

Interim Report
for the Third Quarter 2010

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BOARD OF DIRECTORS

Salvatore **Ligresti**

Honorary Chairman

Fausto **Marchionni** *

Chairman-Chief Executive Officer

Gioacchino Paolo **Ligresti** *

Vice Chairman

Cosimo **Rucellai** *

Vice Chairman

Umberto **Bocchino** *

Barbara **De Marchi**

Flavio **Dezzani**

Maurizio **Di Maio**

Emanuele **Erbetta**

Mariano **Frey**

Giulia Maria **Ligresti** *

Jonella **Ligresti**

Lia **Lo Vecchio**

Massimo **Pini** *

Francesco **Randazzo**

Salvatore **Rubino** *

Simone **Tabacci**

Alessandra **Talarico**

Antonio **Talarico** *

Alberto **Marras**

Secretary of the Board and the Executive Committee

BOARD OF STATUTORY AUDITORS

Giovanni Ossola
Chairman

Maria Luisa Mosconi
Statutory Auditor

Alessandro Rayneri
Statutory Auditor

Giuseppe Aldè
Alternate Auditor

Claudio De Re
Alternate Auditor

Roberto Frascinelli
Alternate Auditor

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio Bedogni

- The Board of Directors was appointed by the Shareholders' Meeting on April 21, 2008 and will remain in office until the approval of the financial statements by the Shareholders' Meeting for the year ended December 31, 2010. On June 11, 2010, the Director Mr. Emilio Perrone Da Zara resigned.
- The Directors that are members of the Executive Committee are indicated with an asterisk.
- An Internal Control Committee was set up with the functions of providing consultation and proposals in accordance with the provisions of the Self-Governance Code of Listed Companies. Following the resignation of the Director Mr. Emilio Perrone Da Zara, this committee is currently composed of the Directors Mr. Mariano Frey and Mr. Cosimo Rucellai.
- With reference to CONSOB Communication 97001574 of February 20, 1997, the nature of the delegated powers conferred to the Directors are as follows:
the Chairman-Chief Executive Officer, Mr. Fausto Marchionni, is the Legal Representatives of the company pursuant to article 20 of the Company By-Laws and has all ordinary and extraordinary administrative powers, to be exercised in single signature and with possibility to confer mandates and proxies, with the exclusive exception of the following powers:
 - sale and/or purchase of property above the value of Euro 10 million for each operation;
 - sale and/or purchase of investments above the value of Euro 25 million for each operation and, in any case, of controlling interests;
 - obtaining of loans above Euro 50 million for each operation;

- provision of non-insurance guarantees in favour of third parties.

- The Executive Committee has all the powers not attributed to the Chairman/Chief Executive Officer, with the exception of those which by law or the company by-laws are the exclusive responsibility of the Board of Directors, excluding all resolutions in relation to related party and inter-group operations identified by the Board of Directors.

GROUP FINANCIAL HIGHLIGHTS

<i>(in Euro millions)</i>	9M 2010	9M 2009 Pro-forma	9M 2009
Group net profit/(loss)	-373.0	26.9	26.9
Gross premiums written	2,593.6	2,569.1	2,988.6
of which:			
Gross Non-Life premiums written	2,231.4	2,260.1	2,263.9
Gross Life premiums written	362.2	309.0	724.7
Investment policies written	5.2	4.9	10.7
APE (*)	35.7	25.0	71.7
Combined ratio Non-Life sector (**)	104.7%	101.5%	101.5%
Loss ratio Non-Life sector	81.2%	78.4%	78.3%

<i>(in Euro millions)</i>	30/09/2010	31/12/2009
Investments	9,461.2	9,443.9
Net technical reserves - Non-Life division	4,616.5	4,754.4
Net technical reserves - Life division	3,841.7	3,780.3
Financial liabilities	470.1	466.1

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

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

THE MILANO ASSICURAZIONI GROUP

The Milano Assicurazioni group consists of 12 companies including the parent company. Of these, 6 companies operate in the insurance sector, 4 in the real estate sector and 2 in the diversified services sector.

Milano Assicurazioni S.p.A. is a leading insurance player on the Italian market, operating in the non-life and life sectors, with consolidated annual premiums of over Euro 3.6 billion and a sales network of over 2,000 agencies spread throughout the country.

The registered office of the company is Via Senigallia 18/2, Milan. The Company is listed on the Italian Stock Exchange. Milano Assicurazioni is controlled by Fondiaria-Sai which exercises management and co-ordination pursuant to article 2497 bis of the civil code.

As already announced to the market, on June 17, 2010 Milano Assicurazioni S.p.A. and Banco Popolare di Milano S.c.r.l., under agreements signed in December 2009 in relation to the mutual winding-up of the partnership in the bancassurance sector and having received the necessary legal authorisations, concluded the transfer to Banco Popolare di Milano of the 51% holding in Bipiemme Vita S.p.A. held by Milano Assicurazioni.

Through this operation Bipiemme Vita therefore exits the Milano Assicurazioni Group consolidation scope and in accordance with IFRS 5 is considered a discontinued operation. Consequently, in the present document the income statement data of this company for the first nine months of 2009 is reclassified and recorded in the account *Profit/Losses of discontinued operations*. The other income statement accounts are therefore prepared at like-for-like consolidation scope with the first nine months of 2010, thus enabling comparison.

FINANCIAL HIGHLIGHTS

The group net result in the first nine months of 2010 reports a loss of Euro 373 million (profit of Euro 26.9 million in the first nine months of 2009). The loss principally follows the impairment on Available for Sale financial instruments under the impairment policy adopted in the 2009 annual accounts which had a negative impact of Euro 344.9 million.

The table below shows the income statement for the first nine months of the year and for the third quarter, compared to the same periods of the previous year.

<i>(in Euro thousands)</i>	9M 2010	9M 2009 Pro-forma	Q3 2010	Q3 2009 Pro-forma
Net premiums	2,598,090	2,533,986	800,854	785,737
Commission income	706	578	568	483
Net Income from financial instruments recorded at fair value through profit or loss	5,617	56,919	4,118	17,697
Income from subsidiaries, ass. and jt. ventures	442	2,357	171	2,074
Income from other financial instruments and property investments	302,552	292,093	90,968	82,478
- Interest income	159,065	189,959	52,374	56,346
- Other income	58,981	56,142	19,244	13,047
- Profits realised	84,302	44,887	19,146	11,980
- Valuation gains	204	1,105	204	1,105
Other revenues	130,063	111,208	33,355	25,898
Total revenues	3,037,470	2,997,141	930,034	914,367
Net charges relating to claims	-2,226,197	-2,124,365	-713,448	-715,880
Commission expenses	-48	-60	-13	-17
Charges from subsid., ass. & jt. ven.	-15,857	-9,132	-2,378	-2,229
Charges from other financial instruments and property investments	-427,162	-99,809	-202,174	-25,929
- Interest expense	-9,644	-10,773	-2,602	-3,824
- Other expenses	-14,357	-10,662	-4,258	-4,947
- Losses realised	-41,943	-27,790	-12,602	-3,042
- Valuation losses	-361,218	-50,584	-182,712	-14,116
Management expenses	-484,246	-481,841	-145,466	-155,231
- Commissions and other acquisition expenses	-395,697	-402,683	-117,987	-130,599
- Investment management charges	-2,979	-3,114	-1,612	-992
- Other administration expenses	-85,570	-76,044	-25,867	-23,640
Other costs	-265,021	-235,333	-45,558	-42,268
Total costs	-3,418,531	-2,950,540	-1,109,037	-941,554
Profit/(loss) before taxes in the period	-381,061	46,601	-179,003	-27,187
Income taxes	4,714	-18,882	1,229	2,080
Net profit/(loss) in the period	-376,347	27,719	-177,774	-25,107
Profit (loss) from discontinued operations	3,281	-1,313	-	2,480
Consolidated Net Profit (loss)	-373,066	26,406	-177,774	-22,627
Minority interest share	-25	-490	-8	1,220
Group net profit (loss)	-373,041	26,896	-177,766	-23,847

The financial highlights in the first nine months of 2010 which contributed to this result are summarised below:

- the **Non-Life sector** recorded a loss before taxes of Euro 371.1 million, principally following the impairments on Available for sale financial instruments, which had a negative effect of Euro 290 million.

The combined ratio, net of reinsurance, amounted to 104.7% and although remaining negative, confirms the improvements on 108.9% for the full year 2009 and 105.3% in H1 2010.

In relation to insurance operations, the **Motor TPL Class** recorded a positive performance for contracts issued in the current year, with higher average premiums, following the gradual rollout of the new tariff and a decrease in claims, also due to the discontinuation of the multi-claim portfolio and the actions taken with agencies reporting particularly poor performances. The negative effects of contracts issued in previous years continued to be felt, particularly in certain regions of Central-South Italy, related to a higher frequency and a greater percentage of claims with physical injury. However the increased use of the new physical injury compensation tables, originally adopted by the Milan Court, have led to an increase in the average cost of claims paid, particularly in relation to significant injury claims.

The **Land Vehicle class** reports a positive balance, in line with the same period of 2009 and an improvement in claims in the period.

Within the **other non-life classes** the negative performance of the General TPL class continued, principally due to higher claims affecting the corporate sector and public body contracts;

- the **life sector** in the period recorded a loss of Euro 0.2 million, following impairments on Available for sale financial instruments of Euro 54.9 million, which substantially absorbed the technical and profit margins in the period. The policy portfolio however is still predominantly made up of traditional type products, which satisfy due to their quality and the broad range of products available all customer requirements and produce satisfactory profits, in the absence of extraordinary events such as those affecting the period;
- the **real estate** sector recorded a loss of Euro 10.1 million (profit of Euro 3.7 million in 9M 2009). The result was principally affected by the loss of Immobiliare Milano Assicurazioni S.r.l. (Euro 8.2 million), in large part due to costs relating to the Citylife project not yet offset by profits on sales of real estate assets, which will be seen in a more advanced phase of the project.

In comparing the real estate sector data it is noted that the 2009 first nine months results benefited from income of the companies Meridiano Eur and Meridiano Orizzonti which, following the merger into Milano Assicurazioni, respectively in the second half of 2009 and in the first half of the current year, this year were included in the non-life sector;

- the **asset management** sector recorded impairments on instruments classified in the available-for-sale category for a total amount of Euro 344.9 million (Euro 40.8 million in 9M 2010). The continuation of poor financial market performances has for some securities in portfolio resulted in the recording a value lower than the book value for a continuous period of at least 2 years.

Therefore in line with the impairment policy declared in the 2009 annual accounts, the average costs of these securities were aligned with the stock market values at the end of the period, and therefore not considering the proper correlation of the stock market values vis-à-vis the fundamental values of the respective entities.

In particular, further impairments of Euro 177.3 million, of which Euro 89.2 million relating to the holding in Assicurazioni Generali and Euro 74.7 million relating to the holding in Unicredit are added to the impairments already recorded at June 30 (Euro 167.6 million, of which Euro 152 million relating to the holding of Milano Assicurazioni in the parent company Fondiaria-Sai).

The impairments applied in the third quarter are not yet recorded in the income statement for 2010 in that they refer to adjustments made for the purposes of the half-year report and the annual financial statements, with reference to the market prices respectively at June 30 and December 31.

In relation to the other types of financial income, interest income totals Euro 159.1 million, a decrease on Euro 190 million in the first nine months of 2009, due to the continuation of the expansive monetary policy by the relevant authorities with the maintenance of low base interest rates in order to foster a recovery, which remains tentative. Net profits to be realised on investments increased (Euro 42.4 million compared to Euro 17.1 million in the same period of the previous year), principally as a result of the trading activity which took advantage of the opportunities offered by an extremely volatile market, within an uncertain economic environment and with concerns surrounding the sustainability of the public debt of some European states;

- the **management expenses** in the non-life insurance sector amounted to Euro 462.2 million, with a percentage on net premiums of 20.6% (20.4% in 9M 2009). In the Life Division the management expenses amounted to Euro 22 million - 6.2% of net premiums (8.4% in 9M 2009);

- the profit from discontinued operations principally relates to the gain on the conferment to the Rho Real Estate Fund of the building located in Riva Tommaso Gulli in Trieste. The conferment of this building, already planned as part of the wider operation carried out in 2009, took place in March 2010 following the registration in the Friuli Venezia Giulia region land registrar.

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

The table below shows the results by sector. The Real Estate sector includes the subsidiary real estate companies (Immobiliare Milano Assicurazioni, Sintesi Seconda, Campo Carlo Magno, Athens Fund), while the Other Activities include Sogeint, which provides commercial assistance to the Agencies and Pronto Assistance Servizi, which operates in relation to guarantees in the assistance class present in the insurance contracts of the companies of the Fondiaria-Sai Group.

<i>(in Euro thousands)</i>	Non-Life	Life	RE	Other	Inter-segment Elim.	Total
Net premiums	2,244,264	353,826	-	-	-	2,598,090
Commission income	-	706	-	-	-	706
Net Income from financial instruments recorded at fair value through profit or loss	-2,681	8,173	125	-	-	5,617
Income from subsidiaries, ass. and jt. Ventures	442	-	-	-	-	442
Income from other financial instruments and property investments	138,727	155,435	8,388	2	-	302,552
- Interest income	48,172	110,639	254	-	-	159,065
- Other income	37,897	12,948	8,134	2	-	58,981
- Profits realised	52,658	31,644	-	-	-	84,302
- Valuation gains	-	204	-	-	-	204
Other revenues	107,625	8,527	1,987	18,706	-6,782	130,063
Total revenues	2,488,377	526,667	10,500	18,708	-6,782	3,037,470
Net charges relating to claims	-1,822,926	-403,271	-	-	-	-2,226,197
Commission expenses	-	-48	-	-	-	-48
Charges from subsid., ass. & jt. ven.	-11,813	-256	-3,788	-	-	-15,857
Charges from other financial instruments and property investments	-331,855	-82,786	-12,514	-7	-	-427,162
- Interest expense	-3,392	-4,341	-1,911	-	-	-9,644
- Other expenses	-8,310	-476	-5,564	-7	-	-14,357
- Losses realised	-18,805	-23,064	-74	-	-	-41,943
- Valuation losses	-301,348	-54,905	-4,965	-	-	-361,218
Management expenses	-462,220	-22,026	-	-	-	-484,246
- Commissions and other acquisition	-382,451	-13,246	-	-	-	-395,697
- Investment management charges	-1,804	-1,175	-	-	-	-2,979
- Other administration expenses	-77,965	-7,605	-	-	-	-85,570
Other costs	-230,622	-18,514	-4,293	-18,374	6,782	-265,021
Total costs	-2,859,436	-526,901	-20,595	-18,381	6,782	-3,418,531
Profit (loss) before taxes – 9M 2010	-371,059	-234	-10,095	327	-	-381,061
Profit (loss) before taxes – 9M 2010 (pro-forma)	14,514	34,675	3,746	-66	-6,268	46,601

OPERATIONAL PERFORMANCE AND NOTES

Non-Life Insurance Sector

Premiums written

Premiums written in the Non-Life Classes in the first nine months totalled Euro 2,225.1 million (-1.2% compared to 9M 2009), of which Euro 1,569.6 million relating to the Motor Classes (-1.8%) and Euro 655.5 million relating to the Other Classes, substantially in line with the first nine months of 2009 (+0.1%).

As stated in the previous interim reports in the year, premiums in the **Motor Classes** were affected by the actions undertaken to recover profitability in a sector with an established technical deterioration and particularly due to the cancelation of multi-claim contracts, by the actions taken with agencies with particularly poor performances and by the recently adopted underwriting policy which limits recourse to discounts.

The drop off in new vehicle registrations has also affected the amount of premiums written, particularly following the discontinuation of government incentives, as well as the continued effects of the recently introduced regulations in the sector, with the attribution of the bonus-malus class at family level and also the application of malus only in the case of principal responsibility.

The gradual introduction of the new tariff from the end of 2009 resulted in an increase in the average premium for new contracts, with positive effects on premiums which, for the third quarter alone, resulted in an increase of 0.6% on Q3 2009.

The difficult economic situation and the problems which face the various productive sectors following the deep recession of recent years also affects the business volumes of the **other non-life classes**, with premiums remaining substantially stable on the same period of the previous year. In this environment the underwriting policy continues to favour the Retail sector, offering adequate profitability while in the Corporate sector greater caution is applied in the underwriting risk.

Indirect premiums amount to Euro 6.4 million compared to Euro 7.2 million in the same period of the previous year and continued to be minimal due to the decision to cease underwriting on the inward reinsurance market with companies not belonging to the Fondiaria-Sai Group.

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

<i>(in Euro thousands)</i>	9M 2010	9M 2009 Pro-forma	Change %	Q3 2010	Q3 2009 Pro-forma	Change %
Accident & health	174,504	183,461	-4.9	47,761	49,944	-4.4
Marine, aviation and transport	26,667	31,554	-15.5	4,438	5,923	-25.1
Fire and other property damage	230,803	222,986	+3.5	61,685	61,160	+0.9
General TPL	151,945	144,243	+5.3	35,204	32,771	+7.4
Credit & Bonds	35,534	35,243	+0.8	11,331	9,499	+19.3
General pecuniary losses	6,834	8,513	-19.7	1,252	3,075	-59.3
Legal expenses	6,656	7,360	-9.6	1,786	2,448	-27.0
Assistance	22,523	21,335	+5.6	6,417	6,243	+2.8
TOTAL OTHER NON-LIFE DIVISION	655,466	654,695	+0.1	169,874	171,063	-0.7
Land Motor TPL	1,357,931	1,378,889	-1.5	395,043	392,620	+0.6
Land vehicles	211,676	219,342	-3.5	58,241	61,604	-5.5
TOTAL MOTOR	1,569,607	1,598,231	-1.8	453,284	454,224	-0.2
TOTAL	2,225,073	2,252,926	-1.2	623,158	625,287	-0.3

Claims

The claims paid in the first nine months of the year were 647,341 compared to 671,939 in the same period of the previous year (-3.7%). In the Motor TPL Class, claims reported in the first nine months totalled 312,847 compared to 328,038 (-4.6%).

The claims paid in the first nine months of 2010, gross of outward reinsurance, amounted to Euro 1,888.4 million, an increase of 5.3% on Euro 1,793.3 million in the first nine months of 2009.

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

	Claims reported Number			Claims paid (in Euro thousands)		
	30/09/2010	30/09/2009 Pro-forma	Cge. %	30/09/2010	30/09/2009 Pro-forma	Cge. %
Accident & health	66,609	64,859	+2.7	106,408	105,760	+0.6
Marine, aviation and transport	511	615	-16.9	6,176	5,728	+7.8
Fire and other property damage	76,784	79,655	-3.6	154,400	166,856	-7.5
General TPL	38,079	40,370	-5.7	122,643	117,532	+4.3
Credit & Bonds	547	467	+17.1	17,846	14,133	+26.3
General pecuniary losses	1,289	1,949	-33.9	7,246	5,716	+26.8
Legal expenses	616	639	-3.6	790	749	+5.5
Assistance	44,703	41,593	+7.5	6,090	8,696	-30.0
TOTAL OTHER NON-LIFE DIVISION	229,138	230,147	-0.4	421,599	425,170	-0.8
Land Motor TPL (*)	312,847	328,038	-4.6	1,328,244	1,227,823	+8.2
Land vehicles	105,356	113,754	-7.4	138,573	140,305	-1.2
TOTAL MOTOR	418,203	441,792	-5.3	1,466,817	1,368,128	+7.2
TOTAL	647,341	671,939	-3.7	1,888,416	1,793,298	+5.3

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

Technical performance

In the first nine months of 2010 the combined ratio, net of reinsurance and charges deriving from the amortisation of the commissions on long-term contracts, amounted to 104.7% against 108.9% for FY 2009 and 105.8% for H1 2010.

The **Motor TPL Class** recorded a positive performance for contracts issued in the current year, with higher average premiums, following the gradual rollout of the new tariff and a decrease in claims, also due to the discontinuation of the multi-claim portfolio and the actions taken with agencies reporting particularly poor performances.

The negative effects of contracts issued in previous years continued to be felt, particularly in certain regions of Central-South Italy, related to a higher frequency and a greater percentage of claims with physical injury.

However the increased use of the new physical injury compensation tables, originally adopted by the Milan Court, have led to an increase in the average cost of claims paid, particularly in relation to significant injury claims.

Costs related to claims, which through the manner of occurrence or reporting raise suspicions of fraud against the company, continue to be incurred - a phenomenon which tends to increase in periods of economic difficulties such as that currently being experienced. The Fondiaria-Sai Group has introduced an anti-fraud system which, supported by specific IT structures, identifies potentially false claims with regional investigative and settlement structures carrying out more in-depth investigations to ascertain the reality behind the events claimed. In some regions the first affects of the actions have begun to be seen, with a drop in claims by injured parties.

The **Land Vehicle class** reports a positive balance, in line with the same period of 2009 and an improvement in claims in the period. This validates the actions implemented, including the combined sales of guarantees which offset the claims recorded in relation to certain types of coverage and the adoption of specific compensation forms, particularly in relation to windshield guarantees.

In relation to the **Other Non-Life Classes**, mixed performances were seen due in part to the difficult economic situation which persists. The very positive results in the Injury, Fire, Bond, Legal Protection and Assistance classes were negated by the negative performance in the General TPL Class, particularly in relation to the corporate portfolio. In this environment the performance monitoring activities were stepped up, with specific initiatives in the more sensitive business sectors (principally the health area) and in relation to agencies with unsatisfactory performances.

Liguria Assicurazioni, with a predominantly multi-mandate sales network, recorded premiums of Euro 198.1 million, compared to Euro 204.1 million in the first nine months of 2009. The decrease (2.9%) relates essentially to the Motor Classes and the interventions taken in relation to portfolios and agencies with particularly poor performances.

The technical performance deteriorated on the first nine months of 2009, due in part to the adoption of more prudent criteria in the valuation of the claims reserves and a loss was recorded to the income statement of Euro 25.9 million in the period (loss of Euro 15.6 million in 9M 2009).

In relation to the telephone and internet channel, premiums written by **Dialogo Assicurazioni** amounted to Euro 23.2 million, an increase of 15.2% on the first nine months of 2009.

Advertising expenses in the period, entirely recorded to the income statement, amounted to Euro 4.5 million, substantially in line with Q3 2009.

The Motor TPL Class, which represents the largest part of the portfolio, recorded an unfavourable technical performance, due partly to the higher percentage of physical damage claims and the increase in the average costs, a development common to the market as a whole. The contribution of the company to the consolidated result was a loss of Euro 10.5 million (loss of Euro 8.2 million in the first nine months of 2009).

In relation to the sale of standardised products distributed by the banking partners, **Systema Compagnia di Assicurazioni S.p.A.** recorded premiums of Euro 15.1 million, an increase of over 33% on the first nine months of 2009.

The Motor TPL sector recorded an increase in the claims to premiums ratio, principally due to the performance of claims occurring in previous years while in the Other Non-Life Classes a significantly improved technical performance was reported.

A profit of Euro 0.5 million was recorded in the first nine months of the year.

Reinsurance

The premiums ceded amounted to Euro 92.5 million compared to Euro 128.8 million in the first nine months of the previous year. The reduction is principally due to the modification of the Motor TPL claim excess with the group company The Lawrence Re and in particular the rising of the priority from Euro 1 million to Euro 2.5 million.

The reinsurance structure of the non-life division is based on proportional cover and non-proportional coverage in claim excess.

Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.

For the Bond, Transport and Aviation classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.

The net retention of the Technology Risks is protected following an event which occurred jointly with the fire and land vehicle classes; the protection for individual risk is only utilised for some specific guarantees.

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

The reinsurance contracts are with the Irish company The Lawrence Re, indirectly controlled 100% by Fondiaria-Sai, which subsequently transfers the risks underwritten in reinsurance, utilising primary international operators with an adequate rating, in line with ISVAP circular 574/D.

The only exceptions are Aviation coverage, directly placed on the reinsurance market, the Assistance class and the Transport class: for the Assistance class, the protection is guaranteed

by Pronto Assistance, while for the Transport classes, in line with the concentration programme of the underwriting with SIAT (the specialised company of the Fondiaria-SAI group), the company continues to reinsure the entire portfolio with SIAT, utilising a proportional coverage.

Life Insurance Sector

Sale of the investment held in the company Bipiemme Vita

As stated in the half-year report at June 30, having received the relevant authorisations, on June 17 Milano Assicurazioni transferred to Banco Popolare di Milano the entire holding in Bipiemme Vita S.p.A. comprising 51% of the share capital for a consideration of Euro 122.1 million, deducting – as agreed – the dividend paid in the intervening period of Euro 8.67 million. The sale had a minor impact on the accounts in the period: the charge of Euro 0.7 million was recorded, in accordance with IFRS 5, in the specific income statement account *Profits/Losses of discontinued operations*.

The agreement also provides for an earn-out linked to the achievement of thresholds in favour of Milano Assicurazioni in the case in which Banca Popolare di Milano sells the majority shareholding in BIPIEMME VITA S.p.A. to third parties in the 12 months following the agreement, as well as the maintaining by BPM of the current financial management services provided to the Fondiaria-SAI Group.

Currently, and based on the information available, it is not possible to estimate the effect of the above-stated earn-out clause.

Premiums written and new business

In the third quarter of 2010 the strong growth rates in the life portfolio continued - as previously seen also in the half year. In relation to direct business, premiums written totalled Euro 362.2 million in the nine months, an increase of 17.2% on 9M 2009, at like-for-like consolidation scope and therefore excluding Bipiemme Vita. The growth related to both high insurance content traditional products distributed by the agency networks and securitisation products.

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

<i>(in Euro thousands)</i>	9M 2010	9M 2009 Pro- forma	Change %	Q3 2010	Q3 2009 Pro-forma	Change %
I - Insurance on human life expectancy	289,743	255,732	+13.3	82,537	69,369	+19.0
III - Insurance related to market indices	113	5,244	-97.8	30	955	-96.9
IV - Health insurance	36	37	-2.7	8	9	-11.1
V - Securitisation operations	72,285	47,895	+50.9	12,941	9,774	+32.4
TOTAL	362,177	308,908	+17.2	95,516	80,107	+19.2

The significant **class one** increase follows in particular the strong uptake by the client base of separated management contracts, characterised by minimum guaranteed yields consolidated annually, related to demographic-based insurance content factors. The growth was seen across nearly all of the product range, both for the medium-high single premium products and for the smaller annual or recurring premiums.

The **securitisation** class saw fresh interest from institutional investors and corporate clients in insurance products as instruments of effective treasury management. The increase in premiums principally relates to larger contracts, managed centrally and agreed at conditions which guarantee sufficient profit levels.

In relation to the **distribution channels**, the new business from the agency networks recorded a strong contribution from annual and recurring premium products, which engender greater client loyalty and foster the long-term growth of the portfolio.

In accordance with IFRS 4 (Insurance Contracts) the amounts recorded to the premiums account relate to the contracts with significant insurance risk and investment contracts with discretionary participation. The other financial contracts and in particular the unit-linked policies and units of the Milano Assicurazioni Open Pension Funds are treated under the deposit accounting method which provides, substantially, for the recording in the income statement of only the profit margins and the recording under financial liabilities of the amount matured in favour of the counterparties. Contracts issued in the first nine months of 2010 amounted to Euro 5.2 million (Euro 4.9 million in 9M 2009).

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

<i>(in Euro thousands)</i>	30/09/2010	30/09/2009 Pro-forma	Change %
Class I	31,247	21,722	+43.8
Class III	14	543	-97.4
Class V	4,313	2,742	+57.3
Class VI	173	-	n.s.
TOTAL	35,747	25,007	+42.9

Sums paid

The gross sums paid amounted to Euro 378.2 million (Euro 422.9 million in the first nine months of 2009). The breakdown by class and type is reported in the following table:

<i>(in Euro thousands)</i>	Claims	Redemptions	Maturity	Total
Class I	9,240	102,158	191,528	302,926
Class III	672	8,006	28,596	37,274
Class V	340	22,551	15,066	37,957
Total	10,252	132,715	235,190	378,157
Total 30/09/2009	12,253	199,338	211,354	422,945

Technical performance and operational overview

The life sector in the period recorded a loss of Euro 0.2 million, following impairments recorded on financial instruments of Euro 54.9 million, which substantially absorbed the technical and profit margins in the period. The policy portfolio however is still predominantly made up of traditional type products, which satisfy due to their quality and the broad range of products available all customer requirements and produce satisfactory profits, in the absence of extraordinary events such as those affecting the period.

Individual Insurance

The following commercial initiatives were taken in the period:

- the new OPEN GOLD product was launched, a recurring premium without proportional loading on entry, which has been particularly successful with the distribution networks;
- the restyling took place of the OPEN FREE product - which following the changes now appeals to a wider client base - and of OPEN RISPARMIO with a substantial decrease in the loading;
- the UNIT INVESTIMENTO and UNIT RISPARMIO Unit-Linked products were reviewed following the introduction of the new CONSOB regulations.

Policies have almost in their entirety consisted of Separated Management products, featuring clauses which guarantee the repayment of capital and a minimum return, which are particularly popular with clients in times of uncertain economic conditions. Both single premium - utilised also to strengthen the capital maturing segment - and recurring premium and constant annual premium products - which saw a significant increase in new business - were marketed.

The new business relating to the complementary pension segment, implemented through the Individual Pension Plans, recorded a significant increase on the same period of the previous year.

The term life policy DEDICATA, which differentiates policyholders according to their smoking habits, also recorded a good performance.

Collective insurance and Pension Funds

The Corporate segment, essentially based on insurance coverage related to the number of employees of a company and their remuneration was inevitably affected by the difficult economic situation and the uncertainties regarding the future.

Despite the unfavourable economic situation in the complementary pension sector of “pre-existing” pension funds, substantial stability was maintained thanks to the operations carried out to encourage a higher amount of contributions from existing clients and also to acquire new clients.

In relation to the products connected to the employee leaving indemnity, the regulations in force, in addition to the credit and liquidity crisis affecting small-medium size enterprises continue to have a negative impact.

The securitization products, recently expanded with new products (special mixed), continued to show signs of recovery on the previous year, already seen in the preceding quarters.

The risk coverage sector continues to report stable contributions.

A similar situation is seen in relation to the Milano Assicurazioni Open Pension Fund which continues to record a contained number of new subscribers, with a stable trend in contributions by existing subscribers.

Reinsurance

The premiums ceded amounted to Euro 8.4 million compared to Euro 10.7 million in 9M 2009. The reinsurance structure is unchanged compared to 2009, with a proportional coverage in excess and a catastrophic coverage in claims excess.

Real Estate Sector

The real estate sector includes the results of the subsidiary property companies of Milano Assicurazioni (Immobiliare Milano Assicurazioni S.r.l., Sintesi Seconda S.r.l., Campo Carlo Magno S.p.A., Fondo Immobiliare Athens).

The pre-tax result for the first nine months was a loss of Euro 10.1 million (profit of Euro 3.7 million in 9M 2009). The result was affected by:

- the loss of Immobiliare Milano S.r.l. (Euro 8.2 million) in large part due to costs relating to the Citylife project, not yet offset by profits on sales of real estate assets, which will be seen in a more advanced phase of the project;
- the loss of the Athens Real Estate Fund (Euro 1.7 million) in part due to the repair of the damage caused to the complex at Taormina Cape, which however will be covered by the existing insurance policies.

In comparing the data, it is noted that the 2009 result benefited from real estate income of the companies Meridiano Eur and Meridiano Orizzonti which, following the merger with Milano Assicurazioni, were included in the non-life sector.

* * *

Immobiliare Milano Assicurazioni s.r.l. has been operational since October 1, 2009, following the partial non proportional spin-off of Immobiliare Lombarda and the allocation of a spun-off asset portfolio comprising property, shareholdings in subsidiary and associated companies, cash and cash equivalents and financial debt.

At September 30, 2010 the assets of the company principally comprise property, for a book value of Euro 322.1 million and holdings in subsidiary and associated companies for Euro 113 million, including in particular:

- a holding of 27.2% in **Citylife S.r.l.**, with a book value of Euro 70 million. As previously noted, the company was awarded the international tender by the Fiera Milano Foundation for the improvement of the historical area of ex-Fiera, with a project designed by the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora. The investment is for approx. Euro 2.1 billion with a total value of production equal to Euro 3.3 billion. The completion of the construction and the commercialisation phase is expected for 2015;
- a holding of 16.67% in **IGLI S.p.A.**, with a book value of Euro 28.4 million, which holds in turn as its only asset 29.96% of the company Impregilo.

Financial payables to banking institutions amount to Euro 69.7 million. In the first nine months a loss of Euro 8.2 million was recorded due both to the financial charges and the management of the real estate assets and the costs relating to the Citylife project, not yet offset by profits and sales of the real estate assets which will be seen in the more advanced phase of the project.

Campo Carlo Magno S.p.A. is owner of a hotel real estate complex at Madonna di Campiglio and of a Golf Hotel. The company signed a rental contract with Atahotels S.p.A. which provides for a fee of 20% of the net annual revenues, with a minimum guaranteed fee. The company recently completed a large restructuring and modernisation project of the hotel real estate complex.

The net contribution to the consolidated result for the first nine months of 2010 was substantially break-even.

The Athens Real Estate Fund owns the two following hotel complexes, previously owned by Immobiliare Lombarda:

- the Petriolo Spa & Resort complex, located in the Civitella Paganico (GR) and Monticiano (SI) municipalities;
- the hotel complex in Taormina (ME) - Grand Hotel Capo Taormina;

The contribution to the consolidated result in the first nine months, as stated, was a loss of Euro 1.7 million.

Other Activities Sector

The diversified activities sector includes the companies SOGEINT and PRONTO ASSISTANCE SERVIZI

SOGEINT (wholly owned by Milano Assicurazioni) provides commercial assistance to the agencies. At September 30, 2010, the company had 65 employees and 65 agencies.

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

Asset and Financial Management

Considerations of an Exit Strategy took centre stage in the third quarter of 2010, which were - perhaps prematurely - considered by the principal Monetary Authorities of the “old” industrialised countries who were confident of a self-sustaining economic recovery after the coordinated injection of fiscal and monetary stimuli.

The US, amidst weak signs of recovery with an unemployment rate above 9% and an inflation level dangerously placed in the Fed’s lower end of acceptability, initially signalled to the market and subsequently officially announced a fresh uptake of a large number of US government bonds in order to strengthen the recovery and, although not openly declared as such, to weaken the Dollar - therefore enabling a recovery in exports to bolster overall GDP.

In the Eurozone the economic system showed signs of stability, although the gap continues to widen between the Core countries and the Peripheral countries. In fact the ECB has raised its growth outlook for European GDP for 2010 from 1% to 1.6%. Countries such as Germany, Austria and Holland have largely regained the lost ground from the Great Recession with other countries (Ireland, Portugal and Greece) experiencing fresh public debt problems during the summer.

On the other hand the results of the Stress tests of the European banking system have revealed that the weaknesses are not as extensive as initially thought.

In this context, operations within the Non-Life bond sector in the third quarter of 2010 focused intensely on government securities, with the Corporate component of the portfolio remaining substantially unchanged.

High spread differentials between the peripheral and “core” countries of the Eurozone has enabled significant trading activity. Within this the Italian component remained stable, while the exposure to Germany was progressively reduced and that towards France slightly increased. Due to the significant uncertainties on the market and concerns over the sustainability of the deficits of peripheral countries, no investments were made in countries such as Greece, Portugal and Ireland.

In the Life sector, the difficult levels of some segments of the yield curve provided opportunities to benefit from the various positions opened in the year. Operations were carried out with a view to maximising the performance and led to a redefinition of the bond portfolio which, at the end of the quarter, presented a lower duration and a higher exposure to government securities.

The management activities consistently considered the Asset Liability Management profiles of each portfolio, seeking to maximise the investment objectives in line with the profiles of the policies.

At September 30, the Non-Life sector is composed of fixed interest bonds for 61.8%, those at a variable rate for 34.9% with the residual consisting of Time Deposit investments and money market instruments. The total duration of the portfolio is 2.25 years and the return is 2.04%.

The Life Division has an asset allocation based primarily on fixed rate bonds (84.6%). The duration of the portfolio is 5.20 years and the return is 4.43%.

In relation to the stock markets, the Eurostoxx50 in the quarter grew 6.8%, reducing the contraction on the beginning of the year to 8.9%. The Italian stock market in the first nine months of 2010 outperformed the European indices by over 4 percentage points. Trading activity in the third quarter benefitted from the market volatility and the significant recovery in September.

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

Investments at September 30, 2010 amounted to Euro 9,461.2 million, growth of Euro 90 million on June 30. The breakdown is illustrated in the following table.

<i>(in Euro thousands)</i>	30/09/2010	30/06/2010	Change	31/12/2009
INVESTMENTS				
Investment property	1,055,559	1,062,070	-6,511	1,078,543
Investments in subsidiaries, associates and joint ventures	215,348	214,707	641	189,331
Investments held to maturity	120,317	118,219	2,098	114,924
Loans and receivables	457,806	460,342	-2,536	510,588
Financial assets available-for-sale	7,293,315	7,180,234	113,081	7,206,593
Financial assets at fair value through the profit or loss account	318,858	335,666	-16,808	343,916
TOTAL INVESTMENTS	9,461,203	9,371,238	89,965	9,443,895
CASH AND CASH EQUIVALENTS				
	285,659	248,051	37,608	247,015
PROPERTY, PLANT & EQUIPMENT				
Property	59,388	58,733	655	58,650
Other tangible assets	5,717	5,904	-187	5,719
TOTAL PROPERTY, PLANT & EQUIPMENT	65,105	64,637	468	64,369
TOTAL	9,811,967	9,683,926	128,041	9,755,279

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

Overall, the book value at September 30, 2010 was Euro 221.5 million lower than the expert's valuations at the end of the previous period.

The account Investments in subsidiaries, associated companies and joint ventures did not significantly change on the previous quarter and principally included:

- the holding of 35.83% in **Immobiliare Lombarda** with a book value of Euro 8.8 million;
- a holding of 27.2% in **Citylife S.r.l.**, with a book value of Euro 70 million. As previously noted, the company was awarded the international tender by the Fiera Milano Foundation for the improvement of the historical area of ex-Fiera, with a project designed by the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora. The investment is for approx. Euro 2.1 billion with a total value of production equal to Euro 3.3 billion. The completion of the construction and the commercialisation phase is expected for 2015;
- a holding of 16.67% in **IGLI S.p.A.**, with a book value of Euro 28.4 million, which holds in turn as its only asset 29.96% of the company Impregilo;
- a holding of 44.93% in **Borsetto S.r.l.**, with a book value of Euro 3.5 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress;
- the holding of 50% in **Valore Immobiliare S.r.l.**, with a book value of Euro 8.1 million. The company owns three buildings in Milan (Piazza Firenze n. 6 - Via Caracciolo n. 16 and Via Cagliero n. 3) and in Rozzano (MI), Via Montepenice n. 6-8-10;
- the holding of 49% in **Atahotels**, acquired in 2009 and with a current book value of Euro 10 million;
- the holding of 34.65% in the consortium company **Fondiarria-Sai Servizi Group**, with a book value of Euro 12.2 million, which handles the IT and logistical services of the companies of the Fondiarria-Sai Group;
- the holding of 32% in **Garibaldi S.C.A.** with a book value of Euro 46.5 million. The company is involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale Don Sturzo, via Melchiorre Gioia and the local railway station. The project will undertake the development of approx. 95 thousand sq. m. of building surface, of which approx. 50 thousand sq. m. for office use, approx. 10 thousand sq. m. for commercial use, approx. 15 thousand sq. m. for residential use and 20 thousand sq. mtrs. for exhibition use;
- the holding of 29.56% in **Isola S.C.A.** with a book value of Euro 12.5 million. The company, through its subsidiaries, owns the area in which the real estate project "Porta

Nuova Isola” will be completed. The project is being promoted and managed by the US Group Hines which plans, by 2013 the construction of approx. 30 thousand sq.m. of buildings, of which approx. 22 thousand sq.m. for residential use;

The *Investments held until maturity* account exclusively include securities related to policies with fixed returns or covered by contractual commitments realised through specific assets.

The account *Loans and Receivables*, substantially stable on June 30, 2010, includes:

- debt securities of Euro 347.8 million;
- loans on life policies of Euro 26.7 million;
- receivables from agents for payment of indemnities at the end of mandates (Euro 59.3 million);
- deposits with reinsuring companies of Euro 2.6 million;
- other loans and receivables for Euro 21.4 million.

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

<i>(in Euro thousands)</i>	30/09/2010	30/06/2010	Change	31/12/2009
Financial assets available-for-sale	7,293,315	7,180,234	113,081	7,206,593
Equity securities and investment funds	1,232,774	1,215,975	16,799	1,302,351
Debt securities	6,060,541	5,964,259	96,282	5,904,235
Other financial investments	-	-	-	7

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

Impairments at September 30 amounted to Euro 344.9 million, of which Euro 167.6 million already recorded to the half year financial statements at June 30, as detailed in the paragraph below relating to income from financial instruments.

Following the adjustments carried out, the net equity reserve comprising the difference between the average weighted cost and the fair value of Available-for-sale financial instruments was positive once again for an amount of Euro 51.7 million, net of the shadow accounting and fiscal effect.

The *Financial assets valued at fair value through profit or loss* includes the securities held for trading as well as those specifically allocated to this category. The listed financial instruments

recorded in this category are valued at market value at the last day of trading in the period, with allocation of the difference to the carrying value to the income statement. The breakdown of the account is as follows:

<i>(in Euro thousands)</i>	30/09/2010	30/06/2010	Change	31/12/2009
Financial assets at fair value through profit and loss	318,858	335,666	-16,808	343,916
Equity securities and investment funds	59,552	60,439	-887	58,350
Debt securities	257,518	273,183	-15,665	282,427
Other financial investments	1,788	2,044	-256	3,139

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

Income and charges from financial instruments, property investments and holdings

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

<i>(in Euro thousands)</i>	9M 2010	9M 2009 Pro-forma	Q3 2010	Q3 2009 Pro-forma
Net income from financial instruments recorded at fair value through profit or loss	5,617	56,919	4,118	17,697
Income from investments in subsidiaries, associates and joint ventures	442	2,357	171	2,074
Income from other financial instruments and property investments of which:	302,552	292,093	90,968	82,478
Interest income	159,065	189,959	52,374	56,346
Other income	58,981	56,142	19,244	13,047
Profits realised	84,302	44,887	19,146	11,980
Valuation gains	204	1,105	204	1,105
Total income	308,611	351,369	95,257	102,249
Charges from investments in subsidiaries, associates and joint ventures	-15,857	-9,132	-2,378	-2,229
Charges from other financial instruments and property investments of which:	-427,162	-99,809	-202,174	-25,929
Interest expense	-9,644	-10,773	-2,602	-3,824
Other charges	-14,357	-10,662	-4,258	-4,947
Losses realised	-41,943	-27,790	-12,602	-3,042
Valuation losses	-361,218	-50,584	-182,712	-14,116
Total charges	-443,019	-108,941	-204,552	-28,158
TOTAL NET INCOME	-134,408	242,428	-109,295	74,091

The table at September 30 records net charges of Euro 134.4 million. The result follows impairments carried out on Available-for-sale financial instruments which had an overall negative impact of Euro 344.9 million.

In addition to the impairments recorded to the financial statements at June 30 of Euro 167.6 million, of which Euro 152 relating to shares of the parent company Fondiaria-Sai held in portfolio, further impairments of Euro 177.3 million are recorded, of which Euro 89.2 million

relating to the holding in Assicurazioni Generali and Euro 74.7 million relating to the holding in Unicredit.

The adjustments are made in line with the impairment policy reported in the 2009 annual accounts which requires in particular alignment with the average cost of financial instruments at the stock market values at the end of the period if such value has been continuously lower than the average cost for a period of at least two years.

The impairments applied in the third quarter are not yet recorded in the income statement for 2010 in that they refer to adjustments made for the purposes of the half-year report and the annual financial statements, with reference to the market prices respectively at June 30 and December 31.

The other financial income/charges include:

- **Net income from financial instruments recorded at fair value through profit or loss** were affected by the adjustments based on the stock market values at September 30. The comparison must take account that the 9M 2009 total included Euro 23.5 million of profits deriving from the closure of combined put and call options on the Unicredit shares in portfolio;
- the reduction in **interest income** (Euro 159.1 million in 9M 2010 compared to Euro 190 million in 9M 2009) is principally due to the continuation of the expansive monetary policy by the relevant authorities with a maintenance of low base interest rates in order to foster a recovery, which remains tentative;
- **net profits to be realised on investments** amounted to Euro 42.4 million compared to Euro 17.1 million in the same period of the previous year, principally as a result of the trading activity which took advantage of the opportunities offered by an extremely volatile market, within an uncertain economic environment and with concerns surrounding the sustainability of the public debt of some European Union states;
- **charges from investments in subsidiaries, associates and joint ventures** principally include the losses recorded by Citylife (Euro 3.7 million) and by Atahotels (Euro 9.8 million).

The Citylife result derives from costs relating to the real estate project of the same name under development in Milan, not yet offset by profits on sales of real estate assets, which will be seen in a more advanced phase of the project.

The loss of Atahotels is due to the general difficult economic environment and the crisis in the hotel sector in particular which has been particularly hit by revenues from conferences - an area in which the company is the market leader.

Net technical reserves

The following table summarises the breakdown and compares the situation with the previous quarter and the end of the previous year.

<i>(in Euro thousands)</i>	30/09/2010	30/06/2010	Change	31/12/2009
NON-LIFE DIVISION				
Unearned premium reserve	1,013,423	1,123,253	-109,830	1,121,114
Claims reserve	3,599,387	3,539,404	59,983	3,629,678
Other reserves	3,700	3,669	31	3,562
Total Non-Life Division	4,616,510	4,666,326	-49,816	4,754,354
LIFE DIVISION				
Actuarial reserves	3,569,068	3,553,652	15,416	3,482,010
Reserve for claims to be paid	29,815	26,001	3,814	37,119
Technical reserves where investment risk is borne by policyholders and pension fund management	198,625	213,849	-15,224	224,411
Other reserves	44,221	7,700	37,080	36,720
Total Life Division	3,841,729	3,801,202	41,086	3,780,260
TOTAL	8,458,239	8,467,528	-8,730	8,534,614

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

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

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

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

The amount of these accumulated reserves at the transition date to the international accounting standards was recorded as an increase of net equity.

The technical reserves of the life classes are those relating to the insurance contracts and the investment contracts with discretionary participation, governed by IFRS 4. This account does not include the liabilities relating to unit linked policies and units of the Milano Assicurazioni Open Pension Fund which, having an insignificant insurance risk, are governed by IAS 39 (Financial instruments) and are therefore recorded under financial liabilities.

Financial liabilities

These amount to Euro 470.1 million and are composed of:

<i>(in Euro thousands)</i>	30/09/2010	30/06/2010	Change	31/12/2009
Financial liabilities at fair value through profit or loss account	73,012	71,861	1,151	68,215
Other financial liabilities	397,115	395,860	1,255	397,932
TOTAL	470,127	467,721	2,406	466,147

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

The account *other financial liabilities* consists of deposits from reinsurers according to various contractual provisions (Euro 177.2 million), subordinated loans (Euro 150.2 million) and bank payables (Euro 69.7 million).

Subordinated loans relates to:

- Euro 50.3 million relates to the residual amount (net of the repayment of Euro 100 million made in 2008) of the subordinated loan provided to Milano Assicurazioni by Mediobanca in 2006 for an original amount of Euro 150 million. This loan provides for an interest rate of Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. The loan may also be repaid in advance, including partially, from the tenth anniversary of the loan and with authorisation from ISVAP.
- Euro 99.9 million, equal to the amortised costs of the nominal Euro 100 million provided to Milano Assicurazioni by Mediobanca in 2008. This loan was of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to 50% of the relative amount. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months increased by 350 basis points for the first ten years and subsequently 450 basis points. The repayment may be made in one repayment after 10 years.

SHAREHOLDERS' EQUITY

Group shareholders' equity at September 30, 2010 amounted to Euro 1,649.3 million. The breakdown of the account is as follows:

<i>(in Euro thousands)</i>	30/09/2010	30/06/2010	Changes	31/12/2009
Group Net Equity	1,649,257	1,626,107	23,150	1,881,921
Share Capital	305,851	305,851	-	305,851
Capital reserves	718,147	718,147	-	718,147
Retained earnings and other reserves	982,910	982,888	22	1,181,009
<i>Treasury shares</i>	<i>-31,353</i>	<i>-31,353</i>	-	<i>-31,353</i>
Profit or loss on available-for-sale financial assets	51,660	-149,677	201,337	-148,605
Other gains and losses recorded directly in equity	-4,917	-4,474	-443	-3,141
Group net loss	-373,041	-195,275	-177,766	-139,987
Minority interest equity	1,372	1,370	2	106,002
Minority capital and reserves	1,398	1,387	11	104,531
Gains and losses recorded directly in equity	-1	-	-1	-604
Minority interest profit/(loss)	-25	-17	-8	2,075
TOTAL	1,650,629	1,627,477	23,152	1,987,923

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

The account *Retained earnings and other reserves* principally include the legal reserve (Euro 51.7 million), the extraordinary reserve (Euro 228.3 million) and other retained earnings of the parent company Milano Assicurazioni, the merger reserve (Euro 330.3 million) in addition to the reserve relating to the first application of the IAS/IFRS accounting principles (negative for Euro 44.1 million) and the consolidation reserve (negative for Euro 40.6 million).

The profits or losses on available-for-sale financial assets derive from the fair value adjustment of the financial instruments classified in this category, net of the relative deferred taxes and of the part attributed to policyholders. The significant change on June 30 principally follows the impairments in the third quarter for the amount of Euro 177.3 million which effectively transferred the charges from the fair value adjustment of the relative financial instruments from this reserve to the result for the period.

The *other gains and losses recorded directly in equity* include the actuarial losses following the application of IAS 19 (Euro 2.8 million) and the losses relating to the valuation of a derivative financial instrument to hedge cash flows (Euro 2.1 million).

OTHER INFORMATION

Sasa - Liguria

The corporate and industrial restructuring project continues concerning Liguria Assicurazioni S.p.A., Liguria Vita and the agency networks of Milano Assicurazioni distributing insurance policies under the Sasa and Sasa Vita brands.

This project, extensively set out in the 2010 Half-Year Report, provides in particular for the creation of a single insurance entity, legally separate, which regroups the agency networks more focussed on a multi-mandate offer, to be created through the share capital increases of Liguria and Liguria Vita, in accordance with article 2441, paragraph 4 of the civil code, reserved to Milano, with conferment of the business units of Milano which concern the agency networks distributing the brand products respectively of Sasa and Sasa Vita.

In relation to the possibility to develop the combined entity through sales operations, the negotiations in progress with the Clessidra Private Equity Fund have encountered some issues including those related to proposals put forward by the Clessidra Fund concerning the financial conditions of the operation (shareholding size and method of payment/financing of the transaction) and those of an operational nature (industrial outsourcing and IT agreements). Under the current terms the Clessidra offer is not considered acceptable, although the negotiations continue.

Building sale project

Milano Assicurazioni owns a building in Milan at Via Cordusio No. 2 and Via G. Casati No. 1. This is a prestigious mixed use building with a high value based on its architectural characteristics, its location in the historic centre of Milan and the recent investments made which will ensure a significant profit margin.

In view of the policy to gradually reduce the real estate component of the investment total - currently higher than our competitors' average - Milano Assicurazioni has explored the possibility to sell the building, considering also that the sale would result in a significant gain.

A competitive sales procedure was therefore begun in June among selected companies including the largest operators in the real estate sector internationally.

Currently the due diligence phase is almost complete for the parties who have made interesting offers and binding offers have been made for the purchase of the building, which will be examined by the relative boards of the company. The closing of the operation is scheduled by the end of the current year.

Performance of Atahotels S.p.A.

The company continues to be affected by the difficult economic situation and in particular by the problems in the congresses sector, in which Atahotels enjoys a leadership position.

In the first part of the year volumes in the Milan area generally fell, particularly in the conferences sector, while in the summer months the resorts were affected by the crisis (lower number of guests than originally forecast, shortening of average vacation durations and last minute bookings, with the sector resorting to discounted promotional campaigns).

The Company decided not to follow the market trend of reduced prices, deciding against smaller margins so as not to reduce average sales margins within a contracted market, with hopes of an upturn from 2011.

Revenues in the first nine months amounted to Euro 90.4 million, increasing 4.4% on Euro 86.6 million in the same period of the previous year, achieved however with the contribution of Residence The One, inaugurated only in July 2009.

Costs remain substantially unchanged on the previous year (Euro 66.6 million in 9M 2010 compared to Euro 67.3 million in the same period of 2009), allowing therefore an improvement of the gross operating profit of 24% (Euro 4.6 million) compared to the same period of the previous year. Rentals increased by 17% to Euro 25.5 million. Depreciation amounted to Euro 8.5 million.

In the first nine months a loss of Euro 20.1 million was recorded, compared to a loss of Euro 19.5 million in 9M 2009. The third quarter reported a better performance than previous quarters (loss of Euro 1.5 million) due to the seasonality of the tourism sector.

Due to the combined effect of the losses recorded and share capital injections by shareholders for Euro 20 million, the shareholders' equity totals Euro 10.2 million.

The share of the loss relating to the Milano Assicurazioni group, which holds 49% of the share capital, amounts to Euro 9.8 million. The share capital injection by Milano Assicurazioni in the current period totalled Euro 9.8 million, of which Euro 4.9 million on March 18 and Euro 4.9 million on June 30.

In order to regain profitability, initiatives continue to restructure the company and in particular rationalise and contain costs. Among the initiatives undertaken, we highlight the centralisation of some staff functions with savings in terms of resources and the optimisation of processes, as well as the outsourcing of some hotel services in order to render the relative costs more flexible and link them more closely to revenues. The hotel rental contracts with both companies of the Fondiaria-Sai Group and third parties are also currently being reviewed.

Solvency Projection

Based on the economic performance in the period and taking into account the projected performance, it is estimated that, for the full year, the constituting elements of the solvency margin will comfortably exceed the minimum amount required by Isvap measure No. 18 of March 12, 2008, with a coverage ratio of approx. 190%.

Transactions with related parties

The Board of Directors has previously approved specific conduct principles for the undertaking of significant transactions, inter-group transactions and transactions with related parties, including those relating to real estate construction projects, as recommended by the Self-Governance Code for listed companies. The Internal Control Committee, in undertaking its consultative functions, was appointed to carry out a preliminary examination, as is common practise, of the inter-group and related party transactions - which in accordance with the above-stated principles are subject to examination and approval by the Board of Directors or by the Executive Committee.

In line with the conduct principles in question, the guidelines on inter-group and related party transactions were drawn up (and approved by the Board of Directors) in accordance with ISVAP regulation No. 25 of May 27, 2008.

According to that established in the conduct principles and in the above-stated guidelines, inter-group transactions and those with related parties require, and as applied to the situation detailed below, the acquisition of a specific fairness opinion concerning the correctness of the transaction values, in addition to, where necessary, a specific legal opinion in the case in which the nature of the contract demands a more in-depth legal analysis.

The conduct principles and the guidelines are included in the Corporate Governance report, published in accordance with the relevant regulations to which reference is made.

The Company some time ago began the necessary actions for the adoption of the procedures concerning transactions with related parties established by Consob with resolution No.17221 of March 12, 2010, and with the examination and approval of the procedures by the Board of Directors of the Company scheduled to take place by the end of the current month of November in consideration of the deferment to December 1 of the deadline for the adoption of the procedures decided by Consob with resolution No.17389 of June 23, 2010.

The Board of Directors therefore on September 22, 2010 appointed the Internal Control Committee comprised exclusively of independent directors to examine the procedures in question and draw up an opinion to be submitted to the Board of Directors which will be called to approve the procedures.

Therefore, although the present quarterly report has not been prepared in accordance with the disclosure obligations established by IAS 34 (Interim Accounts), disclosure on the significant transactions with related parties is included, with those reported concerning only transactions with business entities and with a value threshold of above Euro 5 million (this refers to balance sheet and income statement values as at and for the period ended 30/9/2010).

- in the current year Euro 1 million was paid to “IM.CO. S.p.A.” in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell’Isola). The operation began in 2005 with the sale to “IM.CO. S.p.A.” of the above-mentioned land and provides for the purchase from “IM.CO. S.p.A.” for Euro 93.7 million of a building for office use under construction on the land sold. The payments made to IM.CO. S.p.A. in the first nine months of 2010 amount to Euro 43.1 million, recorded in the account Property Investments;
- the Property Investments account at September 30 includes Euro 103.5 million of payments on account in previous periods to the company “Avvenimenti e Sviluppo Alberghiero S.r.l.” in relation to the execution of the real estate contracts on the building areas at Via Fiorentini, Rome. We recall that this operation, undertaken in 2003, included the sale to “Avvenimenti e Sviluppo Alberghiero S.r.l.” of a site and the purchase of the completed real estate complex under construction on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009. No payments were made in the current period in relation to this operation.

Fairness and legal opinions were sought from independent experts in relation to these operations. The fairness opinions confirmed the appropriateness of the sales price of the areas and the purchase price of the buildings under construction.

Treasury shares and shares of holding companies

At September 30, 2010, the Parent Company Milano Assicurazioni held treasury shares, shares of the direct parent company Fondiaria-SAI and of the indirect parent company Premafin as shown in the table below:

<i>(in Euro thousands)</i>	Number	Amount
Treasury shares	6,764,860	31,353
Fondiaria-SAI Group	9,982,557	74,178
Premafin shares	9,157,710	8,051

In the period no operations in relation to treasury shares or of holding company shares were carried out.

Agency Networks

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

	30/09/2010	31/12/2009
North	1,036	1,034
Centre	489	518
South and islands	503	542
Total	2,028	2,094

Employees

At September 30, 2010, the number of employees of the Parent Company and of the consolidated companies amounted to 2,000 (2,026 at 31/12/2009) divided as follows:

	30/09/2010	31/12/2009
Executives	27	25
Managers & white collar	1,966	1,997
Building caretakers	7	4
	2,000	2,026

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

Reference is made to the section *Other Information* in relation to the developments of the Sasa-Liguria operation and the sale project of the building located in Milan, Via Cordusio.

OUTLOOK

The actions taken to recover profitability in the insurance sector of the non-life classes will continue to bear fruit in the remaining part of the year.

In particular, in relation to the motor classes, the current underwriting policy which limits the recourse to discounts, the winding-down of the multi-claim portfolio and the actions taken with poorly performing agencies will enable further improvement in the combined ratio, as already seen in the period examined.

In the non motor classes the reform and discontinuation of the contracts with unsatisfactory performances will continue, with particular reference to the civil responsibility risks relating to the corporate and public body sector.

It is expected that the life classes can repeat the strong results recorded in the first nine months in terms of the development of the portfolio and the technical profit margins.

Relating to the financial and asset management, the principal valuation losses on financial instruments held have already been incorporated in the present interim report, with a negative impact on the income statement of Euro 344.9 million.

Following the adjustments made the principal listed investments present a book value in line with the stock market values at September 30 and, excluding a further considerable drop in market prices, no additional significant impacts are expected on the result for the year.

PREPARATION CRITERIA AND CONSOLIDATION SCOPE

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

In the first nine months of 2010 Meridiano Orizzonti S.r.l. exited the consolidation scope following incorporation into the Parent Company on April 14, 2010. A list of the Subsidiaries and Associated Companies in accordance with the above-mentioned ISVAP Regulation No. 7 of July 13, 2007 and subsequent amendments is provided as an attachment.

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

The quarterly financial statements have not been audited.

In the preparation of the income statement and net financial position, consideration was taken of ISVAP Regulation No. 7, concerning the instructions for the format of the consolidated financial statements as per the international accounting standards; the data contained in the financial statements derives from the application of the same accounting principles used for the preparation of the 2009 consolidated financial statements, to which reference should be made for a detailed description of the individual methodologies, except for those indicated below.

Motor TPL division claims reserve

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

- claims within the CARD Operator regime: commencing from the valuations of the settlement networks the expected last cost was recorded based on the expected costs taking into account the amount already paid and therefore establishing the recoverable flat rate;
- claims within the CARD Debtor regime: the valuation was made based on the once-off amount defined by the Technical Committee created pursuant to Pres. Decree No. 254/2006 and subsequent changes;
- claims not within the direct indemnity system (including claims occurring before the beginning of the direct indemnity system and claims which involve more than two vehicles or with permanent physical injury above 9%): the valuation of the last cost of the claims in the current period was made revaluing the amounts indicated by the settlement offices, taking into account the average costs assumed for these type of claims, which are more costly. For previous year claims, already recorded to reserves at the beginning of the period, the valuation was based on the last costs at the end of 2009 based on the same statistical methodology of the claims cost taking account of the reversals to the reserve in the half-year.

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

Reinsurance

The technical reserves relating to the reinsurers are calculated based on the portion ceded for the proportional reinsurance and in a revisional manner for the excess and stop-loss reinsurance, on the basis of the information available and utilising the same criteria for the direct premium reserves, taking into account the contractual clauses.

The accounts relating to the indirect premiums represent the portion of the results estimated for the full year; in the determination of the values account was taken of the data certified relating to obligatory contracts accepted by the companies outside of the Group, whose technical results refer to the year 2009.

Valuation and impairment of financial instruments

In relation to the valuation of financial instruments classified as available-for-sale, the impairment policy utilised in the present quarterly report is the same as that utilised in the 2009 annual accounts to which reference is made for greater detail.

For the purposes of the objective recording of the reduction of value, the Group has defined the conditions of a prolonged and significant reduction of fair value, defined alternatively as follows:

1. a reduction of the market value above 80% of the original cost at the reporting date of the accounts;
 2. a market value continuously lower than the original cost for a period of two years.
- the original cost relates to, in conformity with that applied from the introduction of the IAS principles, the average weighted cost at the date of preparation of the accounting documents.

In relation to financial instruments which report a significant decrease in fair value and not within the thresholds above, the analysis of the existence of impairment was made on the basis of a mixed valuation approach, differentiated by the quality and the size of the holding. It is also reported that some valuation processes of financial assets available-for-sale, are - given their complexity - generally made in the preparation of the annual financial statements. During the year, the absence of issues regarding the issuing companies of securities in portfolio which may significantly affect the valuations in the accounts was verified.

However, the financial instruments recorded to the Available-for-sale category at September 30 report overall a net gain of Euro 51.7 million on the stock market values at the end of the quarter and, for the securities which report losses, the differential between the book value and the stock market price at September 30 is, in nearly all cases, under 50% of the book value.

Milan, November 10, 2010

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

CONSOLIDATION SCOPE

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Consolidation scope

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

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

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

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

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

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

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Non consolidated investments

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

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

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

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

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

% direct holding	% total holding (3)	% votes at ordinary shareholders' meeting (4)	Book Value
-	20.00	20.00	357
49.00	49.00	49.00	9,975
-	44.93	44.93	3,489
-	27.20	27.20	69,982
-	10.00	10.00	7,223
32.00	32.00	32.00	46,540
-	94.97	95.00	-
34.19	34.63	34.65	12,174
29.56	29.56	29.56	12,532
-	16.67	16.67	28,366
35.83	35.83	35.83	8,824
-	29.73	29.73	889
-	20.00	20.00	2,280
29.00	29.00	29.00	1,748
24.50	24.50	24.50	1,960
30.00	30.00	30.00	294
-	20.00	20.00	105
19.63	20.12	20.31	205
-	40.00	40.00	303
50.00	50.00	50.00	8,100

Declaration of the Executive Responsible

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

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

AFFIRMS

pursuant to the provisions of article 154 bis of the “Finance Act for financial intermediaries” that the Interim Report as at September 30, 2010 corresponds to the underlying accounting documents, records and accounting entries.

Milan, November 10, 2010

*The Executive in charge of the preparation
of the corporate accounting documents*

Dr. Pier Giorgio BEDOGNI