

PRESS RELEASE

MILANO ASSICURAZIONI GROUP: Q1 2011 CONSOLIDATED RESULTS APPROVED.

- **IMPROVED COMBINED RATIO ON Q1 2010**
- **GROUP RESULTS IMPROVE**
- **CONSOLIDATED COMPREHENSIVE INCOME STATEMENT RETURNS TO PROFIT**

Consolidated financial statements (IFRS)

Euro millions	Q1 2011	Q1 2010	
Total premiums written	880.6	965.6	-8.8%

Group results improve: loss of Euro 16.5 million (loss of Euro 22.4 million in Q1 10)
The Comprehensive Income Statement returns to profit: Euro 14.5 million (loss of Euro 20 million in Q1 10)

CoR	101.3%	105.8%
Operating CoR	93.8%	98.7%

MILANO ASSICURAZIONI GROUP: BOARD EXERCISES RIGHT TO INCREASE SHARE CAPITAL BY EURO 350,000,000

Milan, May 14, 2011 - In a meeting chaired by Angelo Casò, the Milano Assicurazioni S.p.A. Board of Directors approved the consolidated results for the first quarter of 2011.

In Q1 2011 premiums totalled Euro 880.6 million, a decrease of 8.8% on Q1 2010.

Direct Non-Life premiums amounted to Euro 784.9 million, a decrease of 2.8%.

In the **Motor Classes**, premiums written grew by 0.8%, amounting to Euro 558.4 million. Specifically in the **Motor TPL class premiums grew by 1.8%** while **claims reported decreased by 15.9%**. This performance follows both the tariff measures implemented, which resulted in a significant recovery in the average policy premium - in line with the budget objectives - and the discontinuation of specific multi-risk contracts as well as the closure of poorly performing agencies. The technical result showed encouraging signs of improvement - although still negative due to higher claims charges of previous years which continued to require a prudent reservation policy. On the other hand, the technical performance for current generation contracts strongly reversed the trend.

The **Land Vehicle Class** performed strongly, improving on Q1 2010 despite the drop in premiums (Euro 70.3 million, -5.8%) due to the current market situation as well as the commercial policies introduced by car dealerships which sell, included in the price of the vehicle, accessory insurance guarantees. Claims reported decreased by 9% thanks to the underwriting limits on guarantees which in recent years have become particularly punitive.

The **Other Non-Life** classes recorded premiums of Euro 226.5 million, a contraction of 10.7%, substantially due to the non renewal of some risk coverage categories in the SASA division portfolio, in addition to initiatives taken to recover profitability with the discontinuation of individual multi-risk contracts and the reduced exposure to corporate risks returning poor performances and related particularly to Public Bodies and Large Business segments. The focus on the retail and Small-Medium size enterprise sector continued, although the development of this area is difficult given the current economic situation.

Overall, the technical performance of the Non-Life sector reported a **Combined Ratio** of 101.3%, an improvement on 105.8% in Q1 2010.

The **Operating Combined Ratio**, which excludes the other technical charges, was 98.3% (98.7% in the first quarter of 2010). These results - although it is difficult to draw technical conclusions from such a short period - confirm the recently communicated 2011 objectives.

The **Non-Life pre-tax result** was a loss of Euro 19.5 million (loss of Euro 37.5 million in Q1 2010).

The **Life** sector recorded direct premiums of Euro 94.3 million, a significant reduction on the same period of the previous year (-39.7%), principally due to a number of corporate securitisation contracts present last year and not renewed. The decrease is also due to the difficult economic situation and in line with the market in general.

New production amounted to Euro 41 million compared to Euro 100.8 million in Q1 2010. The Annual Premium Equivalent (**APE**) decreased from Euro 13.6 million to Euro 8.3 million.

The Life Division profitability, although in a still extraordinary financial context, recorded a **pre-tax profit** of Euro 12.2 million (Euro 21.7 million in Q1 2010), temporarily affected by the increase of Euro 11 million of deferred liabilities to policyholders due to decisions made in terms of the separated management return objective.

The **asset and financial management** recorded net income of Euro 53.9 million (Euro 72.7 million in the first quarter of 2010). We report that, in line with the fair value policy applied in the preparation of the 2010 Annual Accounts, **impairments** were recorded in the period on securities belonging to the AFS category for Euro 13.5 million (Euro 13.7 million in Q1 2010) and depreciation on buildings of Euro 6.9 million.

The **total management expenses** amounted to Euro 162.8 million. Of these, Euro 156.3 million relate to the Non-Life sector, accounting for 19.7% of net premiums - a decrease on Q1 2010 (20.1%).

The **Consolidated Solvency Margin** decreased slightly to 154% from 155% at the end of December 2010. In relation to the calculation, for the securities in portfolio at December 31, 2010, the option permitted by Isvap Regulation No.37 of March 15, 2011 in relation to the verification of the adjusted solvency margin was utilised.

The Group net result was a loss of Euro 16.5 million (loss of Euro 22.4 million in Q1 2010). This result was significantly impacted by AFS financial instrument impairments of Euro 13.5 million.

The comprehensive income statement, including also the profits and losses recorded to net equity, benefitted from the increase of the AFS financial instrument valuation reserve and consequently recorded a profit of Euro 14.5 million compared to a loss of Euro 20 million in Q1 2010.

Significant uncertainties continue to pervade the macroeconomic situation: widespread currency market tensions and worries regarding the public deficits of some countries in the Eurozone – with a destabilising effect on the financial markets – now accompany previous concerns regarding the weakness of internal demand and unemployment levels.

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

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

- in the Motor sector we will strengthen the initiatives taken to increase the average policy premium and reduce the tariff flexibility. We will continue the actions with poorly performing agencies and the organisational structure will be strengthened to cope with the high incidence of fraud;
- in the other non-life classes, particular attention will be focused on market positioning. The underwriting policy will focus on the retail client and on the Small-Medium-size business sector while the risk exposure to the public body sector will be reduced, which has reported poor performances.

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

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

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

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

The Board of Directors of Milano Assicurazioni, based on the power granted by the Extraordinary Shareholders' Meeting of the Company of April 27, 2011, approved a paid-in divisible share capital increase for a total maximum amount of Euro 350,000,000, including any share premium, through the issue of ordinary and saving shares, without an express indication of the nominal value and with the same rights as those in circulation at the date of issue, to be offered as options respectively to ordinary and saving shareholders of the Company from the initial subscription date, in proportion to the number of ordinary and/or savings shares held.

The Board of Directors will also establish at a subsequent meeting to be held shortly before the beginning of the rights offer and in accordance with Article 2443 of the Civil Code:

- the share issue price based on the theoretical ex-rights price (TERP) of the share and calculated according to current accepted methodologies, discounted by the Board of Directors according to the market conditions at the time of the launch of the operation, on the performance of the share in the period preceding the launch, as well as based on market practices for similar operations and the general performance of the Company;
- the exact number of ordinary and savings shares to be issued and the relative number of options.

The by-law amendment resulting from the above-stated resolution is subject to authorisation by ISVAP, in accordance with applicable regulations.

Subject to authorisation from Consob to publish the share capital increase prospectus it is expected that the capital increase will take place by the end of July 2011.

On Monday May 16 at the time of 14:30 CET, a conference call will be held with the financial community in which the Chief Executive Officer, Emanuele Erbetta, will illustrate the Group results. The details will be available on the internet site www.fondiaria-sai.it on the home page.

The Executive Responsible for the preparation of the corporate accounting documents, Pier Giorgio Bedogni, declares in accordance with article 154 bis, paragraph 2, of the Consolidated Finance Act, that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries.

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In accordance with Article 144-*novies* of the Consob Issuers' Regulation, based on the documentation drawn up by the standing and alternate members of the Board of Statutory Auditors appointed by the Shareholders' Meeting of April 27, 2011, the Board declared compliance with all applicable requirements established by the relevant regulations, including the independence requirements as per Article 148, paragraph 3 of the Consolidated Finance Act.

Previously, in relation to directors appointed by the Shareholders' Meeting of April 27, 2011, the Board verified that, in accordance with that declared by the relevant parties, 10 directors of a total of 19 qualify as independent and 16 as non-executive, both in accordance with the Self-Governance Code of listed companies and the Consolidated Finance Act, in line with that established by Article 37 of the Consob Markets Regulation. As stated in the press release of April 27, the independent directors are Umberto Bocchino, Maurizio Carlo Burnengo, Angelo Casò, Maurizio Di Maio, Mariano Frey, Giuseppe Lazzaroni, Davide Maggi, Nicola Miglietta, Aldo Milanese and Simone Tabacci.

Definitions and Glossary

Combined Ratio = the Loss Ratio and total expenses (general and acquisition charges and other net technical charges) on premiums.

Combined Operating Ratio = the Loss Ratio and general and acquisition charges (Expense Ratio) on premiums.

Annual Premium Equivalent (APE) = Total of new business annual premiums and one-tenth of single premiums.

Press Office

Tel. +39-02-66.704.310

Ad Hoc Communication Advisor

Sara Balzarotti

Mob. + 39 335 1415584

Pietro Cavalletti

Mob. + 39 335 1415577

Investor Relations

Luca Guasco,

Giancarlo Lana

Floriana Amari

tel. +39-011-66.57.642

tel. +39-02-64.02.25.74

investorrelations@fondiaria-sai.it

MILANO ASSICURAZIONI S.p.A.

CONDENSED INTERIM FINANCIAL STATEMENTS AT MARCH 31, 2011

In Euro thousands

BALANCE SHEET - ASSETS

		31/03/2011	31/12/2010
1	INTANGIBLE ASSETS	247.926	250.012
1,1	Goodwill	231.052	231.052
1,2	Other intangible assets	16.874	18.960
2	PROPERTY, PLANT & EQUIPMENT	64.006	64.111
2,1	Buildings	58.052	58.141
2,2	Other tangible assets	5.954	5.970
3	TECHNICAL RESERVES – REINSURANCE AMOUNT	437.172	434.652
4	INVESTMENTS	9.077.624	9.101.143
4.1	Investment property	999.953	1.000.349
4.2	Investments in subsidiaries, associates and joint ventures	127.418	202.391
4.3	Investments held to maturity	123.256	121.798
4.4	Loans and receivables	824.183	660.504
4.5	AFS financial assets	6.722.743	6.827.511
4.6	Financial assets at fair value through the profit or loss account	280.071	288.590
5	OTHER RECEIVABLES	812.343	1.034.818
5.1	Receivables from direct insurance operations	530.967	662.794
5.2	Receivables from reinsurance operations	64.038	69.553
5.3	Other receivables	217.338	302.471
6	OTHER ASSETS	445.589	327.893
6.1	Non-current assets or of a discontinued group held for sale	79.340	3.451
6.2	Deferred acquisition costs	7.542	7.477
6.3	Deferred tax assets	194.402	205.915
6.4	Current tax assets	32.749	42.821
6.5	Other assets	131.556	68.229
7	CASH AND CASH EQUIVALENTS	265.066	284.665
	TOTAL ASSETS	11.349.726	11.497.294

MILANO ASSICURAZIONI S.p.A.

CONDENSED INTERIM FINANCIAL STATEMENTS AT MARCH 31, 2011

In Euro thousands

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

		31/03/2011	31/12/2010
1	SHAREHOLDERS' EQUITY	1.319.941	1.304.567
1.1	Group	1.318.625	1.303.248
1.1.1	Share Capital	305.851	305.851
1.1.2	Other equity instruments		
1.1.3	Capital reserves	718.147	718.147
1.1.4	Retained earnings and other reserves	313.194	980.995
1.1.5	(Treasury shares)	-31.353	-31.353
1.1.6	Translation reserve		
1.1.7	Profit or loss on AFS financial assets	33.353	1.989
1.1.8	Other gains and losses recorded directly in equity	-4.021	-3.670
1.1.9	Group net loss	-16.546	-668.711
1.2	minority interest	1.316	1.319
1.2.1	Minority capital and reserves	1.322	1.502
1.2.2	Gains and losses recorded directly in equity	-2	-3
1.2.3	Minority interest loss	-4	-180
2	PROVISIONS	153.734	136.139
3	TECHNICAL RESERVES	9.038.197	9.144.336
4	FINANCIAL LIABILITIES	424.046	427.946
4.1	Financial liabilities at fair value through profit or loss account	60.514	61.643
4.2	Other financial liabilities	363.532	366.303
5	PAYABLES	226.825	309.410
5.1	Payables from direct insurance operations	30.880	31.388
5.2	Payables from reinsurance operations	39.389	40.428
5.3	Other payables	156.556	237.594
6	OTHER LIABILITIES	186.983	174.896
6.1	Liabilities in a discontinued group held for sale		0
6.2	Deferred tax liabilities	36.145	33.223
6.3	Current tax liabilities		2.164
6.4	Other liabilities	150.838	139.509
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11.349.726	11.497.294

MILANO ASSICURAZIONI S.p.A.

CONDENSED INTERIM FINANCIAL STATEMENTS AT MARCH 31, 2011

In Euro thousands

INCOME STATEMENT

		Q1 2011	Q1 2010
1.1	Net premiums	886.655	933.140
1.1.1	<i>Gross premiums written</i>	920.562	976.017
1.1.2	<i>Premiums ceded to re-insurers</i>	-33.907	-42.877
1.2	Commission income	63	39
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	2.124	9.365
1.4	Income from investments in subsidiaries, associates and joint ventures	203	121
1.5	Income from other financial instruments and property investments	106.724	106.308
1.5.1	<i>Interest income</i>	53.487	53.300
1.5.2	<i>Other income</i>	13.472	17.349
1.5.3	<i>Profits realised</i>	39.765	35.062
1.5.4	<i>Valuation gains</i>		597
1.6	Other revenues	50.721	46.554
1	TOTAL REVENUES AND INCOME	1.046.490	1.095.527
2.1	Net charges relating to claims	-707.609	-785.702
2.1.1	<i>Amounts paid and changes in technical reserves</i>	-724.102	-808.150
2.1.2	<i>Reinsurers' share</i>	16.493	22.448
2.2	Commission expenses	-20	-17
2.3	Charges from investments in subsidiaries, associates and joint ventures	-4.861	-7.905
2.4	Charges from other financial instruments and property investments	-50.287	-35.238
2.4.1	<i>Interest expense</i>	-2.811	-2.343
2.4.2	<i>Other charges</i>	-5.870	-4.211
2.4.3	<i>Losses realised</i>	-21.248	-9.393
2.4.4	<i>Valuation losses</i>	-20.358	-19.291
2.5	Management expenses	-162.816	-164.068
2.5.1	<i>Commissions and other acquisition expenses</i>	-134.364	-137.366
2.5.2	<i>Investment management charges</i>	-1.078	-714
2.5.3	<i>Other administration expenses</i>	-27.374	-25.988
2.6	Other costs	-130.924	-121.947
2	TOTAL COSTS AND CHARGES	-1.056.517	-1.114.877
	LOSS BEFORE TAXES	-10.027	-19.350
3	Income tax	-6.523	-4.087
	NET LOSS FOR THE PERIOD	-16.550	-23.437
4	PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	0	-1.876
	CONSOLIDATED LOSS	-16.550	-25.313
	group share	-16.546	-22.447
	minority share	-4	-2.866

MILANO ASSICURAZIONI S.p.A.

CONDENSED INTERIM FINANCIAL STATEMENTS AT MARCH 31, 2011

In Euro thousands

COMPREHENSIVE INCOME STATEMENT

	Q1 2011	Q1 2010
CONSOLIDATED LOSS	-16.550	-25.313
Change in reserve for net exchange differences	0	0
Profit or loss on AFS financial assets	31.365	6.043
Profit or loss on cash flow hedges	920	-1.221
Profit or loss on a net foreign investment hedge	0	0
Change in net equity of holdings	0	0
Change in revaluation reserve of intangible assets	0	0
Change in revaluation reserve of tangible fixed assets	0	0
Income/(charges) on non-current assets or of a discontinued group held for sale	0	457
Actuarial profits and losses and adjustments to employee defined plans	-1.271	15
Others items	0	0
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	31.014	5.294
TOTAL COMPREHENSIVE CONSOLIDATED INCOME	14.464	-20.019
group share	14.467	-17.385
minority share	-3	-2.634

Segment Income Statement

		Non-Life Sector			Life Sector			Real Estate Sector			Other			Inter-claimant Eliminations			Total
		Q1 2011	Q1 2010	Q1 2009	Q1 2011	Q1 2010	Q1 2009	Q1 2011	Q1 2010	Q1 2009	Q1 2011	Q1 2010	Q1 2009	Q1 2011	Q1 2010	Q1 2009	
1	Net premiums	796,222	779,608	91,433	153,732	-	-	-	-	-	-	-	-	-	886,659	933,140	
1.1	Gross premiums written	826,251	819,592	94,311	156,425	-	-	-	-	-	-	-	-	-	926,592	976,917	
1.1.2	Premiums ceded to reinsurers	-	31,029	-	2,878	-	2,693	-	-	-	-	-	-	-	-	33,907	
1.2	Commission income	-	-	-	63	39	-	-	-	-	-	-	-	-	63	39	
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	-	315	1,267	2,300	8,413	139	-	345	-	-	-	-	-	2,124	9,306	
1.4	Income from investments in subsidiaries, associates and joint ventures	178	121	-	-	-	25	-	-	-	-	-	-	-	203	121	
1.5	Income from other financial instruments and property investments	42,517	56,132	61,148	49,567	3,059	1,609	-	1,609	-	-	-	-	-	108,728	108,308	
1.6	Other revenues	48,722	39,264	1,451	3,861	4,41	1,623	2,107	1,806	-	-	-	-	-	50,721	46,354	
1	TOTAL REVENUES AND INCOME	884,334	874,222	186,396	216,612	3,864	2,897	2,907	1,806	-	-	-	-	-	1,046,460	1,056,627	
2.1	Net Charges relating to claims	-	590,266	-	117,343	-	165,622	-	-	-	-	-	-	-	707,609	785,702	
2.1.1	Amounts paid and charges in technical reserves	-	603,182	-	639,425	-	120,920	-	168,725	-	-	-	-	-	724,102	800,150	
2.1.2	Reinsurers share	12,916	19,345	3,577	3,103	-	-	-	-	-	-	-	-	-	16,493	22,448	
2.2	Commission expenses	-	-	-	20	17	-	-	-	-	-	-	-	-	20	17	
2.3	Charges from investments in subsidiaries, associates and joint ventures	4,767	6,790	94	82	-	1,033	-	-	-	-	-	-	-	4,861	7,905	
2.4	Charges from other financial instruments and property investments	30,677	21,046	14,156	10,209	5,454	3,983	-	-	-	-	-	-	-	50,267	35,238	
2.5	Management expenses	168,278	158,718	6,538	7,350	-	-	-	-	-	-	-	-	-	162,816	94,068	
2.6	Other costs	121,647	108,104	5,992	10,614	882	1,582	2,203	1,647	-	-	-	-	-	130,924	121,947	
2	TOTAL COSTS AND CHARGES	909,836	912,238	144,143	193,894	6,336	6,986	2,203	1,647	-	-	-	-	-	1,066,617	1,114,877	
	PROFITS (LOSS) BEFORE TAXES	19,611	37,616	12,262	21,718	2,672	3,711	96	169	-	-	-	-	-	19,340	19,340	