2012 Third Quarter Report

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

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BOARD OF DIRECTORS

Emanuele **Erbetta**	*Chief Executive Officer - General Manager*
Paolo **Arbarello**	
Barbara **De Marchi**	
Giuseppe **Lazzaroni**	
Nicola **Maione**	
Nicola **Miglietta**	
Ugo **Milazzo**	
Antonio **Salvi**	
Alessandra **Talarico**	
Fausto **Rapisarda**	*Secretary of the Board and the Executive Committee*

The Board of Directors and the Board of Statutory Auditors were appointed by the Shareholders' Meeting of the company of July 10, 2012 for the three year period 2012-2014. The Board of Directors, meeting subsequently, appointed Massimo Pini as Chairman and Emanuele Erbetta as Chief Executive Officer, who remains as the General Manager.

The Directors Enrico De Cecco and Piergiorgio Peluso resigned, with effect from August 3, 2012.

On August 5, 2012 the Chairman Massimo Pini passed away.

On September 20, 2012, following the acquisition of control by Unipol Gruppo Finanziario S.p.A. of Premafin Finanziaria S.p.A. and therefore indirectly of the Company, the entire Board of Milano Assicurazioni resigned their positions, resulting in the lapse of the Board in accordance with the company by-laws. The Directors Emanuele Erbetta, Paolo Arbarello, Barbara De Marchi, Giuseppe Lazzaroni, Nicola Maione, Nicola Miglietta, Ugo Milazzo, Antonio Salvi and Alessandra Talarico remain in office therefore *in prorogatio* until the next Shareholders' Meeting.

BOARD OF STATUTORY AUDITORS

Giuseppe **Angiolini**
Chairman

Antonino **D’Ambrosio**
Statutory Auditor

Giorgio **Loli**
Statutory Auditor

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

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

INDEPENDENT AUDIT FIRM

RECONTA ERNST & YOUNG S.P.A.

GENERAL MANAGER

Emanuele **Erbetta**

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Massimo **Dalfelli**

GROUP FINANCIAL HIGHLIGHTS

(Euro millions)	**9M 2012**	**9M 2011**
Group net loss	-11.5	-145.1
Gross premiums written	2,259.4	2,430.0
of which:		
Gross Non-Life premiums written	2,003.1	2,171.4
Gross Life premiums written	256.3	258.6
Investment policies written	4.7	7.1
APE (*)	24.2	24.2
Combined ratio Non-Life sector (**)	101.1%	105.5%
Loss ratio Non-Life sector	78.0%	81.8%

(Euro millions)	**30/09/2012**	**31/12/2011**
Investments	8,503.9	8,355.9
Net technical reserves - Non-Life division	5,096.9	5,283.0
Net technical reserves - Life division	3,274.4	3,460.3
Financial liabilities	357.8	370.2
Solvency ratio	136.9%	133.8%

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

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

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

Milano Assicurazioni S.p.A. is a leading insurance player on the Italian market, operating in the non-life and life sectors, with consolidated premiums of approx. Euro 3.4 billion and a sales network of approx. 1,800 agencies spread throughout the country.

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

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

FINANCIAL HIGHLIGHTS

The group net result in the first nine months of 2012 reports a loss of Euro 11.5 million (loss of Euro 145.1 million in the first nine months of 2011). As outlined below, the 2012 result was affected by the bankruptcy of Imco and Sinergia, with which Milano Assicurazioni had real-estate transactions in place, resulting in charges totaling Euro 61.6 million.
The table below shows the income statement for the first nine months of the year and for the third quarter, compared to the same periods of the previous year.

(in Euro thousands)	**9M 2012**	**9M 2011**	**Q3 2012**	**Q3 2011**
Net premiums	2,320,278	2,446,233	696,201	745,587
Commission income	444	299	87	79
Net Income from financial instruments recorded at fair value through profit or loss	13,547	-26,659	-11,039	-7,554
Income from subsid., ass. and jt. ventures	425	7,077	-132	98
Income from other financial instruments and property investments	293,886	286,628	81,345	86,195
- Interest income	176,400	170,505	57,109	61,368
- Other income	38,112	43,197	10,771	11,219
- Profits realised	77,275	72,926	13,465	13,608
- Valuation gains	2,099	-	-	-
Other revenues	128,448	132,988	37,340	24,081
Total revenues	**2,757,028**	**2,846,566**	**803,802**	**848,486**
Net charges relating to claims	-1,921,382	-2,079,706	-630,049	-701,159
Commission expenses	-78	-165	-22	-64
Charges from subsid., ass. & jt. ven.	-9,692	-7,803	-1,307	295
Charges from other financial instruments and property investments	-105,591	-214,113	-20,147	-112,870
- Interest expense	-8,318	-8,540	-2,445	-2,604
- Other expenses	-15,837	-14,857	-4,700	-4,369
- Losses realised	-19,690	-33,885	-2,968	-8,663
- Valuation losses	-61,746	-156,831	-10,034	-97,234
Management expenses	-436,942	-465,163	-130,095	-136,978
- Commissions and other acquisition expenses	-349,154	-372,506	-101,207	-106,849
- Investment management charges	-2,879	-2,870	-677	-904
- Other administration expenses	-84,909	-89,787	-28,211	-29,225
Other expenses	-280,303	-251,380	-46,423	-26,101
Total costs	**-2,753,988**	**-3,018,330**	**-828,043**	**-976,877**
Profit/(loss) before taxes	**3,040**	**-171,764**	**-24,241**	**-128,391**
Income taxes	-9,014	-4,229	9,816	11,138
Net loss	**-5,974**	**-175,993**	**-14,425**	**-117,253**
Profit/(loss) from discontinued operations	-5,616	30,850	-178	30,850
Consolidated net loss	**-11,590**	**-145,143**	**-14,603**	**-86,403**
Minority interest share	-77	-71	-25	-3
Group net loss	**-11,513**	**-145,072**	**-14,578**	**-86,400**

The financial highlights in the first nine months are summarised below:

- the **non-life business** reports a pre-tax loss of Euro 22.5 million, a significant improvement therefore on the first nine months of 2011 (loss of Euro 198.5 million). The improvement relates both to investment income of Euro 78.8 million compared to Euro 47.5 million of net charges in the first nine months of 2011, in addition to the technical management which reports a combined ratio of 101.1%, compared to 105.5% in the first nine months of 2011 and 114.1% for the full year 2011. The 2012 result was however impacted by the bankruptcy of Im.Co and Sinergia, which resulted in write-downs of Euro 61.6 million concerning property operations in place with the above-stated companies and their subsidiaries.
  As regards the underwriting performance, in the **Motor TPL Class**, the measures taken to boost profitability and the improved market saw the recovery in ordinary operations strengthen, as evident already in 2011 and in the first part of 2012: claims reported decreased by 19.7%, with a significant reduction in frequency. However the prior year claims continued to require prudent settlement criteria, with a negative impact on the technical performance.
  The **Land Vehicle** class also reports a positive underwriting performance and an improvement on the first nine months of 2011 following the greater impact of the initiatives implemented on the tariffs, on the procedures for the sale of the individual guarantees and on the underwriting risk, recently updated in light of market trends.
  In the **other non-life classes** a negative technical result was reported in the General TPL class, essentially due to the unfavourable performance of prior generation claims, and in the Property class which was impacted by a significant claim in the Sasa division, which however was almost entirely recovered through reinsurance agreements. The recent earthquake in Emilia Romagna impacted the Fire class, although mitigated by reinsurance coverage. Particularly good results were achieved however by the Accident, Legal Protection and Assistance classes.

- the **Life sector** reports a pre-tax profit of Euro 32.1 million compared to Euro 29.7 million in the first nine months of 2011. 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 satisfying margin. The products offered, for the quality and the wide range offered, satisfy all needs of clients, both in terms of savings (pension and non) and in terms of investments in relation to fulfilling security and protection needs.

- in the **real estate sector**, the company suffered a loss of Euro 5.5 million, due essentially to the assets of Immobiliare Milano s.r.l., whose ordinary income does not currently cover in full the maintenance costs of buildings and the relative amortisation and depreciation;

- **asset and financial management** generated total net gains of Euro 192.6 million, a significant increase on the Euro 45.1 million recorded in 9M 2011. In particular, in relation to the most significant accounts:

- interest income totals Euro 176.4 million, compared to Euro 170.5 million in the first nine months of 2011 (+3.5%);
- net profits to be realised amounted to Euro 57.6 million (Euro 39 million in 9M 2011), of which Euro 39.5 million relates to bond securities, Euro 17.1 million to property investment and Euro 1 million to equity securities;
- net valuation losses amounted to Euro 59.6 million (Euro 156.8 million in 9M 2011) and concern impairments on AFS financial instruments of Euro 42.4 million, depreciation on property for Euro 18.2 million and write-backs on bond securities classified to the account *Loans and Receivables* for Euro 1 million;
- the *financial instruments at fair value recorded through profit and loss* report net income of Euro 13.5 million compared to net charges of Euro 26.7 million in the first nine months of 2011. The improvement principally relates to increased income from hedging securities of policies in which the financial risk is borne by the policy holder, which benefitted from the recovery in bond yields, in addition to income realised on options acquired to hedge equity securities held in portfolio;
- the associated companies report income of Euro 0.4 million and charges of Euro 9.7 million, of which Euro 7.9 million concerning companies within the real estate sector and Euro 1.8 million relating to the result in the period of the consortium company Gruppo Fondiaria-Sai Servizi. As outlined in the introduction, in accordance with IFRS 5 the Atahotel result (a loss of Euro 6.8 million) is not incorporated into these income statement accounts as, following the valuation project of this investment currently in progress, it was recognised to the account *Losses from Discontinued Operations.*

- the **management expenses** in the non-life insurance sector amounted to Euro 416.3 million, with a percentage on net premiums of 20.1% (20.2% in 9M 2011). In the Life Division, management expenses totaled Euro 20.6 million - 8.3% of net premiums (8.5% in 9M 2011).

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

(in Euro thousands)	**Non-Life**	**Life**	**Real Estate**	**Other**	**Inter-segment Elim.**	**Total**
Net premiums	2,071,188	249,090	-	-	-	2,320,278
Commission income	-	444	-	-	-	444
Net Income from financial instruments recorded at fair value through profit or loss	3,111	10,333	103	-	-	13,547
Income from subsid., ass. and jt. ventures	410	-	15	-	-	425
Income from other financial instruments and property investments	149,447	134,274	10,165	-	-	293,886
- Interest income	71,680	104,247	473	-	-	176,400
- Other income	18,479	9,963	9,670	-	-	38,112
- Profits realised	57,189	20,064	22	-		77,275
- Valuation gains	2,099	-	-	-	-	2,099
Other revenues	118,702	5,947	1,542	4,950	-2,693	128,448
Total revenues	**2,342,858**	**400,088**	**11,825**	**4,950**	**-2,693**	**2,757,028**
Net charges relating to claims	-1,615,719	-305,663	-	-	-	-1,921,382
Commission expenses	-	-78	-	-	-	-78
Charges from subsid., ass. & jt. ven.	-9,221	-275	-196	-	-	-9,692
Charges from other financial instruments and property investments	-64,921	-27,506	-13,164	-	-	-105,591
- Interest expense	-4,697	-3,356	-265	-	-	-8,318
- Other expenses	-9,996	-426	-5,415	-	-	-15,837
- Losses realised	-9,346	-10,258	-86	-	-	-19,690
- Valuation losses	-40,882	-13,466	-7,398	-	-	-61,746
Management expenses	-416,327	-20,615	-	-	-	-436,942
- Commissions and other acquisition	-336,782	-12,372	-	-	-	-349,154
- Investment management charges	-2,167	-712	-	-	-	-2,879
- Other administration expenses	-77,378	-7,531	-	-	-	-84,909
Other expenses	-259,186	-13,828	-3,982	-6,000	2,693	-280,303
Total costs	**-2,365,374**	**-367,965**	**-17,342**	**-6,000**	**2,693**	**-2,753,988**
Profit/(loss) before taxes – 9M 2012	**-22,516**	**32,123**	**-5,517**	**-1,050**		**3,040**
Profit/(loss) before taxes – 9M 2011	**-198,511**	**29,737**	**-2,758**	**-232**	**-**	**-171,764**

OPERATIONAL PERFORMANCE AND NOTES

Non-Life Insurance Sector

Premiums written

In relation to direct business, which comprises almost the entirety of the portfolio, premiums written in the first nine months of the year totaled Euro 1,998.1 million (-7.8% compared to the same period in 2011), of which Euro 1,428 million concerning the Motor classes (-8.6%) and Euro 570.1 million concerning other classes (-5.6%).

Premiums written in the **Motor TPL class** in the first nine months (-8.1%) were in line with the first half-year and follows the restructuring policy implemented on the multi-claim portfolio and the ongoing difficult economic climate - particularly the very poor new vehicle registration numbers which in the period dropped by over 20%. The negative impact of the regulations which significantly reduced the efficacy of the Bonus-Malus system continue, through applying the class at a family level and also applying Malus only in the case of principal responsibility.

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

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

For the **Land Vehicle class**, the contraction in premiums (-12.6%, in line with the preceding periods) was also principally due to the difficult economic environment, with a continual decline in new vehicle registrations and with the reduction in household disposable income making the inclusion of accessory guarantees in the motor policies more difficult.

The sales policies of the motor manufacturers have also impacted volumes with the inclusion in the vehicle sales price of insurance packages with fire, theft and assistance guarantees. The review of the portfolio with poor performances also impacted the result.

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

Indirect premiums amount to Euro 5 million compared to Euro 4.1 million in the same period of the previous year and continued to be minimal 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 by the direct business is as follows:

(in Euro thousands)	**9M 2012**	**9M 2011**	**Change %**	**Q3 2012**	**Q3 2011**	**Change %**
Accident & health	149,358	162,420	-8.0%	40,623	41,523	-2.2%
Marine, aviation and transport	9,652	10,541	-8.4%	2,869	3,302	-13.1%
Fire and Property	209,505	219,035	-4.4%	55,673	59,181	-5.9%
General TPL	133,389	141,256	-5.6%	33,393	36,337	-8.1%
Credit & Bonds	32,676	36,716	-11.0%	8,924	10,596	-15.8%
General pecuniary losses	4,026	4,766	-15.5%	955	1,228	-22.2%
Legal expenses	5,453	5,970	-8.7%	1,565	1,686	-7.2%
Assistance	26,020	23,441	11.0%	7,505	7,356	2.0%
TOTAL OTHER NON-LIFE DIVISION	**570,079**	**604,145**	**-5.6%**	**151,507**	**161,209**	**-6.0%**
Land Motor TPL	1,259,214	1,369,999	-8.1%	365,616	398,037	-8.1%
Land vehicles	168,840	193,164	-12.6%	45,130	51,845	-13.0%
TOTAL MOTOR	**1,428,054**	**1,563,163**	**-8.6%**	**410,746**	**449,882**	**-8.7%**
TOTAL	**1,998,133**	**2,167,308**	**-7.8%**	**562,253**	**611,091**	**-8.0%**

Claims

The claims paid in the first nine months of the year were 471,961 compared to 566,398 in the same period of the previous year (-16.7%). In the Motor TPL Class, claims reported in the first nine months totaled 209,495 compared to 260,922 (-19.7%).

The amounts paid, gross of outward reinsurance, totaled Euro 1,679.2 million, a decrease of 1.9% on Euro 1,712.3 million in the first nine months of 2011.

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)		
	9M 2012	9M 2011	Cge. %	9M 2012	9M 2011	Cge. %
Accident & health	45,602	59,249	-23.0%	79,879	90,577	-11.8%
Marine, aviation and transport	482	493	-2.2%	6,023	4,551	32.3%
Fire and Property	66,771	67,723	-1.4%	143,831	143,998	-0.1%
General TPL	28,577	35,197	-18.8%	138,671	122,167	13.5%
Credit & Bonds	448	560	-20.0%	25,212	17,536	43.8%
General pecuniary losses	865	1,072	-19.3%	4,715	3,153	49.5%
Legal expenses	541	542	-0.2%	852	771	10.5%
Assistance	45,228	45,311	-0.2%	8,177	7,329	11.6%
TOTAL OTHER NON-LIFE	**188,514**	**210,147**	**-10.3%**	**407,360**	**390,082**	**4.4%**
Land Motor TPL (*)	209,495	260,922	-19.7%	1,164,060	1,197,453	-2.8%
Land vehicles	73,952	95,329	-22.4%	107,825	124,727	-13.6%
TOTAL MOTOR	**283,447**	**356,251**	**-20.4%**	**1,271,885**	**1,322,180**	**-3.8%**
TOTAL	**471,961**	**566,398**	**-16.7%**	**1,679,245**	**1,712,262**	**-1.9%**

(*) 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.

Technical performance

The combined ratio excluding reinsurance was 101.1% compared to 105.5% in 9M 2011 and 114.1% for the full year 2011.

In particular, in the **Motor TPL Class** the measures taken to boost profitability and the more favourable market context confirmed the signs of improvement in ordinary operations that began to appear in 2011 and in the first part of 2012: claims reported reduced by 19.7%, with the frequency significantly decreasing and the average costs of claims paid substantially stable due to the lower percentage of physical injury claims.

In relation to prior year claims settlements made in the period remained in line with the reserve, requiring however at the same time the maintenance of prudent criteria in the valuation of the residual reserve, with a consequent negative impact on the underwriting result.

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

In the **other non-life classes** a negative underwriting result is reported in the General TPL class, essentially due to the poor performance of prior generation claims concerning delegated co-insurance policies and public body subscriptions - a sector with a negative structural performance. The Property class was impacted by a significant claim which was however almost entirely covered by reinsurance agreements, with a substantially neutral impact on the income statement, while the recent earthquake in Emilia Romagna impacted the Fire class; its effects however were mitigated by reinsurance. Particularly good results were achieved however by the Accident, Legal Protection and Assistance classes.

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

New products launched on the market

Retail sector

In relation to the **Motor sector** the following commercial actions in the period are reported:

- from March 1 the new tariff was introduced, which aims to acquire client loyalty and specific market segments through the introduction of new tariff factors and the review of some existing parameters, with a consequent greater competitiveness in certain regions and in certain market segments, while maintaining stringent technical parameters;
- from April 1, two new packages, named *Flat* and *Flat+*, were introduced, offering Fire/Theft cover for cars for up to Euro 70,000 of insured capital. The offer provides an innovative tariff with pre-determined premiums, broken down by amount of insured capital, vehicle age and region/province.

The *Flat+* package differs from the *Flat* in that it combines Fire/Theft cover with additional “Compact” pecuniary loss cover and legal expenses. The offer is designed to attract new customers and to build a more solid, profitable relationship with existing customers who:

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

- from September a further tariff action was made in order to foster current client loyalty and to improve the quality of business through a more accurate establishment of the individual risk profile, together with a closer targeting of profitable sectors.

In the **Other Non-Life classes** the following new products were launched:

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

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

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

- *Difesa Più Impresa Fino a tre* which, based on 6 Guarantee pillars (Fire and Property, Theft and Robbery, Electronic and Electric Accidents, Third Party Liability, Legal Protection and Assistance) provides trades people and businesses which employ up to three persons coverage, including all necessary guarantees to protect the business and with the option of adding further guarantees.

- *DIFESA PIU’ Professioni Liberali/Tecniche/Sanitarie*, three products, launched from September 1, dedicated to third party liability coverage in the professional sector. In addition to professional TPL guarantees, coverage is also provided for employer TPL coverage (coverage of professionals following accidents reported by their employers), Legal Protection and Assistance.

The Group also continued to scale back its product catalogue and monitor technically critical areas, introducing important restructuring initiatives on portfolios with obsolete products. We particularly highlight:

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

- Overhaul of Accident insurance policies in 2012: the Group is continuing to restructure the older policies in its portfolio, which involve regulatory/tariff conditions that are no longer in line with current practice; the transfer of risks were altered on the *Difesa Più Infortuni* product by offering special discounts and dedicated supplements were created to update its old, no-excess policies;

- *Professionisti 2012* withdrawal: the obsolete professional TPL portfolio is being withdrawn (policies taken out prior to January 2005) through writing to customers advising them that their policies will not be renewed upon maturity. This activity will continue throughout 2012;

- - "*Big Game Infortuni*" operation: this policy offers accident cover to customers with high disposable income and covers aspects not considered by social security entities and public welfare agencies.

Corporate sector

The period saw the launch of the new Employers Liability product for construction companies, which involves a tariff increase, taking into account the difficulties in this sector. At the same time a specific action was taken to restructure the portfolio with negative performances.
The reform actions of products with structurally poor performances continue, focusing on agencies more involved in corporate risk segments.

In September the withdrawal of healthcare coverage to public bodies was completed.

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Liguria Assicurazioni, with a predominantly multi-mandate sales network, reports direct premiums written of Euro 155.4 million compared to Euro 179.3 million in 9M 2011, a decrease of 13.3%. In particular, premiums written in the Motor TPL class amount to Euro 103.1 million, contracting 15.4% (Euro 121.9 million in 9M 2011).
In the Land Vehicle class premiums totaled Euro 8.2 million (-23.4% on 9M 2011). In the other Non-Life classes premiums written amounted to Euro 43.8 million, a reduction of 5.6% compared to Euro 46.4 million in the first nine months of 2011.
The agencies at September 30, 2012 numbered 300 (302 at December 31, 2011). In 2012, 5

agencies were opened while mandates of 7 agencies were revoked, including the most active Company agency, with a portfolio premium in the Non-Life division of approx. Euro 15 million.

The current generation claims performance was positive: claims reported totaled 28,515 (a decrease of 23.7% compared to 37,365 claims reported in 9M 2011). In the Motor class the reduction was 30.9% (-15.10% in the Land Vehicle Class), while in the Non-Life classes claims reported increased by 13.5%.

The current generation claims/premiums ratio was 73.9%, an improvement on 82.4% in the first nine months of 2011.

In particular, in the Motor TPL class the 2012 claims improved significantly, while the prior year claims continued to report a negative run-off, also due to the prudent adjustments made for claims yet to be settled, resulting in an underwriting loss for the class. The underwriting result of the Land Vehicle Class however reports a profit, in line with the previous year.

In other Non-Life classes the direct business claims to premium ratio was 74.1%, increasing compared to 43.6% in 9M 2011. In this regard the deterioration relates to the Fire class, which was impacted by a number of claims related to the Emilia Romagna earthquake in May which impacted the class claims reserves by Euro 13.2 million. The claims stemming from this event are however covered by reinsurance which allowed the recovery of Euro 12.6 million.

In relation to financial management, net income totaled Euro 7.2 million compared to Euro 2.2 million in the first nine months of 2011, which was impacted by impairments of Euro 4.1 million.

In the first nine months a loss of Euro 10.6 million was recorded, improving on a loss of Euro 4.2 million in 9M 2011.

In relation to the telephone and the Internet channel **Dialogo Assicurazioni** wrote premiums totaling Euro 21.6 million, decreasing by 31.8% on 9M 2011, amid a difficult economic environment, lower advertising expenditure and an underwriting policy which, in line with the strategy established for the current year, seeks to balance to the best degree possible the average policy premium with the frequency and the average claim costs, improving therefore the portfolio quality.

The direct claims/premiums ratio improved from 89.4% in the first nine months of 2011 to 84% in the current period. In particular the current year claims/premiums ratio was 86.9%, compared to 95.2% in the first nine months of 2011 and the prior year claims performance confirms the adequacy of the reserves established in the 2011 Annual Accounts.
Direct business management expenses, which include marketing costs concerning the first nine months of Euro 1.5 million, amount overall to Euro 8.5 million. This decreased compared to Euro 9.4 million in the first nine months of 2011, but continue to represent a disproportionate amount, although still limited, of the portfolio.

The asset and financial management reports net income of Euro 0.8 million compared to Euro 0.5 million in the first nine months of 2011.
In the first nine months of 2012 a loss of Euro 3.9 million was recorded, compared to a loss of Euro 6.4 million in 9M 2011.

In relation to the sale of standardised products distributed by the banking partners, **Systema Compagnia di Assicurazioni S.p.A.** recorded premiums in 9M 2012 of Euro 30.8 million, an increase of over 7.1% on the first nine months of 2011. In particular, as outlined in the Half-Year Report, a significant improvement in the Motor class was reported (+26.2%) and a significant reduction (-65.3%) in the other Non-Life classes, following the substantial disengagement from subscriptions in this sector by the networks of the Banca Popolare di Milano Group.
The underwriting performance improved on the first nine months of 2011, with the direct business claims/premiums ratio decreasing from 78.5% to 70.6%.
In particular, the current year claims/premiums ratio was 67.9%, a significant reduction on the first nine months of 2011 (79%), which was impacted by a number of significant claims.
The asset and financial management recorded net income of Euro 0.7 million, compared to Euro 0.5 million in 9M 2011.
The operating improvements are reflected in the income statement, which reports a profit of Euro 0.8 million compared to a loss of Euro 1.6 million in the first nine months of 2011.

Reinsurance

Premiums ceded amounted to Euro 79 million compared to Euro 83.2 million in the first nine months of 2011. The percentage on direct premiums written was 4% (3.8% in the first nine months of 2011).

The reinsurance structure of the non-life division, unchanged on the previous year, is based on proportional cover and non-proportional coverage in claim excess.
Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.
For the Bond and Aviation classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.
The net retention of the Technological Risks is protected following an event which jointly concerned the Fire and Land Vehicle classes. Protection by individual risk is only permitted for some specific guarantees.

The non-proportional programmes are also utilised to protect the Fire, Motor TPL, General TPL, Theft and Injury classes.

The reinsurance contracts are with the Irish company The Lawrence Re, indirectly controlled 100% by Fondiaria-Sai, which subsequently transfers the risks underwritten in reinsurance, utilising primary international operators with an adequate rating, in line with ISVAP circular 574/D.

The only exceptions are Aviation coverage, directly placed on the reinsurance market, the Assistance class and the Transport class: for the Assistance class, the protection is guaranteed by Pronto Assistance, while for the Transport classes, in line with the concentration programme of the underwriting with SIAT (the specialised company of the Fondiaria-SAI group), the company continues to reinsure the entire portfolio with SIAT, utilising a proportional coverage.

Life Insurance Sector

Premiums written and new business

In the third quarter premiums written totaled Euro 54.9 million, decreasing 14.3% on the third quarter of 2011. Overall, premiums written in the nine months amounted to Euro 256.3 million, contracting 0.9% on the same period of 2011.

A breakdown of the direct premiums written by class is shown below:

(in Euro thousands)	**9M 2012**	**9M 2011**	**Change %**	**Q3 2012**	**Q3 2011**	**Change %**
I - Insurance on human life expectancy	225,233	224,754	+0.2%	44,795	54,550	-17.9%
III - Insurance related to market indices	73	87	-16.1%	73	19	+284.2%
IV - Health insurance	87	95	-8.4%	5	6	-16.7%
V - Securitisation operations	30,928	33,652	-8.1%	10,057	9,516	+5.7%
TOTAL	**256,321**	**258,588**	**-0.9%**	**54,930**	**64,091**	**-14.3%**

The premium performance in the third quarter was impacted by, in addition to the difficult economic environment, particular corporate events within the Fondiaria-Sai Group. Despite the slowdown in the third quarter, total premiums remain however in line with the previous year and slightly under budget targets.
The result is encouraging, particular considering that the most recent market indications (for August) report new agency channel business contracting 12%.

Financial type contracts amounting to Euro 4.7 million were issued in the period. In accordance with IFRS 4, these contracts were recorded under the deposit accounting method, which provides for recognition in the income statement, under the account commission income, of only the profit margins.

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

(in Euro thousands)	**30/09/12 Ias/Ifrs**	**30/09/11 Ias/Ifrs**	**Cge %**	**30/09/12 Local**	**30/09/11 Local**	**Cge %**
Insurance on human life expectancy	23,740	23,547	+0.8%	23,740	23,547	+0.8%
Insurance related to market indices	-	-	-	234	491	-52.3%
Health insurance	-	1	n.s.	-	1	n.s.
Securitisation operations	499	675	-26.1%	499	675	-26.1%
Management operations of Pension Funds	-	-	-	195	298	-34.6%
TOTAL	**24,239**	**24,223**	**+0.1%**	**24,668**	**25,012**	**-1.4%**

Sums Paid

The gross sums paid amounted to Euro 550.3 million (Euro 499 million in the first nine months of 2011). The breakdown by class and type is reported in the following table:

(in Euro thousands)	**Claims**	**Redemptions**	**Maturity**	**Total**
Class I	12,161	166,530	187,446	366,137
Class III	192	3,769	24,246	28,207
Class V	146	134,579	21,243	155,968
Total	**12,499**	**304,878**	**232,935**	**550,312**
Total 30/9/2011	**16,665**	**179,867**	**302,428**	**498,960**

Operational & technical performance

The **life sector** reports a pre-tax profit of Euro 32.1 million (profit of Euro 29.7 million in 9M 2011) after impairments on AFS financial instruments of Euro 13.5 million.

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 satisfying margin. The products offered, for the quality and the wide range offered, satisfy all needs of clients, both in terms of savings (pension and non) and in terms of investments in relation to fulfilling security and protection needs.

Individual Insurance

In the first nine months of 2012, Individual Life business of the agency network was significantly impacted by the difficult domestic economy.

In such an environment, clients continue to favour Segregated Funds, as they feature a guaranteed minimum return and protection of the investment, and also the new pure-capitalisation product, *VALORE CERTO*, in which a considerable amount of interest was shown. The product was distributed as part of two sales campaigns, one in March and April and the other in June.

The performances of the product categories are summarised as follows:
- for the single premium products, the Segregated fund linked products reported a significant contraction, only partially offset by the success outlined above of *Valore Certo*;
- the recurring premium products *OPEN GOLD* and *OPEN RISPARMIO* also reported a reduction;
- for variable annual premium products, there was a substantial decrease with the sole exception of the Mixed Insurance sector, where the introduction of the new *OPEN FULL* product midway through March caused a significant increase in both the number of policies and volumes;
- in the term life sector, a slight contraction in volumes and an increase in the number of policies subscribed is reported.

The supplementary pension sector, implemented through Individual Pension Plans, saw a slight increase in volumes in the first nine months of the year, thanks in particular to transfers from other companies.

Collective insurance and Pension Funds

In the first nine months of 2012, the sector reported a slight reduction in premiums written compared to the previous year.

In particular, capitalisation contracts reported a significant contraction, both in relation to small-medium size enterprises and clients with significant disposable income. In relation to this latter client segment, as a result of the ongoing economic difficulties and resultant tightened credit conditions, a lack of interest is evident - a divergence from that seen in the past.

The complementary pensions sector, principally concerning pre-existing pension funds, reports a substantially stable performance.

The Open Pension Funds report however a slight reduction in subscribers and therefore in contributions.

Strict regulations and the ongoing crisis impacting employers continue to affect revenues from employee leaving indemnity relating products (TFR and TFM), which report a contraction on the previous year.

The sector covering risks resulting from collective bargaining continued to feature a favourable technical performance, while reporting a small reduction in revenues.

Reinsurance

The premiums ceded amounted to Euro 7.2 million compared to Euro 7.7 million in 9M 2011. 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 nine months was a loss of Euro 5.5 million (loss of Euro 2.8 million in 9M 2011). The result principally reflects depreciation and management charges of the property held by Immobiliare Milano s.r.l., not fully offset by current income.

IGLI

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

The following is noted:

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

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

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

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

Metropolis S.p.A.

On January 27, 2012, the Board of Directors of Metropolis, company in which Milano Assicurazioni has a 29.73% stake, called the Extraordinary Shareholders' Meeting for the Liquidation of the Company. At that date, only Euro 720 of the share capital increase approved on December 2 had been paid in and the directors considered that the non-payment by the majority of the shareholders indicated their wish not to further support the company from a financial viewpoint, thereby generating a situation of management impasse.

On March 30, 2012, the Shareholders Resolution winding up the company was registered at the Company's Registration Office. The book value of the investment was therefore zero.

Other Activities Sector

The diversified activities sector includes the company Sogeint S.r.l..

Sogeint (wholly owned by Milano Assicurazioni) provides commercial assistance to the agencies. At September 30, 2012, the company had 37 employees and 37 agencies. The contribution to the consolidated result for the period was a loss of Euro 1.1 million.

Asset and Financial Management

In the third quarter of 2012 a significant economic downturn took place. In the Eurozone the recession intensified, largely due to the sovereign debt crisis, with growth in the United States not strong enough to significantly reduce unemployment and China seeing a drop in exports in sluggish sectors and also reporting weak import figures.
The Fed, in order to further stimulate internal demand, introduced a new round of *Quantitative Easing* (the third) which saw the introduction of a new feature: bond acquisitions will be made until US unemployment reduces substantially.
The ECB, in the meeting of September, introduced Outright Monetary Transactions for which, based on set conditions, bonds with residual maturity within three years of the countries in difficulty are bought on the secondary market.

Bond sector operations

In the Non-Life sector a focus was placed on taking better advantage of the improvement in Italian securities, following the actions taken by the ECB.
The spread compared to the German Bund significantly improved - enabling extensive profit taking, particularly on shorter maturities, which were purchased in the periods of greatest market weakness - and a rotation of the portfolio, with a gradual lengthening of the 5 and 7 year positions. Active trading of EFSF securities also took place.
The tactical use of time deposits was also employed, which offset the portfolio volatility without impacting returns, thanks to advantageous Italian monetary market conditions.
On the corporate front, with the reopening of the primary market, fresh acquisitions of defensive securities were made, while advantage was taken of the strong performance of peripheral country issues (Italy particularly) for profit-taking.
In the Life business, opportunities were also taken presented by the volatility of Italian government securities, principally due to external forces and therefore not directly related to internal or structural factors. A strategic accumulation of securities with medium/long term expiries was undertaken, strictly based on the Asset Liability Management analysis, eliminating among others particular cash flow mismatch situations and improving the structure and length of portfolios.
In the quarter, due to optimism surrounding Greece and its rescue, securities deriving from the Greek securities exchange offer were sold, removing the exposure towards Greece.
The gradual improvement of market conditions and the recovery of bonds resulted in significant trading gains both in total value terms and in comparison to the first part of the year.
In terms of the composition of the portfolios, the high exposure to money market instruments and zero coupons was maintained, with a decrease in the fixed rate component and a partial decrease in the variable rate component.
The overall duration of the portfolio was reduced compared to June 30, 2012. In terms of results, both forecast and current profitability levels were maintained.
In relation to the Corporate sector, the exposure was reduced in favour of government securities.

Equity sector operations

In the third quarter of 2012 the measures undertaken by the monetary authorities to support the economy, particularly at European level with the intervention of the ECB amid heightened speculation, provided a boost to the equity markets, establishing a risk-on phase and a normalising trend.
Although in the first part of the quarter the most recent speculative phase impacted to a greater extent the peripheral indices (Italy and Spain), the recovery phase favoured these markets over the Dax and Eurostoxx, recovering at least part of the cumulative under-performance (at overall level in the quarter FTSE MIB +8.5% and Ibex +10.4% compared to +13.5% and +10.4% respectively of the Dax and Eurostoxx).
The re-uptake of sovereign debt has consequently benefitted both the Banks (+13%) and Insurance companies (+13%), with strong performances also seen across the market and a shift away from the more defensive sectors.
The risk-on phase however has shadowed a slowdown in the global economy, with sectors which remained almost untouched during the sell-off phase being affected (luxury, non-European cars and industries exposed to emerging markets).
Therefore, with global growth forecasts also weak the opportunity was taken to further reduce the equity asset class, with increased exposure only to be taken on with the establishment of greater stability and improved bottom line figures.
Partial profit was taken in the sectors which over performed in the period - Financials and Cyclicals - within an overall economy sustained principally by unconventional monetary policies rather than any real growth signals.

Investments, liquidity and tangible assets

Investments at September 30, 2012 amounted to Euro 8,948.1 million, growth of Euro 216.4 million on June 30. The breakdown is illustrated in the following table.

(in Euro thousands)	**30/09/2012**	**30/06/2012**	**Change**	**31/12/2011**
INVESTMENTS				
Investment property	710,734	717,243	-6,509	910,693
Investments in subsidiaries, associates and joint ventures	99,859	97,928	1,931	100,416
Investments held to maturity	176,275	175,753	522	128,927
Loans and receivables	889,077	889,258	-181	905,538
AFS financial assets	6,445,564	5,946,740	498,824	6,084,206
Financial assets at fair value through the profit or loss account	182,404	193,846	-11,442	226,104
TOTAL INVESTMENTS	**8,503,913**	**8,020,768**	**483,145**	**8,355,884**
CASH AND CASH EQUIVALENTS	**392,447**	**658,706**	**-266,259**	**470,804**
PROPERTY, PLANT & EQUIPMENT				
Buildings	47,210	47,312	-102	47,006
Other tangible assets	4,544	4,963	-419	5,344
TOTAL PROPERTY, PLANT & EQUIPMENT	**51,754**	**52,275**	**-521**	**52,350**
TOTAL	**8,948,114**	**8,731,749**	**216,365**	**8,879,038**

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 September 30, 2012 was Euro 158 million lower than the valuation at December 31, 2011 carried out by specifically appointed independent experts.

Investments in subsidiaries, associates and joint ventures principally include:

- the holding of 32% in **Garibaldi S.C.A.** with a book value of Euro 62 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 updated project concerns the development of 58,100 sq.m. for office use, 4,300 sq.m. for residential use, 18,000 sq.m. for retail use and 4,000 sq.m. for exposition use;
- the holding of 34.63% in the consortium company **Fondiaria-Sai Servizi Group**, with a book value of Euro 12.1 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 12 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 7.7 million;
- the holding of 50% in Valore Immobiliare S.r.l., with a book value of Euro 0.6 million. With the completion of the sale of the property and therefore having completed its corporate purpose, the company was placed in liquidation in April. Against this liquidation, also in April, a first part of the equity was repaid to Milano Assicurazioni, amounting to Euro 4.7 million;
- a holding of 44.93% in Borsetto S.r.l., with a book value of Euro 2.8 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress.

In accordance with IFRS 5, the holding in the associated company Atahotels S.p.A. of 49% is not included in this account as, following the valuation project of this investment currently in progress, the relative book value of Euro 2 million was recorded to the account *Non-current assets or of a discontinued group held for sale.*

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 785.2 million. These principally concern Italian government bonds undertaken in "private placement" as a stable investment and not listed on the Italian Stock Market;
- loans on life policies of Euro 20.1 million;
- receivables from agents for end of mandate indemnities (Euro 59.3 million);

- deposits with reinsuring companies of Euro 2.2 million;
- restricted deposits at credit institutions of Euro 10 million;
- other loans and receivables for Euro 12.2 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)	**30/09/2012**	**30/06/2012**	**Change**	**31/12/2011**
AFS financial assets	**6,445,564**	**5,946,740**	**498,824**	**6,084,206**
Equity securities and investment funds	808,120	824,899	-16,779	888,844
Debt securities	5,637,444	5,121,841	515,603	5,195,362

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.

Under the impairment policy of the group, the impairments carried out in the first nine months of 2012 amounted to Euro 42.4 million (of which Euro 39.6 million in the first six months). They principally relate to:

- further impairments for Euro 29.8 million on securities previously written-down in accordance with IAS 39 (IG.E.4.9). These principally concern shares of Generali (Euro 9.7 million), Unicredit (Euro 9.8 million), and RCS (Euro 2 million);
- impairments relating to securities impacted by the continued negative financial market performance resulting in the period of a listed value lower than the book value for a continuous period of at least 2 years (Euro 4.9 million, of which Euro 3.5 million concerning the holding in Alerion);
- impairments on securities presenting a reduction in market value at end of the period of greater than 60% of their original cost (Euro 7.7 million, of which Euro 3 million concerning the investment in Nokia and Euro 2.1 million the investment in Mediaset).

The net equity reserve, based on the difference between the average weighted cost and the fair value of instruments classified in this category, was positive for Euro 13.1 million (negative for Euro 222.2 million at December 31, 2011 and Euro 119.4 million at June 30, 2012). The following table highlights the composition and movements on the previous year:

(in Euro thousands)	**30/09/2012**	**30/06/2012**	**Change**	**31/12/2011**
Debt securities	-72,425	-261,896	189,471	-414,424
Fund units	40,282	41,093	-811	49,024
Equity securities	11,411	-18,803	30,214	-25,549
Shadow accounting reserve	25,734	64,997	-39,263	71,515
Tax effect	8,095	55,215	-47,120	97,256
AFS reserve at the end of the period	**13,097**	**-119,394**	**132,491**	**-222,178**

Government bonds issued by Greece

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

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

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

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

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

The securities issued by the Greek state through the exchange offer were recorded to the *Held-for-trading* category, recognising a loss of Euro 2.3 million, equal to the difference between the fair value of the new securities on allocation and the residual book value of the securities previously held. In this regard, during the quarter, due to optimism surrounding Greece and its rescue, these securities were sold, removing therefore the exposure towards Greece.

Government bonds issued by Spain, Portugal, Ireland and Italy

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

State	Maturity within 12 months	Maturity between 1 and 5 years	Maturity between 6 and 10 years	Maturity beyond 10 years	Total Fair value (level 1)	AFS reserve (gross)	AFS reserve (net shadow)
Spain	-	-	-	18,345	18,345	-7,219	-3,739
Portugal	-	982	-	-	982	-50	-26
Ireland	-	1,311	1,232	-	2,543	-8	-4
Italy	646,831	1,816,903	1,300,179	503,084	4,266,997	-79,737	-61,383

The portfolio at September 30, 2012 also included:
- Euro 485.7 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 300.5 million with maturity between 6 and 10 years), presenting a loss on the fair value at the end of September of Euro 3.7 million;
- Euro 22.2 million of Italian government debt securities classified in the Held to Maturity category with maturity between 1 and 5 years. These securities report a gain compared to the stock market prices at the end of September of Euro 0.4 million.

Financial assets at fair value through the profit or loss account

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

(in Euro thousands)	30/09/2012	30/06/2012	Change	31/12/2011
Financial assets at fair value through profit and loss	**182,404**	**193,846**	**-11,442**	**226,104**
Equity securities and investment funds	38,336	37,167	1,169	48,775
Debt securities	140,658	147,054	-6,396	165,203
Other financial investments	3,410	9,625	-6,215	12,126

Property and other fixed assets

The account *Buildings* recognised under *Property plant and equipment,* includes:
- buildings for business use. 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.

Financial instrument, property investments and holdings income and charges

The table below shows the results of the financial and real estate activities in the third quarter and the first nine months compared with the same periods in the previous year:

(in Euro thousands)	**9M 2012**	**9M 2011**	**Q3 2012**	**Q3 2011**
Net income from financial instruments recorded at fair value through profit or loss	13,547	-26,659	-11,039	-7,554
Income from investments in subsidiaries, associates and joint ventures	425	7,077	-132	98
Income from other financial instruments and property investments of which:	293,886	286,628	81,345	86,195
Interest income	176,400	170,505	57,109	61,368
Other income	38,112	43,197	10,771	11,219
Profits realised	77,275	72,926	13,465	13,608
Valuation gains	2,099	-	-	-
Total income	**307,858**	**267,046**	**70,174**	**78,739**
Charges from investments in subsidiaries, associates and joint ventures	-9,692	-7,803	-1,307	295
Charges from other financial instruments and property investments of which:	-105,591	-214,113	-20,147	-112,870
Interest expense	-8,318	-8,540	-2,445	-2,604
Other charges	-15,837	-14,857	-4,700	-4,369
Losses realised	-19,690	-33,885	-2,968	-8,663
Valuation losses	-61,746	-156,831	-10,034	-97,234
Total charges	**-115,283**	**-221,916**	**-21,454**	**-112,575**
TOTAL NET INCOME	**192,575**	**45,130**	**48,720**	**-33,836**

The net income in the first nine months of the year amounted to Euro 192.6 million, compared to Euro 45.1 million in the same period of 2011. In particular, in relation to the most significant accounts:

- Interest income totals Euro 176.4 million, compared to Euro 170.5 million in the first nine months of 2011 (+3.5%);

- net profits to be realised amounted to Euro 57.6 million (Euro 39 million in 9M 2011), of which Euro 39.5 million relates to bond securities, Euro 17.1 million to property investments and Euro 1 million to equity securities;
- net valuation losses amounted to Euro 59.6 million (Euro 156.8 million in 9M 2011) and concern impairments on AFS financial instruments of Euro 42.4 million, depreciation on property of Euro 18.2 million and write-backs on bond securities classified to the account *Loans and Receivables* for Euro 1 million. The impairments principally relate to:
  - further impairments for Euro 29.8 million on securities previously written-down in accordance with IAS 39 (IG.E.4.9). These principally concern shares of Generali (Euro 9.7 million), Unicredit (Euro 9.8 million) and RCS (Euro 2 million);
  - impairments relating to securities impacted by the continued poor financial market performance, resulting in the period of a listed value lower than the book value for a continuous period of at least 2 years (Euro 4.9 million, of which Euro 3.5 million concerning the holding in Alerion);
  - impairments on securities presenting a reduction in market value at end of the period of greater than 60% of their original cost (Euro 7.7 million, of which Euro 3 million concerning the investment in Nokia and Euro 2.1 million the investment in Mediaset);
- the *financial instruments at fair value recorded through profit and loss* report net income of Euro 13.5 million compared to net charges of Euro 26.7 million in the first nine months of 2011. The improvement principally relates to increased income from hedging securities of policies in which the financial risk is borne by the policy holder, which benefitted from the recovery in bond yields, in addition to income realised on options acquired to hedge equity securities held in portfolio;
- the associated companies report income of Euro 0.4 million and charges of Euro 9.7 million, of which Euro 7.9 million concerning companies within the real estate sector and Euro 1.8 million relating to the result in the period of the consortium company Gruppo Fondiaria-Sai Servizi. In accordance with IFRS 5 the Atahotel result (a loss of Euro 6.8 million) is not incorporated into these income statement accounts as, following the valuation project of this investment currently in progress, it was recognised to the account *Losses from Discontinued Operations.*

Net technical reserves

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

(in Euro thousands)	**30/09/2012**	**30/06/2012**	**Change**	**31/12/2011**
NON-LIFE DIVISION				
Unearned premium reserve	943,909	1,052,949	-109,040	1,093,043
Claims reserve	4,150,530	4,056,851	93,679	4,187,055
Other reserves	2,506	2,501	5	2,897
Total Non-Life Division	**5,096,945**	**5,112,301**	**-15,356**	**5,282,995**
LIFE DIVISION				
Actuarial reserves	3,171,132	3,181,466	-10,334	3,375,254
Reserve for claims to be paid	28,556	40,543	-11,987	39,652
Technical reserves where investment risk is borne by policyholders and pension fund management	113,149	116,855	-3,706	133,304
Other reserves	-38,412	-80,391	41,979	-87,937
Total Life Division	**3,274,425**	**3,258,473**	**15,952**	**3,460,273**
TOTAL	**8,371,370**	**8,370,774**	**596**	**8,743,268**

The *unearned premium reserves* 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 reserves* 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 reserves* of the non-life division relate to the ageing reserve of the health class, in order to compensate the deterioration of the insurance risk due to the ageing of the policyholders, 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 reserves no longer includes the equalisation reserves and the reserves to cover risks of a catastrophic nature, determined with flat rate methods on the basis of specific national legislation.
The amount of these reserves was recorded therefore as an increase of net equity.

The technical reserves 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 357.8 million, broken down as follows:

(in Euro thousands)	**30/09/2012**	**30/06/2012**	**Change**	**31/12/2011**
Financial liabilities at fair value through profit or loss	71,618	64,663	6,955	70,858
Other financial liabilities	286,191	288,480	-2,289	299,339
TOTAL	**357,809**	**353,143**	**4,666**	**370,197**

The *liabilities at fair value through profit and loss* relate for Euro 55.7 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 135.7 million) and subordinated loans of Euro 150.4 million.

The subordinated liabilities are composed as follows:
- Euro 50.3 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 ISVAP.
- 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 was of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to 50% of the lower value between the available margin and the solvency margin requested. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months +350 basis points for the first ten years and subsequently 450 basis points. The repayment should be made in one repayment after 10 years.

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

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

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

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

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

This information is provided although there is little possibility of contractual events arising for the protection of the lenders.

The defining factors of the subordinated and/or hybrid loans relate in general not just to the repayment of such before the payment of all other payables owing to the insurance company at the settlement date, but also the need to obtain, in accordance with the applicable regulation, prior authorisation for repayment by ISVAP.

SHAREHOLDERS' EQUITY

The group shareholders' equity at September 30, 2012 is Euro 1,147.6 million. The breakdown of the account is as follows:

(in Euro thousands)	**30/09/2012**	**30/06/2012**	**Change**	**31/12/2011**
Group Net Equity	**1,147,579**	**1,031,456**	**116,123**	**928,212**
Share capital	373,682	373,682	-	373,682
Capital reserves	406,634	406,634	-	951,244
Retained earnings and other reserves	408,986	409,183	-197	350,086
Treasury shares	*-31,353*	*-31,353*	-	*-31,353*
Profit or loss on AFS financial assets	13,097	-119,394	132,491	-222,178
Other gains and losses recorded directly in equity	-11,954	-10,361	-1,593	-5,790
Group net profit/(loss)	-11,513	3,065	-14,578	-487,479
Minority interest equity	**1,376**	**1,397**	**-21**	**1,325**
Minority interest capital and reserves	1,456	1,456	-	1,461
Gains and losses recorded directly in equity	-3	-7	4	-8
Minority interest loss	-77	-52	-25	-128
TOTAL	**1,148,955**	**1,032,853**	**116,102**	**929,537**

The **capital reserves**, amounting to Euro 406.6 million, refer exclusively 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 profit and other capital reserves include:

- retained earnings for Euro 463.7 million
- the consolidation reserve, negative for Euro 36.6 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 **profits 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 significant improvement from the end of June is principally due to the recovery of Italian bonds resulting from the greater market confidence in the overall health of the Italian economy.

The **other gains and losses recorded directly in equity** include the actuarial losses following the application of IAS 19 (Euro 4.5 million) and the losses relating to the valuation of derivative financial instruments to hedge cash flows (Euro 7.5 million).

OTHER INFORMATION

Integration with the Unipol Group

The significant events in the third quarter are reported below, while reference should be made to the Half-Year Report for prior events.

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

On September 20, 2012, following the acquisition of control by Unipol Gruppo Finanziario S.p.A. of Premafin Finanziaria S.p.A. and therefore indirectly of the Company, the entire Board of Milano Assicurazioni resigned their positions, resulting in the lapse of the Board in accordance with the company by-laws.

The Directors Mr. Emanuele Erbetta, Mr. Paolo Arbarello, Ms. Barbara De Marchi, Mr. Giuseppe Lazzaroni, Ms. Nicola Maione, Ms. Nicola Miglietta, Mr. Ugo Milazzo, Mr. Antonio Salvi and Ms. Alessandra Talarico therefore remain on in *prorogatio* until the next Shareholders’ Meeting.

The Board therefore called the Shareholders’ Meeting for the appointment of the new Board, mandating Mr. Emanuele Erbetta to establish the place, date and time of the Meeting, to be held however by December 15, 2012 and considering also the timeframe for the appointment of the new Board of Directors of Fondiaria-SAI.

The same Shareholders' Meeting will be called also in Extraordinary Session to introduce to the by-laws provisions to ensure compliance with the new gender equality regulation (the so-called "pink quota") in relation to the composition of the Board of Directors and the Board of Statutory Auditors.

Given the appointment by ISVAP of an *ad acta* representative within Fondiaria-SAI and the powers granted also in relation to the subsidiary Milano Assicurazioni, at this time the Shareholders' Meeting regarding the social responsibility actions approved by the Board on August 2 has not been called.

Transactions with related parties

In the first nine months of 2012 no new significant transactions with related parties took place.

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

- transactions related to reinsurance activities, principally with the group company Lawrence Re Ltd;
- transactions based on the breakdown between the Fondiaria-SAI Group companies of common service costs and principally provided by Consorzio Gruppo Fondiaria-SAI Servizi S.c.r.l.;

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

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

- in 2003 Milano Assicurazioni agreed a real estate operation which provided for the sale to *Avvenimenti e Sviluppo Alberghiero* of a site in Rome, via Fiorentini and the purchase of a real estate complex to be constructed on the land in question at a price of Euro 110 million, including also the supplementary contract signed in 2009.
  For this operation, Milano Assicurazioni paid on account to *Avvenimenti e Sviluppo Alberghiero* a total amount of approx. Euro 102 million. The payments were made

entirely in previous years as for some time work has been suspended while awaiting a new agreement with the Rome Council in replacement of the agreement of August 8, 2000;

- in 2005 Milano Assicurazioni carried out a similar operation, which established for the sale to IM.CO. of land in Milan, Via Confalonieri - Via de Castillia (Lunetta dell'Isola) and the purchase of a building for office use to be constructed on the land for a price of Euro 99.1 million in accordance with the supplement to the contract agreed in 2011. The payments on account made by Milano Assicurazioni for this operation totaled Euro 77.4 million, of which Euro 8 million capitalised during 2012;

- in the 2011 financial statements these operations, classified under investment property, were written down based on updated valuations prepared by independent experts. In particular, the book value of the initiative in Rome, Via Fiorentini was reduced by Euro 29.9 million, while the impairment made on the operation concerning the area in Milan, Via Confalonieri - Via De Castillia was Euro 12.6 million.

In this regard:

- in the current year the above-mentioned related parties requested for the payment of further sums against changes to the original plans. These requests are considered unfounded and therefore were turned down;
- on June 14, 2012, the Second Civil Section of the Milan Court issued a bankruptcy judgment against IM.CO. and Sinergia. Following this judgment, the book value of these real estate initiatives, which until the 2011 financial statements were recognised to the account Investment Property, was reversed and recognised to the account Other Receivables. The above-stated operations provided that Milano Assicurazioni would become the owner of these buildings only when completed and approved and the contracts did not contain specific guarantees. The declaration of bankruptcy therefore put the company at risk of losing the right of delivery of these buildings under construction, remaining creditors for the amounts paid on account.

The valuation of the receivables at realisable value, carried out by an independent expert, resulted in the recognition of impairments of Euro 61.6 million to the 9M income statement (of which Euro 20.8 million concerning Avvenimenti e Sviluppo Alberghiero and Euro 40.8 million concerning Im.Co).

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

Solvency margin

At September 30, 2012 the adjusted solvency margin presents coverage of approx. 137%.
The improved financial market performance and the consequent return of the "*Profits/Losses on AFS Financial assets*" to positive territory consequently rendered the Isvap Regulation No. 43 of July 12, 2012 (published in Official Gazetta No. 166 of July 18, 2012) as currently no longer applicable.

Treasury shares and shares of holding companies

At September 30, 2012, the Parent Company Milano Assicurazioni held treasury shares, shares of the direct parent company Fondiaria-SAI and of the indirect parent companies Premafin and Unipol Gruppo Finanziario as shown in the table below:

(in Euro thousands)	**Number**	**Amount**
Unipol Gruppo Finanziario shares	16,000	30
Treasury shares	6,764,860	31,353
Fondiaria-SAI shares	99,825	107
Premafin shares	9,157,710	1,518

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 contracting day of the period.

Agency Network

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

	30/09/2012	31/12/2011
North	912	936
Centre	426	452
South and islands	455	467
Total agencies	**1,793**	**1,855**

Employees

At September 30, 2012, the number of employees of the Parent Company and of the consolidated companies amounted to 1,865 (1,855 at 31/12/2011) divided as follows:

	30/09/2012	31/12/2011
Executives	17	18
Managers & white collar	1,842	1,830
Building caretakers	6	7
	1,865	**1,855**

The increase relates essentially to the subsidiary Pronto Assistance Servizi, whose employees increased by 22 compared to December 2011, essentially due to the hiring of personnel previously on temporary contracts.

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

No significant events took place after the end of the quarter.

OUTLOOK

It is recalled that on September 20, 2012, following the acquisition of control by Unipol Gruppo Finanziario S.p.A. of Premafin Finanziaria S.p.A. and therefore indirectly of the Company, the entire Board of Milano Assicurazioni resigned their positions, resulting in the lapse of the Board in accordance with the company by-laws.

The current Board, which remains in office *in prorogatio* until the next Shareholders' Meeting, therefore approved the calling of the Shareholders' Meeting for the appointment of the new Board, mandating Mr. Emanuele Erbetta to establish the place, date and time of the Meeting, to be held however by December 15, 2012. The Shareholders' Meeting will be held on November 30 next in first call and, if required, on December 3 in second call.

On October 30 the new Board of Directors of the parent company Fondiaria-SAI was appointed, based on the slate presented by the majority shareholder Unipol Gruppo Finanziario S.p.A..

Management will focus on consolidating the work performed to date on the integration project, towards a conclusion of the merger operations between the companies Premafin, Fondiaria-SAI, Milano Assicurazioni and Unipol Assicurazioni, which represent a vital step for the restructuring and simplification of the Group, in order to fully draw on the synergies identified.

The integration project between the Unipol Group and Fondiaria-SAI Group is part of the strategic goal to focus on the Non-Life insurance business. In particular the actions previously taken by the Unipol Group will be considered also for the Fondiaria-SAI Group, concerning the insurance portfolio reform operations, the restructuring actions on the sales network and the sharing of best practice policies in relation to the technical-specialist capacities developed by the two Groups in the differing market sectors and in the various distribution channels.

In relation to the Life business, a strengthening of both the commercial offer and the sales network will be evaluated.

The integration project also establishes a new 2013-2015 Industrial Plan.

The plan will also obviously consider the commitments undertaken towards the Anti-trust Authority.

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 nine months of 2012, 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 income statement and net financial position, consideration was taken of the above-stated ISVAP Regulation No. 7 concerning the instructions for the format of the consolidated financial statements as per the international accounting standards.

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

Claims reserve

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For current claims, the valuation of the reserve also took account of valuations concerning the average cost of the same generation, relating this value also to the available market targets. In particular the technical reserve, established through the application of the statistical average costs previously applied for the 2011 financial statements (except for specific changes made by the settlement networks), was supplemented in order to obtain an average current accepted claims cost in line with that established for 2011, taking account of the forecasts for the average cost for the present year, also due to the effect of the diverse mix of claims reported, which saw a reduction in injury claims.

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

Other Non-Life Classes

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

Reinsurance

The technical reserves relating to the reinsurers are calculated based on the portion ceded for the proportional reinsurance and as an estimate for the excess and stop-loss reinsurance, on the basis of the information available and utilising the same criteria for the direct premium reserves, taking into account the contractual clauses.
The indirect business items concern the share of the results estimated for the current year; the inward and outward reinsurance relating to contracts with Companies of the group are recorded on an accruals basis. The items relating to contracts with third parties concern however the year 2011, in line with that established by the applicable regulation and international practices.

Valuation and impairment of financial instruments

In relation to the valuation of financial instruments classified as available-for-sale, the impairment policy utilised in the present interim financial statements is the same as that utilised in the 2011 annual accounts to which reference is made for greater detail.

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

1. a reduction of the market value above 60% of the original cost at the reporting date of the accounts;
2. a market value continuously lower than the original cost for a period of two years,

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

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

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

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

Bologna, November 13, 2012

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

Non consolidated investements

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

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

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=joint venture (IAS 31); 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		
-	44.93		2,820
32.00	32.00		62,049
-	94.97		
34.21	34.63		12,086
29.56	29.56		12,045
35.83	35.83		7,667
-	29.73		
-	20.00		
29.00	29.00		2,091
30.00	30.00		233
-	20.00		144
-	40.00		
50.00	50.00		583

Declaration of the Executive Responsible

in accordance with art. 154 *bis*, paragraph 2 of Legislative Decree 24/02/1998, n. 58

The undersigned Massimo Dalfelli, as Executive Responsible for the preparation of the 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 2012 Third Quarter Report corresponds to the underlying accounting documents, records and accounting entries.

Bologna, November 13, 2012

The executive responsible for the preparation of the corporate accounting documents

Mr. Massimo DALFELLI