Draft

MILANO ASSICURAZIONI

Consolidated Quarterly Report as at 30 September 2006

in accordance with Consob Decision 11971 of 14 May 1999 and subsequent amendments,,

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

€ 242,980,050.04 fully paid up share capital
Tax code, VAT registration number and listing in the Milan Register of Companies 00957670151
Authorised insurance company
(art. 65 Italian Royal Legislative Decree 29-4-1923 No. 966)
FONDIARIA-SAI Group – management and coordination FONDIARIA-SAI S.p.A.

GRUPPO FONDIARIA SAI

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BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

Graziano **Visentin**
Chairman

Giovanni **Ossola**
Statutory auditor

Alessandro **Rayneri**
Statutory auditor

Giuseppe **Aldé**
Alternate auditor

Claudio **De Re**
Alternate auditor

Roberto **Frascinelli**
Alternate auditor

- Members of the Board who are also members of the Executive Committee have an asterisk beside their name.
- There is now an internal Auditing Committee, the members of which may be consulted and may make suggestions as provided for in the Code of Conduct for Listed Companies. This Committee is made up of the Board Members Mariano Frey, Emilio Perrone Da Zara and Cosimo Rucellai.
- With reference to the provisions of CONSOB communication 97001574 of 20 February 1997, the nature of the powers conferred on the directors is indicated below.
- As well as being the Company's Legal Representative under Art. 20 of the By-laws, the Chairman and Managing Director Prof. Fausto Marchionni, has all the ordinary and extraordinary administrative powers, which may be exercised on his signature alone, and the power to grant mandates and powers of attorney, with the sole exception of the following powers:
  - sale and/or purchase of property with a value exceeding € 10m per transaction;
  - sale and/or purchase of shareholdings with a value exceeding € 25m per transaction and, in any event, those that are majority shareholdings;
  - loans for an amount in excess of € 50m per transaction;
  - issuing of securities of a non-insurance nature in favour of third parties.
- The Executive Committee continues to hold all the powers not already attributed to the Chairman and Managing Director with the exception of those that in law or under the by-laws are exclusively within the province of the Board of Directors. The Board of Directors is also exclusively responsible for any decision relating to operations with related parties that are identified as such by the Board of Directors.

  The Board of Directors was appointed by the Shareholders' meeting held on 22 April 2005. Francesco Randazzo was appointed by the Shareholders' meeting held on 26 April 2006 to replace the outgoing director, the lawyer, Luigi Pisanu. The entire Board will remain in office until the Shareholders' meeting called to approve the annual accounts on 31 December 2007.

CONSOLIDATED QUARTERLY REPORT AS AT 30 SEPTEMBER 2006

THE MILANO ASSICURAZIONI GROUP

The Milan Assicurazioni group is made up of 11 Companies including the parent company. 5 of these operate in the insurance sector, 3 in the property sector and the remaining 3 Companies are various service sector companies.
The parent company Milano Assicurazioni S.p.A. is a leading insurance operator on the Italian market, active in both the Non-life insurance and the Life insurance sector, with a sales network of around 1,400 agencies operating throughout the national territory.

The registered office is in Milan, at Via Senigallia 18/2.

Over the last few years, Milano Assicurazioni has also strengthened its position on the domestic market by means of company mergers. We should, in particular, remember the incorporation of Nuova Maa and Maa Vita, in 2003; the incorporation of the insurance company SIS in 2004 and, finally, the incorporation of First Life on 31 December 2005, which will make it possible for Milano Assicurazioni to enter the open-ended pension fund sector, with operations already in the start-up phase.

Milano Assicurazioni's parent company is Fondiaria-Sai which acts as its manager and coordinator, in accordance with art. 2497 bis of the Italian civil code.

Premium Income

Premiums and additional income from direct and indirect business in the first nine months of 2006 amounted to € 2,439,152K and showed an increase of 1.69% over the corresponding period the previous year.

Direct business premium income was € 2,420,118K (+ 1.15% compared with 30 September 2005). In particular:

- Life business premium income amounted to € 2,007,168K, including € 1,500,382K for Motor business (+ 0.2% compared with 30 September 2005) and € 506,786K for other types of business, where a 4.3% rise was achieved. The increase in Motor business was influenced by scheduled initiatives to reorganise geographical areas and tariff sectors demonstrating an unsatisfactory technical performance and, in particular, to downsize the fleet portfolio;
- Life business income amounted to € 412,950K, with an increase of 1.11% compared with the first nine months of the previous year. In this case, the rise in income derives from the decision to focus on traditional-type products (premium income + 12.77% as at 30 September) – which offer higher profit margins and add value to the portfolio in the long term – instead of index-linked type products for which no sales initiatives were launched and which, therefore, demonstrated negligible premium income (€ 357K compared with € 15,119K as at 30 September the previous year).

We should remember that, in accordance with what is laid down by IFRS 4 (Insurance Contracts) the amounts posted to the premium income item relate to contracts with a significant insurance risk and financial instruments with discretionary participation, whilst other financial instruments and, in particular, index-linked pure capitalisation contracts and unit-linked contracts are treated using the deposit accounting method which, in the main, provides for posting to the profit and loss account solely of profit margins and for entering the amount matured on behalf of the contracting parties under financial liabilities.

Indirect business income amounted to € 19,034K, compared with € 5,974K for the corresponding period the previous year. The significant increase in premiums was due to the new proportional treaty with the affiliate SIAT, covering Non-life business other than transport business. On the other hand, premiums relating to acceptances from companies not belonging to the Fondiaria-Sai Group remained low, due to the decision, taken in the past, to stop underwriting on inward reinsurance policies following an unsatisfactory performance.

The table below summarises premium income data, with reference to both the third quarter of 2006 and to the first nine months of the year, making comparisons with the same periods of 2005.

(€K)	**3rd quarter 2006**	**3rd quarter 2005**	**Variation %**	**Jan.-Sept. 2006**	**Jan.-Sept. 2005**	**Variation %**
DIRECT BUSINESS						
Non-life business	579,935	594,726	-2.49	2,007,168	1,984,189	1.16
Life Business	123,316	130,399	-5.43	412,950	408,410	1.11
Total direct business	703,251	725,125	-3.02	2,420,118	2,392,599	1.15
INDIRECT BUSINESS						
Non-life business	6,361	1,563	306.97	18,938	5,893	221.36
Life Business	32	-	n.s.	96	81	18.52
Total indirect business	6,393	1,563	309.02	19,034	5,974	218.61
GRAND TOTAL	**709,644**	**726,688**	**-2.35**	**2,439,152**	**2,398,573**	**1.69**
including:						
Non-life business	586,296	596,289	-1.68	2,026,106	1,990,082	1.81
Life Business	123,348	130,399	-5.41	413,046	408,491	1.12

Consolidated Profit and Loss Account

The profit and loss account as at 30 September 2006 closed with a net profit for the group amounting to € 200,145K, up on the profit of € 187,223K achieved in the corresponding period the previous year (+ 6.9%).

It should be stated that, for the purposes of making the comparisons meaningful, the economic result as at 30 September 2005, originally amounting to € 201,399K, was restated at € 187,223K further to application of the accounting principles used in the 2005 accounts and in the periodic statements relating to the 2006 financial year.

In particular, it should be remembered that, following publication of the quarter as at 30 September 2005:

- EU Regulation No. 1864 was issued and published in the European Union Official Gazette [EUOG] on 16 November 2005 and resulted in some amendments being made to IAS 39 (Financial instruments: recognition and measurement) and, in particular, in some limitations being placed on the use of the so-called Fair Value Option. These amendments involve the need to reclassify some financial assets in the Available for Sale category that were previously entered under the Fair Value Through Profit and Loss category. Financial revenue lost due to this reclassification, amounting to € 13,874K, net of the related tax effect, was, therefore, transferred from the profit and loss account as at 30 September 2005;
- ISVAP Directive No. 2404 was issued which contained the explicit instruction to include the receivable for advance taxes on Life business mathematical reserves (art.1, paragraph 2, of Legislative Decree 209/2002) within the scope of IAS 12, which resulted in the prohibition of time-discounting.
  In restating data as at 30 September 2005, provision has, therefore, been made to reverse the effect of the original time-discounting which had impacted on the profit and loss account to the tune of € 302K.

The table below provides a summary of the profit and loss account for the 3rd quarter of 2006 and the first nine months of 2006 and a comparison with the same periods the previous year, restated with uniform criteria.

(€K)	**3rd quarter 2006**	**3rd quarter 2005**	**Jan.-Sept. 2006**	**Jan.-Sept. 2005**
Net premiums	785,525	790,922	2,463,042	2,384,782
Net charges relating to claims	-645,698	-640,035	-1,957,800	-1,944,270
Net commissions	271	-21	651	90
Net income from subsidiaries and associates	548	55	802	436
Net income deriving from financial instruments at fair value recognised through profit or loss	21,980	26,501	13,014	71,052
Net income from other financial instruments and investment property	67,980	57,342	264,099	202,694
Operating expenses	-112,536	-116,053	-374,373	-367,417
Other net income and expenditure	-16,805	-20,076	-100,631	-53,585
Pre-tax profit (loss) for the period	**101,265**	**98,635**	**308,804**	**293,782**
Income tax	-39,299	-33,480	-108,595	-106,691
Pre-tax profit (loss) for the year	**61,966**	**65,155**	**200,209**	**187,091**
Profit (loss) on operating activities ceased	-	261	-	452
Consolidated profit (loss)	**61,966**	**65,416**	**200,209**	**187,543**
Minorities' profit (loss)	17	121	64	320
Group profit (loss)	**61,949**	**65,295**	**200,145**	**187,223**

The main characteristics of the result achieved over the period in question are shown below:

- Non-life insurance business, as at 30 September 2006, closed with a pre-tax profit of € 244,154K, compared with a pre-tax profit of € 255,249K recorded as at 30 September 2005. The technical performance of Motor TPL business was slightly down on the same period the previous year but the trend shows significant improvement. This was also in the wake of the downsizing of the fleet portfolio and, more generally speaking, of initiatives to reorganise areas and tariff sectors with an unsatisfactory technical performance.
  Land Vehicle business continues to show extremely satisfactory results that are, in the main, in line with those recorded as at 30 September 2005.
  The overall technical performance of the other Non-life business sectors also proved to be largely positive, although at lower levels than those recorded for the corresponding period the previous year due to poorer General TPL performance. A systematic analysis of corporate sector contracts performing negatively is under way in this sector, with the objective of making contractual reforms or cancellations in the most critical cases.

- The Life business sector showed a pre-tax profit of € 62,569K, significantly higher than the same result as at 30 September 2005, of € 37,845K. The improvement was due both to the favourable impact of the variation in additional technical reserves – again further to the upturn in interest rates which resulted in downsizing of the additional interest guarantee reserve requirement – and to higher returns on investments made by the parent company Milano Assicurazioni, after having recorded policyholders' share of value adjustments on the share portfolio which, as laid down by the provisions of shadow accounting methodology, was offset against insurance liabilities.

- Asset and financial management made it possible to achieve net income from financial instruments and investment property of € 277,915K, compared with € 274,182K recorded as at 20 September 2005.
  The main Central Banks continued the phase of monetary constraint into the third quarter of 2006, as part of the process of redefining the overall level of liquidity and fighting inflation which was fuelled by the price of raw materials which remain high.
  What's more, we witnessed the partial recovery of bond prices compared with the lows recorded in June.
  Fixed income financial assets determined a further shortening of the duration in the Non-life sector over the quarter with, at the same time, extra returns being sought from trading.

  In the Life business segment, faced with an exposure which was, in terms of duration, on the whole unchanged, targeted acquisitions, in terms of immediate returns and returns on maturity, were sought within the limits of a risk portfolio consistent with the macroeconomic climate, to increase the return on segregated accounts.
  Stock market activity was also aimed at moderating and optimising the portfolio, with sectoral rotations and trading activities, with no major changes to asset allocation, both in the Life and Non-life segment.

Sectoral choices were targeted at obtaining a more prudent portfolio guided more by dividend yield, in particular, for special business portfolios.
Ordinary income reached 4% in the Life segment and was over 3% in the Non-life segment.

- Operating expenses in the Non-life insurance segment as at 30 September amounted to € 352,450K compared with € 343,503K for the corresponding period the previous year, accounting for 17.1% of net premium income, down from 17.3%. Life business operating expenses as at 30 September amounted to € 21,465K, accounting for 5.3% of premium income.

- Current period taxes amounted to € 108,595K, and in the same way as the previous year, had less impact on gross profit than nominal profit, mainly due to the fact that nearly all dividends cashed had no tax liability, and capital gains on securities posted to fixed assets came under the “participation exemption” tax system.

Finally, it should be noted that the result for the period was not influenced by any significant non-recurrent events or transactions not conforming to usual business practice.

The table below shows the economic results achieved by each individual segment. The property segment includes the results achieved by subsidiary property companies (Meridiano Eur, Meridiano Orizzonti, Campo Carlo Magno), whilst the Other Activities segment summarises the performance of subsidiaries, although of limited size, operating within the financial sector and in the Other Services segment (Maa Finanziaria, Sogeint, Campo Carlo Magno Sport).

(€K)	**Non-life**	**Life**	**Prop-erty**	**Other Activitie**	**Total**
Net premiums	2,057,759	405,283	-	-	2,463,042
Net charges relating to claims	-1,499,027	-458,773	-	-	-1,957,800
Net commissions	-	651	-	-	651
Net income from subsidiaries and associates	-	436	-	366	802
Net income deriving from financial instruments at fair value recognised through profit or loss	5,479	7,535	-	-	13,014
Net income from other financial instruments and investment property	121,594	140,481	2.022	2	264,099
Operating expenses	-352,450	-21,465	-	-458	-374,373
Other net income and expenditure	-89,201	-11,579	-279	428	-100,631
Pre-tax profit (loss) as at 30/09/2006	**244,154**	**62,569**	**1.743**	**338**	**308,804**
Pre-tax profit (loss) as at 30.09.05	**255,249**	**37,845**	**712**	**-24**	**293,782**

Net financial position

The tables below show the position, as at 30 September 2006, of investments and other tangible assets as well as technical reserves, net of units ceded in reinsurance and financial liabilities. All data is compared with that relating to the close of the previous quarter and the previous year.

Investments and other tangible assets

(€K)	**30/09/2006**	**30/06/2006**	**Variation %**	**31/12/2005**
Investment property	370,467	369,957	0.14	370,136
Holdings in subsidiaries, associates and joint ventures	105,485	103,749	1.67	4,820
Loans and receivables	189,656	255,267	-25.70	212,874
Investments held to maturity	-	-	-	-
Financial assets available for sale	8,213,465	7,694,630	6.74	7,580,602
Financial assets at fair value recorded in P&L account	781,089	754,876	3.47	876,255
TOTAL INVESTMENTS	**9,660,162**	**9,178,479**	**5.25**	**9,044,687**
CASH AT BANK AND IN HAND AND EQUIVALENTS	**123,537**	**97,858**	**26.24**	**156,649**
INTANGIBLE ASSETS				
Property	30,148	30,525	-1.24	30,519
Other tangible assets	100,105	93,669	6.87	80,106
TOTAL TANGIBLE ASSETS	**130,253**	**124,194**	**4.88**	**110,625**
GRAND TOTAL	**9,913,952**	**9,400,531**	**5.46**	**9,311,961**

The table also shows tangible assets and available cash due to the significance of these assets in ensuring accurate representation of the level of increase in an insurance group's capital.

The Investment Property item includes property held by the company for investment purposes and, as such, intended for use by third parties. In line with what is permitted by IAS 40, these properties are posted at cost and are subject to depreciation based on estimated useful life.
The Holdings in Subsidiaries, Associates and Joint Ventures item includes holdings in associate companies which are valued using the net equity method.

Loans and Receivables include debt securities amounting to € 33,670K, loans on life policies (€ 25,796K), receivables from agents for recoupments of claims paid to agents who have ceased trading (€ 56,546K) and other loans and receivables amounting to € 73,644K, including:

- € 39,909K relating to the loan secured by a lien on mezzanine property which relates back to the operation to dispose of part of the company's property assets in 2003. This loan, with an original value of € 46,376K and falling due in 2010, provides for partial early repayments by the debtor in line with the divestment schedule for the properties to which the transaction relates. The debtor is also entitled, at any time, to repay the loan in whole or in part.
- € 27,106K for the loans granted to the associate company Garibaldi S.c.s., active in the property development project for the area located at the northern boundary of the historic centre of Milan, known as "Garibaldi Repubblica"; These interest-bearing loans are for 5 years and can be renewed for a further 5 years but must not run beyond the project's completion date. There is, however, provision for the debtor to make early repayment.

Financial assets available for sale comprise debt and capital securities not otherwise classified and are by far the largest category of financial instruments, in line with the characteristics and aims of the insurance business.

Financial assets at fair value recognised through profit or loss comprise securities held for trading as well as those designated by group companies in this category.

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

(€K)	**30/09/2006**	**30/06/2006**	**Variation %**	**31/12/2005**
Financial assets available for sale	**8,213,465**	**7.694.630**	**6,74**	**7,580,602**
Capital securities and investment fund units	1,620,886	1,543,255	5.03	1,526,455
Debt securities	6,592,579	6,151,375	7.17	6,054,147
Financial assets at fair value recognised through profit or loss	**781.089**	**754,876**	**3.47**	**876,255**
Capital securities and investment fund units	147,417	153,231	-3.79	111,971
Debt securities	631,604	594,092	6.31	757,891
Other financial investments	2,068	7,553	-72.62	6,393

The Property item, posted under Tangible assets, includes buildings intended for company use. These are posted at cost and are subject to depreciation according to estimated useful life.

Other tangible assets mainly comprise advance payments for property transactions relating to the following areas - Milan, via Lancetti; Milan, via Confalonieri-via de Castillia (Lunetta dell'Isola) and Rome, via Fiorentini. We must remember that these transactions, implemented in previous financial years, resulted in the sale to third parties, by Milano Assicurazioni, of the aforementioned areas zoned for building and the purchase of the premises to be built on these areas by the purchasers of said land.

Net technical reserves

(€K)	30/09/2006	30/06/2006	Variation %	31/12/2005
NON-LIFE BUSINESS				
Premium reserve	872,240	970,122	-10.09	961,988
Claims reserve	3,268,823	3,173,682	3.00	3,153,068
Other reserves	2,285	2,298	-0.57	2,084
Total Non-life business	**4,143,348**	**4,146,102**	**0.07**	**4,117,140**
LIFE BUSINESS				
Mathematical reserves	3,641,505	3,578,565	1.76	3,511,779
Reserve for sums payable	22,882	23,910	-4.30	5,390
Technical reserves where the investment risk is borne by policyholders and deriving from pension fund management	246,542	242,931	1.49	278,101
Other reserves	119,108	44,276	169.01	197,853
Total Life business	**4,030,037**	**3,889,682**	**3.61**	**3,993,123**
GRAND TOTAL	**8,173,385**	**8,035,784**	**1.71**	**8,110,263**

Other Non-life technical reserves relate to the Health business ageing reserve, intended to offset the increased insurance risk caused by ageing policyholders in cases where premiums are determined, for the entire duration of the contract, with reference to the age of the policyholders when the contract is stipulated.

We should remember that, with the introduction of IAS/IFRS international accounting standards, equalisation reserves and reserves intended to cover the risk of natural disasters, calculated using flat-rate methodology on the basis of specific regulations laid down by national legislation, are no longer included in Non-life technical reserves.
The accumulated amount of these reserves on the date of transition to international accounting standards was used to increase net equity.

Life business technical reserves are those relating to insurance contracts and investment contracts with elements of discretionary participation, governed by IFRS 4. This item does not include liabilities relating to unit-linked and pure capitalisation index-linked policies which, since they have proven to be contracts with an insignificant insurance risk, are governed by IAS 39 (Financial instruments) and posted to financial liabilities.

Financial liabilities

(€K)	30/09/2006	30/06/2006	Variation %	31/12/2005
Financial liabilities at fair value recognised through profit or loss	99,787	93,098	7.18	84,488
Other financial liabilities	314,463	161,037	95.27	159,943
TOTAL	**414,250**	**254,135**	**63.00**	**244,431**

Liabilities at fair value recognised through profit or loss include € 18,815K of financial liabilities held for trading and € 80,972 of financial liabilities designated in this category, relating to unit-linked and pure capitalisation index-linked policies which, not having a significant insurance risk, on the basis of what is laid down by IFRS 4, are treated using the deposit accounting method.

Other financial liabilities include, in the main, € 158,162K of deposits withheld from reinsurers in application of contractual clauses laid down by related treaties as well as a subordinated loan of € 150,000K given to Milano Assicurazioni on 14 July 2006, as part of a loan contract originally signed by the parent company Fondiaria-Sai and Mediobanca.

In this regard, we should remember that in June, a subordinated loan contract was signed by the parent company Fondiaria-Sai and Mediobanca for a total of € 300m, to which, as one of the options given by said contract, Milano Assicurazioni subscribed for half of the total amount i.e. € 150m. The transaction was approved by ISVAP in advance.
The loan specified a 6-month Euribor interest rate + 180 basis points and is repayable in five equal annual instalments as of the 16th anniversary of the disbursement date. There is, in addition, an early repayment, or partial repayment, option, from the date falling on the expiry of the 10th year since the disbursement date and subject to prior authorisation from ISVAP. The loan will be used in its entirety to further improve the available solvency margin, given current regulations on the issue, which permit the use of loans of this type up to 25% of the lower of the available margin and the required solvency margin.

Net Equity

The group's net equity as at 30 September 2006 amounted to € 1,865,377K and rose by € 120,653K from 30 June 2006, mainly due to the quarterly profit (€ 61,949K) and the increase in the reserve relating to financial assets available for sale (€ 60,723K).

A breakdown is given below:

(€K)	**30/09/2006**	**30/06/2006**	**Variation %**	**31/12/2005**
Group net equity	**1,865,377**	**1,744,724**	**6.92**	**1,717,584**
Capital	242,981	242,975	0,00	238,575
Other equity instruments	-	-	0,00	-
Capital reserves	359,981	359,980	0,00	325,145
Profit and other equity reserves	838,501	836,831	0,20	684,889
Own shares	*-4,559*	*-1,325*	*244.08*	*-374*
Reserve for net exchange differences	-	-	-	-
Profits or losses on financial assets available for sale	232,745	172,022	35.30	191,125
Other profits or losses recognised direct to equity	-4,416	-3,955	11.66	-5,298
Group profit (loss) for the financial year	200,145	138,196	44.83	283,522
Minorities' net equity	**3,637**	**3,615**	**0.61**	**3,587**
Minorities' share of capital and reserves	3,570	3,570	0.00	3,391
Profits and losses recognised direct to equity	3	-2	-250.00	17
Minorities' profit (loss) for the financial year	64	47	36.17	179
TOTAL	**1,869,014**	**1,748,339**	**6.90**	**1,721,171**

The Capital Reserves item includes the share issue premium reserve, formed upon the occasion of capital increases.

The Profit and other equity reserves item includes the reserve deriving from the first-time application of IAS/IFRS standards (€ 39,705K in the red), the consolidation reserve (€ 15,498K) and other equity reserves amounting to € 862,708K. This last item includes, in particular, € 638K set aside, in line with what is required by IFRS 2 (Share-based payments) for Stock Options on parent company Fondiaria-Sai savings shares allocated to Milano Assicurazioni employees and executive directors.
The amount posted represents the relevant share, as at 30 September, of the overall value of the options allocated, valued at around € 7.9m, as described in more detail later on in this report.

Profits or losses on financial assets available for sale derive from the adjustment to fair value of financial instruments classified in this category, net of related deferred taxes and the part attributable to policyholders as a consequence of the application of so-called Shadow Accounting, referred to in paragraph 30 of IFRS 4, allocated to increase other life business technical reserves.

We should remember that, with use of the shadow accounting method, an opportune correlation is created between the value of Life technical reserves and the value, determined with IAS/IFRS standards, of assets entered under segregated accounts.

Securities entered under Life business segregated accounts do, in fact, come under the available for sale category or the financial instruments valued at fair value through profit or loss category and, as such, were valued at fair value, recognising in the net equity or the result for the period, the difference between the fair and book value.

In addition, as we know, the return on securities entered under segregated accounts determines the return to be retroceded to policyholders and, therefore, influences the amount of Life technical reserves.

Provision has, therefore, been made to restate the mathematical reserve amount for contracts entered under segregated accounts in line with the valuation of related assets, posting the difference compared with the reserve amount calculated in accordance with Italian accounting principles to net equity or to the profit and loss account for the period. In the main, the difference in these contracts' Life technical reserves compared with Italian accounting principles, represents the policyholders' share of the latent capital gains on securities entered under segregated accounts which, on the basis of contractual clauses and current regulations, will be paid to policyholders only if, and when, the capital gains are realised with the disposal of the related assets but which are, in this context, clearly shown in so far as the latent capital gains for said securities, as has already been said, have been recognised in the net equity or in the result for the period.

Other profits and losses recognised direct to equity include actuarial profits and losses emerging in the calculation of staff-leaving indemnity, in application of what is laid down by IAS 19 (Employee benefits).

Management Trends and Comments

Non-life insurance sector

Premium income as at 30 September totalled € 2,026,106K, up 1.81% on the first nine months of 2005, which recorded income amounting to € 1,990,082K.

Direct business premium income amounted to € 2,007,168K (+1.16%), including € 1,500,382K for Motor business (+ 0.2% compared with 30 September 2005) and € 506,786K for other types of business, where a 4.3% rise was achieved. The increase in Motor business was influenced by scheduled initiatives to reorganise geographical areas and tariff sectors demonstrating an unsatisfactory technical performance and, in particular, to downsize the fleet portfolio.

A breakdown of direct business premiums by class is given below:

(€K)	**3rd quarter 2006**	**3rd quarter 2005**	**Variation %**	**Jan.-Sept. 2006**	**Jan.-Sept. 2005**	**Variation %**
Accident and health	45,071	44,402	1.51	159,739	153,757	3.89
Land Vehicle TPL	387,846	398,720	-2.73	1,303,896	1,299,078	0.37
Motor insurance other classes	54,147	60,183	-10.03	196,486	199,048	-1.29
Marine, aviation and goods in transit	2,865	2,233	28.30	10,276	9,230	11.33
Fire and Other Property Damage	49,855	50,107	-0.50	178,580	170,131	4.97
General TPL	29,023	28,499	1.84	121,976	116,264	4.91
Credit and Bonds	5,384	5,019	7.27	17,413	17,930	-2.88
Sundry pecuniary losses	1,545	1,548	-0.19	4,941	4,872	1.42
Legal protection	1,274	1,246	2.25	4,420	4,260	3.76
Assistance	2,925	2,769	5.63	9,441	9,619	-1.85
TOTAL	**579,935**	**594,726**	**-2.49**	**2,007,168**	**1,984,189**	**1.16**

In the 3rd quarter of the year 184,500 claims were filed compared with 193,063 claims filed in the 3rd quarter of 2005 (- 4.4%). 575,627 claims were filed in the first nine months of the year, compared with 565,260 filed as at 30 September 2005 (+1.8%). Solely with regard to Motor TPL business, 324,485 claims had been filed as at 30 September, practically unchanged from the first nine months of the previous year.
In the 3rd quarter of 2006 alone, 98,198 claims were filed, down 5.3% on the same period of 2005.
This confirms the improving trend already observed some months ago as well as the benefit of initiatives aimed at reorganising and, more especially, downsizing the fleet portfolio.

Claims paid as at 30 September 2006, gross of outward reinsurance, amounted to € 1,376,704K, compared with € 1,314,250K for the corresponding period the previous year (+ 4.8%).

A breakdown by class of the number of claims filed and the amount of claims, net of settlement costs, paid for Italian direct business, is given below:

	Claims filed (Number)			Claims paid (€K)		
	30/09/2006	30/09/2005	Var. %	30/09/2006	30/09/2005	Var. %
Accident and health	54,214	51,661	4.9	78,996	72,928	8.3
Land Vehicle TPL	324,485	324,549	0.0	989,750	966,440	2.4
Motor insurance other classes	73,614	70,001	5.2	88,307	82,310	7.3
Marine, aviation and goods in transit	556	676	-17.8	3,463	2,770	25.0
Fire and Other Property Damage	60,132	59,654	0.8	106,131	94,755	12.0
General TPL	32,527	31,061	4.7	89,319	80,667	10.7
Credit and Bonds	429	350	22.6	15,341	11,021	39.2
Sundry pecuniary losses	812	146	456.2	1,111	401	177.0
Legal protection	550	1,019	-46.0	374	407	-8.0
Assistance	28,308	26,143	8.3	3,912	2,551	53.4
TOTAL	**575,627**	**565,260**	**1.8**	**1,376,704**	**1,314,250**	**4.8**

Reinsurance

Non-life business premiums ceded, as at 30 September 2006, amounted to € 64,892K compared with €40,905K for the corresponding period the previous year. The rise was mainly due to the new non-proportional treaty to protect Motor TPL business, characterised by a lower cover intervention threshold.
Risks ceded in the Non-life business class were placed with leading international operators by the affiliated company The Lawrence Re Ireland Ltd. Treaties underwritten give priority to non-proportional cessions for Fire, Theft, Accident, General TPL, Motor TPL and Land Vehicle classes. Proportional cession treaties with a non-proportional structure have been maintained to protect against the risk retained in Bond and Credit classes as well as for Aviation risks.

For Technological Risks, a proportional and excess of loss reinsurance structure was continued with non-proportional protection combined with Fire and Land Vehicle classes. Assistance was proportionally reinsured with Pronto Assistance whilst Hail risks are covered by a stop-loss treaty.
Proportional cover with the affiliate SIAT started this year for Transport, Goods and Marine classes.

Subsidiaries

Essential data for the first three quarters of 2006 for subsidiaries operating in the Non-life insurance sector, is given in the table below:

(€K)	**gross premiums**	**Var. %**	**result**	**net equity not inc. current year result**
Dialogo Assicurazioni S.p.A.	9,877	-33.43	514	7,681
Dialogo Assicurazioni S.p.A.	8,689	-12.67	1,652	9,738
Novara Assicura S.p.A.	933	n.s.	-536	15,191

DIALOGO ASSICURAZIONI S.p.A. – Milan (direct shareholding 99.85%)

The Company is mainly active in motor product placement over the telephone and via the Internet.
As provided for by the Fondiaria-Sai Group 2006-2008 Industrial Plan, in June 2006, the Company launched a new advertising campaign aimed at portfolio growth, the effects of which cannot, however, yet be seen on the period in question.
Gross premium income posted to the accounts as at 30 September 2006 amounted, in fact, to € 9,877K, compared with € 14,836K for the corresponding period the previous year (-33.4%).
Despite the reduction in premium income, the technical performance was better than 30 September 2005, due also to the drop in charges for claims resulting from a more favourable trend in claims filed.
In total, the Company recorded a profit, as at 30 September 2006, of € 514K compared with a profit of € 468K in September 2005.

SYSTEMA Compagnia di Assicurazioni S.p.A. – Milan (direct shareholding 100%)

The company operates within the Non-life sector via the marketing of standardised products distributed through partner banks, with which specific agreements have been concluded.
Gross premium income posted to the accounts as at 30 September 2006 amounted to € 8,689K compared with € 9,950K as at 30 September 2005 (-12.7%).
The technical account for the first nine months of 2006 continues to be positive and has improved since September 2005, despite the reduction in income posted to the accounts, due to the fall in claims-related charges caused by the drop in the number of claims filed and the positive trend in claims from previous years, already posted to the reserves.
As at 30 September 2006, the Company recorded a profit of € 1,652K, a sharp upturn compared to the profit of € 712K recorded for the corresponding period the previous year.

NOVARA ASSICURA S.p.A. – Novara (direct shareholding 100%)

On 9 November 2005, the Company was authorised by ISVAP to conduct business in a number of Non-life classes, including Motor TPL. This is a means of implementing the Non-life bancassurance sector partnership with the Banco Popolare di Verona e Novara to which, on the basis of existing agreements, 50% of the share capital will be transferred.
In fact, the company places its own insurance products over the counter at branches of the Banca Popolare di Novara, a subsdiary of the Banco Popolare di Verona e Novara.
Premium collection commenced in January and has produced premium income amounting to € 933K, including € 798K for motor business. The profit and loss account as at 30 September was still impacted by set-up costs which were not offset by a sufficient volume of business and closed with a loss of € 536K.

Life insurance sector

Direct business premium income up to 30 September totalled € 412,950K compared to € 408,410K for the corresponding period the previous year (+1.11%).
Traditional-style products recorded an increase of 12.77%, also following sales campaigns aimed at stimulating the distribution of products with a predominantly insurance-related content, whilst issues of market index-linked products for which no specific sales initiatives were launched over the period in question, were quite insignificant. Income relating to capitalisation products remained high, although at levels slightly below those recorded for the same period the previous year (-3.2%).
The trend in premium income was consistent with the aim of prioritising traditional-type products which offer higher profit margins and, via client loyalty, add value to the portfolio in the long term.

A breakdown of direct business premiums by class is given below:

(€K)	**3rd quarter 2006**	**3rd quarter 2005**	**Variation %**	**Jan.-Sept. 2006**	**Jan.-Sept. 2005**	**Variation %**
I - Whole of life insurance	64,558	59,256	8.95	225,260	199,752	12.77
III - Insurance linked to market indices	27	215	-87.44	357	15,119	-97.64
IV - Health insurance	12	12	-	47	60	-21.67
V - Capitalisation operations	58,719	70,916	-17.20	187,286	193,479	-3.20
	-			-		
TOTAL	**123,316**	**130,399**	**-5.43**	**412,950**	**408,410**	**1,11**

Gross sums paid amounted to € 366,089K (€ 298,605K as at 30 September 2005), up by 22.6%.
Purely for information purposes, premium income for new products, determined in line with Supervisory Authority requirements, is given below:

(€K)	**30/09/2006**	**30/09/2005**	**Variation %**
Class I	105,082	71,116	+ 47.8
Class III	139	16,408	-99.2
Class V	155,771	163,397	- 4.7
TOTAL	**260,992**	**250,921**	**+ 4.0**

As with the first part of 2006, again in the 3rd quarter, the production of life premiums in the individual policies sector was mainly focused on products linked to Segregated Accounts, characterised by guaranteed minimum return and investment protection. Scrupulous protection of capital upon maturity also continued.

The new Index-Linked product known as *Emerging Countries* was also developed in September. This will be marketed in the 4th quarter of 2006 and will make it possible for subscribers to take advantage of the stock market growth potential of 5 major emerging countries i.e. Russia, India, China and Brazil.

With regard to the collective policy segment, the third quarter also confirmed the strong demand for capitalisation products coming from institutional clients (Credit Institutions, Financial Companies, Cooperatives) with resultant high volumes of premium income with the 'Conto Aperto Corporate' product.
Following uncertainties in respect of the reference economic scenario, the growing interest of existing clients in early redemptions, aimed at alternative investments, should be also be noted.
The 3rd quarter also confirmed the positive trend in distribution of the new products VALORE TFR and VALORE TFM. We should also mention the well-founded concern about the long-term prospects of this specific portfolio segment which, in the light of recent events regarding the content of supplementary pension reforms, may require strategies aimed not only at protecting the segment itself but also at its partial differentiation, by means of the use of collateral instruments or replacements for existing instruments.

Alliance and cooperation project with Banca Popolare di Milano in the Bancassurance sector

On 14 June 2006, Banca Popolare di Milano (BPM) and Milano Assicurazioni drew up an agreement to grow, jointly and exclusively, the BPM Group's bancassurance business in the Life business segment and this was signed on 21 December 2005.
This agreement provides for the implementation of a wider industrial alliance and cooperation project with BPM in the bancassurance sector, to be implemented, not only in the Life business segment, but also in the Non-life segment and in banking and financial services.

In accordance with this agreement, Milano initially purchased from BPM and from the subsidiary Banca di Legnano, a 46% shareholding in Bipiemme Vita S.p.A. with the option of transferring control of the latter from the BPM Group to Milano itself, by means of the sale of a further two shareholdings, of 4% and 1% respectively, on two later dates, by 31 December 2006 and 30 June 2007 respectively, by exercising put and call options, in two tranches, which the parties mutually agreed under specific terms.

BPM and Milano also signed a shareholders' agreement containing Bipiemme Vita's rules of corporate governance, as well as industrial aspects of the partnership, specifying that said Bipiemme Vita should continue to have access to BPM Group distribution networks for a period of 5 years from the closing date, with the option to renew upon expiry for a further 5 years by mutual agreement between the parties.

The purchase price for the 46% shareholding in Bipiemme Vita, initially agreed at € 94.3m, has been reduced, in accordance with contract of sale forecasts – to € 90.5m, mainly due to asset variations (distribution of dividends and capital increases) occurring since the date when the agreement was entered into (December 2005).

The price initially agreed of € 94.3m was, in fact, supposed to be a provisional price, arrived at on the basis of an “appraisal value” approach, the analysis taking into consideration all the value components relating to life business (e.g. embedded value as at 30 June 2005 and goodwill relating to the new products expected from 1 July 2005), to Non-life business (e.g. TCM and Accident and Health business), as well as to Bipiemme Vita’s overheads.
The transaction had received the go-ahead from the Italian competition authority and had been authorised by ISVAP in April 2006.

On 18 October 2006, Milano Assicurazioni exercised the first tranche of the aforementioned call option, purchasing 4% of Bipiemme Vita, thereby increasing its holding to 50%. The purchase price, in accordance with contractual estimates, was fixed at € 7.9m.
The exercising of said option resulted in joint governance of Bipiemme Vita.

Bipiemme Vita is the BPM Group’s insurance company and operates via approximately 700 of said Group’s branches. The accounts as at 31 December 2005 (compiled in accordance with Italian accounting principles) showed premium income amounting to € 632.3m and a net profit of € 23.8m. Net equity amounted to € 67m whilst total technical reserves amounted to € 3,255.1m. The company closed the first half of 2006 with premium income of € 319m and a profit of € 5.2m.

The purchase price for the subsequent 1% shareholding in Bipiemme Vita (as with the price already set for the purchase of the 4% shareholding) was contractually fixed in accordance with the definitive price paid for the 46% re-valued to the date on which the options exercised at the reference rate are settled, net of any dividends distributed and plus any capital increases paid – both pro-rata – from the date of closing to the settlement date of the option strike price.

The call option on the remaining 1% of Bipiemme Vita, with resultant takeover of control and full consolidation by Milano, will be exercisable between March and June 2007. Milano’s right to exercise the call option will be subject to approval by a joint committee comprising four members (two per party) called upon to assess the performance and the results of the agreement over time, as well as authorisation from ISVAP.

In the current market, characterised by clients refocusing on traditional insurance products, the partnership will allow Bipiemme Vita to benefit from the technical and commercial know-how of a leading insurance operator, fostering the development of new products and improving penetration in respect of BPM clients, and will allow Milano Assicurazioni to benefit from the BPM Group’s expertise in commercial banking.
The agreement will make it possible for the BPM Group to obtain the wider technical/managerial support in insurance services needed in order to pursue, via a product range which responds more effectively to the requirements of its own clients, significant objectives in terms of production volume growth. This support will also be needed in view of the role that banks and insurance companies can play for families and small to medium-sized companies in anticipation of future growth of supplementary welfare benefits.

The agreement is a further opportunity for the Company and for the Fondiaria-Sai Group to develop the Life sector. From an industrial perspective, the operation is perfectly in line with existing Company and Fondiaria-Sai Group bancassurance agreements which will continue to be strategic elements of the growth policies adopted by both the Company and the Group.

Reinsurance

In life business classes the reinsurance structure was unchanged from the previous financial year, with proportional cover and catastrophe cover in excess of loss.

On 30 September 2006, premiums ceded amounted to € 7,686K, compared with € 7,305K for the corresponding period the previous year.

Subsidiaries

In addition to Milano Assicurazioni, the subsidiary Fondiprev also operates in the life insurance sector. Here is a brief note on operations performed by said company in the first nine months of the year.

FONDIPREV S.p.A. - Florence (direct shareholding 60%)

The Company operates in the Life sector via the banking channel. New contracts are issued over the counter at branches of the Banca delle Alpi Marittime, whilst direct management of old contracts continues.
Gross premium income posted to the accounts as at 30 September 2006 amounted to € 217K, compared with € 261K for the corresponding period in 2005 (-16.86%).
The result as at 30 September 2006 showed a net profit of € 143K, compared with a net profit of € 341K for the corresponding period the previous year, in which, however, extraordinary income proved to be a determining factor.

Property sector

The trend in Company subsidiaries operating in the property sector in the first nine months of 2006 is summarised in the table below:

(€K)	**Production value**	**Var. %**	**Result**	**Net equity excluding result**
Meridiano Eur	-	-	807	112,233
Meridiano Orizzonti	1,572	-6.8	753	58,446
Campo Carlo Magno S.p.A.	1,010	n.s.	117	3,979

MERIDIANO EUR – Milan (direct shareholding 100%)

The company owns premises built in Assago, previously Milano Assicurazioni’s registered office and currently involved in a restructuring project with a book value of € 34,197K and also holds shares in the property investment fund “Tikal R.E. Fund”, with a book value of

€ 76,506K, deriving from the contribution to said Fund, during the 2004 financial year, of the owned premises located in Rome at Piazzale dell'Industria.
The first nine months of the year closed with a net profit of € 807K, mainly deriving from revenue distributed from the Tikal Fund.

MERIDIANO ORIZZONTI – Milan (direct shareholding 100%)

The Company owns a property in Milan at Piazza S.M. Beltrade, 1 with a book value of € 55,208K. The first nine months of the year closed with a net profit of € 753K, corresponding to property revenue of € 1,572K.

CAMPO CARLO MAGNO S.p.A. - Madonna di Campiglio (direct shareholding 100%)

The Company, purchased from Milano Assicurazioni in December 2005, owns a hotel complex in Madonna di Campiglio called the GOLF HOTEL.
In December, it stipulated a company lease contract with Atahotels S.p.A. which laid down rent of 20% of the net annual revenue, with the provision, in any event, of a guaranteed minimum. The transaction guarantees the Company an adequate return on the line of company business leased, in accordance with what is comparable on the market for similar transactions.
The result as at 30 September 2006 amounted to a profit of € 117K.

Other Business sector

Companies included in this sector are shown in the table below:

(€K)	Production value	Var. %	result	net equity excluding result
Maa finanziaria s.p.a.	17	-	-16	939
Sogeint s.r.l.	2,363	159.9	43	100
Campo Carlo Magno S.p.A.	121	n.s.	- 2	516

MAA FINANZIARIA – Milan (direct shareholding 100%)

The Company, originally active in the sector of financial leases on capital goods and corporate financing, currently limits itself to managing some existing portfolio finance contracts. The result as at 30 September 2006 amounted to a loss of € 16K.

SOGEINT – Milan (direct shareholding 100%)

The Company operates in the sector of commercial assistance to agencies. The first nine months of the year closed with a profit of € 43K.

CAMPO CARLO MAGNO SPORT S.r.l - Madonna di Campiglio (direct shareholding 100%)

The Company, purchased by Milano Assicurazioni in December 2005, owns concessions for managing ski slopes, ski lifts and golf courses belonging to the Golf Hotel complex in Madonna di Campiglio.

In December, it stipulated a company lease contract with Atahotels S.p.A. which laid down rent of 20% of the net annual revenue, with the provision, in any event, of a guaranteed minimum. The transaction guarantees the Company an adequate return on the line of company business leased, in accordance with what is comparable on the market for similar transactions.
The first nine months of 2006 closed with a loss of € 2K.

Asset and financial management

The table below highlights financial and property results for the third quarter of 2006 and for the first nine months of 2006, compared with the same periods the previous year:

(€K)	**3rd quarter 2006**	**3rd quarter 2005**	**Jan.-Sept. 2006**	**Jan.-Sept. 2005**
Net income deriving from financial instruments at fair value recognised through profit or loss	21,980	26,501	13,014	71,052
Income from holdings in subsidiaries, associates and joint ventures	548	55	802	436
Income deriving from other financial instruments and investment property including:	79,149	64,036	290,448	223,023
Interest received	62,305	50,024	176,603	147,530
Other income	12,937	6,320	52,189	29,508
Profits realised	3,907	7,692	61,656	45.985
Valuation profits	-	-		-
Total income	**101,677**	**90,592**	**304,264**	**294,511**
Liabilities from holdings in subsidiaries, associates and joint ventures	-	-	-	-
Liabilities deriving from other financial instruments and investment property including:	-11,169	-6,694	-26,349	-20,329
Interest paid	-3,408	-1,436	-6,764	-4,382
Other charges	-2,024	-1,330	-6,412	-6,144
Losses realised	-4,547	-2,597	-9,360	-5,855
Valuation losses	-1,190	-1,331	-3,813	-3,948
Total liabilities	**-11,169**	**-6,694**	**-26,349**	**-20,329**
TOTAL NET INCOME	**90,508**	**83,898**	**277,915**	**274,182**

The main Central Banks continued the phase of monetary constraint into the third quarter of 2006, as part of the process of redefining the overall level of liquidity and fighting inflation which was fuelled by the price of raw materials which remain high.

In the USA there was tension surrounding the property market where a sudden drop aroused concerns regarding the resistance of the American economy and, in particular, trends in household consumption which could drop following the weakening of the wealth effect of American citizens.

Economic growth in Euroland is very strong but has fuelled concerns about a possible overheating of prices. These concerns were also voiced by the European Central Bank which started to give prudent warning signals to this effect.

Stocks markets proved to be very robust, reassured by the positive trend in corporate results, by an inflationary trend which, for now, has been kept under strict control and by an economic slowdown that is much less pronounced than was previously forecast. And so, at the end of September, the market once again approached the highs reached prior to the reversal witnessed in May.

From a strictly operational perspective, business developed by the Group over the quarter, at the level of Fixed Income, determined a further shortening of the duration in the Non-life sector, with at the same time, extra returns being sought from trading.
The variable government securities component (CCT) which, following the continued rise in short-term rates, has been advantageous in settling existing and future coupons, was increased slightly.

In the Life business segment, faced with an exposure which was, in terms of duration, on the whole unchanged, targeted acquisitions, in terms of immediate returns and returns on maturity, were sought within the limits of a risk portfolio consistent with the macroeconomic climate, to increase the return on segregated accounts.
In this context, the corporate segment was subject to even closer analysis but the overall quota in this segment remained, however, largely unchanged.

Stock market activity was also aimed at moderating and optimising the portfolio, with sectoral rotations and trading activities, with no major changes to asset allocation, both in the Life and Non-life segment.
Sectoral choices were targeted at obtaining a more prudent portfolio guided more by dividend yield, in particular, for special business portfolios.

Ordinary income reached 4% in the Life segment and was over 3% in the Non-life segment.

Own and parent company shares

As at 30.09.06, the group leader Milano Assicurazioni held own shares, shares in the direct parent company Fondiaria-Sai and in the indirect parent company Premafin as in the amounts shown in the table below:

(€K)	**(Number)**	**Amount**
Own shares	865,460	4,559
Fondiaria-Sai shares	6,442,557	222,655
Premafin shares	9,157,710	21,374

The following market transactions were completed during the first nine months of the year in question in accordance with procedures laid down by related decisions taken at Shareholders' meeting:
- purchase of 1,080,000 Fondiaria-Sai shares;
- purchase of 750,000 own shares.

Milano Assicurazioni share performance

As at 30 September 2006, the share capital of the parent company, Milano Assicurazioni, was made up of 467,269,327 shares with a nominal value of € 0.52, of which 436,529,445 were ordinary shares and 30,739,882 savings shares. During the first nine months of 2006, the share capital increased by € 4,405K following the subscription of 8,471,206 ordinary shares, further to the conversion of 21,178,015 Milano Assicurazioni 1998-2007 warrants.
In addition, on 30 September 2006, a further 1,166 ordinary shares were subscribed, further to the conversion, by related owners, of 2,915 Milano Assicurazioni 1998-2007 warrants.

As at 29/09/06 the following stock market listings were recorded:

(Euro units)	**29/09/2006**	**30/12/2005**	**Variation %**
Milano Assicurazioni ord.	5.853	5.720	2.33
Milano Assicurazioni sav.	5.856	5.686	2.99

The corresponding stock market capitalisation as at 29/09/2006 amounted to € 2,735m (€ 2,623.3m as at 31/12/2005).

Stock market capitalisation, based on prices on 31/10/2006 of € 6.111 for ordinary shares and € 6.009 for savings shares, amounted to € 2,852.3m.

Stock Option Plans for Options on Fondiaria-Sai parent company shares

On 14 July 2006, the Fondiaria-Sai Board of Directors decided to allocate the options referred to in the Fondiaria 2006-2011 Stock Option plans to executive directors and management of said Fondiaria-Sai, of its subsidiaries and parent company, to purchase Fondiaria-Sai savings shares.

The Board made this allocation in execution of the decision taken by the Fondiaria-Sai extraordinary shareholders' meeting on 28 April 2006.

The share subscription price was determined by the Board, by applying the criterion for determining the subscription price decided by the Shareholders' meeting, at € 21.546 per share, amounting to the arithmetic mean of reference prices for Fondiaria-Sai savings shares on the market in the thirty days prior to the date on which the rights were allocated.

The options cannot be exercised until the end of a vesting period, in accordance with the following procedures:
- 40% of the options cannot be exercised within 24 months of the allocation date;
- 30% of the options cannot be exercised within 36 months of the allocation date;
- 30% of the options cannot be exercised within 48 months of the allocation date.

Alternatively, once the vesting period is over, the beneficiaries may:
- keep the options until maturity;
- exercise the options, subscribing the shares and keeping them in a portfolio;
- exercise the options, subscribing the shares and selling them on the market;

Exercising of the options is, therefore, bound up with the main objectives of the Fondiarai-Said 2006-2008 Industrial Plan being achieved.

In any event, options not exercised within 5 years of the date of the Shareholders' meeting will lapse automatically.

In this context, the stock option allocated to Milano Assicurazioni executive directors and managers amounted to 2,872,920 shares with an overall estimated value of € 7.9m, to be distributed throughout the duration of the vesting periods of the various tranches.

In line with what is required by IFRS 2 (Share-based payments) the relevant share as at 30 September 2006, amounting to € 638K, was posted to the profit and loss account to offset the net equity item Profit and other equity reserves, also in line with the instructions given by ISVAP with Directive No. 2.404 of 22 December 2005.

Significant events occurring after the end of the quarter

Alliance and cooperation project with Banca Popolare di Milano in the Bancassurance sector

On 18 October 2006, Milano Assicurazioni exercised the first tranche of the call option provided for by agreements relating to the alliance and cooperation project with Banca Popolare di Milano in the bancassurance sector, purchasing 4% of Bipiemme Vita and thereby increasing its holding to 50%. The purchase price, in accordance with contractual estimates, was fixed at € 7.9m.

The exercising of said option resulted in joint governance of Bipiemme Vita. This further acquisition made it possible for Milano Assicurazioni to proportionally consolidate the subsidiary's equity and economic components.

Business outlook

In the last quarter of the year, initiatives already undertaken in the first nine months will be continued, in line with the objectives of the Fondiaria-Sai Group 2006-2008 Industrial Plan. In particular:

- in Motor business, the gradual alignment of the prices offered by the various sales networks will continue via the adoption of the “Prima Global” product, which is capable of producing benefits in terms of combined ratio in view of the potential offered by the high level of customisation provided for by this product. In addition, initiatives to reorganise geographical areas demonstrating unsatisfactory performances will continue and these, together with the previous initiative to downsize the fleet portfolio, are already giving the results anticipated in terms of trends in claims filed;
- in other Non-life business classes attention will continue to be paid to developing the retail sector, with incentivising campaigns based, in particular, on multi-cover products, capable of satisfying clients’ increasingly sophisticated insurance requirements.
- In the life sector, we will continue to grow the portfolio in respect of products of a traditional nature with annual or recurrent premiums, capable of providing adequate levels of profitability and guaranteeing added value for the portfolio in the long term. Greater client loyalty will also be sought with specific initiatives to protect capital upon maturity. To this end, scheduled sales campaigns and training initiatives will continue, mainly for points of sale offering significant growth potential.
  The sector will also benefit from the development of the alliance and cooperation project with the Banca Popolare di Milano: in line with what is laid down by agreements, last October, Milano Assicurazioni acquired a further 4% shareholding in Bipiemme Vita, increasing its total shareholding to 50%. This will make it possible, amongst other things, to proportionally consolidate the participating interest’s economic and asset data.

From the perspective of financial and asset management, we are in the process of operating, without, however, significant asset allocation changes, initiatives required in order to optimise returns, in the light of recent changes in the rates curves and in line with Milano Assicurazioni and Fondiaria-Sai Group strategic objectives.

The economic result achieved as at 30 September is in line with company planning and means that a satisfactory result can be anticipated for the financial year, unless any extraordinary events occur which are not currently foreseeable.

Drafting criteria and basis of consolidation

This report was prepared in accordance with the provisions contained in regulation No. 11971 of 14 May 1999, as amended and supplemented by CONSOB Decision No. 14990 of 14 April 2005.

In particular:
- this quarterly report was prepared in accordance with IAS/IFRS international accounting principles issued by the IASB (International Accounting Standard Board) and approved to date by the European Union;
- the information supplied is that laid down by annex 3D of aforementioned regulation No. 11971;
- ISVAP Directive No. 2404 of 22 December 2005, concerning instructions for the compilation of consolidated accounts in accordance with the new international accounting principles was taken into consideration when preparing the profit and loss account tables and the net financial position;
- the data contained in the accounting tables derives from the application of said accounting principles used to prepare the accounts for the financial year. Some entries of a technical nature, mainly relating to Motor TPL, were, however, calculated on the basis of operating data for the period, supplemented by statistical valuations which also take account of the probable trend, over the course of the financial year, of the indices to which the technical result of the class of business is linked.

The basis of consolidation remains unchanged from 30 June 2006. A list of Subsidiaries and Associates is given in an annex in line with the models provided for by ISVAP in the aforementioned Directive No. 2404 of 22 December 2005.

Milan, 8 November 2006

MILANO ASSICURAZIONI S.p.A.
Board of Directors

BASIS OF CONSOLIDATION

Basis of consolidation

Name	State	Method (1)	Activity (2)	% Direct shareholding	% Total interest (3)	% Votes available at ordinary shareholders' meeting 4)	% consolidation
CAMPO CARLO MAGNO S.p.A.	ITALY	G	10	100.00	100.00	100.00	100.00
CAMPO CARLO MAGNO SPORT S.r.l.	ITALY	G	11	100.00	100.00	100.00	100.00
DIALOGO ASSICURAZIONI S.p.A.	ITALY	G	1	99.85	99.85	99.85	100.00
FONDIPREV S.p.A.	ITALY	G	1	60.00	60.00	60.00	100.00
MAA FINANZIARIA S.p.A.	ITALY	G	11	100.00	100.00	100.00	100.00
MERIDIANO EUR S.r.l.	ITALY	G	10	100.00	100.00	100.00	100.00
MERIDIANO ORIZZONTI S.r.l.	ITALY	G	10	100.00	100.00	100.00	100.00
NOVARA ASSICURA S.p.A.	ITALY	G	1	100.00	100.00	100.00	100.00
SOGEINT S.r.l.	ITALY	G	11	100.00	100.00	100.00	100.00
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	ITALY	G	1	100.00	100.00	100.00	100.00

(1) Method of consolidation: Full consolidation =F, Proportional Consolidation=P, Full consolidation by Unitary Division=U

(2) 1=Italian ins.; 2=EU ins.; 3=Third state ins.; 4=Insurance holding companies; 5=EU reins.; 6=Third state reins.; 7=Banks; 8=Savings Management Companies; 9=Sundry Holding companies; 10=Property companies; 11=Other

(3) is the product of shareholding relationships relating to all companies which, located along the shareholding chain, eventually come between the company that prepares the consolidated accounts and the company in question. Should several subsidiaries have a direct holding in the lattter, the individual products must be added together

(4) total percentage of votes available at an ordinary shareholders' meeting, if different from the direct or indirect shareholding

Details of non-consolidated holdings

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Name	State	Activity (1)	Type (2)	% Direct shareholding	% Total interest (3)	% Votes available at ordinary shareholders' meeting (4)	Book value
BIPIEMME VITA S.p.A.	ITALY	1	B	46.00	46.00	46.00	92,153
GARIBALDI S.C.S.	LUXEMBURG	10	B	47.95	47.95	47.95	-135
SAI INVESTIMENTI S.G.R. S.p.A.	ITALY	8	B	40.00	40.00	40.00	2,088
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	ITALY	11	B	30.00	30.00	30.00	222
SISTEMI SANITARI S.p.A.	ITALY	11	B	25.71	25.71	25.71	426
UNISERVIZI S.c.r.l.	ITALY	11	B	28.00	28.39	28.40	10,731

(1) 1=Italian ins.; 2=EU ins.; 3=Third state ins.; 4=Insurance holding companies; 5=EU reins.; 6=Third state reins.; 7=Banks; 8=Savings Management Companies; 9=Sundry holding companies; 10=Property companies 11=Other

(2) a=subsidiaries (IAS27) ; b=associates (IAS28); c=*joint ventures* (IAS 31); indicate with (*) companies classified as being held for sale in accordance with IFRS 5 and provide legend under table

(3) is the product of the shareholding relationships relating to all companies which, located along the shareholding chain, eventually come between the company that prepares the consolidated accounts and the company in question. Should several subsidiaries have a direct shareholding in the latter, the individual products must be added together

(4) total percentage of votes available at an ordinary shareholders' meeting, if different from the direct or indirect shareholding