2011 Third Quarter Report

MILANO ASSICURAZIONI S.p.A.
Registered office and Headquarters
20161 Milan - Via Senigallia, 18/2
Tel. (+39) 02.6402.1 - Fax (+39) 02.6402.2331
www.milass.it

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

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2011 Third Quarter Report

BOARD OF DIRECTORS

Salvatore **Ligresti**	*Honorary Chairman*
Angelo **Casò** *	*Chairman*
Gioacchino Paolo **Ligresti** *	*Vice Chairman*
Emanuele **Erbetta** *	*Chief Executive Officer - General Manager*
Umberto **Bocchino** *	
Maurizio Carlo **Burnengo** *	
Barbara **De Marchi**	
Maurizio **Di Maio**	
Mariano **Frey**	
Giuseppe **Lazzaroni**	
Giulia Maria **Ligresti** *	
Jonella **Ligresti**	
Davide **Maggi**	
Nicola **Miglietta**	
Aldo **Milanese**	
Massimo **Pini** *	
Salvatore **Rubino**	
Simone **Tabacci**	
Alessandra **Talarico**	
Antonio **Talarico** *	

(*) Members of the Executive committee.

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

BOARD OF STATUTORY AUDITORS

Giovanni **Ossola**
Chairman

Maria Luisa **Mosconi**
Statutory Auditor

Alessandro **Rayneri**
Statutory Auditor

Giuseppe **Aldè**
Alternate Auditor

Claudio **De Re**
Alternate Auditor

Michela **Zeme**
Alternate Auditor

INDEPENDENT AUDITOR

DELOITTE & TOUCHE S.P.A.

GENERAL MANAGER

Emanuele **Erbetta**

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Massimo **Dalfelli**

- The Shareholders' Meeting of the company of April 27, 2011 appointed the Board of Directors and the Board of Statutory Auditors for the three year period 2011-2013. The Board of Directors' meeting after the Shareholders' Meeting, appointed Mr. Angelo Casò as Chairman, Mr. Gioacchino Paolo Ligresti as Vice Chairman and Mr. Emanuele Erbetta as Chief Executive Officer. Mr. Erbetta continues as General Manager.
- The Chairman, -{}-Vice Chairman and Chief Executive Officer, in accordance with Article 20 of the By-Laws have the power of legal representation of the Company. The Chief Executive Officer Mr. Emanuele Erbetta is devolved all ordinary and extraordinary powers, to be exercised with single signature and with the possibility to confer mandates and legal attorneys, with the exclusive exception of the following powers:
  - sale and/or purchase of property above the value of Euro 10 million for each operation;
  - sale and/or purchase of investments above the value of Euro 25 million for each operation and, in any case, of controlling interests;
  - obtaining of loans above Euro 50 million for each operation;
  - provision of non-insurance guarantees in favour of third parties.

  The Chief Executive Officer reports to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the above powers, with particular regard to extraordinary operations or those with related parties (where not reserved to the Board) and, in general, on the most significant operations.
- The Executive Committee has all the powers not already attributed to the Chief Executive Officer, except for those which in accordance with law or the company by-laws are the exclusive competence of the Board of Directors, while establishing - in accordance with the procedures for significant transactions with related parties approved by the Board of Directors' meeting of November 30, 2010 - the exclusive ambit of the Board concerning all deliberations in relation to the so-called "significant" and "less significant" transactions with related parties, according to the definitions as per the regulation adopted through CONSOB Regulation No. 17221 of March 12, 2010 and incorporated into the above-mentioned procedure. The attribution of exclusive duties to the Executive Committee in relation to specific types of operations or operations with limited amount does not exist. The Committee reports to the Board of Directors at each meeting on the exercise of its powers.
- The Board of Directors and the Board of Statutory Auditors will remain in office until the approval of the financial statements by the Shareholders' Meeting for the year ended December 31, 2013.

GROUP FINANCIAL HIGHLIGHTS

(in Euro millions)	**9M 2011**	**9M 2010**
Group net loss	-145.1	-373.0
Gross premiums written	2,430.0	2,593.6
of which:		
Gross Non-Life premiums written	2,171.4	2,231.4
Gross Life premiums written	258.6	362.2
Investment policies written	7.1	5.2
APE (*)	24.2	35.6
Combined ratio Non-Life sector (**)	105.5%	105.4%
Loss ratio Non-Life sector	81.8%	81.2%

(in Euro millions)	**30/09/2011**	**31/12/2010**
Investments	8,990.6	9,101.1
Net technical reserves - Non-Life division	4,938.4	4,959.8
Net technical reserves - Life division	3,463.1	3,749.9
Financial liabilities	381.8	427.9

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

THE MILANO ASSICURAZIONI GROUP

At September 30, 2011, the Milano Assicurazioni Group, including the Parent Company, was made up of 11 Companies, of which 5 operating in the insurance sector, 4 in the real estate sector and 2 in various services.

Milano Assicurazioni S.p.A. is a leading insurance player on the Italian market, operating in the non-life and life sectors, with consolidated annual premiums of approx. Euro 3.6 billion and a sales network of approx. 1,900 agencies spread throughout the country.

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

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

FINANCIAL HIGHLIGHTS

The group net result in the first nine months of 2011 reports a loss of Euro 145.1 million (loss of Euro 373 million in the first nine months of 2010). The table below shows the income statement for the first nine months of the year and for the third quarter, compared to the same periods of the previous year.

(in Euro thousands)	**9M 2011**	**9M 2010**	**Q3 2011**	**Q3 2010**
Net premiums	2,446,233	2,598,090	745,587	800,854
Commission income	299	706	79	568
Net Income from financial instruments recorded at fair value through profit or loss	-26,659	5,617	-7,554	4,118
Income from subsid., ass. and jt. ventures	7,077	442	98	171
Income from other financial instruments and property investments	286,628	302,552	86,195	90,968
- Interest income	170,505	159,065	61,368	52,374
- Other income	43,197	58,981	11,219	19,244
- Profits realised	72,926	84,302	13,608	19,146
- Valuation gains	-	204	-	204
Other revenue	132,988	130,063	24,081	33,355
Total revenues	**2,846,566**	**3,037,470**	**848,486**	**930,034**
Net charges relating to claims	-2,079,706	-2,226,197	-701,159	-713,448
Commission expenses	-165	-48	-64	-13
Charges from subsid., ass. & jt. ven.	-7,803	-15,857	295	-2,378
Charges from other financial instruments and property investments	-214,113	-427,162	-112,870	-202,174
- Interest expense	-8,540	-9,644	-2,604	-2,602
- Other expenses	-14,857	-14,357	-4,369	-4,258
- Losses realised	-33,885	-41,943	-8,663	-12,602
- Valuation losses	-156,831	-361,218	-97,234	-182,712
Management expenses	-465,163	-484,246	-136,978	-145,466
- Commissions and other acquisition expenses	-372,506	-395,697	-106,849	-117,987
- Investment management charges	-2,870	-2,979	-904	-1,612
- Other administration expenses	-89,787	-85,570	-29,225	-25,867
Other expenses	-251,380	-265,021	-26,101	-45,558
Total costs	**-3,018,330**	**-3,418,531**	**-976,877**	**-1,109,037**
Loss before taxes	**-171,764**	**-381,061**	**-128,391**	**-179,003**
Income taxes	-4,229	4,714	11,138	1,229
Net Loss	**-175,993**	**-376,347**	**-117,253**	**-177,774**
Profit from discontinued operations	30,850	3,281	30,850	-
Consolidated Net Loss	**-145,143**	**-373,066**	**-86,403**	**-177,774**
Minority interest share	-71	-25	-3	-8
Group net loss	**-145,072**	**-373,041**	**-86,400**	**-177,766**

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

- the **Non-Life Division** reports a pre-tax loss of Euro 198.5 million (loss of Euro 371.1 million in 9M 2010), following a technical performance still impacted by the prior year portfolio performance and AFS financial asset impairments of Euro 92.5 million.
  In relation to the technical performance, the combined ratio excluding reinsurance was 105.5% compared to 105.4% in 9M 2010 and 115.9% for the full year 2010.
  The **Motor TPL Class** reports a particularly good claims performance which, following the discontinuation actions taken on multi-risk contracts, the closure of poorly performing agencies and a more favourable market, reports a drop of 16.6% against substantial stability in premiums written (+0.9%).
  However, the prior generation claims cost remained high, due to the significant proportion of physical injury claims – particularly in certain central-southern regions - and the new compensation tables, originally adopted by the Milan court and quickly rolled out across the major Italian courts.

  The **Land Vehicle** class reports a positive technical performance, benefitting from the implementation of pricing initiatives and actions concerning the sale of the individual guarantees and underwriting limits, substantially in line with the same period of the previous year.

  The performance of the civil responsibility contracts within the **Other Non-life** classes remained poor, particularly due to the performance of prior year claims. The performances of the other classes were however positive overall, with satisfying results in the Accident, Fire, Bond and Legal Protection and Assistance classes.

- the **Life Division** reports a pre-tax profit of Euro 29.7 million (loss of Euro 0.2 million in 9M 2010) after impairments on AFS financial assets of Euro 42.1 million. The premiums written in the period were affected by the difficult economic environment and contracted on the same period of the previous year. The new policy portfolio however features a large portion of traditional type products with an ability to satisfy the entire client base through the quality level and extensive range of products offered, providing strong profitability. As indicated in Budget 2011, the investment policy focused on containment of volatility rather than an aggressive policy on short-term gains, with benefits for the solvency ratio, greater stability on returns of the separated management and positive effects which will become fully apparent once the market turbulences - which have for some time now characterised the financial markets - have passed.

- The **Real Estate sector** recorded a pre-tax loss of Euro 2.8 million, compared to a loss of Euro 10.1 million in 9M 2010. The result does not include the gain of Euro 30.9 million from the sale of the investment in Citylife, which despite occurring within the real estate sector was classified to the "profit from discontinued operation account" in accordance with IFRS 5.

- The **financial and asset management** reports overall net income of Euro 45.1 million compared to net charges of Euro 134.4 million in 9M 2010. In particular, in relation to the most significant accounts:
  - interest income amounted to Euro 170.5 million, compared to Euro 159.1 million in 9M 2010 (+7.2%);
  - net profits to be realised amounted to Euro 39 million (Euro 42.4 million in 9M 2010), of which Euro 6.2 million relates to equity securities, Euro 18 million to investment fund units, Euro 12.3 million to bond securities and Euro 2.5 million to property investments;
  - net valuation losses amounted to Euro 156.8 million (Euro 361 million in 9M 2010) and concern impairments on AFS financial instruments of Euro 134.6 million, depreciation on property for Euro 20.5 million and property impairments of Euro 1.7 million;
  - the financial instruments at fair value recorded through profit and loss report net charges of Euro 26.7 million compared to net income of Euro 5.6 million in the first nine months of 2010. Euro 17.9 million of the 2011 result derives from the loss incurred from the sale of option rights concerning the parent company Fondiaria-Sai rights issue;
  - income from subsidiaries, associated companies and joint ventures principally related to the associated company Igli S.p.A. and prevalently derives from the improved results of Impregilo, in which Igli holds 29.96%. The charges principally include the losses recorded in the period by Atahotels, which continues to be affected by the difficult economic environment and the weak hotel sector in general, particularly in relation to congresses – an area in which the company is the market leader.

- the **management expenses** in the non-life insurance sector amounted to Euro 443.9 million, with a percentage on net premiums of 20.2% (20.6% in 9M 2010). In the life division, management expenses totalled Euro 21.3 million, increasing as a percentage of net premiums from 6.2% in 9M 2010 to 8.5%, essentially as a result of the contraction in premiums written.

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

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

(in Euro thousands)	**Non-Life**	**Life**	**Real Estate**	**Other**	**Inter-segment Elim.**	**Total**
Net premiums	2,195,324	250,909	-	-	-	2,446,233
Commission income	-	299	-	-	-	299
Net Income from financial instruments recorded at fair value through profit or loss	-21,944	-5,121	406	-	-	-26,659
Income from subsidiaries, ass. and jt. Ventures	311	-	6,766	-	-	7,077
Income from other financial instruments and property investments	118,403	159,264	8,961	-	-	286,628
- Interest income	57,135	113,069	301	-	-	170,515
- Other income	23,485	11,061	8,651	-	-	43,197
- Profits realised	37,783	35,134	9	-	-	72,926
- Valuation gains	-	-	-	-	-	-
Other revenue	124,147	4,189	1,588	7,564	-4,500	132,988
Total revenues	**2,416,241**	**409,540**	**17,721**	**7,564**	**-4,500**	**2,846,566**
Net charges relating to claims	-1,795,651	-284,055	-	-	-	-2,079,706
Commission expenses	-	-165	-	-	-	-165
Charges from subsid., ass. & jt. ven.	-7,495	-260	-48	-	-	-7,803
Charges from other financial instruments and property investments	-136,817	-60,668	-16,628	-	-	-214,113
- Interest expense	-3,706	-3,682	-1,152	-	-	-8,540
- Other expenses	-8,551	-564	-5,742	-	-	-14,857
- Losses realised	-19,539	-14,343	-2	-	-	-33,884
- Valuation losses	-105,021	-42,079	-9,732	-	-	-156,832
Management expenses	-443,891	-21,272	-	-	-	-465,163
- Commissions and other acquisition	-360,462	-12,044	-	-	-	-372,506
- Investment management charges	-1,557	-1,313	-	-	-	-2,870
- Other administration expenses	-81,872	-7,915	-	-	-	-89,787
Other expenses	-230,898	-13,383	-3,803	-7,796	4,500	-251,380
Total costs	**-2,614,752**	**-379,803**	**-20,479**	**-7,796**	**4,500**	**-3,018,330**
Profit/(loss) before taxes – 9M 2011	**-198,511**	**29,737**	**-2,758**	**-232**	**-**	**-171,764**
Profit/(loss) before taxes – 9M 2010	**-371,059**	**-234**	**-10,095**	**327**	**-**	**-381,061**

OPERATIONAL PERFORMANCE AND NOTES

Non-Life Insurance Sector

Premiums written

Premiums written in the first nine months totalled Euro 2,167.3 million (-2.6% compared to 9M 2010), of which Euro 1,563.2 million relating to the Motor Classes (-0.4%) and Euro 604.1 million relating to the Other Classes (-7.8%).

The premium performance of the **Motor TPL** class (+0.9%) is in line with that established in the half year and highlights a recovery on 2010 (-0.4%) despite the introduction of restructuring policies concerning the multi-risk portfolio and the impact of regulatory changes in the recent past which significantly curtailed the efficacy of the Bonus-Malus system through applying the class at a family level and also applying Malus only in the case of principal responsibility.
The situation continues to be impacted by the drop in new vehicle registrations, which in the first nine months of 2011 contracted 11.3%.
The slight increase in premiums written benefitted from the Motor TPL tariff launched in January 2011, with the principal objective to recover profitability without jeopardising the portfolio, also through reducing the tariff mutuality - implemented taking account of the recent regulatory changes, of the competitive environment and considering increased attention to client risk analysis.
Specifically, greater risk differentiation was introduced, based both on the characteristics of the vehicle with particular reference to security features and the repair costs, and the specifics of the contracting party related to age and area of residence.
From September, a new tariff was also introduced which establishes, among other issues, greater territorial differentiation, two further maximum levels for all tariff sectors and a new agreement for those vehicles recorded in the old registers.
The review of commercial policies concerning agreements and fleets, initiated in the previous year, also continued - with a consequent resizing of the portfolio, particularly in certain regions of the centre-south of Italy, and a significant reduction in discounting. The monitoring of the single contract performances indicates that the actions undertaken are having a significant impact on profitability.

The contraction in premiums written in the **Land Vehicle** class is due to the ongoing economic difficulties which limit household disposable income with a consequent reduction in accessory guarantees to new motor policies.
The sales policies of the motor manufacturers have also impacted volumes with the inclusion in the vehicle sales price of insurance packages with fire, theft and assistance guarantees, in addition to multi-risk portfolio reform actions by Group companies.

The **other non-life classes** report a decrease in premiums largely relating to the aeronautical risks of the Sasa division and in particular the non-renewal of the civil protection contract and the discontinuation of new business acquisition.
Premiums have benefitted from the initiatives taken to recover profitability which has resulted in the closure of agencies with particularly poor performances, the discontinuation of individual multi-risk contracts and a reduction in the exposure to corporate risks, particularly in relation to public companies and bodies, historically reporting an unsatisfactory technical performance.

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

A catalogue of new products focused on increased client protection in an economic environment which is significantly more volatile than in the past is currently being drawn up. The new products will target, also through portfolio reforms, clients holding policies with guarantees no longer considered adequate, offering, where requested, also financing services through Finitalia - the Fondiaria-SAI group company specialised in this area.

Indirect premiums amount to Euro 4.1 million compared to Euro 6.4 million in the same period of the previous year and continued to be minimal due to the decision to cease underwriting on the inward reinsurance market with companies not belonging to the Fondiaria-Sai Group.

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

(in Euro thousands)	**9M 2011**	**9M 2010**	**Change %**	**Q3 2011**	**Q3 2010**	**Change %**
Accident & health	162,420	174,504	-6.9	41,523	47,761	-13.1
Marine, aviation and transport	10,541	26,667	-60.5	3,302	4,438	-25.6
Fire and other property damage	219,035	230,803	-5.1	59,181	61,685	-4.1
General TPL	141,256	151,945	-7.0	36,337	35,204	+3.2
Credit & Bonds	36,716	35,534	+3.3	10,596	11,331	-6.5
General pecuniary losses	4,766	6,834	-30.3	1,228	1,252	-1.9
Legal expenses	5,970	6,656	-10.3	1,686	1,786	-5.6
Assistance	23,441	22,523	+4.1	7,356	6,417	+14.6
TOTAL OTHER NON-LIFE DIVISION	**604,145**	**655,466**	**-7.8**	**161,209**	**169,874**	**-5.1**
Land Motor TPL	1,369,999	1,357,931	+0.9	398,037	395,043	+0.8
Land vehicles	193,164	211,676	-8.7	51,845	58,241	-11.0
TOTAL MOTOR	**1,563,163**	**1,569,607**	**-0.4**	**449,882**	**453,284**	**-0.8**
TOTAL	**2,167,308**	**2,225,073**	**-2.6**	**611,091**	**623,158**	**-1.9**

Claims

The claims paid in the first nine months of the year amounted to 566,398 compared to 647,341 in the same period of the previous year (-12.5%). In the Motor TPL Class, claims reported in the first nine months totalled 260,922 compared to 312,847 (-16.6%).
The amounts paid, gross of outward reinsurance, totalled Euro 1,712.3 million, a decrease of 8.5% on Euro 1,870.5 million in the first nine months of 2010.

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

	Claims reported Number			Claims paid (in Euro thousands)		
	9M 2011	9M 2010	Cge. %	9M 2011	9M 2010	Cge. %
Accident & health	59,249	66,609	-11.0%	90,577	101,759	-11.0%
Marine, aviation and transport	493	511	-3.5%	4,551	6,124	-25.7%
Fire and other property damage	67,723	76,784	-11.8%	143,998	151,674	-5.1%
General TPL	35,197	38,079	-7.6%	122,167	119,129	2.6%
Credit & Bonds	560	547	2.4%	17,536	15,939	10.0%
General pecuniary losses	1,072	1,289	-16.8%	3,153	6,260	-49.6%
Legal expenses	542	616	-12.0%	771	740	4.2%
Assistance	45,311	44,703	1.4%	7,329	5,862	25.0%
TOTAL OTHER NON-LIFE	**210,147**	**229,138**	**-8.3%**	**390,082**	**407,487**	**-4.3%**
Land Motor TPL (*)	260,922	312,847	-16.6%	1,197,453	1,328,244	-9.8%
Land vehicles	95,329	105,356	-9.5%	124,727	134,744	-7.4%
TOTAL MOTOR	**356,251**	**418,203**	**-14.8%**	**1,322,180**	**1,462,988**	**-9.6%**
TOTAL	**566,398**	**647,341**	**-12.5%**	**1,712,262**	**1,870,475**	**-8.5%**

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

Technical performance

The combined ratio excluding reinsurance was 105.5% compared to 105.4% in 9M 2010 and 115.9% for the full year 2010.

In particular, the **Motor TPL Class** reported a positive performance for contracts issued in the current year, with higher average premiums, following the gradual rollout of the new tariff, with a reduction in flexibility granted to the agency networks in the application of the tariff, and a good result for claims reported which decreased 16.6% due to the discontinuation actions on the multi-risk portfolio, the closing of particularly poorly performing agencies and a more favourable market environment.

The negative effects of contracts issued in previous years continued to be felt, particularly in certain regions of Central-South Italy, related to a higher frequency and a greater percentage of claims with physical injury.
The increased use of the new physical injury compensation tables, originally adopted by the Milan Court and quickly rolled out in the other major Italian cities, have maintained an elevated average cost of claims, particularly in relation to significant injury claims.
To combat fraud, which continues to represent a significant cost item, the antifraud group within the Fondiaria-Sai Group was further strengthened, now operating throughout the entire country. This structure, also supported by specific IT supports, identifies potentially false claims with regional investigative and settlement networks carrying out more in-depth investigations to ascertain the reality behind the events claimed. The initiatives adopted are reporting significant results, with the withdrawal of complaints by alleged damaged parties and the reduction in the level of personal injuries, especially in the regions where the level of claims reported were at abnormal levels compared to the rest of the country.

The **Land Vehicle** class reports a positive technical performance, in line with the same period in 2010. The recent initiatives to recover profitability continued, including the combined sales of guarantees which offset the claims recorded in relation to certain types of coverage, the new underwriting risks and the adoption of specific compensation forms, particularly in relation to windshield guarantees.

The **Other Non-Life** classes continued to report mixed performances, due in part to the continued difficult economic climate and the related impacts on employment and on the production of goods and services. Very positive results were seen in the Injury, Fire, Bond, Legal Protection and Assistance classes, negated particularly however by the negative performance of the General TPL class, which reports an increased claims to current year premiums ratio and an unfavourable prior year claims performance, already written to reserves.

In any case the focused actions continue to be implemented to improve overall profitability both in the retail sector (concerning tariff flexibility and reform or a discontinuation of contracts with unsatisfactory performances, particularly in the professional and health sectors) and in the corporate sector, where the Public Bodies portfolio (ASL in particular) is being streamlined and with an underwriting policy focused on a greater degree of prudency than the recent past.

Tables for physical injury

Concerning the calculation of claims with serious injury, on August 4, the Government took action in relation to the tables for physical injury. Through the Ministerial Decree bill drawn up by the Ministry of Health, the Executive enacted Article 138 of Legislative Decree 209/2005 (The Private Insurance Code), establishing national uniform values for the compensation of physical injury following a road accident claim, in place of the individual tables drawn up by the Courts throughout the various regions of the country.
The provision, on which legally required opinions will be gathered, comprises a new table for psychological/physical injury with between ten and one hundred invalidity points and the monetary value attributed to each, with coefficients also based on age and other characteristics.
The proposal must still be discussed by the Council of State but, if confirmed, would provide certainty throughout the country on the amount of guaranteed damages, in addition to the applicability of the regulation over the long-term with alterations only subject to inflation.
The Italian Council of Ministers provision does not include emotional injury, which has been drawn up by the Milan Court, but not within the new government tables.

New products issued on the market

In June, the **Difesa Più Infortuni** (Injury class) product was launched. This is a comprehensive product, dedicated to professional and non professional injury, with significant differentiation in terms of choice of insurance coverage and with major innovations in the offer. In particular, the permanent invalidity guarantee was split into two categories with the possibility to differentiate the insured sums and guarantee larger sums for more extensive invalidity. In addition it is possible to extend the injury guarantees to natural events and specific dedicated packages will be available respectively for minors and for injuries occurring following particular events.

In September the new Business and Commerce products were launched.
The two products (**Difesa Più Impresa and Difesa Più Commercio**) provide complete protection from possible unforeseen events affecting a productive and/or commercial activity; the target businesses are those employing up to ten employees, although the hiring capacity and the product limit thresholds allow the management of enterprises with up to 25 employees.

The products are particularly flexible and offer extensive personalisation in the insurance coverage to protect against fire and property damage, theft and burglary and civil responsibility risks, both for the building in which the activities are located and the furnishings, machinery and electronic equipment, as well as the raw materials and goods, the finished products and packaging, and finally, employees, collaborators and clients located in the place in which the activity is carried out.

***

Liguria Assicurazioni, with a predominantly multi-mandate sales network, reports direct premiums written of Euro 179.4 million, a decrease of 9.5% on 9M 2010. Specifically, the Motor TPL Class recorded premiums of Euro 122.2 million (-10.9%), the Land Vehicle Class premiums of Euro 10.7 million (-23.1%) and the Other Classes reporting premiums of Euro 46.5 million (-1.3%). The decrease is due to the technical restructuring activity, which provides for closure of agencies and discontinuation of poorly performing portfolios, targeted discontinuation of contracts and average premium policy increases.
In fact the average TPL premium grew 14.1% on the same period of the previous year, while the number of contracts in portfolio decreased by approx. 23%.
The company operates with a network of 306 agencies (314 at the end of 2010) with a close eye kept on the regional coverage: 146 agencies are located in the North, 73 in the centre and 87 in the South. In 2011, 9 agencies were opened, while 17 were closed.
The restructuring actions undertaken had a good effect on the claims reported, which decreased by approx. 30% in the Motor TPL class and approx. 5% in the Other Non-Life classes. Consequently, the technical performance reports a significant improvement, with a combined ratio of 101.7% compared to 114.4% in the same period of 2010.
The income statement for the first nine months of 2011, prepared in accordance with IAS/IFRS standards, reports a loss of Euro 4.2 million - a significant improvement on the loss of Euro 25.8 million in the same period of 2010.

In relation to the telephone and internet channel, premiums written by **Dialogo Assicurazioni** amounted to Euro 31.7 million, an increase of 36.6% on the first nine months of 2010.
The overall technical performance, although remaining negative, improved on the same period of the previous year, both in relation to current year claims and also prior year claims, already accrued.
The asset and financial management were affected by the current market turbulence, which in particular penalised global bonds issued by the Italian state and reports net income of Euro 0.5 million compared to Euro 0.7 million in 9M 2010.
The contribution of the company to the consolidated result was a loss of Euro 6.4 million (a loss of Euro 10.5 million in 9M 2010).

In relation to the marketing of standardised products distributed by the bank partners, **Systema Compagnia di Assicurazioni S.p.A.** recorded premiums written of Euro 28.8 million, almost double the Euro 15.1 million of the same period of the previous year (+90.5%), due to the greater contribution from the banking networks of Banca Popolare di Milano and Banca Popolare Pugliese.
However the technical performance deteriorated, in particular due to some significant claims reported in the Motor TPL class. The Land Vehicle class reports a good performance, although contracting on the same period of the previous year and the other Non-Life classes also report a positive contribution, with particularly satisfying performances in the Injury, Other Property, General TPL and Legal Protection classes.
The income statement is impacted by the above-mentioned Motor TPL claims with serious injury and reports a loss of Euro 1.6 million compared to a profit of Euro 0.5 million in 9M 2010.

Reinsurance

The premiums ceded amounted to Euro 83.2 million compared to Euro 92.5 million in 9M 2010. The percentage of direct premiums ceded decreased from 4.2% to 3.8%, principally due to the non renewal of the aeronautical policies of the Sasa division which, given their nature, require a particularly high level of reinsurance.

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

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

The reinsurance contracts are with the Irish company The Lawrence Re, indirectly controlled 100% by Fondiaria-Sai, which subsequently transfers the risks underwritten in reinsurance, utilising primary international operators with an adequate rating, in line with ISVAP circular 574/D.
The only exceptions are Aviation coverage, directly placed on the reinsurance market, the Assistance class and the Transport class: for the Assistance class, the protection is guaranteed by Pronto Assistance, while for the Transport classes, in line with the concentration programme of the underwriting with SIAT (the specialised company of the Fondiaria-SAI group), the company continues to reinsure the entire portfolio with SIAT, utilising a proportional coverage.

Life Insurance Sector

Premiums written and new business

In the third quarter of the year premiums written totalled Euro 64.1 million, decreasing 32.9% on Q3 2010, confirming the volume contraction already established in the previous interim reports. Overall, premiums written in the nine months amounted to Euro 258.6 million, contracting 28.6% on the same period of 2010.

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

(in Euro thousands)	**9M 2011**	**9M 2010**	**Change %**	**Q3 2011**	**Q3 2010**	**Change %**
I - Insurance on human life expectancy	224,754	289,743	-22.4	54,550	82,537	-33.9
III - Insurance related to market indices	87	113	-23.0	19	30	-36.7
IV - Health insurance	95	36	+163.9	6	8	-25.0
V - Securitisation operations	33,652	72,285	-53.4	9,516	12,941	-26.5
TOTAL	**258,588**	**362,177**	**-28.6**	**64,091**	**95,516**	**-32.9**

Life premiums reduced within a contracting overall domestic insurance market (as highlighted by the latest data released by ANIA). In particular, the **securitisation** sector saw a significant drop off in interest compared to the past from institutional clients with high levels of liquidity, within the current generalised liquidity crisis. This has also impacted the recently launched securitisation products (securitisation and mixed special) targeting clients with less significant amounts of available liquidity.

In relation to **class I products**, although premiums contracted, the quality of the new business from the distribution networks significantly improved in terms of portfolio mix. In particular, the percentage of new annual premium business increased to 7% of the total – up on the previous year. This shift is in line with the budget objectives for the year and with the focus on increased profitability from the Agency networks.

In accordance with IFRS 4 (Insurance Contracts) the amounts recorded to the premiums account relate to the contracts with significant insurance risk and investment contracts with discretional participation. The other financial contracts and in particular the unit-linked policies and units of the Milano Assicurazioni Open Pension Funds are treated under the deposit accounting method which provides, substantially, for the recording in the income statement of only the profit margins and the recording under financial liabilities of the amount matured in favour of the counterparties. Contracts issued in the first nine months of 2011 amounted to Euro 7.1 million (Euro 5.2 million in 9M 2010).

The following table illustrates new premiums written in terms of **equivalent annual premiums** (Annual Premium Equivalent, APE), calculated based on the sum of the new business annual premiums and 10% of the single premiums. This is calculated both under the IAS/IFRS criteria, excluding therefore the contracts treated under the "deposit accounting" method, and under Local GAAP criteria taking into consideration all new premiums in the sector.

(in Euro thousands)	**30/09/11 Ias/Ifrs**	**30/09/10 Ias/Ifrs**	**Cge %**	**30/09/11 Local**	**30/09/10 Local**	**Cge %**
Insurance on human life expectancy	23,547	31,247	-24.6	23,547	31,247	-24.6
Insurance related to market indices	-	-	n.a.	491	14	n.a.
Health insurance	1	-	n.a.	1	-	n.a.
Securitisation operations	675	4,313	-84.3	675	4,313	-84.3
Management operations of Pension Funds	-	-	n.a.	298	173	+72.3
TOTAL	**24,223**	**35,560**	**-31.9**	**25,012**	**35,747**	**-30.0**

Sums Paid

The gross sums paid amounted to Euro 499 million (Euro 378.2 million in the first nine months of 2010). The breakdown by class and type is reported in the following table:

(in Euro thousands)	**Claims**	**Redemptions**	**Maturity**	**Total**
Class I	15,872	130,407	208,315	354,594
Class III	621	7,425	30,883	38,929
Class V	172	42,035	63,230	105,437
Total	**16,665**	**179,867**	**302,428**	**498,960**
Total 30/09/2010	**10,252**	**132,715**	**235,190**	**378,157**

Technical performance and operating information

The **life sector** reports a pre-tax profit of Euro 29.7 million (loss of Euro 0.2 million in 9M 2010) after impairments on AFS financial instruments of Euro 42.1 million.

As outlined for Budget 2011, investment management is focussed more on the containment of volatility rather than on an aggressive profit-driven approach, with consequent benefits for the solvency ratios and greater stability in the separated management income. The policy portfolio however is still predominantly made up of traditional type products, which satisfy due to their quality and the broad range of products available all customer requirements and produce satisfactory profits, which will become fully apparent once the current market volatility passes.

Individual Insurance

In the first nine months of 2011, Separated Management products comprised over 92% of the total premiums, which were characterised by a guaranteed annual minimum yield in addition to the protection of the investment and were again well received by the client base, although at the beginning of the year for the single premium and for some of the recurring premium products the minimum yield was reduced to 1.5%, in line with the contracting overall domestic market. Specifically the following products were launched:

- single premium products, with attention to the capital maturity segment as stated previously. New business in this segment contracted on the same period of the previous year, however contained by the strong results of the OPEN UNICO product - achieved in part due to specific commercial initiatives taken on the distribution networks;
- Recurring premium products, contracting slightly on 9M 2010, essentially due to the weak performance in the third quarter;
- Constant annual premium products, which thanks particularly to the results of OPEN PIU' report a significant increase in premiums related to new contracts.

The agency network responded positively to the launch from April of the single premium form and from May of the recurring premium form of the new OPEN DINAMICO product (multi-risk insurance form), with strong results reported. OPEN DINAMICO is an innovative form of insurance which combines the characteristics of a UNIT product (an internal fund with a significant equity content managed by a highly professional company) and a Revaluable product linked to the MILASS RE separated management. The product targets clients both through the Relax category (unit-linked portion between 40% and 60% of the investment) and Sprint (portion between 60% and 90%). The innovative features are as follows:

- annual minimum return of 2% guaranteed exclusively on maturity of the contract or death of the policyholder for the revaluable component;

- the possibility to rebalance the investment between the two financial components on the request of the contracting party;
- subscription to the Balanced Management service.

The DEDICATA policy (Term Life product) recorded a moderate increase in new business, particularly in the constant capital form.

The complementary pensions issued through the Individual Pension Plans report a decrease in new business compared to the same period of the previous year.

Overall, the impact of the difficult domestic economic environment on sales is apparent. The substantial stability of products aimed at small to medium size savers confirms the quality of our offer and their attractiveness to Clients.

Collective insurance and Pension Funds

In the first nine months of the year, within a still unfavourable economic environment, the sector reports a small increase in premiums.
In detail, the securitisation sector, concerning the management of business liquidity, contracted significantly on the previous year, particularly following reduced interest from institutional clients with significant investment liquidity.

The complementary pension sector remained firm; on the one hand “pre-existing” pension funds maintained inflows in line with the previous year, and on the other, the Open Pension Funds continued to attract a steady stream of new subscribers with stable inflows.

The post employment benefit products (TFR and TFM) were stable compared to the previous year, despite the impact on this instrument from regulatory changes and the continued difficult economic environment.

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

Reinsurance

The premiums ceded amounted to Euro 7.7 million compared to Euro 8.4 million in 9M 2010. The reinsurance structure is unchanged compared to the previous year, with a proportional coverage in excess and a catastrophic coverage in claims excess provided by the group company The Lawrence Re.

Real Estate Sector

The real estate sector includes the results of the subsidiary property companies of Milano Assicurazioni (Immobiliare Milano Assicurazioni S.r.l., Sintesi Seconda S.r.l., Campo Carlo Magno S.p.A.) and the Athens Real Estate Fund, entirely held by Milano Assicurazioni.

The pre-tax result for the first nine months was a loss of Euro 2.8 million (loss of Euro 10.1 million in 9M 2010). The result principally relates to the Athens Real Estate Fund and was impacted in particular by the impairments on real estate property held by the Fund.

The result does not include the gain of Euro 30.9 million from the sale of the investment in Citylife, which despite occurring within the real estate sector was classified to the "profit from discontinued operation account" in accordance with IFRS 5. Considering the process which led to the sale of the investment, detailed below, in the previous interim reports the holding was in fact classified in the account "*Non-current assets or a group of assets held for sale*" and valued as the lower between the cost and the fair value, in the expectation that the sale would take place.

Citylife

On August 3, following the conclusion of the application procedure with the granting of the required authorisations by ISVAP and the Anti-trust authority, the holding in Citylife was sold to Generali Properties by Immobiliare Milano S.r.l.. The Board of Directors meeting of the parent company Fondiaria-SAI S.p.A. of August 2 approved the operation.

The investment comprised 27.2% of the share capital of Citylife, the company which was awarded the international tender by the Fiera Milano Foundation for the improvement of the historical area of ex-Fiera, with a project designed by the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora.

The sales price, fully received on August 3, amounted to Euro 109.3 million, resulting in a gain of Euro 30.9 million.

As established by the agreements, the price was based on the higher between the following two values established by the final valuation document, prepared by Leonardo & Co. S.p.A. (Arbitrator appointed by the parties):

- Euro 109.3 million comprising all the amounts paid into Citylife since its incorporation to the present date by Immobiliare Milano Assicurazioni, in addition to the amount proportionally paid in by this latter to the Fondazione Fiera as consideration for the Transformation Zone identified in the deed, all amounts net of the income distributed and capitalised at the 3-month Euribor rate plus 1.5 percentage points from the date of payment until the date of sale of the investment;
- Euro 106.3 million, equal to the Net Book Value of the holding at June 30, 2011.

Before the Closing, existing commitments on the portion of Citylife to be sold were settled with secured creditors from July 7, 2006 and at the same time Generali Properties undertook an irrevocable commitment, together with the acquisition of the investment, to take on all of the commitments relating to the investment sub-entering in place of Immobiliare Milano Assicurazioni S.r.l. with the Financing Banks, with the Milan Municipality, in addition to those with the Fiera Fondazione.

The principal issues of the process which resulted in the closing of August 3 were as follows:

- On June 11, 2010 Immobiliare Milano Assicurazioni S.r.l. and Generali Properties S.p.A. signed an agreement through which, in addition to that established by the shareholder pact concerning the investment in Citylife S.r.l. - signed also by Allianz - Generali Properties granted to Immobiliare Milano Assicurazioni a single irrevocable sales option of the entire holding in Citylife (27.20% of the share capital), at a price as set out below.
  The sales option could be exercised by Immobiliare Milano Assicurazioni S.r.l. until September 30, 2011 and exclusively concerning the entire holding and therefore not comprising a smaller part.
  The transfer of the share subject to exercise of the option was based on the condition that the relative authorisations from the competent authorities are granted to Generali Properties and on the prior consent of the Lending Banks, where applicable.
  As established by the above-stated agreement, Generali Properties undertook an irrevocable commitment, together with the acquisition of the investment, to take on all of the commitments relating to the investment sub-entering in place of Immobiliare Milano Assicurazioni S.r.l. with the Financing Banks, with the Milan Municipality, in addition to those with the Fiera Fondazione;

- On March 22, 2011, the Boards of Directors of Immobiliare Milano Assicurazioni S.r.l. and Milano Assicurazioni S.p.A. agreed to commence the process relating to the exercise of the option, based on the approval of the Board of Directors of Fondiaria-Sai;

- Taking account on the one hand of the financial situation of the Company and of the Group following the 2010 loss and on the other of the commitments relating to the project, within also the continually weak economic environment, the Board of Directors of Fondiaria-SAI S.p.A of March 23, 2011 approved the commencement of this process;

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

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

Other Activities Sector

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

Sogeint (wholly owned by Milano Assicurazioni) provides commercial assistance to the agencies. At September 30, 2011, the company had 50 employees and 74 agencies. The contribution to the consolidated result for the period was a loss of approx. Euro 0.4 million.

Asset and Financial Management

The economic situation deteriorated in the third quarter of 2011, in part due to the intensification of the European Sovereign Debt crisis and increased financial market volatility. In the Eurozone the complex negotiations concerning the Greek rescue continued - increasingly difficult amid further cutbacks in expenditure – in order to meet the public account targets agreed with the European economic and financial authorities and considering a deeper recession than initially contemplated.
In these months Spain and Italy were also impacted by the contagion effect of the Greek crisis and domestic initiatives were necessary to control the deficit and public debt, bringing forward - among other issues - the reaching of balanced accounts. The European Central Bank, to lessen the impact on Government Bond prices, extended to Rome and Madrid the Government Security purchase plan on the secondary market.
At monetary policy level, in Europe, the second discount rate increase (which at the end of the quarter was 1.5%) was introduced but, with the significant deterioration of the global economic situation and the intensification of the Sovereign Debt crisis, the ECB stated its intention to end this series of increases (November 3, in the first meeting under the presidency of Mario Draghi the benchmark interest rate was reduced from 1.5% to 1.25%), restating the will to ensure sufficient liquidity in the financial system.

Bond sector operations

In the Non-Life sector, operations in the third quarter concentrated on government bonds, with a slight reduction in the corporate component through easing a number of positions in the financial sector.
The extensive volatility on the market and concerning spreads between core and peripheral countries provided increased trading opportunities through switches between the Italian and German zero coupon securities - particularly for the short-term category. The portfolio profitability was substantially maintained, although with a reduction in the average duration.
In the Life sector, considering the economic situation outlined above, the primary objective was to maintain significant exposure to the Core countries and in particular Germany. Considering the spread between BTPs and Bunds and the absolute yield levels, trading activity alternately focused on switches between the countries, in consideration of the differentials, and on selective purchase operations of medium term securities.
Globally, with a view always to lessen the portfolio volatility, close attention was placed on money market instruments (Italian and German) for the investment of liquidity and to undertake the most neutral positions possible, where necessary.
The duration of the portfolios was reduced to offset risk with an insignificant impact in terms of current and future profitability.
The corporate sector exposure was also marginally reduced in favour of government bonds.

The management activities again considered the Asset Liability Management (ALM) profiles of each portfolio, seeking to maximise the investment objectives with strong returns and in line with the profiles of the policies.

Equity sector operations

The intensification of the Eurozone sovereign debt crisis, the consequent interbank market liquidity crisis and fresh concerns on the European and US economic situations impacted the stock indices with a shift in capital beginning in July degenerating into a full scale sell-off in August and September.
The differing causes for concern, systemic for the first two, and more typically macroeconomic for the latter, resulted in significant impacts for the financial sector (Banks -28%, Insurance -22%) and for the more cyclical sectors (Auto -34%, Construction -25%, Chemicals -24%) - a trend which continued after the end of the first half year.

The current portfolio in the quarter was significantly rebalanced with a reduction in the financial securities held and a consequent reinvestment in defensive sectors (utilities and telecom), in line with the possible cooling of the general economic recovery.
The financial market weakness, and in particular the sell-off in the last weeks of the quarter, enabled a partial reconstitution of the position sold off in the first half of the current portfolio, establishing levels of higher interest and improving therefore the average portfolio and the expected dividend yield.

In order to cover part of the current portfolio (non-life classes) and to exploit at the same time the significant volatility of share prices, in August, ETF short positions on the DAX, FTSEMIB, CAC and SP500 were undertaken.

Investments, cash and cash equivalents and property, plant and equipment

Investments at September 30, 2011 amounted to Euro 9,290.3 million, growth of Euro 80.2 million on June 30. The breakdown is illustrated in the following table.

(in Euro thousands)	**30/09/2011**	**30/06/2011**	**Change**	**31/12/2010**
INVESTMENTS				
Investment property	992,593	990,429	2,164	1,000,349
Investments in subsidiaries, associates and joint ventures	144,859	141,077	3,782	202,391
Investments held to maturity	127,175	124,558	2,617	121,798
Loans and receivables	913,416	819,761	93,655	660,504
AFS financial assets	6,571,109	6,524,787	46,322	6,827,511
Financial assets at fair value through the profit or loss account	241,434	253,332	-11,898	288,590
TOTAL INVESTMENTS	**8,990,586**	**8,853,944**	**136,642**	**9,101,143**
CASH AND CASH EQUIVALENTS	**235,966**	**291,954**	**-55,988**	**284,665**
PROPERTY, PLANT & EQUIPMENT				
Buildings	57,804	58,045	-241	58,141
Other tangible assets	5,909	6,159	-250	5,970
TOTAL PROPERTY, PLANT & EQUIPMENT	**63,713**	**64,204**	**-491**	**64,111**
TOTAL	**9,290,265**	**9,210,102**	**80,163**	**9,449,919**

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

Overall, the book value of property at September 30, 2011 was Euro 202.6 million lower than the valuation at December 31, 2010 carried out by specifically appointed independent experts.

Investments in subsidiaries, associates and joint ventures principally include:

- the holding of 32% in **Garibaldi S.C.A.** with a book value of Euro 55.4 million. The company is involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale Don Sturzo, via Melchiorre Gioia and the local railway station. The project concerns the development of approx. 50,000 sq.m. for office use, 15,000 sq.m. for residential use, 10,000 sq.m. for retail use and 20,000 sq.m. for exposition use.
- a holding of 16.67% in **IGLI S.p.A**., with a book value of Euro 34.3 million, which holds in turn as its only asset 29.96% of the company Impregilo;
- the holding of 34.63% in the consortium company **Fondiaria-Sai Servizi Group**, with a book value of Euro 12.2 million, which handles the IT and logistical services of the companies of the Fondiaria-Sai Group;
- the holding of 29.56% in **Isola S.C.A.** with a book value of Euro 11.1 million. The company, through its subsidiaries, is involved in the “Porta Nuova Isola” real estate project, promoted and managed by the US group Hines. The area concerned is located in Milan, between Via G. De Castillia and Via F. Confalonieri and involves the development of 29,000 sq. m. divided into: 21,900 sq.m. for residential use, 6,300 sq.m for office use and 800 sq. m for retail use.
- the holding of 35.83% in **Immobiliare Lombarda** with a book value of Euro 8.4 million;
- the holding of 50% in **Valore Immobiliare S.r.l.,** with a book value of Euro 6.1 million. The company owns three buildings in Milan (Piazza Firenze n. 6 - Via Caracciolo n. 16 and Via Cagliero n. 3) and in Rozzano (MI), Via Montepenice n. 6-8-10;
- a holding of 44.93% in **Borsetto S.r.l**., with a book value of Euro 3.2 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress.
- a holding of 49% in **Atahotels S.p.A.**, with a book value of Euro 7.3 million, corresponding to the share of net equity at September 30, 2011. In the first nine months of 2011, Milano Assicurazioni paid in a total of Euro 18 million to Atahotels, of which Euro 5.8 million to cover losses carried forward and Euro 12.1 million to increase shareholders' equity in order to support operating needs in the short-term.
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The *Investments held until maturity* account exclusively include securities related to policies with fixed returns or covered by contractual commitments realised through specific assets.

The account *Loans and Receivables* includes:
- debt securities of Euro 808 million;
- loans on life policies of Euro 22.2 million;
- receivables from agents for end of mandate indemnities (Euro 59 million);
- deposits with reinsuring companies of Euro 2.5 million;
- other loans and receivables for Euro 21.7 million.

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

(in Euro thousands)	**30/09/2011**	**30/06/2011**	**Change**	**31/12/2010**
AFS financial assets	**6,571,109**	**6,524,787**	**46,322**	**6,827,511**
Equity securities and investment funds	1,017,387	1,078,718	-61,331	1,220,747
Debt securities	5,553,722	5,446,069	107,653	5,606,764

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

The impairments at September 30, 2011 amounted to Euro 134.6 million and principally relate to:

- further impairments on securities previously subject to impairment in the previous year, with particular reference to the shares of the direct parent company Fondiaria-Sai (Euro 22.4 million), the shares of Unicredit (Euro 36.4 million) and of Generali (Euro 23.1 million), whose book value was aligned to the share price at September 30, 2011 in accordance with IAS 39 (IG.E.4.9);
- impairments relating to securities impacted by the continued negative financial market performance resulting in the period of a listed value lower than the book value for a continuous period of at least 2 years. Of these, Euro 9.7 million relates to the shares of the indirect parent company Premafin;
- Greek government securities with maturity by 2020, for which the differential between the amortised cost and the listing price at the end of September was recognised to the income statement, as described in greater detail below.

The net equity reserve, based on the difference between the average weighted cost and the fair value of instruments classified in this category, was negative for Euro 144.5 million (positive for Euro 2 million at December 31, 2010). The following table highlights the composition and movements on the previous year:

(in Euro thousands)	**30/09/2011**	**31/12/2010**	**Change**
Debt securities	-311,908	-109,257	-202,651
Fund units	51,609	93,185	-41,576
Equity securities	-46,495	-1,394	-45,101
Shadow accounting reserve	102,457	13,205	89,252
Tax effect	59,858	6,250	53,608
AFS reserve at the end of the period	**-144,479**	**1,989**	**-146,468**

Greek government bonds

As previously outlined, the current Greek economic conditions recently required the introduction of initiatives to restructure the Greek debt securities.

In particular, on July 21, 2011, the International Institute of Finance released a restructuring plan for the Greek sovereign debt concerning the securities with maturity by 2020. In essence, the plan establishes the faculty for investors to exchange Greek government securities with other financial instruments, providing greater guarantees and extended maturity (15 or 30 years). Utilising a discount rate on coupon cash flows of 9%, each of the types of securities offered will result in a loss of approx. 21% compared to the repayment price.

On October 27, a new agreement between the Eurozone governments and the principal financial institutions was reached which - in order to support the Greek debt and as part of further initiatives to cope with the sovereign debt crises of a number of Eurozone countries - imposed a haircut of 50% on the value of Greek bonds.

Therefore, as already for the half-year report, Greek securities covered by the action plan of July 21, classified under AFS assets, were subject to impairment, prudently including the entire negative reserve on these securities of Euro 14 million, with a net impact on the income statement of approx. Euro 7 million, taking account of the portion borne by policyholders and the tax effect.

The impairment was made considering the qualitative factors established by paragraph 59 of IAS 39 for the identification of the existence of objective evidence of impairment, with the related significant difficulty of the issuer to repay on the bonds subject to the restructuring plan, which indicate an expected decrease in the future financial cash flows compared to those contractually established, as well as economic conditions which have induced creditors to concede conditions which previously would not have been considered, in line with the impairment policy adopted.

In the preparation of the present quarterly report, while awaiting the developments of the recent agreement of October 27, it was decided to continue to apply the valuation criteria previously adopted for the half year report, recognising to the income statement the entire differential between the book value at June 30 and the listing prices at September 30 of Euro 9.7 million.

The impairment on Greek government bonds with maturity up to 2020 amounts therefore to Euro 23.7 million. The impact on the income statement for the first nine months, net of the portion attributable to policyholders and the tax effect, amounted to approx. Euro 9.2 million.

The debt securities issued by the Greek Government with maturity beyond 2020 were not subject to impairment due to the expectation for repayment according to the original maturities under the above-stated agreement.

These valuations will again be subject to analysis in the annual accounts based on the development of the above-stated agreements, the overall market situation and the solvency situation of the Greek State.

The following table breaks down the exposure of the Milano Assicurazioni Group to Greek government debt securities.

	Nominal value at 30/09/2011	Fair value at 30.9.2011	Impairment	Gross AFS reserve	AFS reserve net of policyholders share
AFS financial assets due by 2020	41,470	19,310	23,737	-	-
AFS financial assets due beyond 2020	10,000	3,670	-	-6,816	-3,258
TOTAL	51,470	22,980	23,737	-6,816	-3,258

Government bonds issued by Spain, Portugal and Ireland

The following table breaks down the exposure of the Milano Assicurazioni Group to government securities issued by other countries (the so-called peripheral countries of the Eurozone), also recorded to AFS assets:

State	Maturity within 12 months	Maturity between 1 and 5 years	Maturity between 6 and 10 years	Maturity beyond 10 years	Total Fair value (level 1)	AFS reserve (gross)	AFS reserve (net shadow)
Spain	-	29,179	-	19,378	48,557	-6,378	-5,211
Portugal	-	707	-	-	707	-293	-290
Ireland	-	-	2,051	-	2,051	-405	-38

Financial assets at fair value through the profit or loss account

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

(in Euro thousands)	30/09/2011	30/06/2011	Change	31/12/2010
Financial assets at fair value through profit and loss	**241,434**	**253,332**	**-11,898**	**288,590**
Equity securities and investment funds	45,564	47,978	-2,414	48,809
Debt securities	192,771	203,262	-10,491	237,673
Other financial investments	3,099	2,092	1,007	2,108

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.

Financial instrument, property investments and holdings income and charges

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

(in Euro thousands)	**9M 2011**	**9M 2010**	**Q3 2011**	**Q3 2010**
Net income from financial instruments recorded at fair value through profit or loss	-26,659	5,617	-7,554	4,118
Income from investments in subsidiaries, associates and joint ventures	7,077	442	98	171
Income from other financial instruments and property investments of which:	286,628	302,552	86,195	90,968
Interest income	170,505	159,065	61,368	52,374
Other income	43,197	58,981	11,219	19,244
Profits realised	72,926	84,302	13,608	19,146
Valuation gains	-	204	-	204
Total income	**267,046**	**308,611**	**78,739**	**95,257**
Charges from investments in subsidiaries, associates and joint ventures	-7,803	-15,857	295	-2,378
Charges from other financial instruments and property investments of which:	-214,113	-427,162	-112,870	-202,174
Interest expense	-8,540	-9,644	-2,604	-2,602
Other charges	-14,857	-14,357	-4,369	-4,258
Losses realised	-33,885	-41,943	-8,663	-12,602
Valuation losses	-156,831	-361,218	-97,234	-182,712
Total charges	**-221,916**	**-443,019**	**-112,575**	**-204,552**
TOTAL NET INCOME	**45,130**	**-134,408**	**-33,836**	**-109,295**

The net income in the first nine months of 2011 amounted to Euro 45.1 million, compared to Euro 134.4 million of net charges in 9M 2010. In particular, in relation to the most significant accounts:

- **interest income** amounted to Euro 170.5 million, an increase of 7.2% on 9M 2010 (Euro 159.1 million);

- **net profits to be realised** amounted to Euro 39 million (Euro 42.4 million in 9M 2010), of which Euro 6.2 million relates to equity securities, Euro 18 million to investment fund units, Euro 12.3 million to bond securities and Euro 2.5 million to property investments;
- **net valuation losses** amounted to Euro 156.8 million (Euro 361 million in 9M 2010) and concern impairments on AFS financial instruments of Euro 134.6 million, depreciation on property for Euro 20.5 million and property impairments of Euro 1.7 million.
  The impairments principally relate to:
  - further impairments on securities previously subject to impairment in the previous year, with particular reference to the shares of the direct parent company Fondiaria-Sai (Euro 22.4 million), the shares of Unicredit (Euro 36.4 million) and of Generali (Euro 23.1 million), whose book value was aligned to the share price at September 30, 2011 in accordance with IAS 39 (IG.E.4.9);
  - impairments relating to securities impacted by the continued negative financial market performance resulting in the period of a listed value lower than the book value for a continuous period of at least 2 years. Of these, Euro 9.7 million relates to shares of the indirect parent company Premafin.
  - Greek government securities with maturity by 2020, for which the differential between the amortised cost and the listing price at the end of September of Euro 23.7 million was recognised to the income statement in light of the economic and financial difficulties affecting the issuing country and the consequent concerns on the ability to fully repay on the issued securities. The impact on the income statement for the period, net of the portion attributable to policyholders and the tax effect, amounted to approx. Euro 9.2 million;
- the **financial instruments at fair value recorded through profit and loss** report net charges of Euro 26.7 million compared to net income of Euro 5.6 million in 9M 2010. Euro 17.9 million of the 2011 result derives from the loss incurred from the sale of option rights concerning the parent company Fondiaria-Sai rights issue. Article 2359 *quinquies* of the civil code restricts a company from subscribing to shares or holdings in a parent company. Milano Assicurazioni therefore disposed on the market of the 9,982,557 option rights held. The average unitary sales price was Euro 0.703 against a unitary book value of Euro 2.494, obtained applying to the book value of the shares the impairment factors relating to the share capital increase of Fondiaria-Sai;
- **income from subsidiaries, associated companies and joint ventures** principally related to the associated company Igli S.p.A. and prevalently derives from the improved results of Impregilo, in which Igli holds 29.96%. **The charges** principally include the losses recorded in the period by Atahotels, which continues to be affected by the difficult economic environment and the weak hotel sector in general, particularly in relation to congresses – an area in which the company is the market leader.

Net technical reserves

The following table provides a breakdown and a comparison with the previous quarter and the end of the previous year.

(in Euro thousands)	**30/09/2011**	**30/06/2011**	**Change**	**31/12/2010**
NON-LIFE DIVISION				
Unearned premium reserve	1,027,591	1,127,510	-99,919	1,136,093
Claims reserve	3,907,881	3,752,641	155,240	3,820,422
Other reserves	2,925	2,942	-17	3,287
Total Non-Life Division	**4,938,397**	**4,883,093**	**55,304**	**4,959,802**
LIFE DIVISION				
Actuarial reserves	3,411,053	3,502,813	-91,760	3,550,177
Reserve for claims to be paid	30,529	31,652	-1,123	44,477
Technical reserves where investment risk is borne by policyholders and pension fund management	149,313	158,708	-9,395	188,076
Other reserves	-127,813	-34,388	-93,425	-32,848
Total Life Division	**3,463,082**	**3,658,785**	**-195,703**	**3,749,882**
TOTAL	**8,401,479**	**8,541,878**	**-140,399**	**8,709,684**

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

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

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

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

The amount of these 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 unit linked policies and units of the Milano Assicurazioni Open Pension Fund which, having an insignificant insurance risk, are governed by IAS 39 (Financial instruments) and are therefore recorded under financial liabilities.

Financial liabilities

The account totals Euro 381.8 million as follows:

(in Euro thousands)	**30/09/2011**	**30/06/2011**	**Change**	**31/12/2010**
Financial liabilities at fair value through profit or loss account	66,301	61,806	4,495	61,643
Other financial liabilities	315,516	317,537	-2,021	366,303
TOTAL	**381,817**	**379,343**	**2,474**	**427,946**

The *liabilities at fair value through profit and loss* relate for Euro 58.3 million to unit-linked policies and units of the Milano Assicurazioni Open Pension Fund, all contracts which, not having significant insurance risk, are treated under the deposit accounting method.

The account *other financial liabilities* consists of deposits from reinsurers according to various contractual provisions (Euro 150.2 million), subordinated loans (Euro 150.6 million) and bank payables (Euro 14.7 million).

The subordinated liabilities are composed as follows:

- Euro 50.4 million, equal to the amortised cost of the residual subordinated loan provided to Milano Assicurazioni by Mediobanca in 2006 for an original amount of Euro 150 million (Euro 100 million was repaid in 2008). This loan provides for an interest rate of Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. The loan may also be repaid in advance, including partially, from the tenth anniversary of the loan and with authorisation from ISVAP.
- Euro 100.2 million, equal to the amortised costs of the loan of Euro 100 million provided to Milano Assicurazioni by Mediobanca in July 2008. This loan was of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to 50% of the lower value between the available margin and the solvency margin requested. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months

+350 basis points for the first ten years and subsequently 450 basis points. The repayment may be made in one repayment after 10 years.

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

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

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

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

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

This disclosure was made despite non compliance of the above stated clauses not being evident and such events occurring unlikely for the protection of investors, also in consideration of the recent share capital increase and commented upon in detail in the following section concerning shareholders' equity.

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

SHAREHOLDERS' EQUITY

The Group shareholders' equity at September 30, 2011 is Euro 1,344.4 million. The breakdown of the account is as follows:

(in Euro thousands)	**30/09/2011**	**30/06/2011**	**Change**	**31/12/2010**
Group Net Equity	**1,344,446**	**1,231,174**	**113,272**	**1,303,248**
Share capital	373,682	305,851	67,831	305,851
Capital reserves	946,480	678,981	267,499	718,147
Retained earnings and other reserves	350,493	350,514	-21	980,995
Treasury shares	*-31,353*	*-31,353*	-	*-31,353*
Profit or loss on AFS financial assets	-144,479	-10,137	-134,342	1,989
Other gains and losses recorded directly in equity	-5,305	-4,010	-1,295	-3,670
Group net loss	-145,072	-58,672	-86,400	-668,711
Minority interest equity	**1,298**	**1,299**	**-1**	**1,319**
Share capital and reserves pertaining to minority interests	1,377	1,370	7	1,502
Gains and losses recorded directly in equity	-8	-3	-5	-3
Minority interest profit/(loss)	-71	-68	-3	-180
TOTAL	**1,345,744**	**1,232,473**	**113,271**	**1,304,567**

The **share capital** increased in the third quarter of the year from Euro 305.9 million to Euro 373.7 million following the paid in divisible share capital increase operation approved by the Board of Directors' meetings of May 14 and June 22, 2011, in execution of the power delegated by the Extraordinary Shareholders' Meeting of April 27, 2011. On July 27, the subscription period to the newly issued ordinary and savings shares option rights of Milano Assicurazioni concluded, with all shares taken up.

As stated in the half-year report, during the rights offer period between June 27, 2011 and July 15, 2011 (the “Offer Period”), 542,567,376 option rights were taken up for 1,265,990,544 newly issued Milano Assicurazioni ordinary shares and 29,021,556 option rights for 67,716,964 savings shares, equal to respectively 98.528% of the total of the newly issued ordinary shares and 94.410% of the total of the newly issued savings shares offered, for a total value of Euro 343,783,874.79.

In accordance with underwriting commitments, the shareholders Fondiaria-SAI S.p.A., Fondiaria-SAI Nederland BV, Sai Holding Italia S.p.A., Sainternational S.A., Pronto Assistance S.p.A. and Popolare Vita S.p.A. exercised 350,396,460 option rights for the subscription of 817,591,740 new ordinary shares for a total value of Euro 210,448,113.88.

All 8,103,537 non-exercised ordinary rights options and 1,718,325 non-exercised saving share rights options at the end of the Offer Period were sold on July 20, 2011 during the first session in which the Rights Options were offered on the open market through UniCredit Bank AG, Milan Branch in accordance with Article 2441, third paragraph of the Civil Code. At the end of the Stock Market Offer Period, 18,872,077 newly issued ordinary shares and 4,009,425 newly issued savings shares, respectively equating to 1.469% of the total of the newly issued ordinary shares and 5.590% of the total of the newly issued savings shares offered, for a total value of Euro 5,918,566.48 were subscribed to. Therefore 36,176 newly issued ordinary shares equating to 0.003% of the total of the newly issued ordinary shares, for a total value of Euro 9,311.70, had not been taken up. These Shares were subscribed to by Credit Suisse, UniCredit Bank Milano, Keefe, Bruyette & Woods Limited, The Royal Bank of Scotland N.V. (London Branch), Banca Akros S.p.A. and Equita SIM S.p.A., in accordance with the guarantee agreements signed on June 22, 2011.

Following the subscription by the guarantee consortium banks, the Share Capital Increase therefore concluded with the full subscription of 1,284,898,797 ordinary shares and 71,726,389 savings shares offered for a total value of Euro 349,711,752.88.

The new share capital of Milano Assicurazioni therefore amounted to Euro 373,682,600.42, comprising 1,842,334,571 ordinary shares and 102,466,271 savings shares, without allocation of a nominal value. The declaration required as per Article 2444 of the Civil Code was filed at the Milan Company Registration Office.

The operation, as stated, resulted in fresh liquidity of Euro 349.7 million, benefitting the consolidated solvency margin by approx. 44 percentage points.

The **capital reserves**, amounting to Euro 946.5 million, refer to the share premium reserve.

The **profit and capital reserves** include:

- retained earnings for Euro 384.5 million
- the consolidation reserve, negative for Euro 15.8 million;
- the reserve for gains and losses deriving from the first-time application of the international accounting standards, negative for Euro 44.1 million;
- merger reserves for Euro 25.9 million.

The **profits or losses on available-for-sale financial assets** derive from the fair value adjustment of the financial instruments classified in this category, net of the relative deferred taxes and of the part attributed to policyholders. The significant change on June 30 principally follows the financial market turbulence which particularly impacted Italian government securities.

The **other gains and losses recorded directly in equity** include the actuarial losses following the application of IAS 19 (Euro 3.4 million) and the losses relating to the valuation of a derivative financial instrument to hedge cash flows (Euro 1.9 million).

OTHER INFORMATION

Transactions with related parties

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

In relation to the companies of the Fondiaria-Sai group, the quarterly accounts recorded the business relations already in place - regarding essentially:

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

In relation to transactions with other related parties in the third quarter of the year, further payments on account were made to the Company IM.CO for Euro 5.3 million in relation to real estate operations in course at Milan, Via Confalonieri - Via de Castillia (Lunetta dell'Isola). The project included the sale in 2005 to IM.CO. S.p.A. of land and the purchase of a building for office use to be constructed on the land for a price of Euro 99.1 million in accordance with the recently agreed supplement to the contract. The total payments on account to IM.CO. at September 30, 2011 amount to Euro 61.4 million.

No further payments were made in the quarter in relation to the real estate operation for the building located at via Fiorentini, Rome. Euro 102.5 million was recognised to the Property investment account concerning this operation at September 30 and is therefore unchanged on June 30. We recall that this operation, undertaken in 2003, included the sale to "Avvenimenti e Sviluppo Alberghiero S.r.l." of a site and the purchase of the completed real estate complex to be constructed on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009.

Adjusted solvency

At September 30, 2011 the adjusted solvency margin presents coverage of commitments of approx. 175%.
In relation to the calculation, the faculty established by Isvap Regulation No.37 of March 15, 2011 was utilised. Therefore, for the adjusted solvency, the securities issued or guaranteed by European Union states, allocated as non-current were valued based on the calculation of the carrying amount in the separate financial statements.
The share capital increase recently concluded resulted in an improvement of the margin by approx. 44 percentage points.

Treasury shares and shares of holding companies

At September 30, 2011, the Parent Company Milano Assicurazioni held treasury shares, shares of the direct parent company Fondiaria-SAI and of the indirect parent company Premafin as shown in the table below:

(in Euro thousands)	**Number**	**Amount**
Treasury shares	6,764,860	31,353
Fondiaria-SAI shares	9,982,557	15,840
Premafin shares	9,157,710	2,494

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

Agency Networks

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

	30/9/2011	31/12/2010
North	962	1,013
Centre	452	505
South and islands	485	471
Total agencies	**1,899**	**1,989**

The restructuring of the network continues with the closure of non profitable sales points and the reorganisation of the territorial coverage to increase productivity. In the first nine months of 2011, 104 sales points were closed and 14 new agencies opened.

Employees

At September 30, 2011, the number of employees of the Parent Company and of the consolidated companies amounted to 1,916 (1,963 at 31/12/2010), divided as follows:

	30/09/2011	31/12/2010
Executives	17	24
Managers & white collar	1,892	1,932
Building caretakers	7	7
	1,916	**1,963**

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

No significant events took place following the end of the quarter, with the exception of that communicated to the market on October 6 in relation to the review of the 2011 forecasts, commented upon in the following section concerning the Outlook.

OUTLOOK

As previously communicated to the market on October 6, Fondiaria-Sai and Milano Assicurazioni reviewed the outlook for 2011.

In particular, in relation to Milano Assicurazioni it may be assumed that the net profit target for the Milano Group established in the 2011 budget as approx. Euro 50 million will not be met, following the unexpected financial market performance related to the sovereign debt crisis and the consequent market volatility.

The impairments at September 30, 2011 on AFS financial instruments amounted to approx. Euro 134.6 million compared to a budget estimate of approx. Euro 17 million. In addition Euro 17.9 million of losses from the sale of option rights on the parent company Fondiaria-Sai shares in portfolio are considered.

In relation to the insurance management, the Non-Life sector in the last quarter of the year will see a continuation of the actions taken to recover technical profitability.
In particular, in the Motor sector a new tariff will be implemented which remodels the tariff mutuality based on further analyses of the effective risk of the policyholder and the initiatives concerning particularly poorly performing portfolios or agencies will continue.
In the Other Non-Life Classes, the underwriting policy will continue to favour the retail client and the small-medium size business sector, while business in the municipalities and regions with particularly satisfying technical performances will be developed further. A catalogue of new products with increased protection for the client subject to greater economic volatility than the past will be gradually rolled out. The new products are aimed - through specific reform actions of the portfolio - at clients holding policies with guarantees no longer considered adequate.

In the Life class, the actions to improve the portfolio quality will continue, increasing the level of periodic premium Class I products (annual or recurring), which are more remunerative and engender client loyalty, creating therefore long-term value.

The actions taken to contain operating costs will continue through a more stringent resource allocation plan, the elimination of non essential services and the re-launch of leaving incentives for those who have fulfilled their pensionable requirements.

PREPARATION CRITERIA AND CONSOLIDATION SCOPE

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

In the first nine months of 2011, there were no changes in the consolidation scope. A list of the Subsidiaries and Associated Companies in accordance with the above-mentioned ISVAP Regulation No. 7 of July 13, 2007 and subsequent amendments is provided as an attachment.

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

The quarterly financial statements have not been audited.

In the preparation of the income statement and net financial position, consideration was taken of 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 2010 consolidated financial statements, to which reference should be made for a detailed description of the individual methodologies, except for those indicated below.

Claims reserve

Motor TPL

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

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

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

Other Non-Life Classes
For both the current generation and previous generations, the technical offices estimate was supplemented utilising the parameters already utilised for the 2010 annual accounts, where there were not significant statistical changes compared to the consolidated trends.
The correct establishment of the claims cost to be paid, particularly of the current generation, normally takes place in the calculation periods in the final months of the year.

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 indirect business items concern the share of the results estimated for the current year; the inward and outward reinsurance relating to contracts with Companies of the group are recorded on an accruals basis. The items relating to contracts with third parties concern however the year 2010, in line with that established by the applicable regulation and international practices.

Valuation and impairment of financial instruments

In relation to the valuation of financial instruments classified as available-for-sale, the impairment policy utilised in the present interim financial statements is the same as that utilised in the 2010 annual accounts to which reference is made for greater detail.

For the purposes of the objective recording of the reduction of value of an equity instrument, the Group has defined the conditions of a prolonged and significant reduction of fair value, defined alternatively as follows:
1. a reduction of the market value above 60% of the original cost at the reporting date of the accounts;
2. a market value continuously lower than the original cost for a period of two years,

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

In relation to financial instruments which report a significant decrease in fair value and not within the thresholds above, the analysis of the existence of impairment was made on the basis of a mixed valuation approach, differentiated by the quality and the size of the holding.

It is also reported that some valuation processes of financial assets available-for-sale, are - given their complexity - generally made in the preparation of the annual financial statements. During the year, the absence of issues regarding the issuing companies of securities in portfolio which may significantly affect the valuations in the accounts was verified.

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

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

As previously outlined, the current Greek economic conditions recently required the introduction of initiatives to restructure the Greek debt securities. On July 21, 2011, the International Institute of Finance released a restructuring plan for the Greek sovereign debt concerning the securities with maturity by 2020. More recently, on October 27 a new agreement between the Eurozone governments and the principal financial institutions was reached which - in order to support the Greek debt and as part of further initiatives to cope with the sovereign debt crises of a number of Eurozone countries - imposed a haircut of 50% on the value of Greek bonds.

Therefore, as already for the half-year report, Greek securities covered by the action plan of July 21, classified under AFS assets, were subject to impairment, prudently including the entire negative reserve on these securities of Euro 14 million, with a net impact on the income statement of approx. Euro 7 million, taking account of the portion borne by policyholders and the tax effect.

The impairment was made considering the qualitative factors established by paragraph 59 of IAS 39 for the identification of the existence of objective evidence of impairment, with the related significant difficulty of the issuer to repay on the bonds subject to the restructuring plan, which indicate an expected decrease in the future financial cash flows compared to those contractually established, as well as economic conditions which have induced creditors to concede conditions which previously would not have been considered, in line with the impairment policy adopted.

In the preparation of the present quarterly report, while awaiting the developments of the recent agreement of October 27, it was decided to continue to apply the valuation criteria previously adopted for the half year report, recognising to the income statement the entire differential between the book value at June 30 and the listing prices at September 30 of Euro 9.7 million.

The impairment on Greek government bonds with maturity up to 2020 amounts therefore to Euro 23.7 million. The impact on the income statement for the first nine months, net of the portion attributable to policyholders and the tax effect, amounted to approx. Euro 9.2 million.

The debt securities issued by the Greek Government with maturity beyond 2020 were not subject to impairment due to the expectation for repayment according to the original maturities under the above-stated agreement.

These valuations will again be subject to analysis in the annual accounts based on the development of the above-stated agreements, the overall market situation and the solvency situation of the Greek State.

Milan, November 10, 2011

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

CONSOLIDATION SCOPE

Consolidation scope

Company	State	Method (1)	Activities (2)
ATHENS R.E. FUND	ITALY	G	10
CAMPO CARLO MAGNO S.p.A.	ITALY	G	10
DIALOGO ASSICURAZIONI S.p.A.	ITALY	G	1
IMMOBILIARE MILANO ASSICURAZIONI S.r.l.	ITALY	G	10
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.	ITALY	G	1
LIGURIA VITA S.p.A.	ITALY	G	1
PRONTO ASSISTANCE SERVIZI S.c.r.l.	ITALY	G	11
SINTESI SECONDA S.r.l.	ITALY	G	10
SOGEINT S.r.l.	ITALY	G	11
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	ITALY	G	1

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

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

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

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

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

Non consolidated investments

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

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

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=joint venture (IAS 31); indicate with an asterisk (*) the companies classified as held for sale in accordance with IFRS 5

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

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

% direct holding	% total holding (3)	% votes at ordinary shareholders' meeting (4)	Book Value
-	20.00	20.00	266
49.00	49.00	49.00	7,263
-	44.93	44.93	3,170
32.00	32.00	32.00	55,355
-	94.97	95.00	-
34.21	34.63	34.65	12,182
29.56	29.56	29.56	11,096
-	16.67	16.67	34,321
35.83	35.83	35.83	8,444
-	29.73	29.73	1,665
-	20.00	20.00	2,417
29.00	29.00	29.00	1,591
30.00	30.00	30.00	341
-	20.00	20.00	129
19.63	20.12	20.31	183
-	40.00	40.00	338
50.00	50.00	50.00	6,100

Declaration of the Executive Responsible

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

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

AFFIRMS

pursuant to the provisions of article 154 bis of the "Finance Act for financial intermediaries" that the Interim Report as at September 30, 2011 corresponds to the underlying accounting documents, records and accounting entries.

Milan, 10/11/2011

The Executive in charge of the preparation
of corporate accounting documents

Mr. Massimo DALFELLI