



**FONDIARIA-SAI S.p.A.: HALF-YEAR REPORT AS AT 30 JUNE 2006  
APPROVED. CONSOLIDATED PROFIT OF €320 MLN (+10.5%).**

	30 June 2005	30 June 2006	% change
<b>Amounts in € mln.</b>			
<b>Fondiaria-SAI Group</b>			
Total premium income	4,851.0	4,940.8	(+ 1.9)
Pre-tax profit	436.8	463.1	(+ 6.0)
Consolidated profit	289.7	320.0	(+ 10.5)
Profit attributable to the Group	234.0	258.1	(+ 10.3)
<b>Fondiaria-SAI S.p.A.</b>			
Total direct premium income	2,702.4	2,750.8	(+ 1.8)
Non-life business technical balance	89.7	89.4	(-)
Life business technical balance	12.2	3.7	(n.s.)
Net profit	119.4	101.7	(- 14.9)
<b>Consolidated Operating Combined Ratio</b>	<b>91.7%</b>	<b>89.8%</b>	
<b>Consolidated Combined Ratio</b>	<b>94.1%</b>	<b>94.9%</b>	

**Milan, 11 September 2006.** The Board of Directors of Fondiaria-SAI S.p.A., chaired by Jonella Ligresti, today examined and approved the Half-Year Report as at 30 June 2006.

## **Consolidated accounts**

Consolidated accounts show profit before minority interests of €320 mln (€289.7 mln as at 30 June 2005, +10.5 %), and Group profit for the period of €258.1 mln, up by 10.3%.

Gross premium income totalled €4,940.8 mln (+1.9% year-on-year).

Non-life direct business premium income grew by 2.1% and reached €3,726.3 mln. Non-life business closed the period with profit before tax of €308.6 mln, down by 5.7% over H1 2005, due to the higher impact of other technical charges, trend that is going to be reabsorbed during the second half of the year, and due to the writte-down on HFT portfolio. The Group Combined Ratio therefore stood at 94.9% (94.1% as at 30 June 2005). The Loss Ratio improved from 72% to 70.4%, thereby confirming good management of claims. The Expense Ratio similarly decreased by 0.3% to 19.4%. Consequently, the operating Combined Ratio (Loss Ratio + Expense Ratio) decreased by 2%, from 91.7% in H1 2005 to 89.8%.

Life premium income went up by 1.2% to €1,210 mln. This segment accounted for 24.5% of total premium income and was essentially in line with the amount as at 30 June 2005.

Operating expenses grew from €760.3 mln in H1 2005 to €784.1mln and their impact on premiums fell from 15.5% as at 31 December 2005 to 15.2%.

Total net income from investments reached €573 mln, compared to €505 mln as at 30 June 2005 (including €24 mln income from equity investments in subsidiaries, associated companies and joint ventures).

Total investments amounted to €30.4 bln, compared to €30.1 bln in the 2005 financial year.

Gross technical reserves (life reserves included) were €25.6 bln, as against €25.4 bln at 2005 year-end.

## **Fondiarria-SAI S.p.A.'s accounts**

As at 30 June 2006, net profit fell by 14.9% year on year to €101.7 mln, essentially as a consequence of higher value adjustments to debt securities held.

Premium income totalled €2,765.3 mln (+1.8%), of which €2,013.3 mln (+ 0.3%) came from the Non-Life segment and €752 mln (+6.0%) from the Life business.

Non-life direct business premium income totalled €2,007.3 mln (+0.3%). Motor insurance premiums amounted to €1,424.7 mln (+0.3%), whereas in the non-motor segment premiums reached €582.6 mln (+0.6%).

The number of reported claims grew by 1.9% overall, while Motor TPL claims decreased significantly (-2.4%) over the same period last year.

The technical result reached €142.3 mln (-27.0%) and was affected by the higher impact of technical charges due to the reasons explained above, and especially by the very high amount of value adjustments to fixed-income securities held.

Life direct business premium income grew by 5.9% to €743.5 mln. Particularly noteworthy was the growth in new business, which reached €428.6 mln and recorded a 14.4% increase over H1 2005. The total net technical result was in excess of €3 mln and recorded a decrease year-on-year (€ 12 mln in H1 2005); attributable to value adjustments to fixed-income securities held.

Total technical reserves were €14,834 mln, up by 2% over 2005 year end.

Asset and financial management generated ordinary net income of €290 mln (€230 mln as at 30 June 2005) and benefited from interest-rate rises and higher dividends from equity investments in non-group companies. Pressure on the prices of debt securities led to impairment of fixed-income securities for a total amount of € 99 mln.

In the light of preliminary data on the soon-to-end Q3 2006, we believe that the positive expectations for 2006 year-end results are going to be confirmed, thereby reinforcing the Group's leadership in terms of profitability and efficiency.

At 14.45 CET there will be a conference call with the financial community, during which CEO Fausto Marchionni will comment 1H'06 figures. In particular with reference to the Motor TPL line of business, it will be shown that:

- claims frequency is flat;
- speed of claims settlement is still increasing;
- on the whole, average cost of the claims paid is below the general inflation rate;
- the average cost of the reserved claims is still increasing, thus confirming the traditional prudent approach of the Fondiaria-Sai Group.

This presentation will be available on the website of the Company at the same time of the conference call.

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**FONDIARIA - SAI GROUP**

**PROFIT AND LOSS**

		<b>30/06/2006</b>	<b>30/06/2005</b>
1.1	Net Retained Premium	4.728.864	4.572.242
1.1.1	<i>Gross premiums written</i>	4.860.180	4.716.417
1.1.2	<i>Outwards reinsurance</i>	-131.316	-144.175
1.2	Commissino income	35.504	28.009
1.3	Net income on financial instruments at fair value through profit and loss	-21.980	101.409
1.4	Income from subsidiaries, associates and joint ventures	26.370	16.056
1.5	Income from other financial instruments and investment property	623.861	540.530
1.5.1	<i>Interest income</i>	342.009	310.414
1.5.2	<i>Other income</i>	127.702	80.943
1.5.3	<i>Realised gains</i>	153.749	141.315
1.5.4	<i>Unrealised gains</i>	401	7.858
1.6	Other revenues	179.323	127.880
<b>1</b>	<b>TOTAL REVENUES</b>	<b>5.571.942</b>	<b>5.386.126</b>
2.1	Net charges relating to claims	-3.779.039	-3.808.245
2.1.1	<i>Amounts paid and change in technical reserves</i>	-3.857.539	-3.867.048
2.1.2	<i>Reinsurers' share</i>	78.500	58.803
2.2	Commission expense	-20.785	-7.346
2.3	Charges relating to subsidiaries, associates and joint ventures	-2.560	
2.4	Chargers relating to other financial instruments and investment property	-117.380	-76.109
2.4.1	<i>Interest expense</i>	-42.349	-19.618
2.4.2	<i>Other expense</i>	-35.655	-35.405
2.4.3	<i>Realised losses</i>	-20.231	-12.315
2.4.4	<i>Unrealised losses</i>	-19.145	-8.771
2.5	Management expense	-827.218	-788.596
2.5.1	<i>Commissions and other acquisition expense</i>	-625.531	-603.772
2.5.2	<i>Investment management expense</i>	-43.134	-28.261
2.5.3	<i>Other administrative expense</i>	-158.553	-156.563
2.6	Other costs	-361.837	-269.022
<b>2</b>	<b>TOTAL COSTS AND CHARGES</b>	<b>-5.108.819</b>	<b>-4.949.318</b>
	<b>PROFIT (LOSS) FOR THE YEAR BEFORE TAX</b>	<b>463.123</b>	<b>436.808</b>
3	Tax	-143.105	-147.071
	<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>320.018</b>	<b>289.737</b>
4	<b>PROFIT (LOSS) ON DISCONTINUED OPERATIONS</b>		
	<b>CONSOLIDATED PROFIT (LOSS)</b>	<b>320.018</b>	<b>289.737</b>
	<b>attributable to the Group</b>	<b>258.109</b>	<b>233.965</b>
	<b>attributable to Minorities</b>	<b>61.909</b>	<b>55.772</b>

ASSETS	At June 30 of current year	At June 30 of previous year	At December 31 of previous year
<b>A. Subscribed capital unpaid</b>	0 <sup>75</sup>	0	0
<b>B. Intangible assets</b>			
1. Acquisition commissions to be amortised	2.318 <sup>76</sup>	3.296 <sup>150</sup>	2.727
2. Other intangible assets	435.087 <sup>77</sup>	507.496 <sup>151</sup>	474.080
Total	437.405 <sup>78</sup>	510.792 <sup>152</sup>	476.807
<b>C. Investments</b>			
I - Lands and buildings	1.047.834 <sup>79</sup>	999.176 <sup>153</sup>	1.023.707
II - Investments in affiliated companies and other shareholdings			
1. Equities	2.658.000 <sup>80</sup>	2.756.383 <sup>154</sup>	2.700.062
2. Bonds	156 <sup>81</sup>	156 <sup>155</sup>	156
3. Loans	16.152 <sup>82</sup>	17.496 <sup>156</sup>	19.152
Total investments in affiliated companies and other shareholdings	2.674.308 <sup>83</sup>	2.774.035 <sup>157</sup>	2.719.370
III - Other financial investments			
1. Equities	1.694.156 <sup>84</sup>	1.521.829 <sup>158</sup>	1.522.438
2. Shares in common investment funds	358.139 <sup>85</sup>	292.199 <sup>159</sup>	356.921
3. Bonds and other fixed-income securities	9.443.684 <sup>86</sup>	8.814.509 <sup>160</sup>	9.046.164
3. Loans	77.131 <sup>87</sup>	80.068 <sup>161</sup>	77.468
5. Other	63.874 <sup>88</sup>	43.048 <sup>162</sup>	14.169
Total other financial investments	11.636.984 <sup>89</sup>	10.751.653 <sup>163</sup>	11.017.160
IV - Deposits with ceding companies	326.117 <sup>90</sup>	374.109 <sup>164</sup>	326.286
Total	15.685.243 <sup>91</sup>	14.898.973 <sup>165</sup>	15.086.523
<b>D. Investments for the benefit of life-assurance policyholders who bear the investment risk and relating to the administration of pension funds</b>			
I - Investments for the benefit of life-assurance policyholders who bear the investments risk	570.912 <sup>92</sup>	645.011 <sup>166</sup>	623.937
II - Investments relating to the administration of pension funds	113.939 <sup>93</sup>	95.401 <sup>167</sup>	105.469
Total	684.851 <sup>94</sup>	740.412 <sup>168</sup>	729.406
<b>D.bis Reinsurance amounts of technical provisions</b>			
I - Provisions for non-life insurance business	334.016 <sup>95</sup>	341.891 <sup>169</sup>	335.320
II - Provisions for life insurance business (excl. provisions indicated at point III)	87.422 <sup>96</sup>	79.557 <sup>170</sup>	79.578
III - Provisions for policies where the investments risk is borne by the policyholders and relating to the administration of pension funds	0 <sup>97</sup>	0 <sup>171</sup>	0
Total	421.438 <sup>98</sup>	421.448 <sup>172</sup>	414.898
<b>E. Receivables</b>			
I - Receivables arising out of direct insurance operations	1.166.233 <sup>99</sup>	1.360.170 <sup>173</sup>	1.285.868
II - Receivables arising out of reinsurance operations	54.352 <sup>100</sup>	50.918 <sup>174</sup>	62.144
III - Other receivables	476.350 <sup>101</sup>	435.658 <sup>175</sup>	732.682
Total	1.696.935 <sup>102</sup>	1.846.746 <sup>176</sup>	2.080.694
<b>F. Other assets</b>			
I - Tangible assets and stocks	15.506 <sup>103</sup>	15.490 <sup>177</sup>	13.456
II - Cash and cash equivalents	116.356 <sup>104</sup>	268.739 <sup>178</sup>	217.294
III - Own shares	167.244 <sup>105</sup>	103.847 <sup>179</sup>	138.079
IV - Other	828.015 <sup>106</sup>	591.273 <sup>180</sup>	549.401
Total	1.127.121 <sup>107</sup>	979.349 <sup>181</sup>	918.230
<b>G. Prepayments and accrued income</b>	138.989 <sup>108</sup>	124.401 <sup>182</sup>	139.906
<b>TOTAL ASSETS</b>	20.191.982 <sup>109</sup>	19.522.121 <sup>183</sup>	19.846.464



Company code **111**

(Amounts in thousand Euro)

LIABILITIES	At June 30 of current year	At June 30 of previous year	At December 31 of previous year
<b>A. Shareholders' funds</b>			
I - Subscribed capital or equivalent funds	176.837	170.557	173.114
II - Share premium account	202.112	190.552	193.729
III - Legal reserve	34.623	34.111	34.111
IV - Other reserves	2.127.399	1.991.545	1.993.116
V - Profit or loss brought forward	0	0	0
VI - Profit or loss for the period	101.663	119.427	300.603
Total	2.642.634	2.506.192	2.694.673
<b>B. Subordinated liabilities</b>	500.000	400.000	500.000
<b>C. Technical provisions</b>			
I - Non-life insurance business			
1. Provision for unearned premiums	1.380.050	1.388.356	1.342.538
2. Provision for outstanding claims	5.003.369	5.087.253	5.094.202
3. Other provisions	7.790	7.835	7.827
4. Equalisation provision	11.049	8.788	10.045
Total provisions for non-life insurance business	6.402.258	6.492.232	6.454.612
II - Life insurance business			
1. Mathematical provision	7.579.015	6.869.818	7.200.818
2. Provision for outstanding claims	104.545	74.930	86.166
3. Other provisions	64.315	67.096	67.565
Total provisions for life insurance business	7.747.875	7.011.844	7.354.549
Total	14.150.133	13.504.076	13.809.161
<b>D. Provisions for policies where the investment risk is borne by the policyholders and relating to the administration of pension funds</b>			
I - Provisions relating to contracts linked to investment funds and market index	570.308	643.862	623.764
II - Provisions relating to the administration of pension funds	113.939	95.400	105.469
Total	684.247	739.262	729.233
<b>E. Provisions for other risks and charges</b>	399.692	401.439	508.321
<b>F. Deposits received from reinsurers</b>	156.986	158.857	153.360
<b>G. Debts and other liabilities</b>			
I - Liabilities arising out of direct insurance operations	142.431	228.496	77.000
II - Liabilities arising out of reinsurance operations	29.647	64.826	66.439
III - Debenture loans	0	0	0
IV - Amounts owed to credit institutions	0	0	0
V - Other financial liabilities	583.718	710.550	718.498
VI - Provisions for severance pay	57.634	51.762	57.400
VII - Other liabilities	825.982	746.829	519.167
Total	1.639.412	1.802.463	1.438.504
<b>H. Accruals and deferred income</b>	18.878	9.832	13.212
<b>TOTAL LIABILITIES</b>	20.191.982	19.522.121	19.846.464

**GUARANTEES, COMMITMENTS AND OTHER EVIDENCE ACCOUNTS**

I. Guarantees issued	7.298	5.653	7.298
II. Guarantees received or issued by third parties in the interest of the Company	173.341	200.827	190.848
III. Commitments	783.037	207.504	221.279
IV. Assets belonging to pension funds managed in the name and in the interest of third parties	0	0	0
V. Other evidence accounts	14.315.215	13.266.637	13.197.662



**TOTAL EVIDENCE ACCOUNTS**

74	15,278,891	148	13,680,621	232	13,617,087
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