
**CONSOLIDATED HALF YEAR
REPORT
AS AT 30 JUNE 2006**

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MANAGEMENT REPORT

BUSINESS PLAN OF THE FONDIARIA-SAI GROUP FOR THE THREE-YEAR PERIOD 2006-2008

The new Business Plan of the Fondiaria-SAI S.p.A. Group was presented to the financial community in April 2006. The purpose of the plan is to achieve growth for shareholders by increasing business diversification to reduce risk, creating new development options, increasing profitability, acting on the platform through which the Group currently operates and on growth scenarios that are currently being created, which include optimising the management of surplus capital.

As regards the current platform, the objectives are the following:

- to achieve a growth rate of close to 15% in the non-motor retail market by means of an intensive programme of sales campaigns, the addition of new sales people and the launch of different development programmes involving over 5,000 agents;
- to maintain leadership in the motor sector, keeping the current level of profitability by extending the new “Nuova Prima Global” product to the whole group;
- to maintain a substantially unchanged combined ratio level but with a more balanced portfolio mix and with satisfactory long-term results;
- to grow in the Life classes by developing new annual premium products, increasing the involvement of the network of agencies by introducing new management methods and growing in the bancassurance sector;
- to develop the Managed Savings sector by acquiring networks of financial advisors and relaunching Banca Sai with campaigns targeted at current financial advisors.

As regards the new growth options, the Group’s targets are:

- to sell 170,000 policies through the direct channel, developing the subsidiary Dialogo Assicurazioni, by means of targeted investments, in order to win new clients who can be introduced to non-motor products by cross-selling via the traditional channels;
- to develop the Non-Life bancassurance sector through 2,700 bank branches, either by means of sales agreements or by means of joint ventures with banking partners, using the group’s know-how with a dedicated structure and operating on products associated with a low level of claims;
- to expand the Group’s presence abroad in the Mediterranean area and Eastern Europe, by setting up dedicated holding companies with partners who have detailed knowledge of the countries where the Group will be operating.

By optimising the management of capital, the Group will be able to achieve growth for all shareholders while complying with the minimum capitalisation requirements imposed by the Regulatory Body. This will allow the Group to achieve the following objectives over the three years of the plan:

- to offer attractive dividend programmes (with pay outs increasing to up to 60% for the parent company);
- to continue strengthening equity, with the prospect of an improvement in the rating.

PERFORMANCE

The consolidated half year report as at 30/06/2006 complies with ISVAP Instruction no. 1207-4 of July 1999, as amended by Instruction No. 2460 of 10/08/2006, and has been drafted in accordance with the rules regarding company balance sheets and the consolidation principles used to draft the consolidated balance sheet as at 31/12/2005, inspired by general criteria of prudence with the prospect of continuing the business and by Instruction 2404 of 22/12/2005.

As pointed out later on in this report, when interim data is being determined, greater use is made of estimates in projections when applying the mandatory balance sheet drafting principles and valuation criteria.

The correct function of the data is therefore to present, in a reasonably reliable manner, the economic situation and the financial position of the Company as at 30 June and to provide information on the business outlook for the second part of the year.

In accordance with CONSOB Communication no. DEM/6064293 of 28/07/06 and with the CESR recommendation relating to alternative performance indicators (CESR/05-178b) mentioned therein, we confirm that the main indicators used in this report are consistent with standard market indicators and with the principal relevant academic theories, as well as with standard practice in financial analysis. Where indicators that do not comply with the aforementioned requirements are used, the information needed to understand the basis for calculation used is provided.

Premiums

In the first half of the 2006 financial year, total premium income was € 4,940,809K, the component parts of which can be summarised as follows:

(€K)	1st half year 2006	1st half year 2005	% Variation
<u>DIRECT INSURANCE BUSINESS</u>			
Non-Life Business	3,726,251	3,648,317	2.14
Life Business	1,204,948	1,190,521	1.21
TOTAL	4,931,199	4,838,838	1.91
<u>REINSURANCE BUSINESS</u>			
Non-Life Business	4,572	7,253	(36.96)
Life Business	5,038	4,948	1.82
Total reinsurance business	9,610	12,201	(21.24)
Grand total	4,940,809	4,851,039	1.85
of which:			
Non-Life Business	3,730,823	3,655,570	2.06
Life Business	1,209,986	1,195,469	1.21

The Consolidated Profit and Loss Account

In order to make it easier to compare the financial data, the Group has restated the consolidated half year accounts for the first six months of the 2005 financial year in a way that complies with international accounting principles. We would remind you that at the time when the half year accounts for 2005 were drawn up, the Group decided that it would be best to draw up the consolidated half year accounts using the same accounting principles that were used for the accounts as at 31/12/2004, inter alia for the purpose of having a historical record that would allow the Group's performance to be adequately understood.

Consequently, the Group complied with the provisions of article 81-ii of CONSOB Resolution no. 11971 of 14/05/1999, introduced by CONSOB Resolution no. 14990 of 14/04/2005, drawing up, among other things, a statement reconciling the financial results for the half year period calculated according to the previous accounting principles and those calculated according to international accounting principles.

In drawing up the consolidated profit and loss account as at 30/06/2005, the Group took into account a number of amendments made to international accounting principles, particularly the limits placed on the use of the so-called Fair Value Option (see EU regulation no. 1864/05), which had already been taken into account when drafting the consolidated balance sheet as at 31/12/2005. This, together with other minor changes, means that the consolidated profit for the first half year of 2005, which is used here for comparative purposes, is not the same as the one shown in the aforementioned reconciliation statement.

The good operating results recorded in the half year accounts for the Parent Company are confirmed at consolidated level as well. In fact, the positive results achieved by the Parent Company in industrial sectors are confirmed by the positive contribution from the Group's insurance companies.

We would remind you however that, as a result of the transition to IAS/IFRS accounting principles, the valuation losses on financial instruments are only recorded in the profit and loss account if they are attributable to financial instruments whose fair value is posted to the profit and loss account or, in the case of financial instruments available for sale, if they represent actual long-term losses in value (so-called impairment)

The following table summarises the result for the first half of 2006 compared to the same period of the previous financial year and to 31/12/2005.

(€K)	30/06/2006	30/06/2005	Variation	31/12/2005
Net premiums	4,728,864	4,572,242	156,622	9,096,307
Net charges relating to claims	3,779,039	3,808,245	(29,206)	7,497,780
Net commissions	14,719	20,663	(5,944)	39,776
Net income from investments	572,640	500,095	72,545	888,315
Net income from financial instruments at fair value through profit or loss	(21,980)	101,409	(123,389)	126,561
Operating expenses	784,084	760,335	23,749	1,528,127
Operating expenses on investments and interest payable	85,483	47,879	37,604	124,600
Other net income and charges	(182,514)	(141,142)	(41,372)	(169,323)

Profit (loss) in the financial year before tax	463,123	436,808	26,315	831,128
Income tax	143,105	147,071	(3,966)	244,778
Profit (loss) in the financial year net of tax	320,018	289,737	30,281	586,350
Profit (loss) on operating activities ceased	0	0	0	-
Consolidated profit (loss)	320,018	289,737	30,281	586,350
Third party profit (loss) in the financial year	61,909	55,772	6,137	121,067
Group profit (loss) in the financial year	258,109	233,965	24,144	465,283

The essential elements of the half year consolidated results are the following:

- The consolidated half year profit was € 320m, including the Group profit of € 258m and the third party share of € 62m.
- The overall technical performance of the insurance sectors was characterised by an increase in the volume of premium income both in the Non-Life sector (+2.06%) and in the Life sector (+1.2%).
- Activity in the Non-Life insurance sector confirms the good results recorded in previous financial years, thanks to the good performance of current claims, the good result of the dismantling of claims reserves from previous financial years and the containment of operating costs.
- In this context, the Motor TPL class, which suffered an increase in claims during the first half of the financial year, shows an improving operational trend, both because the seasonal phenomena that had characterised the first few months of the year disappeared, and because subsidiaries reduced the size of their portfolios in a number of areas that were deemed unprofitable.
The Land Vehicle Hulls class confirms a more than positive performance, recording absolutely excellent operating figures. In the elementary classes, the technical balance remains positive, despite the presence of a few more critical situations in the health and third party liability sectors.
The result before tax for the sector is positive by € 308m.
- The Life sector recorded a profit before tax of over € 121m, as a result of the higher income from investments and the bigger margins recorded during the period. We should point out that part of the improvement is due, among other things, to application of the accounting technique of shadow accounting, which allowed the Group to offset the value adjustments apportioned to policy holders against insurance liabilities as a contra-entry, while respecting the minimum guaranteed levels.
- The property sector recorded a profit before tax of more than € 21m compared to the loss recorded at the end of the previous financial year, which was however affected by the extraordinary effects of the acquisition of Gruppo Immobiliare Lombarda. During the first few months of 2006, property activities performed fairly well in terms of profitability and asset values.
- The other activities sector, which includes companies operating in the financial and managed savings sectors, recorded a profit before tax of € 11m, compared to the loss of € 6m during the first half of 2005. Despite the persistence of a number of critical problems affecting companies in the banking and asset management sectors, due to the high level of costs compared to revenue, the financial companies performed well and some of them achieved significant capital gains from trading during the six-month period.

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- Gross technical reserves amount to € 25,580m (€25,360m in 2005), of which € 11,614m relate to non-life classes and € 13,966m relate to life classes. The ratio between total technical reserves and total premiums written is 257.3% (266.9% in 2005). This ratio is equal to 154.4% in the Non-Life sector (160.3% in 2005).
 - Total operating costs amount to € 784m (€ 760m as at 30/06/2005). In the non-life sector, these costs amount to € 690m and represents 18.5% of premiums (18.6% in 2005), while in the life classes the total amount of costs is € 65m and represents 5.4% of premiums written (6.3% in 2005). Work continues therefore to contain the expense ratio, the overall incidence of which on premiums is 15.2% compared to 15.5% at the end of the 2005 financial year.

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- Net commissions for financial services rendered and received are positive in the amount of approximately € 15m. Approximately 8 of these are attributable to the life sector, while the rest relate to the other business sector.
 - The contribution of net income from financial instruments at fair value through profit or loss is negative by approximately € 22m. This item includes the net income from financial activities in which the risk is borne by the policy holder, a significant amount of dividends on shares classified to be traded in the Non-Life sector and fair value adjustments.
 - Excluding the contribution of the net income from financial instruments at fair value through profit or loss, the total net income from investments, including proceeds from shareholdings in subsidiaries, associated companies and joint ventures, which amounts to € 24m, rose to € 573m (€ 500m as at 30/06/2005). Interest receivable of € 342m, other net proceeds of € 92m, net income on the sale of assets of € 134m and valuation losses, net of the respective value adjustments of approximately € 18m, all contributed to this figure.
 - Investment management costs and interest payable amounted to € 85m, € 42m of which relate to interest payable on the Group's financial debts.
 - The balance of other income and costs is negative in the amount of € 183m (€-146m in the first half of 2005). This item is affected by depreciation of tangible and intangible assets amounting to approximately € 21m.
 - The income tax burden stands at approximately € 143m and has been positively affected by the greater incidence of a number of profit components which, following the IRES reform, have become irrelevant for tax purposes, such as those associated with capital gains on the sale of exempt shareholdings (so-called "PEX"), as well as by the greater amount of dividends received during the half year period.

However, the legislative framework regarding company taxation is constantly changing, as demonstrated by recent government measures in this field (Law 248/06). Therefore, both the seasonality associated with the dividends campaign, and the respective legislative changes, may lead to an increase in the tax burden at the end of the financial year.

We should point out that the result for the period has not been influenced by events or transactions that are non-recurrent or alien to the normal course of business.

Finally, as regards the reconciliation statement between the result recorded by the Parent Company for the period and the consolidated result, please see the explanatory notes in the section relating to the net equity.

Non-Life Insurance Sector

The general performance of the sector is described in detail in the section dedicated to the management of the Non-Life insurance business in the Parent Company's half year report, to which you are referred for further details.

We would remind you that, at the end of 2005, the Fondiaria-SAI Group was ranked second in terms of Italian direct business premiums consolidated according to IAS/IFRS principles, with a total premium income for both Non-Life and Life products of 9.5 billion euros, confirming its strong present in Italy and its dedication to the core business of insurance.

In particular, in the Non-Life class, the Group achieved a dominant position over other Italian insurance companies (with premium income corresponding to 19.7% of the market value), also achieving the top position in the Motor Insurance market (with premium income of 23.1% of the total amount brokered) and maintaining a constant balance in growth, in terms of market share and profitability of the class. The leadership held in terms of both size and profitability is also confirmed by the optimisation of the trade-off between market share and profitability in the Non-Life classes compared to the leading competitors in the Italian market, with a combined ratio of 92.2 as at 31/12/2005, among the best values achieved in the sector at the end of the year, and performance in the Motor TPL that is significantly and consistently better than the market average.

Thanks to the new acquisitions and agreements established during the first half of 2006, the Fondiaria-SAI Group has laid the foundations for the creation of synergies and the development of new growth options in the future.

The key initiatives of the 2006-2008 business plan presented to the financial community during the month of April include:

- the acquisition of Liguria Assicurazioni, in respect of which a purchase and sale contract was definitively signed at the end of May (for further information see the Parent Company's half year report), which will allow the Group's market share in the Non-Life sector to increase by 0.4 percentage points;
- the relaunch of the subsidiary Dialogo (a company that is mainly involved in the placement of motor insurance products by telephone and via the Internet), which will allow direct distribution to increase, both by means of a new advertising campaign launched in June, aimed at achieving significant growth in the portfolio, and by launching a new product and new tariffs by the end of the year;
- increasing "non-motor" production, which involves establishing new distribution contracts and joint ventures with banking partners, creating a new range of "ad hoc" products for the banking channel and maximising cost synergies;
- increasing "non-motor" retail business, by providing greater support to the network of agencies in terms of hours of training (with a plan to provide over 3 million hours), 60 sales campaigns (6 of which have already been launched) 4 differentiated development programmes for over 5,000 agents, the recruitment of 1,500 new sales people, to become a leader in the elementary classes, with a forecast annual growth of 14%;
- expanding the Group's presence abroad in synergy with selected partners, both as a growth option and to satisfy Italian clients living overseas, which involves in-

vesting approximately 500 million euros in dedicated vehicles for acquisitions and joint ventures;

- co-operation agreements, already drawn up during the first half of the year and still being negotiated, with Banca Popolare di Milano and Fineco Assicurazioni which, together with the current provincial distribution of the Systema and Novara Assicura companies, provide for the development of bancassurance in the Non-Life sector through over 3,000 bank branches scattered throughout the country for the distribution of insurance products.

Premiums

Premium income from direct business in Italy amounts to € 3,726,251K (+2.14%).

The following table shows the breakdown by class:

ITALIAN DIRECT BUSINESS	1st half year 2006	1st half year 2005	% Variation
(€K)			
Accident and Health	333,704	325,807	2.42
Marine, aircraft and goods in transit	104,292	103,427	0.84
Fire and other damage to property	338,389	328,274	3.08
General TPL	238,570	227,564	4.84
Credit and Bonds	35,968	36,946	(2.65)
Sundry pecuniary losses	12,563	12,198	2.99
Legal protection	7,747	7,782	(0.45)
Assistance	16,897	15,945	5.97
TOTAL NON-MOTOR BUSINESS	1,088,130	1,057,943	2.85
Land vehicle TPL	2,257,411	2,215,454	1.89
Motor insurance Other Classes	380,710	374,920	1.54
TOTAL MOTOR CLASSES	2,638,121	2,590,374	1.84
TOTAL	3,726,251	3,648,317	2.14

Premiums ceded amounted to € 120m (€ 141m as at 30/06/05).

Gross claims settled for direct business amounted to € 2,574m, substantially in line with the previous half year.

Total technical reserves, gross of reinsurance, amounted to € 11,614m and are 1.4% higher than on 31/12/2005. It is worth pointing out that as of this half year period Liguria Assicurazioni S.p.A. is fully consolidated and contributes € 192m to the Group's technical reserves.

The incidence of operating costs on premiums fell slightly (18.5% compared to 18.6% as at 30/06/2005).

The combined ratio for the period amounted to 94.9% compared to 94.1% as at 30/06/2005.

This ratio continues to demonstrate the high degree of operational efficiency achieved in insurance processes related to winning new business and settling claims.

It is worth pointing out that the ratio indicates a slight improvement in the level of claims (the ratio of claims to earned premiums for the period is 70.4%), substantial stability of the incidence of operating costs and greater pressure of the balance of other net technical charges.

Claims settled and reported

The following table shows the distribution by class of business of the claims settled and reported for direct Italian business, including costs:

	Claims settled			Claims reported		
	1st half year 2006 €m	1st half year 2005 €m	% Varia- tion	1st half year 2006 Number	1st half year 2005 Number	% Varia- tion
ITALIAN DIRECT BUSINESS						
Non-Life Classes						
Accident and Health	193.2	197.0	(1.91)	149,118	144,504	3.19
Marine, aircraft and goods in transit	12.9	30.2	(57.24)	2,122	2,286	(7.17)
Fire and damage to property	192.7	186.3	3.43	95,003	89,794	5.80
General TPL	170.0	161.6	5.17	55,215	52,012	6.16
Credit and Bonds	33.9	22.0	53.74	609	605	0.66
Sundry Pecuniary Losses	2.7	3.6	(25.47)	1,922	4,406	(56.38)
Legal protection	0.6	0.5	41.24	1,128	1,619	(30.33)
Assistance	7.9	4.9	59.33	37,377	31,777	17.62
TOTAL NON-MOTOR CLASSES	613.9	606.1	1.28	342,494	327,003	4.74
Land vehicle TPL	1,790.6	1,801.2	(0.59)	520,451	516,715	0.72
Motor insurance Other Classes	170.2	159.4	6.77	128,789	115,864	11.16
TOTAL MOTOR CLASSES	1,960.8	1,960.6	0.01	649,240	632,579	2.63
TOTAL NON-LIFE CLASSES	2,574.7	2,566.7	0.31	991,734	959,582	3.35

The performance of the main subsidiaries in the 1st half of 2006 is summarised in the following table:

(€K)	TOTAL GROSS PREMIUMS	% VARIATION %	RESULT FOR THE PERIOD
DIALOGO ASSICURAZIONI S.p.A.	7,044	(35.03)	10
LIGURIA ASS.NI S.p.A.*	14,433	-	1,819
MILANO ASS. S.p.A.**	1,426,697	2.36	138,196
SASA S.p.A.	192,170	8.15	4,054
SIAT S.p.A.	97,225	18.01	611

* The total gross premiums relate to the period between 30/05/2006 and 30/06/2006. The percentage variation cannot therefore be compared to the previous period.

** Consolidated data as at 30/06/2006. The result for the period includes the Life business.

We now present essential details regarding the main Group companies. Note that the data has been calculated according to Italian accounting principles.

DIALOGO ASSICURAZIONI S.p.A.

Share capital €8,831,774

(Indirect shareholding 99.85%)

The Company is mainly involved in selling motor products by telephone and on the Internet.

As required by the Fondiaria-SAI Business Plan for 2006-2008, in June 2006 the Company launched a new advertising campaign aimed at achieving significant growth in its portfolio. This campaign, which was launched at the end of June, has not had a positive effect on premiums earned during the half year period, which fell to €7,044K compared to €10,842K in the corresponding period of the previous financial year (-35.03%).

The technical account as at 30 June shows a loss of €77K, significantly lower than the figure recorded as at 30/06/2005 of €216K.

The profit and loss account as at 30 June closed with a profit of €10K compared to a profit of €35K in the first half of 2005.

LIGURIA SOCIETA' DI ASSICURAZIONE S.p.A.

Share capital €23,000,000

(Direct shareholding 99.97%)

The first half of the 2006 financial year presents a profit of €1,819K (€8,550K as at 30.6.2005) after the deduction of €2,369K in tax for the period, of which €571K was for IRAP (regional tax on production activities) and €1,798K for IRES (corporation tax). The latter increased as a result of the benefit derived from previous tax losses being exhausted.

The half year just ended was characterised by the acquisition on the part of Fondiaria-SAI S.p.A. on 30 May, of 99.7% of shares in the share capital of the company. This allows Liguria to access the specialised know-how of Fondiaria-SAI as well as constituting a very important event for the development of the company's business, because by belonging to one of Italy's leading insurance groups the company will be able to benefit from the significant economies of scale that can be achieved in the main staff services, as well as to achieve major synergies in the development of products and the rationalisation of operational processes.

During the first half of 2006, premiums earned grew to €86,598K compared to €78,056K in the previous half year period, corresponding to an increase of 10.9%. The gross technical result, ignoring administration costs, amounts to €9,986K (€12,778K as at 30/06/2005), which is reduced to €8,414K as a result of reinsurance (€11,781K as at 30/06/2005).

In the Motor TPL class in particular, the volume of premiums was €57,164K, which represents a growth of 8.1% compared to the first half of 2005. In the Land Vehicle Hulls class it grew to €6,670K, an increase of 12.0% and in the Other Non-Life Classes it reached €22,764K, an increase of 18.5%.

In total, in other non-life classes, the technical result indicates that levels have been substantially maintained compared to the previous financial year.

As at 30/06/2006, the distribution network consisted of 230 agencies and was spread fairly uniformly across the whole country.

As regards financial management, operations during the half year period was characterised by moderate brokerage activity associated mainly with the bonds and government securities sector. By the end of the first half year, the total volume of investments had reached € 188,782K, an increase of 6.9% compared to 31/12/2005. These consist mostly of fixed rate bonds.

MILANO ASSICURAZIONI S.p.A.

Share capital €242,974,695

(Direct shareholding 57.21%, Group interest 60.63%)

Based on the figures reported in the consolidated accounts, the first half of 2006 closed with a net profit of € 138,196K, up 13.34% on the profit achieved in the corresponding period of the previous financial year of € 121,928K. The main aspects of the half year result are the following:

- The Non-Life sector closed with a profit before tax of € 157,290K, compared to the profit before tax of € 165,056K recorded at the end of the first half of 2005. Technical performance in the Motor TPL class of this sector influenced the result in view of the increase in claims and the technical performance of the fleets sector. The land vehicle hulls sector continues to perform in a particularly positive way, with a combined ratio of 70%. The overall technical balance of the other non-life classes is also very positive and at satisfactory levels, showing no divergence from the values recorded in June 2005;
- The Life sector shows a profit before tax of € 48,306K, which is a significant increase on the result for the first half of 2005 (+66.77%). This is attributable to the higher income from investments earned by the Parent Company Milano Assicurazioni after having recorded the policy holders' share of the value adjustments in the securities portfolio;
- Asset and financial management generated net income from financial instruments and property investments of € 187,407K, compared to € 190,284K in June 2005. This decrease is the result of monetary policy interventions on the part of the Central Banks, which raised interest rates.

With regard to the Parent Company's half year accounts, drawn up according to Italian accounting principles, the first six months of the 2006 financial year closed with a net profit of € 89,253K, compared to a profit of € 109,865K at the end of the first half of 2005. The fall is mainly due to financial market performance and to the resulting value adjustments recorded on the securities portfolio, which penalised the profit and loss account to the tune of € 71,353K before tax.

The main aspects of the positive result achieved during the half year period were the following:

- The technical balance in the Non-Life sector recorded a profit of € 61,204K, compared to the € 84,052K recorded at the end of the corresponding period of the previous financial year. The Motor TPL class presented an increase in claims during the first part of the half year period, principally associated with strongly

seasonal elements which characterised the first few months of the year and with technical performance in the fleets sector; the trend is however improving. Both the technical balance of the land vehicle hulls class and the overall technical balance of the other Non-Life classes is very positive and at satisfactory levels.

- The technical balance in the Life classes closed with a profit of € 15,981K, substantially in line with the profit of € 15,347K achieved in the first half of 2005, despite the smaller contribution of income from investments, which were penalised by significant value adjustments following monetary policy interventions intended to deal with inflationary dangers. The negative impact of value adjustments was however partially offset by the profits from trading in securities achieved by seizing market opportunities. Finally, in order to allow a comparison to be made on a uniform basis we would remind you that the technical result for Life business achieved in the first half of 2005 was affected by the settlement of a dispute with Consap regarding the abolished system of legal cessions, which penalised the technical account in the amount of € 6,459K;
- Asset and financial management achieved a net income of € 178,137K, a significant increase compared to the figure of € 149,275 recorded for the first half of 2005 (+19.33%). Profits of € 28,137K (€ 17,618K as at 30/06/2005) were also achieved on trading and on the sale of investments. The value adjustments, net of the respective recoveries, had a negative impact on the profit and loss account of € 71,353K. As mentioned above, these value adjustments relate mainly to fixed rate bonds, the market prices of which have fallen as a result of repeated increases in interest rates on the part of the leading Central Banks.

Investments as at 30/06/2006 primarily consist of bonds and other fixed income securities, which account for 70.81% of the total. The greatest increases recorded during the six months on the figures for 2005 were recorded in respect of bonds and other fixed income securities (+2.31%) and of shares and units in Group companies (+22.63%).

NOVARA ASSICURA S.p.A.

Share capital € 13,000,000

(Indirect shareholding 100%)

On 09/11/2005, the Company was authorised by ISVAP to carry out business in a number of non-life classes, including the Motor TPL class. The company is the instrument by which a partnership in the non-life bancassurance sector with Banco Popolare di Verona e Novara is being implemented. Based on the agreements, 50% of the share capital of the Company will be transferred to the Bank. In fact the Company sells its insurance products through branches of Banca Popolare di Novara, a subsidiary of Banco Popolare di Verona e Novara.

Premiums began to be written in January and premium income has so far reached € 536K, € 502K of which relate to the Motor insurance classes.

The profit and loss account for the half year period is affected by structural costs which have not been counterbalanced by a sufficient volume of business and therefore closed with a loss of € 649K.

SASA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

Share capital €52,000,000

(Direct shareholding 99.99%)

During the first half of 2006, the Company achieved a profit of € 4,054, a net increase on the profit of € 3,443K achieved in the first half of 2005 (+17.75%).

The first half of 2006 closed with a total volume of premiums written of € 192,170K compared to € 177,692K in the corresponding period of the previous financial year. In particular, the non-Marine sector recorded an increase of 10.8% compared to the corresponding period of the previous financial year. This increase, which was higher than market rates, is primarily attributable to the Motor classes and was generated by the greater amount of sales activity resulting from the opening of new agencies in the last two financial years. The positive results make up for the difficulties encountered in developing the broker sector, which is undoubtedly more exposed to competition, in a financial year that was constantly characterised by increasing competitiveness. The Marine and Aviation sector classes recorded an 11.8% fall, which was attributable to the gradual shift in the company's focus towards business coming from the Agencies sector, at the same time as strong development was achieved in the "Hulls" and Third Party Liability" sectors.

The overall increase in Italian direct business during the first six months was 8.1%, higher than the rate achieved in the Italian non-life market in general.

During the first half of 2006, the Company's investments increased from € 366,927K at the beginning of the year to € 403,448K at the end of June 2006 (+9.95 %) and related mainly to bonds and other fixed income securities.

Property activities were focused mainly on continuing the extraordinary maintenance work on the property used as the Company's registered office and on ensuring a satisfactory level of maintenance of properties leased to third parties.

Investments in securities and liquidities, relating to fixed and variable income products and equities, increased by € 36,883K. This increase was funded by collection of the fifth instalment of the loan granted to Fintecna S.p.A. of € 2,923K and by the cash flow resulting from current operations.

Net income from investments made in the half year period amounts to € 6,002K, representing a sustained increase of 20.62% on the data for the six months used as comparison.

Write-downs net of recoveries carried out during the half year period due to the adaptation of investments identified as working capital, were considerably higher than on 30/06/2005. As at the end of June 2006 they amounted to € 2,176K and had been carried out almost exclusively on fixed income securities.

SIAT – SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

Share capital € 38,000,000

(Indirect shareholding 88.13%)

Profit before tax of € 1,249K was recorded for the first half of the 2006 financial year, an increase on the profit of € 948K achieved in the first half of 2005. The net profit stands at € 611K, compared to € 402K in the corresponding period of the previous financial year (+51.99%).

This objective was achieved thanks to a considerably strengthening of the technical result (€1,787K, +219%), essentially attributable to the improved profitability of the “Transport” sector classes.

On 01/01/2006, as part of the reorganisation of the Fondiaria–SAI Group, a “Transport Hub” was created within the Company for the purpose of developing the Marine sector. The Group has therefore started to transfer its Transport risks business (both direct business and reinsurance) to the Company, while a concentration within the same company of the Group’s technical activities relating to the risks in question is currently under way. With a view to achieving specialisation in the business handled by the company, a gradual withdrawal from the Motor and Elementary classes has begun. The reaction so far shows that both clients and brokers have welcomed this operation with interest.

Gross premiums recorded in the first half of 2006 amounted to € 97,225K (+18% on the figure for the first half of 2005). Italian direct business premiums in the transport classes amounted to € 50,420K, a 20% increase. The fall recorded in income from investments (-10%) is primarily due to the lower amount of interest accrued on bonds. As at 30/06/2006 they amounted to € 2,116K. The significant increase in asset and financial charges (+167%) is instead primarily attributable to the higher value adjustments on bonds, the prices of which were negatively affected by expected increases in interest rates.

As at 30/06/2006, the premium reserve amounted to € 67,587K, determining an increase of +29.26% due to the increased production compared to the previous period (+18%) particularly in the marine vehicle hulls class (+35%) where the impact of the premium reserve is very strong.

The claims reserve fell however by 11.16% on the comparison half year, standing at € 192,575. The significant fall was mainly due to the settlement in December 2005 of a considerably large claim in the Goods in Transit class, which was still held in reserve in June 2005.

THE LAWRENCE RE IRELAND LIMITED

Share capital € 635,000

(Indirect shareholding 100%)

In the first half of 2006, the company again operated exclusively as the captive reinsurer of the Fondiaria-SAI Group, thus providing for the placement of specific portfolios on the international market.

The activities carried out related originally to analysing the individual portfolios of the Group companies and consequently aggregating them.

The company then determined the best form of protection for each specific need, arranging further forms of retention where it was deemed appropriate, and ceded back to the reinsurance market using the greater contracting power resulting from this concentration.

Premiums accepted for the first six months of 2006 amounted to € 89.1m (9.9 of which related to the Life sector), while premiums ceded to the market amounted to € 51.8m (0.3 of which related to the Life sector).

The Company also continues to carry out run-off activities for and on behalf of all the Group Companies who accepted active reinsurance in the past. This objective is pursued by trying to come to settlement agreements, where possible, which allow the administrative charges to be reduced without ignoring the need for financial gain. The company itself is a retrocessionaire of part of this business which shows a substantially balanced result. The company also manages the run-offs of cessions for and on behalf of the Group's two main companies.

The profit for the first six months of 2006 amounts to € 5,251K, net of tax, and has been principally achieved thanks to the good technical performance of the portfolio. Net equity as at 30/06/2006 amounts to € 67,830K.

Life Insurance Sector

The general performance of the sector is described in detail in the Life insurance section of the Parent Company's half year report, to which you are referred for further details.

The new alliance and co-operation plans that were refined during the first half of the year provide for the development and growth of the bancassurance business in the Life sector through sales agreements or joint ventures. In particular, during June of the current year, the Group signed an agreement with Banca Popolare di Milano, on an exclusive basis, to expand the Life bancassurance activities of Gruppo Bipiemme. This will be implemented by the transfer of technical and commercial know-how. The agreement also provides for the implementation of a wider business alliance and co-operation project both in the Life and Non-Life classes and in banking and financial services.

The Group's current bancassurance activity also provides for uniformity to be achieved in the IT platform by use of the Web system, implementation and diversification of existing agreements relating to higher profitability products, and the development of offers targeted at the banking sector using the innovative and personalised products of Lawrence Life.

The main initiatives of the business plan for 2006-2008, presented to the financial community during April of this year, include the following objectives for the Life sector:

- to increase new production by a three-fold increase in the sale of new annual premium products and by using new management methods for the distribution network for the purpose of increasing the number of agents operating in the segment;
- to engage in cross-selling new Life products and to recover payments (in the context of direct compensation) to be converted into Life premiums using specific products;
- to increase the recovery of maturing capital, doubling the current rate of re-investment. The portfolios from the Group's "historic" companies in fact generate large volumes of maturities and allow large volumes of recoveries to be achieved in terms of premiums. Over the last three years, recovery performance increased by approximately 20%. The aim is to achieve a 50% rate of portfolio retention by 2008.

Premiums

Direct business premiums for the first half of 2006 amounted in total to € 1,204,948K, an increase of 1.21%. Gross technical reserves amounted to € 13,928m (13,908 as at 31/12/2005).

(€K)	1st half year 2006	1st half year 2005	% Variation
ITALIAN DIRECT BUSINESS			
I – Whole of life insurance	572,033	617,877	(7.42)
III – Insurance linked to investment funds	10,538	50,594	(79.17)
IV – Health insurance	217	68	-
V – Capital redemption operations	622,160	521,982	19.19
TOTAL	1,204,948	1,190,521	1.21

Premiums collected via bank branches amounted to € 151m and account for 13% of the total amount collected in respect of direct business (14% as at 31/12/2005).

Premiums ceded amounted to € 9,186K.

Charges relating to claims, net of reinsurance cessions, amounted to € 1,295,364K (€ 1,373,221 in the first half of 2005).

A fall in operating costs compared to premiums was recorded in Life classes as well (5.4% as at 30/06/2006 compared to 6.3% as at 30/06/2005).

Finally we should point out that the total premiums collected for this sector also include € 510m relating to investment contracts not included in the scope of IFRS 4 and therefore excluded from the premiums for the period.

The performance of subsidiaries in the first half of 2006 is summarised in the following table:

(€K)	TOTAL GROSS PREMIUMS CONFORMING TO IFRS 4	% VARIATION	PROFIT (LOSS) FOR THE PERIOD ***
BIM VITA S.p.A.	4,387	(53.83)	(997)
LAWRENCE LIFE ASSURANCE	181	(34.66)	472
LIGURIA VITA*	1,042	-	(716)
MILANO ASS.NI S.p.A.**	289,634	4.18	138,196
NOVARA VITA S.p.A.	33,075	(66.79)	2,426
PO VITA S.p.A.	235,766	(37.92)	(7,306)
SASA VITA S.p.A.	28,029	5.87	907

* The total gross premiums conforming to IFRS 4 relate to the period 30/05/2006 – 30/06/2006. The percentage variation cannot therefore be compared to the previous period.

** Consolidated data as at 30/06/2006. The result for the period includes the Non-Life business.

*** Except for Milano, the profit (loss) for the period is determined according to Italian accounting principles.

We now present essential data regarding the operations of the main Group companies in the first half of the year. Note that the data has been calculated according to Italian accounting principles (for the subsidiary Milano see the comment in the Non-Life section).

BIM VITA S.p.A.

Share capital € 7,500,000
(Direct shareholding 50%)

The first half of 2006 closed with a loss for the period of € 997K (compared to the profit of € 328K as at 30/06/2005).

Despite benefiting from capital gains on the sale of Banca Intesa securities, recorded among extraordinary proceeds in the amount of € 340K, the Company recorded a loss because of write-downs on securities in the portfolio of € 1,146K.

Gross premiums recorded as at 30/06/2006 amounted to € 11,695K (€15,701K at the end of June 2005), recording a significant fall in whole of life insurance (-43.93%), which was not sufficiently supported by the increase in premiums on operations linked to investment funds. Sales are made exclusively through the banking network of Banca Intermobiliare, Cassa di Risparmio di Fermo and Cassa di Risparmio di Bra. Gross technical reserves amount to € 66,515K, with 30,623 in class C and 35,892 in class D (€56,037K in total as at 31/12/2005). The amounts paid and the charges relating to the financial year amount in total to € 1,567K (€ 1,198K at the end of the first half of 2005) and relate mainly to operations linked to investment funds (+88.73%).

The volume of investments as at 30/06/2006 for class C amounted to € 40,520K, slightly higher than the figure for the end of 2005.

The volume of investments in class D amounted in total to € 35,894K (30,268 as at 31/12/2005).

THE LAWRENCE LIFE ASSURANCE CO. LTD

Share capital € 802,885
(Indirect shareholding 100%)

During the first half of 2006, the Company recorded a profit of € 472K (compared to a loss of € 860K in 2005). The improvement is due to the definitive sale of the subsidiary Lawrence Life AG Vaduz. Technical management remained substantially balanced.

As regards the insurance business, there was a fall in the technical reserves from € 298,435K as at 31/12/2005 to € 249,903K in the half year period in question, representing a fall of € 48,532K (-16.26 %), primarily due to the reduction in the value of funds associated with Unit Linked products.

LIGURIA VITA

Share capital Euro 6,000,000
(Indirect shareholding 100%)

The first half of 2006 presented a loss of € 716K, compared to the profit of € 2K for the corresponding period of 2005, primarily due to capital losses of € 916K on the value of securities in the portfolio.

Premiums written during the first half of 2006 amounted to € 6,252K compared to € 6,638K in the first half of 2005, a decrease of 5.8%.

The amounts paid for claims, redemptions, maturities and annuities during the first half of the year, gross of reinsurance, amounted to € 3,463 compared to € 2,395 as at 30/06/2005, an increase of 44.5%.

Financial management during the six-month period was characterised by moderate brokerage activity primarily focused on bonds and government securities, aimed at maintaining the profitability of the portfolio.

Consideration was given to a programme that will allow the company to grow by establishing itself and expanding in its current class as well as by completing the range of services provided to clients and agents. Initiatives already launched provide for the marketing of a new product specifically designed to increase customer loyalty and develop new business, using the facilities made available by the Group; the preparation of an application to extend the authorisation to class III, a calls in which the company intends to operate by using products offered by the Parent Company; the search for an agreement with Banca SAI for the sale of standardised bank products through the distribution network of Liguria and the granting of a mandate by Banca SAI to financial advisors operating in Liguria branches. An ongoing training programme will also be launched for head office staff, agents and their employees.

NOVARA VITA S.p.A.

Share capital € 54,000,000
(Indirect shareholding 50%)

The first half of 2006 closed with a net profit for the period of € 2,426K (€8,626K as at 30/06/2005). The main changes that determined the fall in profit compared to June 2005 were recorded among costs relating to claims (+160.43%) and among income and capital gains not achieved, net of the charges and capital losses relating to investments for the benefit of life policy holders (-112.98%).

The technical account for the period, despite the increase in premiums written, is negatively affected by the result for the financial component, which was affected by net write-downs on securities in the portfolio of € 8,576K (compared to net write-backs of € 276K in the first half of 2005).

The profit for the period is encumbered only by IRAP (regional tax on production activities) as a result of the adherence to the fiscal transparency system.

The comparison with the same period of last year, subdivided by product type, shows that the greatest increases as at June 2005 were recorded among index and unit linked policies, where they amounted to 50.89%.

Gross premiums recorded as at 30/06/2006, according to Italian accounting principles, amounted to € 370,463K (€324,156K as at 30/06/2005). The main contributory factor to this increase was index-linked personal insurance products.

Gross technical reserves amounted to € 2,692,487K, of which € 1,848,421 related to contracts with benefits linked to investment funds and market indices (as at 31/12/2005 these were respectively € 2,767,203K and € 1,873,223K).

As of the 2004 financial year a claims excess treaty has been in force for T.C.M. policies with The Lawrence Re Ireland Limited, a reinsurance company belonging to the Fondiaria-SAI Group, which replaces the previous similar treaty that existed with Fondiaria-SAI.

A proportional treaty remains in force with Fondiaria-SAI, to which no premiums relating to new policies have been ceded as of 01/01/2004.

The reinsurance business in the first half of 2006 closed with a profit for the company of € 38K.

The cost of claims during the first half of the year amounted to € 425,266K in total. The amounts paid related primarily to matured policies, which represented 56.49% of the total.

The Company's sales organisation as at 30/06/2006 consisted of 417 branches of Banca Popolare di Novara.

As at 30/06/2006, the total volume of investments was € 2,767m compared to € 2,840m as at 31/12/2005 (-2.57%). The investment structure consists almost entirely of fixed income securities.

Net income from investments fell from € 18,925K in June 2005 to € 5,468K in June 2006. This fall is primarily due to the fact that the balance of investment write-downs and write-backs was negative in the amount of € 8,576K (positive by € 276K in the comparison half year).

During the third quarter of the financial year, the Company plans to sell a new index linked product and to increase sales of separate management products.

PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A.

Share capital € 114,200,000

(Indirect shareholding 50%)

The first half of 2006 closed with a loss for the period of € 7,306K, compared to a profit of € 9,433K as at 30/06/2005. This result was affected by the net write-downs on securities in the portfolio amounting to € 20,481K, compared to net write-backs of € 1,116K in the first half of 2005.

The results achieved in terms of sales as at 30/06/2006 can be considered extremely positive, so much that, according to Italian accounting principles, they produced premium income during the first half of the year of € 531,745K, an increase of 38.24% compared to the same period of 2005, recording a strong increase in operations connected with share indexes (+58.97%) and in individual capital redemption operations (+57.29%).

The breakdown for new production is € 286m for Index products, € 9.9m for Unit products and € 235.8m for separate management products. The latter include € 100m subscribed by Cassa di Risparmio di Parma e Piacenza.

A comparison of sales data with the previous financial year by type of product shows a growth (+58.98%) in index policies, while unit policies and pensions funds remain considerably penalised.

An examination of the new production mix again displays what has become a constant feature of the sales activity: the substantial balance between products with a higher financial content and traditional products. This balance is confirmed by the amount of actuarial reserves and class D reserves.

Equally positive is the increase in the number of active contracts, which rose from 184,000 as at 30/06/2005 to 218,000 as at 30/06/2006, an increase of 18.48%.

Gross reserves amount to € 3,245,557K (€ 2,922,979 as at 31/12/2005), with € 1,644,182 relating to class C and € 1,601,375K relating to class D.

A risk premium claims excess treaty remains in force for T.C.M. policies with The Lawrence Re Ireland Limited, a reinsurance company belonging to the Fondiaria-SAI Group. The reinsurance business closed with a result in favour of the reinsurer of € 109K.

Amounts paid and charges relating to the financial year amounted to € 190,894K, having decidedly increased by 71.78% compared to June 2005.

The Company's sales organisation as at 30/06/2006 consisted of the 310 branches of Cassa di Risparmio di Parma e Piacenza.

Operating expenses as at 30/06/2006 amounted to € 26,919K and consisted primarily of € 19,153K of purchase commissions and € 4,848K of maintenance commissions earned by the sales network during the financial year,

As at 30/06/2006, the total volume of investments had grown to € 3,352m, compared to € 3,033m as at 31/12/2005. In a context of rising interest rates, the duration of the bond portfolio was extended from approximately 3 years at the beginning of the year to 3.87 years. Investment in securities with rising interest rates allowed the yield of the portfolio to be increased by approximately 40 basis points. The level reached by interest rates was considered attractive in the medium term and as a result the fixed rate component was increased compared to the variable rate component.

The equity component of the portfolio increased during the six-month period in order to benefit from the volatility of the financial markets, which increased significantly towards the end of the half year period.

Financial activity generated net income from investments of € 13,978K, particularly thanks to the income from fixed income securities.

Placements expected for the second half of 2006 amount to € 285m, with € 115m being invested in Index Linked products and € 170m in Separate Management products. Based on these forecasts, the Company believes that interesting sales objectives may be achieved this year as well.

SASA VITA S.p.A.

Share capital € 10,000,000

(Direct shareholding 50%, Group interest 100%)

In the first half of 2006, the Company achieved a profit of € 907K, marking a significant reversal of the trend compared to the comparison half year, which recorded a loss of € 605K.

The result was determined by a combination of factors, the most significant being:

- a 5.87% growth in total premiums (which amounted to € 28,029 at the end of June) compared to the figures for the first half of 2005; this figure is destined to grow even further in view of the fact that the company expects to sell a number of major policies in the coming months, which will allow the current result to be improved considerably and bring it into line with the objective set for the 2006 financial year;
- greater income and value recoveries on investments linked to market indexes of € 2,505, 24.63% higher than in June 2005;
- less incidence of general expenses, including personnel costs and depreciation, leading to an overall saving of € 161K.

The balance of the technical account, net of reinsurance cessions, is positive by € 2,142K (as at 30/06/2005 it was negative by € 112K) and includes – only for the current financial year – a share in the profits on reinsurance treaties of € 1,526K.

The technical reserves amounted to € 217,483K as at 30/06/2006, compared to € 165,697K in the comparison half year.

During the first half of 2006, the company's investments increased from € 207,016K as at 31/12/2005 to € 223,657K as at 30/06/2006 (+8.04%), entirely funded by the cash flow generated by the insurance business.

ALLIANCE AND CO-OPERATION PROJECT WITH BANCA POPOLARE DI MILANO IN THE BANCASSURANCE SECTOR

On 14/06/2006, Banca Popolare di Milano (BPM) and Milano Assicurazioni signed the agreement for joint development with exclusive rights of the bancassurance activities of the Bipiemme Group in the Life sector signed on 24/12/2005. This agreement provides for the implementation of a wide-ranging business alliance and co-operation plan with BPM in the bancassurance sector, to be implemented in the life sector as well as in the non-life sector and in banking and financial services.

Under the terms of the agreement, Milano acquired from BPM and the subsidiary Banca di Legnano a 46% share of the capital of Bipiemme Vita S.p.A., with the option to transfer control of the latter from the BPM Group to Milano itself by the purchase and sale of a further two shareholdings of 4% and 1% respectively, at two different times in the future, respectively by 31/12/2006 and 30/06/2007.

BPM and Milano have signed a shareholders' agreement containing the corporate governance rules of Bipiemme Vita and dealing with the business-related aspects of the partnership, providing for Bipiemme Vita itself to continue to have access to the distribution networks of the BPM Group for a period of 5 years from the closing date, with an option to renew this for a further 5 years on expiry by mutual agreement between the parties.

The operation was given the green light by the Italian Competition Authority and authorised by ISVAP.

The purchase price of the 46% share of BIPIEMME VITA – initially agreed at € 94.3m – was reduced, in accordance with the provisions of the purchase and sale contract, to € 90.5m, mainly in view of the variations in the equity (distribution of dividends and capital increase) that took place after the agreement was signed (December 2005).

Bipiemme Vita is the insurance company of the BPM Group that operates through the approximately 700 branches of the Group itself. The accounts as at 31/12/2005 (drawn up according to Italian principles) show premium income of € 632.3m and a net profit of € 23.8m. The net equity is € 67m, while the technical reserves amount to € 3,255.1 in total.

The business plan of Bipiemme Vita, on the basis of which the assessments were made in order to determine the price, provides for new production premiums to grow from the € 481m recorded in the final accounts for 2004 to over € 750m forecast for 2010, and for the net profit to grow from € 11m in 2004 to a forecast € 25m in 2010.

The price paid for the purchase of the subsequent shares of 4% and 1% in the capital of Bipiemme Vita has been agreed to correspond to the definitive price paid for the 46% recalculated at the reference rate up to the date on which the payment is made for exercising the options, net of any dividends distributed and increased by any capital increases paid – both pro-quota – from the closing date to the respective dates on which the prices for exercising the aforesaid options are paid.

The put and call options on the 4% of Bipiemme Vita will be exercisable between September and December 2006. The Milano call option is conditional on the agreement relating to banking and financial services being signed. Following the exercise of these options, joint control and equal governance would be achieved.

The put and call options on the remaining 1% of Bipiemme Vita, with the resulting acquisition of a controlling stake and complete consolidation by Milano, will be exercisable between March and June 2007.

This option will only be exercisable by BPM if it has previously exercised the put option on the 4%. The exercise of Milano's call option will be subject to the approval of a joint committee consisting of four members (two for each party) called to assess the execution and results of the agreement.

In the current market, which is characterised by renewed focus among customers on traditional insurance products, the partnership will allow Bipiemme Vita to benefit from the technical and commercial know-how of a leading insurance operator, promoting the development of new products and improving penetration among BPM customers, while allowing Milano Assicurazioni to benefit from the expertise of the BPM Group in commercial banking.

The agreement will allow the BPM Group to benefit from greater technical and managerial support in insurance services, which is needed in order to pursue significant objectives of growth in production volumes through a range of products that respond to customer requirements more effectively. This support will also be needed in view of the role that banks and insurance companies may be called upon to perform in respect of households and small and medium sized companies with the future development of complementary welfare.

The agreement is a further opportunity for the Company and the Fondiaria-SAI Group to develop the Life sector. From a business point of view, the operation is perfectly in line with the current bancassurance agreements of the Company and the Fondiaria-SAI Group, which will continue to be strategic elements of the growth policy adopted by the Company and the Group themselves.

In April 2006, the operation was given the green light by the Italian Competition Authority and was authorised by ISVAP.

Reinsurance

The Group's reinsurance structure closely follows the protection system established for the Parent Company. The proportional programme allows each Company to retain an adequate share of the premium relating to the volume of each individual portfolio and to use reinsurance to protect peak underwritings that may compromise the final result.

The Group's captive reinsurer, The Lawrence Re, provides adequate reinsurance protection to each individual Company, and subsequently integrates the various portfolios in order to obtain specific retrocession protection from the international market.

In strictly contractual terms, it is worth pointing out that greater clarity was introduced in the rules by reviewing some of the specific clauses of the treaties, which are increasingly becoming forms of global protection for the Group, with the specific intention of achieving clear agreements that leave increasingly less room for alternative interpretations, thus reducing any disagreements between the parties in the event of a claim for compensation being made.

Non-Life Reinsurance

For the year 2006, all the Fondiaria-SAI portfolio cessions have been placed on the international market by the captive company The Lawrence Re Ireland Ltd with the following exceptions:

- the transport classes placed through the subsidiary SIAT;
- the aviation classes placed directly by the underwriting companies;
- the SIAT non-marine portfolio placed with Milano Assicurazioni;
- the particularly significant risks optionally ceded and placed directly by the companies.

The reinsurance policy focused on non-proportional cessions to protect individual risks or sets of risks arising from the same event in the Fire, Accidents, Theft, General TPL, Land Vehicle TPL and Land Vehicle Hulls sectors, and on proportional cessions for the Credit and Technological Risks classes. As regards the Transport, Aviation and Guarantees class, the mixed structure based on proportional treaties and excess claim protections was confirmed. In light of the good performance of direct business and in the absence of any significant losses and/or natural events, the balance of reinsurance cessions was favourable to our reinsurers albeit smaller than expected.

The subsidiary SIAT placed the protections relating to the Transport sector on the reinsurance market, acting as the reinsurer of the Group companies, with a mixed structure based on proportional treaties and excess claim protections. The remaining non-marine classes, of which the Company is currently divesting itself, were integrated with various Group programmes through Milano Assicurazioni.

Following the guidelines established by the Parent Company, the subsidiary SASA proceeded to place the Aviation classes directly on the reinsurance market and the Transport classes through SIAT, while Group programmes were used for the other cover required. In specific cases, where a lower priority is required, specific underlying programmes were placed.

As regards active reinsurance, data is provided as at 30/06/2006 for all optional business and acceptances from Group companies and as at 30/06/2005 for all the other types dealt with. In view of the prudential stance taken in previous balance sheets and net of the respective retrocessions, the balance of the result for the globality of the portfolio is confirmed.

Life Reinsurance

As in previous years, the reinsurance programme consists of a proportional excess loss treaty. Retentions vary according to the requirements of the individual Group cedents. The subsidiary The Lawrence Re arranges for the portfolio to be reinsured and finds cover on the market through a non-proportional structure for peak risks and specific stop loss protection for the Group's retention.

The retentions planned continue to be contained for investee companies, particularly when compared to the total capacity supplied.

Property Sector

The general performance of the sector is described in detail in the section dedicated to property management of the Parent Company's half year report, to which you are referred for further details

In order to benefit from opportunities in the property market, the Group presented three types of investment in its business plan for 2006-2008, classified according to the different levels of risk they present:

- investments in existing properties made profitable with significant returns (excluding joint-ventures), to be carried out using the Group's reserves;
- investments in properties to be renovated or in new developments (100% owned), using the Group vehicle of the Tikal R.E. Fund, a closed property investment fund made up of private contributions;
- investments in properties and/or joint-venture property initiatives (excluding new developments) through the company Gruppo Immobiliare Lombarda.

Group Property Assets

The property-related activities of Fondiaria-SAI Group companies during the first half of 2006 has been directed at improving the profitability and value of assets by carrying out maintenance and marketing activities.

The main operations carried out include the following:

- the subsidiary Milano Assicurazioni sold the commercial building at via De Grassi, 8, Milan for € 13,500,000;
- with regard to the Tikal R.E. closed property investment fund launched in 2004 by the savings management company operating within the insurance Group, a commercial property situated at via Toqueville, 13, Milan, was sold during the first half of the year for € 39,500,000;
- the sale by the subsidiary I.A.T. S.p.A. of the property complex and adjacent sports centre located at via Pinerolo, 76, Milan for a total price of € 7,200,000;
- the sale by Fondiaria-SAI of the building at via De' Rossi, 220-234, Bari, for € 14,000,000.

Group Property Shareholdings

With regard to property shareholdings acquired during the first half of the year we should point out the following:

- In May of this year, Immobiliare Lombarda S.p.A., which last November was awarded the contract for the development of the Vitali – Area Spina 3 area in Turin, together with other leading property companies, signed the partnership agreements and acquisition contract, through the newly-formed company Penta Domus S.p.A., with a payment of € 24,000, equal to 20% of the share capital. Through a vehicle company set up for this purpose called Cinque Cerchi S.p.A.,

in which it will own a 49% stake, Penta Domus S.p.A. will carry out the recovery and development of the aforesaid area. The sale of the area is planned for July.

- In February of this year, as part of the new initiatives it has taken, Immobiliare Lombarda S.p.A. took part, together with other operators and with a share of 20%, in a private call for tenders launched by Fintecna S.p.A. aimed at acquiring 50% of the units of a vehicle company called Quadrante S.p.A., which owns an area in the Cine Città – Torre Spaccata area with volumetric rights equivalent to 600,000 m³. In March, the group of companies won the competition and therefore set up, with a payment of € 4,000, corresponding to 40% of the share capital, the company Sviluppo Centro Est S.r.l., which will purchase the units in Quadrante S.p.A. The investee company was also paid a total of € 2,000,000 as an interest-free loan to allow the purchase of the vehicle to be completed.
- On 12 April, Immobiliare Lombarda and the parent company Fondiaria-SAI S.p.A. respectively acquired 10% and 17.99% of the share capital of the Luxembourg company EX VAR SCS, for which Fondiaria-SAI disbursed € 55,382 and Immobiliare Lombarda € 30,770. At the same time, Fondiaria-SAI paid approximately € 9,260,000 and Immobiliare Lombarda approximately € 5,144,000 in the form of a shareholders' loan. The operation also includes Premafin Finanziaria, which has a 20% share. The acquired company in turn controls a company involved in the property development of the former Varesine area in Milan.
- During the month of June, the investee company Citylife signed an agreement for the purchase of the area currently occupied by Fiera di Milano. On the closing date, the balance of the price, amounting to a total of € 523,000,000 + VAT, was paid net of the deposit paid during 2004. This payment was made partly by means of a bank loan from a pool of banks and partly using the resources provided by members in proportion to their share of the capital. Immobiliare Lombarda paid € 17,333,333 as a capital increase. The work is expected to begin by the end of 2006 with the demolition of the existing structures.
- During the quarter, € 297,300 were paid to complete the subscription of the share capital of the associated company Metropolis S.p.A. and € 2,973,000 were paid as a loan in order to allow it to launch operations relating to the regeneration of the former tobacco manufacturing plant in Florence.
- The purchase by the subsidiary Meridiano Secondo S.r.l. for € 950.00 of a unit representing 9.55% of the capital of the IN.G.RE consortium, which is involved in building shared structures in the Garibaldi – Repubblica area in Milan.
- On 29 March, 100% of the share capital of S.E.P.I., previously owned by Immobiliare Lombarda S.p.A., was sold for € 700,000.

The following table summarises the performance of the companies operating in the property sector:

	VALUE of PRODUCTION	% VAR.	PROFIT (LOSS) FOR THE PERIOD
(€K)			
IMMOBILIARE LOMBARDA S.p.A.*	46,662	n.a. **	2,171
NUOVE INIZIATIVE TOSCANE S.r.l.	588	(91.85)	(425)
TIKAL R.E. FUND	24,563	29.49	15,999

* Consolidated data as at 30/06/2006.

** The percentage variation is not comparable because the merger by incorporation of Progestim S.p.A. with Immobiliare Lombarda S.p.A. took place at the end of 2005.

IMMOBILIARE LOMBARDA S.p.A.

Share Capital of the parent company € 697,907,754
(Direct shareholding 50.12%, Group interest 54.26%)

Operating results for the first half of 2006 were influenced by the initial effects of the merger by incorporation of Progestim S.p.A. with Immobiliare Lombarda S.p.A., which took place at the end of 2005. The integration has allowed the company to move from a static management of the property assets to a more dynamic one, strengthening its strategic plan as part of its work of developing the property services provided and increase the value of its assets. In particular, it plans to strengthen and expand the company's operations to all the areas in which major Italian and international property companies are traditionally present, strengthening the current service activities, with a clear strategy aimed at widening the scope of operations in the market, paying particular attention to increasing the value of the property portfolio, which needs to be updated, in order to benefit fully from the potential for business.

As at 30/06/2006, the Group closed with a profit of € 2,171K. This was undoubtedly assisted by the marketing of residential units, which generated a turnover of € 11.6m.

Financial debt as at 30/06/2006 relates essentially to the pre-merger debt with Gruppo Immobiliare Lombarda. This debt was re-negotiated during the last financial year establishing terms for half yearly repayments until 2012 and interest based on the 6-month Euribor rate + 90 basis points. As at 30/06/2006 it consists of net available funds of € 25K, while long term debt amounts to € 175.6K. The net position therefore amounts to € 150.6K.

Movements in the Group's net financial exposure essentially reflect the management dynamics of the Parent Company Immobiliare Lombarda S.p.A.. During the half year period, the Parent Company used its available funds and short-term investments partly to repay the first instalment of the bank debt of approximately € 14m and partly to finance the property initiatives of the subsidiaries which consisted of granting shareholder loans and making capital increases amounting in total to approximately € 28.7m.

Property activities remained fairly buoyant in terms of profitability and property values. Activities relating to the administration and financing of the main operations in which the Group is involved continue and include regeneration projects in a number of major urban areas, such as the following:

- in Milan, the regeneration of the city's exhibition area, the initiative for the development of the Garibaldi Repubblica area, the regeneration of the "Isola" district;
- in Florence, the regeneration of the former tobacco manufacturing plant;
- in Rome, the "Progetto Alfieri" initiative aimed at regenerating an office complex in the EUR district;
- construction of the port of Loano (SV) which includes the creation of moorings for around 1,200 boats.

The sale of the residential and commercial units in the “Bicocca” area of Milan is also nearing completion. 96% of the surface areas in the plan has so far been sold.

On 29 March, 100% of the share capital of S.E.P.I. '97 S.r.l. was sold for € 0.7m. S.E.P.I. '97 S.r.l. was the technical management company of the Immobiliare Lombarda Group before the merger. As a result of the merger, the tasks previously carried out by S.E.P.I. '97 S.r.l. are now performed by Immobiliare Lombarda which, as a result of the incorporation of Progestim, has taken over the whole technical management sector from the latter.

In June 2006, the subsidiary I.A.T. S.p.A. sold the sports complex it owned in Milan, valued at € 7.2m, to IM.CO. S.p.A., a related party. The property was of no strategic value and achieving an adequate level of profitability had become considerably difficult. The sale value was confirmed as appropriate by an expert valuation requested from independent professionals. The capital gains achieved amounted to approximately € 2.5m.

On 30/06/2006, the Parent Company repaid the first instalment of approximately € 14m of its bank debt as at 31/12/2005. There are now a further 13 half yearly instalments of the same amount to be repaid.

The coming into force of the new tax regulations for the property sector will lead to new strategic assessments being made about the Group’s business, but in actual fact the financial effects of the new regulations are not expected to penalise the Company’s income prospects in any significant way.

In July, Immobiliare Lombarda won a competition launched by the Municipality of Milano for the sale of an area of buildable land with a registered surface area of approximately 2,000 square meters. The company expects to execute the results of the competition, by purchasing the area for € 10,750K by September 2006.

NUOVE INIZIATIVE TOSCANE SRL

Share capital Euro 26,000,000

(Direct shareholding 96.88%, Group interest 98.77%)

The financial result for the period was negative in the amount of € 425K.

Income amounted to € 588K and consisted essentially of an increase in stock-in-trade of € 552K and interest receivable on bank deposits of € 11K. The costs for the period, which did not lead to any increase in stock-in-trade, amounted to € 461K and related primarily to contributions for operating expenses paid to the Castello Consortium of € 93K, premiums for guarantee policies of € 110K, costs for services and sundries of € 43K and other operating costs of € 198K, € 193K of which related to local property tax for the period.

The Company’s assets as at 30/06/2006 amounted to € 66,003K and consisted of tangible assets of € 550K, financial assets of € 41K relating to the shareholding in the Castello Consortium, stock-in-trade of € 62,120K relating to land and buildings, liquidities primarily invested in term deposits of € 1,261K and credits and other assets of € 2,031K.

The company’s Net Equity on the same date amounted to € 65,337K.

TIKAL R.E.

Total net value of the fund € 499,560,827

(Direct shareholding 50.68% Indirect shareholding 77.27%)

The valuation of the Fund as at 30/06/2006 has increased by € 9,992,795 from the beginning of the year, an increase of 3.31%, generated by the difference between the value assigned by independent experts to the property assets as at 30/06/2006 and the sum of the market value of the existing properties as at 31/12/2005; by the difference between the sale value of the properties situated at Via De Tocqueville 11 and 13, Milan, and their market value as at 31/12/2005; by the net result achieved in the management of the Fund, relating to the property asset and liability cycle.

Property management activity was focused on maximising income from leasing and on retaining and improving property assets by carrying out routine and non-routine maintenance work and improvements (extensions, conversions, adaptations to legal requirements).

With regard to lease payments, total income for the half year was € 17.37m thanks to the new contracts signed for the properties at Piazzale Don Sturzo and Via Di Dono, Rome, and for the properties at Via Lagrange and Galleria San Federico, Turin.

As regards the maintenance and improvement activities on buildings held in the portfolio, work valued at € 1.06m was carried out during the half year period. The current situation with regard to the main works is the following:

- Galleria San Federico - Turin: the start of regeneration work is planned for the second half of 2006 as a result of the authorisations obtained. The start of the works was postponed, among other reasons, because of the Winter Olympic Games, in order to avoid having building sites in the centre of the city, where the Galleria is located;
- Via Murat - Milan: both non-routine maintenance on the technological systems and improvement works are currently under way;
- Via Tucidide - Milan: work is planned for this property complex consisting of seven tower blocks to modernise the installations. The work is due to begin by the end of the next half year period;
- Via Di Dono - Rome: the roof is currently being replaced and a preliminary plan is being drawn up to transform a 7,000 square metre basement into offices;
- Piazzale dell'Industria - Rome: the conversion of spaces from warehouses to car parks is currently under way.

During the half year period just ended, the Fund sold the property at Via De Tocqueville, Milan for € 39.5m and in May it signed a preliminary contract for the sale of the property at Via S. Egidio 14, Florence. No purchases were made during this period.

In compliance with the Fund's investment policies, investments in financial instruments were focused on the purchase of assets readily convertible into funds, using the liquidity resulting from the receipt of lease payments and from the sale in Milan.

The Fund's financial portfolio valued as at 30/06/2006 consists primarily of Italian government securities of € 52.1m and residually of high-rating corporate bonds of € 3.6m. Fixed rate investments amount to 80% of the total portfolio.

The financial duration of the portfolio is 0.7, while the average yield at the end of the half year period was 2.48%.

The decision to make investments characterised by development, extension and improvement and to carry out significant regeneration work has in fact modified the characteristics of the property portfolio, requiring a strategic review of the management policy and therefore of the duration of the Fund. Currently, the duration is fixed at seven years, from 01/08/2004 to 31/07/2011, which means that only an extension of this period would allow the work planned to be completed, profitability to be increased and consequently the capital gains from sales to be optimised.

The plan to extend the life of the Fund has been put forward in the exclusive interest of Members, who will benefit from a reduction in the construction and leasing risk, greater consistency with the risk / income profile of investors and the potential for considering new investment initiatives.

Implementation of the plan requires the management regulations to be amended following an assessment and resolution on the part of the Board of Directors and an authorisation from the regulatory body.

As regards the investment policy, the Fund intends to look for properties that guarantee adequate profitability of the leases with potential for increasing value. These can be identified as medium to large sized properties (in order to maintain the total number of properties at a level that is not too high), business with high credit ratings, in order to minimise the risk of payment delays and insolvency, geographical locations in the main Italian cities and other top locations, where demand from investors has been constant over time and in service industry or commercial use, or alternatively tourism and hotel use, a market sector which is expected to grow in the coming years.

Important events that have taken place since 30/06/2006 includes the sale on 13 July of the property at Via S. Egidio 14, Florence, for the agreed amount of €4.33m. The transaction was subject to the new tax system introduced by Decree Law 223/06 on 04/07/2006.

PROPERTY PROJECT KNOWN AS “Ex Varesine”

During the first few months of 2006, negotiations were completed with the American Hines property group aimed at setting up a further joint venture with the Fondiaria-SAI Group to carry out a property development project in the area of Milan known as “Ex Varesine”, adjacent to the “Garibaldi Repubblica” area, which had been the subject of a similar agreement signed last year by the subsidiary Milano Assicurazioni and the same leading US group.

The area consists of a plot measuring approximately 32,000 square metres adjacent to Piazza della Repubblica and Garibaldi railway station. The project is intended to develop a gross surface area of 82,000 square metres for office, retail and residential use. This work will take place at the same time as the “Garibaldi Repubblica” site is being developed, for the purpose of ensuring the continuity that will allow direct communication between the two areas.

The intended use of the site provides for 42,000 square metres of offices, 7,000 square metres of retail space, 33,000 square metres for residential use and the option to develop a further 15,000 square metres for car parks and/or activities of general interest.

In particular, under the terms of the agreement, on 12/04/2006, Fondiaria-SAI purchased, directly and through its subsidiary Immobiliare Lombarda, a 28% share of the capital of a Luxembourg vehicle company that is 20% owned by Premafin Finanziaria S.p.A. and 51.9% owned by a company whose capital will in turn be split between the Hines Group, the Galotti Group (property group based in Bologna) and Monte dei Paschi di Siena. Through a Luxembourg sub-holding, this Italian vehicle controls an Italian vehicle company that will develop the buildable areas.

The remaining 0.1% of the vehicle company will be owned by a party (the "General Partner") which will in turn be 51% owned by the Hines Group and 49% owned by the Galotti Group. The Hines Group and the Galotti Group will operate as the developers, while Fondiaria-SAI acts as the financial investor for the operation.

The total financial commitment of Fondiaria-SAI and its subsidiary Immobiliare Lombarda is estimated to be € 47m for the period between 2006 and 2011, against expected profit in the same period of € 33m. The Company's investment will primarily take the form of interest-bearing loans made to the vehicle company and, to a minimum extent, capital payments.

Other Activities Sector

The key initiatives of the 2006-2008 business plan aimed at reinforcing BancaSAI and managed savings include the following:

- acquisition of an additional network of around 1,000 financial advisors;
- review of the range of products offered by BancaSAI;
- relaunch with campaigns targeted at specific segments in the current network of financial advisors.

We should point out that, following authorisation from the Bank of Italy, during the month of July the subsidiary BancaSAI acquired 100% of the capital of FINITALIA S.p.A.. Further details of this acquisition are provided under “Significant events after the half year close” of the Group’s half year report.

During the first half year, the subsidiaries operating in this sector focused on consolidating the initiatives taken in previous financial years to rationalise company structures and operations. Specific attention was paid to further containing operating costs and increasing the volumes managed and brokered.

The following table summarises the performance of the companies operating in the banking and managed savings sector:

	BROKERAGE MARGIN	% VARIATION	IAS/IFRS PROFIT (LOSS)
(€K)			
BANCA SAI S.p.A.	5,726	42.08	(4,468)
EFFE GESTIONI SGR S.p.A.	3,967	14.72	100
SAI INVESTIMENTI SGR S.p.A.	1,871	49.56	647
SAI MERCATI MOBILIARI SIM S.p.A.	1,602	(48.74)	(2,134)

BANCA SAI S.p.A.

Share capital €56,677,161
(Direct shareholding 100%)

The financial year as at 30/06/2006 closed with a loss of € 4,468K compared to € 4,072K in the comparison half year, due among other things to the appropriations made to the credit risk fund.

Work continued during the half year to complete the services offered by the Bank to customers in the areas of current accounts, payment services, credit and debit cards, home banking and loans.

At the end of the 2006 half year, the number of current accounts was 13,300 (11,686 as at 30/06/2005).

Investments in customers consisted of current account credit lines of € 30,657K, mortgages and unsecured loans of € 40,165K, financing and transfers of a fifth of annual salaries of €9,048K and hot money transactions of € 1,350K.

The placement of financial services continued (mutual investment funds, open-end investment companies, asset management of securities and funds) and recorded an increase on the previous half year in terms of gross deposits (€163,043K compared to €73,041K as at 30/06/2005), and of net deposits (€15,935K compared to €888K as at 30/06/2005). A major contribution to achieving the overall net deposits result in managed savings was made by the activities of the Florence branch (equal to €7,425K), while the contribution of the insurance sales network was €12,318K.

The portfolio value of managed savings products (mutual investment funds, open-end investment companies and asset management) held by customers of the Bank as at the end of June 2006 amounted to €543,961K, a fall of 17.64%.

Investments in securities amount to €157,603K, down slightly on the figure for the beginning of the year.

The net profit from financial management increased from €4,030K as at 30/06/2005 to €5,402K. €1,332K of this increase is attributable to the interest margin, with the remaining €342K is attributable to the margin on net commissions.

The improvement in the interest margin is a result of the increase in the volume of net credits to clients and the performance of market rates, which rose as a result of the increased rates of refinancing by the European Central Bank (ECB) from 2% to 3% in the first half of 2006.

Appropriations to the loan value adjustment fund amounted to €321K (€33K as at 30/06/2005) as a result of the new criteria set by IAS rules on writing down credits in bonis and deteriorated credits, applied to a loan portfolio which increased during the first half of 2006 from €55,312K to €81,123K.

The loans business is expected to grow during the second half of 2006. With this in mind, the Bank has recently expanded its range of residential mortgage products and will be offering a new range of EasyBusiness and EasyCorporate current accounts for Small Businesses and companies. At the same time it will be providing a Web platform (known as BancaSai.NET) for the purpose of viewing the overall financial position of customers and for Personal Financial Planning.

EFFE GESTIONI SGR S.p.A.

Share capital €5,000,000
(Direct shareholding 100%)

In the first half of 2006, the company recorded a profit of € 100K, which marked a clear improvement on the corresponding period of the previous financial year, when the company recorded a loss of € 307K. The profit for the half year period even exceeded budget expectations, which estimated a profit of just € 37K. The main reasons for this excellent result are the following:

- an improvement in the brokerage margin, primarily as a result of the greater volumes managed and the termination of the sub-delegation contract for a number of funds; net commissions were generated by income from mutual investment funds and from individual asset management activities;
- containment of structural costs, which primarily related to staff costs and the cost of the information system;
- the consequent improvement in the ordinary operating result, which rose from a loss of €216K in June 2005 to a profit of €209K in June 2006;
- the high incidence of the regional tax on production activities on the profit for the period (justified by the significantly high staff costs).

SAINVESTIMENTI S.G.R. S.p.A.

Share capital €3,913,588
(Direct shareholding 40%; Group interest 64.25%)

During the first half of the year, company activities continued with the management, among other assets, of the closed property investment fund known as "Tikal R. E. Fund". The profit for the period amounted to € 647K. The income for the period, amounting to € 2,514K, consisted primarily of commissions receivable on the management of the mutual property investment fund, equal to € 2,407K, and of bank interest receivable on government securities of € 106K.

Costs for the period, amounting to € 1,867K, consisted primarily of operating costs of € 764K – €420K of which related were in respect of the parent company Fondiaria-Sai – commissions payable of € 550K to the subsidiary Immobiliare Lombarda S.p.A., income tax for the period of € 455K and write-downs of securities in the portfolio of € 88K.

The company's assets as at 30/06/2006 amounted to € 9,013K and consisted of bonds of € 6,238K, available funds of € 48K, other assets of € 2,613K – primarily consisting of tax credits of € 2,194K and loans to the parent company of € 147K – and sundry assets of € 114K.

As at the same date, the liabilities consisted of the Net Equity of € 4,932K, tax funds of € 65K and other liabilities of € 4,016K – € 803K of which consisted of debts owed to the parent company Fondiaria-SAI and € 2,341K of which consisted of debts owed to the Tikal mutual property investment fund.

SAI MERCATI MOBILIARI SIM S.p.A.

Share capital € 20,000,000

(Direct shareholding 100%)

The company recorded a loss of € 2,134K for the half year to 30/06/2006, compared to the loss of € 2,595K as at the end of December. The reason for the unsatisfactory result recorded during the first half of the year is the difficulty of seizing opportunities on the bond market. Looking at the main items in the profit and loss account one can see that the profits from financial transactions stand at € 519K, a significant fall of 74% compared to the figure for the same half year period of 2005. This is the sector most affected by the difficulties identified above. Net commissions, amounting to € 407K, bounced back thanks to the contributions from new third party account operators. After the normal organisational and operational teething period, the desk is now in a position to create income as forecast in the budget.

Net interest recorded as at the end of June 2006 was positive by € 280K, compared to € 432K for the comparison half year. The 35.19% fall is the result of a drop spreads among government securities, which made arbitrage activities less profitable.

Administrative costs present a balance of € 3,379K compared to € 3,383K in the same period of the previous year (-0.12%) and appear to be in line with the expense forecasts presented.

Adjustments on tangible and intangible assets as at 30/06/2006 amounted to € 198K (€ 299K as at the end of the 2005 half year). The fall is due to the completion of the depreciation cycle for electronic equipment and software.

The other operating income, net of the respective charges, amounted to € 261K as at 30/06/2006. The figure consists almost entirely of the lower staff costs incurred following the dismissals made by Group companies. The result recorded as at 30/06/2006 includes extraordinary losses of € 24K.

The performance of the main Group companies operating in the financial sector is summarised in the following statement:

(€K)	INCOME	% VARIATION	PROFIT (LOSS) FOR THE PERIOD
FINALIA S.p.A.	8,632	1.13	434
FINSAI INTERNATIONAL S.A.	629	9.01	432
FONDIARIA NEDERLAND B.V.	3,371	141.13	2,687
SAI HOLDING ITALIA S.p.A.	15,575	74.49	14,123
SAIFIN - SAIFINANZIARIA S.p.A.	908	(64.48)	(100)
SAILUX S.A.	142	(79.74)	(11)
SAINTERNATIONAL S.A.	19,994	40.13	2,422

FINALIA S.p.A.

Share capital € 15,376,285

(Indirect shareholding 100%)

The company recorded a profit for the first six months of 2006 of € 434K, compared to the profit of € 365K as at 30.6.2005, after having deducted € 584K (€ 485K as at 30.6.2005) in income tax for the period.

The interest margin for the six-month period was € 8,061K, up by almost 25% on the corresponding period of the previous financial year. The same positive performance was recorded for the brokerage margin, which increased from € 5,493K as at 30/06/2005 to € 6,975K.

The merger in December 2005 with the subsidiary My-Fin S.p.A., a Group company specialised in providing finance for insurance contracts, primarily related to agreements regarding the distribution network of the SAI Division, has allowed the company to acquire a loan portfolio of approximately € 25m, in addition to technological infrastructure for the management of revolving loans, as well as to expand its range of services offered to all the Group's distribution networks.

Development in the national consumer credit sector continued during the half year period and the total flow of credit disbursed grew by 3% compared to the first half of 2005.

In this context, the company's activities were focused on improving organisational processes, following the merger by incorporation of the subsidiary My-Fin S.p.A. More specifically, activities continued during the half year period that had been launched during the previous financial year to rationalise management processes and achieve post-merger integration, develop new application and support procedures and reach new commercial agreements with Group companies, for the purpose of improving and streamlining the most important operational process and the quality of the service offered to customers as well as widening the target market. All the activities required to achieve the objective contributed to increasing operating and structural costs.

It is also important to add that, contrary to what has happened to the main competitors, the commercial policy adopted by the company has not led to significant increases in the rates applied to investments, despite the increases in the reference rate repeatedly carried out by the Central Bank during the first six months of this year.

During the first half of this year, loans were disbursed of € 73m in total, compared to € 71m during the first half of 2005, an increase of 3%.

FINSAI INTERNATIONAL S.A.

Share capital € 22,801,140

(Direct shareholding 38.53%; indirect 61.47%)

The company recorded a profit for the period of € 432K, generated by income of € 629K, essentially consisting of financial proceeds from the management of liquidities and interest on the loan granted to the parent company, and costs of € 197K, consisting primarily of general and administrative expenses.

The company's assets as at 30/06/2006 amounted to € 68m and consisted of the shareholding in Mediobanca (0.35%), with a book value of € 10m, tied to the agreement relating to the share of the capital, investments in overseas funds of € 20m, the loan granted to the parent company of € 27m and the sundry liquidities and assets of € 11m.

The company's liabilities as at the same date consisted primarily of the net equity of € 66m, tax funds of € 1m and other liabilities of € 1m.

FONDIARIA NEDERLAND B.V.

Share capital € 19,070

(Direct shareholding 100%)

The company recorded a profit for the period of € 2,687K.

Income amounted to € 3,371K and consisted primarily of the dividends received on the ordinary shares in Milano Assicurazioni of € 2,340K and of the interest received on the liquidity invested in time deposits in Luxembourg of € 1,019K.

The costs amounted to € 684K and related primarily to administrative costs of € 37K, withholdings incurred of € 351K and current taxes estimated as at 30 June to be € 292K.

The company's assets as at 30/06/2006 amounted to € 99,034K and consisted of shareholdings in Group companies of € 75,491K and sundry liquidities and assets of € 23,543K. The company's net equity as at the same date was € 98,706K.

During the half year period, the company sold its entire shareholding in Swiss Life Holding. With the liquidity resulting from this sale (€ 303,135K) the company distributed capital reserves of € 250,333K and converted Milano Assicurazioni warrants into ordinary shares in the same company.

SAI Holding Italia S.p.a

Share capital € 143,100,000

(Direct shareholding 100%)

The company recorded a profit for the period of € 14,123K.

Income amounted to € 15,575K, consisting primarily of dividends of € 15,179K, of which € 6,763K and € 6,480K came respectively from the subsidiaries subject to transparent taxation Po Vita and Novara Vita, € 1,140K came from the parent company Fondiaria-Sai and € 796K came from Milano Assicurazioni. There was also financial income of € 374K relating to interest received on bonds, bank deposits and loans disbursed. Costs amounted to € 1,452K and related primarily to services and sundry costs of € 363K and to tax for the period of € 1,084K.

The company's assets as at 30/06/2006 amounted to € 222,579K and consisted of shareholdings in Group companies of € 179,108K, receivables and other assets of € 20,247, of which € 8,150 related to the loan disbursed to the parent company Fondiaria-SAI and to liquidities primarily invested in time deposits of € 23,224K. The company's Net Equity as at the same date amounted to € 221,461K.

SAIFIN-SAIFINANZIARIA S.p.A.

Share capital € 102,258,000

(Direct shareholding 100%)

The company recorded a loss for the period of € 100K.

Income for the period was € 908K, consisting of interest received on loans to customers and on bonds and bank deposits of € 375K, dividends received of € 475K, of which € 400K came from Finadin and € 75K came from RCS Mediagroup, and write-backs on financial fixed assets of € 58K relating to the investee company Premafin HP. Costs for the period, amounting to € 1,008K, consisted primarily of value adjustments on financial fixed assets carried out in relation to the investee company RCS Mediagroup of € 472K, administrative costs of € 274K, commissions and interest paid of € 69K and tax for the period of € 180K.

The company's assets as at 30/06/2006 amounted to € 143,319K and consisted of shareholdings in Group companies of € 101,409K, other shareholdings of € 27,762K, financial credits of € 11,319K, liquidities primarily invested in time deposits of € 1,919K and sundry assets of € 910K. The company's net equity as at the same date amounted to € 135,221K.

SAILUX S.A.

Share capital € 30,000,000
(Indirect shareholding 100%)

The company recorded a loss for the period of € 11K, resulting from income of € 142K, essentially consisting of financial income from the management of liquidities and costs of € 153K, consisting primarily of general and administrative costs.

The company's assets as at 30/06/2006 amounted to € 39.5m and consisted of the controlling shareholding in Finsai International (61.47%), book value € 27m, shareholdings in unlisted companies of € 0.6m and liquidities and sundry assets of € 11.9m.

The company's liabilities as at the same date consisted primarily of the net equity of € 39m and tax funds of € 0.2m.

SAINTERNATIONAL S.A.

Share capital € 154,000,000
(Direct shareholding 100%)

The company recorded a profit for the period of € 2,422K. Income amounted to € 19,994K and consisted of proceeds from loans granted to the parent company Fondiaria - Sai of € 16,623K, dividends of € 2,155 and other financial proceeds of € 1,216K. Costs amounted to € 17,572K, including administrative and general expenses of € 465K, interest paid and charges on bonded loans of € 15,495K, value adjustments on investments of € 413K, other charges of a financial nature of € 516K and other charges and taxes of € 683K.

The company's assets as at 30/06/2006 amounted to € 367,582K and consisted of the loans granted to the parent company Fondiaria-SAI of € 235,000K, shareholdings in unlisted companies and loans to the same of € 18,886K, listed shares of € 43,984K, other short-term investments of € 41,080K and liquidities and sundry assets of € 28,632K. The liabilities consisted of the company's net equity of € 171,625K, the debt to bond holders of € 180,400K, the provisions for risks and charges of € 1,246K and other liabilities of € 14,311K. The unlisted securities consist of 10,100,000 shares in RCS Mediagroup tied to the shareholders' agreement of the same company and 1,110,000 shares in the subsidiary Milano Assicurazioni.

The performance of the main Group company operating in the agricultural sector can be summarised in the following table:

(€K)	VALUE OF PRODUCTION	% VARIATION	PROFIT (LOSS) FOR THE PERIOD
SAIAGRICOLA S.p.A.	4,109	1.81	(1,580)

SAI-AGRICOLA S.p.A.

Share capital € 50,000,000

(Direct shareholding 92%, Group interest 97.32%)

The balance sheet for the six-month period to 30/06/2006 shows a loss of € 1,580K (loss of € 1,332K as at 30/06/2005) after setting aside depreciation for the period on intangible fixed assets of € 195K (-3.47% in the first half of 2005) and on tangible fixed assets of € 769K (+0.26% in the first half of 2005), having written off receivables of € 60K (€ 14K in the first half of 2005), paid interest on loans of € 123K (€ 39K in the first half of 2005) and set aside tax for the regional tax on production activities of € 25K (+8.70% in the first half of 2005).

Weather conditions in the first half of 2006 were good, ensuring average cereal harvests compared to recent years. If conditions in the summer remain normal, significant wine grape, olive and rice crops can be expected in terms of both quality and quantity. Oil seed crops (soya) are currently partly damaged by the drought in the first few months of the summer.

Therefore, better harvests are expected (on an annual basis) than in 2005 for unrefined rice and grapes, while a significant drop is expected for soya. The productivity of the land is in line with that of the crops.

The turnover generated by these crops represents 90% of the total.

For 2006, the percentage of land left uncultivated will be equal to 5%.

Sales of unrefined rice amounted to 20,892 quintals, with a value of € 387K (15,215 quintals with a value of € 255K in the first half of 2005), and were made at an average price per quintal of € 18.52, compared to € 16.76 in June 2005. Value increased by 52% and quantities increased by 37% compared to the first half of 2005.

Compared to the same period of the last financial year, sales of processed and packaged rice increased by € 40K, rising in total to € 170K on a quantity of approximately 66,000 kg and at an unchanged average price of € 2.50 per kg.

Sales of bottled wine amounted to € 2,346m (€ 2,251m in the first half of 2005), recording an increase of € 95K on approximately 384,000 bottles (approximately 411,000 in the first half of 2005).

Foreign sales of bottled wine, oil and grappa once again accounted for around 46% of turnover, reaching € 1.1m (+9% compared to the same period of the last financial year). The balance of this turnover was split between 44% from sales made in Italy through agents, which increased by around 2%, and 10% from commercial channels of the group's clients.

Industrial costs increased owing to the higher costs paid for the maintenance of motor vehicles and machinery, third party work and hiring of motor vehicles.

Depreciation and write-offs increased, particularly as a result of the appropriation made to the provision for bad debts of €60K.

The sale of stone materials recorded income of approximately €195K, resulting from the new quarrying of inert materials at Fattoria del Cerro and Tenuta di Montecorona.

Investments made during the first half of the year amounted to €777K (€1.4m in the first half of 2005) and related to land and buildings (€527K), plant and machinery (€147K) and other assets (€103K).

Compared to 31/12/2005, stock-in-trade was down by €1,474K, while products in production increased by €1,048K. As at 30/06/2006, stock-in-trade amounted to €7,303K and consisted primarily of bottled and unbottled wine with a value of 75.75% of the total.

Asset and financial management

INVESTMENTS AND AVAILABLE FUNDS

As at 30/06/2006, the volume of investments was € 30,377m, having increased by 1.04% compared to the investments existing on 31/12/2005.

The structure of these investments is shown in the following statement, which also shows the tangible assets, given the substantial size of the real estate component used directly and/or for warehousing, as well as the available funds, given the importance of these assets in ensuring the correct representation of the assets of an insurance group.

We should point out that as a result of the acquisition of the Liguria Assicurazioni Group, the investments also include the financial assets of Liguria Assicurazioni and Liguria Vita, which amount to € 227m in total.

(€K)	30/06/2006	% Comp.	31/12/2005	% Comp.	% Var.
INVESTMENTS					
Property investments	2,050,590	6.40	2,041,721	6.45	0.43
Shareholdings in subsidiaries, associated companies and joint ventures	224,178	0.70	71,675	0.23	212.77
Loans and receivables	1,367,070	4.27	1,408,658	4.45	(2.95)
Investments owned to maturity	-	-	-	-	-
Financial assets available for sale	21,420,615	66.85	20,972,111	66.20	2.14
Financial assets and fair value through profit or loss	5,314,572	16.59	5,570,855	17.59	(4.60)
Total investments	30,377,025	94.81	30,065,020	94.91	1.04
Tangible assets: property and other tangible assets	1,124,423	3.51	1,086,135	3.43	3.53
Total non-current assets	31,501,448	98.32	31,151,155	98.34	1.12
Net available funds and equivalents	539,667	1.68	526,505	1.66	2.50
Total non-current assets and available funds	32,041,115	100.00	31,677,660	100.00	1.15

Financial assets available for sale and financial assets at fair value through profit or loss consist of the following:

(€K)	30/06/2006	31/12/2005	% Var.
Financial assets available for sale	21,420,615	20,972,111	2.14
Capital securities and collective savings investment undertakings	3,638,478	3,767,474	(3.42)
Debt securities	17,779,862	17,200,376	3.37
Other financial investments	2,273	4,261	(46.63)
Financial assets at fair value through profit or loss	5,314,572	5,570,855	(4.60)
Capital securities and collective savings investment undertakings	732,876	739,663	(0.92)
Debt securities	4,326,754	4,661,888	(7.19)
Other financial investments	254,942	169,304	50.58

The following table shows the results of financial and property activities over the last two years:

(€K)	30/06/2006	30/06/2005	Variation
Net income from financial instruments at fair value through profit or loss	(21,980)	101,409	(123,389)
Income from shareholdings in subsidiaries, associated companies and joint ventures	23,810	16,056	7,754
Income from other financial instruments and property investments:			
Interest receivable	342,009	310,414	31,595
Other income	127,702	80,943	46,759
Profit earned	153,749	145,315	12,434
Valuation profits	401	7,858	(7,457)
Total income	625,691	657,995	(32,304)
Charges from other financial instruments and property investments:			
Interest payable	42,349	19,618	22,731
Other charges	35,655	35,405	250
Losses incurred	20,231	12,315	7,916
Valuation losses	19,145	8,771	10,374
Total charges and interest payable	117,380	76,109	41,271
TOTAL NET INCOME	508,311	581,886	(73,575)

For further details regarding financial operations see the statutory half year report given that the management of financial operations is centralised at Group level.

DEBTS OF THE FONDIARIA-SAI GROUP

As a result of the application of international accounting standards, significant changes have had to be made to the presentation of the Group's financial liabilities. In particular, both the widening of the scope of consolidation and the different classification of a number of insurance contracts as investment contracts increase the volume of the items in question, in a way which differs from the presentation of balance sheets according to Italian principles.

It is important to point out, however, that the greater volume of financial debts does not have an impact in terms of the burden of provisions on the Group's accounts, since it is an accounting representation that complies with international standards which does not have a significant effect on the Group's financial leverage.

Consequently, for the purpose of ensuring correct representation of the items in question, it is considered important to show separately the items relating to the financial debt, which is understood to be the total amount of financial liabilities for which no specific correlation with asset entries can be established.

The Fondiaria-SAI Group's debt situation as at 30/06/2006 is the following:

(€m)	30/06/2006	31/12/2005	Variations
Subordinate loans	487.2	483.9	3.3
Mandatory Sainernational	177.7	176.8	0.9
Debts owed to banks and other loans	501.1	518.0	(16.9)
Total debts	1,166.0	1,178.7	(12.7)

The subordinate loans item includes the loan contracted with Mediobanca in July 2003 with the simultaneous early repayment of the loan previously taken out on 12/12/2002.

The loan of an amount equal to a nominal € 400m had been taken out in order to increase the constituent elements of the solvency margin.

As regards the existing subordinate loan of € 400m with Mediobanca, the Company agreed with the latter, subject to authorisation from ISVAP:

- to make a number of amendments to the loan agreement itself relating, among other things, to reducing the interest rate, which changed from the six-month Euribor + 265 basis points to the six-month Euribor + 180 basis points;
- to enter into a new twenty-year (fixed term) subordinate loan contract for a total of € 100m at an interest rate equal to the six-month Euribor + 180 basis points, with the same subordination features as the previous one. This loan contributes, within the limits established by current legal provisions, to further improving the available solvency margin by 25% of the available margin or the solvency margin required, whichever is the smallest.

In the context of the aforesaid agreement, the Company also agreed with Mediobanca to enter into a preliminary contract that provides for the future signing be-

tween Mediobanca and Fondiaria-SAI of a further subordinate financing contract for a total of € 300m (to which Milano Assicurazioni may be a party), with similar features to those mentioned above. The use of this financing will be at the discretion of Fondiaria-SAI and/or Milano (if the latter company should decide to become a party to the contract), which will be able to access the financing, at their discretion, by 31/07/2007. This financing will be usable in a maximum of six drawings, at the discretion of the Companies, each amounting to € 50m (or multiples thereof).

On 27/09/2004, the Luxembourg subsidiary Sainternational S.A. launched a convertible bond repayable exclusively in ordinary shares in Banca Intesa, owned by Fondiaria-SAI, maturing on 29/09/2010.

The bonds, with a nominal value of € 180,400K, will be repayable on maturing by delivering 44,000,000 ordinary shares in Banca Intesa, formally owned by Fondiaria-SAI, at the exchange price of € 4,10 per share, and therefore with a premium of 35.13% on the quotation of ordinary shares in Banca Intesa at the time the offer price was established.

The annual coupon for the bonds and the yield on maturity are equal to 6.10%.

On 21/10/2004, the bonds were admitted for quotation on the Luxembourg Stock Exchange.

As regards debts owed to banks and other loans, we should point out that during the first half of 2006 the total exposure of the Immobiliare Lombarda Group fell by approximately € 16,010K from € 228,215K as at 31/12/2005 to € 212,233K. The decrease in the debt is mainly due to the following transactions:

- the subsidiary Progetto Bicocca La Piazza S.r.l., the debts of which consist of property loans associated with the construction and marketing of buildings currently being constructed, made repayments following the contracts of sale signed during the half year period for approximately € 1,439K;
- the Parent Company repaid the first instalment of its property loan equal to € 14,571K.

We should point out that the amount of the long-term property loan made to the subsidiary Progetto Bicocca La Piazza S.r.l., the contract for which expires on 30/09/2009, will be reduced as of the second half of 2006 as the sales activity begins.

The loans described above, both repaid at the Euribor rate with a spread of 0.9%, are guaranteed by mortgages on Group properties, in particular first and second degree mortgages on the development currently being built for Progetto Bicocca La Piazza S.r.l. and first degree mortgages of € 408m on properties owned by the subsidiary Immobiliare Lombarda.

Also in the context of debts owed to banks, € 117m related to the loan taken out by the Tikal R.E closed-end property fund with Banca Intesa, the latter acting as the Organising Bank, Agent and Finance Provider. The purpose of the loan is to improve the return on the fund's own capital and therefore on the capital invested by participants. The amount disbursed, which does not exhaust the line of credit granted, equal in total to a nominal € 280m, will be used for both investments in new initiatives, and to carry out improvement work with a view to achieving future income from

sales or increases in income. The cost of the provision is equal to Euribor plus a variable credit spread of 70 to 110 b.p.

The balance relates to the bank debt of the subsidiary Finitalia (€ 167m) and to other debts of small unitary value.

OWN SHARES, SHARES IN THE HOLDING COMPANY AND IN COMPANIES THAT ARE SUBSIDIARIES OF THE LATTER

As at 30/06/2006 and as at 31/12/2005, the Holding Company held own shares and shares in the holding company Premafin Finanziaria as shown in the following table:

(€K)	30/06/2006		31/12/2005	
	Number	Book value	Number	Book value
Own shares in the name of:				
Fondiaria-SAI	9,015,212	167,244	8,075,212	138,079
Milano Assicurazioni	5,787,557	115,907	5,362,557	103,672
Sai Holding	1,200,000	28,285	1,200,000	28,285
Grand total	16,002,769	311,436	14,637,769	270,036
Shares in the holding company in the name of:				
Fondiaria-SAI	18,340,027	39,541	18,340,027	36,203
Milano Assicurazioni	9,157,710	19,744	9,157,710	18,077
Saifin - Saifinanziaria	66,588	144	66,588	132
Grand total	27,564,325	59,429	27,464,325	54,412

PERFORMANCE OF THE GROUP'S LISTED SHARES

At the end of the first half of the year, the share capital of the parent company Fondiaria-SAI S.p.A. amounted to € 176,836,978, subdivided into an equivalent number of shares with a nominal value of € 1 (134,236,915 ordinary shares and 42,600,063 savings shares).

During 2006, the price of shares fluctuated between a minimum of € 26.89 (as at 13/06/2006) and a maximum of € 34.70 (as at 02/03/2006) per ordinary share, and between a minimum of € 19.132 (as at 13/06/2006) and a maximum of € 26.47 (as at 23/03/2006) per savings share.

At the end of the half year period, the stock exchange quotations were as follows:

(Euro Units)	30/06/2006	31/12/2005	% Variation
Fondiaria SAI ord.	31.87	27.71	15.01
Fondiaria SAI risp.	23.23	21.14	9.89

The corresponding stock exchange capitalisation at the end of the period was € 5,268m (€ 4,522 as at 31/12/2005).

The stock exchange quotations for the other listed subsidiaries were the following:

(Euro Units)	30/06/2006	31/12/2005	% Variation
Milano Assicurazioni S.p.A. ordinary shares	5.69	5.72	(0.52)
Milano Assicurazioni S.p.A. savings shares	5.61	5.69	(1.28)
Immobiliare Lombarda S.p.A. ordinary shares	0.199	0.190	4.90

As at 30/06/2006, the subsidiary Milano had a stock exchange capitalisation of € 2,656m (€ 2,623m as at 31/12/2005), while the subsidiary Immobiliare Lombarda had a capitalisation of € 817.8m (€ 745.8m as at 31/12/2005).

2006 Half Year

Following the entry into force of European Regulation no. 1606 of July 2002, European companies whose shares are traded on a regulated market must adopt the IAS/IFRS accounting standards for drawing up consolidated accounts with the aim of increasing comparability and transparency at European level.

This half year report consists of the following: Asset and Liability Statement, Profit and Loss Account, Statement of variations in Net Equity, Financial Statement, Appendices required by ISVAP Regulation no. 2460 of 10/08/2006 and the specific explanatory notes required by IAS 34.

The report as at 30/06/2006 on Fondiaria-SAI S.p.A. presented below is intended to conform to an intermediate balance sheet model which complies with the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS), and IAS 34 in particular, while also taking into account the instructions issued by the Regulatory Body.

It also contains additional information that illustrates some of the examples contained in some IAS standards which are considered to be best practice.

In drawing up this intermediate balance sheet, it has been assumed that Fondiaria-SAI has drawn up its consolidated balance sheet according to IAS standards on a continuous basis.

Please note that the valuation and measurement of the accounting items contained in the reconciliation statements and explanatory notes are based on the IAS/IFRS principles that are currently approved by the European Commission and on their current interpretation by official bodies.

Please note, however, that in order to ensure promptness of disclosure, and avoid repeating information already contained in the annual accounts, this half year report provides a more limited intermediate disclosure than the one contained in the annual accounts themselves, while complying with the minimum content requirements of IAS 34 and of the other recently issued regulatory provisions.

BALANCE SHEET - ASSETS

€k		30/06/2006	31/12/2005
1	INTANGIBLE ASSETS	1.031.205	926.525
1.1	Goodwill	921.291	872.393
1.2	Other Intangible Assets	109.914	54.132
2	TANGIBLE ASSETS	1.124.423	1.086.135
2.1	Land and buildings (self used)	982.205	959.414
2.2	Other tangible assets	142.218	126.721
3	REINSURES SHARE OF TECHNICAL RESERVES	926.039	896.948
4	INVESTMENTS	30.377.025	30.065.020
4.1	Investment property	2.050.590	2.041.721
4.2	Holding in subsidiaries, associates and joint ventures	224.178	71.675
4.3	Investment held to maturity		0
4.4	Loans and receivables	1.367.070	1.408.658
4.5	Financial assets available for sale	21.420.615	20.972.111
4.6	Financial assets at fair value through profit and loss	5.314.572	5.570.855
5	OTHER RECEIVABLES	2.552.248	2.811.043
5.1	Receivables deriving from direct insurance	1.830.051	2.034.610
5.2	Receivables deriving from reinsurance	180.242	160.642
5.3	Sundry receivables	541.955	615.791
6	OTHER ASSETS	1.106.420	1.667.976
6.1	Non-current assets or disposal groups classified as held for sale	9.288	6.450
6.2	Deferred acquisition costs	315.724	306.954
6.3	Deferred tax assets	135.687	673.490
6.4	Current tax assets	225.085	449.841
6.5	Other assets	420.636	231.241
7	CASH AND CASH EQUIVALENTS	539.667	526.505
	TOTAL ASSETS	37.657.027	37.980.152

BALANCE SHEET – NET EQUITY AND LIABILITIES

€k		30/06/2006	31/12/2005
1	NET EQUITY	4.464.257	4.508.889
1.1	Group share	3.420.824	3.459.660
1.1.1	Capital	176.837	173.114
1.1.2	Other equity instruments		0
1.1.3	Capital reserves	202.112	193.729
1.1.4	Profit and other equity reserves	2.609.027	2.378.368
1.1.5	(Own shares)	-311.482	-270.057
1.1.6	Reserve for net exchange differences	-487	-441
1.1.7	Reserve for unrealized gains and losses on available for sale financial assets	466.349	535.891
1.1.8	Reserve for other unrealized gains and losses through equity	20.359	-16.227
1.1.9	Group share of profit (loss) for the year	258.109	465.283
1.2	Minorities' share	1.043.433	1.049.229
1.2.1	Minorities' capital and reserve	948.055	892.353
1.2.2	Reserve for unrealized gains and losses through equity	33.469	35.809
1.2.3	Minorities' share of profit (loss) for the year	61.909	121.067
2	PROVISIONS	250.013	229.075
3	TECHNICAL RESERVES	25.579.585	25.359.603
4	FINANCIAL LIABILITIES	5.251.505	5.172.378
4.1	Financial liabilities at fair value through profit or loss	3.239.701	3.231.858
4.2	Other financial liabilities	2.011.804	1.940.520
5	PAYABLES	1.149.222	1.100.580
5.1	Payables deriving from direct insurance	274.929	210.047
5.2	Payables deriving from reinsurance	147.509	113.541
5.3	Other payables	726.784	776.992
6	OTHER LIABILITIES	962.445	1.609.627
6.1	Liabilities directly associated with non-current assets and disposal groups		0
6.2	Deferred tax liabilities	201.627	724.243
6.3	Current tax liabilities	28.059	272.838
6.4	Other liabilities	732.759	612.546
	TOTAL NET EQUITY AND LIABILITIES	37.657.027	37.980.152

PROFIT AND LOSS ACCOUNT

€k		30/06/2006	30/06/2005
1.1	Net Premiums	4.728.864	4.572.242
1.1.1	<i>Gross earned premiums</i>	4.860.180	4.716.417
1.1.2	<i>Earned premiums ceded</i>	-131.316	-144.175
1.2	Commission income	35.504	28.009
1.3	Income and expenditure deriving from financial instruments at fair value through profit or loss	-21.980	101.409
1.4	Income deriving from holdings in subsidiaries, associates and joint ventures	26.370	16.056
1.5	Income deriving from other financial instruments and investments and investment property	623.861	540.530
1.5.1	<i>Interest Income</i>	342.009	310.414
1.5.2	<i>Other income</i>	127.702	80.943
1.5.3	<i>Realized gains</i>	153.749	141.315
1.5.4	<i>Unrealized gains</i>	401	7.858
1.6	Other income	179.323	127.880
1	TOTAL REVENUE AND INCOME	5.571.942	5.386.126
2.1	Net charges relating to claims	-3.779.039	-3.808.245
2.1.1	<i>Amounts paid and changes in technical reserves</i>	-3.857.539	-3.867.048
2.1.2	<i>Reinsurers' share</i>	78.500	58.803
2.2	Commission expenses	-20.785	-7.346
2.3	Expenses deriving from holding in subsidiaries, associates and joint ventures	-2.560	
2.4	Expenses deriving from other financial instruments and investments property	-117.380	-76.109
2.4.1	<i>Interest expenses</i>	-42.349	-19.618
2.4.2	<i>Other expenses</i>	-35.655	-35.405
2.4.3	<i>Realized Losses</i>	-20.231	-12.315
2.4.4	<i>Unrealized Losses</i>	-19.145	-8.771
2.5	Operating expenses	-827.218	-788.596
2.5.1	<i>Commissions and other acquisition costs</i>	-625.531	-603.772
2.5.2	<i>Investment management expenses</i>	-43.134	-28.261
2.5.3	<i>Other administration cost</i>	-158.553	-156.563
2.6	Other costs	-361.837	-269.022
2	TOTAL COSTS AND EXPENSE	-5.108.819	-4.949.318
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	463.123	436.808
3	Income taxes	-143.105	-147.071
	PROFIT (LOSS) FOR THE YEAR NET OF TAXES	320.018	289.737
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		
	CONSOLIDATED RESULTS OF THE PERIOD	320.018	289.737
	Group share	258.109	233.965
	Minorities' share	61.909	55.772

STATEMENT OF VARIATIONS IN THE CONSOLIDATED NET EQUITY AS AT 30 JUNE 2006

With regard to the statement of variations in net equity we attach the appendix to ISVAP Regulation 2460/06. This fulfils the requirements of IAS 1, which required a statement complying with a series of minimum requirements. In particular, we should point out that the first column contains data from the consolidated accounts as at 31/12/2004, while the second column shows the effects on the net equity of the application of IAS 39 and IFRS 4.

In particular, the item “Profits or losses on financial assets available for sale” records the effects of the valuation of the correlated financial instruments net of the amount attributable to policy holders and posted to deferred liabilities towards policy holders. The postings column shows the profit for the financial year, the allocation of the profit for the previous financial year to the equity reserves, the increases in capital and other reserves, the variations in profits or losses recorded directly in the equity; the “transfers to profit and loss account” column shows the profits or losses previously recorded directly in the net equity according to international accounting standards; the “other transfers” posting records the ordinary distribution of dividends and the decreases in capital and other reserves, including the purchase of own shares.

As regards the data as at 30 June 2005 we should point out that compared to the profit and net equity shown in the reconciliation statement required by article 81ii of CONSOB regulation 11971 and presented in the half year accounts for 2005, we have had to carry out a restatement following the amendments made to the IAS 19 and IAS 39 accounting standards and a different interpretation of the way in which the credit for advance tax on the return from the actuarial reserves referred to in Decree Law 209/02. The adjustments made are described below:

- Under EU Regulation no. 1910, published in the Official Journal of the EU on 24/11/2005, among other things, some changes were made to IAS 19 “Employee benefits”. In particular, it now provides for the possibility of recognising the actuarial gains and losses in the year in which they occur directly in the net equity. In the statements presented as an appendix to the half year report, the actuarial gains and losses were not recognised following the application of the “corridor method”. The Group has now decided to take the opportunity afforded by the new version of IAS 19 and has consequently adjusted the balances as at 31/12/2004 entering in the net equity all the actuarial gains and losses accumulated on that date. A decrease in the net equity has been recognised of € 16m in total with a decrease in the third party equity of 3m (the effect on the Group’s profit for the period was positive in the amount of € 1m).
- Under EU Regulation no. 1864 published in Official Journal of the EU on 16/11/2005, among other things, some changes were made to IAS 39 “Financial instruments: recognition and measurement”; in particular, the possibility of using the Fair Value Option. Following the amendment, the accounts as at 31/12/2004 were reclassified by reversing all the financial assets which under the amended IAS 39 could not be classified in the Fair Value Through Profit and Loss category. These were consequently recorded in the Available For Sale category. At overall equity level there were no variations, but the result for the period worsened overall by € 9m, increasing the reserves by an equal amount (for third parties the variation was € 1m).

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- On the basis of widespread practice in the market, in the statements presented in the 2005 half year report it was considered that the credit for the advance payment of tax on the actuarial provisions (art. 1, paragraph 2, Decree Law 209/2002) fell within the scope of application of IAS 39, with IAS 12 applicable only to income tax, and consequently the credit was updated. Based on the instructions given in ISVAP Regulation 2404 of 22/12/2005, this credit was included in the scope of application of IAS 12.
The effect of the updating was therefore reversed by recognising a positive effect on the net equity of € 2m in total (for third parties, the effect was € 1m, while no significant effects were noted on the profit for the period).

STATEMENT OF VARIATIONS IN NET EQUITY

(€K)

		Balance as at 31-12-2004	Change in closing balances	Allocations	Transfers to Profit and Loss Account	Other transfers	Balance as at 30-06-2005	
Group share of net equity	Capital	170,554		3			170,557	
	Other equity instruments	0					0	
	Capital reserves	190,532		20			190,552	
	Profit and other equity reserves	2,108,422	14780	207,010			2,330,212	
	(Own shares)	-171,371				-30,103	-201,474	
	Reserve for net exchange differences	-394		432			38	
	Profits or losses on financial assets available for sale	0	150174	601,105	-89,984	-223,668	437,627	
	Other profits or losses recorded direct under equity	Profits or losses on hedge instruments for financial flows	0					0
		Profits or losses on hedge instruments for a net investment in foreign business	0					0
		Reserve deriving from changes in participating interests' net equity	727		-1,520			-793
		Revaluation reserve for intangible assets	0					0
		Revaluation reserve for tangible assets	0					0
		Income and expenditure relating to non-current assets or to an HFS disposal group	0					0
		Other reserves	-5,762		-6,900			-12,662
	Profit (loss) for the year	340,691		18,333		-125,059	233,965	
Total Group share	2,633,399	164,954	818,483	-89,984	-378,830	3,148,022		
Minorities' share of net equity	Minority interest in capital and reserves	536,979	2298	73,469		0	612,746	
	Profits or losses recorded direct under equity	55	1592	45,922	-7,230		40,339	
	Profit (loss) for the year	104,336		3,832		-52,395	55,773	
	Total minority interest	641,370	3,890	123,223	-7,230	-52,395	708,858	
Total	3,274,769	168,844	941,706	-97,214	-431,225	3,856,880		

		Balance as at 31-12-2005	Change in closing balances	Allocations	Transfers to Profit and Loss Account	Other transfers	Balance as at 30-06-2006	
Group share of net equity	Capital	173,114		3,723			176,837	
	Other equity instruments	0					0	
	Capital reserves	193,729		8,383			202,112	
	Profit and other equity reserves	2,378,368		230,659			2,609,027	
	(Own shares)	-270,057				-41,425	-311,482	
	Reserve for net exchange differences	-441		-46			-487	
	Profits or losses on financial assets available for sale	535,891		23,397	-68,279	-24,660	466,349	
	Other profits or losses recorded direct under equity	Profits or losses on hedge instruments for financial flows	0					0
		Profits or losses on hedge instruments for a net investment in foreign business	0					0
		Reserve deriving from changes in participating interests' net equity	-707		32,882			32,175
		Revaluation reserve for intangible assets	0					0
		Revaluation reserve for tangible assets	0					0
		Income and expenditure relating to non-current assets or to an HFS disposal group	0					0
		Other reserves	-15,520		3,704	0	0	-11,816
	Profit (loss) for the year	465,283		-45,137		-162,037	258,109	
Total Group share	3,459,660	0	257,565	-68,279	-228,122	3,420,824		
Minorities' share of net equity	Minority interest in capital and reserves							
	Profits or losses recorded direct under equity	892,353		55,702			948,055	
	Profit (loss) for the year	35,809		2,159	-4,499		33,469	
Total minority interest	121,067		-2,387		-56,771	61,909		
Total	1,049,229	0	55,474	-4,499	-56,771	1,043,433		

**CONSOLIDATED FINANCIAL STATEMENT FOR THE FIRST HALF
OF 2006**

FINANCIAL STATEMENT (indirect method)

(€K)	1st H 2006	1st H 2005
Pre-tax profit (loss) for the year	463,123	436,808
Change in non-monetary items	300,597	(1,796,331)
Change in non-life premium reserve	104,459	217,428
Change in claims reserve and other non-life technical reserves	47,465	(105,297)
Change in mathematical reserves and other life technical reserves	38,967	(1,757,391)
Change in deferred acquisition costs	(106)	(65,212)
Change in provisions	33,661	22,422
Non-monetary income and expenditure deriving from financial instruments, investment property and holdings	85,008	8,758
Other changes	(8,855)	(117,039)
Change in receivables and payables generated by operating activities	(27,707)	455,892
Change in receivables and payables deriving from direct insurance and reinsurance	283,810	469,950
Change in other receivables and payables	(311,517)	(14,058)
Tax paid	0	(98,212)
Net liquidity generated/absorbed by monetary items appertaining to investments and financial	165,011	1,997,235
Liabilities from financial contracts written by insurance companies	121,885	2,703,430
Payables to bank and interbank clients	(22,679)	7,621
Loans and receivables to/from bank and interbank clients	63,660	11,220
Other financial instruments at fair value through profit and loss	2,145	(725,036)
<u>TOTAL NET LIQUIDITY DERIVING FROM OPERATING ACTIVITIES</u>	<u>901,024</u>	<u>995,392</u>
Net liquidity generated/absorbed by investment property	(2,164)	10,987
Net liquidity generated/absorbed by holdings in subsidiaries, associates and joint ventures	(124,774)	13,928
Net liquidity generated/absorbed by loans and receivables	809	(121,490)
Net liquidity generated/absorbed by investments held to maturity	0	0
Net liquidity generated/absorbed by financial assets available for sale	(518,045)	(878,635)
Net liquidity generated/absorbed by tangible and intangible assets	(163,904)	93,447
Other net cash flows generated/absorbed by investment activities	(2,779)	0
<u>TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITIES</u>	<u>(810,857)</u>	<u>(881,763)</u>
Net liquidity generated/absorbed by capital instruments pertaining to the group	12,106	23
Net liquidity generated/absorbed by own shares	(41,425)	(30,103)
Distribution of dividends pertaining to the group	(162,037)	(125,059)
Net liquidity generated/absorbed by minority interest in capital and reserves	(67,704)	11,715
Net liquidity generated/absorbed by subordinated liabilities and equity financial instruments	(0)	0
Net liquidity generated/absorbed by sundry financial liabilities	188,325	191,674
<u>TOTAL NET LIQUIDITY DERIVING FROM FINANCING ACTIVITIES</u>	<u>(70,735)</u>	<u>48,250</u>
Effect of exchange differences on cash in hand and at bank and equivalents	0	0
CASH IN HAND AND AT BANK AND EQUIVALENTS AT THE START OF THE YEAR	526,505	755,797
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK AND EQUIVALENTS	13,162	161,878
CASH IN HAND AND AT BANK AND EQUIVALENTS AT THE END OF THE YEAR	539,667	917,675

Explanatory Notes

PART A – Accounting policies

The consolidated half year accounts have been drawn up by applying the valuation criteria used to draw up the last consolidated accounts, to which you are referred, and therefore in compliance with the IAS/IFRS international accounting standards issued by IASB, and now approved by the EU, and with the way in which these are currently interpreted by the official bodies.

However, the interim accounts are influenced by a greater reliance on estimates and the greater use of simplifications. Consequently, a number of methods are used that make greater use of estimates.

The simplified methods used in the valuation of the technical reserves, financial investments and tax burden for the period already described in the Parent Company's report are also applied to the consolidated report.

We would also point out that as a result of the acquisition of Liguria Assicurazioni, already discussed in the Parent Company's report, the half year report records intangible assets known as Voba (Value of business acquired), which represent the cash flows generated within a period of time defined by the insurance portfolio acquired and which is depreciated on the basis of the expected profits.

Consolidation principles

The same principles as those applied to the last consolidated accounts have been applied to the half year report. We would therefore refer you to the accounts file itself for a detailed description of these principles. Any references to the date of 31/12 should be understood as references to 30/06.

Note in particular that following the signing of the definitive contract for the purchase and sale of the controlling share in Liguria Assicurazioni (equal to 99.97% of the share capital) on 30/05/06, as of this date, in accordance with IFRS 3, the subsidiary's profit is included in that of the Group.

For the purpose drawing up the consolidated half year report, the half year reports approved by the Boards of Directors of the respective companies were used. Where these reports had not yet been approved, the half year statements examined by the respective administrative bodies were consolidated.

Consolidation scope

As at 30/06/2006, the Fondiaria-SAI Group consisted of 1180 companies, including the Parent Company, of which 21 operate in the insurance sector, 1 in the banking sector, 45 in the property and agricultural sectors, 18 in the financial sector, 3 in SIM and SGR, with the remaining companies operating in various services.

82 companies are consolidated on a line-by-line basis and 11 using the net equity method. The rest are valued at book value or consolidated using the proportional method.

There are 94 subsidiaries of which 37 are controlled directly by the Parent Company. 14 companies have their registered offices abroad.

We should point out that due to the introduction of IAS/IFRS the Group consolidates all its subsidiaries on a line-by-line basis even if they carry out dissimilar activities, such as the Tikal closed property investment fund, because the Group controls it and determines the strategies and direction of its management policy.

Only subsidiaries which due to their limited size or the nature of their activity are totally irrelevant to the purposes of these accounts are excluded.

The consolidated scope of the Fondiaria-SAI Group therefore presented the following variations:

- acquisition of 99.97% of the insurance company LIGURIA S.p.A. and consequently control of the company LIGURIA VITA S.p.A. and of the respective service companies controlled by the latter: LIGURIA DIREZIONE S.p.A. and GLOBAL CARD SERVICE S.r.l.;
- acquisition by Casa di Cura Villanova S.r.l. of a controlling stake in the company FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l.;
- acquisition by Scai S.p.A. of 100% of the shares in the service company DIANOS S.p.A.;
- acquisition through Milano Assicurazioni S.p.A. of a 46% shareholding in the insurance company BIPIEMME VITA S.p.A.;
- acquisition of 18% of the property company EX VAR S.C.S., in which Immobiliare Lombarda also holds a 10% stake;
- acquisition by Immobiliare Lombarda of a 20% shareholding in the newly incorporated company PENTA DOMUS and of a 40% shareholding in the property company SVILUPPO CENTRO EST;
- definitive dissolution of the company LAWRENCE LIFE AG, which was put into liquidation on 31/12/2005;
- transfer of the shares owned by Immobiliare Lombarda in S.E.P.I. - SERVIZI E PROGETTAZIONI IMMOBILIARI 97 S.r.l.;
- total transfer of the shares held by the Group companies in the service company RITA S.ca.r.l..

	Sector	Percentage of control		Group interest
		Direct	Indirect	
SUBSIDIARIES				
Companies consolidated on a line-by-line basis:				
BANCA SAI S.p.A.				
Turin				
Share capital €56,677,161	Banking	100.00		100.00
BIM VITA S.p.A.				
Turin				
Share capital €7,500,000	Life Assurance	50.00		50.00
BRAMANTE SRL				
Milan				
Share capital €10,000	Property		IMMOBILIARE LOMBARDA SPA 100.00	54.26
CAMPO CARLO MAGNO SPORT SRL				
Pinzolo (TN)				
Share capital €87,000	Other		MILANO ASSICURAZIONI SPA 100.00	60.63
CAMPO CARLO MAGNO SPA				
Trento				
Share capital €1,312,500	Property		MILANO ASSICURAZIONI SPA 100.00	60.63
CARPACCIO SRL				
Milan				
Share capital €10,000	Property		IMMOBILIARE LOMBARDA SPA 100.00	54.26
CASA DI CURA VILLA DONATELLO S.p.A.				
Florence				
Share capital €361,200	Services	100.00		100.00
CASA DI CURA VILLANOVA S.r.l.				
Florence				
Share capital €182,000	Services	100.00		100.00
CASCINE TRENNO S.r.l.				
Turin				
Share capital €10,000	Property		IMMOBILIARE LOMBARDA SPA 100.00	54.26
COLPETRONE S.r.l.				
Umbertide (PG)				
Share capital €10,000	Agricultural		SAIAGRICOLA S.p.A. 100.00	97.32
CONSORZIO CASTELLO				
Florence				
Share capital €51,000	Property		NUOVE INIZIATIVE TOSCANE S.r.l. 99.66	98.44
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A.				
Turin				
Share capital €1,040,000	Services	30.07		30.07
COS.ED SPA in liquidation				
Milan				
Share capital €120,000	Property		IMMOBILIARE LOMBARDA SPA 100.00	54.26

	Sector	Percentage of control		Group interest
		Direct	Indirect	
CRIVELLI SRL Milan Share capital € 10,000	Property		IMMOBILIARE LOMBARDA SPA 100.00	54.26
DIALOGO ASSICURAZIONI S.p.A. Milan Share capital € 8,831,774	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 99.85	60.54
DOMINION INSURANCE HOLDING Ltd London (GB) Share capital GBP 35,438,268	Financial	100.00		100.00
EFFE FINANZIARIA S.p.A. Firenze Share capital € 516,500	Financial		THE LAWRENCE RE IRELAND Ltd 100.00	100.00
EFFE GESTIONI SGR S.p.A. Milan Share capital € 5,000,000	Savings management	100.00		100.00
EFFE VITA COMPAGNIA DI ASS.NI SULLA VITA S.p.A. Florence Share capital € 6,240,000	Life Assurance	100.00		100.00
EUROPA TUTELA GIUDIZIARIA S.p.A. Milan Share capital € 5,160,000	Non-Life Insurance	100.00		100.00
EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l. Turin Share capital € 1,305,600	Financial		SAINTERNATIONAL S.A. 99.00 SAIFIN-SAIFINANZIARIA S.p.A. 1.00	100.00
FINITALIA S.p.A. Milan Share capital € 15,376,285	Financial		SAIFIN SAIFINANZIARIA SPA 100%	100.00
FINSAI INTERNATIONAL S.A. Luxembourg Share capital € 22,801,140	Financial	38.53	SAILUX S.A. 61.474	100.00
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL Florence Share capital € 10,400	Services		CASA DI CURA VILLANOVA SRL 100.00	100.00
FONDIARIA NEDERLAND B.V. Amsterdam (NL) Share capital € 19,070	Financial	100.00		100.00
FONDIPREV Compagnia di Ass.ni sulla Vita S.p.A. Florence Share capital € 6,240,000	Life Assurance	40.00	MILANO ASSICURAZIONI S.p.A. 60.00	76.38

	Sector	Percentage of control		Group Interest
		Direct	Indirect	
IMMOBILIARE LITORELLA SRL				
Milan			IMMOBILIARE LOMBARDA SPA 100.00	54.26
Share capital € 10,329	Property			
IMMOBILIARE LOMBARDA S.p.A.				
Milan			MILANO ASSICURAZIONI S.p.A. 6.83	54.26
Share capital € 697,907,753.59	Property	50.12		
INIZIATIVE VALORIZZAZIONI EDILI – IN.V.ED. SRL				
Rome			IMMOBILIARE LOMBARDA SPA 100.00	54.26
Share capital € 10,329	Property			
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. S.p.A.				
Rome			IMMOBILIARE LOMBARDA SPA 100.00	54.26
Share capital € 2,580,000	Property			
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.				
Segrate (MI)				99.97
Share capital 23,000,000	Non-Life Insurance	99.97		
LIGURIA VITA S.p.A.				
Segrate (MI)			LIGURIA S.p.A. 100.00	99.97
Share capital 6,000,000	Life Assurance			
MAA FINANZIARIA S.p.A.				
Milan			MILANO ASSICURAZIONI S.p.A. 100,00	60,63
Share capital € 774,000	Financial			
MANTEGNA SRL				
Milan			IMMOBILIARE LOMBARDA SPA 100.00	54.26
Share capital € 10,000	Property			
MASACCIO SRL				
Milan			IMMOBILIARE LOMBARDA SPA 100.00	54.26
Share capital € 10,000	Property			
MERIDIANO AURORA S.r.l.				
Milan				100.00
Share capital € 10,000	Financial	100.00		
MERIDIANO BELLARMINO S.r.l.				
Turin			IMMOBILIARE LOMBARDA SPA 100.00	54.26
Share capital € 10,000	Property			
MERIDIANO BRUZZANO S.r.l.				
Turin			IMMOBILIARE LOMBARDA SPA 100.00	54.26
Share capital € 10,000	Property			
MERIDIANO EUR S.r.l.				
Milan			MILANO ASSICURAZIONI S.p.A. 100.00	60.63
Share capital € 10,000	Property			

Sector	Percentage of control		Group interest
	Direct	Indirect	
MERIDIANO ORIZZONTI			
S.r.l. Milan			
Share capital € 10,000	Financial	MILANO S.p.A. 100.00	60.63
MERIDIANO PRIMO S.r.l.			
Turin		IMMOBILIARE LOMBARDA	
Share capital € 10,000	Property	SPA 100.00	54.26
MERIDIANO QUARTO			
S.r.l. Turin		SAI HOLDING ITALIA S.p.A	
Share capital € 10,329,000	Property	100.00	100.00
MERIDIANO RISPARMIO			
S.r.l. Milan			
Share capital € 10,000	Property	100.00	100.00
MERIDIANO SECONDO			
S.r.l. Turin		IMMOBILIARE LOMBARDA	
Share capital € 10,000	Property	SPA 100.00	54.26
MERIDIANO TERZO S.r.l. (ex FINANZA & PREVIDENZA S.p.A.)			
Turin		SAI HOLDING ITALIA S.p.A.	
Share capital € 10,000	Property	100,00	100,00
MILANO ASSICURAZIONI			
S.p.A. Milan		EFFE FINANZIARIA 0.524 FONDIARIA NEDERLAND BV 1.914 NOVARA VITA 0.021 PRONTO ASSISTANCE 0.070	
Share capital € 242,974,695.08	Mixed Insurance	SAI HOLDING 0.652 SAINTERNATIONAL 0.254	60.63
MIZAR SRL			
Rome		IMMOBILIARE LOMBARDA	
Share capital € 10,329	Property	SPA 100.00	54.26
NOVARA ASSICURA			
S.p.A. Novara		MILANO ASSICURAZIONI	
Share capital € 13,000,000	Non-Life Insurance	S.p.A. 100.00	60.63
NOVARA VITA S.p.A.			
Novara		SAI HOLDING ITALIA S.p.A.	
Share capital € 54,000,000	Life Assurance	50.00	50.00
NUOVA IMPRESA			
EDIFICATRICE			
MODERNA SRL			
Rome		IMMOBILIARE LOMBARDA	
Share capital € 10,329	Property	SPA 100.00	54.26
NUOVE INIZIATIVE			
TOSCANE S.r.l.			
Florence		MILANO ASSICURAZIONI.	
Share capital € 26,000,000	Property	S.p.A. 3.12	98.77

	Sector	Percentage of control		Group interest
		Direct	Indirect	
PORTOBELLO SPA Milan			IMMOBILIARE	
Share capital € 5,536,000	Property		LOMBARDA SPA 100.00	54.26
PORTOFINO VETTA S.r.l. Florence				
Share capital € 10,400	Property	100.00		100.00
PROGETTO BICOCCA LA PIAZZA SRL Milan			IMMOBILIARE LOMBARDA	
Share capital € 3,151,800	Property		SPA 74.00	40.15
PRONTO ASSISTANCE S.p.A. Turin				
Share capital € 2,500,000	Non-Life Insurance	100.00		100.00
PRONTO ASSISTANCE SERVIZI S.p.A. Turin			PRONTO ASSISTANCE S.p.A. 60.00	
Share capital € 516,000	Services		SAIFIN-SAIFINANZIARIA S.p.A. 40.00	100.00
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO SRL Rome			IMMOBILIARE LOMBARDA	
Share capital € 10,329	Property		SPA 100.00	54.26
SAIAGRICOLA S.p.A. SOCIETA' AGRICOLA Turin			MILANO ASSICURAZIONI S.p.A. 6.80	
Share capital € 50,000,000	Agriculture	92.00	PRONTO ASSISTANCE S.p.A. 1.192	97.32
SAIFIN-SAIFINANZIARIA S.p.A. Turin				
Share capital € 102,258,000	Financial	100.00		100.00
SAI INVESTIMENTI S.G.R. S.p.A. Turin			MILANO ASSICURAZIONI	
Share capital € 3,913,588	Savings Management	40.00	S.p.A. 40.00	64.25
SAINTERNATIONAL S.A. Luxembourg				
Share capital € 154,000,000	Financial	99.99		99.99
SAI HOLDING ITALIA S.p.A. Turin				
Share capital € 143,100,000	Financial	100.00		100.00
SAILUX S.A. Luxembourg			SAIFIN-SAIFINANZIARIA S.p.A. 99.99	
Share capital € 30,000,000	Financial		FINSAI INT. 0.01	100.00

	Sector	Percentage of control		Group interest
		Direct	Indirect	
SAI MERCATI MOBILIARI SIM S.p.A. Milan Share capital €20,000,000	Brokerage	100.00		100.00
SALEVOX S.r.l. Turin Share capital €50,000	Services		STARVOX S.p.A. 90.00	90.00
SANTA MARIA DEL FICO S.r.l. Umbertide (PG) Share capital €78,000	Agriculture		SAIAGRICOLA S.p.A. 100.00	97.32
SASA ASSICURAZIONI RIASSICURAZIONI S.p.A. Trieste Share capital €52,000,000	Non-Life Insurance	99.99		99.99
SASA VITA S.p.A. Trieste Share capital €10,000,000	Life Assurance	50.00	SASA ASS.NI RIASS.NI S.p.A. 50.00	100.00
SERVICE GRUPPO FONDIARIA-SAI S.r.l. Florence Share capital €104,000	Services	70.00	MILANO ASSICURAZIONI S.p.A. 30.00	88.19
SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A. Genoa Share capital €38,000,000	Non-Life Insurance		SAI HOLDING ITALIA S.p.A. 88.13	88.13
SIM ETOILE S.A. Paris Share capital €3,049,012	Property	100.00		100.00
SOGEINT S.r.l. Milan Share capital €100,000	Other		MILANO ASSICURAZIONI S.p.A. 100.00	60.63
SRP Asset Management S.A. Lugano Share capital CHF 1,000,000	Services		SAINTERNATIONAL S.A. 100.00	100.00
STARVOX S.p.A. Turin Share capital €258,000	Services	100.00		100.00
STIMMA S.r.l. Florence Share capital €10,000	Property	100.00		100.00

	Sector	Percentage of control		Group interest
		Direct	Indirect	
SYSTEMA COMPAGNIA DI ASS.NI S.p.A.				
Milan	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 100.00	60.63
Share capital €5,164,600				
THE LAWRENCE RE IRELAND LTD.				
Dublin (IRL)	Non-Life Insurance		FONDIARIA NEDERLAND 100.00	100.00
Share capital €635,000				
THE LAWRENCE LIFE ASSURANCE CO. LTD.				
Dublin (IRL)	Life Assurance		FONDIARIA NEDERLAND 100.00	100.00
Share capital €802,886				
TIKAL R.E. FUND				
	Property	50.68	MILANO ASSICURAZIONI SPA 15.31 MERIDIANO RISPARMIO SPA 5.72 MERIDIANO EUR SPA 19.11	77.27
TRENNO OVEST S.r.l.				
Turin	Property		IMMOBILIARE LOMBARDA SPA 100.00	54.26
Share capital €10,000				
UNISERVIZI Gruppo Fondiaria S.c.a.r.l.				
Milan	Services	63.37	MILANO ASSICURAZIONI 28.00 EFFE VITA 0.02 SYSTEMA COMPAGNIA 0.18 DIALOGO ASSICURAZIONI 0.20 EFFE GESTIONI 0.02 EUROPA TUTELA GIUDIZIARIA 0.02 FINITALIA 0.02 THE LAWRENCE RE IRELAND 0.02 THE LAWRENCE LIFE ASSURANCE 0.02 BANCA SAI SPA 0.02 FONDIPREV 0.02 IMMOBILIARE LOMBARDA 0.02 PRONTO ASSISTANCE 0.90 SAIAGRICOLA 0.02 SAINVESTIMENTI 0.02 SAISIM 0.02 SASA 5.85 SASAVITA 0.34	88.67
Share capital €5,200,000				

			SERVICE GRUPPO FONDIARIA-SAI 0.02 SIAT 0.84 SISTEMI SANITARI 0.02 STARVOX 0.02	
VILLA RAGONIERI S.r.l. Florence Share capital €78,000	Property	100.00		100.00

Sector	Percentage of control		Group interest
	Direct	Indirect	

Companies consolidated by the proportional method:

PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A. Parma Share capital € 114,200,000	Life Assurance		SAI HOLDING ITALIA S.p.A. 50.00	50.00
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Companies valued at book value:

AGRISAI S.r.l. Turin Share capital €61,000	Services		SAIAGRICOLA S.p.A. 99.00 SAIFIN-SAIFINANZIARIA S.p.A. 1.00	97.35
DELTAPRIME S.r.l. Turin Share capital €24,500	Services		SCAI S.p.A. 51.02	15.34
DIANOS S.p.A. Collegno (TO) Share capital € 120,000	Services		SCAI S.p.A. 100.00	30.07
EURO C.S. S.r.l. Venice Share capital €400,000	Services		SCAI S.p.A. 51.00	15.34
FONSAI MB&A- SPA MERCANT BANKING & ADVISORY Milan Share capital €800,000	Financial	100.00		100.00
GLOBAL CARD SERVICE SRL Segrate (MI) Share capital €98,800	Services		LIGURIA VITA S.A. 51.00	50.98
ITAL IBERIA PROYECTOS Y PROMOCIONES INMOBILIARIAS S.A. Barcelona Share capital €2,030,000	Other	100.00		100.00

LIGURIA DIREZIONE SRL			
Treviso			
Share capital €36,400	Services	Liguria S.p.A. 100.00	99.97
LOGISTIQUE, CONSEILS, SERVICES S.A.			
Paris			
Share capital €38,200	Services	SIAT S.p.A. 96.92	85.42

	Sector	Percentage of control		Group interest
		Direct	Indirect	
SAI Sistemi Assicurativi S.r.l. Turin Share capital € 51,000	Services	99.00	SAIFIN-SAIFINANZIARIA S.p.A. 1.00	100.00
TELVOX S.r.l. Turin Share capital € 150,000	Services		SCAI S.p.A. 100.00	30.07

ASSOCIATED COMPANIES

Companies valued by the net equity method:

BIPIEMME VITA SPA Milan Share capital € 45,500,000	Life Assurance		MILANO ASSICURAZIONI SPA 46.00	27.89
BORSETTO S.r.l. Turin Share capital € 1,032,914	Property		IMMOBILIARE LOMBARDA SPA 31.00	16.82
CITY LIFE S.r.l. Milan Share capital € 10,000	Property		IMMOBILIARE LOMBARDA SPA 26.64	14.45
EX VAR S.C. S. Luxembourg Share capital € 307,692	Financial	18.00	IMMOBILIARE LOMBARDA SPA 10.00	23.43
FINADIN S.p.A. Milan Share capital € 50,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A. 40.00	40.00
FIN. PRIV. S.r.l. Milan Share capital € 20,000	Financial	28.57		28.57
PENTA DOMUS S.p.A. Turin Share capital € 120,000	Property		IMMOBILIARE LOMBARDA SPA 20.00	10.85
SERVIZI IMMOBILIARI MARTINELLI S.p.A. Cinisello Balsamo (MI) Share capital € 100,000	Property		IMMOBILIARE LOMBARDA S.p.A. 20.00	10.85
SISTEMI SANITARI S.p.A. Milan Share capital € 1,872,000	Other	22.54	MILANO ASSICURAZIONI S.p.A. 25.71	38.13

	Sector	Percentage of control		Group interest
		Direct	Indirect	
<hr/>				
SOCIETA' FUNIVIE DEL PICCOLO SAN BERNARDO S.p.A. La Thuile (AO) Share capital €9,213,418	Other		IMMOBILIARE LOMBARDA SPA 27.38	14.86
<hr/>				
Companies valued at book value:				
<hr/>				
A 7 S.r.l. Milan Share capital €200,000	Property		IMMOBILIARE LOMBARDA SPA 20.00	10.85
CESTAR CENTRO STUDI AUTO RIPARAZIONI Scarl Pero (MI) Share capital €2,040,000	Services	14.66	SASA S.p.A. 0.006 MILANO S.p.A. 11.35 LIGURIA S.p.A. 14.9	36.45
GARIBALDI S.C.S. Luxembourg Share capital €1,001	Financial		MILANO ASSICURAZIONI SPA 47.95	29.07
INFOMEDIA ITALIA IMI S.r.l. Turin Share capital €52,000	Services		SCAI S.p.A. 20.00	6.01
MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY DI N.V. Amsterdam Share capital €50,000	Other	30.00		30.00
METROPOLIS S.p.A. Firenze Share capital €120,000	Property		IMMOBILIARE LOMBARDA SPA 29.73	16.13
PROGETTO ALFIERE S.p.A. Rome Share capital €120,000	Property		IMMOBILIARE LOMBARDA SPA 19.00	10.31
SOCIETA' FINANZ. PER LE GEST. ASSICURATIVE S.r.l. in liquid. Rome Share capital €47,664,600	Financial	14.91	MILANO S.p.A. 7.50	19.46
SOAIMPIANTI - ORGANISMI DI ATTESTAZIONE S.p.A. Milan Share capital €588,892	Other	21.64		21.64
UFFICIO CENTRALE ITALIANO Scarl. Milan Share capital €510,000	Other	14.14	SIAT S.p.A. 0.095 MILANO ASSICURAZIONI S.p.A. 10.97 NOVARA ASSICURA SPA 0.001 LIGURIA S.p.A. 0.309	20.88

PART B – Information on the Consolidated Balance Sheet

Balance Sheet - Assets

1. INTANGIBLE ASSETS

Comprising:

(€K)	30/06/2006	31/12/2005	Variation
Goodwill	921,291	872,393	48,898
Other intangible assets	109,914	54,132	55,782
TOTAL	1,031,205	926,525	104,680

Goodwill

The following is a summary of the individual postings relating to Goodwill:

(€K)	30/06/2006	31/12/2005	Variation
Goodwill from the incorporation of La Fondiaria	504,763	504,763	
Goodwill recorded in the consolidated accounts of Milano Assicurazioni	164,055	164,055	
Other goodwill	6,376	6,718	(342)
Consolidation differences	246,097	196,857	49,240
TOTAL	921,291	872,393	48,898

The Group verifies the recoverability of goodwill allocated to CGU - Cash Generating Units – at least once a year or more frequently if there are indicators of losses in value.

See the accounts file for a description of the methods used to determine the recoverable value of the goodwill recorded.

During the half year period, goodwill increased by € 49m as a result of the purchase and consequent consolidation of the Liguria Assicurazioni Group.

During the half year period in question there was no indication that the goodwill recorded suffered any decrease in relation to the book value as at 31/12/2005, which was subjected to an impairment test in accordance with IAS 36.

Other Intangible Assets

Other intangible assets amount to € 109,914K (€ 54,132K as at 31/12/2005) and consist, by type, of the following:

(€K)	Gross book value	Accumulated amortisation and impairment	Net value
Research and development expenditure	174,772	(133,966)	40,806
User rights	34,836	(26,686)	8,150
Other intangible assets	79,708	(18,750)	60,958
TOTAL	289,316	(179,402)	109,914

We should point out that none of the intangible assets shown above have been generated internally.

The intangible assets referred to above have a definite useful life and are consequently depreciated over said life. Research and development expenditure consists of the recording, in 2005 and in previous financial years, of the costs incurred for the installation of technological and application infrastructure with a multi-year duration. In particular, these include liabilities for installing and operating the Group's claims system, for the functional and IT integration of various legal entities involved in corporate merger processes, as well as costs incurred throughout the first half of 2006 for the development of an online platform. Their depreciation period is three to five years depending on their characteristics and useful life.

The value of tangible assets is increased by the recognition of the VOBA (Value of business acquired) or capitalised value of the client portfolio attributable to the Liguria Assicurazioni Group, consolidated during the half year. The amount recognised is € 48,845K, net of the percentage of depreciation for the period.

Note furthermore that, following the checks carried out, no impairment was recorded in the period.

2. TANGIBLE ASSETS

These amount in total to € 1,124,423K (€ 1,086,135K as at 31/12/2005) having increased by € 38m.

Tangible investments can be broken down as follows:

(€K)	Property		Land		Other tangible assets		Total	
	30/06/2006	31/12/2005	30/06/2006	31/12/2005	30/06/2006	31/12/2005	30/06/2006	31/12/2005
Gross book value	977,137	949,223	73,850	72,115	401,282	373,690	1,452,269	1,395,028
Accumulated depreciation and impairment	(68,782)	(61,924)			(259,064)	(246,969)	(327,846)	(308,893)
Net value	908,355	887,299	73,850	72,115	142,218	126,721	1,124,423	1,086,135

The item relating to land is the indefinite useful life component unbundled from buildings for direct use and owned outright. The unbundling was done on the basis of appropriate expert valuations by independent experts with reference to the transition date (01/01/2004).

Properties appearing as tangible assets include properties intended for running the company (so-called premises for direct use). These properties are recognised at cost and are systematically depreciated on the basis of useful life using an average annual rate of 3%.

The increase in the value of the property is essentially the result of the consolidation of Liguria Assicurazioni for € 8,961K (of which € 1,695K related to allocation of the goodwill) and of the purchase of a property in Florence by the subsidiary Casa di Cura Villa Donatello for € 10,502K.

None of the Group's properties appearing in the macroitem is subject to restrictions of title or ownership, nor has any significant redress obtained for any drop in value, losses or disposals and damages been posted to the profit and loss account. At the end of the half year period, there were no existing contractual obligations for the acquisition of tangible assets represented by properties.

The other tangible assets primarily comprise the allocation of the Group's capital goods for the running of the business, such as hardware, furnishings, plant and office equipment, as well as stocks and inventories of companies performing agricultural activities valued according to IAS 2.

3. TECHNICAL RESERVES BORNE BY REINSURERS

These amount in total to € 926,039K (€ 896,948K as at 31/12/2005) having fallen by € 29,091K. They consist of the following:

(€K)	30/06/2006	31/12/2005	Variation
Non-life technical reserves borne by reinsurers	709,390	698,736	10,654
Life technical reserves borne by reinsurers	216,649	198,212	18,437
Class D reserves borne by reinsurers	-	-	-
TOTAL	926,039	896,948	29,091

4. INVESTMENTS

These consist of the following:

(€K)	30/06/2006	31/12/2005	Variation
Property investments	2,050,590	2,041,721	8,869
Holdings in subsidiaries, associated companies and joint ventures	224,178	71,675	152,503
Investments held until maturity	-	-	-
Loans and receivables	1,367,070	1,408,658	(41,588)
Financial assets available for sale	21,420,615	20,972,111	448,504
Financial assets at fair value through profit or loss	5,314,572	5,570,855	(256,283)
TOTAL	30,377,025	30,065,020	312,005

Property investments

This item includes all Group-owned properties intended for rental to third parties or held as an investment with the aim of increasing the value of said premises over time.

Investment properties are shown at purchase cost in accordance with what is laid down by IAS 16. It follows that, for accounting purposes, the Group has made provision to unbundle the value of the land from the value properties owned as a whole, since this component, having an indefinite useful life, must not be depreciated.

The land component was unbundled from the building component on the basis of an expert evaluation updated on the date of transition to international accounting standards (01/01/2004).

The part of the property relating to the building is systematically depreciated in line with the useful life of the components characterising said building. In particular, it should be noted that the depreciation rate used is 3% on average.

The composition of investment property and the related movements are shown below.

(€K)	30/06/2006	31/12/2005	Variation
Gross book value	2,258,142	2,232,308	25,834
Accumulated depreciation and impairment	(207,552)	(190,587)	(16,965)
Net value	2,050,590	2,041,721	8,869

We should point out that during the course of the year income from property investments amounted to over €47m.

The variation is primarily due to the purchase, by the Parent Company, of the property at Corso Vittorio Emanuele, Turin.

There are no significant limits on the realisability of property investments arising from legal or contractual restrictions or obligations of any other nature.

Holdings in subsidiaries, associated companies and joint ventures

Fondiaria-SAI fully consolidates all the Group companies, including those that perform dissimilar activities. The item in question does, therefore, include the book value of some subsidiary holdings which, given their irrelevance in terms of the extent or nature of the activity performed, have no effect on the reliability of these accounts.

Please refer to the annex for details of holdings in non-consolidated subsidiaries. The remainder relate to holdings in associated companies valued using the net equity method..

The most significant holdings are those held by the Parent Company in the associated company Fin.Priv. S.r.l. of €61.3m and by the subsidiary Saifin-Saifinanziaria in the associated company Finadin S.p.A. of €23m, as well as the one held by the subsidiary Milano in Bipiemme Vita S.p.A. valued at €90.5m.

The size of the variation is primarily attributable to the purchase of the shareholding in BPM Vita S.p.A., to the valuation of the associated company Fin.Priv. S.r.l. and to subscription to capital increases by a number of associated companies in the property sector (Citylife S.r.l., Progetto Alfiere S.p.A.).

The holding in BPM Vita relates to 46% of the share capital, acquired in June in the framework of the alliance and co-operation agreements with Banca Popolare di Milano in the bancassurance sector. These agreements provide for the option to increase the holding to 50% by the end of the current year and to 51% by 30/06/2007. For further and more detailed information on this transaction see the comments in the section of this report dedicated to the life sector.

Loans and receivables

These amount to € 1,367,070K (€ 1,408,658 as at 31/12/2005) and consist of the following:

(€K)	30/06/2006	31/12/2005	Variation
Receivables from banks for interbank deposits	328,947	411,992	(83,045)
Debt securities	109,359	111,963	(2,604)
Repurchase agreements and carrying amounts	102,834	109,630	(6,796)
Loans on life policies	69,475	71,291	(1,816)
Deposits with reinsurers	36,506	36,835	(329)
Receivables from successor agents for recoupment of claims paid to agents who have ceased trading	188,343	192,701	(4,358)
Other loans and receivables	531,606	474,246	57,360
TOTAL	1,367,070	1,408,658	(41,588)

The “receivables from banks for interbank deposits” item includes the amount receivable from the consolidated Bancasai by other credit institutions for asset deposits.

The “debt securities” item includes the book value of some issues (in particular, securities from Ania special issues) for which a valuation at amortised cost rather than at fair value was deemed appropriate, in the absence of an active reference market. These are financial assets for which it is believed that the related fair value cannot be accurately calculated.

Repurchase agreements refers to operations instituted close to year end.

Receivables from successor agents for recoupment of claims paid to agents who have ceased trading are placed in this item both due to express provision of Isvap with Instruction No. 2404/05, and in consideration of their interest-bearing nature in respect of the Group.

Other loans and receivables comprise, amongst others, the receivable for € 154m posted for the forward sale of Banca Intesa shares owned by the Parent company via mandatory exchangeable guaranteed notes, exclusively convertible into Banca Intesa shares, issued by the subsidiary SAINTERNATIONAL in September 2004. This receivable has been discounted, in consideration of the timescale of the forward sale underlying the mandatory’s issue.

The item also includes € 69m for the loan secured by a lien on mezzanine property granted to Ganimede S.r.l. following the property spin-off which took place in 2003, which bears interest at a rate of 8%. The item also includes € 34m of loans disbursed to the associated company Garibaldi s.c.s. in relation to the “Garibaldi Repubblica” property development project in Milano. Also included are receivables from banking clients for current account assets worth € 74m.

Financial assets available for sale

Financial assets available for sale comprise bonds and shares, as well as unit trusts, not classified separately. Although this is a residual category, it represents the category with most financial instruments, in line with the characteristics and aims of the insurance business.

The financial assets under consideration can be broken down as follows:

(€K)	30/06/2006	31/12/2005	Variation
Capital securities and unit trusts	3,638,478	3,767,474	(128,996)
Debt securities	17,779,863	17,200,376	579,487
Other financial investments	2,274	4,261	(1,987)
TOTAL	21,420,615	20,972,111	448,504

Capital securities include listed securities amounting to € 2,933m, while listed debt securities amounted to € 17,088m.

This shows that, in the main, debt securities and capital securities, included in the category, are valued at fair value. Among the capital securities we should point out the 2% share held by the Group in the Bank of Italy. This holding is valued at cost in the absence of an active reference market and in view of the enormous variability in possible estimates of the value of this investment.

The book value is aligned with stock market listings on the last day of the half year period.

Financial assets at fair value through profit or loss

These can be broken down as follows:

(€K)	30/06/2006	31/12/2005	Variation
Capital securities and unit trusts	732,876	739,663	(6,787)
Debt securities	4,326,754	4,661,888	(335,134)
Other financial investments	254,942	169,304	85,638
TOTAL	5,314,572	5,570,855	(256,283)

We should point out that the component relating to financial assets at fair value through profit or loss amounts to € 1,198,899K and that included in the same are investments where the risk is borne by life insurance policy holders and deriving from pension fund management of € 4,008,044K.

Their fair value is determined by using stock market listings on the last day of the half year period as a reference.

5. OTHER RECEIVABLES

These consist of the following:

(€K)	30/06/2006	31/12/2005	Variation
Receivables derived from direct insurance operations	1,830,051	2,034,610	(204,559)
Receivables derived from reinsurance operations	180,242	160,642	19,600
Other receivables	541,955	615,791	5,160
TOTAL	2,552,248	2,811,043	(258,795)

The Group believes that the book value of trade receivables and other receivables approximate their fair value. Trade receivables do not bear interest and generally have a due date of less than 90 days.

In particular, receivables derived from insurance operations include receivables from policy holders of € 820,823K, including € 654,045 relating to premiums for the financial year and € 166,788K relating to premiums for previous financial years. In addition, € 696,262K of receivables from insurance brokers, € 208,297 of receivables from current account companies and € 104,669K of receivables from policy holders and third parties for sums to be recovered, are also included.

Receivables derived from reinsurance contracts include € 166,528 of receivables from insurance and reinsurance companies for reinsurance operations and € 13,714K from reinsurance brokers.

Included in other receivables are:

- commercial receivables of € 161,771K, mainly consisting of receivables from clients;
- € 56m representing the price paid by the Parent Company for the purchase of 51% of the capital of Fineco Assicurazioni S.p.A., which took place on 07/09/2006;
- € 34m in advance payments made by the subsidiary Immobiliare Lombarda to suppliers for the “Bicocca” project.

With reference to receivables from policyholders for premiums, from agents and other intermediaries as well as insurance and reinsurance companies, the Group does not present significant concentrations of credit risk, its credit exposure being divided between a large number of counterparties and clients.

6. OTHER ASSETS

In total, these amount to € 1,106,420K (€ 1,667,976 as at 31/12/2005), having fallen by € 582,836K compared to the previous year.

They consist of the following:

(€K)	30/06/2006	31/12/2005	Variation
Non-current assets or those held in a disposal group for sale	9,288	6,450	2,838
Deferred acquisition costs	315,724	306,954	8,770
Current tax assets	225,085	449,841	(246,036)
Deferred tax assets	135,687	673,490	(537,803)
Other assets	420,636	231,241	189,395
TOTAL	1,106,420	1,667,976	(582,836)

Non-current assets or those held in a disposal group for sale

As at 30/06/2006, the item includes the book values of the following properties for which a sale agreement has been entered into or the disposal of which has been decided by the relevant statutory bodies:

- Pieve Emanuele - Via delle Rose 6;
- Rozzano – Quinto de Stampi, Via Tagliamento 32/34/36;
- Firenze - Via S. Egidio 14;
- Pescara - Via Salara Vecchia 119;
- Pescara - Via Salara Vecchia 162.

Deferred acquisition costs

Deferred acquisition costs of € 315,724K (€ 306,954K as at 31/12/2005) mainly relate to purchase commissions to be amortised on multi-year contracts to run from the 1999 financial year. These amounts are deferred and amortised over approximately seven years for Non-life business and six years for Life business, as shown by recent analyses of the average duration of portfolio contracts. All of which conforms to principles responding to matching concepts..

Current tax assets

Current tax assets, amounting to € 225,085K (€ 449,841K as at 31/12/2005) relate to receivables from financial authorities for advance taxes, withholdings and income tax receivables, after offsetting, where allowed, against current tax liabilities in accordance with IAS 12.

Also posted to this item are amounts paid for tax under art. 1 paragraph 2 of Decree Law no. 209/02 as converted by art. 1 of Law 265/2002 and subsequent amendments. This being in accordance with what is laid down by Isvap Instruction no.

2404/05, although the aforementioned assets do not, strictly speaking, come under the application of IAS 12, since they do not relate to income taxes.

Deferred tax assets

These amount to € 135,687K (€ 673,490 as at 31/12/2005) and are calculated on the total amount of temporary differences between the book value of balance sheet assets and liabilities and the respective taxable value according to the “balance sheet liability method” provided for by IAS 12 in relation to the likelihood of their recovery correlated with the capacity to continuously generate positive taxable income.

The end-of-period balances take into account the offsetting, where possible, of the same tax assets against the corresponding deferred tax liabilities according to the terms of IAS 12.

Other assets

Other assets amount to € 420,636K (€ 231,241K as at 31/12/2005) and include, among others, deferred commission payable on life insurance policy holder investment contracts of € 82m, assessments of asset postings for the period of € 44m and claims paid to agents in anticipation of recoupments amounting € 18m.

7. CASH AT BANK AND IN HAND

These amount in total to € 539,667K (€ 526,505K as at 31/12/2005).

They include cash held by the Group and deposit and current bank accounts with a due date of less than 15 days. They include, therefore, liquid assets in the strict sense of the word (cash and demand deposits), either equivalent liquid assets or those short-term investments with high liquidity, readily convertible into known cash values which are, therefore, subject to a negligible risk of change in value.

The book value of these assets is a significant approximation of their fair value. Deposit and current bank accounts bear interest at both fixed and variable rates which is accrued and credited on a quarterly basis or in relation to the lesser duration of any unavailability constraint on fixed-term deposits.

Profit and Loss Account – Net Equity and Liabilities

1. NET EQUITY

The consolidated Net Equity, amounting to € 4,464,257K, inclusive of the result for the financial year and minority interests, fell by € 44,632K compared to 31/12/2005.

The composition of equity reserves is given below:

(€K)	30/06/2006	31/12/2005	Variation
Group Net Equity	3,420,824	3,459,660	(38,836)
Capital	176,837	173,114	3,723
Other equity instruments			
Capital reserves	202,112	193,729	8,383
Profit and other equity reserves	2,609,027	2,378,368	230,659
<i>Own shares</i>	(311,482)	(270,057)	(41,425)
Reserve or net exchange differences	(487)	(441)	(46)
Profits or losses on financial assets available for sale	466,349	535,891	(69,542)
Other profits and losses recorded direct under equity	20,359	(16,227)	36,586
Group profit (loss) for the financial year	258,109	465,283	(207,174)
Minorities' Net Equity	1,043,433	1,049,229	(5,796)
Minorities' capital and reserves	948,055	892,353	55,702
Profits and losses recorded directly under equity	33,469	35,809	(2,340)
Minorities' profit (loss) for the financial year	61,909	121,067	(59,158)
TOTAL	4,464,257	4,508,889	(44,632)

The information required by IAS 1.76 A is given below:

	Ordinary 30/06/2006	Savings 30/06/2006	Ordinary 31/12/2005	Savings 31/12/2005
Number of shares issued	134,236,915	42,600,063	131,219,902	41,894,211

We should point out that as at 30/06/2006, as a result of the conversion by the respective holders of the Fondiaria-SAI warrants, the number of ordinary shares issued was 54,913 and the number of savings shares issued was 4,000. These were listed with the register of companies on 18/07/2006.

The following table summarises the movement of the share capital of the Parent Company Fondiaria-SAI during the half year period.

	Ordinary	Savings	Total
Shares existing as at 01/01/2006	131,609,930	42,270,433	173,880,363
Own shares (-)	14,637,769		14,637,769
Shares in circulation: existing as at 01/01/2006	116,972,161	42,270,433	159,242,594
Increases:			
Sale of own shares			
Exercise of warrants	2,681,898	333,630	3,015,528
Decreases:			
Purchase own shares	1,365,000		1,365,000
Shares in circulation: existing as at 30/06/2006	118,289,059	42,604,063	160,893,122

Capital reserves amounting to € 202,112 relate to the share issue premium reserve recorded in the Parent Company's accounts. This was increased by € 8,383K. The ordinary shares and savings shares issued both have a nominal value of € 1.

Nature and purpose of the other reserves

Profits and other equity reserves include other net equity reserves from the Parent Company's separate accounts, increased by the allocation of the profit for 2005 and by the reserves that contain the effects of the consolidation. Please refer to the notes to the Parent Company's separate accounts for comment on changes to same.

Minorities' net equity, inclusive of the result, recorded a decrease of € 5,796K.

For variations in consolidated net equity please refer to the relevant statements.

Own shares

These amount to € 311,482m (€ 270,057m as at 31/12/2005). This item includes the book value of instruments representing capital belonging to the Parent Company Fondiaria-SAI amounting to € 167,269m and, for the rest, positions held by the subsidiaries Milano Assicurazioni S.p.A. (€ 115,907m) and Sai Holding S.p.A. (€ 28,306m).

The item is negative according to what is laid down by IAS 32. Note that further to the purchase and sale transactions occurring over the financial year no profit or loss was recorded in the profit and loss account.

Reserves for net exchange differences

The item, negative in the amount of € 487K (€ 441K as at 31/12/2005), includes conversion differences resulting from the translation into foreign currency of amounts for foreign subsidiaries residing in countries outside the Euro zone.

Profits or losses on financial assets available for sale

The item, which amounts to € 466,349K, includes profits or losses resulting from the valuation of financial assets available for sale. It is expressed net both of the related deferred taxation and of the part attributable to policyholders and allocated to insurance liabilities.

Other profits and losses over the year recorded under equity

The item, amounting to € 20,359K, mainly accommodates the effect of the valuation at equity of associated companies in the amount of € 32,175. The rest relates primarily to charging profits and losses of an actuarial nature, amounting to € 15.5m, direct to net equity under the terms of IAS 19.

**STATEMENT OF RECONCILIATION BETWEEN THE ACCOUNTS
OF THE PARENT COMPANY AND THE CONSOLIDATED ACCOUNTS**

(€K)	Profit for the 1st half of 2006
Statutory accounts of Fondiaria-SAI S.p.A. according to Italian accounting principles	101,663
Effects of the application of IAS/IFRS principles on the Parent Company:	
<i>IAS 38 "Intangible assets"</i>	
Goodwill	23,981
Other intangible assets	7,879
<i>IAS 16-40 "Properties and investment properties"</i>	
Properties	(7,534)
<i>IAS 19 "Employee benefits"</i>	
Staff leaving indemnity and other employee benefits	1,737
<i>IAS 39 "Financial instruments"</i>	
Financial assets	65,188
Financial liabilities	(3,360)
<i>IFRS 4 "Insurance contracts"</i>	
Provision for unearned premiums and equalisation reserve	2,264
Mathematical reserves	15,904
Service component linked policies (IAS 18)	89
Fiscal effect on items in reconciliation	(38,317)
Consolidation adjustments:	
<i>Difference between valuation and pro-quota result of companies:</i>	
Consolidated on a line-by-line basis	209,807
Valued by the net equity method	2,266
Application of different accounting principles	(10,878)
<i>Elimination of the effects of inter-group transactions:</i>	
Dividends	(44,778)
Other inter-group transactions	(7,536)
Tax impact on consolidation adjustments	1,642
Consolidated result according to IAS/IFRS principles	320,017
MINORITY SHARE	(61,908)
Consolidated accounts of the Fondiaria-SAI S.p.A. Group according to international IAS/IFRS principles (group share)	258,109

**STATEMENT OF RECONCILIATION BETWEEN THE ACCOUNTS
OF THE PARENT COMPANY AND THE CONSOLIDATED ACCOUNTS**

(€K)	Net equity net of re- sult 1st half of 2006
Statutory accounts of Fondiaria-SAI S.p.A. according to Italian accounting principles	2,540,971
Effects of the application of IAS/IFRS principles on the Parent Company:	
<i>IAS 38 "Intangible assets"</i>	
Goodwill	95,924
Other intangible assets	(11,437)
 <i>IAS 16-40 "Properties and investment properties"</i>	
Properties	(70,910)
 <i>IAS 19 "Employee benefits"</i>	
Staff leaving indemnity and other employee benefits	(38,667)
 <i>IAS 37 "Provisions, contingent liabilities and contingent assets"</i>	
	4,129
 <i>IAS 39 "Financial instruments"</i>	
<i>Financial assets:</i>	
Available for sale	384,014
Fair value through profit or loss	(16,211)
Other financial assets	5,224
Financial liabilities	(4,389)
 <i>IFRS 4 "Insurance contracts"</i>	
Provision for unearned premiums and equalisation reserve	50,778
Mathematical reserves	37,592
Service component linked policies (IAS 18)	(381)
 Tax impact on consolidation adjustments	 (33,360)
Consolidation adjustments:	
<i>Difference between valuation and pro-quota result of companies:</i>	
Consolidated on a line-by-line basis	1,367,509
Valued by the net equity method	32,805
Application of different accounting principles	
 <i>Elimination of the effects of inter-group transactions:</i>	
Dividends	44,778
Other inter-group transactions	(87,244)
Application of group accounting principles	229,042
Effect of converting accounts into foreign currency	(46)
 Tax impact of consolidation adjustments	 (74,400)
Consolidated Net Equity according to IAS/IFRS principles	4,455,721
MINORITY SHARE	(981,524)
Consolidated accounts of the Fondiaria-SAI S.p.A. group according to international IAS/IFRS principles (group share)	3,474,197

2. AMOUNTS SET ASIDE

These amount to € 250,013K in total (€ 229,075 as at 31/12/2005) and can be broken down into:

(€K)	30/06/2006	31/12/2005	Variation
Provisions relating to tax issues	445	592	(147)
Other provisions	249,568	228,483	21,085
TOTAL	250,013	229,075	20,938

The Group is not involved in any significant tax disputes resulting in current obligations linked to past events.

Other provisions include amounts where there is doubt over the due date or the extent of future expenditure required for completion.

With regard to the other provisions, we should point out that there are no substantial variations in the composition of the fund at the end of the financial period. Movements that took place in the period were connected with normal management activities.

3. TECHNICAL RESERVES

These amount to € 25,579,585 and have increased by € 219,982K compared to 31/12/2005.

The following table shows the details of the technical reserves:

(€K)	30/06/2006	31/12/2005	Variation
Non-Life business technical reserves	11,614,046	11,451,468	162,578
Life business technical reserves	13,108,170	12,957,191	150,979
Technical reserves where the investment risk is borne by policy holders and deriving from pension fund management	857,369	950,944	(93,575)
TOTAL TECHNICAL RESERVES	25,579,585	25,359,603	219,982

The non-life technical reserves include the premium reserve of € 2,605,681K and the claims reserve of € 8,997,247K.

The life technical reserves include the mathematical reserve of € 12,866,758 and the reserve for sums to pay of € 206,173 and are reduced by deferred liabilities relating to contracts with discretionary profit-sharing components of € 54,246K.

In particular, the Group has considered property-linked Life contracts, linked to separately managed contracts, as contracts containing an element of discretionary profit-sharing. Shadow accounting has been applied to these contracts, as a result of which they have been adjusted in respect of unrealised capital gains and losses in the net equity and the profit and loss account according to their origin.

With regard to the capital losses, we should point out that the only ones for which adjustments have been made to the technical reserves are those that relate to separately managed contracts, as a result of which the return was greater than the guaranteed minimums. We should point out that the effect of applying the accounting technique of shadow accounting has led to the recording of negative reserves amounting to approximately €54m.

4. FINANCIAL LIABILITIES

(€K)	30/06/2006	31/12/2005	Variation
Financial liabilities at fair value through profit or loss	3,239,701	3,231,858	7,843
Other financial liabilities	2,011,804	1,940,520	71,284
Total	5,251,505	5,172,378	79,127

Financial liabilities at fair value through profit or loss can be broken down into:

Financial liabilities held for trading purposes

The item includes € 90,606K relating to derivative hedging contracts stipulated by the Parent Company and by the subsidiary Milano Assicurazioni in respect of which financial instruments owned by the Group recorded a similar positive variation.

Financial liabilities at Fair Value impacting on the Profit and Loss Account

As governed by IAS 39, the item includes investment contracts not falling within the scope of IFRS 4 and posted to the accounts using the Deposit Accounting method. For these deposits, which amount in total to € 3,139,592K, this allocation eliminates and considerably reduces accounting asymmetry with the financial assets serving these contracts.

Other financial liabilities

The item includes financial liabilities defined and governed by IAS 39 that are not included in the category "Financial assets at fair value through profit or loss". Included are deposits set up to guarantee risks ceded under reinsurance amounting to € 273,369K and subordinated liabilities entirely relating to the Parent Company of € 487,247K.

With regard to loans from banks and other finance providers, amounting to € 496K, the most significant amounts, already commented on in the Management Report, are listed below:

- € 212m relate to the bank debt of the Immobiliare Lombarda Group;
- € 117m relate to the loan taken out by the Tikal R.E. Closed Property Investment Fund with Banca Intesa;
- € 167m relate to the bank debt of the subsidiary Finitalia.

The item also includes deposit accounts opened by customers with the subsidiary BancaSAI of € 351m, € 62m relating to investment contracts stipulated by life policy-holders valued using the amortised cost method and finally € 75m relating to repurchase agreements stipulated by the subsidiary SAI Mercati Mobiliari.

5. PAYABLES

These amount to € 1,149,222 and consist of the following:

(€K)	30/06/2006	31/12/2005	Variation
Payables deriving from direct insurance operations	274,929	210,047	64,882
Payables deriving from reinsurance operations	147,509	113,541	33,968
Other payables	726,784	776,992	(36,823)
Total	1,149,222	1,100,580	62,027

Payables deriving from direct insurance operations include € 209,879K in respect of insurance intermediaries, € 63,240K of current account payables in respect of insurance companies.

Payables deriving from reinsurance operations relate to reinsurance companies for € 137,625K and to reinsurance brokers for € 9,884K.

Details of “other payables” are given below:

(€K)	
Trade payables	189,124
Staff leaving indemnity	136,367
Payables for taxes payable by policy holders	119,639
Payables for sundry tax liabilities	38,444
Payables to social security and welfare institutions	37,000
Other payables	206,210
Total	726,784

Staff leaving indemnity

The main statistical/actuarial assumptions used to determine the staff leaving indemnity according to IAS 19 are not substantially different from the ones used to draw up the balance sheet for the financial year.

We would therefore refer you to the balance sheet for the numerical assumptions made.

The Staff Leaving Indemnity Fund as at 30/06/2006 was € 136,367, having decreased by approximately € 1,890K.

Note that the variations in the profit and loss account resulting from financial and service costs amount to approximately € 6,600.

The movements recorded in the period are the following:

(€K)

Opening balance	138,256
Appropriation to profit and loss account for interest cost	2,289
Appropriation to profit and loss account for service cost	4,311
Actuarial Gains/Losses	(4,754)
Uses	(6,602)
Variation in consolidation scope	2,866
Closing balance	136,367

Healthcare benefits for retired employees

Again we would refer you to the contents of the balance sheet for the main methodological assumptions. Note that as at 30/06/2006 the liabilities associated with health cover for retired managers amounted to € 22,240K (€ 24,318K as at 31/12/2005).

6. OTHER LIABILITIES

These consist of the following:

(€K)	30/06/2006	31/12/2005	Variation
Current tax liabilities	28,059	272,838	(244,779)
Deferred tax liabilities	201,627	724,243	(522,616)
Liabilities for a group spin-off held for sale	-	-	-
Other liabilities	732,759	612,546	120,213
Total	962,445	1,609,627	(647,182)

Current tax liabilities

These amount to € 28,059K (€ 272,838K as at 31/12/2005) and relate to the income tax set aside by the Group at the end of the period, net of current tax assets, where offsettable, according to the provisions of IAS 12.

The income tax has been calculated by applying the current nominal tax rates applicable to the end-of-year results to the respective taxable base.

Deferred tax liabilities

The deferred tax liabilities, amounting to € 201,627K, include the tax impact of all temporary differences relating to items of an equity-related or economic nature, intended to be repaid in future years.

The balances shown take account of the offsetting, where allowed, against the corresponding deferred tax assets as provided for in IAS 12.

Other liabilities

These amount to € 732,759K (€ 612,546K as at 31/12/2005) and include commissions for premiums in the process of being collected of € 105m, deferred commissions receivable on life policy holder investment contracts of € 126m, liabilities for cheques issued in respect of claims and life sums cashed by beneficiaries after 30/06/2006 of € 65m.

PART C – Information on the Consolidated Profit and Loss Account

NET PREMIUMS

Consolidated net premiums amount to € 4,728,864K (€ 4,572,242 as at 30/06/2005). The Group's gross premium income amounts to € 4,940,809K, having increased by 1.85% compared to 30/06/2005, and can be broken down as follows:

(€K)	30/06/2006	30/06/2005	Variation	31/12/2005
Life business gross premiums	1,209,986	1,195,469	14,517	2,360,942
Non-life business gross premiums	3,730,823	3,655,570	75,253	7,144,316
Variation in gross amount of premium reserve	(80,629)	(134,622)	53,993	(163,457)
Total non-life business	3,650,194	3,520,948	129,246	6,980,859
Gross premiums for the period	4,860,180	4,716,417	143,763	9,341,801

The item "gross premiums recorded" does not include the cancellation of securities issued in previous financial years, which have been posted to "Other costs". The above amounts are net of reinsurance carried out between Companies within the Group. For a breakdown of gross premiums recorded in the various classes of business in the accounts and the split between direct business and indirect business please refer to the tables contained in the Management Report.

Premiums ceded, totalling € 129,677K, account for 2.62% of total premiums written (3.05% in 2005).

(€K)	30/06/2006	30/06/2005	Variation	31/12/2005
Life business	9,186	7,541	1,645	13,863
Non-life business	120,491	140,613	(20,122)	247,766
Variation in premium reserve borne by reinsurers	1,639	(3,979)	5,618	(16,134)
Total non-life business	122,130	136,634	(14,504)	231,632
Premiums ceded under relevant reinsurance contracts	131,316	144,175	(12,859)	245,495

For further illustrations of item 1.1 of the Profit and Loss account, broken down into Life and Non-life segments, please refer to the Annex at the end of the accounts.

CREDIT COMMISSIONS

Credit commissions as at 30/06/2006 amounted to € 35,504K, having increased compared to 30/06/2005 by € 7,495.

(€K)	30/06/2006	30/06/2005	Variation	31/12/2005
Credit commissions	35,504	28,009	7,495	53,453

These commissions relate, in particular, both to explicit and implicit loadings relating to investment contracts written by Group companies and, as such, not covered by the application of IFRS 4, and to management fees for internal funds. In particular, approximately € 19,807K relates to the subsidiaries Novara Vita and Po Vita.

Also included are approximately € 13,016K of accrued credit commissions from companies operating within the managed savings and consumer credit industry.

NET INCOME DERIVING FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

These amount to € (21,980)K, having fallen compared to 30/06/2005 by € 123,389K.

(€K)	Interest	Other	Profits	Losses	Capital	Capital	Total	Total	Variation	Total
		net			gains	losses from	30/06/06	30/06/05		31/12/2005
		income			from	valuations				
					valuation	and value				
					and	adjustments				
					write-					
					ups					
<i>Result of investments deriving from:</i>										
Financial assets held for trading	18,664	83,471	8,053	(77,014)	54,597	(121,120)	(33,349)	45,295	(78,644)	64,775
Financial assets at fair value through profit or loss	20,134	(4,153)	2,668	(3,294)	21,750	(25,736)	11,369	56,114	(44,745)	61,786
TOTAL	38,798	79,318	10,721	(80,308)	76,347	(146,856)	(21,980)	101,409	(123,389)	126,561

The capital losses from valuations relating to financial assets held for trading include the valuation of hedging derivatives on a number of AFS capital securities. The same amount is recorded among the capital gains from valuation due to variation in the fair value of the element hedged.

FINANCIAL INCOME AND CHARGES FROM HOLDINGS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES AND FROM FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS

	Net interest	Other net in- come	Profits	Losses	Capital gains from valuations and write- ups	Capital losses from valuations and value adjustments	Total 30/06/06	Total 30/06/05	Variation	Total 31/12/2005
<i>Result deriving from:</i>										
Property investments		27,713	28,221	(2,432)		(19,084)	34,418	35,220	(802)	62,467
Holdings in subsidiaries, associated companies and joint ventures		667	23,143		-		23,810	17,098	6,712	43,862
Loans and receivables	27,538	1,732		(1,937)	202		27,535	26,495	1,040	56,021
Investments owned to maturity										-
Financial assets avail- able for sale	299,022	76,815	125,435	(14,889)	11		486,394	418,575	67,819	711,786
Sundry receivables	4,917	818		(712)		(61)	4,962	11,378	(6,416)	12,895
Cash at bank and in hand and equivalents	10,532	166	19				10,717	539	10,178	5,588
Other financial liabilities and sundry payables	(42,348)	(15,197)	74	(262)	188		(57,545)	(28,828)	(28,717)	(54,381)
TOTAL	299,661	92,714	176,892	(20,232)	401	(19,145)	530,291	480,477	49,814	838,238

The economic impact of the sale of various financial instruments is shown in the profits and losses columns. Profits made on holdings in subsidiaries, associates and joint ventures relate primarily to the sale of minority shares in the subsidiary Milano Assicurazioni.

Losses from the valuation of property investments include depreciation allowances recognised over the year.

Negative interest on other financial liabilities includes the heavy burden of the Group's financial indebtedness.

No accrued interest was received on financial assets written down for impairment losses in previous years (IAS 32.94h).

OTHER REVENUE

Other revenue amounted to € 179,323K (€ 127,880K as at 30/06/2005) and is summarised in the table below:

(€K)	30/06/2006	30/06/2005	Variation	31/12/2005
Capital gains relating to non-current assets	60	0	60	24
Other technical income	13,436	9,906	3,530	72,348
Fund withdrawals	15,159	40,296	(25,137)	73,244
Exchange differences	4,063	11,141	(7,078)	16,261
Contingent assets	18,340	4,745	13,595	30,110
Profits realised on tangible assets	97	0	97	61
Other revenue	128,168	61,792	66,376	201,546
Total	179,323	127,880	51,543	393,594

In particular, the following revenue is included in the subitem "other revenue": € 29m in revenue from the subsidiary Immobiliare Lombarda, relating to the property segment, whose premises, being considered as inventories, are classified as tangible assets; revenue for sales of hardware and service provisions of an IT nature outside the Group, relating to subsidiaries operating in this industry of € 21m; revenue from care homes in which the Group has a controlling interest of € 15m and revenue relating to agricultural holdings of € 4m.

NET CHARGES RELATING TO CLAIMS

Claims paid, including life business amounts and related expenses, gross of units ceded to reinsurers, reached the sum of € 3,538,601K, having increased by 6.19 % compared to the previous financial year.

Claims-related charges, amounts paid and variation in technical reserves

(€K)	30/06/2006	30/06/2005	Variation	31/12/2005
<i>Non-life business</i>				
Amounts paid	2,672,883	2,618,831	54,052	5,145,986
Variation in recoveries	(51,581)	(47,039)	(4,542)	(121,226)
Variation in other technical reserves	178	(1,417)	1,595	(1,477)
Variation in claims reserve	(69,570)	(80,388)	10,818	(72,433)
Total non-life business	2,551,910	2,489,987	61,923	4,950,850
<i>Life business</i>				
Amounts paid	865,718	713,423	152,295	1,468,238
Variation in mathematical reserves and other technical reserves	413,975	586,024	(172,049)	1,180,182
Variation in technical reserves where the investment risk is borne by policy holders and arising from pension fund management	(75,150)	52,815	(127,965)	28,681
Variation in the reserve for payables	101,086	24,799	76,287	35,528
Total life business	1,305,629	1,377,061	(71,432)	2,712,629
Total non-life + life	3,857,539	3,867,048	(9,509)	7,663,479
Amounts paid	3,487,020	3,285,215	201,805	6,492,998
Variation in reserves	370,519	581,833	(211,314)	1,170,481

Claims-related charges, quotas borne by reinsurers

(€K)	30/06/2006	30/06/2005	Variation	31/12/2005
<i>Non-life business</i>				
Amounts paid by reinsurers	31,881	78,796	(46,915)	262,572
Variation in other technical reserves	(531)	(1,554)	1,023	(3,094)
Variation in recoveries	-	-	-	-
Variation in claims reserve	(18,792)	(22,279)	3,487	(89,020)
Total non-life business	12,558	54,963	(42,405)	170,458
<i>Life business</i>				
Amounts paid by reinsurers	66,593	15,684	50,909	31,474
Variation in mathematical reserves and technical reserves	(723)	(10,629)	9,906	(17,207)
Variation in reserve for payables	72	(1,215)	1,287	(1,866)
Total life business	65,942	3,840	62,102	12,401
Total non-life + life	78,500	58,803	19,697	182,859
Amounts paid by reinsurers	98,474	94,480	3,994	294,046
Variation in reserves	(19,974)	(35,677)	15,703	(111,187)

The variation in non-life business net technical reserves amounts to € 50,069K, with a drop compared with 2005 of € 7,903K. The reduction in claims reserves was due mainly to the increased speed of settlement and the reduction in the frequency of claims.

Life business net technical reserves, including reserve for payables, varied by € 440,562K (€ 675,482K in 2005).

For further details of item 2.1 of the Profit and Loss account, broken down into Non-life and Life business, please refer to Annex 10 at the end of the accounts.

COMMISSIONS PAYABLE

Commissions payable amounted to € 20,785, having increased by € 13,439K compared to 30/06/2005.

(€K)	30/06/2006	30/06/2005	Variation	31/12/2005
Commissions payable	20,785	7,346	13,439	30,837

The item includes acquisition costs relating to investment contracts issued by insurance companies and not included in the scope of the aforesaid IFRS.

OPERATING EXPENSES

(€K)	30/06/2006	30/06/2005	Variation	31/12/2005
<i>Non-life business</i>				
Purchase commissions and variations in deferred acquisition costs	509,859	470,982	38,877	992,230
Other acquisition costs	80,859	75,101	5,758	146,670
Collection commissions	27,647	48,812	(21,165)	52,789
Commissions and profit shares received by reinsurers	(29,737)	(28,987)	(750)	(64,937)
Total non-life business	588,628	565,908	22,720	1,126,752
<i>Life business</i>				
Purchase commissions and variations in deferred acquisition costs	17,536	19,225	(1,689)	48,149
Other acquisition costs	13,409	10,872	2,537	28,375
Collection commissions	7,199	7,859	(660)	18,082
Commissions and profit shares received by reinsurers	(1,241)	(92)	(1,149)	(1,494)
Total life business	36,903	37,864	(961)	93,112
Investment management expenses	43,134	28,261	14,873	74,522
Other administrative expenses	158,553	156,563	1,990	308,263
Total	827,218	788,596	38,622	1,602,649

OTHER COSTS

Other costs amount to € 361,837K (€ 269,022K as at 30/06/2005) and are summarised by type in the table below:

(€K)	30/06/2006	30/06/2005	Variation	31/12/2005
Other technical charges	211,188	97,200	113,988	158,643
Provisions	33,661	51,479	(17,818)	117,371
Losses on receivables	4,929	16,139	(11,210)	34,916
Contingent liabilities	12,640	15,208	(2,568)	45,444
Amortisation of tangible fixed assets	7,503	2,479	5,024	17,437
Amortisation of intangible fixed assets	13,472	12,465	1,007	30,699
Exchange differences	8,850	1,835	7,015	7,388
Other costs	69,594	72,217	(2,623)	151,020
Total	361,837	269,022	98,815	562,918

In particular, the following charges are included in the subitem "other costs" appearing in the table above: € 18m relating to production and labour costs for the subsidiaries Scai, Salevox and Starvox; costs incurred by the subsidiary Pronto Assistenza Servizi to provide Group policyholders and clients with call centre and support services in the event of a claim of € 10m; € 8m relating to costs incurred by Care Homes in which the Group has a controlling interest for typical activities and related labour costs; cost of characteristic management of the subsidiary Saiagricola of € 3m.

TAXES

(€K)	30/06/2006	30/06/2005	Variation
Current taxes	81,906	89,105	(7,199)
Deferred taxes	61,199	57,966	3,233
Total	143,105	147,071	(3,966)

Taxes for the financial year amount to € 143,105K (€ 147,071K as at 30/06/2005) as the combined effect of current taxes of € 81,906K and of net deferred taxes of € 61,199K.

Current national taxes (Ires and Irap) and taxes on foreign subsidiaries are calculated by applying the current nominal rates applicable to annual results to the respective taxable bases.

PART D – Segment information disclosures

According to what is laid down by IAS 14, business segment disclosures provide an additional tool to improve the reader's understanding of the Group's economic/financial performance.

The logic underlying the application of the standard is that indicating how and where the Group's results are formed makes it possible to obtain information on both the Group's overall operability and, more especially, areas where risks and returns are concentrated.

The Group's primary reporting is by business segment. Group companies are organised and managed separately on the basis of the nature of the products and services supplied, for each business segment representing a strategic business unit offering different products and services.

In order to identify primary segments, the Group conducted an analysis of the risk/return profile of these segments and took into consideration the internal disclosure structure. The Non-life segment provides insurance cover for the events shown in article 2, paragraph 3, of Legislative Decree 209/05. The Life segment, on the other hand, offers insurance cover consisting of the payment of a capital amount or annuity when an event relating to human life occurs, as well as capitalisation contracts with no significant insurance risk.

The property segment rents out offices, premises and dwellings that exceed the hedge requirements of the Group's technical/insurance reserves and is active in the investment property management and development market.

The Other Business segment, being of a residual nature, offers products and services within the scope of managed savings and asset management, as well as in the agricultural segment. Identification of the remaining segment is the result of a discretionary valuation aimed at showing the primary source of risks and benefits to which the Group is exposed.

Transactions between segments are, generally speaking, concluded under the same terms applied to third parties.

Lastly, it should be considered that Isvap, with Instruction 2404/05, deemed it appropriate to show the Non-life and Life segments as de minimis disclosure for the purposes of segment reporting.

It should also be noted that, in accordance with the geographical breakdown of the Group's business during the course of 2005, this was developed mainly in the European Union and that there are, therefore, no other geographical segments which satisfy the requirements laid down by IAS 14 par.69.

A balance sheet broken down by segment is shown below:

Part E – Other information

INFORMATION RELATING TO BUSINESS COMBINATIONS

Acquisition of Liguria Assicurazioni S.p.A.

On 30/05/2006, the Parent Company acquired 99.97% of Liguria Assicurazioni S.p.A. and consequently 100% of Liguria Vita S.p.A. and of the service companies Liguria Direzione S.p.A. and Global Card Service S.r.l..

The acquisition was paid for in cash with an initial disbursement of € 148.1m. The price paid should be considered a provisional price and will be subject to subsequent review to take into account the number of losses incurred and reported after the date of transfer of the shares and technical reserves of Liguria Assicurazioni and Liguria Vita. This review will take place with reference to the balance sheets of the latter as at 31/12/2010.

The overall cost of the operation, amounting to € 150,551K, having been increased by the additional costs of the acquisition, has been compared to the fair value of the current and potential assets and liabilities of the Group acquired. The difference has been allocated as follows:

(€K)

Tangible (intangible) assets	1,695
Property investments	2,310
Deferred tax liabilities	1,492
VOBA	49,673
Goodwill	46,081

The VOBA (Value of business acquired) is represented by the cash flows that will be generated within a period of time defined by the insurance portfolio acquired: this asset will be amortised based on the expected profits.

In accordance with IFRS 3, the transaction was carried out by the acquisition method and the consolidated profit and loss account of the Fondiaria-SAI Group includes the income data of the companies acquired as of the acquisition date.

For details about the transaction and financial data relating to the companies acquired, see the Fondiaria-SAI and Group management reports.

The net cash flow of the acquisition is the following:

(€K)

Payment in cash	(150,551)
Cash and bank acquired	8,740
Net outgoing cash flows	(141,811)

INFORMATION REGARDING TRANSACTIONS WITH RELATED PARTIES

In accordance with the provisions of CONSOB communication no. DEM/6064293 of 28/07/2006, this section contains information regarding related parties and the relations with them.

Transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company itself, have been eliminated from the consolidated accounts are not therefore shown in these notes.

Transactions of a commercial and financial nature

(€K)

	Income	Expenditure
	Year ending on 30/06/2006	Year ending on 30/06/2006
Parent company	289	-
Associated companies and joint ventures	411	-
Affiliated companies	-	-
Other related parties	5,839	15,283

(€K)

	Assets	Liabilities
	Year ending on 30/06/2006	Year ending on 30/06/2006
Parent company	-	-
Associated companies and joint ventures	22,527	-
Affiliated companies	24	826
Other related parties	128,117	4,597

Note in particular that among the activities with “other related parties”, relations between Milano Assicurazioni and the property company IM.CO S.p.A. currently amount to € 61,868K, including € 13,691 in the first half of 2006, and relations with Avvenimenti e Sviluppo Alberghiero S.r.l. amount to € 54,170, including € 8,741K in the first half of 2006.

Dividends

The total amount of dividends paid on the profit for the 2006 financial year was € 119,359K on ordinary shares (€ 91,515K in 2005) and € 42,678K on savings shares (€ 33,544K in 2005).

SOLVENCY MARGIN AND HEDGING ASSETS

The elements that constitute the Group's solvency margin are adequate to cover the margin required under the provisions of ISVAP Instruction no. 2050 of 26/02/2002.

Based on the growth trend in the second half of the year, one can assume that the margin required at the end of the financial year for the fully consolidated subsidiaries will be covered by the corresponding constitutive elements. For details regarding the Parent Company, see the information already provided in the statutory accounts.

As at the date on which this half year report was drawn up, the consolidated insurance companies had sufficient assets to cover the increase in technical reserves from Italian direct business and no shortages are expected in respect of them as regards the constitutive elements of solvency.

Profit per share

The following information is provided with regard to IAS 33:

(€K)	30/06/2006	30/06/2005
Net profit attributable to the Parent Company's ordinary shareholders	236,770	212,710
Average weighted number of ordinary shares for the purpose of determining the basic profit per share	117,976,406	117,398,990
Basic profit per share	2.01	1.81
<u>Effect of dilution:</u>		
Average weighted and adjusted number of ordinary shares for the purposes of the diluted profit per share	120,818,941	125,378,253
Diluted profit per share	1.96	1.70

Note that the weighted average of shares in circulation is decreased by the weighted average of own shares owned by the Fondiaria-SAI group.

In calculating the basic profit, accounts is taken of the shares issued from the moment the warrants are exercised, while in calculating the diluted profit the number ordinary shares is increased by all the potential shares. Note also that the net consolidated profit is decreased by the dividends distributed to savings shareholders. We should point out that for 2005 it was assumed, for the purpose of calculating the diluted profit per share, that all the warrants that could be exercised as of 30/06/2005 would be converted.

CURRENT DISPUTES

See the details provided in the Parent Company's report. No significant disputes exist with regard to the subsidiaries.

NUMBER OF EMPLOYEES IN THE GROUP

As at 30/06/2006, the average number of employees in the consolidated companies was 6,144 units (5,852 as at 31/12/2005).

As at 30/06/2006, the Group employed 6,144 people. This figure can be broken down as follows:

(Number)	30/06/2006	31/12/2005	% Variation
Executives	147	126	16.67
Officers and employees	5,875	5,627	4.41
Others	122	99	23.23
Total	6,144	5,852	4.99

The increase in the number of employees is attributable in particular to the acquisition during the half year period of Dianos S.p.A., Liguria Società di Assicurazioni S.p.A. and Liguria Vita S.p.A., which employ approximately 200 people in total.

We should point out that the overall staff cost for the Group as at 30/06/2006 amounted to € 153m (€ 289m as at 31/12/2005).

SPECIFIC NOTES

With regard to the requirements of IAS 34, paragraph 16, note the following:

- The insurance sector is not in itself a seasonal sector. At the moment, therefore, there are no indicators that point to the existence of cyclical events in the accounting period in question.
- There were no unusual elements in the period in question that could have had a significant effect on the items in the asset and liability statement, profit and loss account or financial flows.
- No variations occurred in the estimates made in periods and financial years prior to the current period which could have had a significant effect on the intermediate period in question.

With regard to the requirements of IAS 37, we should also point out that the Group knows of no potential assets or liabilities of a significant nature that did not exist as at 31/12/2005 and in respect of which specific disclosure should be provided.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

Banca Sai

After receiving authorisation from the Bank of Italy, on 24/07/2006 the subsidiary Banca Sai acquired 100% of the capital of FINITALIA S.p.A., previously owned by SAIFIN-Saifinanziaria S.p.A., also a 100% owned subsidiary of Fondiaria-SAI, for approximately € 52.5m, determined on the basis of a valuation carried out by an independent expert appointed for this purpose.

The Bank of Italy also gave the green light for an increase in the share capital of Banca Sai of € 60m, which was implemented on 20/06/2006, and Banca Sai taking on the role of Parent Company of the banking Group, which includes FINITALIA.

Purchase of 51% of the capital of Fineco Assicurazioni S.p.A.

As a result of the multi-year agreement being reached between the Capitalia Group and the Fondiaria-SAI Group for the development of the non-life bancassurance business relating to elementary non-life classes, on 07/09/2006, Fondiaria-SAI bought from Capitalia a 51% share in the capital of Fineco Assicurazioni S.p.A. for a total of € 56m, corresponding to an overall valuation of Fineco Assicurazioni of approximately € 110m.

Capitalia and Fondiaria-SAI also signed a shareholders' agreement containing the corporate governance rules of Fineco Assicurazioni as well as detailing the business aspects of the partnership. Among other things, this agreement provides for Fineco Assicurazioni to continue having access to the distribution networks of Capitalia until 2016, with the option to renew on expiry by mutual agreement between the Parties. Mechanisms have been established for adjusting the price to reflect the achievement, or non-achievement, between 01/01/2007 and 31/12/2011, of specific cumulative volumes of actual gross premiums.

The transaction received prior authorisation from Isvap.

Fineco Assicurazioni is the non-life insurance company that operates through the distribution network (approximately 2,000 branches and 1,300 financial advisors, amounting to a total potential of over 4 million clients) of Banca di Roma, Banco di Sicilia, Bipop Carire and FinecoBank, the 4 retail banks of the Capitalia Group. The company closed the 2005 financial year with an overall premium income of € 28.5m (+ 285% compared to 2004). The business plan drawn up by the Parties provides for significant growth in premium income for the company over the next five years (CAGR 40% approximately) with a net profitability at full capacity of over 10% of premiums.

In the current market context, the partnership will allow Capitalia to benefit from the technical and commercial know-how of the Fondiaria-SAI group, an Italian leader in the non-life insurance sector, promoting the development of new products and improving penetration among the Group's 4 million plus clients. This agreement will

also allow Capitalia to access the widespread payment network of the Fondiaria-SAI Group, a vital element for offering customers an efficient service.

For Fondiaria-SAI, the agreement represents a further opportunity to develop in the non-life sector, where the Group earned premiums of approximately € 7 billion in 2005, as well as a confirmation of the strategy to expand the range of products offered through distribution channels that are complementary with the agency network, benefiting from the distribution strength of the network run by the fourth-largest banking group in Italy. From a business point of view, the transaction is perfectly integrated with the Fondiaria-SAI Group's current bancassurance agreements, which will continue to be strategic in the context of the group's growth policies.

BUSINESS OUTLOOK

During the second half of the current financial year, the activities of the Company and the Group will be focused on implementing initiatives aimed at achieving objectives in the strategic plan for the three-year period 2006-2008, which was presented to the financial community during April this year.

The Group's objective will be to maintain its leadership in the motor insurance classes in Italy, to consolidate its excellent position in non-motor classes, maintaining high levels of profitability and an attractive risk-return profile for shareholders. In particular, activities will be aimed at increasing growth in non-motor retail sectors by means of targeted schemes providing incentives and training to agency networks, consolidating premium income in the motor insurance sector, which will undoubtedly be helped by the extension of the new motor insurance product called Global to the whole Group, developing alternative sales channels, such as direct sales or sales achieved by the development of non-life bancassurance.

In the life classes, the objective will be to increase income in order to rebalance the portfolio mix. In this respect, sales initiatives have already been launched involving the traditional networks and aimed at achieving a significant increase in new annual premium production, as well as at recovering maturing capital, all of this being done in order to further increase the value of the portfolio in the long term. Action will also continue to strengthen the Group's bank and managed savings.

As regards asset and financial management, operations will continue to be inspired by prudence, with the aim of limiting interest rate, fair value and counterparty risks, while seizing opportunities offered by the financial market linked to economic performance.

In this respect, measures have already been taken to improve asset allocation with the aim of strengthening net worth, to which the transfer of the shareholding in Swiss Life Holding and the hedging operations on part of the share portfolio have recently contributed.

In the property area, development guidelines will be inspired by criteria based on three different means of investment depending on the level of risk. As regards the group's insurance companies, the focus will be on investing in properties that are already developed and provide significant returns. Through the subsidiary Immobiliare Lombarda and the Tikal R.E. Fund initiatives will continue to develop in joint ventures and to work on properties to be renovated that will guarantee good returns in the medium term.

The ultimate aim is therefore to ensure capital management policies that are attractive to shareholders with growth initiatives aimed at creating value, with a greater return on invested capital, and increasing pay-out. Action aimed at strengthening equity will continue with a view to improving the rating and reducing the cost of debt.

As regards the current financial year, we believe that the objectives set out in the new business plan for the Company and the Group can definitely be achieved, despite the fact that during the first half of the current financial year the technical context has been developing in slight opposition to the trend in the previous three years. This performance was already partly corrected during the second half of the six-month period just ended and can be attributed to seasonal phenomena. As things stand at the moment, therefore, barring any extraordinary and unpredictable events that might have a negative effect on the value of securities, the result for the current financial year is expected to be highly satisfactory and in line with the objectives set by the plan.

Milan, 11 September 2006

*For the Board of Directors
The Chairman*

Jonella Ligresti