HALF YEAR REPORT AS AT 30 JUNE 2006

Part A

Management report

The first half of 2006 closed with a net profit of € 89,253K, compared with a profit of € 109,865K recorded at the close of the 1st half of 2005. The drop was mainly due to the trend in the financial markets and the consequent posting of value adjustments to the share portfolio which had a negative effect on the profit and loss account to the tune of € 71,353K, gross of the tax effect.

The Non-life technical balance recorded a profit of € 61,204K compared with € 84,052K of profits recorded at the close of the corresponding period the previous year. Motor TPL business showed, mainly in the first quarter, a noticeable rise in loss experience, mainly linked to the high levels of seasonality which characterised the first few months of the year and the technical performance of the fleet sector. The trend is, in any event, now improving, also due to interventions to downsize the portfolio in areas and sectors with unsatisfactory trends. Both the land vehicle technical balance and the overall balance for other Non-life business was largely positive and at very satisfactory levels.

The Life business technical balance closed with a profit of € 15,981K, very much in line with what was achieved in the first half of 2005, amounting to € 15,347K, despite a lesser contribution from investment income, penalised by significant value adjustments generated, in the half year in question, following monetary policy interventions adopted by the main Central Banks. These interventions, increasing interest rates to combat the danger of an upturn in inflation, also accentuated by the upward trajectory of prices of major raw materials, have, in fact, had a negative effect on the stock market price of bonds already in circulation.
What’s more, the negative impact of value adjustments was partially offset by profits deriving from securities trading, achieved by seizing market opportunities.
For the purposes of making a uniform comparison possible it should, finally, be remembered that the Life business technical result achieved in the 1st half of 2005 was impacted by the settlement of the dispute with Consap, with the aim of the abolition of compulsory cessions which penalised the technical account to the tune of € 6,459K.
Asset and financial management achieved net income of € 178,137K, significantly up on income recorded in the 1st half of 2005, amounting to € 149,275K. Profits from trading and from the realisation of investments amounted to € 28,137K (€ 17,618K as at 30 June 2005). Value adjustments, net of respective value recoveries, had a negative impact on the profit and loss account of € 71,353K, including € 32,309K relating to Non-life business and € 39,044K relating to Life business. As indicated above, these value adjustments mainly relate to fixed rate bonds for which stock market prices dropped following repeated interventions to raise interest rates by the main Central Banks.
During the course of the half year, financial business developed within the Non-life business sector determined a shortening of the duration of fixed-rate securities, with a performance which accompanied and sought to anticipate the market reversal which then actually took place.
A sizeable variable-rate government securities component was, however, maintained which, following the increase in short-term rates, has been advantageous in settling future coupons.
In Life business, investment with a high rate of return and moderate risk were preferred with a view to achieving returns in line with market expectations.
Other administration costs amounted to € 35,051K (€ 35,874K as at 30 June 2005) and accounted for 2% of premium income, dropping form 2.2% in the 1st half of 2005. On 30 June 2006, there were 1,629 employees, unchanged compared with 31 December 2005 and down by 33 units compared with 30 June 2005.

The table below provides a summary of the profit and loss account for the first half of 2006 compared with that relating to the corresponding period the previous year.
Finally, it should be noted that the result for the period was not influenced by any significant non-recurrent events or transactions not conforming to usual business practice.

(in €K)

	30/06/2006	30/06/2005
Result of the Life business technical account	**15,981**	**15,347**
Non-life business technical balance	61,204	84,052
Share of profit transferred to Non-life business technical account	39,511	52,890
Result of the Non-life business technical account	**100,715**	**136,942**
Overall result of core business	**116,696**	**152,289**
Net income from investments	178,137	149,275
Value adjustments on investments net of write-ups	- 71,353	2,935
Net gains on the realisation of investments	14,000	3,701
Net income relating to investments where the risk is borne by policyholders	2,484	15,126
Less: income allocated to technical accounts	-112,212	-149,115
Amount of goodwill amortised	- 11,996	-11,996
Other income, net of other expenditure	- 2,683	3,860
Result for ordinary business	**113,073**	**166,075**
Net profits from trading long-term investments	14,137	13,917
Other extraordinary income and expenditure	913	-6,892
Pre-tax profit	**128,123**	**173,100**
Taxes	-38,870	-63,235
NET PROFIT	**89,253**	**109,865**

Insurance Business

Premium and additional income

In the first half of 2006, premium income totalled € 1,718,414K (+3.74% compared with the 1st half of 2005), including € 1,705,435K relating to Italian direct business (+3.26%) and € 12,979K relating to indirect business (+ 167.28% compared with 30 June 2005).

Direct business income rose by 3.11%, with premiums totalling € 1,413,564K, including € 1,045,917K relating to Motor business (+ 2.31% compared with the corresponding period the previous year) and € 367,647K relating to other Non-life business (+5.46%).
Growth was in line with Company policy of combining premium growth with profitability of the acquired portfolio with the aim of keeping the combined ratio at the highest market levels.
In particular, in Motor business, the aim is to maintain shares acquired in profitable areas and sectors and to reorganise sectors demonstrating unsatisfactory technical performances and, in particular, to downsize the fleet segment of the portfolio, by means of selective divestments.
In Non-Motor business, particular attention was paid to developing the retail sector with specific sales campaigns centring, in particular, on multi-cover products capable of satisfying clients' increasingly sophisticated requirements.

In Life business, premium income amounted to € 291,871K, up by 4.02% compared with the 1st half of 2005, which recorded premium income of € 280,596K. In particular, traditional-type products showed growth of 14.43%, with premium income of € 160,537K, whilst capitalisation products recorded premium income of € 128,567K (+ 4.90% compared with 30 June 2005). There was a sharp drop in insurance premiums linked to investment funds and market indices, following the decision not to implement, in the half year in question, specific sales campaigns for index-linked products, also due to the fact that these products have proved to be less popular with clients.
Life portfolio growth also reflects the Company's objectives which, by means of commercial initiatives aimed at the agency network, proposes to reinforce the growth in traditional-style products which offer higher returns and add value to the portfolio in the long term. What's more, special attention continues to be paid to capitalisation products which are still requested by clients, including institutional clients, as an effective tool for investing their liquidity.

In indirect business, the rise in premiums was due to the new proportional treaty with the affiliate Siat, covering non-life business other than transport business. On the other hand, Premiums relating to acceptances from companies not belonging to the Fondiaria-Sai Group remained low, further to the decision, taken in the past, to stop underwriting on inward reinsurance policies.

The table below gives details of premium income, the percentage composition of the portfolio as well as variations compared with the 1st half of 2005.

	30.06.2006	30.06.2005	Variation	Distribution %	
	(in €K)		%	2006	2005
ITALIAN DIRECT BUSINESS					
NON-LIFE BUSINESS					
Accident	86,764	85,554	*1.41*	*5.05*	*5.17*
Health	27,710	23,510	*17.86*	*1.61*	*1.42*
Railway rolling stock	0	1	*-100.00*	*0.00*	*0.00*
Aircraft hull	746	76	*881.58*	*0.04*	*0.00*
Marine, lake and rivercraft hull	1,715	1,720	*-0.29*	*0.10*	*0.10*
Goods in transit	3,191	3,680	*-13.29*	*0.19*	*0.22*
Fire and the elements	70,990	65,959	*7.63*	*4.13*	*3.98*
Other damage to property	57,280	53,509	*7.05*	*3.33*	*3.23*
Aircraft TPL	112	11	*918.18*	*0.01*	*0.00*
Marine, lake and rivercraft TPL	1,647	1,509	*9.15*	*0.10*	*0.09*
General TPL	92,848	87,650	*5.93*	*5.40*	*5.29*
Receivables	0	27	*-100.00*	*0.00*	*0.00*
Bonds	12,029	12,884	*-6.64*	*0.70*	*0.78*
Miscellaneous pecuniary losses	3,391	3,322	*2.08*	*0.20*	*0.20*
Legal protection	2,936	2,675	*9.76*	*0.17*	*0.16*
Assistance	6,288	6,537	*-3.81*	*0.37*	*0.39*
Total Non-life excluding Motor business	**367,647**	**348,624**	*5.46*	*21.39*	*21.05*
Land vehicles – own damage or loss	140,944	136,822	*3.01*	*8.20*	*8.26*
Land Vehicle TPL	904,973	885,496	*2.20*	*52.66*	*53.46*
Total Motor business	**1,045,917**	**1,022,318**	***2.31***	***60.87***	***61.72***
Total Non-life business	**1,413,564**	**1,370,942**	***3.11***	***82.26***	***82.77***
LIFE BUSINESS					
Life assurance	160,537	140,293	*14.43*	*9.34*	*8.47*
Insurance linked to investment funds and market indices	2,732	17,692	*-84.56*	*0.16*	*1.07*
Health insurance	35	48	*-27.08*	*0.00*	*0.00*
Capital redemption operations	128,567	122,563	*4.90*	*7.48*	*7.40*
Total Life business	**291,871**	**280,596**	***4.02***	***16.98***	***16.94***
Total Italian direct business	**1,705,435**	**1,651,538**	***3.26***	***99.24***	***99.71***
INDIRECT BUSINESS					
Non-life business	12,915	4,775	*170.47*	*0.75*	*0.29*
Life Business	64	81	*-20.99*	*0.00*	*0.00*
Total indirect business	**12,979**	**4,856**	***167.28***	***0.76***	***0.29***
GRAND TOTAL	**1,718,414**	**1,656,394**	***3.74***	***100.00***	***100.00***

Claims paid and filed

The table below shows the amount of compensation paid and the number of Italian direct business claims filed, compared with equivalent data recorded at the close of the corresponding period the previous year.

	Compensation paid (amounts in €K)			Claims filed (Number)		
	1st six months of 2006	**1st six months of 2005**	**Variation %**	**1st six months of 2006**	**1st six months of 2005**	**Variation %**
Accident	40,287	37,590	*7.18*	20,615	20,219	*1.96*
Health	15,003	12,827	*16.96*	17,018	14,181	*20.01*
Aircraft hull	17	53	*-68.25*	-	-	-
Marin, lake and rivercraft hull	1,620	726	*123.19*	88	74	*18.92*
Goods in transit	812	639	*27.13*	212	249	*-14.86*
Fire and the elements	38,508	35,377	*8.85*	14,687	14,638	*0.33*
Other damage to property	34,922	30,778	*13.46*	22,808	20,383	*11.90*
Aircraft TPL	-	8	*-100.00*	-	-	-
Marine, lake and rivercraft TPL	316	608	*-48.08*	71	81	*-12.35*
General TPL	62,973	53,477	*17.76*	22,267	20,640	*7.88*
Receivables	75	770	*-90.25*	-	46	*-100.00*
Bonds	12,368	8,078	*53.10*	302	202	*49.50*
Pecuniary losses	594	370	*60.51*	177	88	*101.14*
Legal protection	247	231	*7.05*	250	281	*-11.03*
Assistance	2,943	1,439	*104.48*	17,474	15,368	*13.70*
Total Non-motor business	**210,684**	**182,971**	***15.15***	**115,969**	**106,450**	***8.94***
Land vehicles- own damage or loss	61.608	54,678	*12.67*	47,598	42,756	*11.32*
Land Vehicle TPL	702,945	678,628	*3.58*	223,179	216,693	*2.99*
Total Motor business	**764,553**	**733,306**	***4.26***	**270,777**	**259,449**	***4.37***
TOTAL NON-LIFE BUSINESS	**975,238**	**916,277**	***6.43***	**386,746**	**365,899**	***5.70***

Brief comments on the core business and claims trends follow.

Accident
Premium income € 86,764K (+1.41%)
Claims filed 20,615 (+1.96%)

In the half year in question the technical performance was extremely positive, although slightly lower than that recorded as at 30 June 2005, mainly due to a less favourable trend in claims from previous years already posted to the reserves. On the other hand, the current year loss ratio proved to be fundamentally stable, compared with the 1st half of 2005. The speed of settlement, net of claims eliminated without consequences amounted to 23.7% for current year claims (26.6% as at 30 June 2005) and 40.6% for claims from previous years (42.1% as at 30 June 2005).

Health
Premium income € 27,710K (+17.86%)
Claims filed 17,018 (+20.01%)

The increase in premium income was mainly due to specific sales campaigns which focused on the Sanicard product which were very successful with the agency network, as well as the acquisition of some quite sizeable collective contracts. In any event, the underwriting policy continued to be based on selective criteria, with the objective of safeguarding the quality of the portfolio.
The rise in the number of claims filed was offset by a drop in the average cost of claims with consequences. Consequently, the technical balance for the half year was largely positive, with a fundamentally stable loss ratio compared with that recorded the previous year, and was one of the highest on the market. Speed of settlement of current year claims was 65% compared with 60.8% for the 1st half of 2005, whilst the speed of settlement of claims from previous years was 60.8% as against 58%.

Land vehicles
Premium income € 140,944K (3.01%)
Claims filed 47,598 (+ 11.32%)

The rise in the number of claims filed was offset by a drop in the average cost of claims with consequences, with a resultant, fundamental stability in the current year loss ratio compared with the figures recorded at the end of the 1st half of 2005. The technical performance for the half year was largely positive, reaching extremely satisfactory levels. Speed of settlement of current year claims was 75.3%, up on the 69.6% recorded as at 30 June 2005.

Aircraft hull
Premium income € 746K (+ 881.58%)
Claims filed - (- %)

Premium income mainly related to the relevant share of a coinsurance policy relating to a contract acquired from a Fondiaria-Sai Group Company. No claims were filed in the half year in question. The technical balance was more or less the same, taking into consideration amounts due to be allocated to the premium reserve.

Marine, lake and rivercraft hull
Premium income € 1,715K (- 0.29%)
Claims filed 88 (+ 18.92%)

In line with the underwriting policy which has been implemented for several years now, premiums mainly related to risks for leisure craft, a sector showing interesting levels of growth and reasonable profitability. The contribution made by premiums relating to other classes of business (fishing vessels, construction risks, harbour boats) was still only marginal. The technical balance for the half year was positive.

Goods in transit
Premium income € 3,191K (-13.29%)
Claims filed 212 (- 14.86%)

The drop in premium income was due to the gradual increase in focus on acquisitions via the agency channel and, at the same time, downsizing of acquisitions via brokers. The favourable trend in claims filed had a positive effect on the technical balance which was positive and at levels pretty much in line with those recorded on 30 June the previous year. The speed of settlement of current year claims was 18.3% compared with 17.6% as at 30 June 2005, whilst that relating to claims from previous years was 22.8% (14.7% in the 1st half of 2005).

Fire and the elements
Premium income € 70,990K (+ 7.63%)
Claims filed 14,687 (+ 0.33%)

Substantial stability in the number of claims filed and the absence of major claims resulted in an improved current loss ratio compared with that recorded at the end of the 1st half of 2005 and a largely positive technical balance.
The speed of settlement of claims was 57.9% both for current year claims and for those generated previously, already posted to the reserves (as at 30 June 2005 the speed of settlement of current year claims was 54.7% whilst that relating to claims already posted to the reserves was 59.7%).

Other damage to property
Premium income € 57,280K (+ 7.05%)
Claims filed 22,808 (+ 11.90%)

The drop in the average cost of claims with consequences resulted in a net improvement in the current loss ratio and a positive technical balance both in the theft and other risks segments. The result achieved in the half year in question is in contrast to the negative trend recorded in the corresponding period the previous year, which was, however, also penalised by the unfavourable economic impact deriving from the settlement of claims already posted to the reserves.
The speed of settlement was 50.9% for current year claims, very much in line with that recorded as at 30 June 2005) and 50.4% for claims already posted to the reserves.

Land Vehicle TPL
Premium income € 904,973K (+ 2.20%)

Claims filed 223,179 (+ 2.99%)

This class of business showed, mainly in the first part of the half year, a noticeable rise in loss experience, mainly linked to the high levels of seasonality which characterised the first few months of the year and the technical performance of the fleet sector. The trend is, in any event, on the up.
The premiums trend reflects the underwriting policy adopted by the Company, which aims to maintain the portfolio in profitable areas and sectors and to reorganise geographical areas and tariff sectors demonstrating an unsatisfactory technical performance and, in particular, to downsize the fleet portfolio, by means of selective divestments.
What's more, as part of the gradual alignment of the tariffs offered by the various Fondiaria-Sai Group sales networks, the Prima Global product, developed by making the most of the information gleaned from the vast Fondiaria-Sai Group client portfolio, and from which positive effects in terms of combined ratio are anticipated, will be adopted.
The speed of settlement for current year claims was 50.5% compared with 52.8% for the 1st half of the previous year, whilst for claims from previous years the speed of settlement was 51.2% compared with 49.5% as at 30 June 2005.

General TPL
Premium income € 92,848K (+ 5.93%)
Claims filed 22,267 (+ 7.88%)

The overall increase in claims filed and, in particular, the increase in major claims had a negative impact on the current loss ratio which was higher than that recorded as at 30 June 2005.

The technical balance for the half year was down on the profit recorded in the 1st half of the previous year, which had, however, also benefited from increased savings when settling claims already posted to the reserves.
In contrast with the downturn in the technical framework, a systematic analysis is being carried out on corporate sector contracts performing negatively, with the objective of making contractual reforms or cancellations in the most critical cases. A series of specific products is also being produced for the corporate sector which provide for the alignment of content to recent legislative innovations and for price readjustments in sectors presenting the greatest level of risk.
The speed of settlement of claims was 39.4% for current year claims (38.4% as at 30 June 2005) and was 26.5% for claims from previous years (27.2% in the corresponding period the previous year).

Bonds
Premium income € 12,029K (- 6.64%)
Claims filed 302 (+ 49.50%)

There was a rise in the frequency of claims over the half year with reference to some types of risks including, in particular, those relating to the payment of taxes in instalments.

The technical balance as at 30 June was pretty much unchanged, again impacted negatively by a particularly large claim, in which, what's more, after the close of the half year, there were favourable developments which lead us to assume that there will be considerable downsizing in the burden on the Company.

Life Business

Premium income amounted to € 291,871K compared with € 280,596K as at 30 June 2005 and showed an increase of 4.02%.

Individual Insurances

As with the previous year, in the first half of 2006 the production of life premiums in the individual insurances sector was largely directed at products linked to Segregated Accounts, which are better able to satisfy current Client demands since they are characterised by a guaranteed minimum return and investment protection.

Within this context, the focus has remained on life and capitalisation policies reaching their natural maturity date, with initiatives aimed at keeping clients and building client loyalty.

At the end of the half year, with the intention of increasing the distribution of periodic premium products, a new product known as *Dedicata Light* was marketed under temporary life assurance.

The *Dedicata Light* product, known for its specific terms of sale and simplified underwriting policy, achieves the objective of supplementing the existing offer in a segment characterised by high added value for the Company.

In the first half year, the business of developing standardised procedures for managing Life policy settlements was completed, centralising related payments via the affiliated company Banca Sai.

As with the previous year, production relating to supplementary welfare benefits, implemented via Individual Pension Forms, was influenced by the general state of the market, still characterised by demand that was below expectations.

Collective insurance

During the first half of 2006, the “corporate" segment confirmed the distribution trend that has characterised this segment for several years now. In particular, demand from clients with considerable amounts of cash to invest i.e. credit institutions, financial companies and cooperatives, for capitalisation products remained very high. With its *“Conto Aperto Corporate”* product, specifically dedicated to this requirement, the company continues to be highly competitive in this sector, also due to the high level of consistency between the terms offered and the changeable requirements of its target clients.

It should also be stressed that the concern that has already been signalled with regard to the occurrence of distribution difficulties, mainly connected with existing and anticipated changes in the reference economic scenario, has already proved to be well founded, mainly in relation to the acquisition of new business. A growth trend similar to the one recorded in the half year in question is, therefore, imaginable in the future.

The business of consolidating and growing the client portfolio makes a steady contribution in terms of new product volumes, in addition to operations aimed at protecting policies reaching their natural maturity dates .

The initiative aimed at providing client companies with advice on the content of supplementary pension reforms which, in particular, places the emphasis on developing maturing staff-leaving indemnities, is in the process of being consolidated and will be up to speed by the end of this year. This initiative, as well as the full assimilation by the distribution network of the new products "V*alore Tfr"* and *"Valore Tfm",* is already having positive results.

The Client portfolio relating to life assurance products is in the process of being consolidated via the protection of maturing policies, the growth generated by collaborating with two international pools active in this segment and the high level of competitiveness currently demonstrated by the *"Plural Vita Gruppi"* and *"Plural Vita Dirigenti"* products.

Sums paid

The table below shows the sums paid in respect of direct business, compared with those paid in the corresponding period the previous year.

(in €K)

	1st six months of 2006	1st six months of 2005	Variation %
Maturities and returns	202,072	145,474	38.9
Claims	5,932	6,377	- 7.0
Redemptions	71,825	69,868	2.8
TOTAL SUMS PAID	**279,829**	**221,719**	**26.2**

Insurance business conducted abroad

In the half year in question, insurance business conducted under the freedom to provide services system produced premium income of € 269K. The Company does not have any branches abroad and so does not conduct business under the right of establishment system.

Reinsurance policy

Non-life business premiums ceded amounted to € 43,808K compared with € 26,930K for the corresponding period the previous year. The rise was mainly due to the new non-proportional treaty to protect Motor TPL business, characterised by a lower cover intervention threshold.

Risks ceded in the Non-life business class were placed with leading international operators by the affiliated company *The Lawrence Re Ireland Ltd*. Treaties underwritten give priority to non-proportional cessions for Fire, Theft, Accident, General TPL, Motor TPL and Land Vehicle classes. Proportional cession treaties with a non-proportional structure have been maintained to protect against the risk retained in Bond and Credit classes as well as for Aviation risks. For Technological Risks a proportional and excess of loss reinsurance structure was continued with non-proportional protection combined with Fire and Land Vehicle classes. Assistance was proportionally reinsured with Pronto Assistance whilst Hail risks are covered by a stop-loss treaty.

Proportional cover with the affiliate SIAT started this year for Transport, Goods and Marine classes.

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

Indirect business

Indirect premium income relating to the half year in question amounted to € 12,979K, compared with € 4,856K as at 30 June the previous year. The significant increase in premiums was due to the new proportional treaty with the affiliate Siat, covering non-life business other than transport business. Premiums relating to acceptances from companies not belonging to the Fondiaria-Sai Group remain low since, further to the decision, taken in the past, to stop underwriting new policies on the inward reinsurance market, pools and market agreements are practically the only premiums still active.

New products brought onto the market

During the course of half year in question, the *“La Mia Assicurazione Casa”* product, the new multi-risk cover (buildings and contents insurance, theft of contents, mugging and bag-snatching outside the home, householder’s public liability, legal protection and Assistance) to protect home and family, was brought onto the market.

The following products *“La Mia Assicurazione Infortuni”, “Partner RC Progettista Merloni”* and *“Partner Globale Ufficio”* were restyled.

During the course of the half year, provision was also made to bring Retail products’ third party civil liability and employers’ civil liability cover into line with what is laid down by the Biagi Law (Legislative decree no. 276 of 10/9/93), by introducing the necessary extensions/clarifications for some new professional figures.
Since January 2006 we have arranged to review contractual materials for listed products to bring them into line with what is laid down by the New Insurance Code which requires greater evidence of forfeiture, nullity or cover limitation clauses, or charges for which the Contracting party/Policyholder is liable.

External Organisation

As at 30 June 2006, there were 1,396 agencies working under contract and their geographical distribution is given in the table below. These are in addition to the agencies in Milan, Rome, Turin, Pescara and Padua.

	30.06.2006	31.12.2005
Number of Agencies:		
North	690	698
Centre	342	311
South	364	404
TOTAL	**1,396**	**1,413**

During the course of the half year, 5 new agencies were set up and 22 were closed down with the aim of optimising the network's territorial cover. In addition, 25 agencies were reorganised in order to improve productivity.

Operating expenses

Direct and indirect business acquisition costs, net of commissions and profit shares received from reinsurers, totalled € 208,739K, compared with € 201,697K in the corresponding period the previous year. Gross direct business acquisition costs amounted to € 217,119K and accounted for 12.7% of premium income, unchanged compared to the figure recorded in the 1st half of 2005.

Collecting commissions, posted to the accounts under the *“administration costs”* item, totalled € 22,509K, i.e. 1.3% of premium income, a percentage which was again unchanged compared with 30 June 2005.

Other administration costs amounted to € 35,051K (€ 35,874K as at 30 June 2005), including € 13,846K for labour costs, € 392K for the relevant share of depreciation of capital goods and € 20,813K for other set-up costs.
This amounted to 2% of direct and indirect business premium income, compared with 2.2% in the 1st half of 2005.

Staff-related news and data

The table below shows the workforce as at 30 June, the average recorded over the half year as well as, for comparison, the position as at 31 December 2005 and 30 June 2005.

Category	**Average for the half year**	**as at 30.06.2006**	**as at 31.12.05**	**as at 30.06.05**
Executives	23	25	23	24
White collar workers	1,602	1,600	1,602	1,634
Concierges	4	4	4	4
TOTAL	**1,629**	**1,629**	**1,629**	**1,662**

Staffing costs amounted to € 51,230K compared with € 51,919K for the 1st half of 2005 (- 1.33%) and amounted to 2.98% of premium income (3.25% as at 30 June 2005).

Asset and financial management

In the first half of 2006 we witnessed a slowdown in the growth of Western economies, also following monetary policy interventions operated by the main Central Banks to combat the dangers of an upturn in inflation, accentuated by the upward trajectory of the price of oil and other raw materials. In addition, the strength of the Chinese economy and that of the so-called emerging countries offset the slight slowdown in the economies of the main industrialised countries, thereby maintaining what is, overall, an upward trend.

Consequently, the bond market recorded a rise in rates and a drop in prices, with the most marked effects on the short segment of the yield curve, the one that is most governable by the Central Banks, whilst, on the long segment of the curve, technical factors, such as the return sought by insurance companies as part of an effective Assets & Liability Management process, the constant presence of Pension Funds and the low number of long duration issues offered, have kept the rate rise down. All this has resulted in a flattening of the rates curve in Europe and even a reversal of the curve in the United States.

From a monetary point of view, over the half year, the Euro gradually appreciated against the dollar in so far as the upward rates cycle in the United States is due to come to an end sooner than the European cycle. What’s more, the major deficit in the American current account balance may persuade the United States administration, although perhaps not openly, to look more favourably on a weaker dollar.

From an operative point of view and with reference to the Non-life business portfolio, financial business developed by the Company within the first half of 2006 determined a shortening of the duration of fixed-rate securities, with a performance which accompanied and sought to anticipate the market reversal which then actually took place.
The reduction in the portfolio’s ordinary profitability, caused by the drop in prices and the consequent posting of value adjustments was, in part, offset by trading business.
A sizeable variable-rate government securities component was, however, maintained which, following the increase in short-term rates, has been advantageous in settling future coupons.

In Life business, investments with a high rate of return and moderate risk were preferred with a view to achieving returns on segregated accounts in line with market expectations. The portfolio duration was longer than that of the Non-life business portfolio, given the characteristics of greater permanence of the related liabilities.

A positive stock market trend was recorded in the first part of the year followed by a set-back from May onwards caused by increasingly well-founded fears of a slowdown in the economic cycle. At the moment, expectations for the second half of the year seem excessive and the market is waiting to see whether corporate results will make a surprise upturn as has been the case for the last three years.

From an operative point of view, the policy of reducing share exposure, already started at the end of 2005 was continued, thereby resulting in capital gains. Portfolio rotation commenced with preference given to sectors with less exposure to the fluctuations of the economic cycle, with the objective of sheltering from the volatility of the market which, from the lows of April, is shifting towards long-term means.

Investment breakdown

A breakdown of investments as at 30 June 2006, compared with the breakdown at the close of the previous financial year, is shown by the table below:

	Half year 2006 *(€K)*	**%**	**2005 Balance sheet** *(€K)*	**%**
Land and buildings	420,570	4.7	404,735	4.7
Bonds issued by Group undertakings	3,986	-	3,984	-
Bonds and other fixed-rate securities	6,298,558	70.8	6,156,210	71.5
Units and shares in Group undertakings	521,900	5.9	425,591	4.9
Investments in minority shares and units	856,987	9.6	870,095	10.1
Corporate financing to Group undertakings	39,100	0.5	29,530	0.3
Loans to policyholders and loans to minority interests	66,979	0.8	65,999	0.8
Investment fund units	301,041	3.4	267,118	3.1
Deposits with credit institutions	3,167	-	2,141	-
Sundry financial investments	55,235	0.6	21,984	0.3
Deposits with ceding companies	4,002	0.1	4,110	0.1
TOTAL	8,571,525	96.4	8,251,497	95.8
Investments where the risk is borne by policyholders	321,265	3.6	358,253	4.2
TOTAL	8,892,790	100.0	8,609,750	100.0

Net returns achieved during the course of the half year, compared with those for the previous half year are shown in the table below. In calculating returns on shares, bonds and investment fund units, account has been taken of the net gains from the realisation if investments posted to the working capital but not of net value adjustments.

	Half year 2006 %	Half year 2005 %
Land and buildings	1.8	1.4
Bonds, other fixed-rate securities and investment fund units	4.0	4.1
Shares and units	6.3	4.4
TOTAL	**4.3**	**4.1**

Below, we comment on the main transactions conducted over the half year.

Sale of shareholding in Swiss Life Holding

On 11 January 2006 the Company arranged to sell its entire holding in Swiss Life Holding, to an institutional investor (UBS).
In particular, Milano Assicurazioni sold 828,709 Swiss Life Holding shares, at a price of CHF 234.75 each. The price was determined by applying a discount of 0.53% to the closing price of CHF 236 on 11 January 2006.
The income from the transaction totalled approximately CHF 194.5m, compared with a total book value of approximately CHF 193.2m. Considering the CHF/€ book exchange rate and the CHF/€ exchange rate used to convert the proceeds of the sale, there was a capital gain of approximately € 336K.

During the course of 2004, the Fondiaria-Sai group had already determined, together with the Swiss Life Group, that the preconditions for a prospective joint venture in the Italian Life sector did not exist.

In view of the opportunity provided by the stock market performance of Swiss Life Holding securities, it was deemed to be of interest to the company and its parent company Fondiaria-Sai and its affiliate Fondiaria Nederland to reach an agreement as soon as possible on the sale of the holding, contacting a number of institutional investors in this regard and inviting those interested to an auction market, with the placement of closed bids.

The transaction allows for increased asset allocation diversification and greater flexibility in the strategic investment sector.

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

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

in the Life business segment, but also in the Non-life segment and in banking and financial services.

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

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

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

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

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

Bipiemme Vita's business plan, on the basis of which assessments were made to determine prices, forecasts new product premium income up by € 481m at the end of 2004 to in excess of € 750m in 2010 and an increase in net profit from € 11m in 2004 to € 25m in 2010.

The purchase price for the subsequent 4% and 1% shareholdings in Bipiemme Vita has been contractually set in accordance with the definitive price paid for the 46% redetermined up to the date on which the options exercised at the reference rate are settled, net of any dividends distributed and plus any capital increases paid – both pro-rata – from the date of closing to the respective settlement date of the aforementioned option strike prices.
Put and call options on 4% of Bipiemme Vita will be exercisable between September and December 2006. Milano's call option is conditional upon performance of the contract relating to banking and financial services. Subsequent to exercise of these options, control and governances would be joint.

Put and call options on the remaining 1% of Bipiemme Vita, with resulting acquisition of control and full consolidation by Milano, will be exercisable between March and June 2007. BPM can only exercise the put option if it has previously exercised the put option on the 4% holding. Milano's right to exercise the call option will be subject to approval by a joint committee comprising four members (two per party) called upon to assess the performance and results of the agreement over time.

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

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

Subordinated loan

In June a subordinated loan contract was signed by the parent company Fondiaria-Sai and Mediobanca for a total of € 300m, to which, as one of the options given by said contract, Milano Assicurazioni subscribed for half of the total amount i.e. € 150m. The transaction was approved by ISVAP in advance.
The loan, given to Milano Assicurazioni in cash on 14 July 2006, specified a 6-month Euribor interest rate + 180 basis points and is repayable in five equal annual instalments as of the 16th anniversary of the disbursement date. There is, in addition, an early repayment, or partial repayment, option, from the date falling on the expiry of the 10th year since the disbursement date and subject to prior authorisation from ISVAP.
The loan will be used in its entirety to contribute to further improvement of the available solvency margin, given current regulations on the issue, which permit the use of loans of this type of up to 25% of the lower of the available margin and the solvency margin required.

Own shares

As at 30 June 2006, Milano Assicurazioni S.p.A. held 285,460 own shares with a nominal value of Euro 0.52 each, corresponding to 0.06% of the total share capital.
These shares have a book value of € 4.64 each and an overall value of € 1,325K and present a capital gain, compared with stock market values at the end of June, of € 299K.
During the course of the half year in question the holding increased by 170,000 shares,

purchased on the market in line with procedures laid down by related decisions taken at Shareholders' meetings. Ex lege, none of these shares has voting rights.

Parent company shares

As at 30 June 2006, Milano Assicurazioni S.p.A. held 5,787,557 ordinary shares in the Parent company Fondiaria-Sai S.p.A., with a nominal value of Euro 1 each, corresponding to 3.27% of the total share capital. These shares have a book value of € 20.03 each and an overall value of € 115,907K and present a capital gain, compared with stock market values at the end of June, of € 68,542K. Compared with 31 December 2005, the holding increased by 425,000 shares, purchased on the market over the half year in question in line with procedures laid down by related decisions taken at Shareholders' meetings.
Once again, as at 30 June the Company held 9,157,710 shares in the indirect parent company Premafin Finanziaria, corresponding to 2.23% of the share capital, with a book value of € 1.33 each, for a total countervalue of € 12,196K and with a capital gain of € 7,548K compared with stock market prices at the end of June.
Ex lege, none of these shares has voting rights.

Other information

Management and Coordination

The Company is managed and coordinated by Fondiaria-Sai in accordance with articles 2497 and subsequent articles of the Italian Civil Code.
The Company has received rules of conduct sent by the parent company to its subsidiaries with the aim of ensuring that Group Companies are coordinated and monitored as well as guaranteeing adherence to obligations in terms of transparency and disclosure in respect of the public for which listed issuers are responsible under current legislation. These rules of conduct provide, amongst other things, for appropriate Board of Directors or Fondiaria-Sai Executive Committee decisions about some Company-related transactions, deemed to be significant in terms of the nature or the amount of the transaction.

Operations with related parties

Annex 1 of this report contains a list of participating interests with an indication of each one's share capital, its book value and the interest held.
In accordance with art. 126 of CONSOB decision No. 11971 of 14 May 1999, a list of Companies with unlisted shares and Limited companies in which the Company held, on 30 June 2006, directly and/or indirectly, a shareholding in excess of 10% of the capital, or whose shares or units give the Company voting rights in excess of this percentage, also appears in the annex.
Below is a summary of significant operations with related parties, as defined by International Accounting Standard 24 (Disclosure of related party transactions) to which art. 2 point h) of Consob Decision 11971 of 14 May 1999, introduced by Consob Decision No. 14990 of 14 April 2005, relates.

The *"land and buildings"* item of the balance sheet assets , includes:
- advance payments of € 54,170K to the Company "Avvenimenti e Sviluppo Alberghiero S.r.l." in relation to the performance of property contracts relating to the area zoned for building in Rome at Via Fiorentini. It should be remembered that this transaction, which took place in 2003, had provided for the sale to "Avvenimenti e Sviluppo Alberghiero S.r.l." of the area zoned for building and the purchase by said purchaser of the building complex to be built on the area in question at a price of € 96,200K.
- advance payments of € 23,693K to "IM.CO. S.p.A." in relation to the property project relating to the area zoned for building in Milan, at Via Lancetti. This transaction, which also took place in 2003, provided for the sale to "IM.CO. S.p.A." of the area zoned for building and the purchase by said "IM.CO. S.p.A." of the building complex to be built on the area in question at a price of € 36,400K.
- advance payments of € 9,375K to "IM.CO. S.p.A." in relation to the property transaction relating to the land situated in Milan at Via Confalonieri- Via de Castillia (Lunetta dell'Isola). The project involved the sale, in 2005, to "IM.CO. S.p.A." of the aforementioned land and provided for the acquisition by said "IM.CO. S.p.A.", at a price of € 93,700K, of a property fit for service industry use which will be built on the land that was sold. In relation to this transaction we can also state that, as at 30 June 2006, there was a receivable of € 28,800K from IM.CO. S.p.A. for the

remainder of the price still to be received for the land sold. The receivable is accommodated by a bank guarantee.

It should be remembered that these transactions are all with related parties with an involvement in the shareholding group of the Company that controls the Companies acquiring the areas zoned for building.

* * *

The tables below provide a summary of assets and liabilities, as well as income and expenditure relating to Group undertakings and other participating interests. This essentially relates to:

- transactions linked to reinsurance business, all conducted at market prices;
- income, expenditure and credit/debit accounts resulting from Fondiaria-Sai Group companies' share of the cost of standardised services at group level;
- credit/debit account deriving from Milano Assicurazioni's participation in the fiscal consolidation of the Fondiaria-Sai Group.

In addition, under memorandum items, item II – guarantees received – includes € 148,033K relating to Fondiaria-Sai surety policies, issued to guarantee undertakings given by the Company's agency network.

Details of assets and liabilities relating to group undertakings and other participating interests

I: Assets

	Parent companies	Subsidiaries	Affiliates	Associates	Others	Total
Stocks and shares	128,103	231,102	71,179	91,042	474	521,900
Bonds					3,986	3,986
Loans			5,000	34,100		39,100
Investments for the benefit of life policyholders who bear the risk thereof and arising from pension fund management						
Receivables arising from direct insurance	5,873	212	849			6,934
Receivables arising from reinsurance	4,062	330	80			4,472
Other payables	34,151	2,058	6,294		2,796	45,299
Other assets						
Total	**172,189**	**233,702**	**83,402**	**125,142**	**7,256**	**621,691**

II: Liabilities

	Parent companies	Subsidiaries	Affiliates	Associates	Others	Total
Deposits received from reinsurers	33,190		14,531			47,721
Payables arising from direct insurance	8,878	4	358			9,240
Payables arising from reinsurance		99	3,453			3,552
Loans from banks and other financial institutions						
Sundry payables and loans	56,241	18	750		519	57,528
Other liabilities						
Total	**98,309**	**121**	**19,092**		**519**	**118,041**

Details of income and expenditure relating to group companies and other participating interests

I: Income

	Parent companies	Subsidiaries	Affiliates	Associates	Others	Total
Investment income	5,280	101	375	908	6,718	13,382
Income and unrealised capital gains on investments for the benefit of policyholders who bear the risk thereof and arising from pension fund management						
Other income	12,355	408	6,854		11	19,628
Profits on realisation of investments (*)						
Extraordinary income						
Total	**17,635**	**509**	**7,229**	**908**	**6,729**	**33,010**

II: Expenditure

	Parent companies	Subsidiaries	Affiliates	Associates	Others	Total
Capital and financial losses	506		115	45		666
Other charges	12,337	295	6,811			19,443
Charges and unrealised capital losses on investments for the benefit of policyholders who bear the risk thereof and arising from pension fund management						
Losses on realisation of investments (*)						
Extraordinary expenditure						
Total	**12,843**	**295**	**6,926**	**45**		**20,109**

(*) with reference to the transaction counterparty

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

No significant events occurred between the half year end and the date on which this report was drafted.

BUSINESS OUTLOOK

In the Motor business class there will be gradual alignment of the prices offered by the various sales networks via the adoption of the “Prima Global” product which, developed by making the most of the information gleaned from the vast Fondiaria-Sai group client portfolio, is characterised by a high level of customisation and is able to produce positive effects in terms of combined ratio. At the same time, maintenance work will continue on the acquired portfolio in profitable areas and sectors as well as reorganisation work in risk sectors demonstrating the need for technical rebalancing, with particular reference to the fleet segment where the portfolio is in the process of being downsized by means of targeted divestments.

In other Non-life business classes greater attention will be paid to developing the retail sector, with incentivising campaigns based, in particular, on multi-cover products, capable of satisfying clients’ increasingly sophisticated insurance requirements.

Overall, the company’s underwriting policy will continue to combine premium growth with portfolio profitability, with the aim of keeping the combined ratio at the highest market levels.

In the life sector, the aim is, above all, to continue to grow the portfolio in respect of products of a traditional nature with annual and recurrent premiums, capable of providing adequate levels of profitability and guaranteeing added value for the portfolio in the long term. Greater client loyalty will also be sought with specific initiatives to protect capital upon maturity.
What’s more, particular attention will continue to be paid to the requirements of institutional clients who see in the insurance sector a great opportunity for diversifying their investments and using liquidity.
To consolidate the Life business sector, specific sales campaigns and training initiatives are planned, mainly for points of sale offering significant growth potential.
The sector will also benefit from the development of the alliance and cooperation project with the Banca Popolare di Milano in the Bancassurance sector which, having received the go-ahead from the Italian Competition Authority and authorisation from ISVAP, resulted, last June, in the acquisition by Milano of 46% of Bipiemme Vita and which provides for the possibility of increasing this shareholding to 50% by the end of this year and to 51% by 30 June 2007.

From an asset and financial management perspective, financial market trends are being followed very closely in the light of recent monetary policy interventions by the Central Banks which have resulted in a rise in short-term returns with a consequent flattening of the rates curve.

The economic result achieved in the half year in question is in line with Company planning and means that a satisfactory result can be anticipated for the financial year, unless any particularly negative events occur, arising, in particular, from turbulence in the financial markets.

Part B

Valuation Criteria

General principles

The half year report was prepared in accordance with ISVAP Directive No. 1207 G of 6 July 1999, recently amended by ISVAP Directive No. 2460 of 10 August 2006. Individual balance sheet and profit and loss items were valued by adopting the criteria used when preparing the 2005 accounts which should be referred to for a detailed account of individual methodologies not stated below.

With regard to the valuation of technical reserves for Third Party business – with particular reference to Motor TPL – the final cost as at 30 June was determined by a value adjustment of claims opened by settlement departments, with the aim of building in the average cost of claims posted to the reserves, taking into consideration the cost trend for claims settled, the trend in speed of settlement as well as the impact of claims eliminated without payment of compensation.

For claims for previous financial years, already posted to the reserves, trends relating to the reduction of claims settled during the half year were followed, checking the capacity of reserves posted as at 31 December 2005.

Reinsurers' share of technical reserves is calculated on the basis of the shares ceded for proportional treaties and provisionally for stop-loss or in excess of loss treaties, based on the information available and with the same criteria used for posting direct business to the reserves, in consideration of contractual clauses.

Items pertaining to indirect business represent the relevant share of the results estimated for the end of the financial year. Values were determined in consideration of data ascertained with regard to obligatory contracts accepted by companies outside the Group whose technical results relate the 2005 financial year.

As for financial and asset management, value adjustments and write-ups on shares and bonds in the working capital segment were calculated on the basis of stock market prices on 30 June, rather than on the June average i.e. the last month of the reference period, the criterion used for the 2005 accounts. The difference in methodology did not, however, produce any significant economic effects.

Accounting Tables

(Amounts in €K)

LIABILITIES

			As at 30 June 2006	As at 30 June 2006	As at 31 December 2005
A.	**Net Equity**				
	I	- Subscribed share capital or equivalent fund	242,975	238,569	238,575
	II	- Issue premium reserve	359,980	324,966	325,145
	III	- Legal reserve	47,715	47,714	47,714
	IV	- Other equity reserves	753,149	651,672	651,689
	V	- Profits (losses) carried forward	6,286	6,286	6,286
	VI	- Profit (loss) for the period	89,253	109,865	233,106
		Total	**1,499,358**	**1,379,072**	**1,502,515**
B.	**Subordinated liabilities**		0	0	0
C.	**Technical reserves**				
	I	- Non-life business			
		1. Premium reserve	996,039	986,970	984,088
		2. Claims reserve	3,328,993	3,249,225	3,306,704
		3. Sundry technical reserves	2,298	2,201	2,084
		4. Equalisation reserves	5,787	4,765	5,333
		Total Non-life technical reserves	4,333,117	4,243,161	4,298,209
	II	- Life business			
		1. Mathematical reserves	3,720,616	3,534,091	3,655,977
		2. Reserve for payables	24,828	26,757	6,313
		3. Sundry technical reserves	24,061	25,794	25,031
		Total Life business technical reserves	3,769,505	3,586,642	3,687,321
		Total	**8,102,622**	**7,829,803**	**7,985,530**
D.	**Technical reserves where the investment risk is borne by policyholders and arising from pension fund management**				
	I	- Reserves relating to contracts whose performance is linked to investment funds and market indices	321,233	372,728	358,251
	II	- Reserves arising out of pension fund management	0	0	0
		Total	**321,233**	**372,728**	**358,251**
E.	**Funds for risks and charges**		126,650	162,224	149,462
F.	**Deposits received from reinsurers**		154,638	166,359	153,779
G.	**Payables and other liabilities**				
	I	- Arising out of direct insurance	71,883	39,969	88,663
	II	- Arising out of reinsurance	8,825	10,218	13,260
	III	- Bonded loans	0	0	0
	IV	- Loans from banks and other financial instituttions	0	0	0
	V	- Payables and other loans	195,844	211,901	243,875
	VI	- Provision for staff-leaving indemnity	31,348	30,133	29,097

	VII - Other liabilities	141,000	221,928	242,311
	Total	**448,900**	**514,149**	**617,206**
H.	**Accrued liabilities and payables**	0	0	14
	GRAND TOTAL LIABILITIES	**10,653,401**	**10,424,335**	**10,766,757**

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ITEMS

I.	Guarantees given	25,427	14,264	15,369
II.	Guarantees received/given by third parties in the company's interest	289,696	345,243	260,896
III.	Commitments	339,804	1,202,057	275,231
IV.	Activities pertaining to pension funds managed on behalf of third parties	0	0	0
V.	Other	8,338,257	7,884,293	8,010,596
	GRAND TOTAL MEMORANDUM ITEMS	**8,993,184**	**9,445,857**	**8,562,092**

(Amounts in €K)

PROFIT AND LOSS ACCOUNT

I. NON-LIFE BUSINESS TECHNICAL ACCOUNT

1.	**Premiums applicable, net of reinsurance cessions**	1,378,556	1,304,541	2,609,846
2.	**(+) Share of investment profits transferred from the non-technical account (item III. 6)**	39,511	52,890	94,510
3.	**Other technical income, net of reinsurance cessions**	10,677	4,849	8,048
4.	**Charges relating to claims, net of reinsurance cessions**	995,614	946,433	1,888,290
5.	**Change to other technical reserves, net of reinsurance cessions**	214	-1,081	-1,198
6.	**Refunds and profit sharing, net of reinsurance cessions**	0	0	0
7.	**Management costs:**			
	a) Acquisition costs net of commissions and profit sharing received from reinsurers	202,952	194,697	391,780
	b) Administration costs	49,127	49,590	96,458
	Total	252,079	244,287	488,238
8.	**Other technical charges, net of reinsurance cessions**	79,668	35,354	60,292
9.	**Change to equalisation reserves**	454	345	914
10.	**Non-life business technical account result**	100,715	136,942	275,868

PROFIT AND LOSS ACCOUNT (contd.)

II. LIFE BUSINESS TECHNICAL ACCOUNT

1.	**Premiums for the year, net of reinsurance cessions**	286,443	274,560	583,452
2.	**Investment income**			
	a) Income arising from investments	95,505	73,816	151,328
	b) Write-ups on investments	1,079	4,615	4,865
	c) Profits on realisation of investments	32,911	25,197	37,745
	Total	129,495	103,628	193,938
3.	**Income and unrealised capital gains relating to investments for the benefit**			
	of policyholders who bear the risk thereof and to investments arising			
	from pension fund management	10,930	18,182	28,910
4.	**Other technical income, net of reinsurance cessions**	443	547	16,100
5.	**Charges relating to claims, net of reinsurance cessions**	290,394	217,936	455,270
6.	**Change to mathematical and other technical reserves net of reinsurance cessions**			
	a) Mathematical reserves, reserve for premiums from additional insurances and other technical reserves	67,250	99,696	242,282
	b) Technical reserves where the investment risk is borne by policyholders and arising out of pension fund management	-37,018	20,347	5,869
	Total	30,232	120,043	248,151
7.	**Refunds and profit sharing, net of reinsurance**			
	sharing	0	0	29
8.	**Management costs**			
	a) Acquisition costs net of commissions and profit sharing received from reinsurers	5,787	7,000	11,349
	b) Administration costs	8,434	8,489	17,537
	Total	14,221	15,489	28,886

PROFIT AND LOSS ACCOUNT (contd.)

9.	**Capital and financial losses**			
	a) Investment management costs and interest paid	16,246	6,455	12,921
	b) Write-downs on investments	40,123	1,414	17,661
	c) Losses on the realisation of investments	2,909	6,777	10,116
	Total	59,278	14,646	40,698
10.	**Capital and financial losses and unrealised capital losses relating to investments for the benefit of policyholders who bear the risk thereof and to investments arising out of pension fund management**	8,446	3,056	6,137
11.	**Other technical charges, net of reinsurance cessions**	8,759	2,517	4,746
12.	**(-) Share of investment profit transferred to the non-technical account (item III.4)**	0	7,883	13,787
13.	**Life business technical account result**	15,981	15,347	24,754
	III. NON-TECHNICAL ACCOUNT			
1.	**Non-life business technical account result (item I. 10)**	100,715	136,942	275,868
2.	**Life business technical account result (item II. 13)**	15,981	15,347	24,754
3.	**Non-life business investment income**			
	a) Income arising from investments	107,359	88,388	162,242
	b) Write-ups on investments	228	1,357	1,195
	c) Profits on realisation of investments	15,097	10,755	36,312
	Total	122,684	100,500	199,749
4.	**(+) Share of investment profit transferred from life business technical account (item II. 12)**	0	7,883	13,787
5.	**Non-life business capital and financial losses**			
	a) Investment management costs and interest paid	8,481	6,474	12,798
	b) Write-downs on investments	32,537	1,623	14,994
	c) Losses on realisation of investments	31,099	25,474	51,362
	Total	72,117	33,571	79,154
6.	**(-) Share of investment profit transferred to Non-life business technical account (item I. 2)**	39,511	52,890	94,510
7.	**Other income**	32,851	49,591	77,445
8.	**Other charges**	47,530	57,727	121,638

PROFIT AND LOSS ACCOUNT (contd.)

9.	**Ordinary business result**	113,073	166,075	296,301
10.	**Extraordinary income**	16,550	15,266	38,942
11.	**Extraordinary charges**	1,500	8,241	11,950
12.	**Extraordinary business result**	15,050	7,025	26,992
13.	**Pretax result**	128,123	173,100	323,293
14.	**Tax on result for period**	38,870	63,235	90,187
15.	**Profit (loss) for period**	89,253	109,865	233,106

Part C

Information on the Balance Sheet

Operations with Group undertakings and other participating interests

For operations with related parties please refer to the comments appearing in the relevant paragraph of part A of this report.

Attached we provide:

- a list of participating interests with an indication of their value as at the half year and the percentage of direct and indirect holding (annex No. 1);

- the amount and nature of the rise and fall of investments in Group undertakings and in other participating interests, broken down into stocks and shares (item C.II.1), bonds (item C.II.2) and corporate financing (item C.II.3) (annex No. 2).

Intangible Assets (item B)

	30.06.2006	**31.12.2005**	**30.06.2005**
	140,877	**153,575**	**166,798**
Comprising:			
Deferred acquisition costs	2,429	3,302	4,143
Set-up and enlargement costs	309	412	511
Goodwill	137,334	149,330	161,326
Other multi-year costs	805	531	818
TOTAL, as above	**140,877**	**153,575**	**166,798**

The reduction in the “deferred acquisition costs” item is the result of the decision, as of the 2003 financial year, to stop depreciating commissions on multi-year contracts, with resultant posting to the profit and loss account of the full amount disbursed. The amount posted as at 30 June therefore represents the quota still to be depreciated for commissions on multi-year contracts taken out up to 31 December 2002, which are spread over the actual duration of each contract, with a 10 year limit.

The goodwill item includes:

Goodwill posted following the merger by incorporation of Lloyd Intenazionale S.p.A. in 1991	10,930
goodwill posted in 1992 following the purchase of the Card S.p.A. insurance portfolio	22,725
goodwill deriving from the acquisition of the insurance portfolio of Latina Assicurazioni S.p.A., in 1992	24,752
Goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A. originally acquired from Previdente Vita (formerly Latina Vita) in 1993	11,847
Goodwill deriving from the acquisition, in 1995, of the portfolio of Maa Assicurazioni by Nuova Maa, incorporated in Milano in 2003	50,329
Goodwill posted in 1999 following the merger by incorporation of La Previdente Vita S.p.A.	12,726
Goodwill deriving from the acquisition, in 2001, of the Profilo Life insurance portfolio by Nuova Maa, incorporated in Milano in 2003	677
Goodwill posted in 2003 following the merger by incorporation of Maa Vita	3,348
TOTAL	**137,334**

This goodwill is depreciated in equal instalments over 20 years with the exception of:

- Goodwill posted in 1999 following the merger by incorporation of Previdente Vita;
- goodwill deriving from the acquisition of the Profilo Life insurance portfolio by Maa Vita;
- goodwill posted in 2003 following the merger by incorporation of Maa Vita.

The amount shown is net of depreciation allowances for the half year, amounting to € 11,996K.

Land and Buildings (item C.I)

	30.06.2006	31.12.2005	30.06.2005
	420,570	**404,735**	**396,335**
Comprising:			
1. Property for company use	30,764	30,903	30,763
2. Property for use by third parties	302,129	299,957	294,801
3. Other property	439	439	13,670
4. Assets under construction and advances	87,238	73,436	57,101
TOTAL, as above	**420,570**	**404,735**	**396,335**

The change compared to the close of the previous year is due to:

Fixed assets under construction and payments on account	13,802
Improvement work	4,353
Sales	- 1,662
Depreciation	- 658
TOTAL	**15,835**

The “assets under construction and payments on account” includes advance payments over the half year in relation to property transactions relating to areas situated in Milan at Via Lancetti and in Rome, at Via Fiorentini.
The “improvement works” mainly relate to property owned in Milan at Via Cordusio, 2 (€ 1,703K); Milan, Via Senigallia (€ 517K); Rome, Via Tre Madonne, 14-16-18 (€ 682K).
The “sales” items relates to the property located in Milan at Via de Grassi 8, sold for € 13,500K, with a capital gain of € 11,838K, posted to extraordinary income.

Investments in Group companies and other participating interests (item C.II)

	30.06.2006	31.12.2005	30.06.2005
	564,986	**459,105**	**355,296**

These include stocks and shares amounting to € 521,900K, bonds amounting to € 3,986K and loans to Group companies amounting to 39,100K.

The stocks and shares component includes:
- 5,787,557 shares in the parent company Fondiaria-Sai, amounting to 3.27% of the total share capital with a book value of € 115,907K. These shares present a capital gain compared with stock market prices at the end of June, of € 68,542K;
- 9,157,710 in the parent company Premafin Finanziaria, with a book value of € 12,196K and present a capital gain of € 7,548K compared with stock market prices at the end of June;
- stocks and share in unlisted subsidiaries amounting to € 231,102K;

- stocks and shares in affiliated companies amounting to € 71,179K;
- stocks and shares in associate companies and other participating interests amounting to € 91,516K;

The increase compared with 31 December 2005 is mainly due to the purchase, for € 90,530K, of a 46% shareholding in Bipiemme Vita, as part of the alliance and cooperation project with Banca Popolare di Milano in the bancassurance sector, which has already been widely documented.

Loans to Group undertakings essentially relate to the associate company Garibaldi S.c.s., which is active in the property development project for the area located at the northern boundary of the historic centre of Milan, known as “Garibaldi Repubblica”. These interest-bearing loans are for 5 years and can be renewed for a further 5 years but must not run beyond the project’s completion date. There is, however, provision for the debtor to make early repayment.

Other financial investments (item C.III)

	30.06.2006	31.12.2005	30.06.2005
	7,581,967	**7.383.547**	**7.313.494**
Comprising:			
Stocks and shares	856,987	870,095	816,412
Investment fund units	301,041	267,118	208,639
Bonds and other fixed-rate securities	6,298,558	6,156,210	6,163,175
Loans	66,979	65,999	69,236
Sundry financial investments	58,402	24,125	56,032
TOTAL, as above	**7,581,967**	**7,383,547**	**7,313,494**

Compared with prices at the end of June, the listed shareholdings posted to operating assets present capital gains of € 15,887K. Those posted to long-term investments present capital gains of € 78,651K and capital losses of € 345K.
Investment fund units posted to operating assets presented latent capital gains of € 21,930K, whilst those classed as long-term investments recorded capital losses of € 970K.

The bonds and other fixed income securities item can be broken down as follows:

Listed government securities	4,973,215
Unlisted government securities	5,228
Other listed securities	1,067,833
Other unlisted securities	252,282
TOTAL	**6,298,558**

Compared to stock market prices at the end of June, the *bonds and other fixed-income securities* posted to short-term investments, showed capital gains of € 10,783K. Those classed as long-term investments, again compared to stock market prices on 30 June, showed capital gains of € 70,928K and capital losses of € 24,084K.

The *sundry financial investments* item includes bond repurchase agreements.

The *loans* item includes loans with collateral security amounting to € 40,066K, loans on life policies amounting to € 25,339K and € 1,574 of other loans.

The table below shows the position of the single component relating to long-term investments.

	30.06.2006	31.12.2005	30.06.2005
Stocks and shares	636,124	720,823	667,771
Investment fund units	2,082	2,082	2,582
Bonds and other fixed-rate securities	1,800,041	958,206	971,589

The significant increase in the *bonds and other fixed-income securities* item compared with 31 December 2005 was due to the allocation to long-term assets of securities purchased over the first half year and intended to remain in the Company's portfolio on a permanent basis as well as the transfer, from short-tem investments to long-term investments of a series of Euro zone government securities maturing after 31/12/2013, characterised, therefore, by their long duration.

Allocations and transfers were made in line with the fixed-income securities portfolio management policy and with current management practice, aimed at immunising medium to long-term investments within the scope of asset liability management choices.

Transfers from short-term to long-term investments involved 24 securities with an overall nominal value of € 536,300K and were made on the basis of the book value on the transaction date which amounted to € 534,700, determined using class of origin criteria involving the posting of value adjustments of € 1,776K.

On 30/06/2006 the following portfolio positions were held with regard to bonds with subordination clauses, with a book value of € 107,447K:

ISIN Code	*Description of Security*	*Book value 30/06/2006*
XS0246487457	***ABN AMRO BANK 10.03.06/PERPETUAL***	***2,352***
XS0082765289	***AMBROVENETO GUAR. 98/2008 FLOAT***	***3,184***
XS0257752013	***ANGLO IRISH BANK 21.06.06/16 FLOAT***	***1,496***
XS0206511130	***AVIVA PLC 25.11.04/PERP FIX TO FLOAT***	***4,843***
XS0147222540	***B. INTESA 02/14 FLOAT***	***2,692***
XS0256396697	***BANCA CARIGE 07.06.06/16 FLOAT***	***1,993***
XS0203156798	***BANCA CARIGE 07.06.06/14 FLOAT***	***7,984***
ES0213860036	***BANCO DE SABADELL 25.05.06/16 FLOAT***	***7,473***
ES0213540018	***BANESTO EMISION 23.03.04/16 FIX TO FLOAT***	***1,285***
XS0214398199	***BARCLAYS BANK 15.03.05/PERP FIX TO FLOAT***	***7,364***
XS0108245167	***B.CA LOMBARDA 00/10 6.875%***	***2,695***
XS0181782144	***CARIFIRENZE 05.12.03/13 FLOAT***	***7,466***
XS0138717953	***CGNU 14.11.2001/2021 FLOAT***	***5,293***
FR0010248641	***BARCLAYS BANK 15.03.05/PERP FIX TO FLOAT***	***3,739***
XS0054850531	***CREDIT SUISSE 20.12.94/2014 ZC***	***335***
XS0214318007	***BANESTO EMISION 23.03.04/18 FIX TO FLOAT***	***2,900***
BE0119806116	***FORTIS BANK 27.10.2004/PERPETUAL FLOAT***	***5,804***
XS0240868793	***ING BANK 18.01.06/18.03.16 FLOAT***	***1,248***
IT0003727143	***INTERBANCA 30.09.04/09 FLOAT***	***2,403***
XS0231555672	***JP MORGAN CHASE & CO 12.10.05/15 FLOAT***	***1,001***
XS0221574931	***LEGAL E GENERAL GROUP 06.06.05/25***	***473***
XS0176510641	***MONTE PASCHI 4.5% FLOAT***	***5,033***
IT0003366314	***MPS ASSET SECUR. 26.09.02/05.11.33 FLOAT***	***3,083***
XS0225369403	***BAYER 29.07.05/29.07.2105 FIX TO FLOAT***	***1,317***
XS0120282610	***SAN PAOLO IMI 10.11.00/PERPETUAL 8.126%***	***3,006***
IT0003937486	***SESTANTE FINANCE 16.12.05/15.07.45 FLOAT***	***4,556***
XS0151267522	***SL FINANCE 12.07.02/2022 6.375 %***	***2,800***
XS0172565482	***SNS BANK 22.07.03/PERPETUAL***	***2,734***
US87927VAK44	***TELECOM ITALIA CAP 15.07.05/15.01.10 4%***	***1,323***
XS0231436238	***AVIVA PLC 27.10.05/PERP FIX TO FLOAT***	***4,552***
XS0173649798	***UNIPOL 28.07.03/23 FLOAT***	***5,020***
TOTAL		*107,447*

Annex No. 3 gives a breakdown, on the basis of short-term and long-term use, of sundry financial investments, divided into stocks and shares in undertakings, investment fund units, bonds and other fixed-income securities and sundry financial investments C.III.1, 2, 3, 5).

Bad debts

Over the half year, losses and bad debts totalling € 89,552K were recorded, including € 78,140K for receivables from policyholders for non-life business classes, € 8,758K for receivables from policyholders for life business classes and € 2,654K for sundry receivables.

Below is a breakdown, by Non-life and Life business, of receivables from policyholders as at 31 December 2005 with related collections recorded over the year:

	Receivables as at 31.12.2005	Collections over the half year
NON-LIFE BUSINESS	288,319	131,248
LIFE BUSINESS	36,915	19,808
TOTAL	**325,234**	**151,056**

Receivables

Below are details of item E.I – receivables deriving from direct insurance transactions:

	NON-LIFE	LIFE	Total
Receivables from policyholders	236,873	32,920	269,793
Receivables from intermediaries	226,080	11,785	237,865
Receivables from companies	42,044	2,803	44,847
Policyholders and third parties for sums to be recovered	58,083	-	58,083
TOTAL	**563,080**	**47,508**	**610,588**

Item E.III – sundry receivables – amounted to € 224,659K and was essentially composed of receivables from the Treasury, posted in the amount of € 134,513K; receivables for invoices issued, mainly to Group Companies for their share of the cost of amalgamated organisational functions, amounting to € 48,314K as well as the IRES current year payment on account amounting to € 31,198, paid to the parent company Fondiaria-Sai following Milano Assicurazioni's participation in the Group's fiscal consolidation.

Other assets

Item F.IV – *other assets* -, amounting to € 215,215K, includes taxes paid on account of € 171,656K, set aside in reference to the temporary differences between book values and values for tax purposes of assets and liabilities.

Technical reserves

The sum of € 2,298K posted to item C.I.3. Non-life business *sundry technical reserves* represents the health business class ageing reserve, intended to offset the increase in risk caused by ageing policyholders.

The Life business *sundry technical reserves* (item C.II.3) includes the reserve for future expenses (€ 20,732K), the reserve for additional accident insurance (€ 265K) as well as supplementary reserves of € 3,064K.

Provisions for risks and charges

The item *Provisions for risks and charges*, amounting to € 126,650K, includes funds for taxes amounting to € 67,472K and other provisions amounting to € 59,178K.
Funds for taxes include IRAP for the half year as well as deferred taxes as at 30 June. The relevant amount payable for IRES for the half year was instead posted to payables to the parent company Fondiaria-Sai, following Milano Assicurazioni's participation in the Group's fiscal consolidation.
Other provisions relate to potential future expenses, including those deriving from current disputes. In particular, € 16,035K was set aside for agency network disputes; € 14,308K for other types of disputes and € 28,835K for potential liabilities other than disputes and for expenses to be incurred in the future.

Payables and other liabilities

Item G.I - payables *arising out of direct insurance operations* – amounting to € 71,883K, includes payables to insurance brokers of € 34,367K, payables to Companies for coinsurance operations of € 35,682K, policyholders for deposits and premiums of € 148K and payables to Guarantee Funds in favour of policyholders of € 1,686K.

Item G.V – sundry payables and loans – amounting to € 195,844K includes:

Payables for taxes on premiums collected	44,688
Payables for sundry tax liabilities	6,050
Payables to welfare organisations	13,913
Payables to suppliers for goods and services purchased	42,886
Payables to the parent company Fondiaria-Sai	50,894
Sundry payables	37,413
TOTAL	**195,844**

Payables to the parent company Fondiaria-Sai relate to IRES for the half year, posted to this item following Milano Assicurazioni's participation in the Group's fiscal consolidation.

Item G.VII – other liabilities -, amounting to € 141,000K, includes, amongst other things, amounts set aside for commission on premiums in the process of being collected and for overcommissions for the period totalling € 44,002K as well as € 64,592K for cheques issued in payment of claims and Life sums, not yet collected by beneficiaries as at 30 June.

Receivables and payables due in over twelve months

All receivables and payables are due before the next financial year with the exception of what is stated below.

Asset item C.II.3 – *loans to Group undertakings* – includes € 34,100K for loans granted to the associate company Garibaldi s.c.s., active in the property development project which plans to develop around 110 thousand square metres of land zoned for building in the area situated at the northern boundary of the historic centre of Milan, known as "Garibaldi Repubblica". These interest-bearing loans are for 5 years and can be renewed for a further 5 years but must not run beyond the project's completion date. There is, however, provision for the debtor to make early repayment.

Asset item C.III.4 - *other loans* - includes:

- € 39,909K for the loan secured by a lien on mezzanine property granted to Ganimede S.r.l. in relation to the operation to dispose of part of the company's property assets in 2003. This loan, with a term of seven years from the date of disbursement and, therefore, falling due in December 2010, also provides for partial early repayments by the debtor in line with the divestment schedule. The debtor is also entitled, at any time, to repay the loan in whole or in part.
- € 25,339K of loans on life policies, generally linked to the remaining duration of the related contracts and, in any event, with policyholders having the right to make early repayments.
- € 85K for sundry loans due after 30 June 2007.

Asset item E - *payables* - includes € 49,231K of receivables from insurance brokers, mainly linked to agency severance payments recoverable by recoupment, due in over twelve months, € 21,103K of which is due in over five years.

Subordinated liabilities

As at 30 June 2006 there were no subordinated liabilities.

Derivatives operations

It should be noted that, during the first half of 2006, the Company stipulated contracts to purchase put options and sell call options under the same contractual terms on 3,000,000 Capitalia shares and 500,000 RCS Mediagroup shares.
The Company also stipulated credit default swap contracts on € 128,000,000 nominal bonds.
The activity was conducted entirely in accordance with the framework decision taken by the Board of Directors on 22 March 2005 on the use of derivatives and structured financial instruments by recourse to auditing and monitoring tools, including preventative measures, existing within the company and capable of checking both the consistency of the transactions with the strategy determined beforehand and the efficacy of the hedging transactions in respect of the limits adopted. In addition, "Hedging Relationship Documentation" was compiled for each hedging operation.

Derivative positions opened as at 30/06/2006 related to:

- Operations to hedge listed securities by setting up a combined options (put purchases – call sales under the same contractual terms). The shares in the portfolio being hedged were made up of 1,250,000 Mediobanca shares, 8,000,000 Capitalia shares and 3,250,000 RCS Mediagroup Ord. Shares. Using this strategy, provision

was made to hedge a significant share of the latent market capital gains on the listed shares segment;
- Credit default swap to hedge the Morgan Stanley issuer's risk; the premium paid in the half year amounted to € 38K.

No transactions were closed over the half year.

Guarantees, commitments and other memorandum items

Guarantees given
The amount posted mainly relates to bank deposits to guarantee claims over which there is a dispute.

Guarantees received or given by third parties in the interest of the undertaking
The item includes:
- guarantees given by agents to fulfil related agency mandates, recorded at € 193,490K;
- the mortgage received for the "mezzanine" loan granted to Ganimede S.r.l. in relation to the operation to add value to part of the company's property assets in 2003, recorded at € 46,376K;
- sundry guarantees of € 49,830K.

Commitments
The item includes:
- € 246.880K of securities to be delivered and € 17,716K of securities to be received for transactions entered into in the half year in question with settlement after 30 June.
- € 49,789K posted for commitments deriving from existing repurchase agreements as at 30 June.
- commitments deriving from options on portfolio securities of € 15,580K.
- commitments relating back to put and call options for the purchase of a further 4% shareholding in Bipiemme Vita by 31 December 2006 and a further 1% by 30 June 2007, valued at € 9,840K on the basis of the price paid for 46% of said capital, already purchased in June.

Other memorandum items
These include securities owned by the company and deposited in the custody of third parties, posted in accordance with ISVAP Directive No. 00735 of 1 December 1997.

Part D

Information on the profit and loss account

Premium income

Below are details of premiums posted to the accounts, net of reinsurance cessions:

	NON-LIFE BUSINESS	LIFE BUSINESS	TOTAL
Direct business	1,413,563	291,871	1,705,434
Indirect business	12,915	64	12,979
TOTAL gross premiums	**1,426,478**	**291,935**	**1,718,413**
Cessions	43,808	5,441	49,249
Retrocessions	250	51	301
TOTAL net premiums	**1,382,420**	**286,443**	**1,668,863**

For details of direct business premium income, by class of business, please refer to the table contained in “part A” of this report, in the paragraph dedicated to insurance business trends.

Changes to the premium reserve

Details of changes to the Non-life business premium reserve, included in item I.1 – premiums earned – are as follows:

	Gross amount	Cessions	Net amount
Direct business	6,191	1,176	5,015
Indirect business	-1,151	-	-1,151
TOTAL	**5,040**	**1,176**	**3,864**

Charges relating to claims

Below are details of item I.4 of the Non-life business technical account and item II.5 of the Life business technical account:

Non-life business

	Gross amount	Cessions	Net amount
Claims paid	1,026,687	19,209	1,007,478
Variation in recoveries	34,479	-	34,479
Variation in claims reserve	23,329	714	22,615
TOTAL	**1,015,537**	**19,923**	**995,614**

Life Business

	Gross amount	Cessions	Net amount
Sums paid	281,102	9,222	271,880
Variation in the reserve for payables	18,518	4	18,514
TOTAL	**299,620**	**9,226**	**290,394**

Investment income and expenditure

The tables below give details of investment income and expenditure for Non-life and Life business management, respectively:

	NON-LIFE BUSINESS	LIFE BUSINESS	Total
Income deriving from stocks and shares	54,015	6,272	60,287
including, from Group companies	*4,175*	*1,286*	*5,461*
Income from land and buildings	6,426	-	6,426
Income from other investments	46,918	89,233	136,151
including, from Group companies	-	*58*	*58*
TOTAL	**107,359**	**95,505**	**202,864**
Write-ups	228	1,079	1,307
including, from Group companies			
Profits from the realisation of investments	15,097	32,911	48,008
including, from Group companies			
TOTAL income	**122,684**	**129,495**	**252,179**

Income from the realisation of investments relates to € 24,455K of stocks and shares, € 11,298K of bonds and € 12,255K of investment fund units and options.

	NON-LIFE BUSINESS	LIFE BUSINESS	Total
Expenditure relating to stocks and shares	**88**	**71**	**159**
including, from Group companies	***-***	***45***	***45***
Expenditure relating to land and buildings	**3,777**	**-**	**3,777**
Expenditure relating to other investments	**4,616**	**16,175**	**20,791**
including, from Group companies			
Total	**8,481**	**16,246**	**24,727**
Value adjustments	**32,537**	**40,123**	**72,660**
including, from Group companies	**-**	**-**	**-**
Expenditure relating to the realisation of investments	**31,099**	**2,909**	**34,008**
including, from Group companies	**-**	**-**	**-**
TOTAL EXPENDITURE	**72,117**	**59,278**	**131,395**

Value adjustments relate, in the main, to bonds in the portfolio, generated over the half year following monetary policy interventions adopted by the main Central Banks. These interventions, increasing interest rates to combat the danger of an upturn in inflation, also accentuated by the upward trajectory of prices of major raw materials, have, in fact, had a negative effect on the stock market price of bonds already in circulation.

Expenditure on the realisation of investments mainly relates to shares purchased close to the dividends' coupon date and sold after said date. These are, therefore, offset by dividends cashed, posted to the item *income from stocks and shares.*

Other income and expenditure

The net balance, amounting to € 14,679K of expenditure comprises:

	Income	Expenditure	Net
Interest on receivables and payables	3,699	228	3,471
Minorities' administrative income and expenditure	19,443	19,443	-
Withdrawals from, and allocations to, provisions for risks and charges	9,357	5,180	4,177
Intangible asset depreciation charges	-	12,316	- 12,316
Other income - expenditure	352	10,363	- 10,011
TOTAL	32,851	47,530	- 14,679

Interest on receivables relates to interest on bank deposits of € 1,997K, interest on receivables due from the Treasury of € 738K and interest on sundry receivables of € 964K.
Intangible asset depreciation charges comprise € 11,996K of charges relating to goodwill posted to the assets. For further details on this component please refer to the comments contained in the notes to the accounts section of this report. The balance of sundry income and expenditure mainly relates to exchange differences deriving from the alignment to the exchange rates on 30 June of items expressed in foreign currency (liabilities of € 4,324K) and write-downs of sundry receivables (€ 4,010K).

Extraordinary income and expenditure

The table shows the main components of extraordinary income and expenditure, posted to the non-technical account:

	Extraordinary income	Extraordinary Expenditure	Net Income
Capital gains from property sales	11,838	-	11,838
Capital gains from the sale of stocks and shares	836	374	462
Capital gains from bond sales	1,838	-	1,838
Other extraordinary income and expenditure	2,039	1,126	913
TOTAL	**16,550**	**1,500**	**15,050**

Capital gains from property sales relates to the property situated in Milan at Via De Grassi 8, with a book value of € 1,662K and sold for € 13,500K.

Income tax for the period

The tax liability was calculated on the basis of current taxes on taxable income and on the change in the advance and deferred taxes for the period, recorded following the temporary difference between book values and fiscal values that arose or cancelled themselves out over the half year in question. The tax rate for the half year in question was lower than the nominal rate mainly because of dividends cashed which are nearly all tax exempt and because of capital gains realised on securities posted to fixed assets and coming under the “participation exemption” scheme.

The taxes item can be broken down as follows:

Current Ires and Irap taxes	54,227
Increase, over the half year, of advance taxes	- 9,964
Reduction, over the half year, of deferred taxes	-5,393
TAXES FOR THE PERIOD IN QUESTION	**38,870**

Part E

Other information

Solvency margins forecast

On the basis of the economic trends recorded over the half year together with the business outlook and taking into consideration the effects of the subordinated loan of € 150m taken out in June, it is estimated that the position regarding solvency margins at the end of the financial year may take the following order of magnitude (data in € m):

	NON-LIFE BUSINESS	LIFE BUSINESS	Total
Margins to be set up	458	169	627
Items comprising the margins (*)	955	347	1,302
Surplus	**497**	**178**	**675**

(*) excluding the result for the financial year

Cover for technical provisions at the end of the half year

In Life business, investments listed in the register of assets to cover technical reserves showed a surplus of around € 120.7m compared with technical reserves to be covered as at 30 June. In Non-life business, the increase in technical reserves recorded in the 1st half year was largely covered by disposable assets.

MILANO ASSICURAZIONI S.p.A.
Board of Directors

Milan, 11 September 2006