MILANO ASSICURAZIONI

2013 First Quarter Report

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2013 First Quarter Report

BOARD OF DIRECTORS

Fabio **Cerchiai ***	*Chairman*
Pierluigi **Stefanini ***	*Vice Chairman*
Carlo **Cimbri ***	*Chief Executive Officer*
Carla **Angela**	
Gianluca **Brancadoro**	
Cristina **De Benetti**	
Daniele **Ferrè**	
Germana **Ravaioli**	
Antonio **Rizzi**	

** Members of the Executive Committee*

Roberto **GIAY**	*Secretary to the Board of Directors*

The Board of Directors was appointed by the Shareholders' Meeting of April 29, 2013 for the three-year period 2013, 2014 and 2015 and therefore until the approval of the 2015 Annual Accounts by the Shareholders' Meeting.

The Board of Directors on May 8 appointed the corporate officers and the internal committees of the board as reported below.

The Board appointed, for the duration of its mandate, and therefore until the approval of the 2015 Annual Accounts, Fabio Cerchiai as Chairman, Pierluigi Stefanini as Vice Chairman and Carlo Cimbri as Chief Executive Officer.

The Vice Chairman Pierluigi Stefanini was also appointed Director in charge of the internal control and risk management system, in accordance with the Self-Governance Code for listed companies.

The Board of Directors appointed, for the duration of its mandate and therefore until the approval of the 2015 Annual Accounts, an Executive Committee comprising 3 Directors in the persons of those qualifying under Article 18 of the By-laws and therefore the Chairman Fabio Cerchiai, the Vice Chairman Pierluigi Stefanini and the Chief Executive Officer Carlo Cimbri.

The Board of Directors also appointed:

- the Remuneration Committee as Directors Gianluca Brancadoro (Chairman), Carla Angela and Cristina De Benetti, all independent;
- the Control and Risks Committee as Directors Antonio Rizzi (Chairman), Carla Angela and Cristina De Benetti, all independent;
- Massimo Dalfelli as the executive responsible for the preparation of the company's financial statements.

JOINT REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS

Emanuele **Rimini**

BOARD OF STATUTORY AUDITORS

Giuseppe **Angiolini**
Chairman

Antonino **D'Ambrosio**
Statutory Auditor

Giorgio **Loli**
Statutory Auditor

Francesco **Bavagnoli**
Alternate Auditor

Claudio **De Re**
Alternate Auditor

Michela **Zeme**
Alternate Auditor

The Board of Statutory Auditors was appointed by the Shareholders' Meeting on July 10, 2012 and will remain in office until the approval by the Shareholders' Meeting of the 2014 Annual Accounts.

INDEPENDENT AUDIT FIRM

RECONTA ERNST & YOUNG S.P.A.

EXECUTIVE RESPONSIBLE

for the preparation of the company's financial statements

Massimo **Dalfelli**

GROUP FINANCIAL HIGHLIGHTS

(Euro millions)	**Q1 2013**	**Q1 2012**
Group net profit/(loss)	46.7	-17.9
Gross premiums written	705.5	816.1
of which:		
Gross Non-Life premiums written	622.0	730.4
Gross Life premiums written	83.5	85.7
Investment policies written	1.8	2.0
APE (*)	7.7	7.3
Combined ratio Non-Life sector (**)	94.9%	100.1%
Loss ratio Non-Life sector (**)	73.0%	79.5%

(Euro millions)	**31/03/2013**	**31/12/2012**
Investments	8,544.7	8,475.4
Net insurance contract liabilities - Non-Life sector	5,076.4	5,226.4
Net insurance contract liabilities - Life sector	3,255.0	3,307.9
Financial liabilities	338.8	327.4
Solvency ratio	121.0%	115.7%

(*) Sum of the first premiums of the new annual premium contracts, plus one tenth of the new annual premium contracts.

(**) Includes technical charges.

THE MILANO ASSICURAZIONI GROUP

At March 31, 2013, 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 engaged in various services.

Milano Assicurazioni S.p.A. is a leading insurance player on the Italian market, operating in the Non-Life and Life insurance sectors, with consolidated annual premiums of approx. Euro 3.1 billion and a sales network of almost 1,800 agencies spread throughout the country.

The registered office of the company is Via Senigallia 18/2, Milan. The Company is listed on the Italian Stock Exchange. The present interim report outlines the sectors in which the group companies operate and their relative performances.

On July 19, 2012, in execution of the investment agreement of January 29, 2012, Unipol Gruppo Finanziario S.p.A. (UGF) executed the share capital increase of Premafin Finanziaria S.p.A. – Holding di Partecipazioni, approved by the Extraordinary Shareholders' Meeting of June 12, 2012 and reserved to UGF.
With the subscription UGF became the majority shareholder of Premafin with a holding of approx 81%, acquiring consequently indirect control of the Fondiaria-Sai Group and, therefore, Milano Assicurazioni.

On November 14, 2012, the Board of Directors of Unipol Gruppo Finanziario S.p.A., with registered office at Via Stalingrado 45, 40128 - Bologna, approved the commencement of the management and direction of Fondiaria-Sai S.p.A. and of the companies already subject to management and direction of this latter, including Milano Assicurazioni S.p.A..

Milano Assicurazioni also entered the Unipol Insurance Group, enrolled in the registrar of Insurance Groups at No. 046.

FINANCIAL HIGHLIGHTS

The group reports a net profit of Euro 46.7 million in Q1 2013 (loss of Euro 17.9 million in Q1 2012). The financial highlights for the quarter are illustrated in the table below, compared to the first quarter of 2012.

(in Euro thousands)	**Q1 2013**	**Q1 2012**	**Change**
Net premiums	735,964	823,774	-87,810
Commission income	126	188	-62
Income and charges from financial instruments at fair value through profit or loss	788	8,783	-7,995
Income from subsidiaries, associated com. and jt. ventures	139	271	-132
Income from other financial instruments and property investments	90,655	115,396	-24,741
- Interest income	63,040	61,110	1,930
- Other income	9,296	13,881	-4,585
- Profits realised	18,319	40,405	-22,086
- Valuation gains	-	-	-
Other income	43,136	52,955	-9,819
Total revenues	**870,808**	**1,001,367**	**-130,559**
Net claims charges	-536,397	-643,737	107,340
Commission expenses	-18	-23	5
Charges from subsidiaries, associated com. and jt. ventures	-4,450	-11,185	6,735
Charges from other financial instruments and property investments	-17,820	-33,823	16,003
- Interest expense	-2,270	-2,838	568
- Other expenses	-4,072	-5,105	1,033
- Losses realised	-2,613	-7,172	4,559
- Valuation losses	-8,865	-18,708	9,843
Management expenses	-134,619	-152,989	18,370
- Commissions and other acquisition expenses	-107,628	-124,431	16,803
- Investment management charges	-803	-1,520	717
- Other administration expenses	-26,188	-27,038	850
Other costs	-94,799	-165,458	70,659
Total costs	**-788,103**	**-1,007,215**	**219,112**
Profit/(loss) before taxes in the period	**82,705**	**-5,848**	**88,553**
Income taxes	-35,977	-13,273	-22,704
Net profit/(loss) in the period	**46,728**	**-19,121**	**65,849**
Profit from discontinued operations	-	1,156	-1,156
Consolidated net profit (loss)	**46,728**	**-17,965**	**64,693**
Minority interest share	-3	-29	26
Group net profit (loss)	**46,731**	**-17,936**	**64,667**

The key factors in Q1 2013 which contributed to this result are summarised below:

- the **Non-Life insurance sector** reported a pre-tax profit of Euro 62.8 million compared to a loss of Euro 22.6 million in Q1 2012. The improvement is principally due to the positive technical performance, with a combined ratio, net of reinsurance, of 94.9% against 100.1% in Q1 2012. The 2012 result was impacted for Euro 48.2 million by receivable write-downs following the bankruptcy of the company Im.Co S.p.A., with whom future property construction operations were in place.
  In particular, the **Motor TPL** Class reports a significant improvement in the current management, with claims reported reducing by 16.3% and a lower frequency. The strength of the provisions accrued at the end of 2012 ensured the adequacy of these provisions on settlement with therefore a substantially neutral impact on the income statement. Consequently the technical performance was positive.
  The **Land Vehicle** Class also reported a positive technical performance, confirming the performances of the recent past, also following the new sales methods for individual guarantees and the adjustment of the underwriting limits, carried out in view of market performances.
  Within the **other Non-Life** classes, the Accident, Fire and Assistance Classes report positive results, while the General TPL Class reported a loss, against continued high current year claims, as did the Bonds Class, impacted by a number of surety policies issued in prior years;

- the **Life Insurance Sector** in the first quarter reports a pre-tax profit of Euro 22.3 million, an improvement on Euro 18.7 million in Q1 2012. The profitability was supported by a policy portfolio which is characterised principally by traditional type products, whose technical composition is focused on - through the selection of demographic and financial parameters - the guarantee of a satisfactory margin. The products offered, for the quality and the wide range offered, satisfy all needs of clients, both in terms of savings (pension and non) and in terms of investments in relation to fulfilling security and protection needs.

- the **real estate sector** reports a pre-tax loss of Euro 1.4 million (substantially in line with Q1 2012), principally due to depreciation and operating charges concerning property held by Immobiliare Milano, not fully covered by rental income;

- the **financial and asset management** reports overall net income of Euro 69.3 million compared to Euro 79.4 million in Q1 2012. The reduction is principally due to the lower profits on bond securities. In particular, in relation to the most significant accounts:
  - interest income amounted to Euro 63 million, compared to Euro 61.1 million in Q1 2012 (+3.2%);
  - net profits realised totaled Euro 15.7 million (Euro 33.2 million in Q1 2012) and concern bond securities for Euro 9.9 million and equities for Euro 5.6 million, of which Euro 4.7 million from the sale of the investment in Unicredito in January. The residual Euro 0.2 million relates to the disposal of property units;

- valuation losses amounted to Euro 8.9 million (Euro 18.7 million in Q1 2012) and concern impairments on AFS financial instruments of Euro 3.3 million and depreciation on property for Euro 5.6 million;
- the financial instruments at fair value through profit or loss report net income of Euro 0.8 million (Euro 8.7 million in Q1 2012) and principally concern life products whose risk is borne by the policyholder;
- the associated companies report net charges of Euro 4.3 million, of which Euro 3.4 million deriving from the share of the result of Atahotels, which continues to be impacted by the still weak hotel sector and overhead costs which remain high;

- **management expenses** in the Non-Life insurance sector amounted to Euro 129.1 million, with a percentage on net premiums of 19.7% (19.6% in Q1 2012). In the Life sector management expenses amounted to Euro 5.5 million (with a percentage on net premiums of 6.8% compared to 8.9% in Q1 2012). At March 31, 2013, employees of the fully consolidated companies number 1,875, increasing by 8 on December 31, 2012.
  The agency network at the end of the quarter comprised 1,763 agencies, a decrease of 17 on December 31, 2012.

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 Sogeint, which provides commercial assistance to the Agencies.

(in Euro thousands)	**Non-Life**	**Life**	**Real Estate**	**Other**	**Inter-segment elim.**	**Total**
Net premiums	654,824	81,140	-	-	-	735,964
Commission income	-	126	-	-	-	126
Income and charges from financial instruments at fair value through profit or loss	-921	1,709	-	-	-	788
Income from subsid., ass. and jt. ventures	121	-	18	-	-	139
Income from other financial instruments and property investments	46,247	41,053	3,354	1	-	90,655
- Interest income	28,874	34,046	119	1	-	63,040
- Other income	3,773	2,288	3,235	-	-	9,296
- Profits realised	13,600	4,719	-	-	-	18,319
- Valuation gains	-	-	-	-	-	-
Other income	39,128	2,871	601	832	-296	43,136
Total revenues	**739,399**	**126,899**	**3,973**	**833**	**-296**	**870,808**
Net claims charges	-450,506	-85,891	-	-	-	-536,397
Commission expenses	-	-18	-	-	-	-18
Charges from subsid., ass. & jt. ven.	-4,255	-93	-102	-	-	-4,450
Charges from other financial instruments and property investments	-8,894	-4,806	-4,120	-	-	-17,820
- Interest expense	-1,310	-960	-	-	-	-2,270
- Other expenses	-1,915	-138	-2,019	-	-	-4,072
- Losses realised	-2,012	-601	-	-	-	-2,613
- Valuation losses	-3,657	-3,107	-2,101	-	-	-8,865
Management expenses	-129,120	-5,499	-	-	-	-134,619
- Commissions and other acquisition	-104,798	-2,830	-	-	-	-107,628
- Investment management charges	-610	-193	-	-	-	-803
- Other administration expenses	-23,712	-2,476	-	-	-	-26,188
Other costs	-83,811	-8,324	-1,128	-1,832	296	-94,799
Total costs	**-676,586**	**-104,631**	**-5,350**	**-1,832**	**296**	**-788,103**
Profit/(loss) before taxes – Q1 2013	**62,813**	**22,268**	**-1,377**	**-999**	**-**	**82,705**
Profit/(loss) before taxes – Q1 2012	**-22,573**	**18,707**	**-1,405**	**-577**	**-**	**-5,848**

OPERATIONAL PERFORMANCE AND NOTES

Non-Life Insurance Sector

Premiums written

Direct premiums written in the first quarter of 2013 totaled Euro 620.9 million, a decrease of 14.8% on the first quarter of 2012 and relates to the Motor classes for Euro 425 million (-17.2%) and to the Other non-life classes for Euro 195.8 million (-9.2%).

In the Motor classes, **Motor TPL** premiums amounted to Euro 374.4 million, decreasing 17.1%, illustrating the continuation, even more decisively, of the reform of the multi-claim portfolio and the drop in new vehicle registrations - which again in the quarter decreased significantly (-13%) - due to the challenging economic environment which heavily impacted the sector, and in part to the continued rise in vehicle utilisation costs.
In order to establish a more competitive and less mutual tariff structure, in the first months of 2013 the review process of policies concerning the technical-commercial fleet agreements continued. The focus is to reduce the share of the fleet portfolio, both in terms of number of policies and of discounts applied and to redistribute the agency discounts through technically rigorous criteria.

For the **Land Vehicle** class, premiums written totaled Euro 50.6 million, decreasing 17.9% on Q1 2012. Also for this class, premiums were impacted principally by the difficult economic environment, with a contraction in new vehicle registrations and with the reduction in household disposable income making the insertion of accessory guarantees in the motor policies more difficult.
The sales policies of the motor manufacturers have also impacted volumes with the inclusion in the vehicle sales price of insurance packages with fire, theft and assistance guarantees. The restructuring of the multi-claim portfolio also impacted the result.

In the **Other Non-Life** classes premiums written totaled Euro 195.8 million. The reduction on Q1 2012 (-9.2%) is due to the restructuring of the corporate portfolio, particularly in relation to structurally weak sectors and also the difficulties in the retail sector which, although being the principle objective of the underwriting policy, was impacted by the current extensive crisis which reduces household disposable income for insurance coverage. The uncertainties created by recent events within the former Fondiaria-Sai Group, thereafter resulting in the acquisition of control by the Unipol Group, also had a negative impact.
In the current difficult economic context, the underwriting policy continues to employ prudent criteria and is principally focused on the retail sector and on small-medium sized enterprises which operate in historically profitable sectors and regions.
In the Corporate sector, the restructuring of the poorly performing portfolios continued. The underwriting policy was particularly prudent, particularly in relation to catastrophic

guarantees and private healthcare sector TPL coverage (following the completion of the withdrawal from the public healthcare sector portfolio in 2012).

For the **indirect business**, premiums amount to Euro 1.2 million and continue to be marginal due to the decision to cease underwriting on the inward reassurance market with companies not belonging to the Group.

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

(in Euro thousands)	**Q1 2013**	**Q1 2012**	**Change %**
Accident & health	52,665	57,784	-8.9
Marine, aviation and transport	2,223	3,224	-31.0
Fire and Property	70,982	77,865	-8.8
General TPL	46,401	52,012	-10.8
Credit & Bonds	11,174	12,203	-8.4
General pecuniary losses	1,154	1,356	-14.9
Legal expenses	1,950	1,905	+2.4
Assistance	9,273	9,239	+0.4
TOTAL OTHER NON-LIFE CLASSES	**195,822**	**215,588**	**-9.2**
Land Motor TPL	374,418	451,852	-17.1
Land vehicles	50,614	61,666	-17.9
TOTAL MOTOR	**425,032**	**513,518**	**-17.2**
TOTAL	**620,854**	**729,106**	**-14.8**

Claims

The first quarter of the year confirmed the improvement already seen in 2012: total claims reported amounted to 142,509, decreasing 14.6% on the first quarter of 2012. Specifically, with reference to the Motor TPL Class, the claims reported in the quarter amounted to 62,326 (-16.3% on Q1 2012).
The claims paid in the first quarter of 2013, gross of outward reinsurance, amounted to Euro 540 million, a decrease of 10.3% on Euro 601.7 million in the same period of the previous year.

The table below shows the breakdown of the number of claims reported and the amount of the claims paid on direct Italian business:

	Claims reported (Number)			**Claims paid (in Euro thousands)**		
	Q1 2013	**Q1 2012**	**Cge. %**	**Q1 2013**	**Q1 2012**	**Cge. %**
Accident & health	14,084	17,710	-20.5	27,142	30,056	-9.7
Marine, aviation and transport	143	142	+0.7	1,394	3,210	-56.6
Fire and Property	19,354	24,027	-19.4	54,558	50,298	+8.5
General TPL	8,740	10,269	-14.9	48,488	46,613	+4.0
Credit & Bonds	184	132	+39.4	6,908	12,232	-43.5
General pecuniary losses	295	354	-16.7	2,806	2,193	+28.0
Legal expenses	216	212	+1.9	305	207	+47.3
Assistance	14,861	14,510	+2.4	2,394	2,606	-8.1
TOTAL OTHER NON-LIFE CLASSES	**57,877**	**67,356**	**-14.1**	**143,995**	**147,415**	**-2.3**
Land Motor TPL (*)	62,326	74,448	-16.3	364,303	414,858	-12.2
Land vehicles	22,306	25,053	-11.0	31,733	39,448	-19.6
TOTAL MOTOR	**84,632**	**99,501**	**-14.9**	**396,036**	**454,306**	**-12.8**
TOTAL	**142,509**	**166,857**	**-14.6**	**540,031**	**601,721**	**-10.3**

(*) The claims reported refer to claims caused by our policyholders (no card + debtor card). The amount of the payments also includes the difference between payments made and the flat rate recovery in relation to the card management system.

Technical performance

The first quarter of 2013 reports a positive technical performance and a significant improvement on the same quarter of the previous year: the total combined ratio in the first quarter, net of outward reinsurance, in fact amounted to 94.9% compared to 100.1% in the first quarter of 2012.

In particular, the **Motor TPL** Class reports a significant improvement in the current management, with claims reported reducing by 16.3% and a lower frequency. The strength of the provisions accrued at the end of 2012 ensured the adequacy of these provisions on settlement with therefore a substantially neutral impact on the income statement. Consequently the technical performance was positive.

The **Land Vehicle** Class also reported a positive technical performance, confirming recent performances, also following the new sales methods for individual guarantees and the adjustment of the underwriting limits, carried out in view of market performances.

In the **Other Non-Life** classes the overall result was substantially breakeven. In particular:
- the performances of Accident, Fire and Assistance classes were positive;
- the General TPL class performance was again negative, although improving on Q1 2012 due to a still high level of current year claims, while the settlement of prior year claims showed signs of improvement on the recent past after the higher provisions accrued following the actions taken in 2012;
- the Bond Class was affected by the attempted execution of a number of surety policies from the 1990’s by the Customs Agency and by the Campania monopolies, concerning operations of a major company, a client of companies belonging to the Milano Assicurazioni Group. The requests were however disputed in court and were suspended.

New products launched on the market

In the retail segment, on January 1 2013 the new *Difesa per Infortuni da Circolazione* product was launched which may be undertaken both by physical persons and companies and guarantees a complete coverage for the driver of vehicles indicated on the policy and passengers, protecting against the economic impact of traffic accidents. The product is flexible and provides the possibility for extension of coverage to all vehicles owned by the policyholder, including bicycles.

The Group also continued to scale back its product catalogue and monitor technically critical areas. The most important initiatives implemented are as follows:

- overhaul of home insurance policies in 2013. The Group continued to restructure its home insurance portfolio in relation to off-catalogue products with a view to encouraging people, by offering promotional guarantees and discounts, to take out its *Difesa Più Casa One* product, which is currently on the market;

- overhaul of Accident insurance policies in 2013. In the first quarter of 2013 the reform of the older portfolio with obsolete regulatory/tariff conditions continued. In particular, the transfer of risks were altered on the *Difesa Più Infortuni* product by offering special discounts and dedicated supplements to update its old, no-excess policies;

- overhaul of Professional policies subscribed until 2009, through a proposal to Clients, with a specific no-claims since 2010 discount, of products currently in the catalogue.

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Liguria Assicurazioni, with a predominantly multi-mandate sales network, recorded premiums in Q1 2013 of Euro 49.8 million, compared to Euro 62.3 million in the first quarter of 2012. In particular, premiums written in the Motor TPL class totaled Euro 31.7 million (Euro 41.6 million in Q1 2012) and contracted 23.7%; in the Land Vehicle class premiums amounted to Euro 2.6 million (-24%) and in the Other Non-Life classes amounted to Euro 15.5 million, reducing 10.9% on Q1 2012.
The decrease is principally due to the continued restructuring of unprofitable agencies and the withdrawal of the poorly performing portfolios, including the largest Company agency.

The agencies at March 31, 2013 numbered 299.
In the first quarter 8 agencies opened, with 5 mandates revoked.

The current generation claims performance was positive: claims reported contracted significantly. In particular, the claims managed within the Motor TPL class dropped by 31.4% with an improvement in the frequency. In the Land Vehicle class the reduction in claims reported was 23.4% and 12.9% in the Other Non-Life classes.

Consequently, the overall technical performance of the company, although remaining slightly negative, improved significantly on the first quarter of 2012 and the net result, prepared in accordance with IAS/IFRS, reports a profit of Euro 2.1 million.

In relation to the telephone and internet channel, the premiums written by **Dialogo Assicurazioni** in Q1 2013 amounted to Euro 6.4 million, decreasing 20.9% on Q1 2012, due to the challenging economic environment and reduced advertising investment.
The claims reported in the quarter totaled 2,173, dropping 30.5% on Q1 2012. The current year claims to premium ratio, although improving on the first quarter of 2012, was again particularly high and resulted in a negative technical performance.
Overhead levels remained high, particularly due to the limited size of the portfolio.
The contribution of the company to the consolidated result was a loss of Euro 2.3 million (a loss of Euro 3 million in Q1 2012).

In relation to the sale of standardised products distributed by the banking partners, **Systema Compagnia di Assicurazioni S.p.A.** recorded premiums of Euro 8.4 million, reducing 9.5% compared to Euro 9.3 million in Q1 2012. The Motor class premiums totaled Euro 7.8 million, comprising 93% of the total, particularly following the substantial withdrawal from the non-motor classes by the Banca Popolare di Milano Group.
The overall technical performance was positive. The net result for the first quarter of 2013, prepared in accordance with IAS/IFRS, reports a profit of Euro 0.4 million (loss of Euro 0.1 million in Q1 2012).

Reinsurance

Premiums ceded amounted to Euro 35.4 million compared to Euro 31.1 million in the first three months of 2012. The percentage on direct premiums written was 5.7% (4.3% in Q1 2012).

The reinsurance structure of the non-life insurance sector, unchanged on the previous year, is based on proportional coverage 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 Accident classes.

The reinsurance contracts concerning the Accident, Theft, General TPL (excluding Pollution TPL products), Bonds and Technological Risks classes 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 reinsurance coverage of the Motor TPL, Maritime TPL, Fire, Land Vehicles and Technological Risks classes (limited to the protection by event) was however underwritten with the group company Unipol Assicurazioni, which subsequently transferred these underwriting risks on the international market.

The Aviation and Pollution TPL coverage were directly placed on the reinsurance market.

For the Assistance and Transport class specialised group companies are utilised: for the Assistance class, the protection is guaranteed by Pronto Assistance, while for the Transport classes, the company continues to reinsure the entire portfolio with the specialised company SIAT, utilising a proportional coverage.

Life Insurance Sector

Premiums written and new business

Premiums written in the quarter amounted to Euro 83.5 million, a decrease of 2.5% on the first quarter of 2012. The breakdown by class was follows:

(in Euro thousands)		**Q1 2013**	**Q1 2012**	**Change %**
I -	Whole and term life insurance	72,926	73,784	-1.2
III -	Index/Unit investment funds	22	-	n.a.
IV -	Health insurance	40	79	-49.4
V -	Capitalisation insurance	10,502	11,797	-11.0
TOTAL		**83,490**	**85,660**	**-2.5**

The reduction in the overall premiums written, significantly against the general market, was due to the uncertainty concerning the future of the Company and of the brand in light of the divestment project in progress. In any case, we highlight the positive data concerning new annual and recurring premium business, which feature higher margins for the Company, which report a strong increase (over 20%) compared to same period of the previous year.

In accordance with IFRS 4 (Insurance Contracts) the amounts recorded to the premiums account relate to the contracts with significant insurance risk and investment contracts with discretional participation. The other financial contracts and in particular the unit-linked policies and units of the Milano Assicurazioni Open Pension Funds are treated under the deposit accounting method which provides, substantially, for the recording in the income statement of only the profit margins and the recording under financial liabilities of the amount matured in favour of the counterparties. Contracts issued in the first three months of 2013 amounted to Euro 1.8 million (Euro 2 million in Q1 2012).

New business, calculated in terms of **Annual Premium Equivalent or APE** and thus adding to annual premiums 1/10th of single premiums, is shown in the table below, both under IAS/IFRS criteria, therefore excluding the contracts under the deposit accounting method, and under Local criteria, taking into consideration overall new business in the sector:

(in Euro thousands)	**Q1 2013 IAS/IFRS**	**Q1 2012 IAS/IFRS**	**Cge. %**	**Q1 2013 Local**	**Q1 2012 Local**	**Cge. %**
Whole and term life insurance	7,640	7,155	+6.8	7,640	7,155	+6.8
Index/Unit investment funds	-	-	-	2	47	-95.7
Health insurance	3	-	n.a.	3	-	n.a.
Capitalisation insurance	82	180	-54.4	82	180	-54.4
Management of Pension Funds	-	-	-	77	130	-40.8
TOTAL	**7,725**	**7,335**	**+5.3**	**7,804**	**7,512**	**+3.9**

Sums Paid

The gross sums paid amounted to Euro 136.3 million (Euro 229.5 million in the first three months of 2012). The breakdown by class and type is reported in the following table:

(in Euro thousands)	**Claims**	**Redemptions**	**Maturity**	**Total**
Class I	3,689	52,182	59,282	115,153
Class III	117	1,582	7,632	9,331
Class V	27	10,288	1,469	11,784
Total	**3,833**	**64,052**	**68,383**	**136,268**
Total 31/03/2012	**3,972**	**138,394**	**87,115**	**229,481**

Operational & technical performance

The **Life sector** in the first quarter reports a pre-tax profit of Euro 22.3 million compared to Euro 18.7 million in the first quarter of 2012. The profitability was supported by a policy portfolio which is characterised principally by traditional type products, whose technical composition is focused on - through the selection of demographic and financial parameters - the guarantee of a satisfactory margin. The products offered, for the quality and the wide range offered, satisfy all needs of clients, both in terms of savings (pension and non) and in terms of investments in relation to fulfilling security and protection needs.

Individual Insurance

New premiums written, also in the first quarter of 2013, principally related to the Segregated Fund products, embraced by the clientele as characterised by minimum guaranteed returns and protection of the investment. In particular:

- the variable single premium products, introduced to strengthen the presence on the important capital maturity segment (for which a new dedicated product was drawn up in March), significantly improved new business compared to the same period of the previous year, however not managing to offset the strong production performances in 2012 of the VALORE CERTO product with specific assets;
- the recurring premium products OPEN GOLD and OPEN RISPARMIO reported a significant increase in new business, in particular for the OPEN GOLD product;
- the constant annual premium form reported a substantial reduction in premiums written, with the only exception of the OPEN BRAVO product dedicated to the student sector.

As far as the OPEN DINAMICO multi-class product is concerned, new business was somewhat lower than Q1 2012.

The DEDICATA policy (Term Life) reports a slight decrease in new premiums written, both in terms of policy numbers and premiums.

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

Collective insurance and Pension Funds

In the first quarter of 2013 the “corporate” segment overall reports a reduction in business on the first three months of the previous year. In particular:

- the Pension sector, concerning both the Pre-existing Pension Funds and Open Pension Funds, reported a reduction in volumes compared to the previous year;
- the employee leaving indemnity based products (TFR and TFM) recorded a contained decrease in premiums due to the difficult economic climate. The regulatory obligations imposed by the legislature (allocation of employee leaving indemnity to complementary pension forms rather than to the INPS Treasury Fund for companies with over 50 employees) are working against these products fulfilling their potential.
- company treasury management products reported a significant reduction in premiums compared to the first three months of the previous year. Advanced policy redemptions however reduced.
- the risk coverage sector reported a drop in business compared to the first quarter of 2012, with a technical performance which however continued to be in positive territory.

Reinsurance

The premiums ceded amounted to Euro 2.4 million compared to Euro 2.8 million in Q1 2012. 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 first quarter result before taxes reported a loss of Euro 1.4 million, substantially in line with Q1 2012. The result principally reflects depreciation and management charges of the property held by Immobiliare Milano Assicurazioni, which was not entirely offset by rental income.

Other Activities Sector

The other activities sector includes the company Sogeint S.r.l. which provides commercial assistance to the agencies. At March 31, 2013, the company had 42 employees and 26 agencies. The contribution to the consolidated result for the period was a loss of Euro 1 million.

Asset and Financial Management

The first quarter of 2013 saw a modest improvement in global growth (+3.2% on an annualised basis and 3% on the previous year), principally due to the regained strength of the US, Chinese and - to a lesser extent - Japanese economies, which more than offset the continued stagnation in the Eurozone which saw widely diverging economic growth and levels of functioning within the national financial systems.

In the US, the continuation of the expansive monetary policy, thanks to the further easing of the unemployment rate and robust consumer spending levels despite the withdrawal in the quarter of the fiscal incentives, enable the United States to maintain growth at around 2%. In Japan, after years of deflation, the adoption of an extremely expansive monetary policy - together with a similar fiscal approach - seeks to provide a boost to the economy. Finally, China in the first quarter confirmed an uptake in growth rates, particularly through increased internal demand.

In the Eurozone, weaker than expected figures, not just from the “peripheral” countries but also the “core” countries (such as France), confirmed that the area continues to suffer from the consequences of the sovereign debt crisis of the “peripheral” countries and has not managed to benefit, for the time being, if not marginally, from the significant improvement in the overall global economy.
In addition, the inconsistent conduct of the European political authorities in its approach to the Cypriot banking system rescue and by the Dutch government toward one of its banks in difficulty (SNS Bank) inevitably further eroded investor confidence which had previously been bolstered by the introduction of the O.M.T. (Outright Monetary Transactions) programme by the European Central Bank (ECB).
In relation to monetary policy the ECB noted the total absence of inflationary pressures, highlighting a weak economic base at least until the third quarter of the year. Having stated that the accommodating policy will be maintained as long as considered necessary, the Monetary Authority appears set, in the coming months, to cut the discount rate, currently at 0.75% and simultaneously to consider new extraordinary measures to effectively translate the monetary policy benefits to the real economy, reducing excessive fragmentation.

The following table reports the movements in rates and spreads in the quarter of a number of Eurozone country government bonds compared to the 10-year German Bund.

Country	December 31, 2012		March 28, 2013	
	10 year rate	Spread vs Germany	10 year rate	Spread vs Germany
Germany	1.32		1.29	
France	2.00	0.68	2.03	0.74
Italy	4.50	3.18	4.76	3.47
Belgium	2.06	0.74	2.24	0.95
Greece	11.90	10.58	12.44	11.15
Ireland	4.95	3.63	4.33	3.04
Portugal	7.01	5.69	6.37	5.08
Spain	5.27	3.95	5.06	3.77

In Italy, while the real economy stayed in recession, although substantially in line with government objectives, the inconclusive electoral result and the consequent difficulties in forming a new Government created in the last number of weeks of the quarter a certain degree of pressure on the domestic financial markets.

The performance of the European Stock Markets in the first quarter of 2013 confirmed the significant gap between the “core” and “peripheral” areas. The Eurostoxx 50 index, representing the major Eurozone blue chips, contracted slightly in the quarter (-0.4%). The German Dax was in positive territory (up 2.4%), while the Italian FTSE MIB of Milan lost 5.7%. Finally, the Ibex of Madrid lost 3% in the period.

Outside of Europe, the Standard & Poor’s 500 index - representative of the major listed US companies - gained 10% in the quarter, while the Japanese Nikkei index, benefitting from recent political decisions to launch fresh expansionary measures and the expectation of a particularly accommodating monetary policy, gained 19.3%. Finally, in relation to the emerging market indices, the most representative index, the Morgan Stanley Emerging Market, reported a decrease of 0.8% in the quarter.

The controversial rescue method for the Cypriot banking system, the above stated ”nationalisation” of a Dutch credit institution by the Government and renewed worries around the solidity of the Eurozone banking system in light of the continued macro and micro economic weaknesses contributed to the deterioration in the Itraxx Senior Financial index which represents an average spread of the financial sector with high credit ratings, rising by 53 basis points from 141.3 to 194.3 at the end of the quarter.

Bond sector operations

In this environment, the financial management in Q1 2013 was carried out in line with the

Guidelines of the Investment Policy of the Group and in compliance with the general principles of prudence and enhanced asset quality over the medium to long term.
Operations, both in the Non-Life and in the Life insurance sectors, focused principally on Eurozone government bonds, particularly Italian bonds, which comprise 79.2% of the portfolio.
The overall portfolio duration was 3.8 years, slightly increasing on the end of the previous year (3.4 years in the Non-Life sector and 4.3 years in the Life sector).
The Life sector segregated fund operations, in line with the liability profile, featured sales of short maturity government securities and purchases favouring long-term Italian government securities.
Investments in “corporate” bonds overall focused on issuers with high credit ratings; the management of the corporate portfolio through undertaking purchases on the primary market and sales on the secondary market did not result in a significant change in the sector.

Equity sector operations

For the equity component, the Non-Life sector did not carry out significant activity. In the Life Insurance sector the opportunity was taken to reduce the equity component in an improving market, partially taking profits in the more volatile sectors (Financials and Cyclicals).
In relation to strategic investments, the reduction of volatility risk continued also in the first quarter, implemented through options to neutralise risk on approx. 55% of positions. Specifically, in January the holding in Unicredit was entirely disposed of through the exercise of sales options.

Investments, liquidity and tangible assets

Investments at March 31, 2013 amounted to Euro 8,882 million, increasing Euro 47 million on December 31, 2012. The breakdown is illustrated in the following table.

(in Euro thousands)	**31/03/2013**	**31/12/2012**	**Change**
INVESTMENTS			
Investment property	607,708	613,188	-5,480
Investments in subsidiaries, associates and joint ventures	112,407	111,964	443
Investments held to maturity	187,867	185,360	2,507
Loans and receivables	875,512	891,522	-16,010
AFS financial assets	6,614,966	6,508,286	106,680
Financial assets at fair value through profit or loss	146,197	165,092	-18,895
TOTAL INVESTMENTS	**8,544,657**	**8,475,412**	**69,245**
CASH AND CASH EQUIVALENTS	**298,645**	**320,299**	**-21,654**
FIXED ASSETS			
Property	34,709	34,737	-28
Other tangible assets	4,017	4,272	-255
TOTAL FIXED ASSETS	**38,726**	**39,009**	**-283**
TOTAL	**8,882,028**	**8,834,720**	**47,308**

Investment property are recorded at purchase cost and depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.

Overall, the book value of property at March 31, 2013 was Euro 130.6 million lower than the valuation at December 31, 2012 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 70.3 million. The company is involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between viale Don Sturzo, via Melchiorre Gioia, via Viganò, via De Cristoforis, via Rosales, corso Como and piazzale Freud. The updated project concerns the development of 51,000 sq.m. for office use, 20,000 sq.m. with exposition potential, 10,000 sq.m for commercial use and 4,000 sq.m. for residential use;
- the holding of 34.63% in the consortium company **Fondiaria-Sai Servizi Group**, with a book value of Euro 12.7 million, which handles the IT and logistical services of the companies of the former Fondiaria-Sai Group;
- the holding of 29.56% in Isola S.C.A. with a book value of Euro 13.7 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: 22,000 sq.m. for residential use, 6,300 sq.m for service use and 700 sq. m for local retail use;
- the holding of 35.83% in Immobiliare Lombarda with a book value of Euro 6.6 million;
- the holding of 50% in Valore Immobiliare S.r.l., with a book value of Euro 0.6 million. With the completion of the sale of the property and therefore having completed its corporate purpose, the company was placed in liquidation in April 2012. Against this liquidation, also in April, a first part of the equity was repaid to Milano Assicurazioni, amounting to Euro 4.7 million;
- a holding of 44.93% in Borsetto S.r.l., with a book value of Euro 2.4 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.
- a holding of 20% in Penta Domus s.r.l., with a book value of Euro 3.3 million. The company holds 50% of the capital of Cinque Cerchi S.p.A., a company owner of the “Spina 3” area in Turin, with total potential building area of approx. 114,000 sq. metres.
  The development continues of the first building lot of approx. 18,000 sq. metres for residential use, of which approx. 4,000 sq. metres for social housing. In December 2012, the company presented to the Turin Municipality the definitive project relating to the second building lot for the Construction Permit. The project involves two buildings with a total gross area of 19,000 sq. metres for residential use, which includes approx. 5,000 sq. metres of social housing. The approval time required is about 6 months.

The *Investments held until maturity* account exclusively include securities related to policies with fixed returns or covered by contractual commitments realised through specific assets.

The account *Loans and Receivables* includes:
- debt securities of Euro 768.6 million;
- loans on life policies of Euro 18.9 million;
- receivables from agents for end of mandate indemnities (Euro 63.2 million);
- deposits with reinsuring companies of Euro 1.9 million;
- restricted bank deposits guaranteeing commitments established under Card agreements concerning the direct settlement of Motor TPL claims for Euro 10 million;
- loans to associated companies for Euro 10.2 million;
- other loans for Euro 2.7 million.

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

(in Euro thousands)	**31/03/2013**	**31/12/2012**	**Change**
AFS financial assets	**6,614,966**	**6,508,286**	**106,680**
Equity securities and investment funds	516,309	559,604	-43,295
Debt securities	6,098,657	5,948,682	149,975

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

The impairments at March 31, 2013 amount to Euro 3.3 million, of which Euro 2.9 million concerning further adjustments on securities previously subject to impairment in previous years, whose book value was aligned with the stock market prices at March 31, 2013 according to IAS 39 (IG.E.4.9). The most significant adjustment concerned the Mediobanca shares (Euro 2 million).

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 71.7 million (positive for Euro 106.7 million at December 31, 2012). The following table highlights the composition and movements on the previous year:

(in Euro thousands)	**31/03/2013**	**31/12/2012**	**Change**
Debt securities	41,870	89,429	-47,559
Fund units	25,141	26,381	-1,240
Equity securities	44,438	52,167	-7,729
Shadow accounting reserve	-28,692	-36,410	7,718
Tax effect	-11,054	-24,902	13,848
AFS reserve at the end of the period	**71,703**	**106,665**	**-34,962**

Government bonds issued by Spain, Portugal, Ireland and Italy

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

State	**Maturity within 12 months**	**Maturity between 1 and 5 years**	**Maturity between 6 and 10 years**	**Maturity beyond 10 years**	**Total Fair value (level 1)**	**AFS reserve (gross)**	**AFS reserve (net shadow)**
Spain	-	-	-	20,581	20,581	-4,459	-3,821
Portugal	-	1,003	-	-	1,003	-11	-9
Ireland	1,292		817	-	2,109	73	63
Italy	681,425	1,880,857	1,460,253	1,050,075	5,072,610	6,385	4,640

The portfolio at March 31, 2013 also included:

- Euro 485.8 million of Italian government debt securities classified in the Loans & Receivables category (of which Euro 185.2 million with maturity between 1 and 5 years and Euro 300.6 million with maturity between 6 and 10 years) which report a gain on market prices at March 31, 2012 of Euro 14.5 million;
- Euro 25.6 million of Italian government debt securities classified in the Held to Maturity category (of which Euro 0.9 million with maturity within 1 year and Euro 24.7 million with maturity between 1 and 5 years). These securities report a gain compared to the stock market prices at the end of March of Euro 0.5 million.

Financial assets at fair value through profit or loss

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

(in Euro thousands)	**31/03/2013**	**31/12/2012**	**Change**
Financial assets at fair value through profit and loss	**146,197**	**165,092**	**-18,895**
Equity securities and investment funds	39,845	37,945	1,900
Debt securities	103,151	125,507	-22,356
Other financial investments	3,201	1,640	1,561

Property and other fixed assets

The account Property recognised under *Fixed Assets* includes:
- the buildings held by the company Sintesi Seconda, considered as inventory and valued in accordance with IAS 2;
- buildings for business use recognised at cost and depreciated on a straight line basis over their useful life.

Financial instrument, property investments and holdings income and charges

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

(in Euro thousands)	**Q1 2013**	**Q1 2012**	**Change**
Net income from financial instruments recorded at fair value through profit or loss	788	8,783	-7,995
Income from investments in subsidiaries, associates and joint ventures	139	271	-132
Income from other financial instruments and property investments of which:	90,655	115,396	-24,741
Interest income	*63,040*	*61,110*	*1,930*
Other income	*9,296*	*13,881*	*-4,585*
Profits realised	*18,319*	*40,405*	*-22,086*
Valuation gains	-	-	-
Total income	**91,582**	**124,450**	**-32,868**
Charges from investments in subsidiaries, associates and joint ventures	-4,450	-11,185	6,735
Charges from other financial instruments and property investments of which:	-17,820	-33,823	16,003
Interest expense	*-2,270*	*-2,838*	*568*
Other charges	*-4,072*	*-5,105*	*1,033*
Losses realised	*-2,613*	*-7,172*	*4,559*
Valuation losses	*-8,865*	*-18,708*	*9,843*
Total charges	**-22,270**	**-45,008**	**22,738**
TOTAL NET INCOME	**69,312**	**79,442**	**-10,130**

Net income in Q1 2013 amounted to Euro 69.3 million compared to Euro 79.4 million in Q1 2012. This decrease is principally due to the lower profits on bond securities. In particular, in relation to the most significant accounts:

- interest income amounted to Euro 63 million, compared to Euro 61.1 million in Q1 2012 (+3.2%);

- net profits realised totaled Euro 15.7 million (Euro 33.2 million in Q1 2012) and concern bond securities for Euro 9.9 million and equities for Euro 5.6 million, of which Euro 4.7 million from the sale of the investment in Unicredito in January. the residual Euro 0.2 million relates to the disposal of property units;

- valuation losses of Euro 8.9 million (Euro 18.7 million in Q1 2012) concern impairments on AFS financial instruments of Euro 3.3 million and depreciation on property of Euro 5.6 million; the most significant impairment concerned the investment in Mediobanca which was written-down by Euro 2 million;

- the financial instruments at fair value through profit or loss report net income of Euro 0.8 million (Euro 8.7 million in Q1 2012) and principally concern life products whose risk is borne by the policyholders;

- the associated companies report net charges of Euro 4.3 million, of which Euro 3.4 million deriving from the share of the result of Atahotels, which continues to be impacted by the still weak hotel sector and overhead costs remaining at high levels.

Net insurance contract liabilities

The table below illustrates the breakdown and the comparison with the previous year.

(in Euro thousands)	**31/03/2013**	**31/12/2012**	**Change**
NON-LIFE INSURANCE SECTOR			
Unearned premium provision	937,411	1,005,356	-67,945
Claims provision	4,136,948	4,218,588	-81,640
Other provisions	2,050	2,488	-438
Total Non-Life sector	**5,076,409**	**5,226,432**	**-150,023**
LIFE INSURANCE SECTOR			
Actuarial provisions	3,112,437	3,145,891	-33,454
Provision for claims to be paid	52,100	39,251	12,849
Insurance contract liabilities where investment risk is borne by policyholders and pension fund management	76,985	98,597	-21,612
Other provisions	13,490	24,188	-10,698
Total Life sector	**3,255,012**	**3,307,927**	**-52,915**
TOTAL	**8,331,421**	**8,534,359**	**-202,938**

The *unearned premium provisions* in the non-life classes are calculated under the pro-rata temporis method, as supplemented by the regulations in force regarding risks of a particular nature.

The *claims provisions* are calculated at last cost under the principles adopted for the annual accounts, taking account of that stated in the paragraph relating to the accounting principles for the present quarterly report.

The *other technical provisions* of the non-life division relate to the ageing provision of the health class, in order to compensate the deterioration of the insurance risk due to the ageing of the policyholders, where the premiums are determined, for the entire contractual duration, by the age of the policyholders at the moment of the signing of the contract.

We recall that with the introduction of international accounting standards IAS/IFRS, the non-life technical provisions no longer includes the equalisation provisions and the provisions to cover risks of a catastrophic nature, determined with flat rate methods on the basis of specific national legislation.

The amount of these accumulated provisions at the transition date to the international accounting standards was recorded as an increase of net equity.

The technical provisions of the life classes are those relating to the insurance contracts and the investment contracts with discretional participation, governed by IFRS 4. This account does not include the liabilities relating to unit linked policies and units of the Milano Assicurazioni Open Pension Fund which, having an insignificant insurance risk, are governed by IAS 39 (Financial instruments) and are therefore recorded under financial liabilities.

Financial liabilities

The account amounts to Euro 338.8 million, broken down as follows:

(in Euro thousands)	**31/03/2013**	**31/12/2012**	**Change**
Financial liabilities at fair value through profit or loss	72,025	72,510	-485
Other financial liabilities	266,788	254,895	11,893
TOTAL	**338,813**	**327,405**	**11,408**

The *liabilities at fair value through profit and loss* relate for Euro 58.6 million to unit-linked policies and units of the Milano Assicurazioni Open Pension Fund, all contracts which, not having significant insurance risk, are treated under the deposit accounting method.

The account *other financial liabilities* consists of deposits from reinsurers according to various contractual provisions (Euro 116.5 million) and subordinated loans of Euro 150.3 million.

The subordinated liabilities are composed as follows:

- Euro 50.2 million, 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 IVASS.
- Euro 100.1 million, equal to the amortised costs of the loan of Euro 100 million provided to Milano Assicurazioni by Mediobanca in July 2008.
  This loan is of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to a limit of 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.

In accordance with CONSOB Resolution No. DEM/6064293 of 28/7/2006, the above-stated subordinated liabilities are supported by particular contractual clauses protecting the rights and interests of the lenders.
In relation to the subordinated loan issued in 2006 (of which a nominal Euro 50 million is outstanding and concerning the subordinated loan contract of Euro 300 million signed on June 22, 2006, undertaken for 50% by Fondiaria-SAI S.p.A. and the other 50% by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) of the contract establishes, as a general obligation of the Parent Company, the continued control (in accordance with Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A..

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

(i) the downgrade of the Standard & Poor's rating (or any other agency to which the Issuer is voluntarily subject, no longer being subject to the Standard & Poor's rating) of the beneficiary companies to "BBB-" or a lower grade;

(ii) the reduction in the solvency margin of the beneficiary companies, as established by Article 44 of the Insurance Code, to a level below or equal to 120% of the solvency margin required by Article 1, paragraph hh) of the Insurance Code,

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

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

SHAREHOLDERS' EQUITY

The group shareholders' equity at March 31, 2013 is Euro 1,050.4 million. The breakdown of the account is as follows:

(in Euro thousands)	**31/03/2013**	**31/12/2012**	**Change**
Group Shareholders' Equity	**1,050,410**	**1,037,896**	**12,514**
Share capital	373,682	373,682	-
Capital reserves	295,471	406,634	-111,163
Retained earnings and other reserves	308,853	413,991	-105,138
Treasury shares	*-31,353*	*-31,353*	-
Unrealised gain or loss on AFS financial assets	71,703	106,665	-34,962
Other unrealised gains and losses recorded through equity	-14,677	-15,676	999
Group net profit (loss)	46,731	-216,047	262,778
Minority interest equity	**1,343**	**1,335**	**8**
Non-controlling interest capital and reserves	1,347	1,456	-109
Unrealised gains and losses recorded through equity	-1	-	-1
Net loss	-3	-121	118
TOTAL	**1,051,753**	**1,039,231**	**12,522**

The **capital reserves** refer only to the share premium reserve. This account is net of the Euro 9.7 million relating to the costs related to the share capital increase in 2011 which, in accordance with paragraph 35 of IAS 32, is recorded as a direct deduction of net equity. The amount at March 31 is recorded net of the share premium reserve utilised for the coverage of the 2012 losses of Milano Assicurazioni.

The **retained earnings and other reserves** include:

- retained earnings for Euro 375.9 million;
- the consolidation reserve, negative for Euro 48.8 million;
- the reserve for gains and losses deriving from the first-time application of the international accounting standards, negative for Euro 44.1 million;
- merger reserves for Euro 25.9 million.

The **gains or losses on AFS financial assets** derive from the fair value adjustment of the financial instruments classified in this category, net of the relative deferred taxes and of the part attributed to policyholders.

The **other gains and losses recorded directly in equity** include the actuarial losses following the application of IAS 19 (Euro 7.2 million) and the losses relating to the valuation of derivative financial instruments to hedge cash flows (Euro 7.5 million).

OTHER INFORMATION

Transactions with related parties

In the first quarter of the year, no significant transactions with related parties were undertaken.

In relation to the companies of the Group, the quarterly accounts recorded the business relations in place - regarding essentially:

- transactions related to reinsurance activities, principally with the Group companies The Lawrence Re Ltd and Unipol Assicurazioni S.p.A.;
- transactions based on the breakdown between the former Fondiaria-SAI Group companies of common services costs, principally provided by Consorzio Gruppo Fondiaria-SAI Servizi S.c.r.l.;
- credit and debit balances deriving from the involvement in the former Fondiaria-SAI Group tax consolidation.

For complete disclosure, assets include for Euro 78.4 million receivables from Im.Co. S.p.A. and Avvenimenti e Sviluppo Alberghiero s.r.l. (subsidiary of Im.Co.) with the related party relationship concluding in 2012, based on real estate operations undertaken in previous years.
The amount is net of a doubtful debt provision of Euro 100.7 million, constituted following the bankruptcy of IM.CO., declared in June 2012.

Adjusted solvency

At March 31, 2013 the adjusted solvency margin presents coverage of commitments of approx. 121% (115.7% at December 31, 2012).
The company did not utilise the option under ISVAP Regulation No. 43 which enables, for the adjusted solvency, to value the securities issued or guaranteed by European Union States, allocated as non-current, based on the carrying amount in the separate financial statements.

Treasury shares and shares of holding companies

During the quarter no operations concerning treasury shares or parent company shares took place.

The treasury shares, shares of the direct parent company Fondiaria-Sai and of the indirect parent companies Premafin and Unipol Gruppo Finanziario held by Milano Assicurazioni at March 31, 2013 were therefore unchanged compared to the end of the previous period and are reported as follows:

(in Euro thousands)	**Number**	**Amount**
Treasury shares	6,764,860	31,353
Unipol Gruppo Finanziario shares	16,000	34
Premafin shares	9,157,710	1,711
Fondiaria-SAI shares	99,825	129

As established by IAS 32.33, treasury shares are valued at acquisition cost and the corresponding value is subtracted from shareholders' equity. The shares of the direct parent company Fondiaria-Sai and the indirect parent companies Premafin and Unipol Gruppo Finanziario are recognised under “AFS financial assets” and as such are valued at the market price on the last trading day of March 2013.

Agency Network

The following table summarises the contribution and the territorial distribution of the agency networks of the fully consolidated companies:

	31/03/2013	**31/12/2012**
North	896	903
Centre	425	429
South and islands	442	448
Total agencies	**1,763**	**1,780**

The restructuring of the network continues with the closure of non profitable sales points and the reorganisation of the territorial coverage to increase productivity. In the first three months of 2013, 20 sales points were closed and 3 new agencies opened.

Employees

At March 31, 2013, the number of employees of the Parent Company and of the consolidated companies amounted to 1,875 (1,867 at December 31, 2012) divided as follows:

	31/03/2013	31/12/2012
Executives	12	13
Managers & white collar	1,857	1,848
Building caretakers	6	6
	1,875	**1,867**

CONSOB Request of April 17, 2013 - Prot. No. 13032790

CONSOB, with communication of April 17, 2013 No. 13032790, requested the Company to issue without delay a press release stating the reasons why the Board of Directors of the Company, in the draft consolidated financial statements approved on March 20, 2013, did not apply the provisions of IAS 8 relating to the comparative figures for the 2011 consolidated financial statements and therefore in order to correct the errors noted by CONSOB in the Decision No. 18432 of December 21, 2012.

Considering the position of CONSOB, the Board of Directors considered it appropriate to adjust the consolidated financial statements approved on March 20, 2013 and on April 24, 2013 approved the inclusion, where applicable, in the consolidated Directors' Report, Financial Statements and Explanatory Notes of the above-mentioned 2011 restated figures in line with those published on December 27, 2012 following the above-stated Consob Decision No. 18432.

This adjustment did not affect the balance sheet and income statement at December 31, 2012, which were unchanged on those approved by the Board of Directors on March 20, 2013 and on which the re-statement of the 2011 figures did not have any impact.

For further information on the re-statement, reference should be made to the 2012 financial statements.

Integration with the Unipol Group

On January 15, 2013, IVASS, in response to the application drawn up jointly by Premafin, Fondiaria-SAI, Unipol Assicurazioni and Milano Assicurazioni on December 28, 2012 in order to obtain authorisation for the merger by incorporation into Fondiaria- SAI of Premafin, Unipol Assicurazioni, Milano Assicurazioni, communicated the commencement of the relative authorisation procedure from December 28, 2012. The deadline fixed for the procedure was 128 days from commencement, excluding suspension.

On January 28, 2013, in accordance with Article 2501 *quarter*, first paragraph of the Civil Code, the merger by incorporation proposal of Fondiaria-SAI S.p.A, Premafin Finanziaria S.p.A. - Holding di Partecipazioni, Unipol Assicurazioni S.pA., and, pending further approval, Milano Assicurazioni S.p.A., approved by the Board of Directors of the participating Companies in the merger on December 20, 2012 was filed at the registered office of the Company and published on the website of the Company in the Unipol - Fondiaria-SAI merger proposal section. The registration of the merger proposal at the Competent Company Registration offices is subjected to the authorisation of IVASS, in accordance with Article 201 of Legislative Decree No. 209 of September 7, 2005.

On February 21, 2013, IVASS, in relation to the merger application, requested from the Companies involved documentation and additional information and communicated the suspension of the deadline for the authorisation procedure.

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

Shareholders' Meeting of April 29, 2013

The Shareholders' Meeting of Milano Assicurazioni S.p.A. of April 29, 2013 approved the 2012 Annual Accounts.

The Meeting also appointed the Board of Directors for the three years 2013, 2014 and 2015 and, therefore, until the approval of the 2015 Annual Accounts.
In particular, the Shareholders' Meeting, on the basis of a single slate presented by FONDIARIA-SAI S.P.A., confirmed the number of Directors as 9, as follows:

Fabio CERCHIAI
Pierluigi STEFANINI
Carlo CIMBRI
Daniele FERRÈ
Germana RAVAIOLI
Carla ANGELA
Cristina DE BENETTI
Gianluca BRANCADORO
Antonio RIZZI.

Based on the declarations made on accepting their candidature 6 directors out of 9 are independent in accordance with the Self-Governance Code of listed companies and Article 148, paragraph 3 of the Consolidated Finance Act, specifically: Daniele FERRÈ, Germana RAVAIOLI, Carla ANGELA, Cristina DE BENETTI, Gianluca BRANCADORO and Antonio RIZZI.

The Board of Directors at the next meeting will formally verify the independence of the qualifying Directors, in addition to appointing the Corporate Boards and the members of the Board Committees.

The Shareholders' Meeting also:

- approved the adoption of shareholder meeting regulations as proposed by the Board of Directors;

- approved, as per the version published before the Shareholders' Meeting, the Remuneration Report prepared in accordance with Article 123-*ter* of the Consolidated Finance Act (CFA) and Article 24 of ISVAP Regulation No. 39 of June 9, 2011 and the share-based incentive plan – pursuant to Article 114-bis of the CFA - which establishes for the allocation of Unipol Gruppo Finanziario S.p.A. shares at the end of the three-year Industrial Plan of the Unipol Group, with vesting period commencing from 2016 and for two subsequent years;

- authorised for a period of 18 months, the purchase and utilisation of treasury shares, pursuant to Articles 2357 and 2357-*ter* of the Civil Code and for a maximum amount of Euro 25 million, as outlined in the Directors' Report presented to the Shareholders' Meeting.

OUTLOOK

The new management are tasked in the coming months with furthering the merger with the Unipol Group, in line with the conditions communicated to the market.

The restructuring and simplification processes of the Group will continue, fully exploiting the synergies identified and allowing the creation of value from an alignment of productivity and the optimisation of financial management.

PREPARATION CRITERIA AND CONSOLIDATION SCOPE

The present interim report was prepared on a consolidated basis and in accordance with the provisions of article 154-ter of Legislative Decree No. 58/98.

In the first quarter of 2013, there were no changes in the consolidation scope. A list of the Subsidiaries and Associated Companies in accordance with the above-mentioned ISVAP Regulation No. 7 of July 13, 2007 and subsequent amendments is provided as an attachment.

The amounts are expressed in millions or thousands of Euro, as indicated.

The quarterly financial statements have not been audited.

In the preparation of the financial statements, consideration was taken of ISVAP Regulation No. 7, concerning the instructions for the format of the consolidated financial statements as per the international accounting standards; the data contained in the financial statements derives from the application of the same accounting principles used for the preparation of the 2012 consolidated financial statements, to which reference should be made for a detailed description of the individual methodologies, except for those indicated below.

Claims provisions

Motor TPL

For current claims, the valuation of the provision, in consideration of the low maturity levels reached by these claims, also took account of valuations related to the average cost of the same generation, relating this value also to the available market targets. In particular the insurance contract liabilities, established through the application of the statistical average costs (except for specific changes made by the loss adjustor's network), was supplemented in order to obtain an average current accepted claims cost in line with that established for 2012, taking account of the forecasts for the average cost for the present year.

For previous year claims, already recorded to provisions at the beginning of the period, the valuation was based on the last costs at the end of 2012 based on the same statistical methodology of the claims cost taking account of the reversals to the provision in the quarter.

Reinsurance

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

The indirect business items concern the share of the results estimated for the current year; the inward and outward reinsurance relating to contracts with Companies of the group are recorded on an accruals basis. The items relating to contracts with third parties concern however the year 2012, in line with that established by the applicable regulation and international practices.

Valuation and impairment of financial instruments

In relation to the valuation of financial instruments classified as available-for-sale, the impairment policy utilised in the present interim financial statements is the same as that utilised in the 2012 annual accounts to which reference is made for greater detail.

For the purposes of the objective recording of the reduction of value of an equity instrument, the Group has defined the conditions of a prolonged and significant reduction of fair value, defined alternatively as follows:
1. a reduction of the market value above 50% 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 three years;

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

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

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

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

Bologna, May 8, 2013

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

CONSOLIDATION SCOPE

Consolidation scope

Company	State	Method (1)	Activities (2)
ATHENS R.E. FUND	ITALY	G	10
CAMPO CARLO MAGNO S.p.A.	ITALY	G	10
DIALOGO ASSICURAZIONI S.p.A.	ITALY	G	1
IMMOBILIARE MILANO ASSICURAZIONI S.r.l.	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 sum the holdings

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

% direct holding	% total holding (3)	% votes at ordinary shareholders' meeting (4)	% of consolidation
100.00	100.00		100.00
100.00	100.00		100.00
99.85	99.85		100.00
100.00	100.00		100.00
99.97	99.97		100.00
-	99.97		100.00
28.00	54.51		100.00
-	100.00		100.00
100.00	100.00		100.00
100.00	100.00		100.00

FIRST QUARTER 2013

Non consolidated companies

Company	State	Activities (1)	Type (2)
A7 S.r.l. in liquidazione	ITALY	10	B
ATAHOTELS S.p.A.	ITALY	11	B
BORSETTO S.r.l.	ITALY	10	B
GARIBALDI S.C.A.	LUXEMBOURG	10	B
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	ITALY	11	B
ISOLA S.C.A.	LUXEMBOURG	10	B
IMMOBILIARE LOMBARDA S.p.A.	ITALY	10	B
METROPOLIS S.p.A. in liquidazione	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
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 sum the individual holdings

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

% direct holding	% total holding (3)	% votes at ordinary shareholders' meeting (4)	Book Value
-	20.00		141
49.00	49.00		0
-	44.93		2,439
32.00	32.00		70,272
34.21	34.63		12,685
29.56	29.56		13,689
35.83	35.83		6,568
-	29.73		
-	20.00		3,251
29.00	29.00		2,391
30.00	30.00		225
-	20.00		162
-	40.00		
50.00	50.00		583

Declaration of the Executive Responsible

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

the undersigned Massimo Dalfelli, as Executive Responsible for the preparation of the financial statements of Milano Assicurazioni S.p.A.

AFFIRMS

pursuant to the provisions of Article 154 *bis* of the "Finance Act for financial intermediaries" that the 2013 First Quarter Report corresponds to the underlying accounting documents, records and accounting entries.

Bologna, May 8, 2013

The executive responsible for the preparation of the company's financial statements

Massimo DALFELLI