servizi Group**, with a book value of Euro 11 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 10.9 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 9.1 million;
- the holding of 50% in **Valore Immobiliare S.r.l.**, with a book value of Euro 8.1 million. The company owns three buildings in Milan (Piazza Firenze n. 6 - Via Caracciolo n. 16 and Via Cagliero n. 3) and in Rozzano (MI), Via Montepenice n. 6-8-10;
- a holding of 44.93% in **Borsetto S.r.l.**, with a book value of Euro 3.2 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress.

The 27.2% holding in Citylife S.r.l., with a carrying value of Euro 78.1 million was classified under *Non-current assets or of a discontinued Group held for sale*, considering that Immobiliare Milano commenced the process for the exercise of the put option of the above-stated holding in favour of Generali Properties. For further information on this operation, reference should be made to the Real Estate Sector section.

The associated company Atahotels reports at March 31, 2011 a net equity deficit of Euro 19.6 million, following the losses in 2010 and Q1 2011. Consequently, the carrying value of the investment was written-down and the Milano Assicurazioni Group share of the net equity deficit (49% - Euro 9.6 million) was recorded to the account other provisions in the liability section of the balance sheet to cover recapitalisation needs.

In April, Milano Assicurazioni paid into Atahotels Euro 13.1 million, of which Euro 5.8 million to cover the losses and Euro 7.3 million to recapitalise the company. The amount represents the relative share of the Euro 26.8 million which the Board of Directors of Atahotels requested from shareholders in order to support the operating needs, at least in the short-term.

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 for Euro 718.1 million, increasing on December 31, 2010, principally following the undertaking in “Private Placement” of a BTP security acquired for the purposes of stable investment and not listed on Borsa Italiana;
- receivables from agents for payment of indemnities at the end of mandates (Euro 57.9 million);
- loans on life policies of Euro 24.3 million;
- other loans and receivables for Euro 21.4 million;
- deposits with reinsuring companies (Euro 2.5 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:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
AFS financial assets	6,722,743	6,827,511	-104,768
Equity securities and investment funds	1,160,306	1,220,747	-60,441
Debt securities	5,562,437	5,606,764	-44,327

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 impairment carried out at March 31, 2011 totalled Euro 13.5 million, of which Euro 7 million relating to the investment held in the indirect parent company Premafin and Euro 4.3 million relating to the investment in the direct parent company Fondiaria-Sai.

The net equity reserve which includes the differences between the average weighted cost and the fair value of instruments classified in this category was positive for Euro 33.4 million (positive for Euro 2 million at December 31, 2010). The following table highlights the composition and movements on the previous year:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Debt securities	-95,050	-109,257	14,207
Fund units	83,874	93,185	-9,311
Equity securities	30,408	-1,394	31,802
Shadow accounting reserve	13,225	13,205	20
Tax effect	896	6,250	-5,354
AFS reserve at the end of the period	33,353	1,989	31,364

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:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Financial assets at fair value through the profit or loss account	280,071	288,590	-8,519
Equity securities and investment funds	47,903	48,809	-906
Debt securities	230,152	237,673	-7,521
Other financial investments	2,016	2,108	-92

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.

Income from financial instruments and property investments

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

	31/03/2011	31/03/2010	Changes
<i>(in Euro thousands)</i>			
Net income from financial instruments recorded at fair value through profit or loss	2,124	9,365	-7,241
Income from subsidiary and associated companies and joint ventures	203	121	82
<i>Income from other financial instruments and property investments of which:</i>	<i>106,724</i>	<i>106,308</i>	<i>416</i>
Interest income	53,487	53,300	187
Other income	13,472	17,349	-3,877
Profits realised	39,765	35,062	4,703
Valuation gains	-	597	-597
Total income	109,051	115,794	-6,743
Charges from investments in subsidiaries, associates and joint ventures	-4,861	-7,905	3,044
<i>Charges from other financial instruments and property investments of which:</i>	<i>-50,287</i>	<i>-35,238</i>	<i>-15,049</i>
Interest expense	-2,811	-2,343	-468
Other charges	-5,870	-4,211	-1,659
Losses realised	-21,248	-9,393	-11,855
Valuation losses	-20,358	-19,291	-1,067
Total charges	-55,148	-43,143	-12,005
TOTAL NET INCOME/(CHARGES)	53,903	72,651	-18,748

Net income in the quarter amounted to Euro 53.9 million, compared to Euro 72.7 million in Q1 2010. In particular, in relation to the most significant accounts:

- interest income amounted to Euro 53.5 million, substantially in line with Q1 2010 (Euro 53.3 million);
- net unrealised profits amounted to Euro 18.5 million (Euro 25.7 million in Q1 2010), of which Euro 10.1 million relates to equity securities, Euro 11 million to investment fund units, Euro 0.2 million to property investments while bond securities report a loss of Euro 2.8 million;

- net valuation losses of Euro 20.4 million (Euro 18.7 million in Q1 2010) concerning impairments on AFS financial instruments of Euro 13.5 million and depreciation on property of Euro 6.9 million.

The impairments principally relate to the holdings in Premafin and in Fondiaria-Sai. In particular, the average cost of the Premafin share to March 31 had been continuously higher than the stock market value for a period of over 2 years. In line with the group impairment policy, the cost was therefore aligned with the stock market value at March 31 (Euro 0.56 per share), recording an overall impairment of Euro 7 million. For the Fondiaria-Sai shares, previously subject to an impairment on the preparation of the 2010 accounts, the further reductions in the share price in the quarter were recognised, aligning the book value to the share price at March 31 (Euro 5.90 per share), with a consequent impairment of Euro 4.3 million;

- Income from financial instruments at fair value recorded to the profit and loss account decreased from Euro 9.4 million in Q1 2010 to Euro 2.1 million. The reduction essentially relates to life contract bond securities with investment risk borne by the policyholder which in the first quarter of 2010 benefited from a generalised increase in equity prices;
- charges from investments in subsidiaries, associates and joint ventures principally include the loss recorded by Atahotels. The company continues to be affected by the difficult general economic environment and the weakness in the hotel sector, particularly in relation to congress activities - a sector in which the company is the market leader. The seasonal nature of revenues impacts the income statement of Atahotels, which in the Summer period books a greater amount of revenues with significant contributions from the resorts in Sicily and Sardinia.

Other information

Treasury shares and shares of holding companies

At March 31, 2011, 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:

<i>(in Euro thousands)</i>	Number	Amount
Treasury shares	6,764,860	31,353
Fondiaria-SAI shares	9,982,557	58,879
Premafin shares	9,157,710	5,149
TOTAL		95,381

As reported previously, the average cost of the Premafin share to March 31 was continuously higher than the stock market value for a period of over 2 years. In line with the group impairment policy, the cost was therefore aligned with the stock market value at March 31 (Euro 0.56 per share), recording an overall impairment of Euro 7 million. For the Fondiaria-Sai shares, previously subject to an impairment on the preparation of the 2010 accounts, the further reductions in the share price in the quarter were recognised, aligning the book value to the share price at March 31 (Euro 5.90 per share), with a consequent impairment of Euro 4.3 million.

Performance of Milano Assicurazioni shares

At March 31, 2011, the share capital of the parent company Milano Assicurazioni comprised 588,175,656 shares of Euro 0.52 each, of which 557,435,774 ordinary shares and 30,739,882 saving shares.

In the first quarter of 2011 the stock market prices of the ordinary shares reached a maximum of Euro 1.3916 (11/03/2011) and a minimum of Euro 0.9216 (31/03/2011). The savings share price recorded a maximum of Euro 1.5253 (10/03/2011) and a minimum of Euro 1.1042 (29/03/2011).

The table below illustrates the share price at March 31, 2011 and at December 31, 2010:

<i>(in Euro)</i>	31/03/2011	31/12/2010	Change %
Milano Assicurazioni ord.	0.9216	1.1946	-22.9
Milano Assicurazioni sav.	1.1183	1.3250	-15.6

The stock market capitalisation at March 31, 2011 was Euro 548.1 million (Euro 706.6 million at 31/12/2010).

Insurance disputes in progress

At March 31, 2011, there were 43,971 claims open, of which 34,288 related to the Motor TPL class. During the quarter, 5,998 cases were defined, of which 5,266 relating to the Motor TPL class.

Significant events after the end of the quarter

Share capital increase of Milano Assicurazioni

On April 27, 2011 the Extraordinary Shareholders' Meeting of Milano Assicurazioni approved the conferment to the Board of Directors, in accordance with Article 2443 of the Civil Code, of the power to undertake a paid-in divisible share capital increase by December 31, 2011 for a total maximum amount, including any share premium, of Euro 350,000,000, through the issue of ordinary and saving shares with the same rights as those in circulation, to be offered as options respectively to ordinary and saving shareholders, while authorising the widest possible powers for the Board of Directors to establish, within the limits set out above and in compliance with applicable regulations and the terms and conditions of the share capital increase, including the number and issue price of the new shares.

The shareholders' meeting also approved the elimination of the nominal value of the ordinary and savings shares in circulation.

On May 5, 2011, ISVAP approved the by-law amendments established by the above-stated resolutions.

The Board of Directors of Milano Assicurazioni, on May 14, 2011 therefore approved the exercise for the entire above-stated maximum amount, of the power attributed by the shareholders' meeting as stated above, reserving the right to subsequently fix, shortly before the launch of the offer, the number of shares to be issued and the issue price, following the process initiated by CONSOB concerning the approval for publication of the Prospectus relating to the operation in accordance with applicable regulations. The share capital increase of Milano should proceed along a similar timetable to that of FONDIARIA-SAI.

For complete information on the operation, reference is made to the directors' report to the extraordinary shareholders' meeting, already published in accordance with law and available on the internet site of the Company, as well as the press release of April 27, 2011 following the shareholders' meeting, also available on the internet site of the Company and in which the further disclosure elements on the operation which CONSOB has requested from the directors for the Shareholders' Meeting are reported, in addition to, also on the request of CONSOB, the considerations expressed at the Shareholders' Meeting by the Board of Statutory Auditors.

Put option on the investment in Citylife

On April 4, Immobiliare Milano Assicurazioni S.r.l. (100% held by Milano Assicurazioni) communicated to Generali Properties S.p.A. the exercise of the sales option of the entire holding in CityLife S.r.l. (27.20% of the share capital) under the terms and conditions established by the agreement of June 11, 2010.

Following the exercise of the option, the sales contract of the investment should be considered completed, under which Generali Properties must fulfil all obligations assumed under the above-stated agreement.

On April 14, 2011, Generali Properties responded to the letter concerning the exercise of the option from Immobiliare Milano Assicurazioni, confirming their commitment to fulfil it.

As stated in the real estate sector section, the sales price of the investment is considered as the higher between:

- all of the amounts paid into Citylife since its incorporation by Immobiliare Milano Assicurazioni, in addition to the amount proportionally paid in by this latter company to the Fondazione Fiera as consideration for the area identified in the deed, all amounts net of the income distributed and capitalised at the Euribor rate at 3 months plus 1.5 percentage points from the date of payment until the date of sale of the investment;
- the percentage of the net equity of Citylife equivalent to the percentage of capital represented by the investment. For these purposes the net equity of Citylife will be established by an independent arbitrator commonly agreed between Generali Properties and Immobiliare Milano Assicurazioni.

In establishing the price of the investment, the arbitrator will calculate the net equity value of Citylife, adjusting the unrealised gains and losses and the tax impact.

Through common agreement between Generali Properties and Immobiliare Milano Assicurazioni, Leonardo & Co. S.p.A. was chosen as the arbitrator.

Outlook

In the coming months we will implement the new Fondiaria-SAI Group strategy, recently set out and communicated to the Market by the new Chief Executive Officer.

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

- in the Motor classes we will strengthen the initiatives taken to increase the average policy premium and reduce the tariff flexibility. We will continue the actions with poorly performing agencies and the organisational structure will be strengthened to cope with the high incidence of fraud;
- in the other non-life classes particular attention will be focused on market positioning, with development policies focused on the municipalities and provinces which report satisfying technical performances. The tariff policy will follow the correct technical parameters and emphasis will be placed on modular products which allow their possibility to supplement additional guarantees on top of the basic product. This will allow us to serve the needs of the client better, and at the same time be more in tune with the spending capacity of clients who have been significantly impacted by the recent economic crisis, therefore introducing greater segmentation than previously. The underwriting policy will focus on the retail client and on the Small-Medium-size business sector while the risk exposure to the public body sector will be reduced, which has reported poor performances.

In the Life class, attention will be focused on improving the portfolio quality, increasing the level of periodic premium Class I products (annual or recurring), which are more remunerative and engender client loyalty, creating therefore long-term value. Particular focus will be placed on the level of service and the assistance of clients in choosing products which best fit their insurance and pension needs.

Investment management will focus more on the containment of volatility rather than on an aggressive profit-driven approach, with consequent benefits for the solvency ratios and greater stability in the separated management income.

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

Finally, particular attention will be placed on the containment of operating costs through a more stringent resource allocation plan, the elimination of non essential services, the re-launch of leaving incentives for those who have fulfilled their pensionable requirements.

The results in the quarter are in line with full year budget objectives approved in January, excluding currently unforeseeable facts or events, such as excessive volatility on the financial markets.

Condensed consolidated interim financial statements

Financial Statements

In accordance with IAS 34 (Interim financial reporting) the condensed consolidated interim financial statements reported below comprise:

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2011*In Euro thousands***BALANCE SHEET - ASSETS**

		31/03/2011	31/12/2010
1	INTANGIBLE ASSETS	247,926	250,012
1.1	Goodwill	231,052	231,052
1.2	Other intangible assets	16,874	18,960
2	PROPERTY, PLANT & EQUIPMENT	64,006	64,111
2.1	Buildings	58,052	58,141
2.2	Other tangible assets	5,954	5,970
3	TECHNICAL RESERVES – REINSURANCE AMOUNT	437,172	434,652
4	INVESTMENTS	9,077,624	9,101,143
4.1	Investment property	999,953	1,000,349
4.2	Investments in subsidiaries, associates and joint ventures	127,418	202,391
4.3	Investments held to maturity	123,256	121,798
4.4	Loans and receivables	824,183	660,504
4.5	AFS financial assets	6,722,743	6,827,511
4.6	Financial assets at fair value through the profit or loss account	280,071	288,590
5	OTHER RECEIVABLES	812,343	1,034,818
5.1	Receivables from direct insurance operations	530,967	662,794
5.2	Receivables from reinsurance operations	64,038	69,553
5.3	Other receivables	217,338	302,471
6	OTHER ASSETS	445,589	327,893
6.1	Non-current assets or of a discontinued group held for sale	79,340	3,451
6.2	Deferred acquisition costs	7,542	7,477
6.3	Deferred tax assets	194,402	205,915
6.4	Current tax assets	32,749	42,821
6.5	Other assets	131,556	68,229
7	CASH AND CASH EQUIVALENTS	265,066	284,665
	TOTAL ASSETS	11,349,726	11,497,294

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2011*In Euro thousands***BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES**

		31/03/2011	31/12/2010
1	SHAREHOLDERS' EQUITY	1,319,941	1,304,567
1.1	group	1,318,625	1,303,248
1.1.1	Share Capital	305,851	305,851
1.1.2	Other equity instruments		
1.1.3	Capital reserves	718,147	718,147
1.1.4	Retained earnings and other reserves	313,194	980,995
1.1.5	(Treasury shares)	-31,353	-31,353
1.1.6	Translation reserve		
1.1.7	Profit or loss on AFS financial assets	33,353	1,989
1.1.8	Other gains and losses recorded directly in equity	-4,021	-3,670
1.1.9	Group net loss	-16,546	-668,711
1.2	minority interest	1,316	1,319
1.2.1	Minority capital and reserves	1,322	1,502
1.2.2	Gains and losses recorded directly in equity	-2	-3
1.2.3	Minority interest loss	-4	-180
2	PROVISIONS	153,734	136,139
3	TECHNICAL RESERVES	9,038,197	9,144,336
4	FINANCIAL LIABILITIES	424,046	427,946
4.1	Financial liabilities at fair value through profit or loss account	60,514	61,643
4.2	Other financial liabilities	363,532	366,303
5	PAYABLES	226,825	309,410
5.1	Payables from direct insurance operations	30,880	31,388
5.2	Payables from reinsurance operations	39,389	40,428
5.3	Other payables	156,556	237,594
6	OTHER LIABILITIES	186,983	174,896
6.1	Liabilities of a discontinued group held for sale		0
6.2	Deferred tax liabilities	36,145	33,223
6.3	Current tax liabilities		2,164
6.4	Other liabilities	150,838	139,509
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11,349,726	11,497,294

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2011*In Euro thousands***INCOME STATEMENT**

		31/03/2011	31/03/2010
1.1	Net premiums	886,655	933,140
1.1.1	<i>Gross premiums written</i>	920,562	976,017
1.1.2	<i>Premiums ceded to re-insurers</i>	-33,907	-42,877
1.2	Commission income	63	39
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	2,124	9,365
1.4	Income from investments in subsidiaries, associates and joint ventures	203	121
1.5	Income from other financial instruments and property investments	106,724	106,308
1.5.1	<i>Interest income</i>	53,487	53,300
1.5.2	<i>Other income</i>	13,472	17,349
1.5.3	<i>Profits realised</i>	39,765	35,062
1.5.4	<i>Valuation gains</i>		597
1.6	Other revenue	50,721	46,554
1	TOTAL REVENUES AND INCOME	1,046,490	1,095,527
2.1	Net charges relating to claims	-707,609	-785,702
2.1.1	<i>Amounts paid and changes in technical reserves</i>	-724,102	-808,150
2.1.2	<i>Reinsurers' share</i>	16,493	22,448
2.2	Commission expenses	-20	-17
2.3	Charges from investments in subsidiaries, associates and joint ventures	-4,861	-7,905
2.4	Charges from other financial instruments and property investments	-50,287	-35,238
2.4.1	<i>Interest expenses</i>	-2,811	-2,343
2.4.2	<i>Other charges</i>	-5,870	-4,211
2.4.3	<i>Losses realised</i>	-21,248	-9,393
2.4.4	<i>Valuation losses</i>	-20,358	-19,291
2.5	Management expenses	-162,816	-164,068
2.5.1	<i>Commissions and other acquisition expenses</i>	-134,364	-137,366
2.5.2	<i>Investment management charges</i>	-1,078	-714
2.5.3	<i>Other administration expenses</i>	-27,374	-25,988
2.6	Other expenses	-130,924	-121,947
2	TOTAL COSTS AND CHARGES	-1,056,517	-1,114,877
	LOSS BEFORE TAXES	-10,027	-19,350
3	Income tax	-6,523	-4,087
	NET LOSS FROM CONTINUING OPERATIONS	-16,550	-23,437
4	PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	0	-1,876
	CONSOLIDATED LOSS	-16,550	-25,313
	group share	-16,546	-22,447
	minority share	-4	-2,866

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2011

In Euro thousands

COMPREHENSIVE INCOME STATEMENT

	31/03/2011	31/03/2010
CONSOLIDATED LOSS	-16,550	-25,313
Change in reserve for net exchange differences	0	0
Profit or loss on AFS financial assets	31,365	6,043
Profit or loss on cash flow hedges	920	-1,221
Profit or loss on a net foreign investment hedge	0	0
Change in net equity of holdings	0	0
Change in revaluation reserve of intangible assets	0	0
Change in revaluation reserve of tangible fixed assets	0	0
Income/(charges) on non-current assets or of a discontinued group held for sale	0	457
Actuarial profits and losses and adjustments to employee defined plans	-1,271	15
Others items	0	0
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	31,014	5,294
TOTAL COMPREHENSIVE CONSOLIDATED INCOME	14,464	-20,019
group share	14,467	-17,385
minority share	-3	-2,634

Statement of changes in consolidated shareholders' equity for the first quarter 2011

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 available-for-sale financial asset).

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

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2011

In Euro thousands

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Balance at 31/12/2009	Change in opening balances	Allocation	Adjustments from reclassification to Income Statement	Transfers	Balance at 31/03/10
Group shareholders' equity	Share Capital	305,851					305,851
	Other equity instruments						-
	Capital reserves	718,147					718,147
	Retained earnings and other reserves	1,181,009	-	139,987		510	1,041,532
	(Treasury shares)	- 31,353					- 31,353
	Net loss for period	- 139,987		117,540			- 22,447
	Other comprehensive income	- 151,746		8,615	- 3,553		- 146,684
	Total Group	1,881,921	-	13,832	- 3,553	510	1,865,046
Minority interest shareholders' equity	Minority capital and reserves	104,531		2,086			106,617
	Net loss for year	2,075	-	4,941			- 2,866
	Other comprehensive income	- 604		232			- 372
	Minority share	106,002	-	2,623	-	-	103,379
Total		1,987,923	-	16,455	- 3,553	510	1,968,425

		Balance at 31/12/10	Change in opening balances	Allocation	Adjustments from reclassification to Income Statement	Transfers	Balance at 31/03/11
Group shareholders' equity	Share Capital	305,851					305,851
	Other equity instruments						-
	Capital reserves	718,147					718,147
	Retained earnings and other reserves	980,995	-	668,711		910	313,194
	(Treasury shares)	- 31,353					- 31,353
	Net loss for period	- 668,711		652,165			- 16,546
	Other comprehensive income	- 1,681		22,631	8,382		29,332
	Total Group	1,303,248	-	6,085	8,382	910	1,318,625
Minority interest shareholders' equity	Minority capital and reserves	1,502		180			1,322
	Net loss for year	- 180		176			- 4
	Other comprehensive income	- 3		1			- 2
	Minority share	1,319	-	3	-	-	1,316
Total		1,304,567	-	6,082	8,382	910	1,319,941

CONSOLIDATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2011
In Euro thousands
CASH FLOW STATEMENT (indirect method)

	31/03/2011	31/03/2010
Loss before taxes in the period	-10,027	-19,350
Non-cash adjustments	-48,259	63,079
Change in non-life unearned premium reserve	-40,410	-10,265
Change in claims reserve and other non-life technical reserves	-35,069	-12,167
Change in actuarial reserves and other life technical reserves	-33,160	44,449
Change in deferred acquisition costs	-65	0
Change in provisions	17,595	7,932
Non-cash income/charges from financial instruments, property investments and holdings	35,481	36,096
Other changes	7,369	-2,966
Change in payables and receivables from operating activities	95,449	140,731
Change in payables and receivables from direct insurance operations and reinsurance	135,795	136,026
Change in other payables and receivables	-40,346	4,705
Income taxes paid	-4,811	-10,011
Net liquidity generated/absorbed from cash items relating to investing and financing activities	5,858	1,300
Liabilities from financial contracts issued by insurance companies	-990	6,199
Bank and interbank payables		
Loans and receivables from banks and interbank		
Other financial instruments at fair value through profit or loss account	6,848	-4,899
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	38,210	175,749
Net cash generated/absorbed from property investments	-6,492	-2,320
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	-3,114	-21,555
Net cash generated/absorbed from loans and receivables	-162,098	13,039
Net cash generated/absorbed from investments held to maturity	-161	-307
Net cash generated/absorbed from AFS financial assets	113,610	-107,350
Net cash generated/absorbed from intangible and tangible fixed assets	108	-4,682
Net cash generated/absorbed from investing activities	2,198	10,591
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES	-55,949	-112,584
Net cash generated/absorbed from Group equity instruments	910	511
Net cash generated/absorbed from treasury shares		
Distribution of Dividends relating to the Group		
Net cash generated/absorbed from minority interest capital and reserves	1	243
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	-1,493	-1,679
Net cash generated/absorbed from other financial liabilities	-1,278	-12,835
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	-1,860	-13,760
Exchange difference effect on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	284,665	247,015
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	-19,599	49,405
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	265,066	296,420

Explanatory notes

Information on the group and activities carried out

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

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

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

Part A

Accounting principles

Declaration of compliance with international accounting standards and general preparation principles

The present 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.

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 2010 annual accounts.

Consolidation scope and consolidation methods

CONSOLIDATION PRINCIPLES

The consolidation procedure is in accordance with the provisions of IAS 27 (Consolidated and Separated Financial Statements) and IAS 28 (Accounting of associated investments).

The Parent Company and all of the significant subsidiary companies are included in the consolidation scope. IAS 27 defines control as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. For the verification of the existence of control, reference was made to paragraph 13 of IAS 27.

In compliance with IAS 28, the associated companies are accounted under the equity method.

FINANCIAL STATEMENTS UTILISED FOR THE CONSOLIDATION

For the preparation of the present interim financial statements the interim financial statements as at March 31 of the respective Companies were utilised, adjusted where necessary for consolidation entries and in line with the accounting principles of the Parent Company.

CONSOLIDATION PRINCIPLES

Line-by-line

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

Under the line-by-line consolidated method, the book value of the investments is eliminated against the relative net equity, recording the total assets and liabilities, guarantees, commitments and other memorandum accounts, as well as the income and charges of the investing company.

The share of net equity and result for the period relating to minority shareholders are recorded in specific accounts in the balance sheet and income statement.

The difference between the carrying value of the investments and the respective share of the net equity, which emerges at the date of acquisition of the investment, are allocated to the assets or intangible assets where the higher cost reflects an effective higher value of these assets, or to the Goodwill account, where the higher price paid reflects the expected value of the future economic results.

Accounting under the Net Equity method

The equity method was utilised for the associated companies, or rather those companies in which the parent company exercises a significant influence, having the power to determine the financial and operational policies of the company, without having control or joint control. In accordance with IAS 28.6, significant influence is presumed where the investment held, directly or indirectly, amounts to at least 20% of the voting rights in the shareholders' meeting.

Under the equity method, the investment in an associated company is initially recognised at cost and the carrying amount is increased or decreased to recognise the associated company's share of the profit or loss after the date of acquisition through the income statement.

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

Consolidation adjustments

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

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

The merger deficits generated following mergers between companies within the group and recorded in the statutory financial statements of the Parent Company, increasing the value of asset accounts, were eliminated in the consolidated financial statements, in that in these latter the consolidation differences were maintained deriving from the elimination of the carrying value of the individual investments incorporated against the relative share of net equity, allocated to the assets or recorded in the Goodwill account.

The merger operations, in fact, only produce the legal effects of that expressed in the consolidated financial statements; if the merger deficits were not eliminated this would result in a duplication of the pre-existing values within the consolidated financial statements.

Interim financial statements

The present interim financial statements are as of March 31, 2011, 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 Condensed consolidated interim financial statements at March 31, 2011, are in line with those adopted for the Consolidated financial statements at December 31, 2010 - 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 2010 consolidated financial statements, while also considering that reported in relation to the increased use of estimates adopted for the preparation of the interim report.

Motor TPL division claims reserve

A separate valuation was carried out by type of claim, under the following categories:

- claims within the CARD Operator regime: commencing from the valuations of the settlement networks the expected last cost was recorded based on the expected costs taking into account the amount already paid and therefore establishing the recoverable flat rate;
- claims within the CARD Debtor regime: the valuation was made based on the once-off amount defined by the Technical Committee created pursuant to Pres. Decree No. 254/2006 and subsequent changes;
- claims not within the direct indemnity system (including claims occurring before the beginning of the direct indemnity system and claims which involve more than two vehicles or with permanent physical injury above 9%): the valuation of the last cost of the claims in the current period was made revaluing the amounts indicated by the settlement offices, taking into account the average costs assumed for these type of claims, which are more costly. For previous year claims, already recorded to reserves at the beginning of the period, the valuation was based on the last costs at the end of 2010 based on the same statistical methodology of the claims cost taking account of the reversals to the reserve in the quarter.

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

Reinsurance

The technical reserves relating to the reinsurers are calculated based on the portion ceded for the proportional reinsurance and in a revisional manner for the excess and stop-loss reinsurance, on the basis of the information available and utilising the same criteria for the direct premium reserves, taking into account the contractual clauses.

The accounts relating to the indirect premiums represent the portion of the results estimated for the full year; in the determination of the values account was taken of the data certified relating to obligatory contracts accepted by the companies outside of the Group, whose technical results refer to the year 2010.

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 2010 annual accounts to which reference is made for greater detail.

For the purposes of the objective recording of the reduction of value, the Group has defined the conditions of a prolonged and significant reduction of fair value, defined alternatively as follows:

1. a reduction of the market value above 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 financial assets available-for-sale, are - given their complexity - generally made in the preparation of the annual financial statements. During the year, the absence of issues regarding the issuing companies of securities in portfolio which may significantly affect the valuations in the accounts was verified.

Group Structure

Consolidation scope

At March 31, 2011, 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 quarter of 2011, there were no changes in the consolidation scope.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2011**Consolidation scope**

Company	State	Method (1)	Activity (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.	ITALY	G	10
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.	ITALY	G	1
LIGURIA VITA S.p.A.	ITALY	G	1
PRONTO ASSISTANCE SERVIZI S.c.r.l.	ITALY	G	11
SINTESI SECONDA S.r.l.	ITALY	G	10
SOGEINT S.r.l.	ITALY	G	11
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	ITALY	G	1

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

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

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

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

% Direct holding	% Total holding (3)	% Voting rights at shareholders' meetings (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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2011

Details of non-consolidated investments

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

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

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=joint venture (IAS 31); indicate with an asterisk (*) 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 rights at shareholders' meetings (4)	Book Value
-	20.00	20.00	266
49.00	49.00	49.00	
-	44.93	44.93	3,170
-	27.20	27.20	
32.00	32.00	32.00	49,382
-	94.97	95.00	-
34.21	34.63	34.65	11,031
29.56	29.56	29.56	10,941
-	16.67	16.67	28,366
35.83	35.83	35.83	9,132
-	29.73	29.73	1,665
-	20.00	20.00	2,417
29.00	29.00	29.00	1,943
30.00	30.00	30.00	319
-	20.00	20.00	129
19.63	20.12	20.31	170
-	40.00	40.00	386
50.00	50.00	50.00	8,100

Part B

Notes to the consolidated balance sheet

Balance Sheet - Assets

1. INTANGIBLE ASSETS

They include:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Goodwill	231,052	231,052	-
Other intangible assets	16,874	18,960	-2,086
TOTAL	247,926	250,012	-2,086

The breakdown of goodwill is as follows:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Goodwill recorded following the merger with the parent company by Lloyd Internazionale S.p.A. in 1991	17,002	17,002	-
Goodwill recorded in 1992 following the acquisition by the Parent Company of the portfolio of Card S.p.A.	33,053	33,053	-
Goodwill deriving from the acquisition by the parent company of the insurance portfolio of Latina Assicurazioni S.p.A. in 1992	34,522	34,522	-
Goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A., originally acquired from Previdente Vita (formerly Latina Vita) in 1993	16,463	16,463	-
Goodwill deriving from the acquisition, in 1995, of the portfolio Maa Finanziaria by Nuova Maa, incorporated into the parent company in 2003.	65,134	65,134	-
Goodwill deriving from the acquisition, in 2001, of the Profilo Life portfolio by Maa Vita, incorporated into the parent company in 2003.	1,052	1,052	-
Goodwill recorded following the merger with the parent company of Maa Vita in 2003	4,636	4,636	-
Goodwill relating to the acquisition by SIS of the Ticino portfolio in 1995	152	152	-
Consolidation difference deriving from the acquisition, in 1996, of La Previdente Vita (subsequently incorporated into Milano Ass.) by La Previdente Assicurazioni (subsequently incorporated into Milano Ass.)	3,275	3,275	-
Consolidation difference deriving from the acquisition of Dialogo Ass. by La Previdente Ass. in 1997	49	49	-
Consolidation difference arising from conferment in 2008 of Liguria Assicurazioni.	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.

In the first quarter of the year, there were no issues of a financial or macroeconomic nature to suggest that the goodwill recorded had incurred a reduction in value compared to the book value at December 31, 2010, already subjected to an impairment test as per IAS 36 (Impairment of assets). Therefore a new impairment test at March 31, 2011 was not carried out.

The *other intangible assets* have a definite useful life and are therefore amortised over their duration. There were no intangible assets generated internally. The account principally includes the VOBA relating to Liguria Assicurazioni of Euro 15,376 thousand. The amortisation in the period amounted to Euro 1,774 thousand.

The table below shows the breakdown including gross values and accumulated amortisation as at March 31, 2011:

<i>(in Euro thousands)</i>	Gross Book value	Amort. & impairment	Net value
VOBA Liguria Assicurazioni	49,673	-34,297	15,376
Other intangible assets	2,347	-849	1,498
TOTAL	52,020	35,146	16,874

2. PROPERTY, PLANT & EQUIPMENT

The account totals Euro 64,006 thousand, broken down as follows:

<i>(in Euro thousands)</i>	Buildings		Other tangible assets		Total	
	31/03/11	31/12/10	31/03/11	31/12/10	31/03/11	31/12/10
Gross carrying value	63,819	63,785	23,663	23,384	87,482	87,169
Accumulated depreciation and Impairments	-5,767	-5,644	-17,709	-17,414	-23,476	-23,058
NET VALUE	58,052	58,141	5,954	5,970	64,006	64,111

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

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

The book value, at the period-end is Euro 5.9 million lower than the expert valuations based on market values at the end of the previous period.

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

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The account amounts to Euro 437,172 thousand (Euro 434,652 thousand at 31/12/2010), broken-down as follows:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Non-Life premium reserve - reinsurers	56,479	55,969	510
Non-Life claims reserve - reinsurers	281,764	275,772	5,992
Other Non-Life reserves – reinsurers	-	-	-
Actuarial reserves attributed to reinsurers	94,586	98,502	-3,916
Reserve for claims to be paid – reinsurers	4,343	4,409	-66
Class D reserves attributed to reinsurers	-	-	-
Other reserves – reinsurers	-	-	-
TOTAL	437,172	434,652	2,520

4. INVESTMENTS

The breakdown of the account is as follows:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Investment property	999,953	1,000,349	-396
Investments in sub sidiaries, associates and joint ventures	127,418	202,391	-74,973
Investments held-to-maturity	123,256	121,798	1,458
Loans and receivables	824,183	660,504	163,679
AFS financial assets	6,722,743	6,827,511	-104,768
Financial assets at fair value recorded through the profit & loss account	280,071	288,590	-8,519
TOTAL	9,077,624	9,101,143	-23,519

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).

Overall, the book value at March 31, 2011 was Euro 194.5 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 March 31, 2011:

	31/03/2011	31/12/2010
Gross carrying value	1,098,831	1,092,526
Depreciation and impairment	-98,878	-92,177
Net value	999,953	1,000,349

During the quarter, rental income from investment property and expense reimbursements amounted to Euro 7 million while operating costs, mainly relating to building lease charges, amounted to Euro 5.5 million.

There are no significant limits to the realisation of the investment property due to restrictions of a legal, contractual or any other nature.

Investments in subsidiaries, associates and joint ventures

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

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010
A7 S.r.l.	266	266
Atahotels S.p.A.	-	-
Borsetto S.r.l.	3,170	3,170
Citylife S.r.l.	-	78,087
Garibaldi S.c.a.	49,382	45,902
Gruppo Fondiaria-Sai Servizi S.c.r.l.	11,032	11,615
Isola S.c.a.	10,941	10,907
Igli S.p.A.	28,366	28,366
Immobiliare Lombarda S.p.A.	9,132	9,083
Metropolis S.p.A.	1,665	1,665
Penta Domus S.r.l.	2,417	2,417
Sai Investimenti SGR S.p.A.	1,943	1,832
Service Gruppo Fondiaria-Sai S.r.l.	319	310
Servizi Immobiliari Martinelli S.p.A.	129	103
Sistemi Sanitari S.c.r.l.	170	182
Sviluppo Centro Est S.r.l.	386	386
Valore Immobiliare S.r.l.	8,100	8,100
TOTAL	127,418	202,391

The 27.2% holding in Citylife S.r.l., with a carrying value of Euro 78.1 million was classified under *Non-current assets or of a discontinued Group held for sale*, considering that Immobiliare Milano commenced the process for the exercise of the put option of holding in favour of Generali Properties.

Investments held-to-maturity

The account amounts to Euro 123,256 thousand and is comprised of:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Non quoted debt securities	1,343	1,330	13
Quoted debt securities	121,913	120,468	1,445
TOTAL	123,256	121,798	1,458

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

Loans and receivables

The account amounts to Euro 824,183 thousand (Euro 660,504 thousand at 31/12/2010) and is composed as follows:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Debt securities	718,050	553,037	165,013
Loans on life policies	24,297	24,627	-330
Deposits held by reinsurers	2,518	2,614	-96
Receivables from agents for indemnities paid to agents terminated	57,932	58,720	-788
Other loans and receivables	21,386	21,506	-120
TOTAL	824,183	660,504	163,679

The increase in the account *Debt securities* on December 31, 2010 is essentially due to the subscription in “Private Placement” of a nominal Euro 175 million of Italian government bonds (BTP) acquired in February for the purposes of stable investment.

The account *Debt securities* includes approx. Euro 253 million relating to financial instruments transferred from the category Available-for-sale at the beginning of 2009. These refer to corporate bonds with subordination clauses, with carrying values below the repayment value and high yields. The classification in this category is due to the technical characteristics of the securities, the desire of the company to maintain them in portfolio until maturity and the high levels of volatility which continued to affect the markets and which can no longer guarantee prices in line with the balance sheet fundamentals of the issuing companies.

These securities were valued at amortised cost. The related losses which decreased from Euro 23.8 million at January 1, 2009 to Euro 21.3 million at March 31, 2011 were recorded under shareholders' equity in the account *Profits or losses on available-for-sale financial assets* and valued at amortised cost.

The fair value of these securities at March 31, 2011 was approx. Euro 277 million, recording in the income statement for the quarter gains of Euro 4.6 million.

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:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Quoted equity securities	531,806	544,809	-13,003
Non quoted equity securities	49,637	48,505	1,132
Quoted debt securities	5,531,152	5,567,954	-36,802
Non quoted debt securities	31,285	38,810	-7,525
Fund units	578,863	627,433	-48,570
TOTAL	6,722,743	6,827,511	-104,768

The listed financial instruments recorded in this category are valued at market value at the last day of trading in the quarter, 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 group impairment policy, adjustments in value were recorded to the income statement on securities in this category for Euro 13.5 million, of which Euro 12 million relating to shareholdings and Euro 1.5 million to units in mutual investment funds. The impairments on equity investments principally relate to the holding in the indirect parent company Premafin (Euro 7 million) and the investment in the direct parent company Fondiaria-SAI (Euro 4.3 million).

Overall the financial instruments recorded in the AFS category led to the creation of a group net equity reserve “profits/losses on AFS financial assets” which includes the effects deriving from the valuation at fair value of such instruments and in particular the reductions in value not recorded to the income statement, with the recording of a profit of Euro 33.4 million.

This reserve includes a negative component of Euro 95 million relating to the debt securities, a positive component of Euro 30.4 million relating to equity securities and a negative component of Euro 83.9 million concerning investment fund units as well as the positive shadow accounting reserve of Euro 13.2 million and an overall positive tax effect of Euro 0.9 million.

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

The breakdown is as follows:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Quoted equity securities	936	650	286
Quoted debt securities	197,714	204,883	-7,169
Non quoted debt securities	32,438	32,790	-352
Fund units	46,967	48,159	-1,192
Other financial instruments	2,016	2,108	-92
TOTAL	280,071	288,590	-8,519

The amount includes Euro 222,012 thousand of investment contracts where the risk is borne by the policyholders and Euro 15,924 thousand of investments from pension fund management. These items are counter-entered under financial liabilities (Euro 58,280 thousand) and technical reserves (Euro 179,651 thousand). Their fair value was determined using the stock exchange prices on the last trading day of March 2011 as a benchmark reference.

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Receivables from direct insurance operations	530,967	662,794	-131,827
Receivables from reinsurance operations	64,038	69,553	-5,515
Other receivables	217,338	302,471	-85,133
TOTAL	812,343	1,034,818	-222,475

Other receivables are non-interest bearing and are generally payable within 90 days.

The receivables deriving from insurance operations include receivables from policyholders of Euro 246,154 thousand, of which Euro 187,995 thousand referring to the premiums for the year and Euro 58,159 thousand for premiums of previous years. The account also includes Euro 205,048 thousand of receivables from insurance brokers, Euro 14,436 thousand of insurance company receivables and Euro 65,329 thousand of receivables from policyholders and third parties for sums to be recovered.

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

The other receivables are broken down as follows:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Receivables from Fondiaria-Sai for tax payments on account and for credits and withholding taxes transferred in accordance with the tax consolidation	91,712	90,570	1,142
Trade receivables	8,168	7,069	1,099
Tax reimbursements	26,673	26,589	84
Other receivables	90,785	178,343	-87,558
TOTAL	217,338	302,571	-85,233

6. OTHER ASSETS

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Non-current assets or of a discontinued group held for sale	79,340	3,451	75,889
Deferred acquisition costs	7,542	7,477	65
Deferred tax assets	194,402	205,915	-11,513
Current tax assets	32,749	42,821	-10,072
Other assets	131,556	68,229	63,327
TOTAL	445,589	327,893	117,696

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

Euro 78.1 million refers to the book value of the investment in Citylife held through Immobiliare Milano Assicurazioni S.r.l., in relation to which an agreement is in place with Generali Properties S.p.A. in which Immobiliare Milano Assicurazioni is granted a single irrevocable sales option of the entire holding in Citylife (27.20% of the share capital), at a price as set out below.

The sales option may be exercised by Immobiliare Milano Assicurazioni S.r.l. until September 30, 2011 and exclusively concerning the entire holding and therefore not comprising a smaller part.

The transfer of the share subject to exercise of the option will be based on the condition that the relative authorisations from the competent authorities are granted to Generali Properties and on the prior consent of the Lending Banks, where applicable.

In the case of exercise of the option, the sales price of the investment will be the higher between:

- all of the amounts paid into Citylife since its incorporation by Immobiliare Milano Assicurazioni, in addition to the amount proportionally paid in by this latter company to the Fondazione Fiera as consideration for the area, all amounts net of the income distributed and capitalised at the Euribor rate at 3 months plus 1.5 percentage points from the date of payment until the date of sale of the investment;
- the percentage of the net equity of Citylife equivalent to the percentage of capital represented by the investment. For these purposes the net equity of Citylife will be established by an independent arbitrator commonly agreed between Generali Properties and Immobiliare Milano Assicurazioni. In establishing the price of the investment, the arbitrator will calculate the net equity value of Citylife, adjusting the unrealised gains and losses and the tax impact.

As established by the above-stated agreement of June 11, 2010, Generali Properties undertook an irrevocable commitment, together with the acquisition of the investment, to take on all of the commitments relating to the investment sub-entering in place of Immobiliare Milano Assicurazioni S.r.l. with the Financing Banks, with the Milan Municipality, in addition to those with the Fiera Fondazione.

On March 22, 2011, the Boards of Directors of Immobiliare Milano Assicurazioni S.r.l. and Milano Assicurazioni S.p.A. agreed to commence the process relating to the exercise of the option, based on the approval of the Board of Directors of Fondiaria-Sai of March 23. Taking account on the one hand of the financial situation of the Company and of the Group following the 2010 loss and on the other of the commitments relating to the project, within also the continually weak economic environment, the Board of Directors of Fondiaria-SAI S.p.A. approved the commencement of this process.

On April 4, Immobiliare Milano Assicurazioni S.r.l. (100% held by Milano Assicurazioni) communicated to Generali Properties S.p.A. the exercise of the sales option of the entire holding in CityLife S.r.l. (27.20% of the share capital) under the terms and conditions established by the agreement of June 11, 2010.

Following the exercise of the option, the sales contract of the investment should be considered completed, under which Generali Properties must fulfil all obligations assumed under the above-stated agreement.

On April 14, 2011, Generali Properties responded to the letter concerning the exercise of the option from Immobiliare Milano Assicurazioni, confirming their commitment to fulfil it.

Through common agreement between Generali Properties and Immobiliare Milano Assicurazioni, Leonardo & Co. S.p.A. was chosen as the arbitrator.

The account *Non-current assets or of a discontinued group held for sale* includes Euro 1.2 million relating to the property held by Liguria Assicurazioni, located in Segrate via delle Regioni, whose deeds have been drawn up.

Deferred acquisition costs

The deferred acquisition costs of Euro 7,542 thousand (Euro 7,477 thousand in Q1 2010) 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 194,402 thousand (Euro 205,915 thousand at 31/12/2010) and is calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the accounts and the respective tax value in relation to the probability of their recovery. Where permitted by IAS 12 (Income taxes), deferred tax assets and liabilities are compensated.

Current tax assets

The current tax assets, amounting to Euro 32,749 thousand (Euro 42,821 thousand at 31/12/2010), 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 131,556 thousand (Euro 68,229 thousand at 31/12/2010) and includes indemnities paid to agencies (Euro 11,532 thousand), payments on account for guarantee provisions in favour of policyholders, with particular reference to the Contribution to the Road Victims Guarantee Fund (Euro 28,644 thousand) and reinsurance items (Euro 12,880 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 265,066 thousand (Euro 284,665 thousand at 31/12/2010).

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 1,319,941 thousand. The composition compared to December 31, 2010 is shown below:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Group Net Equity	1,318,625	1,303,248	15,377
Share Capital	305,851	305,851	-
Other equity instruments	-	-	-
Capital reserves	718,147	718,147	-
Retained earnings and other reserves	313,194	980,995	-667,801
<i>Treasury shares</i>	<i>-31,353</i>	<i>-31,353</i>	-
Translation reserve	-	-	-
Profit or loss on AFS financial assets	33,353	1,989	31,364
Other gains and losses recorded directly in equity	-4,021	-3,670	-351
Group net loss	-16,546	-668,711	652,165
Minority interest equity	1,316	1,319	-3
Minority capital and reserves	1,322	1,502	-180
Gains and losses recorded directly in equity	-2	-3	1
Minority interest loss	-4	-180	176
TOTAL	1,319,941	1,304,567	15,374

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

The disclosures required by Ias 1.79A is provided below:

	Ordinary 31/03/2011	Savings 31/03/2011	Ordinary 31/12/2010	Savings 31/12/2010
Number of shares issued	557,435,774	30,739,882	557,435,774	30,739,882

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

	Ordinary	Savings	Total
Shares existing at 31/03/2011	557,435,774	30,739,882	588,175,656
Treasury shares (-)	-6,764,860	-	-6,764,860
Shares outstanding: balance at 31/03/2011	550,670,914	30,739,882	581,410,796

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

Retained earnings and other reserves

They principally comprise profits carried forward. The account also includes the consolidation reserve, negative for Euro 13,948 thousand, the reserve for gains and losses deriving from the first-time application of the international accounting standards for a negative amount of Euro 44,067 thousand, the merger reserve of Euro 350,833 thousand and the revaluation reserve of Euro 1,277 thousand.

Treasury shares

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

Profit or loss on AFS financial assets

The account, a profit of Euro 33,353 thousand, represents the difference between the acquisition costs and market prices of the financial assets available-for-sale where these differences are not indicative of reductions in value. They are recorded net of the part attributable to the policyholders and recorded as insurance liabilities in accordance with the accounting method contained in paragraph 30 of IFRS 4 (shadow accounting). The account includes Euro 21,295 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 3,922 thousand);
- losses deriving from the valuation of a derivative financial instrument to hedge cash flows (Euro 99 thousand).

2. PROVISIONS

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Provisions of a fiscal nature	-	-	-
Other provisions	153,734	136,139	17,595
TOTAL	153,734	136,139	17,595

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

- Euro 120,276 thousand relating to provision for risks, also related to disputes with the agency networks and disputes in course;
- Euro 23,836 thousand relating to provisions for future charges.
- Euro 9,622 thousand relating to the pro-rata provision against the equity deficit of Atahotels S.p.A. at March 31, 2011.

3. TECHNICAL RESERVES

The account amounts to Euro 9,038,197 thousand, a decrease of Euro 106,139 thousand on the end of the previous year.

The breakdown is as follows:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
NON-LIFE DIVISION			
Unearned premium reserve	1,152,162	1,192,062	-39,900
Claims reserve	4,067,458	4,096,194	-28,736
Other reserves	2,946	3,287	-341
Total Non-Life Division	5,222,566	5,291,543	-68,977
LIFE DIVISION			
Actuarial reserves	3,617,911	3,648,679	-30,768
Reserve for claims to be paid	40,207	48,886	-8,679
Technical reserves where investment risk borne by policyholders and from pension fund management	179,651	188,076	-8,425
other reserves	-22,138	-32,848	10,710
Total Life Division	3,815,631	3,852,793	-37,162
TOTAL TECHNICAL RESERVES	9,038,197	9,144,336	-106,139

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

The *Other life division technical reserves* principally include the reserve for future expenses and the reserve for deferred liabilities due to policyholders, negative for Euro 42,998 thousand, determined applying the shadow accounting method, as per paragraph 30 of IFRS 4.

4. FINANCIAL LIABILITIES

They consist of:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Financial liabilities at fair value through profit or loss account	60,514	61,643	-1,129
Other financial liabilities	363,532	366,303	-2,771
TOTAL	424,046	427,946	-3,900

Financial liabilities at fair value through profit or loss account

The account includes Euro 58,280 thousand of life policies that, although legal insurance contracts and have an insignificant insurance risk, do not fall within the remit of IFRS 4 (Insurance Contracts).

Other financial liabilities

The account includes the financial liabilities defined and governed by IAS 39 not included in the category “Financial liabilities at fair value through profit or loss”. These include deposits comprising guarantees in relation to reinsurance risks ceded for Euro 156,407 thousand, payables to credit institutions for Euro 56,811 thousand and subordinated liabilities for Euro 150,314 thousand.

The subordinated liabilities are composed as follows:

- Euro 50,324 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 99,990 thousand, equal to the amortised costs of the loan of Euro 100 million provided to Milano Assicurazioni by Mediobanca in July 2008. This loan was of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to 50% of the lower value between the available margin and the solvency margin requested. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months +350 basis points for the first ten years and subsequently 450 basis points. The repayment may be made in one repayment after 10 years.

5. PAYABLES

The account amounts to Euro 226,825 thousand and is comprised of:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Payables to direct insurance operations	30,880	31,388	-508
Payables to reinsurance operations	39,389	40,428	-1,039
Other payables	156,556	237,594	-81,038
TOTAL	226,825	309,410	-82,585

Payables from direct insurance operations include:

- Euro 15,607 thousand with insurance intermediaries;
- Euro 14,137 thousand for payables to insurance companies;
- Euro 1,136 thousand for payables for guarantee provisions for policyholders.

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

<i>(in Euro thousands)</i>	31/03/2011
Trade payables	13,538
Employee leaving indemnity	25,070
Policyholders' tax due	14,996
Other taxes due	17,330
Social security and welfare institutions	7,999
Other	77,623
TOTAL	156,556

6. OTHER LIABILITIES

The composition is as follows:

<i>(in Euro thousands)</i>	31/03/2011	31/12/2010	Changes
Current tax liabilities	-	2,164	-2,164
Deferred tax liabilities	36,145	33,223	2,922
Liabilities of a discontinued group held for sale	-	-	-
Other liabilities	150,838	139,509	11,329
TOTAL	186,983	174,896	12,087

Other liabilities

The account amounts to Euro 150,838 thousand (Euro 139,509 thousand at 31/12/2010) and is comprised of.

- commissions on premium collection of Euro 40,277 thousand;
- payments for claims in the non-life classes in course of execution at March 31, 2011 for Euro 40,646 thousand;
- over commissions to be paid for Euro 10,847 thousand;
- various liabilities for Euro 59,068 thousand.

Part C

Notes to the consolidated income statement

NET PREMIUMS

The net premiums consolidated amount to Euro 886,655 thousand (Euro 933,140 thousand in the first quarter of 2010).

The gross premiums written amount to Euro 920,562 thousand and consist of:

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Changes
Gross Life premiums written	94,311	156,424	-62,113
Gross Non-Life premiums written	786,324	809,166	-22,842
Change gross premium reserve	39,927	10,427	29,500
Total Non-Life Division	826,251	819,593	6,658
Gross premiums written	920,562	976,017	-55,455

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Changes
Life premiums ceded	2,878	2,693	185
Non-Life premiums ceded	31,736	39,842	-8,106
Change in reinsurers reserves	-707	342	-1,049
Total Non-Life Division	31,029	40,184	-9,155
Premiums ceded to reinsurers earned	33,907	42,877	-8,970

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

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Changes
Commission income	63	39	24

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

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

The account amounted to net income of Euro 2,124 thousand compared to net income of Euro 9,365 thousand in the same period of the previous year.

The table is broken down as follows:

<i>(in Euro thousands)</i>	Net interest	Other net income	Profits realised	Losses realised	Valuation gains and recovery in values	Val losses & adj. in values	Total March 31, 2011	Total March 31, 2010	Change
<i>Result of investments from</i>									
Financial assets held for trading	601	-4	53	-	301	-582	369	1,078	-709
Financial assets designated at fair value through profit or loss	3,791	-150	35	-93	1,328	-3,295	1,616	8,632	-7,016
Financial liabilities held for trading	-	-	-	-	139	-	139	-345	484
TOTAL	4,392	-154	88	-93	1,768	-3,877	2,124	9,365	-7,241

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

The following table shows the breakdown:

<i>(in Euro thousands)</i>	Net interest	Other net income	Profits realised	Losses realised	Val losses & adj. in values	Total 31/03/2011	Total 31/03/2010	Changes
<i>Result from:</i>								
Investment property	-	1,480	229	-	-6,888	-5,179	-2,952	-2,227
Investments in subsidiaries, associates and joint ventures	-	-4,658	-	-	-	-4,658	-7,784	3,126
Investments held to maturity	1,697	-	-	-	-	1,697	1,651	46
Loans and receivables	8,482	-	7	-143	-	8,346	5,330	3,016
AFS financial assets	42,941	6,126	39,529	-21,105	-13,470	54,021	69,356	-15,335
Other receivables	331	-	-	-	-	331	6	325
Cash and cash equivalents	36	-4	-	-	-	32	21	11
Other financial liabilities	-2,776	-	-	-	-	-2,776	-2,232	-544
Payables	-35	-	-	-	-	-35	-110	75
TOTAL	50,676	2,944	39,765	-21,248	-20,358	51,779	63,286	-11,507

OTHER REVENUES

The other income amounts to Euro 50,721 thousand (Euro 46,554 thousand in Q1 2010) and is composed of:

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Changes
Other technical income	16,309	15,577	732
Utilisation of provisions	2,571	555	2,016
Exchange differences	-	4,392	-4,392
Prior year income	180	199	-19
Recovery of expenses and administrative cost	22,494	21,617	877
Other revenues	9,167	4,314	4,853
TOTAL	50,721	46,554	4,167

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

NET CHARGES RELATING TO CLAIMS

The claims paid, including the sums of the life classes and the relative expenses, net of the quota ceded in reinsurance, amount to Euro 707,609 thousand.

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Changes
Non-Life Division			
Amount paid	634,904	641,002	-6,098
Change in claims reserve	-36,215	-13,205	-23,010
Change in recoveries	-8,103	-7,436	-667
Change in other technical reserves	-320	-281	-39
Total Non-Life	590,266	620,080	-29,814
Life Division			
Sums paid	147,635	126,204	21,431
Change reserve for sums to be paid	-8,613	-4,253	-4,360
Change in actuarial reserve	-27,030	48,753	-75,783
Change in technical reserves where investment risk borne by policyholders and from pension fund management	-5,441	-1,072	-4,369
Change in other technical reserves	10,792	-4,010	14,802
Total Life	117,343	165,622	-48,279
Total Non-Life + Life	707,609	785,702	-78,093
Amount paid	782,539	767,206	15,333
Change reserves	-74,930	18,496	-93,426

COMMISSION EXPENSE

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Changes
Commission expenses	20	17	3

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

MANAGEMENT EXPENSES

The details by type are shown below:

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Changes
Non-Life Division			
Acquisition commissions and changes in deferred acquisition costs	111,515	116,528	-5,013
Other acquisition expenses	23,562	19,923	3,639
Collection commissions	6,065	6,029	36
Reinsurers commissions and profit participation	-10,350	-9,511	-839
Total Non-Life	130,792	132,969	-2,177
Life Division			
Acquisition commissions and changes in deferred acquisition costs	1,537	1,940	-403
Other acquisition expenses	2,093	2,301	-208
Collection commissions	772	954	-182
Reinsurers commissions and profit participation	-830	-798	-32
Total Life	3,572	4,397	-825
Investment management charges	1,078	714	364
Other administration expenses	27,374	25,988	1,386
TOTAL	162,816	164,068	-1,252

OTHER COSTS

The other costs amount to Euro 130,924 thousand (Euro 121,947 thousand in Q1 2010) and are comprised of:

<i>(in Euro thousands)</i>	Q1 2011	Q1 2010	Changes
Other technical charges	79,429	77,128	2,301
Provisions	15,917	10,243	5,674
Losses on receivables	-	2,805	-2,805
Prior year charges	666	564	102
Depreciation of tangible assets	263	211	52
Amortisation of intangible assets	1,820	1,955	-135
Exchange differences	2,525	2,402	123
Administrative costs/expenses incurred for third parties	22,494	21,617	877
Other costs	7,810	5,022	2,788
TOTAL	130,924	121,947	8,977

INCOME TAXES

<i>(in Euro thousands)</i>	31/03/2011
Current income tax	4,811
Deferred tax liabilities arising in the year	1,791
Deferred tax liabilities utilised in the year	-16,231
Deferred tax assets arising in the year	-14,006
Deferred tax assets utilised in the year	30,158
TOTAL	6,523

Income taxes amounted to Euro 6,523 thousand (Euro 4,087 thousand in the first quarter of 2010) of which current taxes of Euro 4,811 thousand and a net deferred tax charge of Euro 1,712 thousand. The current income taxes are determined applying the respective rates in force of 27.5% for Ires and 4.82% for Irap.

FURTHER INFORMATION

Earnings per share

	31/03/2011	31/03/2010
Net profit/(loss) from ordinary operations attributed to the ordinary shareholders of the parent company (Euro thousand)	-15,681	-22,217
Weighted average number of ordinary shares to calculate the basic earnings per share	550,670,914	550,670,914
Earnings/(loss) per share from ordinary operations – in Euro	-0.03	-0.04

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

It is noted that:

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

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

	31/03/2011	31/03/2010
Net profit/(loss) from discontinued operations attributed to the ordinary shareholders of the parent company (Euro thousand)	-	943
Weighted average number of ordinary shares to calculate the basic earnings per share	550,670,914	550,670,914
Earnings/(loss) per share from discontinued operations – in Euro	-	0.00

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

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2011

In Euro thousands

Balance sheet by segment

		Non-Life Division		Life Division	
		31/03/2011	31/12/2010	31/03/2011	31/12/2010
1	INTANGIBLE ASSETS	222,238	224,164	25,328	25,325
2	PROPERTY, PLANT & EQUIPMENT	11,895	11,918	25	28
3	TECHNICAL RESERVES – REINSURANCE AMOUNT	338,243	331,741	98,929	102,911
4	INVESTMENTS	4,472,195	4,395,130	4,164,239	4,186,895
4.1	Investment property	641,130	639,107		
4.2	Investments in subsidiaries, associates and joint ventures	89,285	86,102	1,734	1,829
4.3	Investments held to maturity	-	-	123,256	121,798
4.4	Loans and receivables	186,915	195,417	618,881	446,994
4.5	AFS financial assets	3,537,193	3,456,620	3,157,969	3,345,568
4.6	Financial assets at fair value through the profit or loss account	17,672	17,884	262,399	270,706
5	OTHER RECEIVABLES	730,058	953,869	67,934	74,127
6	OTHER ASSETS	350,919	347,560	57,999	49,864
6.1	Deferred acquisition costs			7,542	7,477
6.2	Other assets	350,919	347,560	50,457	42,387
7	CASH AND CASH EQUIVALENTS	203,168	232,280	49,179	44,545
	TOTAL ASSETS	6,328,716	6,496,662	4,463,633	4,483,695
1	SHAREHOLDERS' EQUITY				
2	PROVISIONS	143,113	125,539	7,771	7,750
3	TECHNICAL RESERVES	5,222,566	5,291,543	3,815,631	3,852,793
4	FINANCIAL LIABILITIES	169,794	160,064	196,760	197,409
4.1	Financial liabilities at fair value through profit or loss account	658	1,506	59,175	59,317
4.2	Other financial liabilities	169,136	158,558	137,585	138,092
5	PAYABLES	176,151	264,124	39,077	38,284
6	OTHER LIABILITIES	142,987	134,055	90,607	116,723
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total	
31/03/2011	31/12/2010	31/03/2011	31/12/2010	31/03/2011	31/12/2010	31/03/2011	31/12/2010
360	523					247,926	250,012
51,991	52,071	95	94			64,006	64,111
						437,172	434,652
450,451	528,379	-	-	9,261	9,261	9,077,624	9,101,143
368,084	370,503			9,261	9,261	999,953	1,000,349
36,399	114,460				-	127,418	202,391
						123,256	121,798
18,387	18,093					824,183	660,504
27,581	25,323					6,722,743	6,827,511
						280,071	288,590
10,765	10,105	3,586	2,785		-	6,068	812,343
81,924	3,964	77	77	45,330	73,572	445,589	327,893
						7,542	7,477
81,924	3,964	77	77	45,330	73,572	438,047	320,416
8,836	3,118	3,883	4,722			265,066	284,665
604,327	598,160	7,641	7,678	54,591	88,901	11,349,726	11,497,294
						1,319,941	1,304,567
2,800	2,800	50	50			153,734	136,139
						9,038,197	9,144,336
57,492	70,473	-	-	-	-	424,046	427,946
681	820					60,514	61,643
56,811	69,653					363,532	366,303
5,066	5,783	6,531	7,287		-	6,068	226,825
685	497	1,027	186	48,323	76,565	186,983	174,896
						11,349,726	11,497,294

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2011

In Euro thousands

Segment Income Statement

		Non-Life Division		Life Division	
		31/03/2011	31/03/2010	31/03/2011	31/03/2010
1	Net premiums	795,222	779,408	91,433	153,732
1.1.1	Gross premiums written	826,251	819,592	94,311	156,425
1.1.2	Premiums ceded to re-insurers	- 31,029	- 40,184	- 2,878	- 2,693
1	Commission income		-	63	39
1	Income and charges from financial instruments recorded at fair value through profit or loss	- 315	1,297	2,300	8,413
1	Income from investments in subsidiaries, associates and joint ventures	178	121		-
2	Income from other financial instruments and property investments	42,517	55,132	61,148	49,567
2	Other revenue	46,722	39,264	1,451	3,861
1	TOTAL REVENUES AND INCOME	884,324	875,222	156,395	215,612
2	Net charges relating to claims	- 590,266	- 620,080	- 117,343	- 165,622
2.1.1	Amounts paid and changes in technical reserves	- 603,182	- 639,425	- 120,920	- 168,725
2.1.2	Reinsurers' share	12,916	19,345	3,577	3,103
2	Commission expenses		-	20	17
2	Charges from investments in subsidiaries, associates and joint ventures	- 4,767	- 6,790	94	82
2	Charges from other financial instruments and property investments	- 30,677	- 21,046	- 14,156	- 10,209
3	Management expenses	- 156,278	- 156,718	- 6,538	- 7,350
3	Other expenses	- 121,847	- 108,104	- 5,992	- 10,614
2	TOTAL COSTS AND CHARGES	- 903,835	- 912,738	- 144,143	- 193,894
	PROFIT/(LOSS) BEFORE TAXES	- 19,511	- 37,516	12,252	21,718

Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total	
31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010
-	-	-	-	-	-	886,655	933,140
						920,562	976,017
						- 33,907	- 42,877
						63	39
139	- 345					2,124	9,365
25						203	121
3,059	1,609					106,724	106,308
441	1,623	2,107	1,806			50,721	46,554
3,664	2,887	2,107	1,806	-	-	1,046,490	1,095,527
-	-	-	-	-	-	- 707,609	- 785,702
						- 724,102	- 808,150
						16,493	22,448
						- 20	- 17
	- 1,033					- 4,861	- 7,905
- 5,454	- 3,983					- 50,287	- 35,238
						- 162,816	- 164,068
- 882	- 1,582	- 2,203	- 1,647			- 130,924	- 121,947
- 6,336	- 6,598	- 2,203	- 1,647	-	-	- 1,056,517	- 1,114,877
- 2,672	- 3,711	- 96	- 159	-	-	- 10,027	- 19,350

Part E

Transactions with related parties

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

(in Euro thousands)

	Assets	Liabilities	Revenues	Costs
Parent Company	161,084	52,397	2,861	4,779
Associate/Group companies	512,170	90,623	51,423	85,834
Other related parties	159,473	610	4,577	5,207

Transactions with Fondiaria-SAI and with the associated and group companies in the first quarter of 2011

The transactions relating to assets, liabilities, income and charges at March 31, 2011 principally regard:

- transactions related to reinsurance activities, principally with the group company Lawrence Re Ltd. (assets Euro 241.9 million – liabilities Euro 93.6 million – revenues Euro 27.1 million – costs Euro 35.2 million);
- transactions based on the breakdown between the Fondiaria-SAI Group companies of common service costs at group level and principally provided by Consorzio Gruppo Fondiaria-SAI Servizi S.c.r.l. (assets Euro 26.1 million – liabilities Euro 38.9 million – revenues Euro 22.2 million – costs Euro 45.3 million);
- transactions related to the participation in the Fondiaria-SAI Group tax consolidation (assets Euro 91.7 million – liabilities Euro 0.1 million).

Transactions with other related parties at March 31, 2011

The assets at March 31, 2011 principally include:

- Euro 102.5 million recorded in the Investment property account relating to payments on account to the Company “Avvenimenti e Sviluppo Alberghiero S.r.l.” for the execution of the real estate contracts on the building areas at Via Fiorentini, Rome. We recall that this operation, undertaken in 2003, included the sale to “Avvenimenti e Sviluppo Alberghiero S.r.l.” of a site and the purchase of the completed real estate complex under construction on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009.

- Euro 56.1 million recorded to the Investment property account relating to payments on account to “IM.CO. S.p.A.” for the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castilia (Lunetta dell’Isola). The project included the sale in 2005 to “IM.CO. S.p.A.” of the above-mentioned land and the purchase for Euro 99.1 million of a building for office use in accordance with the recently agreed supplement to the contract.

The financial cash flows in the first quarter of 2011 in relation to these operations amounted to Euro 4.8 million of payments on account made by Milano Assicurazioni.

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

For further information relating to the above-stated operations, reference should be made to the 2010 consolidated annual accounts.

Other Information

Employees

At March 31, 2011, the number of employees of the Parent Company and of the consolidated companies amounted to 1,968 (1,963 at 31/12/2010). The breakdown by category is as follows:

	31/03/2011	31/12/2010
Executives	20	24
Managers & white collar	1,941	1,932
Building caretakers	7	7
	1,968	1,963

Tax Audits

In relation to the tax assessments notified to Milano Assicurazioni in December 2010 essentially concerning effective tax avoidance, as part of the tax settlement request process, while maintaining the correctness of the actions undertaken by the company, initial contacts were made with the Tax Agency in order to establish the possibility to reach an out of court settlement in relation to these disputes, considering the significant size of the assessments, of the effects of these deflationary instruments and the uncertainty concerning the outcome of the above-stated action. The process concerns also the operations subject to tax audit by the Large Contributions Office of the Central Office of the Inland Revenue Agency in course for the years 2006-2008.

The provision at December 31, 2010 was supplemented to take account of charges which may devolve from any out of court settlement.

Exchange Rates

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

	31/03/2011	31/12/2010	31/03/2010
US Dollar	1.4207	1.3362	1.3479
UK Sterling	0.8837	0.86075	0.8898
Swiss Franc	1.3005	1.2504	1.4276

Milan, May 14, 2011

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

Declaration of the Executive Responsible

in accordance with Art. 154 *bis*, paragraph 2 of Legislative Decree 24/02/1998, No. 58

The undersigned Pier Giorgio Bedogni, as Executive Responsible for the preparation of corporate financial documents of Milano Assicurazioni S.p.A.

AFFIRMS

pursuant to the provisions of Article 154 *bis* of the “Finance Act for financial intermediaries” that the Interim Report at March 31, 2011 corresponds to the underlying accounting documents, records and accounting entries.

Milan, May 14, 2011

*The Executive in charge of the preparation
of the corporate accounting documents*

Mr. Pier Giorgio BEDOGNI

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

Al Consiglio di Amministrazione di
MILANO ASSICURAZIONI S.p.A.

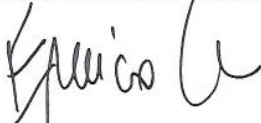
1. Abbiamo effettuato la revisione contabile limitata del bilancio consolidato infrannuale abbreviato, costituito dallo stato patrimoniale, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario e dalle relative note esplicative di Milano Assicurazioni S.p.A. e controllate ("Gruppo Milano Assicurazioni") al 31 marzo 2011. La responsabilità della redazione del bilancio consolidato infrannuale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea, 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 previsti dall'International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". La revisione contabile limitata del bilancio consolidato infrannuale abbreviato consiste nell'effettuare colloqui, prevalentemente con il personale della società responsabile degli aspetti finanziari e contabili, analisi di bilancio ed altre procedure di revisione contabile limitata. L'estensione di una revisione contabile limitata è sostanzialmente inferiore rispetto a quella di una revisione contabile completa svolta in conformità agli International Standards on Auditing e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti significativi che potrebbero essere identificati con lo svolgimento di una revisione contabile completa. Pertanto, non esprimiamo un giudizio professionale sul bilancio consolidato infrannuale abbreviato.

Per quanto riguarda i dati relativi al bilancio consolidato dell'esercizio precedente presentati ai fini comparativi, si fa riferimento alla nostra relazione emessa in data 5 aprile 2011.

Il bilancio consolidato infrannuale abbreviato presenta a fini comparativi i dati relativi al bilancio consolidato infrannuale abbreviato dell'anno precedente, che non sono stati da noi esaminati. Le conclusioni da noi raggiunte nella presente relazione non si estendono, pertanto, a tali dati.

3. Sulla base di quanto svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio consolidato infrannuale abbreviato del Gruppo Milano Assicurazioni al 31 marzo 2011 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.

DELOITTE & TOUCHE S.p.A.



Enrico Ciai
Socio

Milano, 16 maggio 2011

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Perugia
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