Interim Report for the Third Quarter 2009

MILANO ASSICURAZIONI S.p.A.
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Share Capital Euro 305,851,341.12 fully paid-in– Milan Company Registration, Tax and VAT No. 00957670151 – ISVAP Registration No. 1.00010
Company authorised to carry out insurance business as per R.D.L No. 966 of April 29, 1923:
FONDIARIA-SAI Group – registered at no. 30 of the Insurance Group Association - management and co-ordination FONDIARIA-SAI S.p.A.

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INTERIM REPORT FOR THE THIRD QUARTER 2009

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

Giovanni **Ossola**
Chairman

Maria Luisa **Mosconi**
Statutory Auditor

Alessandro **Rayneri**
Statutory Auditor

Giuseppe **Aldé**
Alternate Auditor

Claudio **De Re**
Alternate Auditor

Roberto **Frascinelli**
Alternate Auditor

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio **Bedogni**

- The Directors that are members of the Executive Committee are indicated with an asterisk.
- An Internal Control Committee was set up with the functions of providing consultation and proposals in accordance with the provisions of the Self-Governance Code of Listed Companies. This Committee is composed of the Directors Mariano Frey, Emilio Perrone Da Zara and Cosimo Rucellai.
- With reference to CONSOB Communication 97001574 of February 20, 1997, the nature of the delegated powers conferred to the Directors are as follows:
  the Chairman-Chief Executive Officer, Mr. Fausto Marchionni, is the Legal Representatives of the company pursuant to article 20 of the Company By-Laws and has all ordinary and extraordinary administrative powers, to be exercised in single signature and with possibility to confer mandates and proxies, with the exclusive exception of the following powers:
  - sale and/or purchase of property above the value of Euro 10 million for each operation;
  - sale and/or purchase of investments above the value of Euro 25 million for each operation and, in any case, of controlling interests;
  - obtaining of loans above Euro 50 million for each operation;
  - provision of non-insurance guarantees in favour of third parties.
- The Executive Committee has all the powers not attributed to the Chairman/Chief Executive Officer, with the exception of those which by law or the company by-laws are the exclusive responsibility of the Board of Directors, excluding all resolutions in relation to operations with related parties identified by the Board of Directors.
  The Board of Directors was appointed by the Shareholders' Meeting on April 21, 2008 and will remain in office until the approval of the financial statements by the Shareholders' Meeting for the year ended December 31, 2010.

GROUP FINANCIAL HIGHLIGHTS

(in Euro millions)	**9M 2009**	**9M 2008 Pro-forma**
Group net profit	26.9	194.3
Gross premiums written	2,988.6	3,102.1
of which:		
Gross Non-Life premiums written	2,263.9	2,314.4
Gross Life premiums written	724.7	787.7
Investment policies written	10.7	12.9
APE (*)	71.7	76.7
Combined ratio Non-Life sector (**)	101.5	96.0
Loss ratio Non-Life sector	78.3	72.5

(in Euro millions)	**30/09/2009**	**31/12/2008**
Investments	13,249.9	12,562.8
Net technical reserves - Non-Life division	4,512.5	4,606.3
Net technical reserves - Life division	6,158.0	5,685.7
Financial liabilities	1,743.7	1,792.4
Group Net Equity	2,087.4	1,982.5

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

(**) Includes technical charges and excludes the amortisation effect on commissions on long-term contracts.

THE MILANO ASSICURAZIONI GROUP

The Milano Assicurazioni group consists of 13 companies including the parent company. Of these, 7 companies operate in the insurance sector, 4 in the real estate sector and 2 in the diversified services sector.
Milano Assicurazioni is a leading insurance player on the Italian market, operating in the non-life and life sectors, with consolidated annual premiums of over Euro 4 billion and a sales network of over 2,000 agencies spread throughout the country.

The registered office of the company is Via Senigallia 18/2, Milan.

In recent years, Milano Assicurazioni has strengthened its position on the domestic market, including through acquisitions and merger operations.

We recall in particular that during 2008 a significant corporate and industrial restructuring of the Fondiaria-Sai Group was completed, whose guidelines were approved at the beginning of 2008 by the Board of Directors of Fondiaria-Sai and of Milano Assicurazioni and which, for Milano Assicurazioni, included:

- the merger by incorporation into Milano Assicurazioni of Sasa Assicurazioni e Riassicurazioni and Sasa Vita;
- the conferment to Milano Assicurazioni, by Fondiaria-Sai, of the entire shareholding in Liguria Assicurazioni held by Fondiaria-Sai, amounting to 99.97% of the share capital, and a holding in Immobiliare Lombarda S.p.A. amounting to 27.88% of the share capital.

This operation further enhances the value of Milano Assicurazioni, significantly strengthening its presence on the market and as holder of the assets from the strong acquisition expansion realised by the Fondiaria-Sai Group in recent years. In particular, within Milano Assicurazioni there will be an even greater concentration of the coordination of the brands of the distribution networks of non-listed companies, with a direct commercial presence on the market.

The conferment of 27.88% of the share capital of Immobiliare Lombarda, on the successful outcome of the Public Purchase and Exchange Offer proposed by Fondaria-Sai on the shares of Immobiliare Lombarda and the subsequent delisting, will permit the Fondiaria-Sai Group, and therefore also Milano Assicurazioni to achieve greater efficiency in the internal allocation of capital and of the risks and returns of the three principal business areas of Immobiliare Lombarda (facility management, property management and project development), and also following the partial spin-off operation of the company, previously set out in detail in the 2009 half-year report and currently being implemented.

Milano Assicurazioni is controlled by Fondiaria-Sai which exercises management and co-ordination pursuant to article 2497 bis of the civil code.
Taking into account the operations illustrated above, the third quarter data in the present report is also shown for comparative purposes on a like-for-like basis (pro-forma), aggregating the amounts of Milano Assicurazioni, Sasa Assicurazioni, Sasa Vita, Liguria Assicurazioni and Liguria Vita and where not otherwise specified, the comments on the operations refer to the pro-forma data.

PREMIUMS WRITTEN

The gross premiums and accessories of direct and indirect business in the first nine months totalled Euro 2,988.6 million compared to Euro 2,538.5 million in 9M 2008. The increase of 17.7% is due to the corporate restructuring operation detailed above.

On like-for-like terms, premiums decreased by 3.7%. In particular, the Non-Life Division direct premiums amounted to Euro 2,256.7 million (-2.2%), of which Euro 1,598.2 million relating to the motor classes (-3.5%) and Euro 658.5 million to the other non-life classes (+0.8%).

Motor premiums continue to be affected by factors which emerged in the first six months of the year: the significant contraction in the registration of new motor vehicles, strong competitive pressures and the greater application of discounts and the continued effects in relation to the new regulations concerning assignment of the bonus-malus class within the same household, causing a strong unbalancing in the portfolio towards the better classes without a corresponding decrease in the insurance risk.

In the life division, signs of improvement were evident in the third quarter in comparison to the third quarter 2008, with growth of 8.3% in premiums to Euro 204.1 million. The increase essentially relates to the Class I products sold through the agencies of the Milano Assicurazioni network.
Total direct premiums written in the first nine months of the year amounted to Euro 724.7 million, a decrease of 8% compared to 9M 2008 on like-for-like consolidation scope.
The recession and the uncertainties on the future outlook continue to condition the life division, affecting the subscription to new policies and the reinvestment of matured capital policies in favour of alternative liquidity commitments, generally short or very short-term.
The decrease in premiums in the first nine months is principally due to the lower contribution from the banking channel and Dialogo Vita, which following the ending of the bancassurance agreement with UBS Italia S.p.A. issued premiums of Euro 0.9 million compared to Euro 21.7 million in 9M 2008.
From the first quarter of the present year, the agreement with UBS Italia S.p.A. has been operated by the Group company Systema Vita and no longer by Dialogo Vita, which operates through telephone and Internet channels, in line with the industrial plan of the Fondiaria-Sai Group.

In the indirect business, the premiums amounted to Euro 7.3 million compared to Euro 6 million in the same period of the previous year. The indirect business continues to be marginal due to the decision to cease underwriting on the inward reassurance market with companies not belonging to the Fondiaria-SAI Group.

The table below summarises premiums written for the third quarter of 2009 and year to date, compared to the same periods in the previous year.

(in Euro thousands)	Q3 2009	Q3 2008 Pro-forma	Cge %	9M 2009	9M 2008 Pro-forma	Cge %
DIRECT PREMIUMS						
Non-Life Division	626,475	644,488	-2.8	2,256,672	2,308,466	-2.2
Life Division	204,131	188,428	+8.3	724,655	787,616	-8.0
Total direct premiums	**830,606**	**832,916**	**-0.3**	**2,981,327**	**3,096,082**	**-3.7**
INDIRECT PREMIUMS						
Non-Life Division	2,948	2,085	41.4	7,189	5,927	+21.3
Life Division	28	29	-3.4	80	84	-4.8
Total indirect premiums	**2,976**	**2,114**	**+40.8**	**7,269**	**6,011**	**+20.9**
TOTAL	**833,582**	**835,030**	**-0.2**	**2,988,596**	**3,102,093**	**-3.7**
of which:						
Non-Life Division	629,423	646,573	-2.7	2,263,861	2,314,393	-2.2
Life Division	204,159	188,457	+8.3	724,735	787,700	-8.0

CONSOLIDATED INCOME STATEMENT

Group net profit in the first nine months of 2009 amounted to Euro 26.9 million (Euro 194.3 million in the first nine months of 2008 on like-for-like terms).
The table below shows the income statement for the third quarter and for the first nine months of the year, compared to the same periods of the previous year on like-for-like terms.

(in Euro thousands)	**Q3 2009**	**Q3 2008 Pro-Forma**	**9M 2009**	**9M 2008 Pro-forma**
Net premiums	909,705	893,800	2,946,807	3,057,972
Commission income	5,808	3,458	14,997	19,310
Net Income from financial instruments recorded at fair value through profit or loss	17,906	67,853	57,944	31,585
Income from subsidiaries, ass. and jt. ventures	2,074	127	2,357	538
Income from other financial instruments and property investments	101,609	115,581	354,325	385,268
- Interest income	73,103	92,323	238,850	271,963
- Other income	13,968	11,215	61,852	83,351
- Profits realised	13,433	12,043	52,518	29,954
- Valuation gains	1,105	-	1,105	-
Other revenues	25,899	12,583	111,265	72,321
Total revenues	**1,063,001**	**1,093,402**	**3,487,695**	**3,566,994**
Net charges relating to claims	844,783	757,376	2,569,372	2,467,598
Commission expenses	4,252	1,014	8,565	8,544
Charges from subsid., ass. & jt. ventures	2,229	36	9,132	95
Charges from other financial instruments and property investments	26,280	66,513	103,477	108,565
- Interest expense	3,939	4,800	11,208	14,871
- Other expenses	5,021	2,430	10,898	6,961
- Losses realised	3,204	53,169	30,787	75,971
- Valuation losses	14,116	6,114	50,584	10,762
Management expenses	161,128	153,386	500,122	500,648
- Commissions and other acquisition expenses	134,751	124,718	414,307	406,451
- Investment management charges	1,745	1,915	5,100	6,449
- Other administration expenses	24,632	26,753	80,715	87,748
Other costs	47,883	30,289	252,462	209,750
Total costs	**1,086,555**	**1,008,614**	**3,443,130**	**3,295,200**
Profit/(loss) before taxes in the period	**-23,554**	**84,788**	**44,565**	**271,794**
Income taxes	-927	27,593	18,159	82,412
Net profit/(loss) in the period	**-22,627**	**57,195**	**26,406**	**189,382**
Profit from discontinued operations	-	-		-
Consolidated Net Profit/(loss)	**-22,627**	**57,195**	**26,406**	**189,382**
Minority interest share	1,220	-1,556	-490	-4,900
Group net profit/(loss)	**-23,847**	**58,751**	**26,896**	**194,282**

The key events in the first nine months of 2009 which contributed to this result are summarised below:

- The non-life division recorded a pre-tax profit of Euro 15.1 million, compared to a pre-tax profit of Euro 246.6 million in the first nine months of 2008 at like-for-like consolidation scope.
  The performance in the current year continues to be severely impacted by specific issues affecting the insurance sector, within an overall context of one of the worst economic crises in recent decades.
  Specifically, the Motor TPL class was affected by the contraction in the average policy premium, following the new regulations concerning the assignation of the bonus-malus merit classes within the same household, which resulted in an unbalancing of the portfolio towards the better classes without a corresponding decrease in the insurance risk. This occurred against a technical backdrop of an increase in the average claims costs, although contained, also due to the greater level of personal injury claims and a worsening of the claims trend.
  The Land Vehicle sector, although recording a positive result, saw a reduction in the profit margin following pressure on prices within the market, from various adverse natural events in the first half of the year and the negative performance of some accessory guarantees, such as vandalism and windshield damage, which typically in a period of crisis see an increase in claims.
  The other non-life classes remained in profit, despite the claims related to the tragic earthquake in Abruzzo and the settlement of claims in the fire and injuries classes relating to previous periods and already accrued;

- The Life Division reports a pre-tax profit of Euro 32.1 million. The improvement on the first nine months of 2008 of Euro 21.5 million is principally due to the higher financial income achieved in a general market context which, although not returning to fully normal operating conditions, seems to have overcome the great volatility seen at the height of the crisis.
  The Life sector however continues to be heavily penalised by the current financial and economic crisis, which does not currently appreciate the real value of the in-force portfolio acquired, with an adequate technical profitability and a strong presence of traditional type products, with greater remuneration and capable of satisfying, for the quality and range of the policies available, all needs of the clientele.
  The signs of stabilisation from the financial markets and the belief that the worst part of the economic crisis has passed should allow a recovery in the portfolio and a constant gradual increase in margins. There was a significant reduction in the advanced redemptions of contracts compared to the worst part of the crisis, in the period between the end of 2008 and the beginning of 2009.

- The Real Estate sector recorded a pre-tax profit of Euro 3.7 million, in line with the first nine months of 2008.

- The asset and financial management recorded net income of Euro 308.8 million, compared to Euro 308.3 million in the first nine months of the previous year at like-for-like consolidation scope. The data relating to the current period is net of Euro 40.8 million of impairment charges on securities classified in the Available-for-Sale category under the fair value policy described in the accounting principles and affected by the decreasing interest rates implemented by the money authorities to tackle the economic crisis, as well as lower dividends from shareholdings. Against this, trading activities in the period recorded profits to be realised of Euro 32.6 million (Euro 3.2 million in the first nine months of 2008).
  The net income deriving from other financial instruments and property investments amounted to Euro 250.9 million (Euro 276.7 million in the first nine months of 2008), while the net income deriving from fair value financial instruments recorded through profit or loss amounted to Euro 57.9 million compared to Euro 31.6 million in the first nine months of 2008.
  The significant change in the above two categories of income are related also to the closure of residual combined put and call options in the first quarter of the year, undertaken to hedge the non-realised gains relating to Unicredit shares held in portfolio.
  The closure of these options resulted in net income of approx. Euro 2.9 million against gains on options of Euro 23.5 million, recorded in the account Income from financial instruments recorded at fair value through profit and loss, and Euro 20.6 million of losses on the correlated sales of the shares hedged, recorded in the account charges from other financial instruments and property investments, in line with the classification of these shares, recorded in the category Available for sale;

- The management expenses of the non-life sector amounted to Euro 456.8 million with a percentage on net premiums of 20.4%, an increase on the same period of the previous year (20%) due to higher amortisation on the long-term contracts. The life insurance sector recorded management expense of Euro 43.3 million. The higher percentage on premiums written (6% compared to 5.6% in the first nine months of 2008) derives essentially from the banking channel.

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

The table below shows the profit before taxes in each sector. The *real estate sector* includes the results of the Group real estate companies (Meridiano Eur, Meridiano Orizzonti, Campo Carlo Magno) and the Athens Real Estate Fund, which entered the consolidation scope following the full subscription of the holding by Milano Assicurazioni. The Other Activities include Sogeint, which provides commercial assistance to the Agencies and Pronto Assistance Servizi, which operates in relation to guarantees in the assistance class present in the insurance contracts of the companies of the Fondiaria-Sai group.

The amount indicated in the column inter-sector eliminations relates to the reversal of the gain by Immobiliare Lombarda (an associated company of Milano Assicurazioni) from the sale of two hotel complexes to the Athens Real Estate Fund, entirely controlled by Milano Assicurazioni.

(in Euro thousands)	**Non-Life**	**Life**	**RE**	**Other**	**Inter-segment Elim.**	**Total**
Net premiums	2,236,564	710,243	-	-	-	2,946,807
Commission income	-	14,997	-	-	-	14,997
Net Income from financial instruments recorded at fair value through profit or loss	24,011	33,933	-	-	-	57,944
Income from subsidiaries, ass. and jt. Ventures	8,625	-	-	-	-6,268	2,357
Income from other financial instruments and property investments	133,163	210,699	10,463	-	-	354,325
- Interest income	70,683	168,099	68	-	-	238,850
- Other income	31,910	19,556	10,386	-	-	61,852
- Profits realised	30,570	21,939	9	-	-	52,518
- Valuation gains	-	1,105	-	-	-	1,105
Other revenues	87,124	8,384	78	15,679	-	111,265
Total revenues	**2,489,487**	**978,256**	**10,541**	**15,679**	**-6,268**	**3,487,695**
Net charges relating to claims	1,752,129	817,243	-	-	-	2,569,372
Commission expenses	-	8,565	-	-	-	8,565
Charges from subsid., ass. & jt. ven.	8,865	267	-	-	-	9,132
Charges from other financial instruments and property investments	61,343	36,467	5,646	21	-	103,477
- Interest expense	5,159	6,038	11	-	-	11,208
- Other expenses	7,009	1,667	2,201	21	-	10,898
- Losses realised	23,250	7,537	-	-	-	30,787
- Valuation losses	25,925	21,225	3,434	-	-	50,584
Management expenses	456,835	43,275	12	-	-	500,122
- Commissions and other acquisition	386,959	27,348	-	-	-	414,307
- Investment management charges	1,854	3,246	-	-	-	5,100
- Other administration expenses	68,022	12,681	12	-	-	80,715
Other costs	195,224	40,377	1,137	15,724	-	252,462
Total costs	**2,474,396**	**946,194**	**6,795**	**15,745**	-	**3,443,130**
Profit before taxes – 9M 2009	**15,091**	**32,062**	**3,746**	**-66**	**-6,268**	**44,565**
Profit before taxes – 9M 2008 (pro-forma)	**246,598**	**21,512**	**3,774**	**-90**	**-**	**271,794**

NET FINANCIAL POSITION

The tables below show the situation at September 30, 2009 of the investments and other tangible fixed assets as well as the technical reserves, net of the reinsurance portion, and of the financial liabilities; all the data is compared with the end of the previous quarter and the previous year.

Investments and other tangible fixed assets

(in Euro thousands)	**30/09/2009**	**30/06/2009**	**Cge %**	**31/12/2008**
INVESTMENTS				
Investment property	709,093	710,581	-0.2	561,055
Investments in subsidiaries, associates and joint ventures	272,120	294,816	-7.7	282,457
Investments held to maturity	210,198	205,245	+2.4	174,946
Loans and receivables	560,975	566,655	-1.0	273,159
Financial assets available-for-sale	9,507,956	8,976,859	+5.9	9,240,074
Financial assets at fair value through profit or loss	1,989,583	1,956,129	+1.7	2,031,139
TOTAL INVESTMENTS	**13,249,925**	**12,710,285**	**+4.2**	**12,562,830**
CASH AND CASH EQUIVALENTS	**288,859**	**357,248**	**-19.1**	**220,824**
PROPERTY, PLANT & EQUIPMENT				
Property	38,727	38,901	-0.4	43,323
Other tangible assets	151,510	141,282	+7.2	132,262
TOTAL PROPERTY, PLANT & EQUIPMENT	**190,237**	**180,183**	**+5.6**	**175,585**
TOTAL	**13,729,021**	**13,247,716**	**+3.6**	**12,959,239**

Real estate investments are recorded at purchase cost and depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.
Overall, the book value at September 30, 2009 was Euro 226.3 million lower than the expert's valuations at the end of the previous period.

In the third quarter, no major real estate operations took place. The increase in *Real Estate Investments* compared to December 31, 2008 principally derives from the following operations in the first half year:

- The purchase, by Meridiano Eur (fully held by Milano Assicurazioni), of the building in Milan, Via Crespi 57, at a price of Euro 55.8 million. The purchase took place within the wider real estate operation drawn up at the end of 2008 with the companies of the Generali group and commented upon in detail in the 2008 annual accounts;
- The purchase, by Milano Assicurazioni, of the building in Turin, Strada del Drosso 29, at a price of Euro 9.3 million;
- The entry into the consolidation scope of the Athens Real Estate Fund, incorporated in May 2009, wholly owned by Milano Assicurazioni. The Athens Fund, managed by the associated company Sai Investimenti S.g.r., purchased, in May, the hotel real estate complex Grand Hotel Capo Taormina, in Sicily, at a price of Euro 40 million and the hotel real estate complex Petriolo SpA & Resort, situated in the municipalities of Civitella Paganico and Monticiano in Tuscany, also at a price of Euro 40 million. The book value of these two buildings in the present consolidated accounts amounted to Euro 74.5 million following the reversal on consolidation of the gain by the selling party Immobiliare Lombarda for the portion relating to the shareholding of Milano Assicurazioni in the company.

Investments in Subsidiaries, Associates and Joint Ventures essentially include:

- The holding of 35.83% in Immobiliare Lombarda, with a book value of Euro 232.7 million based on the valuation under the equity method. The reduction in the shareholding from June 30 (39.03%) follows the sale of 3.20% to Fondiaria-Sai within the spin-off operation of Immobiliare Lombarda in order to render the value of the shareholdings held by Fondiaria-Sai and Milano Assicurazioni proportional regarding the two spun-off portfolios, avoiding therefore the need for any cash payment;
- The holding of 49% in Valore Immobiliare S.r.l., with a book value of Euro 12.8 million. The company was incorporated at the end of 2008, as part of the already commented upon real estate operations with the companies of the Generali group, described in detail in the 2008 annual accounts and owning three buildings in Milan (Piazza Firenze n. 6 - Via Caracciolo n. 16 and Via Cagliero n. 3) and in Rozzano (MI), Via Montepenice n. 6-8-10;
- The holding of 49% in Atahotels with a book value of Euro 12.2 million. In relation to this, at the end of 2008 Milano Assicurazioni and Fondiaria-Sai signed a preliminary contract with Sinergia Holding e Raggruppamento Finanziario for the purchase of 100% of Atahotels S.p.A., which, as noted, is a leading Italian hotel chain. The purchase was completed in May based on the pre-agreed holdings (Fondiaria-Sai 51% and Milano Assicurazioni 49%) with prior authorisation of the Supervisory Authority;
- The holding of 34.65% in the consortium company Fondiaria-Sai Servizi Group, with a book value of Euro 12.1 million.

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*, substantially stable on June 30, 2009, includes:
- Debt securities of Euro 330.2 million;
- Time deposits of Euro 94.6 million;
- Loans on life policies of Euro 28.6 million;
- Receivables from agents for payment of indemnities at the end of mandates (Euro 61.7 million);
- Deposits with reinsuring companies of Euro 2.2 million;
- Other loans and receivables for Euro 43.7 million, of which Euro 39.2 million provided to the associated company Garibaldi S.c.s., involved in the real estate project at Milan called "Garibaldi Repubblica". These loans, interest bearing, are for a duration of 5 years and may be renewed for a further 5 years within the limits of the project completion date. The debtor may also make advance repayments.

The increase on December 31, 2008 is due to the transfer at the beginning of the year to this category of Euro 256.9 million of financial instruments, previously classified in the Available-for-Sale category. This relates to corporate bond securities with subordination clauses, all with carrying values below the repayment value and a gross effective yield higher than 5%.

The classification in this category appears more appropriate, considering the intention of the company to maintain these securities in portfolio for the foreseeable future, the characteristics of the securities and the illiquidity which continues to characterise the markets, with the consequent volatility of the relative prices.

In accordance with the regulations of these categories, these securities, at September 30, were valued at amortised cost. The related losses at January 1, amounting to Euro 23.8 million, and recorded under shareholders' equity in the account Gains or losses on available-for-sale financial assets were also valued at amortised cost.

The available-for-sale 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 increase on June 30 is principally due to the improved financial market conditions, which have resulted in significant increases in value within the securities in portfolio.

The *Financial assets valued at fair value through profit or loss* includes the securities held for trading as well as those designated by the group in this category.

The composition of these categories of financial instruments is shown in the table below:

(in Euro thousands)	**30/09/2009**	**30/06/2009**	**Cge %**	**31/12/2008**
Financial assets available-for-sale	**9,507,956**	**8,976,859**	**+5.9**	**9,240,074**
Equity securities and investment funds	1,385,003	1,209,516	+14.5	1,198,904
Debt securities	8,122,953	7,767,343	+4.6	8,041,170
Financial assets at fair value through profit and loss	**1,989,583**	**1,956,129**	**+1.7**	**2,031,139**
Equity securities and investment funds	624,684	614,943	+1.6	563,139
Debt securities	1,352,524	1,330,417	+1.7	1,435,471
Other financial investments	12,375	10,769	+14.9	32,529

Under the fair value policy of the group, the adjustments in value carried out in the third quarter amounted to Euro 10.2 million and essentially related to mutual investment funds. The total adjustments at September 30 amount to Euro 40.8 million (equity securities for Euro 15.7 million, investment fund units for Euro 20 million and bond securities for Euro 5.1 million).

The account *Property*, recorded under *Tangible fixed assets*, includes buildings for use by the company. These buildings are recorded at cost and depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.

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

With reference to the buildings for use by the company, the book value, at the period-end, is lower by Euro 21.7 million than the expert valuations based on market value at the end of the previous year.

The other tangible assets refer for Euro 145.6 million to assets in progress and down-payments in relation to real estate operations regarding the areas in Milan - Via Confalonieri-Via de Castillia (Lunetta dell'Isola) and in Rome - Via Fiorentini. We recall that these operations, undertaken in previous years, resulted at the time in the sale to third parties, by Milano Assicurazioni, of the above-mentioned land and the purchase of the related buildings from the buyers themselves.

Net technical reserves

(in Euro thousands)	30/09/2009	30/06/2009	Cge %	31/12/2008
NON-LIFE DIVISION				
Unearned premium reserve	1,010,351	1,127,452	-10.4	1,115,494
Claims reserve	3,497,911	3,427,602	+2.1	3,486,272
Other reserves	4,207	4,235	-0.7	4,523
Total Non-Life Division	**4,512,469**	**4,559,289**	**-1.0**	**4,606,289**
LIFE DIVISION				
Actuarial reserves	5,449,370	5,351,873	+1.8	5,151,194
Reserve for claims to be paid	36,360	30,467	+19.3	55,466
Technical reserves where investment risk is borne by policyholders and pension fund management	562,005	538,338	+4.4	540,187
Other reserves	110,263	11,561	+853.7	-61,099
Total Life Division	**6,157,998**	**5,932,239**	**+3.8**	**5,685,748**
TOTAL	**10,670,467**	**10,491,528**	**+1.7**	**10,292,037**

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 accumulated reserves at the transition date to the international accounting standards was recorded 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 the pure capitalisation unit linked and indexed linked policies which, having an insignificant insurance risk, are governed by IAS 39 (Financial instruments) and are therefore recorded under financial liabilities.

Financial liabilities

(in Euro thousands)	**30/09/2009**	**30/06/2009**	**Cge %**	**31/12/2008**
Financial liabilities recorded at fair value through profit or loss	1,386,337	1,372,854	+1.0	1,415,231
Other financial liabilities	357,412	357,785	-0.1	377,171
TOTAL	**1,743,749**	**1,730,639**	**+0.8**	**1,792,402**

The *liabilities at fair value through profit and loss* fully relate to unit-linked policies, pure capitalisation index-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 188.5 million) and subordinated loans of Euro 168.8 million.

Subordinated loans relates to:
- Euro 50.5 million relates to the residual book value (net of the repayment of Euro 100 million made in July 2008) of the subordinated loan provided to Milano Assicurazioni by Mediobanca in 2006 for an original amount of Euro 150 million. 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 nominal 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 relative amount. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months +350 basis points for the first ten years and subsequently 450 basis points. The repayment may be made in one repayment after 10 years.
- Euro 10.1 million relating to the subordinated loan provided in 2003 by Fondiaria-Sai to Sasa Assicurazioni, incorporated into Milano Assicurazioni at the end of 2008. The loan provides for an interest rate of Euribor at 6 months increased by a margin of 280 basis points, with payment of the interest half yearly on June 30 and December 31.
- Euro 8.1 million relating to two subordinated loans for an indefinite period, at Euribor 12 months +250 basis points, provided to Bipiemme Vita by Banca Popolare di Milano (Euro 4.9 million) and Banca di Legnano (Euro 3.2 million).

SHAREHOLDERS' EQUITY

The group shareholders' equity at September 30, 2009 amounted to Euro 2,087.4 million, an increase of Euro 158 million on June 30, 2009, principally due to the reduction of the losses relating to the available-for-sale financial assets (Euro 182 million), following improved financial market conditions.

The composition is as follows:

(in Euro thousands)	**30/09/2009**	**30/06/2009**	**Changes %**	**31/12/2008**
Group Net Equity	**2,087,445**	**1,929,492**	**+8.2**	**1,982,519**
Share Capital	305,851	305,851	-	305,851
Capital reserves	718,147	718,147	-	718,147
Retained earnings and other reserves	1,183,531	1,183,271	-	1,103,937
Treasury shares	*-31,353*	*-31,353*	-	*-31,353*
Profit or loss on available-for-sale financial assets	-113,525	-295,540	-61.6	-281,502
Other gains and losses recorded directly in equity	-2,102	-1,627	+29.2	-477
Group net profit	26,896	50,743	-47.0	167,916
Minority interest equity	**103,854**	**101,845**	**+2.0**	**102,119**
Minority capital and reserves	103,381	103,370	-	109,067
Gains and losses recorded directly in equity	963	185	+420.5	-1,293
Minority interest profit	-490	-1,710	-71.3	-5,655
TOTAL	**2,191,299**	**2,031,337**	**+7.9**	**2,084,638**

The *Capital reserve* account includes the share premium reserve for shares issued, created on the increases in share capital.

The account *Retained earnings and other reserves* includes principally reserves recorded in the parent company financial statements. The account also includes the reserve deriving from the first time application of IAS/IFRS (negative for Euro 45.3 million) and the consolidation reserve (Euro 17.3 million).

The *profits or losses on available-for-sale financial assets* derive from the adjustment to fair value of the financial instruments classified in this category, net of the relative deferred amount and of the part attributed to policyholders in application of the so-called Shadow Accounting, in accordance with paragraph 30 of IFRS 4 (Insurance Contracts).
We recall that the utilisation of the shadow accounting method creates the possibility to correlate the value of the life technical reserves and the value, determined under IAS/IFRS, of the assets included in the separated management.

The *other gains and losses recorded directly in equity* include the actuarial gains and losses from the determination of the employee leaving indemnity in accordance with the provisions of IAS 19 (Employee benefits).

OPERATIONAL PERFORMANCE AND NOTES

Non-Life Insurance Sector

Premiums written

In the third quarter, direct premiums written amounted to Euro 626.5 million, a decrease of 2.8% on Q3 2008, but substantially in line with the preceding quarters in 2009.

Total premiums written in the first nine months amounted to Euro 2,263.9 million, a decrease of 2.2% on the same period of 2008 at like-for-like consolidation scope (Euro 2,314.4 million).

Direct premiums written amounted to Euro 2,256.7 million, of which Euro 1,598.2 million relates to the motor classes (-3.5% on the first nine months of 2008) and Euro 658.5 million to the other classes, which recorded an increase of 0.8%.

The performance of the premiums written in the Motor classes is due to the unfavourable economic climate and in particular the significant contraction in registrations of new vehicles (-6.2% in 9M 2009) and also by specific factors affecting the insurance industry. These include:

- The intense competition on the market, which sees the increasing application of discounts to the detriment of technically adequate products;
- The contraction in the average policy premium, due to the effects of the new regulations in relation to assignation of the bonus-malus merit classes within the same household, which resulted in an unbalancing of the portfolio towards the better classes without a corresponding decrease in the insurance risk;
- The new attribution of merit class regulations in relation to joint liability, introduced in 2008 in application of ISVAP Provision No. 2590, resulting in lower premium rises being implemented for insured parties with non principal responsibility;

To offset the reduction in average premiums deriving from the new regulatory provisions, and in the context of a more difficult market - in particular due to the current economic crisis - and the increase of the average cost of claims, an increase in the motor vehicle tariff of 1.5% was introduced on March 1 and a further increase of 1.1% will be implemented on July 1.

In the other non life classes, the underwriting policy remains focussed on safeguarding the portfolio margins, through the application of correct technical parameters and the selection of risks. The commercial initiatives are primarily directed at the Retail sector, with adequate profitability while, in the Corporate sector, greater caution will be applied in underwriting risk.

In the indirect business, the premiums amounted to Euro 7.2 million compared to Euro 5.9 million in the same period of the previous year. The indirect business continues to be marginal due to the decision to cease underwriting on the inward reassurance market with companies not belonging to the Fondiaria-SAI Group.

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

(in Euro thousands)	**Q3 2009**	**Q3 2008 Pro-forma**	**Cge %**	**9M 2009**	**9M 2008 Pro-forma**	**Cge %**
Accident & health	51,132	52,935	-3.4	187,207	191,430	-2.2
Marine, aviation and transport	5,923	5,906	+0.3	31,554	33,016	-4.4
Fire and other property damage	61,160	61,701	-0.9	222,986	219,952	+1.4
General TPL	32,771	32,830	-0.2	144,243	141,383	+2.0
Credit & Bonds	9,499	10,918	-13.0	35,243	36,335	-3.0
General pecuniary losses	3,075	1,969	+56.2	8,513	7,136	+19.3
Legal expenses	2,448	2,001	+22.3	7,360	6,284	17.1
Assistance	6,243	5,086	+22.7	21,335	17,362	22.9
TOTAL OTHER NON-LIFE DIVISION	**172,251**	**173,346**	**-0.6**	**658,441**	**652,898**	**+0.8**
Land Motor TPL	392,620	411,569	-4.6	1,378,889	1,433,596	-3.8
Land vehicles	61,604	59,573	+3.4	219,342	221,972	-1.2
TOTAL MOTOR	**454,224**	**471,142**	**-3.6**	**1,598,231**	**1,655,568**	**-3.5**
TOTAL	**626,475**	**644,488**	**-2.8**	**2,256,672**	**2,308,466**	**-2.2**

Claims

The claims paid in the first nine months of the year were 672,540 compared to 644,286 in the same period of the previous year (+4.4%). In the Motor TPL class the claims reported in the first nine months of 2009 were 328,038 compared to 329,624 in the first nine months of the previous year (-0.5%).

The claims paid in the first nine months of 2009, gross of outward reinsurance, amounted to Euro 1,794.8 million, compared to Euro 1,852 million in the first nine months of 2008 (-3.1%).

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

	Claim reported Number			Claims paid (in Euro thousands)		
	30/09/2009	**30/09/2008 Pro-forma**	**Cge. %**	**30/09/2009**	**30/09/2008 Pro-forma**	**Cge. %**
Accident & health	65,460	65,238	+0.3	107,253	100,267	+7.0
Marine, aviation and transport	615	887	-30.7	5,728	25,559	-77.6
Fire and other property damage	79,655	72,317	+10.1	166,856	155,512	+7.3
General TPL	40,370	35,909	+12.4	117,532	112,793	+4.2
Credit & Bonds	467	493	-5.3	14,133	14,349	-1.5
General pecuniary losses	1,949	2,109	-7.6	5,716	5,653	+1.1
Legal expenses	639	581	+10.0	749	414	+80.9
Assistance	41,593	37,844	+9.9	8,696	6,533	+33.1
TOTAL OTHER NON-LIFE DIVISION	**230,748**	**215,378**	**+7.1**	**426,663**	**421,080**	**+1.3**
Land Motor TPL (*)	328,038	329,624	-0.5	1,227,823	1,303,678	-5.8
Land vehicles	113,754	99,284	+14.6	140,305	127,257	+10.3
TOTAL MOTOR	**441,792**	**428,908**	**+3.0**	**1,368,128**	**1,430,935**	**-4.4**
TOTAL	**672,540**	**644,286**	**+4.4**	**1,794,791**	**1,852,015**	**-3.1**

(*) 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

At September 30, 2009, the combined ratio of the non-life division, net of outward reinsurance, was 101.5% compared to 96% in the same period of the previous year and 99.2% for the full year 2008. The combined ratio was achieved excluding the calculation of the charges deriving from the amortisation of the commissions on long-term contracts which, following the new regulations concerning the cancellation of these contracts, are not uniform with the past.

The worsening reflects the continuation of the difficult economic situation, the effects of recently issued regulations in the insurance sector and the adverse natural events in the first part of the year.

In particular the **Motor TPL** class was affected by the previously stated contraction in the average policy premium and the number of claims reported which, although decreasing in the first nine months, in the third quarter increased on the same period of 2008. The average claims cost also increased due to the higher amount of personal injury claims, particularly in some areas of Southern Italy.

For the recovery of sufficient technical margins, as well as the increase to the tariffs applicable from March 1 and from July 1, the actions for the containment of claims will be intensified, with focus on the average cost of claims paid although maintaining a settlement speed which rigorously complies with the regulations in force and the satisfaction of clients.

The **Land Vehicle Class** continues to record a largely positive balance in an overall market which presents reduced margins than in the past due to strong tariff competition and the climatic events at the beginning of the year and also the negative performance of some accessory guarantees, such as windshield and vandalism guarantees, which typically in a period of crisis record an increase in claims.
Also in this Class, actions have been undertaken to recover sufficient levels of profit. In particular, as well as the already mentioned increase in tariffs, the guarantees with strongly negative performances will no longer be sold individually but only together with fire and theft guarantees, which continue to report a satisfactory level of claims to premium ratio. In order to contain the cost of claims, the windshield repair actions will be channelled through the networks with which conventions have been signed, providing in each case sample checks in order to verify the nature and the quality of the actions.

The **Other Non-Life classes** overall performed well despite the claims related to the tragic earthquake in Abruzzo and to the negative claims performance of the fire and injuries classes relating to previous periods and already accrued.

“Auto Presto & Bene” project

The *“Auto Presto & Bene”* project will be particularly important for the recovery of sufficient profit levels and relates to a specific structure created by the Fondiaria-Sai group with the objective to improve the service to clients and to contain the material damage claim costs, through the entry into the spare parts distribution chain, with the consequent creation of value for the companies of the Group.
Auto Presto & Bene in fact signed agreements with the principal car manufacturers to directly purchase spare parts from their distribution networks and supplying them to repair centres within the network in order to only utilise original spare parts in the repairs of damaged vehicles, therefore providing clients with an excellent level of service. With the inclusion in the value chain of the spare parts, cost efficiencies of raw materials can be achieved and

agreements with the repair centres for the restoration costs can be reached, while disregarding the activities no longer required as they are carried out directly.
The project is also able to generate value, as well as for the companies of the Fondiaria-Sai group, also for other parties involved in the motor repair process and in particular:

- tied repair centres, which will see an increase in volumes and have the opportunity to work with specialised and qualified personnel;
- for the car manufacturers, thanks to the increase in the market share of original spare parts and the simplification of the supply process, with a sole and reliable customer dealing with large volumes;
- for the agencies, which benefit from the loyalty of the client and the greater flexibility in the tariff, thanks to the improvement in the claims to premiums ratio.

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Liguria Assicurazioni, which entered the consolidation scope in 2009, following the corporate operation at the end of 2008 and described at the beginning of the present report, issued premiums of Euro 204.1 million - an increase of 1.2% on 9M 2008. In particular, the premiums written in the motor classes amounted to Euro 156.8 million (+0.5%) while, in the other non life classes, premiums written amounted to Euro 47.3 million (+3.3%).
The technical performance deteriorated on the first nine months of 2008. Specifically, the Motor TPL class was penalised by an increase in claims and by the unfavourable claims from previous periods, already recorded under reserves. The Land Vehicle class recorded an increase in the claims to premiums ratio, principally due to some specific guarantees (windshield and natural events). The other non-life classes recorded a positive performance, although down on the same period of 2008.
The worsening of the technical performance affected the overall result in the period, which recorded a loss of Euro 15.6 million, under IAS/IFRS accounting standards.

In the telephone and Internet channels, the actions continued supporting **Dialogo Assicurazioni S.p.A**. (99.85% subsidiary of Milano Assicurazioni).
In particular, in the first nine months of 2009 the new advertising campaign contained in the industrial plan of the company began. The cost incurred in the period amounting to Euro 4.8 million was entirely expensed in the income statement.
Gross premiums in the first nine months of the year amounted to Euro 20.1 million, an increase of 40.7% on the first nine months of 2008 (Euro 14.3 million). The Motor TPL Class, which represents the largest part of the portfolio, reports a worsening in the claims to premiums ratio, 87.1% compared to 77.6% in the first nine months of 2008.
The contribution of Dialogo Assicurazioni S.p.A. to the consolidated income statement was a loss of Euro 8.2 million (Euro 6.4 million in the first nine months of 2008).
In relation to the standardised products distributed by partner banks, **Systema Compagnia di Assicurazioni S.p.A.** (wholly owned by Milano Assicurazioni) recorded premiums in the first nine months of the year of Euro 11.3 million, an increase of 28.5%.
The premiums/claims ratio of the Motor TPL Class improved from 62.4% in the first nine months of 2008 to 59.7% in the current period.

In the Other Non-Life Classes reported claims increased, related also to the extraordinary events which hit some policies in portfolio, with particular reference to the Fire and Natural Elements Class.
The contribution to the consolidated profit was Euro 0.7 million (profit of Euro 1.3 million in 2008).

Reinsurance

The premiums ceded in the non-life division amount to Euro 131.6 million compared to Euro 133.6 million in the first nine months of 2008 restated on like-for-like terms and consolidation scope.
Direct premiums were 5.8%, higher than the average in previous periods, principally due to the higher recourse of reinsurance for the ex Sasa portfolio, related to a higher amount of transport and aviation insurance, which typically presents a higher exposure in terms of insured capital.

On like-for-like terms, the reinsurance policy has not changed on the previous period. The risks ceded in the non-life division were placed with international primary operators with high ratings (S&P A/AA/AAA) by the Group company The Lawrence Re Ireland Limited. The agreements signed favour the non proportional ceding for the Fire, Theft, Accidents, General TPL, Land Vehicle TPL and Land Vehicle classes.
Proportional ceding contracts with non proportional structures protecting the Bonds, Credit and Aeronautic Risks classes were signed.

For the Technological Risks, a quota and excess coverage reinsurance structure was confirmed; against the high capacity of the quota section, adequate non proportional coverage was maintained to protect the net retention of risks, while the non proportional protection together with the Fire and the Land Vehicle classes in the case of claims rising from a single event remained unchanged.

The Assistance class was reinsured with "*Pronto Assistance*" and the Hailstorm risks were covered by a stop loss agreement.

In the Transport, Goods and Maritime Vehicle classes, the proportional coverage with the associated company SIAT was confirmed.

Life Insurance Sector

In the third quarter of 2009, signs of improvement on the same period of 2008 emerged with premiums increasing by 8.3% to Euro 204.1 million. The increase essentially relates to the Class I products sold through the agencies of the Milano Assicurazioni network.
Total direct premiums written in the first nine months of the year amounted to Euro 724.7 million, a decrease of 8% compared to 9M 2008 on like-for-like consolidation scope.
The recession and the uncertainties on the future outlook continue to condition the life division, affecting the subscription to new policies and the reinvestment of matured capital policies in favour of alternative liquidity commitments, generally short or very short-term.
The decrease in premiums in the first nine months is principally due to the lower contribution from the banking channel and Dialogo Vita, which following the ending of the bancassurance agreement with UBS Italia S.p.A. issued premiums of Euro 0.9 million compared to Euro 21.7 million in 9M 2008. From the first quarter of the present year, the agreement with UBS Italia S.p.A. has been operated by the Group company Systema Vita and no longer by Dialogo Vita, which operates through telephone and Internet channels, in line with the industrial plan of the Fondiaria-Sai Group.

By type of contracts issued, the subscription policy continues to favour traditional type products with higher profit margins and client loyalty, creating value in the long term. The Class I premiums written in the first nine months amounted to Euro 192.5 million (+7.9% on the third quarter 2008) compared to Euro 658.2 million (+7.5%) in the same period of the previous year.

In the segment of products with investment risk borne by the policyholder, in the third quarter the premiums written amounted to Euro 0.9 million relating principally to the index-linked policy issued for the restructuring of the Metal & Oil product sold by Sasa Vita and having as underlying security financial instruments issued by an Icelandic bank, today insolvent.

The greater adversity among clients to financial risk following the recent turbulences on the markets - however within an improved operating environment - continues to present signs of instability, with significantly reduced demand for products with investment risk borne by the policyholder. The total premiums written in the first nine months amounted to Euro 5.2 million, compared to Euro 133 million in the same period of the previous year.

An index-linked policy with government bonds as underlying security and guaranteed capital protection on maturity by the company was launched in 2009.

The securitisation products in Q3 generated premiums of Euro 10.7 million with an increase of 13% on Q3 2008. The increase in the first nine months of 44.2%, with premiums written of Euro 61.2 million, principally relates to one large contract signed in the first half of the year with adequate profit margins.

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

(in Euro thousands)	**Q3 2009**	**Q3 2008 Pro-forma**	**Change %**	**9M 2009**	**9M 2008 Pro-forma**	**Change %**
I - Insurance on human life expectancy	192,487	178,384	+7.9	658,155	612,106	+7.5
III - Insurance related to market indices	955	582	+64.1	5,244	133,011	-96.1
IV - Health insurance	15	16	-6.3	61	64	-4.7
V - Securitisation operations	10,674	9,446	+13.0	61,195	42,435	+44.2
TOTAL	**204,131**	**188,428**	**+8.3**	**724,655**	**787,616**	**-8.0**

We recall that in accordance with the provisions of IFRS 4 (Insurance Contracts) the amounts recorded in the account premiums relate to the contracts with significant insurance risk and to the financial instruments with discretional participation, while the other financial instruments and in particular the pure securitisation index-linked contracts and unit-linked contracts, are treated under the deposit accounting method which provides, substantially, for the recording in the income statement of only the profit margins and the recording under financial liabilities of the amount matured in favour of the counterparties.

On an indicative basis, the new premiums written, determined according to the provisions of the Supervision Authority and compared on like-for-like terms with the data relating to 9M 2008, are shown below:

(in Euro thousands)	**30/09/2009**	**30/09/2008 Pro-forma**	**Change %**
Class I	495,832	440,158	+12.6
Class III	7,623	143,325	-94.7
Class V	35,178	13,550	+159.6
TOTAL	**538,633**	**597,033**	**-9.8**

A good increase in the Class I products is shown in the table, with a prevalent insurance component. As previously stated in the comments relating to the table concerning premiums written, the significant increase in the Class V products (Securitisation) is principally due to one large-contract, issued in the first half of the year at conditions which guarantee suitable profit margins.

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

(in Euro thousands)	**30/09/2009**	**30/09/2008 Pro-forma**	**Change %**
Class I	66,885	60,825	+10.0
Class III	788	14,501	-94.6
Class V	4,072	1,359	+199.6
TOTAL	**71,745**	**76,685**	**-6.4**

The gross sums paid amounted to Euro 564.2 million (Euro 840.2 million in the first nine months of 2008 at like-for-like terms).

The pre-tax profit of the life sector amounted to Euro 32.1 million. The improvement on the first nine months of 2008 of Euro 21.5 million is principally due to the higher financial income achieved in a general market context which, although not returning to fully normal operating conditions, seems to have overcome the great volatility seen at the height of the crisis.
The Life sector however continues to be heavily penalised by the current financial and economic crisis, which does not currently appreciate the real value of the in-force portfolio acquired, with an adequate technical profitability and a strong presence of traditional type products, with greater remuneration and capable of satisfying, for the quality and range of the policies available, all needs of the clientele.
The signs of stabilisation from the financial markets and the belief that the worst part of the economic crisis has passed should allow a recovery in the portfolio and a constant gradual increase in margins. There was a significant reduction in the advanced redemptions of contracts compared to the worst part of the crisis, in the period between the end of 2008 and the beginning of 2009.

Bancassurance

In relation to the sale of Life insurance products through the banking channel, **Bipiemme Vita** (held 51% by Milano Assicurazioni) issued net premiums of Euro 412.8 million, a decrease of 8.6% on 9M 2008.

In the third quarter, the premiums written in this sector were also affected by the economic downturn and the uncertainties on the future dynamics of the financial variables.
The company continued with the rationalisation of the product portfolio to satisfy better the needs of clients and managed with extreme care the financial assets covering technical reserves in order to obtain satisfactory yields for the separated management. The investments

at September 30 amounted to Euro 3,792.6 million, compared to Euro 3,468.3 million at December 31, 2008.

The shareholders' equity amounted to Euro 153 million, an increase on December 31, 2008, due to the profits in the period (Euro 7.6 million) and the increase of the reserve relating to securities classified in the Available-for-Sale category, following the improved performance in the financial markets.

Index-linked with financial instruments issued by the Icelandic Banks

Finally, in relation to the financial difficulties related to the Icelandic banks, described in detail in previous interim reports, we report that Bipiemme Vita has the following index-linked products in portfolio at September 30, 2009:

- *Single Best*, issued on July 26, 2005 with expiry on July 26, 2012 having, as underlying securities, financial instruments issued by Glitnir Bank hf, for a nominal value of Euro 44.6 million;
- *Crescita Più Minimo*, issued on November 30, 2005 with expiry on November 30, 2010 having, as underlying securities, financial instruments issued by Kaupthing Bank hf, for a nominal value of Euro 59.8 million.

The information necessary to value the underlying assets of the above-mentioned products is not currently available and, consequently, it is not possible at the moment to publish the relative values.

As these policies do not guarantee minimum yields or repayment of the capital, the investment risk connected to the solvency of the issuers is contractually borne by the policyholder.

Until the judicial and balance sheet position of Glitnir Bank and Kaupthing Bank are known, it will therefore not be possible to accept redemptions or provide information in relation to the reimbursable value matured on the above-mentioned index-linked policies.

The issuing company is monitoring attentively the development of the situation, evaluating possible actions.

In relation to the index linked Metal and Oil product issued by Sasa Vita (on November 28, 2005 with maturity on November 28, 2011), now incorporated into Milano Assicurazioni, having underlying financial instruments issued by Glitnir Bank hf for a nominal value of Euro 6.5 million, we state the following.

Milano Assicurazioni concluded in October a restructuring the ex Sasa index-linked policies which allows clients - although the policy was not of a "guaranteed capital" type - to receive on maturity the entire nominal capital and to receive all past cash inflows.

The operation was carried out through the redemption of the original contract by the holder and the simultaneous signing of a new contract comprising the residual duration of the index-linked contract increased by approx. 2 years, therefore with maturity for the bond component of December 31, 2013 and for the optional component of November 28, 2011 (same as the original contract).

The redemptions of the original policy took place at a value of 18% of the nominal value (equal to the estimated recovery rate of the underlying financial instruments). At the same time the client has the option to subscribe to, without additional cost, the new policy at 87.73% of the nominal value, therefore with a loyalty premium of 69.73%. This loyalty premium will mature only in the case in which the clients do not redeem the policy before maturity (December 31, 2013).

The charges for the operation, net of the relative tax effect, amounted to approx. Euro 3 million.

Reinsurance

In the life division, premiums ceded amounted to Euro 14.5 million, substantially in line with those recorded in the first nine months of 2008, based on like-for-like consolidation scope (2% of direct premiums). The reinsurance structure is unchanged compared to 2007, with a proportional coverage in excess and a catastrophic coverage in claims excess.

Real Estate Sector

The real estate sector comprises the companies Meridiano Eur, Meridiano Orizzonti and Campo Carlo Magno, all wholly owned by Milano Assicurazioni, as well as the Athens Real Estate Fund, fully subscribed by Milano Assicurazioni in May.

In January 2009, **Meridiano Eur s.r.l.** acquired the building located in Milan, Via Crespi, No. 57 at a price of Euro 55.8 million, further expanding and diversifying its asset portfolio. Following this purchase, utilising liquidity from a share capital increase provided by Milano Assicurazioni, the carrying value of the real estate assets of Meridiano Eur at September 30, 2009 amounted to Euro 223.9 million.
The company also holds a share in the Common Real Estate Fund “Tikal R.E. Fund”, with a carrying value of Euro 88.8 million, deriving from the conferment to this Fund, in 2004, of the building located at Rome - Piazzale dell’Industria.
The contribution to the consolidated result in the first nine months of 2009 was Euro 2.9 million (Euro 2.6 million in 9M 2008), deriving from the income distributed by the Tikal Fund and building rental income.

Meridiano Orizzonti s.r.l. owns a building in Milan, Piazza S.M. Beltrade, No. 1 for a carrying value of Euro 51.7 million, net of depreciation. The net contribution to the consolidated result in the first nine months of the year was Euro 0.2 million (Euro 0.4 million in the first nine months of 2008).

Campo Carlo Magno S.p.A. is owner of a hotel real estate complex at Madonna di Campiglio and of a Golf Hotel. The company signed a rental contract with Atahotels S.p.A. which provides for a fee of 20% of the net annual revenues, with a minimum guaranteed fee. The operation guarantees the company an adequate return on the division rented, in line with market values for similar operations.
The company is currently undertaking a large restructuring and modernisation project of the hotel real estate complex.
The net contribution to the consolidated result for the first nine months of 2009 was substantially break-even.

A project regarding the incorporation of **Meridiano Eur s.r.l.** and **Meridiano Orizzonti s.r.l.** into Milano Assicurazioni is in the course of completion.
A merger was approved on October 13 by the Shareholders’ Meetings of the incorporating companies and on October 15, in accordance with law and the by-laws, by the Board of Directors of Milano Assicurazioni.
The merger, in accordance with the law on creditor objections, may be signed in December 2009. If the merger is carried out within the current year, the accounting and fiscal effects will be retrospectively applied to 1/1/2009.

Non proportional spin-off project of Immobiliare Lombarda S.p.A. into two newly incorporated companies held entirely by Milano Assicurazioni S.p.A. and Fondiaria-Sai S.p.A.

With prior authorisation of Isvap, on September 25, 2009 the partial non proportional spin-off deed was signed (hereafter also the Operation or the Spin-off) of Immobiliare Lombarda S.p.A. into two newly constituted companies, one held 100% by Milano Assicurazioni S.p.A. (hereafter Milano) and the other by Fondiaria-Sai S.p.A., which were assigned the portfolios subject of the Spin-offs described below (hereafter: the Portfolios).

On the same date, with resolution of the relative Boards of Directors, Milano Assicurazioni sold to Fondiaria-Sai a 3.20% shareholding in Immobiliare Lombarda, in order to render the shareholdings held by Fondiaria-Sai and Milano Assicurazioni proportional in terms of value of the two spun-off portfolios, avoiding the need therefore for any cash payment. Following this sale Fondiaria-Sai and Milano hold in Immobiliare Lombarda respectively approx. 64.17% and approx. 35.83% of the share capital.

The Spin-off was effective as of October 1, 2009, the date on which the two beneficiary companies Immobiliare Fondiaria-Sai S.r.l. and Immobiliare Milano Assicurazioni S.r.l were incorporated. It is provided that, following the Spin-off, with prior authorisation by ISVAP and compatible with the timeframe required under existing regulations, Fondiaria-Sai and Milano will proceed to incorporate, through a simplified merger in accordance with article 2505 of the civil code, the beneficiary companies respectively as 100% subsidiaries.

On October 26, 2009, as previously established in relation to the operation, Milano Assicurazioni recapitalised Immobiliare Milano Assicurazioni S.r.l., with the payment of Euro 116.5 million. The recapitalisation allows, among other issues, Immobiliare Milano to improve its debt position, strengthening at the same time its balance sheet.

The Spin-off project was approved by the shareholders' meeting of Immobiliare Lombarda on July 16, 2009. The operation, previously approved by the Board of Directors of Fondiaria-SAI and Milano, is part of an inter-group reorganisation project of the activities of Immobiliare Lombarda, in order to ensure greater efficacy/efficiency in relation to the allocation within the Fondiaria-SAI Group of the capital, risks and yields of the three principal business areas concerning the activities of Immobiliare Lombarda and therefore facility management, property management and project development.

In particular the objective of the operation is to separate, within the Group, the real estate management, a role which remains with the "new" post spin-off Immobiliare Lombarda with its specialised technical know-how, and institutional investment within the same sector (this latter attributed to the two shareholding insurance Companies of Immobiliare Lombarda and dedicated to institutional investors with adequate financial resources).

In fact, in relation to the property management and project development projects, the assets and real estate development initiatives will merge directly into the activities of the insurance companies, through placement in relative vehicle companies while the “new” Immobiliare Lombarda, which remains after the spin-off, adopts a new mission, changing from a mixed real estate operator, as well as captive, of the Fondiaria Sai Group, to a specialised operator in the consultancy and the provision of services relating to the management and development of both Group and third party real estate assets, open to commercial alliances with other real estate operators through which it can expand its presence in the sector.

The operation therefore presents the following advantages:
- optimisation of the management of investments in development projects;
- optimisation of the programming of financial cash flows of the Company and the Group, in order to balance the needs of the insurance sector with that of the real estate sector;
- maximisation of returns for the shareholder, through the above-mentioned separation of the management and investment roles within the Group investment policies.

The Portfolio allocated to the spun-off portfolio of Immobiliare Milano Assicurazioni includes property and shareholdings in subsidiary and associated companies (including 50% of the shareholding of Immobiliare Lombarda in IGLI S.p.A.) and liquid assets.
This Portfolio also includes debt to credit institutions, for a total of approx. Euro 142 million, as well as to companies of the Fondiaria-Sai Group, relating to two inter-group loans for a total of approx. Euro 106 million.
The net equity assigned to the company amounts to Euro 241.9 million, based on the balance sheet situation of Immobiliare Lombarda at May 31, 2009.

For full disclosure, it is stated that the Portfolio attributed to Immobiliare Fondiaria-SAI includes property and holdings in subsidiary and associated companies (including the other 50% holding of Immobiliare Lombarda in IGLI S.p.A.) and that the net equity assigned to this company, with reference to the balance sheet situation of Immobiliare Lombarda at May 31, 2009, amounts to Euro 408.8 million.

Finally in relation to the residual portfolio in Immobiliare Lombarda post spin-off, the net equity amounts to approx. Euro 25 million and does not include any property or bank debt. For operational reasons, Immobiliare Lombarda maintains its shareholding in the company Tre Torri Contractor S.c.a.r.l.
All the employees of Immobiliare Lombarda remained post Spin-off as these latter activities are focused in the provision of services relating to property both owned by the company and third parties.

In the definition of the composition of the Portfolios, preliminarily agreed by Immobiliare Lombarda with Fondiaria-Sai and Milano and approved by the Board of Directors of these latter in the meetings of June 17 stated above, account was taken of the pre-existing situations of the companies in terms of assets to cover reserves and of the future situation of the same in terms of:
- proportion of property investments of the total assets of the beneficiary companies;

- diversification of the specific property investment portfolios of the beneficiary companies;
- financial support capacity of the property development projects.

In this sense, the portion of shareholders' equity assigned to the Portfolio allocated to Immobiliare Milano Assicurazioni is made up of assets (property and property development initiatives) of a higher value than the assets assigned to the other Portfolio, against a higher debt exposition allocated to the first Complex which prospectively, whenever all or part of the repayments are made, will allow Milano, also through financial support to the development projects, to bring the proportion of the class of property investments of the total to a level more in line with that of the parent company Fondiaria-Sai.

Finally in relation to the shareholding of Immobiliare Lombarda in IGLI S.p.A., this was equally distributed to both of the Newcos, given the strategic importance of the investment for the activities of the Fondiaria-SAI Group in the real estate sector.

As stated, in order to equate exactly the shareholding held in Immobiliare Lombarda by Fondiaria-Sai and Milano to the economic value of the two Portfolios - and therefore in relation to that stated above to ensure that no monetary amount in accordance with article 2506, paragraph 2 of the civil code is generated - Fondiaria-Sai purchased from Milano, before the Spin-off operation, a holding in Immobiliare Lombarda amounting to approx. 3.20% of the share capital, corresponding to 131,245,047 shares at a price of Euro 22,700,000.

The values of the portfolios assigned to the beneficiary companies were subject to an examination by Deloitte & Touche S.p.A., the expert assigned by the Board of Immobiliare Lombarda to prepare the report in accordance with article 2501.6 of the civil code and for the Spin-off in accordance with article 2506.3 of the civil code, in the case of the non proportional Spin-off.

Other Sectors

The diversified activities sector includes the companies SOGEINT and PRONTO ASSISTANCE SERVIZI, acquired during the previous year.

SOGEINT (wholly owned by Milano Assicurazioni) provides commercial assistance to the agencies. At September 30, 2009, the company had 53 employees and 36 agencies. In the first nine months of 2009, a small loss was recorded.

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

Asset and financial management

In the third quarter of 2009 many economies pulled themselves out of recession returning to modest economic growth (in Europe, particularly for France and Germany) and elsewhere the belief that the worst of the crisis was over began to take hold.
The global economic system reacted well to the intensive expansive monetary policy actions coordinated internationally, with official interest rates at historic minimums (close to zero in the USA, 1% in Europe and 0.5% in Great Britain), with actions of Quantitative Easing which involved the maintenance of low interest rates in many financial sectors defined as critical, such as for example mortgages and the Keynesian fiscal interventions focused on incentivising consumption through the reduction of interest rates and an increase in public spending.
This recovery process was assisted greatly by international trade, which if at the beginning contributing to convert a local crisis - the subprime loans crisis in the United States - to a global recession involving the economy and not just the financial sector, then contributed to spark the recovery from the period in which the first green shoots began to appear in March, gaining ground with time and vindicating those who saw protectionism and restrictions to international trade as an obstacle to recovery in a world already hit by the worst economic crisis of recent decades.
Although the current situation appears to have improved on that predicted a few months ago - principally seen in the recovery of nearly all of the asset classes from a low in March - it must not be forgotten that numerous doubts remain regarding the strength of the recovery and the point at which an exit strategy from the monetary and fiscal stimulus must be implemented.
From this point of view, the Central Banks are warning for great prudence and advising that the “patient” is still weak and that the possibility of a “relapse” is high, particularly if interest rates are raised (the W Shaped theory).
Although inflation at the moment appears to be entirely under control, due in part to the effect of the high level of non utilised productive capacity, with unemployment at record levels and weak bargaining in relation to salary increases, the Monetary Authorities are well aware that the more the economy shows signs of recovery and an ability to “stand on its own” the more they must pay attention to possible increases in interest rates and an end to the extraordinary measures adopted to confront the worst period of the crisis. Despite this, there is currently no rush to act with critical elements still existing in the economy. The Great Recession has ended but difficulties exist in maintaining the pace of growth seen in recent months, which in addition to starting from a low base point owes much to stimulus which cannot last forever (for example, car purchase incentives which increased internal demand but "consumed" a part of future GDP).

On the Equity front, the third quarter of the year featured at macroeconomic level a significant improvement in the confidence indicators and at the micro level positive indications from the quarterly reports, particularly in the United States where the majority of companies reported profits ahead of expectations. In particular results in the financial sector have been positive, particularly for the American investment banks such as Goldman Sachs and JP Morgan, which have enjoyed the optimism of investors and interest in higher risk level investments, with volatility levels returning almost to “pre Lehman” levels.

* * *

At operating level, the activities developed in the quarter within the bond securities sector benefited, in the non-life division, from a progressive positioning on the short-term part of the curve, in the certainty that the European Central Bank would not have any intention of increasing interest rates in the short-term. The CCT performance was also very strong, which continued to be purchased in part to maintain the duration of the portfolio and in part to continue to benefit from the "narrowing" process of the spread between Italy and Germany in favour of Italy, as the financial and economic signals showed an easing of the stress situation which aggravated from September of the previous year.

With regard to the geographic composition of the government bond portfolio, the proportion in the core countries increased presenting better yields in relation to risk and liquidity, favouring short or medium term maturity and particularly France.

Overall the duration of the portfolios, taking account of the constant monitoring of the Asset Liability Management requirements, did not change significantly, with a slight curtailment in the life sector division, due particularly, more to the requirements of the A.L.M. than of concerns for an increase in rates which would significantly impede the excellent performances of the capital accounts on numerous government bond positions.

The approach of the Corporate segment, one of the sectors which performed best in terms of total returns this year, was considered in the period in a very selective manner, both in the light of the particular needs of the individual separated Life management and in terms of quality and duration of the issues, seeking to achieve that which best respected the needs of the overall asset allocation.

In the equity sector, operations were characterised by trading activities which make up approx. 10% of the current segment and allowed a partial rationalisation of the equities portfolio of the closed managements. In relation to open management, development of a portfolio based around the insurance, energy and utility sectors began. In relation to the derivative instruments, within a strategic management policy of investments, the low levels of volatility did not allow operation on the market through the sale of call options on securities in portfolio to support the ordinary yields of separated management.

The table below shows the results of the financial and real estate activities in the third quarter and the first nine months of 2009 on like-for-like terms compared with the same periods in the previous year:

(in Euro thousands)	**Q3 2009**	**Q3 2008 pro-forma**	**9M 2009**	**9M 2008**
Net income from financial instruments recorded at fair value through profit or loss	17,906	67,853	57,944	31,585
Income from investments in subsidiaries, associates and joint ventures	2,074	127	2,357	538
Income from other financial instruments and property investments of which:	101,609	115,581	354,325	385,268
Interest income	73,103	92,323	238,850	271,963
Other income	13,968	11,215	61,852	83,351
Profits realised	13,433	12,043	52,518	29,954
Valuation gains	1,105	-	1,105	-
Total income	**121,589**	**183,561**	**414,626**	**417,391**
Charges from investments in subsidiaries, associates and joint ventures	-2,229	-36	-9,132	-95
Charges from other financial instruments and property investments of which:	-26,280	-66,513	-103,477	-108,565
Interest expense	-3,939	-4,800	-11,208	-14,871
Other charges	-5,021	-2,430	-10,898	-6,961
Losses realised	-3,204	-53,169	-30,787	-75,971
Valuation losses	-14,116	-6,114	-50,584	-10,762
Total charges	**-28,509**	**-66,549**	**-112,609**	**-108,660**
TOTAL NET INCOME	**93,080**	**117,012**	**302,017**	**308,731**

Net income in the third quarter amounted to Euro 93.1 million compared to Euro 117 million in the third quarter 2008. The decrease is principally due to lower interest rates and the adjustment in value in the quarter of classified securities in the Available-for-sale category (Euro 10.2 million).

Overall in the nine months, the net income amounted to Euro 302 million compared to Euro 308.7 million in the same period in 2008. The data relating to the current period is net of Euro 40.8 million of impairment charges on securities classified in the Available-for-Sale category under the fair value policy described in the accounting principles and affected by the decreasing interest rates implemented by the monetary authorities to tackle the economic crisis, as well as lower dividends from shareholdings. Against this, trading activities in the

period recorded profits to be realised of Euro 32.6 million (Euro 3.2 million in the first nine months of 2008).
The net income deriving from other financial instruments and property investments amounted to Euro 250.8 million (Euro 276.7 million in the first nine months of 2008), while the net income deriving from fair value financial instruments recorded through profit or loss totalled Euro 57.9 million compared to Euro 31.6 million in the first nine months of 2008.
The significant changes in the above two categories of income are related also to the closure of residual combined put and call options in the first quarter of the year, undertaken to hedge the non-realised gains relating to Unicredit shares held in portfolio.
The closure of these options resulted in net income of approx. Euro 2.9 million against gains on options of Euro 23.5 million in the account Income from financial instruments recorded at fair value through profit and loss, and Euro 20.6 million of losses on the correlated sales of the shares hedged, recorded in the account charges from other financial instruments and property investments, in line with the classification of these shares, recorded in the category Available for sale;

Financial instruments issued by Lehman Brothers

Lehman Brothers Holdings Inc. filed for “Chapter 11” bankruptcy on September 15, 2008 at the New York Bankruptcy Court.
The “Chapter 11”procedure permits the debtor to continue the ordinary exercise of their activities and to restructure the business, where permitted, with the prospect of implementing a company restructuring, through the approval of a plan by the creditors and guaranteed by the US judicial authorities.
The procedure also allows for the automatic freezing of assets as protection from creditor judicial actions in the reorganisation attempt.

The bond securities issued by Lehman Brothers present at September 30 in the group companies portfolios had a carrying value of Euro 2.9 million, 20% of the reimbursable value and based on prudent indications and information currently available in relation to the presumable recovery rate. The relative value adjustments were fully recorded in the accounts in the previous year.

Treasury shares and shares of holding companies

At September 30, 2009, the Parent Company Milano Assicurazioni held treasury shares, shares of the direct parent company Fondiaria-SAI and of the indirect parent company Premafin as shown in the table below:

(in Euro thousands)	**Number**	**Amount**
Treasury shares	6,764,860	31,353

Fondiaria-SAI shares	9,982,557	143,101
Premafin shares	9,157,710	9,801

In the third quarter of the year no operations in relation to treasury shares or of holding company shares were carried out.
The shares in the direct holding company Fondiaria-Sai S.p.A. increased by 1.6 million on December 31, 2008 due to the purchases in the first quarter of 2009 for a total amount of Euro 19.4 million.

Performance of Milano Assicurazioni shares

At September 30, 2009, the share capital of the parent company Milano Assicurazioni comprised 588,175,656 shares of Euro 0.52 each, of which 557,435,774 ordinary shares and 30,739,882 saving shares.
The share prices at the end of September are listed below with indication of the changes:

(in Euro)	**30/09/2009**	**31/12/2008**	**Change %**
Milano Assicurazioni ord.	2.4220	2.2166	+9.3
Milano Assicurazioni sav.	2.4024	2.2495	+6.8

The stock exchange capitalisation at September 30, 2009 was Euro 1,424 million (Euro 1,304.8 million at December 31, 2008).

Employees

At September 30, 2009, the number of employees of the Parent Company and of the consolidated companies amounted to 2,068 (2,087 at December 31, 2008), divided as follows:

	30/09/2009	**31/12/2008**
Executives	31	35
Managers & white collar	2,031	2,047
Building caretakers	6	5
	2,068	**2,087**

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

Immobiliare Rho Fund

The Board of Directors of Fondiaria-SAI S.p.A. and of Milano Assicurazioni S.p.A. on October 15, 2009 approved an operation concerning the valuation of the property portfolios of the Insurance Companies.

The operation relates to the conferment of a number of the properties owned by Fondiaria-SAI and Milano Assicurazioni to a newly constituted non-speculative closed real estate fund, with a duration of 10 years (the Rho Fund), reserved for institutional investors and managed by the third party company FIMIT SGR S.p.A.. The features of the Fund will be in line with the best practice of similar Core instruments on the market. The Tikal R.E. Fund, a real estate fund managed by Sai Investimenti SGR S.p.A. (controlled by FONDIARIA-SAI), will also take part in the operation through the conferment of one property.

The operation seeks to improve the Group’s capital ratios, through a reduction of the real estate component within the overall investment portfolio, thereby also improving the Group’s liquidity profile.

The spin-off provides for the conferment of the properties to the Rho Fund by the end of November.

The properties owned by Milano Assicurazioni had a net book value at June 30, 2009 of Euro 81 million, while the total value according to an expert's opinion was approx. Euro 111 million. The transfer to the Rho Fund includes a 10% discount applied to the current value of the properties, resulting in a gross gain therefore of approx. Euro 19 million.
The formalisation of the contractual agreements is currently being carried out; the operation however provides for the following stages:

- in the stage preceding the transfer, all of the properties involved in the operation will be the subject of a bank loan, in the course of agreement with a pool of primary banks, for an amount of approx. 55% of their transfer value;
- the transfer of the properties to the Rho Fund and corresponding bank debt relating to the above-mentioned loans;
- the issue by the Rho Fund in favour of the contributing parties – for an amount equal to the value of the properties transferred, net of the bank debt – of a 30% share reserved for the Insurance Companies, with a lock-up commitment of 4 years;
- the placement with institutional investors of the residual quota (70%).

The operation will allow Milano Assicurazioni, with the full placement of the allocation reserved for institutional investors, to free liquid financial resources of approx. Euro 87 million.

The management of the properties transferred to the Rho Fund will continue to be undertaken by Immobiliare Lombarda which will sign the relative mandates with the fund.

2009 - 2011 Industrial Plan

On October 21, 2009, the 2009-2011 industrial plan of the Fondiaria-Sai Group was presented to the financial community, including management actions and objectives relating to the Milano Assicurazioni Group.

The guidelines of the Plan are based on three pillars. In summary:

- regain profitability through focussing on the particular high potential areas (new motor tariff; quicker claims settlement; reform of the portfolio; reduction in overhead costs);

- the development of operational and offer policies (extension of the value chain regarding the claims settlement process; emphasising meritocracy; innovations in the product proposal; strengthening of the regional presence);

- maintain a sufficient capital base with strong asset backing, thus continuing to offer a secure and profitable investment opportunity for shareholders.

The above stated Industrial Plan was widely publicised and the slides presented to the financial community are available on the internet site of the parent company Fondiaria-Sai.

OUTLOOK

The technical margins in the non-life division continued to be squeezed by the economic situation and by the negative effects of the new regulations which have been introduced within the Italian insurance market recently.

In this context, all possible measures are being implemented in order to recover the better combined ratios achieved in the recent past, under the 2009-2011 Fondiaria-Sai Group Industrial Plan recently presented to the financial community.

In particular:

- motor tariffs were increased in order to offset reductions in the average premium, not justified by a reduction in the insurance risk;
- the actions for the containment of costs have been intensified in the motor division, with focus on the average cost of claims paid although maintaining a settlement speed which rigorously complies with the regulations in force and the satisfaction of clients;
  Particular benefits are expected from *"Auto Presto & Bene"*, the specific structure created by the Fondiaria-Sai group with the objective to improve the service to clients and to contain the material damage claim costs, through the entry into the spare parts distribution chain, with the consequent creation of value for the companies of the Group.
- actions will be carried out on the manner of sale of guarantees within the Land Vehicle class, considered necessary to counter the claims recorded in relation to specific guarantees;
- in the non-life sector excluding the motor sector, the reform actions of the obsolete and no longer profitable portfolio were implemented, substituting the old contracts with new products, oriented to the current market conditions and the current needs of the client;
- overhead cost containment actions will continue.

However the benefits of these actions, by their nature, will roll out progressively, with limited effects in the fourth quarter of the year and the realisation of their full potential in terms of profitability in the longer term.

In the life sector the objective is to increase the amount of new business based on underwriting policies which favour products centred on the insurance risk, providing better returns and more appropriate to the needs of the clientele in this period of great economic uncertainty.

The performance of the financial and asset management, which in the first nine months recorded positive results, and in particular, a significant recovery on the investment values, will strictly be related to the future performance of the financial markets which, although not returning to the operating conditions prior to the great turbulence at the height of the crisis, are moving towards a period of greater stabilisation. In any event, the solidity of the Group balance sheet, the quality of investments undertaken and the prudent management policy allows the company to look to the future with confidence, ready to seize development opportunities and growth upon the easing of the crisis.

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 accordance with the indications provided by Consob with communication No. 8041082 of April 30, 2008 it was considered appropriate to present the data in line with the previous quarterly reports, prepared in accordance with the Issuers' Regulations.

In the first nine months of 2009, the Athens Real Estate Fund entered the consolidation scope, entirely held by Milano Assicurazioni. With reference to Liguria Assicurazioni and Liguria Vita we report that: the entry into the consolidation area was already recorded in the 2008 financial statements following the conferment to Milano Assicurazioni, by Fondiaria-SAI, of the relative investments; however, as the conferment took place at the end of the year, the 2008 financial statements only included the balance sheet data, while the consolidation of the income statement data commenced from 2009.
A list of the Subsidiaries and Associated Companies in accordance with the above-mentioned ISVAP Regulation No. 7 of July 13, 2007 is provided as an attachment.

In the preparation of the income statement and net financial position, consideration was taken of ISVAP Regulation No. 7, concerning the instructions for the format of the consolidated financial statements as per the international accounting standards; the data contained in the financial statements derives from the application of the same accounting principles used for the preparation of the 2008 consolidated financial statements, to which reference should be made for a detailed description of the individual methodologies, except for those indicated below.

Motor TPL division claims reserve

A separate valuation was carried out by type of claim, under the following categories:
- claims before the commencement of the direct compensation regime: the determination of the reserve took account of the last cost determined at the end of 2008 based on the same statistical methodology on the claims cost and the reversals to the reserve;
- claims within the CARD Operator regime: the expected last cost was recorded based on the expected change in costs and taking into account the amount of the recoverable flat rate;
- claims within the CARD Debtor regime: the valuation was made based on the once-off amount defined by the Technical Committee created pursuant to Pres. Decree No. 254/2006;
- claims not within the direct compensation system (essentially as they involve more than two vehicles or with permanent physical damage above 9%): the valuation of the last cost of the claims in the current period was made revaluing the amounts indicated by the settlement offices, taking into account the average costs assumed for these type of claims, which are more costly. For the claims of previous years, already recorded in reserves, the

trends relating to the claims settled were noted, verifying the appropriateness of the reserves recorded at December 31, 2008.

Reinsurance

The technical reserves relating to the reinsurers are calculated based on the portion ceded for the proportional reinsurance and in a revisional manner for the excess and stop-loss reinsurance, on the basis of the information available and utilising the same criteria for the direct premium reserves, taking into account the contractual clauses.
The accounts relating to the indirect premiums represent the portion of the results estimated for the full year; in the determination of the values account was taken of the data certified relating to obligatory contracts accepted by the companies outside of the Group, whose technical results refer to the year 2008.

Valuation and impairment of financial instruments

With reference to the valuation of financial instruments, reference should be made to the financial statements at December 31, 2008. The fair value policy outlined therein did not incur changes and, therefore, with reference to the listed financial instruments in active markets, the stock exchange price at September 30, 2009 was utilised. It is also reported that some valuation processes, such as those utilised to determine any losses in value (impairment) of financial assets available-for-sale, are - given their complexity - generally made in the preparation of the annual financial statements. However, the current financial crisis further complicated the valuation processes, requiring analysis, with reference in particular to the equity instruments, based not only on stock market movements, but also on values of fundamental use of these assets.

Consequently in the current report, also due to the limited availability of all the necessary information, the losses in value of “Available for sale” financial instruments recorded due to the application of the automatic criteria as illustrated in the consolidated financial statements of December 31, 2008 were recorded in the income statement and which identified temporal and quantitative limits for the recording of a long-term or significant drop in the fair value.

Following that recently expressed by IFRIC relating to paragraph 61 of IAS 39, the Group has begun a review of its impairment policy. Following the clarification requests to IFRIC regarding the meaning of “significant or prolonged”, as expressed in the above stated paragraph 61 in order to identify a permanent loss in value, it emerged that the two criteria must be recorded separately and not together.

Therefore, from the present half year, it was considered necessary to eliminate the threshold which identified the reduction in the market value of at least 20% for a continuous period of one year as proof of impairment. Consequently the valuations, as well as regarding shares with a loss of between 20% and 80% of the book value, according to the manner set out in the

2008 annual accounts, are extended to all of the AFS capital instruments which show losses for a continuous period of between 12 and 24 months.

The other two thresholds identified in the 2008 annual accounts (80% and 24 months) for the recognition of an objective evidence of impairment remain unchanged.

Reclassification of financial instruments

IAS 39, as amended in October 2008, allows the reclassification of a financial asset initially considered as Available-for-Sale to the category “Loans and Receivables” on the condition that:

- this asset fulfils the requirements set for the definition of loans and receivables;
- the company has the intention and the capacity to hold the financial assets for the foreseeable future or until their natural maturity.

Availing of this option, it is considered appropriate, with effect from January 1, 2009, to reclassify to the category “Loans and Receivables” some debt securities which in the 2008 financial statements were included in the category “Available-for-Sale” for an amount of Euro 256.9 million.
This relates to corporate bond securities with subordination clauses, all with carrying values below the repayment value and a gross effective yield higher than 5%.

The reclassification appears appropriate in relation to the intention of the company to maintain these securities in portfolio for the foreseeable future, to the characteristics of the securities and the illiquidity which continues to affect the market, with the consequent unreliability of the relative prices.
In accordance with the regulations of these categories, these securities, at September 30, were valued at amortised cost. The cumulative losses at January 1, 2009, equal to Euro 23.8 million and recorded under shareholders' equity as a component of the reserve for Available-for-sale securities are also recorded at amortised cost.

IFRS 8 – Operating segments

With reference to the new accounting standard in relation to segment information (IFRS 8 Operating Segments), it is stated that based on the analysis carried out, it is considered that the information provided to date conforms with the needs of the requirements of the new standard without the need for future amendments or additions.

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

The quarterly financial statements have not been audited.

Milan, November 9, 2009

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
BIPIEMME VITA S.p.A.	ITALY	G	1
CAMPO CARLO MAGNO S.p.A.	ITALY	G	10
DIALOGO ASSICURAZIONI S.p.A.	ITALY	G	1
DIALOGO VITA S.p.A.	ITALY	G	1
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.	ITALY	G	1
LIGURIA VITA S.p.A.	ITALY	G	1
MERIDIANO EUR S.r.l.	ITALY	G	10
MERIDIANO ORIZZONTI S.r.l.	ITALY	G	10
PRONTO ASSISTANCE SERVIZI S.c.r.l.	ITALY	G	11
SOGEINT S.r.l.	ITALY	G	11
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	ITALY	G	1

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

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

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

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

% direct holding	% total holding (3)	% votes at ordinary shareholders' meeting (4)	% of consolidation
100.00	100.00	100.00	100.00
51.00	51.00	51.00	100.00
100.00	100.00	100.00	100.00
99.85	99.85	99.85	100.00
60.00	60.00	60.00	100.00
99.97	99.97	99.97	100.00
-	99.97	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
28.00	54.51	54.55	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

Non consolidated investments

Company	State	Activities (1)	Type (2)
ATAHOLTELS S.p.A.	ITALY	11	B
GARIBALDI S.C.S.	LUXEMBOURG	10	B
GLOBAL CARD SERVICE S.r.l.	ITALY	11	A
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	ITALY	11	B
IMMOBILIARE LOMBARDA S.p.A.	ITALY	10	B
SAI INVESTIMENTI S.G.R. S.p.A.	ITALY	8	B
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	ITALY	11	B
SISTEMI SANITARI S.c.r.l.	ITALY	11	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 and shown in the key below

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

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

% direct holding	% total holding (3)	% votes at ordinary shareholders' meeting (4)	Book Value
49.00	49.00	49.00	12,250
48.00	48.00	48.00	0
-	94.97	95.00	0
34.19	34.63	34.65	12,109
35.83	35.83	35.83	232,736
29.00	29.00	29.00	1,767
30.00	30.00	30.00	253
19.63	20.12	20.31	167
49.00	49.00	49.00	12,838

Declaration of the Executive Responsible

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

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

AFFIRMS

pursuant to the provisions of article 154 bis of the “Finance Act for financial intermediaries” that the Interim Report as at September 30, 2009 corresponds to the underlying accounting documents, records and accounting entries.

Milan, November 9, 2009

The Executive in charge of the preparation
of corporate accounting documents
Dr. Pier Giorgio BEDOGNI