Draft

Board of Directors' Report on management trends in the first half of the 2006 financial year

in accordance with Consob Decision 11971 of 14 May 1999 and subsequent amendments, as well as ISVAP Directive No. 1207 G of 6 July 1999 and subsequent amendments

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Authorised insurance company
(art. 65 Italian Royal Legislative Decree 29-4-1923 No. 966)
FONDIARIA-SAI Group – management and coordination FONDIARIA-SAI S.p.A.

CONTENTS

HALF YEAR REPORT

CONSOLIDATED HALF YEAR REPORT

BOARD OF DIRECTORS

Salvatore **Ligresti**	*Honorary Chairman*
Fausto **Marchionni** *	*Chairman and Managing Director*
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Cosimo **Rucellai** *	*Vice Chairman*
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Alessandra **Talarico**	
Antonio **Talarico** *	
Sergio **Viglianisi**	

Alberto **Marras** *Secretary of the Board and of the Executive Committee*

BOARD OF STATUTORY AUDITORS

Graziano **Visentin**
Chairman

Giovanni **Ossola**
Statutory auditor

Alessandro **Rayneri**
Statutory auditor

Giuseppe **Aldé**
Alternate auditor

Claudio **De Re**
Alternate auditor

Roberto **Frascinelli**
Alternate auditor

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

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

MILAN GROUP CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2006

MACROECONOMIC SCENARIO AND INSURANCE MARKET IN THE FIRST HALF OF 2006

International economic scenario

Macroeconomic data recorded during the course of the second quarter confirmed a moderate worldwide upturn, still tenuous given the continuing difficulties of the economic climate and the instability of the international geopolitical panorama, weighed down by the new Middle Eastern crisis and the resultant tensions surrounding the price of oil which, for some time now, has hovered at over 70 dollars.

Despite the monetary constraint introduced by the main Central Banks, the world economy consolidated its growth rate in the first half of 2006. Based on current information, in the first quarter the Gross Domestic Product grew by 3.6% on an annual basis in the United States (+1.3% compared with 31/12/2005), by 3% in Japan (+0.5% compared to 31/12/2005) and by 2.2% in the United Kingdom (+0.6% compared with 31/12/2005). Corporate and consumer confidence, as well as intentions to purchase, lead us to believe that growth will be more contained in the near future, driven mainly by exports, partly by set-up costs and less by consumption.
The strength of economic growth in China should be noted, GDP in the first quarter of 2006 having grown by 10.3%.

In the Euro zone the economy has stabilised, although growth in consumption remains modest, in particular, in Germany where the process of kickstarting consumption is essentially tied to the football world cup. During the first quarter, growth of 1.4% of GDP was recorded in Germany (+0.4% compared to 31/12/2005), of 1.5% both in France (+0.5% compared to 31/12/2005) and in Italy (+0.6% compared to 31/12/2005).
In the second quarter of 2006, available data shows that GDP in the OECD zone grew by 3.1% on an annual basis (+0.7% compared to the previous quarter, this last rise being below the 1% growth recorded in the first quarter of 2006), whilst the Euro zone economy on the same date grew by 0.9%, the highest rate since the second quarter of 2000.

What’s more, the OECD estimates that, during the course of 2006, Euro zone GDP should grow by 2.2%, compared with 1.4% growth in 2005, basing the rise on signs of a clear upswing in domestic demand. A modest slowdown, but not much below 2%, should, on the other hand, be recorded during 2007, mainly linked to the effects of the slowdown in the German economy due to the tax clampdown scheduled for next year. Bouts of inflation generated by the rising cost of oil and raw materials have, in fact, led the European Central Bank to modify its expansive orientation, introducing a policy of gradual rises in official interest rates.

Monthly data on retail sales and on vehicle registrations also showed an acceleration compared to the first few months of the year. What’s more, the labour market continued its gradual consolidation, benefiting employment figures in general and, more specifically, household income. It follows, therefore, that consumer confidence is growing and, with it, consumer spending forecasts.

At the end of June, Eurostat figures showed 2.5% growth in the consumer price index in the Euro zone, stable compared to the previous month of May. The increase recorded

was mainly linked to the rise in oil prices, a hike which had a major impact on production prices, up 6% in May.
European Central Bank inflation forecasts remain steady at over 2% for the remaining months of 2006. In particular, the biggest contribution to rising prices should, once again, come from the sharp rise in the cost of crude oil, whilst fierce international competition, mainly in the manufacturing sector, should help to moderate the labour cost-related component.

The Italian Market

In Italy, within the context of the economic climate described above, the first half of 2006 was characterised by widespread signals of an upturn in productive activity and GDP, with substantial alignment of the cyclical phase with the moderately expansive phase which prevailed in the Euro zone.
In the second quarter of 2006, current information records an increase in Gross Domestic Product (+0.5% compared with the previous three months, +1.5% compared with the second quarter of 2005) and a rise in final demand (domestic and abroad) net of stocks (approximately +1% compared with the fourth quarter of 2005, approximately +2% on an annual basis), confirming an economic trend in Italy that is essentially stable compared with the first quarter of 2006 and in line with expected growth. Although somewhat limited by its loss of competitiveness, the Italian economy benefited both from the growth in international demand and from a solid foundation of disposable income, further to the conclusion of numerous collective wage agreements.

Based on current information, in June 2006 the industrial production index was 103.7%, up 3.7 percentage points over June 2005. Compared with the six months between January and June 2006 and the corresponding period of 2005, the index recorded a rise of 2.1%. As for domestic demand, the upturn in consumption does not, however, seem to have maintained any sort of continuity.

Employment is also signalling a slight upturn. In the first quarter of 2006, the number of people in work rose by 1.7% over the previous year. Growth was mainly due to the foreign workforce component. During the same period, the number of people seeking employment was down 6.7% compared with 2005.
The unemployment rate was, therefore, 7.6%, six tenths of a point below the first quarter of 2005.

Pressure on prices is, however, continuing and may translate into a slowdown in growth in household income, creating a climate of uncertainty regarding trends in household consumption. In June, the tendential rate of inflation was 2.3%, compared with the 2% forecast for the end of 2006.
Diffuse data from the periodic survey conducted by the 'Istituto di Studi e Analisi Economica' [Italian institute of economic study and analysis] during the course of July 2006, show increased optimism when it comes to opinions and growth forecasts relating to the Italian economic position, suppositions that may have been positively influenced by the climate of euphoria surrounding recent sporting events. Signs of caution are, however, emerging in respect of consumer durables: in particular, quarterly reports on trends in house and car buying show an increase in the percentage of the population with

no chance at all of purchasing these goods. What's more, fears of inflationary tensions, linked to trends in oil prices and current international crises, are intensifying.
By the end of the year and during the first half of 2007, two factors could cause a slowdown in the Italian economy. The first is the worsening of the international situation. Combined with continued high oil prices and the impact of the anticipated appreciation of the Euro exchange rate, the slowdown forecast for the German economy could weaken global demand even further. The second factor is an increasingly restrictive fiscal policy which, in line with what is required by the Stability and Growth Pact, will be aimed at deficit reduction.

The insurance sector

The Italian insurance market is facing major changes resulting both from new regulatory obligations and from the readjustment of competitive balances.
The sector is on the threshold of a major phase of restructuring, internal reorganisation and dimensional growth, together with internationalisation objectives driven by the entry onto the market of major international players.

The approaches taken by the major Italian operators outline not just a gradual increase in the sector's concentration levels, but also a change in the configuration of production and distribution ratios in the savings management business, widening the range of products offered to families within the social welfare and personal injury segments.

The periodic 'Prometheus report', which aims to monitor trends in the Italian insurance market via a detailed analysis of the dynamics of the Non-life and Life business segments, recorded a generalised improvement in efficiency levels in terms of technical management, which was more marked for those groups with a greater concentration in the Life business segments, in addition to a considerable reduction in loss history resulting in a steady improvement in the combined ratio in the Non-life business segment.

Over the last few years, in addition to changes of a regulatory nature (for further details on this issue please refer to the paragraph below), insurance groups have continued to face growing competition in terms of new product offers, both in the Non-life and Life Sectors, aiming to increase the number of ways in which the client base can be maintained and widened, whilst increasing customer loyalty. These efforts seem to have produced effects for various listed groups which show positive growth in terms of volume, although growth rates differ depending on the sector of business.

In 2005, the Italian insurance market was, once again, a growing market i.e. total direct income, in Non-life and Life business, amounted to around 110 billion Euro, up 8.7% on the previous year.

Income trends in the Non-life segment have been extremely modest, although this has differed depending on both the portfolio selection policies implemented by the various groups and the slowdown in economic growth, as well as the persistence of a phase of intense competition involving not just Italy, but also many other European countries. In the light of substantial stability in Non-life income (+2.5% as at 31/12/2005) and, in particular, motor policies (+0.6% at the end of 2005), Life assurance products recorded sharper growth (+12% at the end of 2005), and were also influenced by restructuring of the offer to favour products with significant insurance risk (with a resultant drop in investment products, given the ample discretion given by the legislator as to whether a product should be classed as an insurance or a financial product), from which greater profitability is anticipated due also to provisions relating to future supplementary welfare benefits.

The classification of some products as investment contracts, as required by IFRS 4, highlights the additional source of income for insurance groups represented by net commissions, the impact of which, when calculating the result for the financial year, is dependent upon whether products are classed as insurance or investment products within the Life segment and on the financial services provided.

In its forecast, ANIA estimated more moderate growth rates in total insurance premium income for 2006 i.e. approximately 3% compared with the 8.7% recorded at the end of 2005, with volume of around 113 billion Euro and an impact on GDP of around 8%. Non-life business growth, in particular, is estimated to be in line with growth in 2005 (2.5%), with a Motor TPL segment which should grow quite moderately (+1%), due to modest tariff interventions. In the Life sector, growth should reach around 3.5%. Despite the fact that in June a slight increase was recorded in the sale of new Life policies (+11% compared with income in June 2005), in the first half of 2006, new Life production dropped by 6.3%, with new premiums amounting to 26.3 billion Euro. Within this context, offer policies will have a fundamental role to play. In particular, the growth forecast for the current year is consistent with the substantial stability recorded in the percentage of premium income from the bank counter channel.

In the 12 months ending on 30 June 2006, share performance analysis for insurance companies listed on the national stock exchange list, showed that share prices grew more than the Italian stock market i.e. the Italian insurance market index did, in fact, record an annual return of 14.3%, compared with growth of 12.5% for the general Mibtel index.

Regulatory trends and the private insurance code

During the course of 2005, the Italian insurance industry has been subject to massive regulatory changes, resulting in gathering momentum in terms of innovation, as well as a considerable workload and a high level of commitment from industry operators.

The main regulatory provisions brought in over the last year include:

- The introduction of international accounting principles which have determined a series of innovations, both in terms of information available and the reorganisation of some processes and structures, again with consequent repercussions on administration costs.
- Transparency of Life policies, with the full implementation of ISVAP circular 551/D by virtue of which new rules govern both the form and the content of disclosure prior to, and during, the contract.
- ISVAP circular 577/D 2005, which defines provisions relating to internal audit and risk management systems, forcing insurance companies to embrace the risk culture by means of the institution of a risk management function, in line with the nature, size and

complexity of the company. The organisational set-up of said function is left to companies' own discretion, in accordance with the principle of separateness between operating and auditing functions.

In the medium term, adjusting to regulatory changes should bring about some important structural changes in the insurance world, aimed both at optimising companies' use of capital and improving financial management auditing, against the background of a market where the need to monitor various types of risk is increasing.

- The inception of the new Private Insurance Code (legislative decree 209/2005), in force since 1 January 2006. With reference to the latter, there have been serious repercussions, in particular, in relation to issues such as:
  - the compilation of a special register listing all individuals authorised to distribute insurance products;
  - the general reorganisation of insurance regulations governing access to the insurance business and its operation, contracts, and transparency of transactions, via the provision of detailed disclosures to potential contracting parties (ref. Regulation no. 4 laid down by the Code in question);
  - the compulsory nature of direct compensation for minor road accident claims which should improve relations with customers by making faster compensation possible for Motor TPL claims occurring since 1 February 2007, thereby discouraging recourse to legal action (art. 149/150 of Presidential Decree 18/7/2006). In this context, the new system must, however, be introduced gradually since opportunities for the policyholder to save money such as, for example, maintenance of no-claims bonuses offsetting the cost of the claim, excesses and compensation clauses, can be maintained and safeguarded only if the insurance company of the party responsible for the accident is in a position to make full and effective use of information relating to accident modalities.

    For some time now, however, any exchange of information between companies has been considered by the Antitrust authority as potentially anti-competitive. At the current time it is, what's more, proving complicated to define a structure outside the companies involved that is able operate in full autonomy with regard to both insurance companies and ANIA, and is in a position to correctly manage information flows between insurance companies, from risk categories to the extent of the compensation granted by loss adjusters.

Within the scope of the major initiatives currently in progress in the insurance industry, it should be remembered that, with reference to the press release circulated by ISVAP on 7 August last year, the Supervisory Authority Council decided on the winner of the European competition to identify the supplier who will implement the Check Box project, aimed at reducing Motor TPL tariffs by means of the use of vehicle positioning and speed monitoring devices. This apparatus will have the final say when it comes to assigning liability in the event of an accident. As highlighted in the text released, over 17,000 devices will be supplied and installed on motor vehicles belonging to policyholders with companies taking part in the initiative, selected by ISVAP using a specific sampling technique. Policyholders who decide to have the device installed on their vehicle will benefit from a discount of no less than 10% per annum on their Motor TPL premium. The experiment will be conducted on a sample of car drivers residing in the urban areas of Turin, Milan, Rome, Naples and Palermo and will involve the recording, in absolute accordance with privacy regulations, of data pertaining to driving behaviours and any accidents by means of mobile devices to be installed by the supplier, at its own expense, on vehicles belonging to project participants. What's more, by way of example, one of the most significant regulatory innovations being presented to the industry is the new regulatory framework on solvency, known as “Solvency II”.

The current corporate accounting system is, in fact, limited by the fact that it does not reflect the risk profile of the company for which the calculations are being made. The new solvency system should, on the other hand, make it possible for supervisors to have at their disposal appropriate tools to assess the total solvency of an insurance company, since it would take into consideration not only a series of quantitative information of a decidedly numerical nature (ratios and indicators), but also those qualitative aspects that influence company effectiveness and which are often neglected (for example: quality of management, internal risk monitoring methodologies, position with regard to market competition). Just as the “Basle 2” project indicated risk assessment objectives within the scope of the banking system, “Solvency II” should operate within the framework of our field of business, with the aim of making it possible both to harmonise calculations at industry level (and, in particular: banking/financial/insurance), and at a European level.

Finally, it should be noted that the government has recently introduced new rules inspired by the principles of freedom of competition which affect insurance companies, agents and other intermediaries selling Motor TPL policies (Legislative Decree 223 of 4/7/2006). These provisions were confirmed by the conversion law relating to the so-called “Summer manoeuvre”, on the subject of urgent provisions to accelerate economic and social growth, to curb and streamline public spending as well as interventions relating to income and tax evasion (law 248/2006).

The most significant measures for the insurance segment are, without doubt, those contained in article 8, which introduces, solely for TPL business, a ban on exclusive mandates between agents and insurance companies, with the exception of existing exclusivity clauses which will be valid until 1 January 2008. The legislator has, in addition, introduced the obligation on the part of intermediaries to inform consumers of the commissions that they are receiving from insurance companies, both by showing them in documentation issued to potential purchasers and by displaying them in premises where they operate.

MANAGEMENT TRENDS

Premiums

Premiums and additional income from direct and indirect business in the half year totalled € 1,729,508K and recorded an increase of 3.45% over the corresponding period the previous year.
Premium income for direct business was € 1,716,867K (+ 2.96% compared with 30 June 2005).
In particular, in the Non-life sector, premium income of € 1,427,233K was achieved (+ 2.72%), of which € 1,058,389K related to Motor business which was up 1.84% compared with 30 June 2005, and € 368,844K related to Non-life sectors, which signalled growth of 5.31%.
In the Life business sector, premium income was € 289,634K, a rise of 4.18% compared with the first half of 2005, deriving mainly from growth in traditional-type product premiums (+14.38%) and from a sharp drop in premiums relating to products where the risk is borne by policyholders, due to the fact that, in the half year in question, no specific campaigns were launched to sell index-linked products.
In the indirect business sector, premiums amounted to € 12,641K compared with € 4,411K achieved in the first half of the previous year (+ 186.58%). The rise 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 paltry, further to the decision, taken in the past, to stop underwriting inward reinsurance policies.
The table below provides a summary of premium income data, showing variations compared with the first half of the previous year.

(€K)	**30/6/2006**	**30/6/2005**	**Variation**
DIRECT BUSINESS			
Non-life business	1,427,233	1,389,463	2.72%
Life Business	289,634	278,011	4.18%
Total direct business	1,716,867	1,667,474	2.96%
INDIRECT BUSINESS			
Non-life business	12,577	4,330	190.46%
Life Business	64	81	-20.99%
Total indirect business	12,641	4,411	186.58%
GRAND TOTAL	1,729,508	1,671,885	3.45%
including:			
Non-life business	1,439,810	1,393,793	3.30%
Life Business	289,698	278,092	4.17%

The Consolidated Profit and Loss Account

The first half of 2006 closed with a Group net profit of € 138,196K, up 13.3% compared with the profit achieved in the corresponding period the previous year of € 121,928K. The pre-tax profit, before deductions for minorities' share of the profit, amounted to € 207,539K, compared with € 195,147K as at 30 June 2005.

The main aspects characterising the result achieved in the half year in question can be summarised as follows:

- Non-life insurance business closed with a pre-tax profit of € 157,290K, compared with a pre-tax profit of € 165,056K recorded at the end of the fist half of 2005. In this sector, Motor TPL business presented, particularly in the first quarter, a noticeable rise in loss experience, mainly linked to the strong seasonality components 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.
  Land vehicle business continued to show a particularly positive trend, with a combined ratio of around 70%.
  The overall technical result for other Non-life business was also hugely positive and at satisfactory levels, approaching values similar to those of the first half of 2005. In particular, an improvement was recorded in Other property damage business which showed a technical profit compared with the loss recorded as at 30 June 2005, whilst the trend in General TPL and Bonds worsened.

- Life business showed a pre-tax profit of € 48,306K, a sharp upturn compared with the result for the first half year of 2005 which amounted to a profit of € 28,966K. The improvement was mainly due to higher returns on investments made by the group leader Milano Assicurazioni, after having recorded policyholders' share of value adjustments on the share portfolio which, as laid down by the provisions of "shadow accounting" methodology, was offset against insurance liabilities.

- Asset and financial management made it possible to achieve net income from financial instruments and investment property of € 187,407K, compared with € 190,284k for the corresponding period the previous year.

  The half year was characterised by monetary policy interventions adopted by the main Central Banks. These interventions, raising interest rates to combat the dangers of an upturn in inflation accentuated, also, by the upward trajectory of prices of major raw materials, have had a negative impact on bond stock market prices and, consequently, on income deriving from financial instruments *at fair value recognised through profit or loss* which recorded, as at 30 June 2006, a net liability of € 8,966K. compared with income of € 44,551K recorded for the first half of 2005.
  In addition, the negative impact of this phenomenon was partially offset by high trading profits, achieved by seizing market opportunities. Net profits achieved in the first half of 2006 in fact amounted to € 52,936K, compared to € 35,035K recorded as at 30 June 2005.
  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, investments with a high rate of return and moderate risk were preferred with a view to achieving returns in line with market expectations.

- Operating expenses in the Non-life insurance segment amounted to € 247,058K compared with € 235,756K the previous year, dropping, as a percentage of net premium income, from 17.9% in the first half of 2005 to 17.7%. Life business operating expenses amounted to € 14,423K, accounting for 5.1% of premium income.

- Current year taxes amounted to € 69,296K and had less impact on gross profit than nominal profit, mainly due to the fact that nearly all dividends cashed had no tax liability, and capital gains on securities posted to fixed assets and coming under the "participation exemption" tax system.

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

The table below 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:

(€K)	**30/6/2006**	**30/6/2005**	**Variations %**
Net premiums	1,677,517	1,593,860	5.25
Net charges relating to claims	-1,312,102	-1,304,235	0.60
Net commissions	380	111	242.34
Net income from subsidiaries and associates	254	381	-33.33
Net income from investments	196,119	145,352	34.93
Net income deriving from financial instruments at fair value recognised through profit or loss	-8,966	44,551	-120.13
Operating expenses	-261,837	-251,364	4.17
Other net income and expenditure	-83,826	-33,509	150.16
Pre-tax profit (loss) for the financial year	**207.539**	**195,147**	**6.35**
Income tax	-69,296	-73,211	-5.35
Pre-tax profit (loss) for the financial year	**138,243**	**121,936**	**13.37**
Profit (loss) on operating activities ceased	-	191	-100.00
Consolidated profit (loss)	**138,243**	**122,127**	**13.20**
Minorities' profit (loss) for the financial year	47	199	-76.38
Minorities' profit (loss) for the financial year	**138,196**	**121,928**	**13.34**

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

(€K)	**Non-life**	**Life**	**Property**	**Other Business**	**Total**
Net premiums	1,393,376	284,141			1,677,517
Net charges relating to claims	-1,006,311	-305,791			-1,312,102
Net commissions	-	380			380
Net income from subsidiaries and associates	-	-		254	254
Net income from investments	91,787	102,449	1,888	-5	196,119
Net income deriving from financial instruments at fair value recognised through profit or loss	-2,129	-6,837			-8,966
Operating expenses	-247,058	-14,423	-14	-342	-261,837
Other net income and expenditure	-72,375	-11,613	-261	423	-83,826
Pre-tax profit (loss) for the financial year	**157,290**	**48,306**	**1,613**	**330**	**207,539**
Income tax					-69,296
Pre-tax profit (loss) for the financial year					**138,243**
Profit (loss) on operating activities ceased					-
Consolidated profit (loss)					**138,243**
Minorities' profit (loss) for the financial year					47
Group profit (loss)					**138,196**

Non-life insurance sector

Premiums income in the first half of 2006 totalled € 1,439,810K, up 3.30% on premium income in the corresponding period the previous year which amounted to € 1,393,793K.

Direct business income rose by 2.72%, with premiums totalling € 1,427,233K of which € 1,058,389K related to Motor business (+ 1.8% compared with the corresponding period the previous year) and € 368,844K related to other Non-life business (+ 5.31%).

Portfolio growth was in line with Company policy of combining premium growth with acquired portfolio profitability, with the aim of keeping the combined ratio at the highest market levels.

In particular, in Motor business, the aim is to hold onto 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.

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

(€K)	**30/6/2006**	**30/6/2005**	**Variation %**
Accident and health	114,668	109,355	4.86
Land Vehicle TPL	916,050	900,358	1.74
Motor insurance other classes	142,339	138,865	2.50
Marine, aviation and goods in transit	7,411	6,997	5.92
Fire and Other Property Damage	128,725	120,024	7.25
General TPL	92,953	87,765	5.91
Credit and Bonds	12,029	12,911	-6.83
Sundry pecuniary losses	3,396	3,324	2.17
Legal protection	3,146	3,014	4.38
Assistance	6,516	6,850	-4.88
TOTAL	**1,427,233**	**1,389,463**	**2.72**

Gross claims paid amounted to € 985,275K compared with € 925,606K the previous year (+6.4%).
A breakdown of the number of claims filed and the amount of claims, inclusive of costs, paid for Italian direct business is given below:

	Sinistri denunciati (Numero)			Sinistri pagati (€K)		
	30/6/2006	30/6/2005	Var. %	30/6/2006	30/6/2005	Var. %
Accident and health	37,644	34,416	9.4	55,267	50,498	9.4
Land Vehicle TPL	226,287	220,860	2.5	712,400	687,001	3.7
Motor insurance other classes	48,071	43,503	10.5	61,998	55,375	12.0
Marine, aviation and goods in transit	371	378	-1.9	2,765	2,034	35.9
Fire and Other Property Damage	37,540	35,077	7.0	73,527	66,224	11.0
General TPL	22,273	20,648	7.9	62,976	53,483	17.7
Credit and Bonds	302	248	21.8	12,443	8,848	40.6
Sundry pecuniary losses						
General	177	88	101.1	594	370	60.5
Legal protection	431	832	-48.2	275	256	7.4
Assistance	18,031	16,147	11.7	3,030	1,517	99.7
TOTAL	**391,127**	**372,197**	**5.1**	**985,275**	**925,606**	**6.4**

New products put on the market

In the first half year of 2006, the new product *“La Mia Assicurazione Casa”* was launched. This is 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.
The following products *“La Mia Assicurazione Infortuni”, “Partner RC Progettista Merloni”* and *“Partner Globale Ufficio”* were restyled.
During the course of the first half year, provision was also made to bring Retail products’ RCT [third party civil liability] and RCO [employers’ civil liability] covers 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 all 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.

Reinsurance

Non-life business premiums ceded amounted to € 44,753K compared with € 27,991K for the corresponding period the previous year. The rise was mainly due to the new non-proportional treaty to protect Motor TPL business, characterised by a lower cover intervention threshold.
Risks ceded in the Non-life business class were placed with leading international operators by the affiliated company The Lawrence Re Ireland Ltd. Treaties underwritten give priority to non-proportional cessions for Fire, Theft, Accident, General TPL, Motor

TPL and Land Vehicle classes. Proportional cession treaties with a non-proportional structure have been maintained to protect against the risk retained in Bond and Credit classes as well as for Aviation risks. For Technological Risks, a proportional and excess of loss reinsurance structure was continued with non-proportional protection combined with Fire and Land Vehicle classes. Assistance was proportionally reinsured with Pronto Assistance whilst Hail risks are covered by a stop-loss treaty.
Proportional cover with the affiliate SIAT started this year for Transport, Goods and Marine classes.

Subsidiaries

Essential data for the first half of 2002 relating to operating results for subsidiaries operating in the Non-life insurance sector is given in the table below:

(€K)	**gross premiums**	**Var. %**	**result**	**new equity not inc. current year result**
Dialogo Assicurazioni S.p.A.	7,044	-35.03	10	7,681
Dialogo Assicurazioni S.p.A.	6,089	-20.71	612	9,738
Novara Assicura S.p.A.	536	n.s.	-649	15,191

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

The Company is mainly active in motor product placement over the telephone and on the Internet.
As provided for by the Fondiaria-SAI Group 2006-2008 Industrial Plan, in June 2006, the Company launched a new advertising campaign aimed at achieving significant portfolio growth.
This advertising campaign, launched in the last few days of June, did not produce positive effects on half-year income which showed premium income of € 7,044K compared with € 10,842K for the corresponding period the previous year (-35.03%).
The technical account as at 30 June showed a loss of € 77K, significantly less than the loss recorded as at 30 June 2005 of € 216K.
The profit and loss account as at 30 June closed with a profit of € 10K compared with a profit of € 35K for the first half of 2005.

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

The company operates within the Non-life sector via the marketing of standardised products distributed through partner banks, with which specific agreements have been concluded.
Gross premiums posted to the accounts in the first half of this financial year amounted to € 6,089K compared with € 7,679K as at 30 June 2005 (-20.71%).
The technical account continues to be positive and has improved since June 2005 due to the reduction in claims-related charges that can be attributed to the drop in the number of

claims filed and the positive trend in claims from previous years, already posted to the reserves.
The profit and loss account as at 30 June showed a net profit of € 612K, up on the profit of € 564K achieved in the corresponding period the previous year.

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

On 9 November 2005, the company was authorised by ISVAP to conduct business in a number of Non-life classes, including Motor TPL and is a means of implementing the Non-life bancassurance sector partnership with the Banco Popolare di Verona e Novara to which, on the basis of current agreements, 50% of the share capital will be transferred.
In fact, the company places its own insurance products over the counter at branches of the Banca Popolare di Novara, a subsdiary of the Banco Popolare di Verona e Novara.
Premium income commenced in January and has produced premium income amounting to € 536K, including € 502K relating to motor business. The profit and loss account for the half year was impacted by set-up costs which were not offset by a sufficient volume of business and closed with a loss of € 649K.

Life insurance sector

Direct business premium income for the first half of 2006 totalled € 289,634K compared to premium income of € 278,011K in the first half of 2005, up by 4.18%.

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

(€K)	30/6/2006	30/6/2005	Variation %
I - Whole of life insurance	160,702	140,496	+ 14.38
III – Investment-related insurances referred to in points I and II	330	14,904	-97.79
IV – Health insurance	35	48	-27.08
V - Capitalisation operations	128,567	122,563	+ 4.90
TOTAL	**289,634**	**278,011**	**+ 4.18**

Portfolio trends reflect the Company's objectives which, by means of commercial initiatives aimed at the agency network, propose to consolidated growth in traditional-style products which offer higher returns and add value to the portfolio in the long term.

In addition, 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.
Gross technical reserves amounted to € 4,037,320K (€ 4,143,201K as at 31 December 2005).
Gross sums paid, inclusive of related charges, amounted to € 280,173 K (€ 221,809K in the first half of 2005), up by 26.3% and due largely to some collective agreements for sizeable amounts as well as natural maturity dates.

Purely for information purposes, premium income for new products, determined in line with Supervisory Authority requirements, is given below:

(€K)	30/6/2006	30/6/2005	Variation %
Class I	77,593	42,972	+ 80.6
Class III	102	16,117	- 99.4
Class IV	-	-	-
Class V	105,480	101,000	+ 4.4
TOTAL	**183,175**	**160,089**	**+ 14.4**

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 the Group continues to be highly competitive in this sector, again due to the high level of consistency between the terms offered and the changeable requirements of its target clients.

We should also stress that the concern, already signalled in this segment, about the commencement of distribution difficulties, mainly connected with existing and anticipated changes in the reference economic scenario, has already proved to be well founded, not only in relation to the acquisition of new business but also in relation to maintaining current 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 advising client companies on the content of supplementary pension forms 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 life insurance product portfolio is being consolidated due to the protection of maturing policies, the growth generated by the collaboration 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.

Reinsurance

In life business classes the reinsurance structure was unchanged from the previous financial year, with proportional cover and catastrophe cover in excess of loss.
Non-life business premiums ceded amounted to € 5,557K compared with € 6,193K for the corresponding period the previous year.

Subsidiaries

In addition to Milano Assicurazioni, the subsidiary Fondiprev also operates in the life insurance sector. Here is a brief note on operations performed by said company in 2006.

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

The Company operates in the Life sector via the banking channel. New contracts are issued over the counter at branches of the Banca delle Alpi Marittime, whilst direct management of old contracts continues.
Gross premiums posted to the accounts in the first half of the financial year amounted to € 165K compared with € 203K for the corresponding period the previous year (-18.72%).
The profit and loss account as at 30 June 2006 closed with a profit of € 93K compared with the profit of € 302K recorded in the first half of 2005 which had, however, benefited from significant extraordinary income.

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

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

In accordance with this agreement, Milano 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.

Property sector

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

(€K)	production value	Var. %	result	new equity not inc. current year result
Meridiano Eur	-	-	878	114,033
Meridiano Orizzonti	1,041	- 8.2	493	63,446
Campo Carlo Magno S.p.A.	650	n.s.	76	3,979

MERIDIANO EUR – Milan (direct shareholding 100%)

The Company owns premises built in Assago, previously Milano Assicurazioni's registered office and currently involved in a restructuring project, with a book value of € 34,197K. It also holds shares in the property investment fund "Tikal R.E. Fund", with a book value of € 76,506K, deriving from the contribution to said fund during the 2004 financial year, of the owned premises located in Rome at Piazzale dell'Industria.
The half year in question closed with a net profit of € 878K, deriving from revenue distributed by the Tikal Fund.

MERIDIANO ORIZZONTI – Milan (direct shareholding 100%)

The Company owns a property in Milan at Piazza S.M. Beltrade, 1 with a book value of € 55,208K. The first half of 2006 closed with a net profit of € 493K against gross property revenue of € 1,041K.

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

The Company, purchased from Milano Assicurazioni in December 2005, owns a hotel complex in Madonna di Campiglio called the GOLF HOTEL.
In December, it stipulated a company lease contract with Atahotels S.p.A. which laid down rent of 20% of the net annual revenue, with the provision, in any event, of a guaranteed minimum. The transaction guarantees the Company an adequate return on the line of company business leased, in accordance with what is comparable on the market for similar transactions.
The first half year of 2006 closed with a profit of € 76K.

Other Business sector

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

(€K)	Production value	Var. %	result	new equity not inc. current year result
Maa finanziaria s.p.a.	9	-	- 13	939
Sogeint s.r.l.	1,567	159.9	77	100
Campo Carlo Magno S.p.A.	81	n.s.	1	516

MAA FINANZIARIA – Milan (direct shareholding 100%)

The Company, originally active in the sector of financial leases on capital goods and corporate financing, currently limits itself to managing some existing portfolio finance contracts. The profit and loss account as at 30 June 2006 closed with a loss of € 13K.

SOGEINT – Milan (direct shareholding 100%)

The Company operates in the sector of commercial assistance to agencies. The profit and loss account as at 30 June 2006 closed with a profit of € 77K.

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

The Company, purchased by Milano Assicurazioni in December 2005, owns concessions for managing ski slopes, ski lifts and golf courses belonging to the Golf Hotel complex.
In December, it stipulated a company lease contract with Atahotels S.p.A. which laid down rent of 20% of the net annual revenue, with the provision, in any event, of a guaranteed minimum. The transaction guarantees the Company an adequate return on the line of company business leased, in accordance with what is comparable on the market for similar transactions.
The net economic result as at 30 June 2006 amounted to € 1K.

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 operational perspective, and with reference to the Non-life business portfolio, financial business developed 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 operational 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.

As at 30 June 2006, the volume of investments reached € 9,178,479K compared with € 9,044,687K as at 31 December 2005 (+1.5%).

The table below also shows tangible assets due to the significance of the property for direct use component as well as available cash and because of the importance of these assets in ensuring accurate representation of the level of increase in an insurance group's capital.

(€K)	30/06/2006	% comp.	31/12/2005	% comp.	Variation %
INVESTMENTS					
Investment property	369,957	3.94	370,136	3.97	-0.05
Holdings in subsidiaries, associates and joint ventures	103,749	1.10	4,820	0.05	n.s.
Loans and receivables	255,267	2.71	212,874	2.29	19.91
Investments held to maturity	-	-	-	-	-
Financial assets available for sale	7,694,630	81.85	7,580,602	81.41	1.50
Financial assets at fair value recorded in P&L account	754,876	8.04	876,255	9.41	-13.85
Total investments	**9,178,479**	**97.64**	**9,044,687**	**97.13**	**1.48**
Tangible assets: property and other tangible assets	124,175	1.32	110,625	1.19	12.25
Total non-current assets	**9,302,654**	**98.96**	**9,155,312**	**98.32**	**1.1**
Cash at bank and in hand and equivalents	97,858	1.04	156,649	1.68	-37.53
Total non-current assets + cash at bank and in hand	**9,400,512**	**100.00**	**9,311,961**	**100.00**	**0.95**

Financial assets available for sale and financial assets at fair value recognised through profit or loss can be broken down as follows:

(€K)	30/06/2006	31/12/2005	Variation %
Financial assets available for sale	**7,694,630**	**7,580,602**	**1.50**
Capital securities and investment fund units	1,543,255	1,526,455	1.10
Debt securities	6,151,375	6,054,147	1.61
Financial assets at fair value recognised through profit or loss	**754,876**	**876,255**	**-13.85**
Capital securities and investment fund units	153,231	111,971	36.85
Debt securities	594,092	757,891	-21.61
Other financial investments	7,553	6,393	18.14

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

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

The table below highlights financial and property results:

(€K)	**30/6/2006**	**30/6/2005**	**Variation %**
Net income deriving from financial instruments at fair value recognised through profit or loss	-8,966	44,551	-120.13
Income from holdings in subsidiaries, associates and joint ventures	254	381	-33.33
Income deriving from other financial instruments and investment property including:	211,299	158,987	32.90
Interest received	114,298	97,506	17.22
Other income	39,252	23,188	69.58
Profits realised	57,749	38,293	50.81
Valuation profits	-	-	-
Total income	**202,587**	**203,919**	**-0.65**
Liabilities from holdings in subsidiaries, associates and joint ventures	-	-	-
Liabilities deriving from other financial instruments and investment property including:	15,180	13,635	11.33
Interest paid	3,356	2,946	13.92
Other charges	4,388	4,814	-8.85
Losses realised	4,813	3,258	47.73
Valuation losses	2,623	2,617	0.23
Total charges and interest paid	**15,180**	**13,635**	**11.33**
TOTAL NET INCOME	**187,407**	**190,284**	**-1.51**

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 proceeds of the transaction totalled approximately CHF 194.5m, against an overall book value of approximately CHF 193.2m. Taking into consideration the CHF/€ book exchange rate and the CHF/€ conversion exchange rate used to convert the sale payment, there is 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 Life sector on the Italian market 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.

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 and parent company shares

As at 30 June 2006, the group leader Milano Assicurazioni held own shares, shares in the direct parent company Fondiaria-Sai and in the indirect parent company Premafin as in the amounts shown in the table below:

(€K)	**number**	**Book value**
Own shares	285,460	1,325
Fondiaria-Sai shares	5,787,557	184,449
Premafin shares	9,157,710	19,744
GRAND TOTAL		**205,518**

The following market transactions were completed during the half year in question in accordance with procedures laid down by related decisions taken at Shareholders' meeting:
- purchase of 425,000 Fondiaria-Sai shares;
- purchase of 170,000 own shares.

Milano Assicurazioni share performance

As at 30 June 2006, the share capital of the parent company, Milano Assicurazioni, was made up of 467,259,029 shares with a nominal value of € 0.52, of which 436,519,147 were ordinary shares and 30,739,882 savings shares. During the first half of 2006, the share capital increased by € 4,400K following the subscription of 8,460,908 ordinary shares further to the conversion of 21,152,270 Milano Assicurazioni 1998-2007 warrants.
As at 30 June 2006, a further 10,298 ordinary shares were subscribed following the conversion, by related holders, of 25,745 Milano Assicurazioni 1998-2007 warrants. The new share capital, inclusive of the new shares subscribed, was deposited with the Register of Companies on 28 July 2006.

During the first half of 2006, the stock market listing fluctuated between a minimum of € 5.298 (14/06/06) and a maximum of € 6.594 (23/03/06) for ordinary shares and between a minimum of € 5.327 (14/06/06) and a maximum of € 6.611 (07/03/06) for savings shares.

As at 30/06/2006 the following stock market listings were recorded:

(Euro units)	**30/06/2006**	**30/12/2005**	**Variation %**
Milano Assicurazioni ord.	5.690	5.720	-0.52
Milano Assicurazioni sav.	5.613	5.686	-1.28

The corresponding stock market capitalisation at the end of the half year amounted to € 2,656.3m (€ 2,623.3m as at 31/12/2005).

Stock market capitalisation, based on prices on 31 August 2006 of € 5.65 for ordinary shares and € 5.723 for savings shares, amounted to € 2,642.3m.

Other information

Existing disputes

As at 30 June 2006, 31, 97 legal actions had been instituted in respect of claims, 24,129 of which related to Motor TPL business. Over the year, 6,355 actions were settled, 5,372 relating to Motor TPL business.

The disputes constituted by civil actions brought by Company policyholders claiming partial reimbursement of the Motor TPL premium for alleged antitrust activities in Motor TPL which Milano Assicurazioni may have been involved, in league with other major Companies within the insurance sectors, are still ongoing, albeit to a much lesser extent. There was a drop in the number of cases both with the entry into force of Legislative Decree No. 18 of 8/2/2003 converted into Law No. 63 of 7/4/2003 n. 63, which made this type of dispute subject to the legal rules of process and due to ruling No. 2207/05 of the Court of Cassation United Sections, according to which the Appeal Courts rather than Justices of the Peace are deemed competent to rule on the aforementioned cases in execution of art. 33 of Law 287/1990. Following this decision, disputes brought before Justices of the Peace have been practically non-existent whilst some cases have been brought before Appeal Courts but this has been limited to certain geographical areas.
In greater detail, there were 2,252 cases pending as at 30/6/2006. Outlay sustained to date by the Company amounts to € 5,144K (approximately € 882 per case).

It should also be noted that the United Sections of the Court of Cassation pronounced on the matter by refusing the appeals filed by Companies sanctioned and rendering the sanction issued by the Italian Competition Authority as well as decisions given by Lazio regional administrative court and the Council of State which, in turn, refused the Companies' appeals, final.

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 focusing, 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.

Accounting Tables

In accordance with IAS 34 (Interim Financial Reporting) please find below:

- Balance sheet
- Profit and loss account
- Table of changes in net equity
- Financial statement
- Explanatory notes, compiled in accordance with full disclosure.

The balance sheet, profit and loss account, table of changes in net equity and financial statement presented below have been prepared in accordance with models approved by ISVAP in Directive No. 2460 of 10 August 2006 and by following, wherever compatible, the instructions contained in ISVAP Directive No. 2404 of 22 December 2005.

The explanatory notes take into account the information explicitly requested by the aforementioned ISVAP Directive 2460 and contain additional information considered best practice.

CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2006

Amounts in thousands of Euro

BALANCE SHEET - ASSETS

		30/06/2006	31/12/2005
1	**INTANGIBLE ASSETS**	**176,088**	**176,088**
1.1	Goodwill	175,338	175,338
1.2	Other intangible assets	750	750
2	**TANGIBLE ASSETS**	**124,194**	**110,625**
2.1	Property	30,525	30,519
2.2	Other tangible assets	93,669	80,106
3	**REINSURERS' SHARE OF TECHNICAL RESERVES**	**359,430**	**358,527**
4	**INVESTMENTS**	**9,178,479**	**9,044,687**
4.1	Investment property	369,957	370,136
4.2	Holdings in subsidiaries, associates and joint ventures	103,749	4,820
4.3	Investments held to maturity		
4.4	Loans and receivables	255,267	212,874
4.5	Financial assets available for sale	7,694,630	7,580,602
4.6	Financial assets at fair value through profit or loss	754,876	876,255
5	**SUNDRY RECEIVABLES**	**703,644**	**973,729**
5.1	Receivables deriving from direct insurance	556,056	651,820
5.2	Receivables deriving from reinsurance	47,658	68,095
5.3	Other receivables	99,930	253,814
6	**OTHER ASSETS**	**288,865**	**288,545**
6.1	Non-current assets or those belonging to an HFS disposal group	1,397	1,416
6.2	Deferred acquisition costs	74,167	66,236
6.3	Defered tax assets	40,914	36,353
6.4	Current tax assets	127,401	128,752
6.5	Other assets	44,986	55,788
7	**CASH IN HAND AND AT BANK AND EQUIVALENTS**	**97,858**	**156,649**
	TOTAL ASSETS	**10,928,558**	**11,108,850**

CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2006

Amounts in €K

BALANCE SHEET - NET EQUITY AND LIABILITIES

		30/06/2006	31/12/2005
1	**NET EQUITY**	**1,748,339**	**1,721,171**
1.1	**pertaining to the group**	**1,744,724**	**1,717,584**
1.1.1	Capital	242,975	238,575
1.1.2	Other equity instruments		
1.1.3	Capital reserves	359,980	325,145
1.1.4	Profit and other equity reserves	836,831	684,889
1.1.5	(Own shares)	-1,325	-374
1.1.6	Reserve for net exchange differences		
1.1.7	Profits or losses on financial assets available for sale	172,022	191,125
1.1.8	Other profits and losses recorded direct to equity	-3,955	-5,298
1.1.9	Profit (loss) for the year pertaining to minorities	138,196	283,522
1.2	**minority interest**	**3,615**	**3,587**
1.2.1	Minorities' capital and reserves	3,570	3,391
1.2.2	Profits or losses recorded direct to equity	-2	17
1.2.3	Profit (loss) for the year pertaining to minorities	47	179
2	**PROVISIONS**	**59,264**	**63,453**
3	**TECHNICAL RESERVES**	**8,395,214**	**8,468,790**
4	**FINANCIAL LIABILITIES**	**254,135**	**244,431**
4.1	Financial liabilities at fair value through profit or loss	93,098	84,488
4.2	Other financial liabilities	161,037	159,943
5	**PAYABLES**	**321,118**	**392,953**
5.1	Payables deriving from direct insurance	72,208	89,036
5.2	Payables deriving from reinsurance	9,456	13,272
5.3	Other payables	239,454	290,645
6	**OTHER LIABILITIES**	**150,488**	**218,052**
6.1	HFS disposal group liabilities		
6.2	Deferred tax liabilities	8,380	11,474
6.3	Current tax liabilities		131
6.4	Other liabilities	142,108	206,447
	TOTAL NET EQUITY AND LIABILITIES	**10,928,558**	**11,108,850**

CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2006

Amounts in €K

PROFIT AND LOSS ACCOUNT

		30/06/2006	30/06/2005
1.1	Net premiums	1,677,517	1,593,860
1.1.1	*Gross premiums for the period*	*1,726,659*	*1,627,803*
1.1.2	*Premiums ceded in reinsurance for the period*	*-49,142*	*-33,943*
1.2	Commissions receivable	467	185
1.3	Income and expenditure deriving from financial instruments at fair value through profit or loss	-8,966	44,551
1.4	Income deriving from holdings in subsidiaries, associates and joint ventures	254	381
1.5	Income deriving from other financial instruments and investment property	211,299	158,987
1.5.1	*Interest receivable*	*114,298*	*97,506*
1.5.2	*Other income*	*39,252*	*23,188*
1.5.3	*Profits realised*	*57,749*	*38,293*
1.5.4	*Valuation gains*		
1.6	Other revenue	43,991	58,405
1	**TOTAL REVENUE AND INCOME**	**1,924,562**	**1,856,369**
2.1	Net charges relating to claims	1,312,102	1,304,235
2.1.2	*Amounts paid and change in technical reserves*	*1,338,459*	*1,310,654*
2.1.3	*Reinsurers' share*	*-26,357*	*-6,419*
2.2	Commissions payable	87	74
2.3	Charges deriving from holdings in subsidiaries, associates and joint ventures		0
2.4	Charges deriving from other financial instruments and investment property	15,180	13,635
2.4.1	*Interest payable*	*3,356*	*2,946*
2.4.2	*Other charges*	*4,388*	*4,814*
2.4.3	*Losses realised*	*4,813*	*3,258*
2.4.4	*Valuation losses*	*2,623*	*2,617*
2.5	Management costs	261,837	251,364
2.5.1	*Commissions and other acquisition costs*	*224,087*	*213,137*
2.5.2	*Investment management charges*	*2,968*	*1,364*
2.5.3	*Other administration costs*	*34,782*	*36,863*
2.6	Other costs	127,817	91,914
2	**TOTAL COSTS AND EXPENSES**	**1,717,023**	**1,661,222**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**207,539**	**195,147**
3	Taxes	69,296	73,211
	PROFIT (LOSS) FOR THE YEAR NET OF TAXES	**138,243**	**121,936**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**		**191**
	CONSOLIDATED PROFIT (LOSS)	**138,243**	**122,127**
	pertaining to the group	**138,196**	**121,928**
	pertaining to minorities	**47**	**199**

Table of variations in consolidated Net Equity for the first half of 2006

With regard to the table of changes in net equity, the annex to ISVAP Directive No. 2460/06 which satisfies the directions given by IAS 1 and, then, by IAS 34 (Interim Financial Reporting) is given below.

In particular, the Profits or losses on financial assets available for sale item shows the effects of the valuation of related financial instruments net of the amount attributable to policyholders and posted to deferred liabilities in respect of policyholders.

The allocations column shows the profit allocations for the year, the profit for the previous year allocated to equity reserves, increases in capital and other reserves and changes in profits or losses recorded direct to equity. The transfers to profit and loss account column shows profits or losses previously recorded direct to net equity in accordance with what is laid down by international accounting standards. Other transfers shows the ordinary distribution of dividends and decreases in capital and other reserves, including the acquisition of own shares.

It should be noted that dividends distributed during the course of the first half of 2006, relating to allocation of the 2005 profit, amounted to € 131,415K, of which € 122,193K related to ordinary shares (€ 0.28 per unit) and € 9,222K related to savings shares (€ 0.30 per unit).

CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2006

Amounts in €K

STATEMENT OF CHANGES IN NET EQUITY

			Balance as at 31-12-04	Change in closing balances	Allocations	Transfers to Profit and Loss	Other transfers	Balance as at 30-06-2005
Net equity pertaining to the group	Capital		238,569					238,569
	Other equity instruments		0					0
	Capital reserves		324,966					324,966
	Profit and other equity reserves		546,558	-7,257	144,562		-995	682,868
	(Own shares)		-374					-374
	Reserve for net exchange differences		0					0
	Profits or losses on financial assets available for sale		0	38,240	95,538	-12,647		121,131
	Other profits or losses recorded direct to equity	Profits or losses on hedge instruments for a financial flow	0					0
		Profits or losses on hedge instruments for a net investment in foreign management	0					0
		Reserve deriving from changes in participating interests' net equity	0					0
		Revaluation reserve for intangible assets	0					0
		Revaluation reserve for tangible assets	0					0
		Income and expenditure relating to non-current assets	0					0

		or to an HFS disposal group						
		Other reserves	-2,294		-1,780			-4,074
	Profit (loss) for the year		264,432		-22,634		-119,870	121,928
	Total pertaining to the group		**1,371,857**	**30,983**	**215,686**	**-12,647**	**-120,865**	**1,485,014**
Net equity pertaining to minorities	Minority interest in capital and reserves		14,418	-507	7		-2,942	10,976
	Profits or losses recorded direct to equity		0	16	5			21
	Profit (loss) for the year		632		192		-625	199
	Total pertaining to minorities		**15,050**	**-491**	**204**	**0**	**-3,567**	**11,196**
Total			**1,386,907**	**30,492**	**215,890**	**-12,647**	**-124,432**	**1,496,210**

			Balance as at 31-12-05	**Change in closing balances**	**Allocations**	**Transfers to Profit and Loss**	**Other transfers**	**Balance as at 30-06-2006**
Net equity pertaining to the group	Capital		238,575		4,400			242,975
	Other equity instruments		0					0
	Capital reserves		325,145		34,835			359,980
	Profit and other equity reserves		684,889		152,096		-154	836,831
	(Own shares)		-374				-951	-1,325
	Reserve for net exchange differences		0					0
	Profits or losses on financial assets available for sale		191,125		-14,202	-4,901		172,022
	Other profits or losses recorded direct to equity	Profits or losses on hedge instruments for a financial flow	0					0
		Profits or losses on hedge instruments for a net investment in foreign management	0					0

		Reserve deriving from changes in partcipating interests' net equity	0					0
		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	-5,298		1,343			-3,955
	Profit (loss) for the year		283,522		-13,911		-131,415	138,196
	Total pertaining to the group		**1,717,584**	**0**	**164,561**	**-4,901**	**-132,520**	**1,744,724**
Net equity pertaining to minorities	Minority interest in capital and reserves		3,391		179			3,570
	Profits or losses recorded direct to equity		17		-19			-2
	Profit (loss) for the year		179		-132			47
	Total pertaining to minorities		**3,587**	**0**	**28**	**0**	**0**	**3,615**
Total			**1,721,171**	**0**	**164,589**	**-4,901**	**-132,520**	**1,748,339**

FINANCIAL STATEMENT (indirect method)

(In €K)

	30/06/2006	30/06/2005
Pre-tax profit (loss) for the financial year	**207,539**	**195,147**
Change in non-monetary items	**-90,740**	**173,682**
Change in non-life premium reserve	8,134	48,333
Change in claims reserve and other non-life technical reserves	20,828	45,155
Change in mathematical reserves and other life technical reserves	-114,052	151,188
Change in deferred acquisition costs	-14,909	-18,358
Change in provisions	-4,189	-9,296
Non-monetary income and expenditure deriving from financial instruments, investment property and holdings	-5,483	4,640
Other changes	18,931	-47,980
Change in receivables and payables generated by operating activities	**147,276**	**64,515**
Change in receivables and payables deriving from direct insurance and reinsurance	95,556	142,976
Change in sundry receivables and payables	51,720	-78,461
Tax paid	**-55,177**	**-65,682**
Net liquidity generated/absorbed by monetary items appertaining to investments and financial activities	**154,462**	**-439,956**
Liabilities from financial contracts written by insurance companies	8,611	1,978
Payables to bank and interbank clients	0	0
Loans and receivables to/from bank and interbank clients	0	0
Other financial instruments at fair value through profit and loss	145,851	-441,934
TOTAL NET LIQUIDITY DERIVING FROM OPERATING ACTIVITIES	**363,360**	**-72,294**

Net liquidity generated/absorbed by investment property	-2,444	-23,302
Net liquidity generated/absorbed by holdings in subsidiaries, associates and joint ventures	-98,929	-4,881
Net liquidity generated/absorbed by loans and receivables	-42,428	81,589
Net liquidity generated/absorbed by investments held to maturity	0	0
Net liquidity generated/absorbed by financial assets available for sale	-171,470	271,502
Net liquidity generated/absorbed by tangible and intangible assets	-14,701	20,553
Other net cash flows generated/absorbed by investment activities	19	-19,153
TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITIES	**-329,953**	**326,308**

Net liquidity generated/absorbed by capital instruments pertaining to the group	39,094	-995
Net liquidity generated/absorbed by own shares	-951	
Distribution of dividends pertaining to the group	-131,415	-119,870
Net liquidity generated/absorbed by minority interest in capital and reserves	-20	-3,562
Net liquidity generated/absorbed by subordinated liabilities and equity financial instruments	0	0
Net liquidity generated/absorbed by sundry financial liabilities	1,094	-125,465
TOTAL NET LIQUIDITY DERIVING FROM FINANCING ACTIVITIES	**-92,198**	**-249,892**

Effect of exchange differences on cash in hand and at bank and equivalents		**0**

CASH IN HAND AND AT BANK AND EQUIVALENTS AT THE START OF THE YEAR	156,649	152,829
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK AND EQUIVALENTS	-58,791	4,122
CASH IN HAND AND AT BANK AND EQUIVALENTS AT THE END OF THE YEAR	**97,858**	**156,951**

Explanatory notes

News about the group and its activities

Milano Assicurazioni S.p.A. is a leading insurance operator on the Italian market and is active both in the Non-life insurance sector and in the Life insurance sector with premium income of approximately € 3.3bn (data for 2005 financial year) and a sales network made up of over 1,400 agencies operating throughout the national territory.

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

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

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

Part A

Accounting Policies

Declaration of conformity to international accounting principles and general accounting principles

This interim balance sheet as at 30 June 2006 was prepared in accordance with IAS/IFRS international accounting standards issued by the IASB (International Accounting Standard Board), approved to date by the European Union and in terms of their interpretation, by official bodies.

The accounting tables used are those contained in ISVAP Directive No. 2460 of 10 August 2006, compiled, wherever compatible, on the basis of instructions contained in ISVAP Directive No. 2404 of 22 December 2005.

This interim balance sheet was prepared in the expectation that the business would continue. There were no uncertainties regarding events or conditions which could result in doubts arising over the ability to continue to operate as a functioning entity.

Basis and methods of consolidation

CONSOLIDATION PRINCIPLES

The consolidation procedure followed conforms to what is laid down by IAS 27 (Consolidated and separate accounts) and by IAS 28 (Accounting for investments in associates).

In addition to the Parent company, all subsidiaries are included in the basis of consolidation. IAS 27 defines control as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. For the purposes of ascertaining the existence of control, reference is made to what is laid down by paragraph 13 of the aforementioned IAS 27.

In accordance with what is laid down by IAS 28, the net equity method is used when accounting for associates.

ACCOUNTS USED FOR THE CONSOLIDATION

Interim balance sheets, as at 30 June, approved by the Board of Directors of the respective Companies, were used to prepare this interim balance sheet. Consolidated company interim balance sheets may have been adjusted due to consolidation requirements and to bring the latter into line with the Parent company's accounting principles.

CONSOLIDATION TECHNIQUES

Full consolidation

All subsidiaries were fully consolidated. This interim balance sheet does, therefore, include the Parent company's interim balance sheet and those of companies in which Milano Assicurazioni S.p.A. holds, directly or indirectly, the majority of the voting rights exercisable at ordinary shareholders' meetings or, in any event, sufficient to exercise de facto control, in accordance with what is laid down by IAS 27.13.

With the full consolidation method, the book value of the holdings is eliminated against the related net equity, taking on all the assets and liabilities, guarantees, commitments and other memorandum items, as well as income and expenditure, of the subsidiary companies.

Minority shareholders' share of the net equity and the economic result are posted to appropriate balance sheet and profit and loss account items.

Differences between the book value of the holdings and the respective net equity shares emerging on the date of acquisition of said holdings, are allocated to equity assets where the higher cost reflects the actual higher value of said assets, or to the Goodwill item in cases where the higher price paid reflects the prospective value of future economic results.

Accounting using the net equity method

Associate companies or those over which the parent company exercises considerable influence, having the power to take part in determining the company's financial and operating policies, without, however, having control or joint control, were valued using the net equity method. Based on what is laid down by IAS 28.6, significant influence is presumed when the shareholder owns, directly or indirectly, at least 20% of the voting rights exercisable at the associate's shareholders' meeting.
The 46% shareholding in Bipiemme Vita is maintained at cost since the acquisition occurred during the last few days of the half year.

Using the net equity method, the holding in an associate company is initially recorded at cost and the book value is increased or decreased to record the applicable share of the associate's profits or losses realised after the date of acquisition, posted to the shareholder's profit and loss account.
The consolidated interim balance sheet, therefore, only incorporates the relevant share of the associate's net book equity and result for the period, but not the values of the individual balance sheet items.

Consolidation adjustments

So that group accounting information can be obtained as if this information related to a single economic entity, the following adjustment principles were implemented:

- dividends received by Companies consolidated or valued using the net equity method were eliminated;
- significant inter-company asset and economic accounts were eliminated, with the exception of those relating to transactions with Companies valued using the net equity method;
- profits deriving from sale and purchase transactions between Group Companies were eliminated, even if valued using the net equity method. Likewise, any losses deriving from transactions carried out by Group Companies were eliminated, unless the latter reflected a permanent drop in the intrinsic value of the property transferred.

Date of the interim balance sheet

The interim balance sheet closed on 30 June 2006, coinciding with the date of the interim balance sheets used for fully consolidated Companies.

Currency of account

This interim balance sheet is expressed in Euro (€) since this is the currency in which most of the Group’s transactions are performed. A precise indication of all the amounts appearing in the interim balance sheet is given in thousands or millions of Euro. Where necessary, interim balance sheets expressed in currencies other than that of the Euro zone are converted by applying current exchange rates at the end of the half year.

Accounting principles and valuation criteria

This half-yearly report was prepared in accordance with ISVAP Directive No. 1207 G of 6 July 1999, as amended by ISVAP Directive No. 2460 of 10 August 2006. The instructions annexed to ISVAP Directive No. 2404, wherever compatible, were taken into consideration when preparing the tables.

Individual balance sheet and profit and loss accounting items were valued by adopting the criteria used when preparing the 2005 consolidated accounts, to which we therefore refer for a detailed illustration 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 integrating 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.

Group Structure

CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2006

Basis of consolidation

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

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

(2) 1=Italian ins.; 2=EU ins.; 3=Third party state ins.; 4=insurance holding company; 5=EU reinsurance; 6=Third party state resinsurance; 7=Banks; 8=Savings Management Company SGR; 9=Sundry holding companies; 10=Property companies 11=Other

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

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

CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2006

Amounts in €K

Details of non-consolidated holdings

Name	State	Activity (1)	Type (2)	% Direct shareholding	% Total interest (3)	% Votes available at ordinary shareholders' meeting (4)	Book value
BIPIEMME VITA S.p.A.	ITALY	1	B	46.00	46.00	46.00	90,530
GARIBALDI S.C.S.	LUXEMBURG	10	B	47.95	47.95	47.95	- 135
SAI INVESTIMENTI S.G.R. S.p.A.	ITALY	8	B	40.00	40.00	40.00	1,973
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	ITALY	11	B	30.00	30.00	30.00	224
SISTEMI SANITARI S.p.A.	ITALY	11	B	25.71	25.71	25.71	426
UNISERVIZI S.c.r.l.	ITALY	11	B	28.00	28.39	28.40	10,731

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

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

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

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

Basis of consolidation

As at 30 June 2006 the Milano group comprised, including the Parent company, 11 Companies, all of which were fully consolidated. 5 of these were insurance companies, 3 were property companies and the remaining 3 operate in diversified sectors.

There were no changes compared with the situation as at 31 December 2005.

Part B

Information on the consolidated balance sheet

Balance sheet - Assets

1. INTANGIBLE ASSETS

Comprising:

(€K)	**30/06/2006**	**31/12/2005**	**Variation**
Goodwill	175,338	175,338	-
Other intangible assets	750	750	-
TOTAL	**176,088**	**176,088**	**-**

The table below gives details of the goodwill item:

(€K)	**30/06/2006**	**31/12/2005**	**Variation**
Goodwill posted following the merger by incorporation into the parent company of Lloyd Intenazionale S.p.A. in 1991	17,002	17,002	-
Goodwill posted in 1992 following the acquisition by the parent company of the portfolio of Card S.p.A.	33,053	33,053	-
Goodwill deriving from the acquisition by the parent company of the portfolio of Latina Assicurazioni S.p.A., in 1992	34,522	34,522	-
Goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A. originally acquired from Previdente Vita (formerly Latina Vita) in 1993	16,463	16,463	-
Goodwill deriving from the acquisition, in 1995, of the portfolio of Maa Assicurazioni by Nuova Maa, incorporated in the parent company in 2003	65,134	65,134	-
Goodwill deriving from the acquisition, in 2001, of the Profilo Life portfolio by Maa Vita, incorporated in the parent company in 2003	1,052	1,052	-
Goodwill posted following the merger by incorporation into the parent company of Maa Vita, in 2003	4,636	4,636	-
Goodwill relating to the acquisition by SIS of the Ticino portfolio, in 1995	152	152	-
The consolidation difference deriving from the acquisition, in 1996, of La Previdente Vita (then incorporated into Milano Ass.) by La Previdente Assicurazioni (then incorporated into Milano Ass.)	3,275	3,275	-
The consolidation difference deriving from the acquisition of Dialogo Ass. by La Previdente Ass. in 1997	49	49	-
TOTAL	**175,338**	**175,338**	**-**

Based on what is laid down by IAS 38 (Intangible assets), goodwill, in so far as it is an asset with an undefined useful life, is no longer amortised systematically but is subject to an impairment test to be performed annually and every time there is an indication that the latter may have been the subject of a write-down, for the purposes of identifying the existence of any loss in value.

In the half-year in question, there were no indications that the goodwill posted had been the subject of write-downs in respect of the book value as at 31 December 2005, having already undergone an impairment test, in accordance with the procedures required by IAS 36 (Impairment of assets).

2. INTANGIBLE ASSETS

These amount in total to € 124,194K (€ 110,625K as at 31/12/2005) and can be broken down as follows:

(€K)	**Premises**		**Land**		**Other tangible assets**		**Total**	
	30/06/06	**31/12/05**	**30/06/06**	**31/12/05**	**30/06/06**	**31/12/05**	**30/06/06**	**31/12/05**
Gross book value	33,723	33,204	7,748	7,748	173,266	156,442	214,737	197,394
Accumulated amortisation and impairment	-10,946	-10,433	-	-	-79,597	-76,336	-90,543	-86,769
NET VALUE	**22,777**	**22,771**	**7,748**	**7,748**	**93,669**	**80,106**	**124,194**	**110,625**

In accordance with what is laid down by IAS 16 (Property, Plant and Equipment) premises used by the company direct for the performance of its own business are posted to this item. These premises are recorded at cost and are systematically amortised on the basis of their useful life, at a constant rate of 3% per annum. In line with what is laid down by the aforementioned IAS 16, the amortised value of the wholly owned premises is net of the value of the land on which they stand.
No property appearing under this macroitem is subject to restrictions of title or ownership, nor has redress obtained for a drop in value, losses or disposals and damages been posted to the profit and loss account for the half year.
The book value, as at 30 June, of premises appearing under this item was € 13.8m less than the market value, determined on the basis of expert appraisals made at the end of the previous financial year.

Other tangible assets mainly comprise advance payments in relation to property transactions relating to the following areas - Milan, via Lancetti; Milan, via Confalonieri-via de Castillia (Lunetta dell'Isola) and Rome, via Fiorentini. We must remember that these transactions, implemented in previous financial years, resulted in the sale to third parties, by Milano Assicurazioni, of the aforementioned areas zoned for building and the purchase of the premises to be built on these areas by the purchasers of said land. The increase in value as at 31 December 2005 mainly relates to advance payments made in the first half of 2006 in relation to the aforementioned property transactions. For further information please refer to part E (Transactions with related parties).

3. REINSURERS' SHARE OF TECHNICAL RESERVES

These amount, in total, to € 359,430K (€ 358,527K as at 31/12/2005) with a positive variation of € 903K. They are made up as follows:

(€K)	30/06/2006	31/12/2005	Variation
Reinsurers' share of non-life premiums	22,559	20,866	1,693
Reinsurers' share of non-life claims	189,233	187,584	1,649
Reinsurers' share of other non-life claims	-	-	-
Reinsurers' share of mathematical reserves	146,709	149,152	-2,443
Reserve for amounts payable by reinsurers	927	923	4
Reinsurers' share of Class D provisions	-	-	-
Reinsurers' share of other reserves	2	2	-
TOTAL	**359,430**	**358,527**	**903**

4. INVESTMENTS

Comprising:

(€K)	30/06/2006	31/12/2005	Variation
Investment property	369,957	370,136	-179
Holdings in subsidiaries, associates and joint ventures	103,749	4,820	98,929
Investments held to maturity	-	-	-
Loans and receivables	255,267	212,874	42,393
Financial assets available for sale	7,694,630	7,580,602	114,028
Financial assets at fair value recorded in P&L account	754,876	876,255	-121,379
TOTAL	**9,178,479**	**9,044,687**	**133,792**

Investment property

In accordance with what is laid down by IAS 40 (Investment property), property held by the company for investment purposes appears under this item. These premises are recorded at cost and are systematically amortised on the basis of their useful life, at a constant rate of 2% per annum.
We should remember that, line with what is laid down by IAS reference standards, the amortised value of the wholly owned premises is net of the value of the land on which they stand.

In total, the book value as at 30/06/2006 was € 157.4m less than the expert evaluation determined at the end of the previous financial year.

As at 30 June 2006, capital gains of € 21.5m deriving from the purchase, during 2005, of a 100% holding in Campo Carlo Magno S.p.A. were allocated to investment property.

A breakdown of investment property is given below:

	30/06/2006	31/12/2005
Gross book value	413,122	410,906
Accumulated amortisation and impairment	-43,165	-40,770
Net Value	**369,957**	**370,136**

It should be noted that, during the course of the first half year, a property located in Milan, at via de Grassi 8 was sold to third parties for a price of € 13,500K, recording a capital gain of € 12,066K.
In the first half of the year income from rentals amounted to € 6.8m.
There are no significant limits on the realisability of investment property due to legal or contractual restrictions or obligations of any other nature.

Holdings in subsidiaries, associates and joint ventures

In line with what is required by IAS 27.20 (Consolidated and separate financial statements) all the Group's companies are fully consolidated, including those that perform dissimilar activities. The amount posted relates, therefore, solely to holdings in associate companies, valued using the net equity method or maintained at cost.

(€K)	30/06/2006	31/12/2005
Service Gruppo Fondiaria-Sai S.r.l.	224	227
Sai Investimenti SGR S.p.A.	1,973	1,874
Uniservizi S.c.r.l.	10,731	2,336
Sistemi Sanitari S.p.A.	426	518
Garibaldi S.c.S.	-135	-135
Bipiemme Vita S.p.A.	90,530	-
TOTAL	**103,749**	**4,820**

The holding in Bipiemme Vita relates to a 46% shareholding, acquired in June as part of the alliance and cooperation agreements with Banca Popolare di Milano within the Bancassurance sector. These agreements provide for the option of increasing this shareholding to 50% by the end of this year and to 51% by 30 June 2007. For further and more detailed information on this transaction please refer to the note inserted into the Life sector-related section of this report.

Loans and receivables

These amount to € 255,267K (€ 212,874K as at 31/12/2005) and are made up as follows:

(€K)	30/06/2006	31/12/2005	Variation
Unlisted debt securities	33,490	34,377	-887
Repurchase agreements	49,750	17,317	32,433
Loans on life policies	25,368	24,250	1,118
Deposits with reinsurers	4,002	4,110	-108
Receivables from successor agents for recoupment of claims paid to agents who have ceased trading	57,930	59,611	-1,681
Other loans and receivables	84,727	73,209	11,518
TOTAL	**255,267**	**212,874**	**42,393**

The “debt securities” item includes the book value of some bond issues (in particular ANIA special issues). Repurchase agreements refer to transactions maturing before the end of this financial year.
Receivables from successor agents for recoupment of claims paid to agents who have ceased trading appear under this item both in consideration of their interest-bearing nature and further to the instructions supplied by ISVAP with Directive No. 2404/05.

The “other loans and receivables” item comprises:

- € 34.100K for the loans granted to the associate company Garibaldi S.c.s., relating to the property development project for the area located at the northern boundary of the historic centre of Milan, known as “Garibaldi Repubblica”;
- € 39.909K for the residual loan secured by a lien on mezzanine property granted, in 2003, to Ganimede S.r.l. in relation to the operation to increase the value of part of the parent company’s property assets during the year. This loan was accommodated by a 2nd mortgage on the property sold to Ganimede. Repayment of the capital and related interest is subject to satisfaction of the debtor’s payment obligations in accordance with the “senior” loan acquired by the latter in relation to the operation described above. The loan is for seven years from the disbursement date, expiring in December 2010. In addition, provision has been made for partial early repayments by the debtor in line with the disposal schedule. The debtor is, what’s more, entitled to make early repayment of said loan, at any time, in whole or in part.

Financial assets available for sale

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

Comprising:

(€K)	**30/06/2006**	**31/12/2005**	**Variation**
Listed capital securities at fair value	1,108,305	1,114,213	-5,908
Unlisted capital securities at fair value	17,633	18,001	-368
Listed debt securities	5,928,009	6,022,244	-94,235
Unlisted debt securities	223,366	31,903	191,463
Unit trusts	417,317	394,241	23,076
TOTAL	**7,694,630**	**7,580,602**	**114,028**

Financial assets at fair value recognised through profit and loss

The table below gives a breakdown by type, of book values on 30 June 2006 and on 31 December 2005 as well as fair values at the close of the half year in question, determined with reference to stock market listings on 30 June:

(€K)	**30/06/2006**	**31/12/2005**	**Variation**
Listed capital securities	96,990	55,072	41,918
Unlisted capital securities	1,421	-	1,421
Listed debt securities	528,203	701,752	-173,549
Unlisted debt securities	65,889	56,139	9,750
Unit trusts	54,820	56,899	-2,079
Other financial instruments	7,553	6,393	1,160
TOTAL	**754,876**	**876,255**	**-121,379**

5. OTHER RECEIVABLES

These are made up as follows:

(€K)	30/06/2006	31/12/2005	Variation
Receivables from direct insurance operations	556,056	651,820	-95,764
Receivables from reinsurance operations	47,658	68,095	-20,437
Other receivables	99,930	253,814	-153,884
TOTAL	**703,644**	**973,729**	**-270,085**

It is believed 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.

Receivables deriving from insurance operations include receivables from policyholders of € 270,927K, including € 226,026K relating to premiums for the financial year and € 44,901K for premiums for previous financial years. In addition, € 181,013K of receivables from insurance brokers; € 45,543K of receivables from insurance companies and € 58,663K of receivables from policyholders and third parties for sums to be recovered, are included.

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.

Other receivables can be broken down as follows:

(€K)	30/06/2006	31/12/2005	Variation
Receivables from Fondiaria-Sai for advance tax payments and for tax receivables and withholding tax transferred following participation in fiscal consolidation	31,198	135,897	-104,699
Trade receivables	48,563	92,212	-43,649
Other receivables	20,169	25,705	-5,536
TOTAL	**99,930**	**253,814**	**-153,884**

6. OTHER ASSETS

In total, these amount to € 288,865K (€ 288,545K in 2005) with a rise of € 320K compared with 31 December 2005.

They comprise:

(€K)	**30/06/2006**	**31/12/2005**	**Variation**
Non-current sales or those held in a disposal group for sale	1,397	1,416	-19
Deferred acquisition costs	74,167	66,236	7,931
Deferred tax assets	40,914	36,353	4,561
Current tax assets	127,401	128,752	-1,351
Other assets	44,986	55,788	-10,802
TOTAL	**288,865**	**288.545**	**320**

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

These include the book value of the property in Rozzano – Quinto de Stampi, Via Tagliamento 32/34/36, for which a preliminary sale contract was stipulated the previous year. The related deed of sale is planned for next October.

Deferred acquisition costs

Deferred acquisition costs of € 74,167K (€ 66,236K as at 31/12/2005) relate to purchase commissions on multi-year contracts which are amortised in seven years for Non-life business or on the basis of the life of each contract and, in any event, over no more than 10 years, for Life business.

Current tax assets

Current tax assets, amounting to € 127,401K (€ 128,752K as at 31/12/2005) relate to receivables from the Treasury for advance taxes, withholdings and income tax receivables. Also posted to this item are amounts paid for tax referred to in art. 1 paragraph 2 of Legislative Decree No. 209/02 as converted by art. 1 of law 265/2002 and subsequent amendments, posted to this item in accordance with what is laid down by ISVAP Directive No. 2404/05. Where permitted by IAS 12, provision has been made to offset current tax assets and liabilities.

Deferred tax assets

These amount to € 40,914K (€ 36,353K in 2005) and are calculated on the total amount of temporary differences between the book value of assets and liabilities and the respective taxable value, determined in relation to the likelihood of their recovery. Where permitted by IAS 12, provision was made to offset deferred tax assets and liabilities.

Other assets

These amount to € 44,986K (€ 55,788K as at 31/12/2005) and include, amongst other things, claims paid to agents in anticipation of recoupments (€ 5,661K), retirement pension policies (€ 3,999K), transitory reinsurance accounts (€ 16K) and deferred commission payable on contracts not falling within the scope of IFRS 4 (€ 74K).

7. CASH AT BANK AND IN HAND

These amount, in total, to € 97,858K (€ 156,649K as at 31/12/2005).

They include deposit and current bank accounts with a due date of less than 15 days.
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 credited on a quarterly basis or in relation to the lesser duration of any unavailability constraint.

Balance sheet - Liabilities

NET EQUITY AND LIABILITIES

1. NET EQUITY

The Consolidated net equity, amounting to € 1,748,339K, inclusive of the result for the year and minority interests, rose by € 27,168K compared with 2005.

A breakdown of equity reserves is given below:

(€K)	**30/06/2006**	**31/12/2005**	**Variation**
Group net equity	**1,744,724**	**1,717,584**	**27,140**
Capital	242,975	238,575	4,400
Other equity instruments	-	-	-
Capital reserves	359,980	325,145	34,835
Profit and other equity reserves	836,831	684,889	151,942
Own shares	*-1,325*	*-374*	*-951*
Reserve for net exchange differences	-	-	-
Profits or losses on financial assets available for sale	172,022	191,125	-19,103
Other profits or losses recognised direct to equity	-3,955	-5,298	1,343
Group profit (loss) for the financial year	138,196	283,522	-145,326
Minorities' net equity	**3,615**	**3,587**	**28**
Minorities' share of capital and reserves	3,570	3.391	179
Profits and losses recognised direct to equity	-2	17	-19
Minorities' profit (loss) for the financial year	47	179	-132
TOTAL	**1,748,339**	**1,721,171**	**27,168**

The information required by IAS 1.76 is given below:

	Ordinary 30/06/2006	Savings 30/06/2006	Ordinary 31/12/2005	Savings 31/12/2005
Number of shares issued	436,519,147	30,739,882	428,058,239	30,739,882

As at 30 June 2006, a further 10,298 ordinary shares were subscribed following the conversion, by related holders, of 25,745 Milano Assicurazioni 1998-2007 warrants. The new share capital, inclusive of the new shares subscribed, was deposited with the Register of Companies on 28 July 2006.

The table below summarises the movement of shares comprising the parent company Milano Assicurazioni's share capital, during the course of the half year:

	Ordinary	Savings	Total
Shares existing as at 01/01/2006	428,058,239	30,739,882	458,798,121
Own shares (-)	-115,460	-	-115,460
Shares in circulation: existing as at 01/01/2006	427,942,779	30,739,882	458,682,661
Increases:			
Sale of own shares	-	-	-
Exercise of warrants	8,460,908	-	8,460,908
Decreases:			
Purchase own shares	-170,000	-	-170,000
Shares in circulation: existing as at 30/06/06	**436,233,687**	**30,739,882**	**466,973,569**

Capital reserves amounting to € 359,980K, relate to the share issue premium reserve recorded in the Parent company's accounts.

Profit and other equity reserves comprise:
- reserves posted to the accounts of the parent company Milano Assicurazioni, amounting to € 807,150K;
- the amount of effects deriving from the application of IAS standards on the parent company's result for the 2005 financial year, amounting to € 53,800K;
- a consolidation reserve amounting to € 15,586K;
- the reserve for profits and losses deriving from first-time application of international accounting standards, which is € 39,705K in the red.

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

Own shares

These amount to € 1,325K (€ 374K as at 31/12/2005). This item includes the book value of instruments representing capital belonging to the Parent company Milano Assicurazioni, held by same and used to reduce the net equity in accordance with what is laid down by IAS 32.

Profits or losses on financial assets available for sale

This item, amounting to € 172,022K, includes profits or losses deriving from the valuation of financial assets available for sale. It is expressed net of the part attributable to policyholders and allocated to insurance liabilities, in accordance with shadow accounting procedures laid down by IFRS 4 (insurance contracts).

Other profits and losses over the year recognised direct to equity

This item, negative to the tune of € 3,955K, includes the effect of charging profits and losses of an actuarial nature, direct to equity, further to the application of IAS 19 (Employee benefits).

Reconciliation tables for Parent company accounts and Consolidated accounts relating to the net equity and the profit for the half year, are given below.

PARENT COMPANY ACCOUNTS AND CONSOLIDATED ACCOUNTS RECONCILIATION TABLE		
(€K)	Net profit for the year	
	1st half 2006	1st half 2005
Milano Assicurazioni S.p.A. accounts according to Italian accounting principles	**89,253**	**109,865**
Effects arising from the application of IAS/IFRS principles		
IAS 38 "Intangible Assets"		
- Goodwill	11,996	11,996
- Other intangible assets	-170	385
IAS 16-40 "Property and investment property"		
- Property	-1,470	519
IAS 19 "Employee benefits"		
- Staff leaving indemnity and other employee benefits	1,359	974
IAS 39 "Financial instruments"		
Financial assets:		
- Available for sale	47,505	-2,896
- Fair value through profit or loss	-6,738	15,708
- Other financial assets	11	473
- Financial liabilities		
IFRS 4 "Insurance contracts"		
- Premium and equalisation reserves	1,469	1,360
- Mathematical reserves	12,607	-7,728
- Service component linked policies (IAS 18)	64	82
Fiscal effect of IAS/IFRS adjustments	-25,416	-8,793
Consolidation adjustments:		
- Difference between write-down and pro rata result of companies:		
Consolidated fully	1,712	1,563
Valued using the net equity method	254	251
- Application of different accounting principles	9,737	11,848
- Differences on ceded business		
- Elimination of inter-group transactions:		
Dividends	-253	-2,834
Write-off of capital gains realised		-10,224
- Fiscal effect of consolidation adjustments	-3,724	-621
Milano Assicurazioni consolidated accounts according to international accounting principles IAS/IFRS (group share)	**138,196**	**121,928**

PARENT COMPANY ACCOUNTS AND CONSOLIDATED ACCOUNTS RECONCILIATION TABLE		
(€K)	**Net Equity net of result**	
	1st half 2006	**1st half 2005**
Milano Assicurazioni S.p.A. accounts in accordance with Italian accounting principles	**1,410,105**	**1,269,207**
Effects arising from the application of IAS/IFRS		
- Goodwill	48,136	24,144
- Other intangible assets	-943	-1,714
IAS 16-40 "Property and investment property"		
- Property	-33,436	-32,189
IAS 19 "Employee benefits"		
- Staff-leaving indemnity and other employee benefits	-12,455	-17,818
IAS 1 "Presentation of financial statements"		
- Own shares	-1,325	-374
IAS 39 "Financial instruments"		
Financial assets		
- Available for sale	188,282	308,009
- Fair value through profit or loss	14,171	13,084
- Other financial assets		-5,266
- Financial liabilities	-3,530	-3,530
IFRS 4 "Insurance contracts"		
- Premium and equalisation reserve	30,515	28,293
- Mathematical reserves	-32,654	-185,571
- Service component linked policies (IAS 18)	-208	-362
Fiscal effect of IAS/IFRS adjustments	-23,254	-42,017
Consolidation adjustments:		
- Difference between companies' pro-rata book value/net equity:		
Consolidated fully	168	11,904
Valued using the net equity method	-165	-211
- Difference allocated to assets	18,453	
- Consolidation difference	3,324	3,324
- Application of different accounting principles	54,157	31,921
- Elimination of inter-group transacton effects:		
Dividends	253	2,834
Write-off of goodwill arising from merger deficit	-25,451	-25,451
Other inter-group transactions	-10,807	-2,919
- Fiscal effects of consolidation adjustments	-16,808	-12,212
Milano Assicurazioni consolidated accounts in accordance with international IAS/IFRS standards (group share)	**1,606,528**	**1,363,086**

2. PROVISIONS

These can be broken down into:

(€K)	30/06/2006	31/12/2005	Variation
Provisions relating to tax issues	77	77	-
Other provisions	59,187	63,376	-4,189
TOTAL	**59,264**	**63,453**	**-4,189**

The "other provisions" item includes a reasonable valuation of future risks and charges existing at year end, also deriving from current disputes. In particular:

- € 45,453K for amounts allocated to the risks fund mainly relating to disputes with agency networks and current disputes.
- € 13,734K relates to allocations to the future charges fund.

3. TECHNICAL RESERVES

These amount to € 8,395,214K and were down by € 73,576K compared with the end of the previous year.

Details appear below:

(€K)	30/06/2006	31/12/2005	Variation
NON-LIFE BUSINESS			
Premium reserve	992,681	982,854	9,827
Claims reserve	3,362,915	3,340,652	22,263
Other reserves	2,298	2,084	214
Total Non-life business	**4,357,894**	**4,325,590**	**32,304**
LIFE BUSINESS			
Mathematical reserves	3,725,274	3,660,931	64,343
Reserve for sums payable	24,837	6,313	18,524
Technical reserves where the investment risk is borne by policyholders and deriving from pension fund management	242,931	278,101	-35,170
Other reserves	44,278	197,855	-153,577
Total Life business	**4,037,320**	**4,143,200**	**-105,880**
TOTAL TECHNICAL RESERVES	**8,395,214**	**8,468,790**	**-73,576**

The “premium reserve” includes the reserve for direct business premium portions amounting to € 985,608K and the reserve for premiums relating to indirect business amounting to € 7,073K. Further to the favourable trend recorded over the half year and assumptions regarding forecasts for the current year, the conditions required in order to set aside a reserve for current risks did not exist.

Other Non-life technical reserves relate entirely to the ageing reserve referred to in art. 25 of Legislative Decree175/95.

Other Life business technical reserves mainly comprise the reserve for future expenses as well as the reserve for deferred liabilities to policyholders, calculated by applying the accounting practice known as shadow accounting, referred to in paragraph 30 of IFRS 4. (€ 20,256K).

4. FINANCIAL LIABILITIES

(€K)	30/06/2006	31/12/2005	Variation
Financial liabilities at fair value recognised through profit or loss	93,098	84,488	8,610
Other financial liabilities	161,037	159,943	1,094
TOTAL	**254,135**	**244,431**	**9,704**

Financial liabilities at fair value recognised through profit or loss
These include € 14,482K for derivative hedge contracts relating to shareholdings and € 78,302K relating to life policies which, although insurance contracts in legal terms, do not present a significant insurance risk and, therefore, do not fall within the scope of application of IFRS 4.

Other financial liabilities
This item includes the financial liabilities defined and governed by IAS 39 that are not included in the “Financial liabilities at fair value recognised through profit or loss” category. Included are deposits set up to guarantee risks ceded in reinsurance amounting to € 156,652K.

5. PAYABLES

These amount to € 321,118K and are made up as follows:

(€K)	30/06/2006	31/12/2005	Variation
Payables deriving from direct insurance operations	72,208	89,036	-16,828
Payables deriving from reinsurance operations	9,456	13,272	-3,816
Other payables	239,454	290,645	-51,191
TOTAL	**321,118**	**392,953**	**-71,835**

Payables deriving from direct insurance operations comprise:

- € 34.369K in respect of insurance intermediaries;
- € 35.995K of current account payables in respect of insurance companies;
- € 148K for policyholders' deposits and premiums;
- € 1,696K in guarantee funds for policyholders.

Details of "other payables" are given below:

(€K)	**30/06/2006**
For policyholders' share of taxes	45,169
For sundry tax liabilities	6,205
To social security and welfare institutions	13,937
Trade payables	44,613
Staff-leaving indemnity	42,689
Ires payable to Fondiaria –Sai further to participation in tax consolidation	51,287
Other	35,554
TOTAL	**239,454**

6. OTHER LIABILITIES

Comprising:

(€K)	**30/06/2006**	**31/12/2005**	**Variation**
Current tax liabilities	-	131	-131
Deferred tax liabilities	8,380	11,474	-3.094
Liabilities for a group spin-off held for sale	**-**	-	-
Other liabilities	142,108	206,447	-64,339
TOTAL	**150,488**	**218,052**	**-67,564**

Other liabilities

These amount to € 142,108K (€ 206,447K as at 31/12/2005) and comprise:

- commissions for premiums in the process of being collected of € 21,584K;
- deferred inward commissions on insurance policies not covered by IFRS 4 of € 218K;
- liabilities for cheques cashed by beneficiaries after 30 June 2006, of € 65m.

Part C

Information on the consolidated profit and loss account

NET PREMIUMS

Consolidated net premiums amount to € 1,677,517K (€ 1,593,860K in the first half of 2005).

The Group's gross premium income amounts to € 1,726,659K, up by 6.07% compared with the first half of 2005 and can be broken down as follows:

(€K)	**30/06/2006**	**30/06/2005**	**Variation**
Life-business gross premiums	289,698	278,092	11,606
Non-life business gross premiums	1,439,808	1,393,793	46,015
Variation in gross amount of premium reserve	-2,847	-44,082	41,235
Total Non-life business	1,436,961	1,349,711	87,250
Gross earned premiums	**1,726,659**	**1,627,803**	**98,856**

(€K)	**30/06/2006**	**30/06/2005**	**Variation**
Life business premiums ceded	5,557	6,193	-636
Non-life business premiums ceded	44,753	27,991	16,762
Variation in reinsurers' share of the premium reserve	-1,168	-241	-927
Total Non-life business	43,585	27,750	15,835
Earned reinsurance premiums ceded	**49,142**	**33,943**	**15,199**

The "gross premiums recorded" item does not include the cancellation of securities issued in previous years, which have been posted to "Other costs".

For a breakdown of gross premiums recorded in the various classes of business in the accounts and the split between direct and indirect business, please refer to the tables contained in the first part of this report.

COMMISSIONS RECEIVABLE

(€K)	30/06/2006	30/06/2005	Variation
Commissions receivable	467	185	282

This item includes commissions relating to investment contracts not falling within the scope of application of IFRS 4. These relate, in particular, to explicit and implicit loadings for investment contracts and internal fund management commissions relating to unit linked-type contracts.

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

These amount to € 8,966K of net expenditure compared with net income, recorded at the end of the corresponding period the previous year, of € 44,551K. The table below shows the individual components:

(€K)	Net interest	Other net income	Profits realised	Losses realised	Capital gains on valuations and write-ups	Capital losses on valuations and write-downs	Total as at 30 June 2006	Total as at 30 June 2005	Variation
Result of investments deriving from:									
Financial assets held for trading	6,615	34,354	2,876	-32,550	1,701	-33,668	-20,672	17,374	-38,046
Financial assets at fair value recognised through profit or loss	5,977	-269	457	-501	12,948	-6,906	11,706	27,177	-15,471
TOTAL	**12,592**	**34,085**	**3,333**	**-33,051**	**14,649**	**-40,574**	**-8,966**	**44,551**	**-53,517**

FINANCIAL INCOME AND EXPENDITURE FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

These are summarised by the table below:

(€K)	**Net interest**	**Other net income**	**Profits realised**	**Losses realised**	**Losses on valuations and write-downs**	**Total as at 30 June 2004**	**Total as at 30 June 2005**	**Variation**
Result deriving from:								
Investment property		3,792	12,066		-2,623	13,235	4,047	9,188
Holdings in subsidiaries, associates and joint ventures		254				254	381	-127
Loans and receivables	5,228	1,530				6,758	4,321	2,437
Financial assets available for sale	105,269	29,542	45,683	-4,813		175,681	139,930	35,751
Sundry receivables	1,704					1,704	-	1,704
Cash at bank and in hand	2,097					2,097	-	2,097
Other financial liabilities	-3,056					-3,056	-2,946	-110
Payables	-300					-300	-	-300
TOTAL	**110,942**	**35,118**	**57,749**	**-4,813**	**-2,623**	**196,373**	**145,733**	**50,640**

OTHER REVENUE

Other revenue amounted to € 43,991K (€ 58,405K as at 30/06/2005) and comprised:

(€K)	**30/06/2006**	**30/06/2005**
Other technical income	10,904	5,396
Fund withdrawals	9,365	24,481
Exchange differences	-	4,188
Contingent assets	2,026	773
Profits realised on tangible assets	49	-
Recovery of administrative expenses and charges	19,443	17,599
Other revenue	2,204	5,968
TOTAL	**43,991**	**58,405**

Recovery of administrative expenses and charges, offset against other charges, mainly relates to charges to Fondiaria-Sai Group companies for their share, based on objective criteria, of costs relating to amalgamated functions and are, in the main, staff costs.

NET CHARGES RELATING TO CLAIMS

Claims paid, including Life business amounts and related expenses reached, net of units ceded to reinsurers, the sum of € 1,285,185K, up by 9.6 % over the first six months of the previous year.

(€K)	**30/06/2006**	**30/06/2005**	**Variation**
Non-life business			
Amounts paid	1,018,074	963,149	54,925
Variation in claims reserve	22,606	28,327	-5,721
Variation in recoveries	-34,584	-25,452	-9,132
Variation in other technical reserves	214	-	214
Total Non-life business	**1,006,310**	**966,024**	**40,286**
Life Business			
Sums paid	267,111	209,456	57,655
Variation in the reserve for payables	18,523	8,539	9,984
Variation in mathematical reserves	68,062	100,815	-32,753
Variation in technical reserves where the investment risk is borne by policyholders and arises from pension fund management	-34,326	20,347	-54,673
Variation in other technical reserves	-13,578	-946	-12,632
Total Life	**305,792**	**338,211**	**-32,419**
Total Non-life + Life	**1,312,102**	**1,304,235**	**7,867**
Amounts paid	1,285,185	1,172,605	112,580
Variation in reserves	26,917	131,630	-104,713

COMMISSIONS PAYABLE

Commissions payable amounted to € 87K, up by € 13K on the first half of 2005.

OPERATING EXPENSES

The table below gives details by type of business:

(€K)	**30/06/2005**	**30/06/2005**	**Variation**
Non-life business			
Purchase commissions and variations in deferred acquisition costs	175,213	166,549	8,664
Other acquisition costs	31,261	26,913	4,348
Collecting commissions	19,564	19,061	503
Commissions and profit shares received by reinsurers	-9,674	-7,301	-2,373
Total Non-life business	216,364	205,222	11,142
Life Business			
Purchase commissions and variations in deferred acquisition costs	3,492	1,789	1,703
Other acquisition costs	2,713	4,309	-1,596
Collecting commissions	2,960	3,146	-186
Commissions and profit shares received by reinsurers	-1,443	-1,329	-114
Total Life	7,722	7,915	-193
Investment management costs	2,968	1,364	1,604
Other administrative expenses	34,427	36,863	-2,436
TOTAL	**261,481**	**251,364**	**10,117**

OTHER COSTS

Other costs amounted to € 127,817K (€ 91,914K as at 30/06/2005) and comprise:

(€K)	30/06/2006	30/06/2005
Other technical charges	88,532	37,871
Provisions	5,180	10,533
Losses on receivables	4,016	15,484
Contingent liabilities	1,104	7,209
Amortisation tangible assets	1,131	1,141
Amortisation intangible assets	-	-
Exchange differences	4,324	-
Minorities' administrative charges and expenses	19,443	17,599
Other costs	4,087	2,077
TOTAL	**127,817**	**91,914**

TAXES

(€K)	30/06/2006
Current taxes	55,177
Deferred taxes arising over the year	35,369
Deferred taxes used over the year	-11,639
Advance taxes arising over the year	-36,082
Advance taxes used over the year	26,471
TOTAL	**69,296**

Taxes amounted to € 69,296K (€ 73,211K as at 30/06/2005) being the combined effect of current taxes of € 55,177K and deferred taxes of € 14,119K.
Current taxes (Ires and Irap) are calculated by applying current nominal rates of 33% for Ires and 5.25% for Irap to the basic taxable amounts.
The tax rate for the half year in question is lower than the nominal rate mainly because of dividends cashed which are nearly all tax exempt and because of capital gains realised on holdings falling within the "participation exemption" scheme.

FURTHER INFORMATION

Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to the Parent company's ordinary shareholders by the weighted average number of shares in circulation during the half year. It should be noted that the weighted average shares in circulation was decreased by the weighted average of own shares held.
Diluted earnings per share was calculated by dividing the net profit attributable to the Parent company's ordinary shareholders by the weighted average number of shares in circulation during the half year, adjusted for the diluting effects of Milano Assicurazioni warrants in circulation and, therefore, of all potential shares.
It should also be noted that dividends intended for savings shareholders are deducted from the Group's consolidated net profit.

Share results and information for the purposes of calculating basic and diluted earnings per share are given below:

	30/06/2006	**30/06/2005**
Net profit attributable to the Parent company's ordinary shareholders (€K)	133,586	117,318
Weighted average number of ordinary shares for calculation of basic earnings per share	432,144,900	427,931,827
Basic earnings per share (in Euro)	0.31	0.27
Dilution effect:		
Adjusted weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	452,366,746	452,427,275
Diluted earnings per share (in Euro)	0.30	0.26

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 by indicating how and where the Group's results are formed, it is then 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 whilst identification of the remaining segment was the result of a discretional valuation aimed at showing the primary source of risks and benefits to which the Group is exposed.

The Non-life segment supplies insurance cover for the events indicated in art. 4 of Legislative Decree175/97.

The Life segment consists of insurances and operations indicated in point A of the table annexed to Legislative Decree 174/1995.

The Property segment includes the activities of subsidiary property companies actively operating in the investment property management and development market.

The Other Business segment, being of a residual nature, includes the business of subsidiaries operating in the financial and commercial assistance for agencies segment.

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

This section reports on the balance sheet and profit and loss account broken down by segment, prepared in accordance with models approved by ISVAP with Directive No. 2460 of 10 August 2006. Notes and further data on individual segments are given in the Management Report. Please refer to this report for further information.

Balance sheet and Profit and Loss account by business segment

CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2006

Amounts in €K

Balance sheet by business segment

		Non-life business		Life business		Property sector		Other		Intersegmental elisions		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**	**30/06/2006**	**31/12/2005**	**30/06/2006**	**31/12/2005**
1	**INTANGIBLE ASSETS**	**153,185**	**153,185**	**22,153**	**22,153**			**750**	**750**			**176,088**	**176,088**
2	**TANGIBLE ASSETS**	**120,102**	**106,342**	**120**	**135**	**2,347**	**2,469**	**1,625**	**1,679**			**124,194**	**110,625**
3	**REINSURERS' SHARE OF TECHNICAL RESERVES**	**211,792**	**208,451**	**147,638**	**150,076**							**359,430**	**358,527**
4	**INVESTMENTS**	**4,498,664**	**4,296,156**	**4,467,550**	**4,544,148**	**198,179**	**198,933**	**14,086**	**5,687**	**-**	**- 237**	**9,178,479**	**9,044,687**
4.1	Investment property	265,921	265,346			104,036	104,790					369,957	370,136
4.2	Shareholdings in subsidiaries, associates and joint ventures		-	90,530	-	- 135	- 135	13,354	4,955	-	-	103,749	4,820
4.3	Investments held to maturity											-	-
4.4	Loans and receivables	198,783	156,944	56,484	56,167						- 237	255,267	212,874
4.5	Financial assets available for sale	3,878,689	3,734,296	3,720,931	3,751,296	94,278	94,278	732	732			7,694,630	7,580,602
4.6	Financial assets at fair value through profit or loss	155,271	139,570	599,605	736,685							754,876	876,255
5	**SUNDRY RECEIVABLES**	**642,163**	**874,865**	**50,643**	**70,193**	**10,051**	**28,055**	**787**	**616**			**703,644**	**973,729**
6	**OTHER ASSETS**	**253,244**	**398,250**	**42,733**	**164,320**	**834**	**871**	**192**	**201**	**- 8,138**	**- 36,945**	**288,865**	**526,697**
6.1	Deferred acquisition costs	67,577	59,739	6,590	6,497							74,167	66,236
6.2	Other assets	185,667	338,511	36,143	157,823	834	871	192	201	- 8,138	- 36,945	214,698	460,461

7	**CASH AT BANK AND IN HAND AND EQUIVALENTS**	**58,934**	**108,549**	**29,961**	**45,537**	**6,251**	**1,159**	**2,712**	**1,404**			**97,858**	**156,649**
	TOTAL ASSETS	**5,938,084**	**6,145,798**	**4,760,798**	**4,996,562**	**217,662**	**231,487**	**20,152**	**10,337**	**- 8,138**	**- 37,182**	**10,928,558**	**11,347,002**
1	**NET EQUITY**											**1,748,339**	**1,721,171**
2	**PROVISIONS**	**54,118**	**58,529**	**5,069**	**4,847**			**77**	**77**			**59,264**	**63,453**
3	**TECHNICAL RESERVES**	**4,357,894**	**4,325,589**	**4,037,320**	**4,143,201**							**8,395,214**	**8,468,790**
4	**FINANCIAL LIABILITIES**	**34,053**	**23,793**	**215,767**	**216,520**	**3,536**	**3,362**	**779**	**756**	**-**	**-**	**254,135**	**244,431**
4.1	Financial liabilities at fair value through profit or loss	14,482	4,146	78,616	80,342							93,098	84,488
4.2	Other financial liabilities	19,571	19,647	137,151	136,178	3,536	3,362	779	756			161,037	159,943
5	**PAYABLES**	**292,001**	**347,733**	**23,685**	**40,827**	**2,332**	**2,417**	**3,100**	**2,213**		**- 237**	**321,118**	**392,953**
6	**OTHER LIABILITIES**	**100,432**	**314,357**	**49,919**	**166,992**	**8,163**	**11,684**	**112**	**116**	**- 8,138**	**- 36,945**	**150,488**	**456,204**
	TOTAL NET EQUITY AND LIABILITIES											**10,928,558**	**11,347,002**

CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2006

Amounts in €K

Profit and loss account by business segment

		Non-life business		Life business		Property sector		Other		Intersegmental elisions		Total	
		30/06/2006	**30/06/2005**	**30/06/2006**	**30/06/2005**	**30/06/2006**	**30/06/2005**	**30/06/2006**	**30/06/2005**	**30/06/2006**	**30/06/2005**	**30/06/2006**	**30/06/2005**
1.1	Net premiums	1,393,376	1,319,173	284,141	274,687	-	-	-	-	-	-	1,677,517	1,593,860
1.1.1	*Gross premiums for the period*	1,436,961	1,346,922	289,698	280,881							1,726,659	1,627,803
1.1.2	*Premiums ceded to reinsurers for the period*	- 43,585	- 27,749	- 5,557	- 6,194							- 49,142	- 33,943
1.2	Commissions receivable			467	185							467	185
1.3	Income and charges resulting from financial instruments at fair value through profit or loss	- 2,129	24,705	- 6,837	19,846							- 8,966	44,551
1.4	Income from shareholdings in subsidiaries, associates and joint ventures							254	381			254	381
1.5	Income from other financial instruments and investment property	99,592	66,194	108,348	90,885	3,350	1,900	9	8			211,299	158,987
1.6	Other income	38,906	36,087	3,381	21,656	22	11	1,682	651			43,991	58,405
1	**TOTAL INCOME AND REVENUE**	**1,529,745**	**1,446,159**	**389,500**	**407,259**	**3,372**	**1,911**	**1,945**	**1,040**	**-**	**-**	**1,924,562**	**1,856,369**
2.1	Net charges relating to claims	1,006,311	966,024	305,791	338,211	-	-	-	-	-	-	1,312,102	1,304,235
2.1.2	*Amounts paid and variation in technical reserves*	1,026,323	971,941	312,136	338,713							1,338,459	1,310,654

2.1.3	*Reinsurers' share*	- 20,012	- 5,917	- 6,345	- 502							- 26,357	- 6,419
2.2	Commissions payable			87	74							87	74
2.3	Charges resulting from shareholdings in subsidiaries, associates and joint ventures											-	-
2.4	Charges resulting from other financial investments and investment property	7,805	7,537	5,899	5,069	1,462	1,029	14				15,180	13,635
2.5	Management costs	247,058	235,756	14,423	15,608	14		342				261,837	251,364
2.6	Other costs	111,281	71,786	14,994	19,331	283	87	1,259	710			127,817	91,914
2	**TOTAL COSTS AND CHARGES**	**1,372,455**	**1,281,103**	**341,194**	**378,293**	**1,759**	**1,116**	**1,615**	**710**	**-**	**-**	**1,717,023**	**1,661,222**
	PRE-TAX PROFT (LOSS) FOR THE FINANCIAL YEAR	**157,290**	**165,056**	**48,306**	**28,966**	**1,613**	**795**	**330**	**330**	**-**	**-**	**207,539**	**195,147**

Part E

Information regarding transactions with related parties

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.

Transactions of a commercial and financial nature

(€K)	**Income**	**Expenditure**
Parent company	17,635	12,843
Associated companies and joint ventures	908	45
Affiliated companies	7,229	6,926
Other participating interests	6,729	-
Other related parties	-	-

(€K)	**Assets**	**Liabilities**
Parent company	44,086	98,309
Associated companies and joint ventures	34,100	-
Affiliated companies	12,223	19,092
Other participating interests	6,782	519
Other related parties	116,038	-

It should be noted that the transactions shown above were concluded under normal market conditions and mainly relate to:

- operations relating to reinsurance activities with Fondiaria-Sai Group companies;
- 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 Group companies' participation in the fiscal consolidation of the Fondiaria-Sai Group.
- operations relating to property transactions

In particular, relations with Other related parties involve advance payments made in relation to the following property transactions:

- 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.

Financial flows occurring in the first half of 2006 in relation to the aforementioned operations amounted to € 12,111K of outgoings for advance payments made by Milano Assicurazioni.

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.

Part F

Other information

Staffing levels

On 30 June 2006, the Parent company and consolidated companies had 1,694 employees (1,.680 on 31/12/2005) broken down by category as follows:

	30/06/2006	31/12/2005
Executives	23	23
White collar workers and professionals	1,666	1,652
Concierges	5	5
	1,694	**1,680**

Exchange

The exchange rates for the main currencies used to convert balance sheet items are shown below:

	30/06/2006	31/12/2005
United States Dollar	1.2713	1.1797
British Sterling	0.6921	0.6853
Japanese Yen	145.75	138.90
Swiss Franc	1.5672	1.5551

Milan, 11 September 2006

MILANO ASSICURAZIONI S.p.A.
Board of Directors