

*Consolidated quarterly report
as at 31 March 2007*

In accordance with Consob instruction no. 11971 of 14 May 1999 and subsequent amendments

MILANO ASSICURAZIONI S.p.A.
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Share capital €245,546,604.68 fully paid.
Tax code, VAT reg. And registration no.
on the Milan Companies Register: 00957670151
Business authorised to conduct insurance activity (art. 65 Leg. Decree. 29-4-1923 no.
966)
FONDIARIA-SAI Group – management and coordination FONDIARIA-SAI S.p.A.



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These accounts have been translated into English from the original Italian which was issued in accordance with Italian practice. The Italian remains the definitive version and the correctness of the English version was not checked by the Fondiaria Group.

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STATUTORY and MANAGEMENT BODIES of MILANO ASSICURAZIONI S.p.A.

BOARD OF DIRECTORS

Salvatore Ligresti

Honorary Chairman

Fausto Marchionni *

Chairman /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 to the Board and to the Executive Committee

Graziano Visentin
Chairman

Giovanni Ossola
Acting auditor

Alessandro Rayneri
Acting auditor

Giuseppe Aldé
Substitute auditor

Claudio De Re
Substitute auditor

Roberto Frascinelli
Substitute auditor

- Asterisks indicate the names of Board members who sit on the Executive Committee
- A specific Internal Audit Committee has been established, and has been assigned functions of an advisory nature, with the ability to make proposals, in accordance with the relevant provisions in the 'Self-governing Code for Listed Companies'. This committee comprises Board members Mariano Frey, Emilio Perrone Da Zara and Cosimo Rucellai.
- With reference to the CONSOB requirements set out in its communication no. 97001574 of 20 February 1997, the nature of the powers conferred on the directors has therefore been indicated:
- All ordinary and extraordinary administrative powers, to be exercised on single signature and with the option of conferring mandates and authorities, reside with the Chair-Managing Director, Prof. Fausto Marchionni, as well as with the Legal Representative in accordance with art. 20 of the Articles, excepting only the following powers :
- sale and / or purchase of fixed assets with a value greater than € 10m for each transaction;
- sale and / or purchase of interests with a value greater than € 25m for each transaction and, in any case, controlling interests;
- drawing financing in an amount exceeding € 50m for each transaction;
- issue of sureties of a non-insurance nature in favour of third parties.
- All powers not already delegated to the Chair-Managing Director remain with the Executive Committee, except for those which by law or statute are within the exclusive competence of the Board of Directors, also notwithstanding the fact any decision relating to transactions with related parties as identified by the Board of Directors remain within its exclusive competence.

The Board of Directors was nominated by the Meeting of 22 April 2005; Dr. Francesco Randazzo was nominated by the meeting of 26 April 2006 to replace the retiring Luigi Pisanu, lawyer. The entire Board will remain in post until the meeting to approve the accounts as at 31 December 2007.

CONSOLIDATED QUARTERLY REPORT AS AT 31 MARCH 2007

THE MILANO ASSICURAZIONI GROUP

The Milano Assicurazioni group comprises 12 companies including the parent company. Of these, 6 are insurance companies, 3 are property companies and the remaining 3 operate in diversified sectors.

The parent company Milano Assicurazioni S.p.A. is a prime operator on the Italian insurance market, active in both the non-life and life insurance sectors, its sales network comprising around 1,400 agencies which operate right across the country.

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

In recent years Milano Assicurazioni has strengthened its position in the national marketplace by operations which include corporate merger activities; note in particular the incorporation of Nuova Maa and Maa Vita, which took place in the 2003 financial year; the incorporation of SIS Compagnia di Assicurazioni, which occurred in 2004 and, in 2005, the incorporation of First Life, a company which had set up an Open Pension Fund, thus enabling Milano Assicurazioni to move into the Open Pension Funds sector through activities due to be launched imminently.

During 2006 Milano Assicurazioni in fact acquired 50% of the share capital of Bipiemme Vita, in the context of an agreement for cooperation and collaboration with Banca Popolare di Milano in the bancassurance sector. Moreover, the agreements in place offer the option to purchase, by 30 June of the current financial year, a further 1% of the share capital, thus enabling Milano Assicurazioni to obtain control of Bipiemme Vita with the consequent full consolidation of the related financial and balance sheet data. The accounts for Bipiemme Vita as at 31 December 2006 (drafted in accordance with Italian principles) show premium income of € 761.5m and a net profit of € 15.2m; net equity stands at € 71.5m whilst the technical reserves amount to € 3,500.3m in total.

Milano Assicurazioni is a subsidiary of Fondiaria-Sai which exercises management and coordination functions in the sense of art. 2497 bis of the civil code.

PREMIUMS ISSUED

Premiums and other income from direct and indirect work for the first three months of the 2007 financial year amount to € 899,481K, representing an increase of 3.87% compared to the corresponding period for the previous financial year.

Premium income from direct work stood at € 896,117K (+ 3.77% compared to 31 March 2006). Specifically:

- for non-life classes, premiums issued were € 679,702K (-3.10%), of which € 496,084K relates to motor classes, which have recorded a reduction of 4.71% compared to 31 March 2006), and € 183,618K relates to other classes, where there has been growth of 1.55%. The performance of motor premiums reflects the planned recovery actions in those geographic areas and tariff sectors which were showing an unsatisfactory technical performance and, in particular, the resizing of the fleets portfolio.
- for life classes, premiums of € 216,415K were issued, an increase of 33.47% compared to the first three months of the previous financial year. This significant growth can largely be attributed to the contribution of Bipiemme Vita and, in particular, to the 50% proportional consolidation of premiums issued by Bipiemme Vita in the 1st quarter of 2007. Note that this proportional consolidation, at the rate given above, became applicable following the accumulation by Milano Assicurazioni of a 50% interest in the share capital of Bipiemme Vita in October 2006. Net of this contribution, equal to € 53,798K, life premiums were at € 162,617K, a slight increase compared to 1st quarter 2006 (+ 0.29%).

Note that in accordance with the provisions of IFRS 4 (Insurance policies) the amounts recorded on the premiums line relate to policies with significant insurance risk and to financial instruments with discretionary participation, whilst other financial instruments, and in particular, indexed linked contracts which are pure investment products, and unit linked contracts, are booked under a deposit accounting methodology which, in the main, allows only income margins to be applied to the profit and loss account and the matured amount in favour of policyholders to be recorded under financial liabilities

For indirect work premiums amount to € 3,364K, against € 2,368K for the corresponding period in the previous financial year. The increase can be attributed to the proportional agreement with our partner SIAT, covering non-life classes excluding transport classes. Premiums relating to acceptances from companies which are not part of the Fondiaria-Sai group are still low because of the previously-taken decision to cease underwriting in the reinsurance market following unsatisfactory results.

The following table summarises the data relating to premiums issued, showing the variations compared to 1st quarter 2006.

(€K)	Jan-Mar 2007	Jan-Mar 2006	Change %
DIRECT WORK			
Non life classes	679,702	701,442	-3.10
Life classes	216,415	162,143	+33.47
Total direct work	896,117	863,585	+3.77
INDIRECT WORK			
Non-life classes	3,334	2,340	+42.48
Life classes	30	28	+7.14
Total indirect work	3,364	2,368	+42.06
GRAND TOTAL	899,481	865,953	+3.87
Of which:			
Non life classes	683,036	703,782	-2.95
Life classes	216,445	162,171	+33.47

CONSOLIDATED PROFIT AND LOSS

The profit and loss account as at 31 March 2007 closed with a net profit pertaining to the group of € 72,408K, an increase compared to the profit of € 71,303K achieved in the corresponding period for the previous financial year (+ 1.5%).

The table below shows a summary of the profit and loss for 1st quarter 2007 compared to that for the equivalent period in the previous financial year:

(€K)	Jan-Mar 2007	Jan-Mar 2006
Net premiums	892,947	848,841
Net charges relating to claims	-701,977	-638,165
Net commissions	2,451	157
Net income from subsidiary and affiliate companies	607	-
Net income deriving from financial instruments at fair value shown on the profit and loss	10,681	1,542
Net income from other financial instruments and property investments	87,581	97,133
Management costs	-132,648	-126,538
Other income and net charges	-40,543	-65,604
Pre-tax profit for the period	119,099	117,366
Tax on income	-46,673	-46,040
Profit for the period net of taxes	72,426	71,326
Profit (loss) on terminated operations	-	-
Consolidated profit	72,426	71,326
Profit for the period relating to third parties	18	23
Profit for the period pertaining to the group	72,408	71,303

Listed below are the important elements occurring in the period in question:

- Non Life insurance management as at 31 March 2007 closed with a pre-tax profit of € 89,202K, against the pre-tax profit of € 93,306K reported as at 31 March 2006. This reduction is essentially due to lower receipts from property investments, which had included a gain of € 12,066K relating to the sale of the building located in Milan, Via dei Grassi, during 1st quarter 2006; There has, however, been an improvement in technical results overall. In the TPL Motor class, recovery action taken in the previous financial year, especially the resizing of the fleets portfolio, achieved the expected improvement in performance for reported claims and, consequently, a recovery in profitability in terms of the combined ratio which we believe will be consolidated over the course of the current financial year. In this context we should also note that from 1 February 2007 the new direct indemnity regime came into force, allowing road accident victims who are not at fault or only partially at fault to be compensated directly by their own insurer. The short period of time which has elapsed since the launch of the new indemnity procedure means that we cannot yet express a complete and definitive evaluation of the resulting impact on the profit and loss account and balance sheet. However, investment made by the Fondiaria-Sai group as a whole in terms of getting appropriate computer systems in place and training affected staff has enabled the

process of transition to the new indemnity procedure to be managed with a greater level of efficiency than that experienced by the market as a whole.

The Land Vehicle Body class continues to show satisfactory results which are broadly in line with those recorded as at 31 March 2006, despite price pressures at market level in a sector which has for some years now enjoyed a high profit margin.

Other non life classes are also showing broadly positive performances overall. General TPL in particular is showing signs of improvement compared to the situation seen at the close of the previous financial year, partly due to action taken to cancel and amend policies by an organisational structure recently created to oversee developments on the most critical underwritings;

- the life sector has produced a profit before taxes of € 26,257K, an increase compared to the comparable result as at 31 March 2006, which was € 22,328K. This improvement, too, is due to the proportional consolidation of Bipiemme Vita, which made a positive contribution of € 2,635K;
- portfolio and financial management activity achieved net income on financial instruments and property investments of € 98,869K, largely stable compared to 1st quarter 2006 (€ 98,675K) although this had also included a gain from the disposal of fixed assets.
With regard to the fixed rate securities segment, in the non-life sector there has been judicious trading associated with targeted purchases of securities with a 1-2 year maturity, bearing in mind the somewhat flat interest curve and the level of rates in absolute terms, now close to 4% for both short and very short maturities. In the Life sector, in the face of a slightly increased level of exposure in terms of duration, we have sought to make purchases designed to generate income both immediately and upon maturity, the aim being to increase the returns on separate management, within the limits allowed by the risk profile associated with the macroeconomic situation. In this context some cautious operations have also been conducted in the corporate sector, whilst keeping the proportion of this asset class largely unchanged;
- management costs in the non-life insurance sector as at 31 March stand at € 123,042K compared to € 119,510K in the corresponding period for the previous financial year, with an incidence of 18.09% on net premiums. In life classes, management costs as at 31 March amount to € 9,448K, with an incidence on premiums of 4.44%;
- taxes relating to the period in question amount to € 46,673K and represent an incidence of 39.2% on gross profit, broadly in line with that recorded as at 31 March 2006.

We also confirm that the result for the period is not affected by any events or operations which are atypical or unusual in relation to the normal conduct of the business.

The following table shows the financial results achieved at individual sector level. The *property sector* includes the results achieved by the subsidiary property companies (Meridiano Eur, Meridiano Orizzonti, Campo Carlo Magno), whilst the Other Activities segment summarises the results for subsidiary companies which are small in size but operate in the financial sector and in the diversified services sector (Maa Finanziaria, Sogoint, Campo Carlo Magno Sport).

(€K)	Non Life	Life	Property	Other Activities	Total
Net premiums	680,310	212,637	-	-	892,947
Net charges relating to claims	-469,261	-232,716	-	-	-701,977
Net commissions	-	2,451	-	-	2,451
Net income from subsidiaries and affiliates	483	-	-	124	607
Net income deriving from financial instruments at fair value allocated to profit and loss	7,472	3,209	-	-	10,681
Net income from other financial instruments and property investments	29,069	54,830	3,682	-	87,581
Management costs	-123,042	-9,448	-4	-154	-132,648
Other income and net charges	-35,829	-4,706	-173	165	-40,543
Profit before taxes as at 31/03/2007	89,202	26,257	3,505	135	119,099
Profit before taxes as at 31/03/2006	93,306	22,328	1,618	114	117,366

NET FINANCIAL POSITION

The tables below show the status as at 31 March 2007 for investments and other material assets and including technical reserves, net of portions ceded in reinsurance, and financial liabilities; all figures are compared with those at close of the previous financial year and with those at the end of the 1st quarter 2006.

Investments and other tangible assets

(€K)	31/03/2007	31/12/2006	Change. %	31/03/2006
Property investments	375,805	375,294	+0.14	368,240
Holdings in subsidiaries, affiliates and joint ventures	12,975	13,469	-3.67	4,820
Loans and receivables	143,815	148,619	-3.23	236,402
Investments held to maturity	-	-	-	-
Saleable financial assets	8,967,550	8,836,179	+1.49	7,935,170
Financial assets at fair value allocated to profit and loss	1,903,466	1,918,099	-0.76	802,714
TOTAL INVESTMENTS	11,403,611	11,291,660	+0.99	9,347,346
LIQUID FUNDS AND EQUIVALENT RESOURCES	192,695	136,906	+40.75	269,508
TANGIBLE ASSETS				
Property	29,653	29,706	-0.18	30,359
Other tangible assets	131,951	124,371	+6.09	87,553
TOTAL TANGIBLE ASSETS	161,604	154,077	+4.89	117,912
GRAND TOTAL	11,757,910	11,582,643	+1.51	9,734,766

The table also shows tangible assets and liquid funds because of the importance these assets have in correctly representing the level of capitalisation of an insurance group.

The item *Property investments* includes buildings held by the business as an investment and thus intended for use by third parties. As allowed by IAS 40, such properties are recorded at cost and depreciation applied on the basis of estimated residual life.

The item *Holdings in Subsidiaries, Affiliates and Joint Ventures* includes investments in affiliates, which are valued by applying the net equity method.

Loans and receivables includes:

- debt securities of € 32,606K;
- loans against life policies € 25,321K;
- receivables from agents for reimbursement of compensation paid for termination of mandate (€ 55,208K);
- other loans and receivables of € 27,376K, including € 25,268K loaned to the affiliate company Garibaldi S.c.s., which is active in the construction project to develop the site named "Garibaldi Repubblica" at the northern edge of the historic centre of Milan; this interest-bearing loan has a 5 year maturity and may be rolled over for a further 5 years but not beyond the completion date of the project. There is, however, an option for early repayment by the borrower.

Saleable financial assets include debt securities and capital securities not included in other categories and represent the decidedly most important category of financial instruments, which is consistent with the nature and purpose of the insurance business.

Financial assets at fair value allocated to profit and loss include securities held for trading and those designated in this category by group companies.

The breakdown of these categories of financial instruments is given in the following table:

(€K)	31/03/2007	31/12/2006	Change. %	31/03/2006
Saleable financial assets	8,967,550	8,836,179	+1.49	7,935,170
Capital securities and shares in OICR (mutual funds)	1,896,466	1,856,892	+2.13	1,575,238
Debt securities	7,071,084	6,979,287	+1.32	6,359,932
Financial assets at fair value allocated to profit and loss	1,903,466	1,918,099	-0.76	802,714
Capital securities and shares in OICR (mutual funds)	618,144	626,384	-1.32	134,966
Debt securities	1,282,766	1,289,366	-0.51	666,965
Other financial investments	2,556	2,349	+8.81	783

The item *Buildings*, recorded within *Tangible assets*, includes buildings intended for use by the business. They are recorded at cost and depreciation applied on the basis of estimated residual life.

Other tangible assets mainly comprise payments made on account in relation to property transactions concerning sites located in Milan, via Lancetti; Milan, via Confalonieri-via de Castilia (Lunetta dell'Isola) and Rome, via Fiorentini. You are reminded that these operations, launched in previous financial years, provided for Milano Assicurazioni selling the said construction sites to third parties and purchasing the buildings which will be constructed on these sites by the purchasers.

Net technical reserves

(€K)	31/03/2007	31/12/2006	Change. %	31/03/2006
NON LIFE CLASSES				
Premium reserves	916,167	936,319	-2.18	960,438
Claims reserves	3,222,065	3,220,455	+0.05	3,126,927
Other reserves	2,748	2,750	-0.07	2,084
Total non life classes	4,140,980	4,159,524	-0.45	4,089,449
LIFE CLASSES				
Mathematical reserves	4,264,599	4,198,010	+1.59	3,543,750
Reserve for sums payable	28,032	34,937	-19.76	11,712
Technical reserves where the investment	259,809	255,730	+1.60	278,020

risk is borne by policyholders and risk arising from pension fund management

Other reserves	70,324	88,253	-20.32	119,348
Total life classes	4,622,764	4,576,930	+1.00	3,952,830

GRAND TOTAL	8,763,744	8,736,454	+0.31	8,042,279
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The *other technical reserves* for the non life classes relate to the provision for aging in the health class, intended to offset the deterioration in insurance risk due to the increasing age of policyholders, in cases in which the premiums are established for the entire life of the contract according to the age of policyholders at the time the policy is taken out.

Note that with the introduction of the IAS/IFRS international accounting principles the non life technical reserves no longer include equalisation reserves or reserves intended to cover risks from natural disasters, established using fixed rate methodologies based on specific regulatory provisions in national legislation. The accumulated amount of such reserves at date of transition to international accounting principles was allocated as an increase to net equity.

The technical reserves for life classes are those relating to insurance policies and investment policies with elements of discretionary investment, governed by IFRS 4. This item does not include liabilities relating to unit linked and index linked policies which are pure investment products and thus, being contracts with insignificant insurance risk, are governed by IAS 39 (Financial instruments) and are recorded under financial liabilities.

Financial liabilities

(€K)	31/03/2007	31/12/2006	Change. %	31/03/2006
Financial liabilities at fair value allocated to profit and loss	1,204,879	1,233,285	-2.30	104,410
Other financial liabilities	311,319	314,511	-1.01	159,873
TOTAL	1,516,198	1,547,796	-2.04	264,283

The *liabilities at fair value allocated to profit and loss* include € 21,869K of financial liabilities associated with options on securities in portfolio and € 1,183,010 of financial liabilities designated in this category, relating to unit linked and index linked policies which are pure investment products and, having no significant insurance risk, are recorded using the deposit accounting method in accordance with IFRS 4.

The significant increase compared to 31 March 2006 derives mainly from the proportional consolidation of Bipiemme Vita as already mentioned.

The *other financial liabilities* mainly comprise:

- € 147,764K in deposits from reinsurers held in accordance with contractual terms set out in the relevant agreements;
- A subordinate loan in the nominal amount of € 150,000K extended to Milano Assicurazioni by Mediobanca on 14 July 2006, and recorded at € 161,699K, being the associated amortised cost. This subordinated loan is at an interest rate equal to 6 month Euribor + 180 basis points and is repayable in five annual instalments of equal size beginning on the 16th anniversary of the date of the loan. There is also an option for early repayment, including partial repayment, beginning in the 10th year from the date of the loan and subject to authorisation from ISVAP.

NET EQUITY

The net equity of the group as at 31 March 2007 stands at € 2,026,143K and has increased by € 40,639K compared to 31 December 2006, mainly due to the profit for the quarter (€ 72,408K), the increase in capital following the warrant conversion (€ 22,872K) and the decrease in the reserve relating to saleable financial assets (€ 53,905K).

The breakdown is given below:

(€K)	31/03/2007	31/12/2006	Change %	31/03/2006
Net equity for the Group	2,026,143	1,985,504	+2.05	1,903,934
Capital	242,988	242,981	-	238,592
Other capital instruments	-	-	-	-
Capital reserves	380,355	360,041	+5.64	359,938
Reserves for profits and other capital reserves	1,089,531	838,567	+29.93	972,778
<i>Own shares</i>	-9,566	-8,271	+15.66	-374
Reserve for net exchange differences	-	-	-	-
Profits or losses on saleable financial assets	252,776	306,681	-17.58	266,995
Other profits and losses allocated directly to equity	-2,349	-2,349	-	-5,298
Profit (loss) for the financial year pertaining to the group	72,408	247,854	n.s.	71,303
Net equity of third parties	3,665	3,647	+0.49	3,597
Capital and reserves of third parties	3,653	3,572	+2.27	3,570
Profits and losses allocated directly to equity	-6	-6	-	4
Profit (loss) for the financial year pertaining to third parties	18	81	n.s.	23
TOTAL	2,029,808	1,989,151	2.04	1,907,531

The item *Capital reserves* includes the premium reserve for share issues, which has been created at the time of capital increases.

The item *Reserves for profits and other capital reserves* includes the reserves arising from the first application of the IAS/IFRS principles (negative amount of € 40,880K), the consolidation reserve (€ 36,854K) and sundry capital reserves of € 1,093,557K. This last item mainly includes the profit reserves of the parent company Milano Assicurazioni as well as the profit for the previous financial year.

It also includes, in particular, € 2,136K set aside to meet the requirements of IFRS 2 (Payments based on Shares) in relation to Stock Options on savings shares of the parent company Fondiaria-Sai assigned to employees and executive directors of Milano Assicurazioni.

The profits or losses on saleable financial assets derive from adjusting to fair value the financial instruments classified in this category, net of the associated deferred taxes and the portion attributable to policyholders due to application of *Shadow Accounting* methods in accordance with paragraph 30 of IFRS 4, posted as an increase to the other technical reserves of the life classes.

We note that by using shadow accounting methods an opportune correlation is created between the value of the life technical reserves and the value arrived at under IAS/IFRS principles for the assets included in the separate management accounts.

The *other profits and losses allocated directly to equity* include the actuarial profits and losses arising from establishment of the employee severance fund, in applying the requirements of IAS 19 (Employee benefits).

BUSINESS PERFORMANCE AND COMMENTARY

Non life insurance sector

As at 31 March, premiums issued stand at € 683,036K in total, and are showing a reduction of 2.95% compared to the first three months of the 2006 financial year, which had recorded income of € 703,782K.

For direct work alone premiums issued amounted to € 679,702K (-3.1%), of which € 496,084K relates to motor classes, which have recorded a reduction of 4.71% compared to 31 March 2006) and € 183,618K relates to the other classes, where there has been growth of 1.55%. The performance of premiums in motor classes reflects the planned recovery actions in those geographic areas and tariff sectors which were showing an unsatisfactory technical performance and, in particular, the resizing of the fleets portfolio.

In other non life classes we are pursuing an assumption policy aimed at combining growth and profitability, protecting the standard of quality of the acquired portfolio. In particular, in contrast to the impetus occurring in the retail sector, which offers satisfactory profit margins, the Corporate sector is continuing to experience extremely competitive market conditions which make it difficult to achieve significant growth in business volumes, bearing in mind the fact that in some specific areas, such as the TPL sector, there has been a tightening of the criteria which encourage the application of a risk underwriting policy based on adherence to rigorous technical parameters.

Below is the breakdown by class of premiums for direct work:

(€K)	Jan-Mar 2007	Jan-Mar 2006	Change %
Accidents and illness	59,692	57,405	+3.98
Land Motor Vehicle TPL	430,404	451,654	-4.70
Motor Assistance – other classes	65,680	68,972	-4.77
Sea, air and transport assistance	2,578	3,874	-33.45
Fire and other damage to property	62,825	61,438	+2.26
General TPL	44,851	45,228	-0.83
Credit and Surety Bonds	6,528	6,635	-1.61
Sundry monetary losses	1,937	1,455	+33.13
Legal protection	1,609	1,574	+2.22
Assistance	3,598	3,207	+12.19
TOTAL	679,702	701,442	-3.10

In the 1st quarter of the financial year 185,825 claims were reported, compared with 202,650 claims reported in the 1st quarter 2006 (- 8.30%). For the motor TPL class alone, claims reported as at 31 March total 107,346, against 119,425 claims reported in the 1st quarter 2006 (- 10.11%).

Claims paid as at 31 March 2007, inclusive of outwards reinsurance, amount to € 465,707K, against € 488,991K in the corresponding period for the previous financial year (- 4.76%).

Below is the breakdown by account class of the number of claims reported and the amount, net of settlement costs, for claims paid on direct Italian work:

	Claims reported (Number)			Claims paid (€K)		
	31/03/2007	31/03/2006	Change %	31/03/2007	31/03/2006	Change %
Accidents and illness	18,607	18,703	-0.51	26,185	28,036	-6.60
Land Motor Vehicle TPL	107,346	119,425	-10.11	334,164	354,995	-5.87
Motor Assistance – other classes	24,576	24,157	+1.73	28,975	30,687	-5.58
Sea, air and transport assistance	199	208	-4.33	1,144	879	+30.15
Fire and other damage to property	16,540	19,703	-16.05	37,304	36,616	+1.88
General TPL	9,996	11,225	-10.95	31,549	28,372	+11.20
Credit and Surety Bonds	145	137	+5.84	4,461	7,012	-36.38
Sundry monetary losses	654	85	n.s.	376	547	-31.26
Legal protection	134	250	-46.40	155	109	+42.20
Assistance	7,628	8,757	-12.89	1,394	1,738	-19.79
TOTAL	185,825	202,650	-8.30	465,707	488,991	-4.76

With regard to the Motor TPL class it should be explained that from 1st February 2007 the new direct indemnity regime came into force, allowing road accident victims who are not at fault or only partially at fault to be compensated directly by their own insurer.

Note that the new regime applies in the case of an accident between two motor vehicles, both with Italian plates, identified and properly insured. It is accessed by presenting the claim, completed on the blue “constatazione amichevole” report form, and the compensation claim, to ones own company; once the latter has verified that its own policyholder is wholly or partially in the right it will make a compensation offer for the damage suffered.

If the request for compensation includes all the information required to evaluate the damages, the insurance company is obliged to respond:

- within 30 days for damage to the vehicle and to property, if the Blue Form has been signed by both drivers or policyholders of the vehicles involved;
- within 60 days for damage to the vehicle and to property if there is no double-signed Blue Form;
- within 90 days for damage to the person of the driver, making a compensation offer or explaining the reasons why it is not obliged to pay compensation for the damage.

After advising the amount offered, the company proceeds with payment within the next 15 days. Compensation is payable for:

- damage to the vehicle and any damages associated with its use (e.g. mechanical breakdown, towing etc.);
- any minor injuries suffered by the driver (up to 9% incapacity);
- any damage to property being carried which belongs to the owner or driver.

The short period of time which has elapsed since it began means that we cannot yet express a complete and definitive evaluation of the balance sheet and profit and loss impact of the new compensation procedures; these may, however, have caused distortions across the whole market in the administrative flows of claims reported and paid compared to the corresponding period for the previous financial year.

However, investment made by the Fondiaria-Sai group as a whole in terms of getting appropriate computer systems in place and training affected staff has enabled the process of transition to the new indemnity procedure to be managed with a greater level of efficiency than that experienced by the market as a whole.

Reinsurance

Premiums ceded in non life classes stand at € 23,056K as at 31 March 2007, compared to € 17,437K in the corresponding period for the previous financial year.

Risks ceded in non life classes have been placed with prime international operators with a high rating (S&P A/AA/AAA) by our associate company The Lawrence Re Ireland Ltd.

The agreements entered into favour non proportional cessions for Fire, Theft, Accident, General TPL, Land Motor Vehicle TPL and Motor Vehicle Body classes.

Proportional cession agreements have been maintained with a non proportional structure protecting the retained portion in Surety Bonds, Credit and Aeronautical risks classes.

For Technology Risks the reinsurance structure remains on a quota share and excess basis, with joint non proportional protection for Fire and Motor Vehicle Body classes.

The Assistance segment is reinsured by quota share with Pronto Assistance, and Hail risks are covered by a stop-loss agreement.

In the Transport, Goods and Marine Hull classes, proportional cover has been taken out this year with the associate company SIAT.

Subsidiary companies

The following table shows the essential data reported for the first quarter of the 2007 financial year for those subsidiary companies operating in the non life insurance sector:

(€K)	Gross premiums	change %	result	net equity excluding result for the year
Dialogo Assicurazioni S.p.A.	2,900	-23.66	24	10,351
Systema Assicurazioni S.p.A.	2,318	-21.56	149	12,886
Novara Assicura S.p.A.	617	+265.08	-131	14,263

DIALOGO ASSICURAZIONI S.p.A. – Milano (our direct share 99.85%)

This Company is mainly active in placing motor vehicle products through telesales and the Internet.

Gross premiums booked as at 31 March 2007 total € 2,900K, against € 3,799K in the corresponding period for the previous financial year (- 23.66%). The result for premiums has been affected by the postponement of the advertising campaign to relaunch the company, which will, however, begin shortly.

The technical account is showing a balance of roughly zero, compared to a positive balance of € 168K on 31 March 2006.

The profit and loss for the quarter is showing a profit of € 24K, against a profit of € 142K in March 2006.

SYSTEMA Compagnia di Assicurazioni S.p.A. – Milano (our direct share 100%)

This Company operates in the non Life classes by marketing standardised products distributed by banking partners with which it has entered into specific agreements.

In the context of the project for collaboration and cooperation between the Fondiaria-Sai Group and the Banca Popolare di Milano Group in the bancassurance sector, during March 2007 BPM began marketing the insurance policies of Systema. The new range of insurance services on offer was launched with the “multiprotection” policy created to cover risks arising from accidental events which may affect the home or the family circle. However, by the end of the quarter the new agreement has not had any noticeable impact on the company’s portfolio.

Gross premiums booked amount to € 2,318K, compared to € 2,955K as at 31 March 2006 (-21.56%). The technical account, despite the reduction in booked premiums, remains positive with a balance of € 211K (€ 554K as at 31 March 2006).

The profit and loss account as at 31 March 2007 showed a profit of € 149K, compared to the profit of € 418K realised in the corresponding period of the previous financial year.

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

This Company acts as the vehicle for the partnership in the non life bancassurance sector with Banco Popolare di Verona e Novara, with agreements in place providing for the transfer to the latter of 50% of the share capital.

The Company in fact places its own insurance products via the counters of the Banca Popolare di Novara, a subsidiary of the Banco Popolare di Verona e Novara.

Premium income as at 31 March 2007 stands at € 617K, of which € 361K relates to motor classes. As at 31 March of the previous financial year there was premium income of € 169K, mainly relating to motor classes. The profit and loss account as at 30 September, still affected by structural costs not offset by a sufficient volume of business, closed with a loss of € 131K.

Life insurance sector

Premiums for direct work issued up to 31 March amount to € 216,415K in total, an increase of 33.47% compared to the corresponding period for the previous financial year, which had recorded premium volumes of € 162,143K. The significant increase can largely be attributed to the contribution of Bipiemme Vita and, in particular, to the 50% proportional consolidation of premiums issued by Bipiemme Vita in the 1st quarter of 2007. Note that this proportional consolidation, at the rate given above, became applicable following the accumulation by Milano Assicurazioni of a 50% interest in the share capital of Bipiemme Vita in October 2006. Net of this contribution, equal to € 53,798K, life premiums were at € 162,617K, a slight increase compared to 1st quarter 2006 (+ 0.29%).

Analysing this at class level, the largest component relates to traditional product types, with a predominantly insurance content, which produce higher profit margins and, by loyalising customers, help increase the value of the portfolio in the long term.

In the quarter in question a further € 16,832 K in premiums were issued in connection with products linked to investment funds and market indexes and relate to a new Index Linked (Index Linked Match Race) product featuring an innovative option mechanism allowing comparison between two share indexes, one European, comprising a selection of high yield securities, and one "generalist", representing the entire US share market.

Premiums relating to capitalisation products remain high, these being in demand from institutional clients who view the products of the company and its subsidiaries as a good opportunity for investing their liquidity.

Note that in accordance with the provisions of IFRS 4 (Insurance policies) the amounts recorded on the premiums line relate to policies with significant insurance risk and to financial instruments with discretionary participation, whilst other financial instruments, and in particular, indexed linked contracts which are pure investment products and unit linked contracts, are booked under a deposit accounting methodology which, broadly, provides for only income margins to be applied to the profit and loss account and the matured balance in favour of policyholders to be recorded under financial liabilities.

Below is the breakdown by class of premiums for direct work:

(€K)	Jan-Mar 2007	Jan-Mar 2006	Change %
I - Insurance on the length of human life	106,050	77,919	+36.10
III - Insurance linked to market indexes	16,832	271	n.s.
IV - Health insurance	16	12	+33.33
V - Capitalisation operations	93,517	83,941	+11.41
TOTAL	216,415	162,143	+33.47

Gross sums paid amounted to € 178,976K (€ 144,738K as at 31 March 2006), being an increase of 23.7%. Of this increase € 13,641K relates to the 50% proportional consolidation of Bipiemme Vita. Net of this contribution the gross sums paid would amount to € 165,335K (+ 14.2% compared to 31 March 2006).

Below, and as an indication only, are the premiums relating to new production, calculated in accordance with the instructions of the Supervisory Body and thus also including financial contracts governed by IAS 39:

(€K)		31/03/2007	31/03/2006	Change %
Class I – Insurance on the length of human life		56,190	33,859	+65.95
Class III – Insurance linked to market indexes		18,171	-	n.s.
Class IV – Health insurance		5	-	n.s.
Class V – Capitalisation operations		81,568	75,609	+7.88
TOTAL		155,934	109,468	+42.45

Individual policies

With regard to individual policies we are continuing to offer products associated with Special Administration which meet the requirements of profitability and security of invested capital which are generally appreciated by customers.

During January a new single premium revaluable product with immediate income, called RENDITA ASSICURATA, was made available to the commercial networks; as well as the usual payment of a lifetime income to the Policyholder, it also offers a decreasing counter-insurance which guarantees a payment to designated beneficiaries in the event of death, or the occurrence of a critical illness, or in the event that the Policyholder becomes disabled..

Because of these features, this product can serve as another instrument for the management of maturing capital sums, especially for customers in late middle age.

February then saw the launch of a new Index Linked (Index Linked Match Race) product featuring an innovative option mechanism which determines the return on the basis of two share indexes, one European, comprising a selection of high yield securities, and one “generalist”, representing the entire US share market.

From the second half of March, the Company implemented a new web based system to provide technical and administrative support to the Agencies, known as ATDV (Assistenza Tecnica Direzione Vita – *Life Directorate Technical Assistance*), which can be used by accessing the company Intranet site.

Collective policies

Activity in the collective insurance segment has centred on management of the pre-existing Pension Funds, by means of operations intended to update the portfolio, before the natural contractual maturity of the relative policy, with the primary objective of promoting the conferment of the so-called. “maturing TFR” (employee severance fund payment) to the Pension Fund itself. This initiative will be completed by the end of the first half.

In terms of the product list, the new items introduced with the recent launch of the CONTO APERTO RISPARMIO (Open Savings Account) and of Plural Vita MUTUI, have caught the interest of the distribution networks, leading to interesting negotiations with customers.

The Corporate Open Account product – a capitalisation product mainly geared towards institutional clients – is also going down well with the client group it is aimed at. It should nevertheless be stressed that the current and expected dynamic for market rates will firstly bring growing distribution difficulties and, secondly the need to take steps aimed at managing acquired customers.

Open Pension Fund Milano Assicurazioni

On 29 March 2007 COVIP approved the Terms of the “Milano Assicurazioni Open Pension Fund”. From this May the fund will thus be fully operational and will begin to collect contributions. This will then complete the Company’s offer in the Supplementary Pensions segment, from which we expect interesting growth opportunities over the next few years.

Reinsurance

In life classes the reinsurance structure is unchanged compared to the previous financial year, with proportional cover in excess of loss and disaster cover in excess of claim.

As at 31 March 2007 premiums ceded amount to € 3,807K, compared with € 2,074K in the corresponding period for the previous financial year.

Subsidiaries and joint ventures

In the Life insurance sector, as well as Milano Assicurazioni, the companies Bipiemme Vita and Fondiprev also operate. We are providing a brief comment on their operations for the first three months of the financial year.

BIPIEMME VITA S.p.A. - Milan (our direct share 50%)

The quarterly accounts as at 31 March 2007, drafted in accordance with Italian principles, show premiums issued of € 112,850K, compared to € 106,039K for the previous financial year (+6.42%). During the first quarter the company took steps aimed at rationalising its portfolio of products, which was reviewed to maintain a high standard in terms of meeting the needs of customers and, at the same time, to take advantage of all the commercial opportunities on the market.

Very close attention was paid to the financial management of policies with guaranteed capital and income, very popular with customers in the 2006 financial year. It is no accident that the returns on Separate Managements managed by the Company are ranked amongst the best in the market.

Accurate financial management and the attention paid to controlling management costs have enabled the Company to deal effectively with the performance of the financial markets which, including for the quarter in question, have seen a reduction in the price of debt securities, although to a significantly lower extent compared to 1st quarter 2006.

The profit and loss closed with a net profit of € 1,314K, against € 4,305K in the equivalent period for the previous financial year.

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

This company operates in life classes via the banking channel. New policies are issued via the bank counters of Banca delle Alpi Marittime, whilst old policies are managed directly. Activity in the first quarter of the 2007 financial year has effectively been marginal.

Gross premiums booked as at 31 March 2007 in fact amount to € 63K, compared to € 67K in the corresponding period for the 2006 financial year (-5.97%).

The first quarter of the financial year closed with a net profit of € 42K, compared to a profit of € 39K for the corresponding period of the previous financial year.

Property sector

The performance in the first three months of the 2007 financial year for Subsidiary companies operating in the property sector can be summarised in the following table:

(€K)	Production value	Change. %	Result	net equity excluding result
Meridiano Eur	-	-	2,232	112,963
Meridiano Orizzonti	523	+1.95	255	59,361
Campo Carlo Magno S.p.A.	299	-2.61	50	6,330

MERIDIANO EUR – Milan (our direct share 100%)

This Company is the owner of a building located in Assago, once the office of Milano Assicurazioni itself and now involved in a reconstruction project, with a book value of € 34,315K; it also holds shares in the mutual property fund “Tikal R.E. Fund”, booked at € 76,506K, arising from conferment on the said Fund, in the 2004 financial year, of the building it owns in Rome, Piazzale dell’Industria.

The first three months of the financial year closed with a net profit of € 2,232K, mainly arising from income distributed by the Fondo Tikal fund (profit of € 944K as at 31 March 2006).

MERIDIANO ORIZZONTI – Milan (our direct share 100%)

This Company is the owner of a building in Milan, Piazza S.M. Beltrade, 1 with a book value of € 55,208K. The first three months of the financial year closed with a net profit of € 255K as a result of property income of € 522K.

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

This Company owns a hotel complex located in Madonna di Campiglio called the Golf Hotel; it has entered into a business rental contract with Atahotels S.p.A., providing for fees of 20% of net annual receipts, with a guaranteed minimum stipulated in any event. The transaction guarantees the Company an adequate return on the rented business premises, in line with what could be obtained on the market for comparable operations.

The profit and loss as at 31 March 2007 closed with a profit of € 50K (€ 72K as at 31 March 2006).

We would also highlight that during January 2007 the planned merger by incorporation of Campo Carlo Magno Sport S.r.l. into Campo Carlo Magno S.p.A. was approved by the respective Shareholders’ Meetings. The merger agreement was concluded in April and provides for accounting and tax effects to be backdated to 1st January 2007.

Other Activities sector

The Companies included in this sector are shown in the following table:

	production value	change %	result	net equity excluding result
(€K)				
Maa finanziaria s.p.a.	-	-	-2	924
Sogeint s.r.l.	814	+35.44	16	-164
Campo Carlo Magno Sport S.r.l.	49	-12.5	8	526

MAA FINANZIARIA – Milan (our direct share 100%)

This Company, originally active in the capital goods leasing sector and in finance, is now only managing a few finance contracts already on its portfolio. The result as at 31 March 2007 ended with a loss of € 1.5K compared to the loss of € 15.3K in the corresponding period for the previous financial year.

SOGEINT – Milan (our direct share 100%)

This Company operates in the sector of commercial assistance to agencies. The first three months of the financial year closed with a profit of € 16K. (€ 88K as at 31 March 2006).

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

This Company holds concessions for management of the ski slopes, lift equipment and the golf course for the Golf Hotel complex at Madonna di Campiglio. It entered into a business rental contract with Atahotels S.p.A., providing for fees of 20% of net annual receipts, with a guaranteed minimum stipulated in any event. The transaction guarantees the Company an adequate return on the rented business premises, in line with what could be obtained on the market for comparable operations.

The first three months of 2007 closed with a profit of € 8K, compared to the profit of € 26K recorded as at 31 March 2006.

We would also highlight that during January 2007 the planned merger by incorporation of Campo Carlo Magno Sport S.r.l. into Campo Carlo Magno S.p.A. was approved by the respective Shareholders' Meetings. The merger agreement was concluded in April and provides for accounting and tax effects to be backdated to 1st January 2007.

Asset and financial management

The following table displays the results of financial and property operations in the first quarter 2007 compared with the results achieved during the equivalent period for the previous year:

(€K)	Jan-Mar 2007	Jan-Mar 2006
Net income arising from financial instruments at fair value allocated to profit and loss	10,681	1,542
Income from holdings in subsidiaries, affiliates and joint ventures	607	-
Income arising from other financial instruments and property investments of which:	97,734	103,662
Interest received	65,871	54,160
Other income	13,996	9,570
Realised profits	17,867	39,932
Revaluation gains	-	-
Total income	109,022	105,204
Charges from holdings in subsidiaries, affiliates and joint ventures	-	-
Charges arising from other financial instruments and property investments of which:	-10,153	-6,529
Interest paid	-4,230	-1,682
Other charges	-2,045	-1,323
Realised losses	-2,483	-2,302
Revaluation losses	-1,395	-1,222
Total charges	-10,153	-6,529
TOTAL NET INCOME	98,869	98,675

In the first quarter of 2007 the global economic situation saw a slowdown in American growth, offset by noticeable growth in Europe and in the regions of the Far East.

In particular, in the USA there was a series of contradictory data on the state of the economy, featuring a pronounced slowdown in the property and automobile sectors, whereas on the other hand there was significant firmness in the global labour market, enabling a good level of consumption to be maintained.

There were then signs of inflationary tensions, which obliged the Fed to hold rates steady at 5.25% despite weak economic growth.

In Europe the economic growth seen in the first months of 2007 has been very strong, helped both by the exports component, especially towards countries in the Far East, and by growth in internal demand, especially in Germany.

This has allowed the ECB to bring the base rate down to 3.75% in its March meeting, certainly not the peak level for rates in this cycle of monetary tightening.

The performance of the share market has been in direct contrast, with a favourable start to the year and a sudden correction, brought about by price pressures and the volatility which occurred in the Chinese market, with the additional effects arising from the reduction in carry trade and from geopolitical tensions, especially in relation to

Iran and its nuclear course. At the end of the quarter the performance of the European reference index was broadly flat (Eurostoxx50 +0.31%).

At the operational level, the financial activity which the Company and its subsidiaries have engaged in during the quarter in terms of Fixed Income has involved good trading activity in the non life segment and purchases focussed on the 1 and 2 year range, bearing in mind the somewhat flat interest curve and the level of rates in absolute terms, now close to 4% for both short and very short maturities..

For this purpose purchases of *Covered Bonds* were made, issues with an AAA rating and a higher return compared with Italian state debt securities on many maturities up to three years.

In the Life sector, in the face of a slightly increased level of exposure in terms of duration, we have sought to make purchases designed to generate income both immediately and upon maturity, the aim being to increase the returns on separate management, within the limits allowed by the risk profile associated with the macroeconomic situation.

In this context some cautious operations have also been conducted in the corporate sector, whilst keeping the proportion of this asset class largely unchanged.

During the quarter the equity weightings have not changed significantly. However, in the life sector we are continuing to move towards a more defensive position for the sector and, mainly in the non-life sector, towards concentration and adjusting our focus towards large caps.

Trading activity has increased significantly during the quarter and has enabled good gains to be realised, taking advantage of a share market which is much less one-way than in the recent past

The non life segment comprises government and supranational fixed rate bonds (84%), variable rate securities (15%), the remaining 1% being Repurchase Agreements. The total duration of the portfolio stands at 1.92.

The asset allocation for the life sector includes a fixed rate government and supranational component of 83% and a variable rate securities component of 17%, with a total portfolio duration of 5.48.

On the whole, investment in State securities in the Euro area has been favoured, these representing 82% of the portfolio compared to 18% in the Corporate segment.

Corporate securities belong, for the most part, to the investment grade category.

Own shares and shares in the Parent Company

As at 31 March 2007 the Parent Company Milano Assicurazioni held own shares, shares in the direct parent Fondiaria-Sai and in the indirect parent Premafin as shown in the following table:

(€K)	Number	Amount
Own shares	1,685,460	9,565
Fondiaria-Sai shares	6,802,557	234,348
Premafin shares	9,157,710	21,914

During the first three months of the financial year in question 210,000 own shares were purchased for a total amount of € 1,295K. The purchase was effected within the terms established by apposite resolutions of Shareholders' Meetings.

Performance of Milano Assicurazioni shares

As at 31 March 2007 the share capital of the parent company Milano Assicurazioni comprises 467,284,045 shares with a nominal value of € 0.52, of which 436,544,163 are ordinary shares and 30,739,882 are savings shares. During the first three months of the 2007 financial year the share capital increased by € 8K due to the subscription of 14,718 ordinary shares, effected following the conversion of 36,795 Milano Assicurazioni 1998-2007 warrants.

As at 31 March 2007 there were a further 4,920,964 subscribed ordinary shares as a result of the conversion by the relative holders of 12,302,410 Milano Assicurazioni 1998-2007 warrants. The new share capital, including the new subscribed shares, has been recorded on the Companies Register on 3 April 2007.

As at 30 March the following share prices are recorded:

(Euro units)	30/03/2007	29/12/2006	Change %
Milano Assicurazioni ordinary.	6.434	6.174	+4.21
Milano Assicurazioni savings.	6.419	6.128	+4.75

The resulting stock exchange capitalisation as at 30 March thus amounted to € 3,037.7m (€ 2,883.5m as at 29/12/2006).

Its Stock Exchange capitalisation based on the prices as at 4 May 2007, being € 7.334 for ordinary shares and € 7.331 for savings shares, stands at € 3,463.1m.

Other information

In terms of the Joint Venture with the EDS Group for management of the Information Technology infrastructure of the Fondiaria-SAI Group, on 1st February Milano Assicurazioni concluded the conferment on the newly constituted Fondiaria-Sai Servizi Tecnologici s.r.l. (a company co-owned by EDS and by companies in the Fondiaria-Sai group) of hardware, almost fully depreciated, and personnel, for an amount of the associated employee severance fund of around € 0.7m. The Company also effected a monetary payment to make the capital situation of the transferred business branch into a positive balance. This conferment enabled the company to purchase a participating interest in the capital of Fondiaria-SAI Servizi Tecnologici (hereafter known as FonSAI S.T.) albeit at a the low level of less than 1%.

The business resources included in this conferment by the Company included 35 employees, with regard to whom the legally required processes with the unions were followed, as they were by the other conferring companies, resulting in signature of an appropriate agreement.

During March 2007, Milano Assicurazioni and the other conferring companies ceded to Fondiaria-SAI their respective participations in FonSAI ST, in order to bring together within Fondiaria-SAI the investment in the vehicle company.

This operation enables implementation of a systems project to update the IT infrastructure of the Fondiaria-Sai Group, aimed at bringing about an improvement in the Group's competitiveness whilst also achieving cost savings.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE QUARTER

There are no significant matters to report which occurred after the end of the quarter and up until the date of this report.

FORSEEABLE BUSINESS DEVELOPMENTS

In relation to insurance management in the non life classes, actions planned for the 2007 financial year will continue to follow a policy of assuming risks which will enable satisfactory levels of income to be achieved.

In the Motor classes in particular, with the resizing of the fleets portfolio almost complete, close attention will be paid to monitoring the results at geographic and tariff level, in order to intervene promptly in the event that the ensuing financial results are unsatisfactory. Specific action will be taken alongside this to maintain and develop the portfolio in profitable regions and tariff sectors. The tariff offer will increasingly reflect personalisation criteria, with a view to taking advantage of the opportunities offered by an ever greater correlation between the premium and the risk profile of the contracting party. The process of achieving convergence between the tariff offers of the various commercial lines will also continue, with the objective of achieving a single tariff. In view of these considerations a slight increase in premiums issued can thus be expected, together with a noticeable recovery of profitability in terms of the combined ratio, which is in fact already evident in the quarter just ended.

In the other non life classes the objective is to pursue more sustained growth, especially in the retail sector, which offers satisfactory levels of return. To this end specific sales campaigns and commercial initiatives will be launched, during which the agency network will be able, amongst other things, to take advantage of specific support from management structures. Action will also continue to update contracts which, whilst not showing a negative performance, have a greater issue age and thus offer an opportunity to bring their terms and benefits into line with current assumptive criteria.

In the corporate sector priority will be given to protecting profit margins by adopting, and if necessary strengthening, the criteria followed in order to maintain a risk underwriting policy based on rigorous technical criteria. In particular, close monitoring of policies with Hotel and Catering businesses and with Regional Bodies will continue, these having recorded unsatisfactory performance during the previous financial year.

The life sector will benefit increasingly from the contribution of Bipiemme Vita, with the agreements in place giving the option of increasing the participating interest to 51% by 30 June of the present financial year; amongst other things, this will make possible full consolidation of the related financial and balance sheet data.

In this sector the main objective remains that of pursuing portfolio growth for traditional-type products, with an annual or recurring premium, in order to provide adequate profitability and ensure an increase in the value of the portfolio in the long term.

On 29 March 2007 COVIP approved the Terms of the "Milano Assicurazioni Open Pension Fund". The "Fund" will thus be active from this May and will begin to collect contributions, the starting point for an operation which will enable the Company to have a complete offer in the Supplementary Pensions segment, from which we expect interesting growth opportunities over the next few years.

Activity to manage maturing capital sums will also intensify, taking advantage of the opportunities arising from the ability to offer customers the updated range of products now on the company's list, in order to be able to meet their multiplicity of insurance and pension needs.

We will also continue to pay particular attention to the demands of institutional clients who see in the insurance sector a good opportunity to diversify their investments and make use of their liquidity

Finally, we will continue with commercial initiatives and training activities, especially in relation to points of sale which offer significant growth potential.

Asset and financial management will aim for careful balancing of risks and diversification of investments in order to maximise general profitability whilst maintaining a risk profile which is consistent with the strategic objectives of the group.

Very close attention will be paid to the behaviour of the interest rate curve, the soundness of company issues and associated movements in the spread, the sustainability of generous company dividend policy and the volatility of the various asset classes, in a phase of the economic cycle which we consider to be one of mature expansion, and thus liable to sudden fluctuations; this has in fact already occurred in the quarter just ended in relation to world stock markets, which saw days of sharply higher volatility following a sudden fall on the Chinese stock market.

DRAFTING CRITERIA AND BASIS OF CONSOLIDATION

This report has been drawn up in accordance with the instructions contained in regulation no. 11971 of 14 May 1999, as modified and integrated into CONSOB resolution no. 14990 of 14 April 2005.

In particular:

- this quarterly report has been drawn up in accordance with the IAS/IFRS international accounting principles issued by the IASB (International Accounting Standard Board) and now approved by the European Union;
- the information supplied is that covered by attachment 3D of the above-mentioned regulation no. 11971;
- in drawing up the profit and loss reports and the net financial position ISVAP instruction no. 2404 of 22 December 2005 has been taken into account, concerning instructions for compiling the consolidated accounts in accordance with the new international accounting principles;
- the data contained in the accounting tables derive from application of the same accounting principles used to draw up the accounts for the financial year. Some balances of a technical nature, mainly relating to Motor TPL, have, however, been determined based on business data for the period combined with statistical evaluations which also take into account probable changes during the financial year to indexes whose performance is linked to technical results for the class.

The basis of consolidation has not undergone changes compared to the situation as at 31 December 2006. The list of subsidiaries and affiliated companies is supplied as an attachment following the formats stipulated by ISVAP in the above-mentioned instruction no. 2404 of 22 December 2005.

Milan, 9 May 2007

*MILANO ASSICURAZIONI S.p.A.
The Board of Directors*

BASIS OF CONSOLIDATION