

# ***NEWS RELEASE***

FOR IMMEDIATE RELEASE

## **PICO HOLDINGS, INC. ANNOUNCES RESULTS FOR THE SECOND QUARTER AND FIRST HALF OF 2006**

**(LA JOLLA, CALIFORNIA)—August 8, 2006--**PICO Holdings, Inc. (NASDAQ: PICO) reported shareholders' equity of \$375.9 million, or \$23.67 per share, at June 30, 2006, an increase for the first half of the year of \$1.00, or 4.4%. PICO recorded net income of \$382,000 (\$0.03 per diluted share) for the second quarter of 2006, and net income of \$7.6 million (\$0.54 per diluted share) for the first half of 2006. The principal reason for the increase in book value per share was the sale of 2.6 million new shares at a premium to reported book value per share.

Commenting on the Company's progress so far in 2006, PICO's President and Chief Executive Officer, John Hart, said:

"PICO reported \$7.6 million in net income for the first six months of 2006, although this only had a minor effect on shareholders' equity, as most of the income came from realized gains, which were largely included in shareholders' equity in prior periods as unrealized gains.

"In financial terms, the highlight of the second quarter was the private placement of 2.6 million newly issued shares of PICO common stock at a price of \$30 per share, to two premier financial institutions, for net proceeds of approximately \$73.9 million. In June, FMR Corp., the parent holding company of Fidelity Management & Research Corporation, filed a Form 13-G with the SEC advising that various funds managed by Fidelity now own approximately 15.3% of PICO.

"The proceeds will be used to construct a 35 mile pipeline, which will allow Vidler Water Company to convey 8,000 acre-feet of water annually from Fish Springs Ranch to the North Valleys of Reno, Nevada. The total cost of the pipeline project is estimated at \$78 million to \$83 million, which will be incurred over the next 12 to 18 months.

"Commensurate with the increase in value of raw land and finished homes, indicative market prices for new water have appreciated strongly, and current real estate development plans require approximately 12,000 acre-feet of new water supply. We are not aware of any other water currently available to support this demand.

"The final regulatory approval required for the pipeline project was a Record of Decision for a right of way, which was granted on May 31, 2006. Subsequently, two protests have been lodged against the Record of Decision being granted; this matter is on appeal to the Interior Board of Land Appeals. The decision is expected during the third quarter of 2006, at which time Vidler expects the Record of Decision will be final.

"In the first half, Nevada Land sold 65,902 acres of land for \$5.1 million, generating \$3.4 million in gross margin, which is a gross margin percentage of 66.9%. We still have approximately 700,000 acres of land to sell. We currently have approximately 58,000 acres of land in escrow for \$5.9 million, scheduled to close in the second half of 2006.

"In addition, Nevada Land has entered into an agreement with a third party to sell one of its properties, the Spring Valley Ranch, and related water assets for \$22 million. The close of this transaction is scheduled for August 21, 2006 and, if it closes as expected, Nevada Land will realize a gain of approximately \$17 million before taxes in the third quarter of 2006."

PICO's Chairman, Ron Langley, added:

"Our first half net income was the result of more than \$15 million in realized gains, in the Business Acquisitions & Financing and Insurance Operations in Run Off segments. The realized gains primarily represented the sale of holdings in Anderson-Tully Company, a timberlands REIT which was bought out for a price approximately double our cost in 2003 and 2004.

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“The following summary is provided as a supplement to the financial statements contained in our 10-Q, to illustrate the relative size of PICO’s assets and activities.”

Segment	Net Book Value	Percentage
Water Resource and Water Storage Operations	\$128.9 million	34.3%
Real Estate Operations in Nevada	43.8 million	11.7%
Insurance Operations in Run Off	81.7 million	21.7%
Business Acquisitions & Financing	120.1 million	31.9%
HyperFeed Technologies	1.4 million	0.4%
Shareholders’ Equity	<u>\$375.9 million</u>	<u>100.0%</u>

## SECOND QUARTER SEGMENT RESULTS OF OPERATIONS

Our second quarter segment results of operations are:

	2006	2005
<b>Income (Loss) Before Taxes &amp; Minority Interest By Operating Segment:</b>		
Water Resource and Water Storage Operations	\$( 782,000)	\$ 51,833,000
Real Estate Operations in Nevada	2,724,000	1,178,000
Business Acquisitions and Financing	879,000	(11,558,000)
Insurance Operations in Run Off	748,000	3,154,000
HyperFeed Technologies	<u>(2,446,000)</u>	<u>( 1,569,000)</u>
<b>Income (Loss) Before Taxes &amp; Minority Interest</b>	<b>\$1,123,000</b>	<b>\$43,038,000</b>
Income tax (provision) benefit	( 753,000)	(19,580,000)
Minority interest	12,000	151,000
Loss from discontinued operations, net		<u>( 17,000)</u>
<b>Net Income (Loss)</b>	<b>\$382,000</b>	<b>\$23,592,000</b>

PICO is a diversified holding company. Currently our two major businesses are Vidler Water Company, a water resource development business, and Nevada Land & Resource Company, the largest private landowner in the state of Nevada. Vidler is a significant private sector owner of water resources and water storage assets in Nevada and Arizona. Nevada Land owns approximately 700,000 acres of land in northern Nevada, and the water and mineral rights related to its lands.

We acquire businesses which we identify as undervalued based on Graham and Dodd-style fundamental analysis, and our assessment of what the business is worth based on the private market value of its assets, earnings, and cash flow. We also acquire interests in companies where there is significant additional unrecognized value in land and other tangible assets. Our objective is to generate superior long-term growth in book value per share.

## FIRST HALF SEGMENT RESULTS OF OPERATIONS

Our first half segment results of operations are:

	2006	2005
<b>Income (Loss) Before Taxes &amp; Minority Interest By Operating Segment:</b>		
Water Resource and Water Storage Operations	\$(1,961,000)	\$ 50,314,000
Real Estate Operations in Nevada	3,650,000	2,416,000
Business Acquisitions and Financing	7,627,000	(22,604,000)
Insurance Operations in Run Off	7,549,000	5,407,000
HyperFeed Technologies	<u>(5,018,000)</u>	<u>( 3,268,000)</u>
<b>Income (Loss) Before Taxes &amp; Minority Interest</b>	<b>\$11,847,000</b>	<b>\$32,265,000</b>
Income tax (provision) benefit	( 4,437,000)	(16,579,000)
Minority interest	25,000	983,000
Income (loss) from discontinued operations, net	<u>165,000</u>	<u>( 40,000)</u>
<b>Net Income (Loss)</b>	<b>\$7,600,000</b>	<b>\$ 16,629,000</b>

**OTHER INFORMATION AND WHERE TO FIND IT**

At June 30, 2006, PICO Holdings, Inc. had a market capitalization of \$512.1 million, and 15,880,458 shares issued and outstanding (net of treasury stock).

Given the size and diversity of our asset base, this release only summarizes the most significant elements in our first-half results. For more complete information on our principal activities and assets, recent developments, and the current outlook, we encourage all investors to read our Form 10-Q report for the second quarter of 2006, which will be filed with the Securities and Exchange Commission today. The report can be accessed on-line via our web-site ([www.picoholdings.com](http://www.picoholdings.com)), or you can call Carlene Wilbur (614-475-3178 ext. 255) to request a paper copy.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This press release contains “forward-looking statements” within the meaning of securities law. These include, but are not limited to, statements about the Company’s operations and our future expectations. These statements reflect our current views about future events which could affect our financial performance. Although we aim to promptly disclose any new development which will have a material effect on PICO, we do not undertake to update all forward-looking statements. You should not place undue reliance on forward-looking statements because they are subject to various risks and uncertainties (including those listed under “Risk Factors” and elsewhere in our SEC filings) which could cause actual results to differ materially from such forward-looking statements or from our past results.

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