SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

------------------

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report: JULY 31, 2006

(Date of earliest event reported)

PRINCIPAL FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 1-16725 42-1520346

(State or other jurisdiction (Commission file number) (I.R.S. Employer

of incorporation) Identification Number)

711 HIGH STREET, DES MOINES, IOWA 50392

(Address of principal executive offices)

(515) 247-5111

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to

simultaneously satisfy the filing obligation of the registrant under any of the

following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR

230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR

240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the

Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange

Act (17 CFR 240.13e-4(c))

------------------

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On July 31, 2006, Principal Financial Group, Inc. publicly announced information

regarding its results of operations and financial condition for the quarter

ended June 30, 2006. The text of the announcement is included herewith as

Exhibit 99.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

99 Second Quarter 2006 Earnings Release

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the

registrant has duly caused this report to be signed on its behalf by the

undersigned thereunto duly authorized.

PRINCIPAL FINANCIAL GROUP, INC.

By: /S/ MICHAEL H. GERSIE

--------------------------------------

Name: Michael H. Gersie

Title: Executive Vice President and Chief

Financial Officer

Date: August 1, 2006

2

Exhibit 99

RELEASE: On receipt

MEDIA CONTACT: Jeff Rader, 515-247-7883, rader.jeff@principal.com

INVESTOR RELATIONS CONTACT: Tom Graf, 515-235-9500,

investor-relations@principal.com

PRINCIPAL FINANCIAL GROUP, INC. REPORTS SECOND QUARTER 2006 RESULTS

Des Moines, IA (July 31, 2006) - Principal Financial Group, Inc. (NYSE: PFG)

today announced net income available to common stockholders for the three months

ended June 30, 2006, of $210.5 million, or $0.76 per diluted share compared to

net income available to common stockholders of $238.9 million, or $0.82 per

diluted share for the three months ended June 30, 2005. The company reported

operating earnings of $225.2 million for second quarter 2006, compared to $221.0

million for second quarter 2005. Operating earnings per diluted share (EPS) for

second quarter 2006 were $0.82 compared to $0.76 for the same period in 2005.

Operating revenues for second quarter 2006 were $2,467.3 million compared to

$2,190.8 million for the same period last year.(1)

"At $225 million of operating earnings, the June quarter was one of our best,

second only to our record first quarter 2006 performance," said J. Barry

Griswell, chairman and chief executive officer. "Through mid-year, EPS is up 16

percent, an extremely strong result as we continue to effectively execute our

growth strategy and manage our capital."

"In spite of second quarter equity market declines, U.S. Asset Management and

Accumulation earnings were up 16 percent from a year ago, driven by double-digit

earnings growth from full service accumulation and individual annuities, and

record earnings and 50-plus percent improvement from Principal Global Investors

and mutual funds," said Griswell. "Reflecting significant underlying growth in

account values and assets under management (AUM), U.S. Asset Management and

Accumulation earnings were up 15 percent, and International Asset Management and

Accumulation earnings were up 18 percent, combining for 74 percent of total

company earnings through six months."

"From a year ago, account values in our U.S. asset accumulation businesses are

up 14 percent, or nearly $16 billion. Principal Global Investors' third party

institutional assets under management are up $8 billion, or 20 percent, and

Principal International's AUM is up nearly $3 billion, or 23 percent,(2)" said

Griswell. "These gains reflect the competitive strength of our retirement and

income management offerings, strong investment performance from Principal Global

Investors, and our ongoing focus on distribution and customer satisfaction."

3

Additional highlights as of June 30, 2006:

o Record total company assets under management of $206.0 billion, an increase

of $24.7 billion, or 14 percent compared to June 30, 2005.

o Continued strong organic sales of the company's key retirement and

investment products. Through six months: full service accumulation sales

were $4.0 billion, up 57 percent ($1.1 billion of sales in second quarter

2006); mutual fund sales were $2.0 billion, up 20 percent; and individual

annuity sales were $1.2 billion, up 13 percent.

o Record operating revenues of $1.2 billion in second quarter 2006 for the

Life and Health Insurance segment, a seventh consecutive record quarter,

driven by record revenues from the Health and Specialty Benefits divisions.

Specialty Benefits also delivered record operating earnings of $25.7

million in the second quarter, up 21 percent from the prior year period.

SEGMENT HIGHLIGHTS

U.S. ASSET MANAGEMENT AND ACCUMULATION

Segment operating earnings for second quarter 2006 were $151.2 million, compared

to $130.5 million for the same period in 2005. Principal Global Investors

generated record earnings for the quarter of $24.1 million, a 51 percent

increase, reflecting management fee growth in all lines. Full service

accumulation earnings improved 12 percent to $69.6 million in second quarter,

primarily the result of increased fees generated from higher account values.

Full service accumulation account values were $82.4 billion as of June 30, 2006

compared to $71.0 billion as of June 30, 2005.

Operating revenues for the second quarter increased 15 percent to $1,116.2

million compared to $971.1 million for the same period in 2005, as revenues

increased in all businesses within the segment. Higher single premium group

annuities sales were the largest single contributor to the increase. The

product, typically used to fund defined benefit plan terminations, can generate

large premiums from very few customers and therefore tends to vary from period

to period. Excluding this product, segment revenues increased nine percent,

primarily due to record revenues in the full service accumulation, individual

annuities and mutual funds businesses.

Segment assets under management continued to increase, reaching a record $174.9

billion as of June 30, 2006, up 13 percent from $154.8 billion as of June 30,

2005.

INTERNATIONAL ASSET MANAGEMENT AND ACCUMULATION

Segment operating earnings for second quarter 2006 were $16.1 million. This

compares to second quarter 2005 earnings of $19.1 million. On a comparable basis

earnings improved from a year ago, excluding high inflation linked investment

yields in Chile and a tax benefit associated with the American Jobs Creation Act

in second quarter 2005.

Operating revenues were $164.2 million for second quarter 2006, compared to

$158.2 million for the same period last year, as favorable currency translation

in Chile and Brazil was partially offset by lower sales of single premium

annuities with life contingencies in Mexico and Chile.

Assets under management for the segment were $16.3 billion as of June 30, 2006,

compared to $11.8 billion as of June 30, 2005.

4

LIFE AND HEALTH INSURANCE

Segment operating earnings for second quarter 2006 were $65.2 million. Compared

to the year ago quarter, higher earnings in the Specialty Benefits division, due

to solid growth and a $3.4 million benefit from a long-term disability reserve

refinement, were more than offset by lower earnings in the Individual Life and

Health divisions. Second quarter 2005 earnings of $76.3 million included a $6.6

million benefit in the Individual Life division, primarily from methodology

improvements related to reinsurance values, as well as better than normal claims

experience in the group disability and insured medical lines. Individual life

earnings also declined from a year ago due to higher claims in second quarter

2006.

For the seventh consecutive quarter the segment generated record operating

revenues, an increase of nine percent from the same period in 2005. The 16

percent increase in Specialty Benefits revenues was driven by strong sales and

steady retention in each of the Specialty Benefits lines. Health revenues

increased 11 percent, primarily due to a nine percent increase in insured

medical covered members. Individual Life revenues decreased slightly, as the

company continued its shift in marketing emphasis from traditional premium-based

products to fee-based universal life and variable universal life products.

Unlike traditional premium-based products, universal life and variable universal

life deposits are not reported as GAAP revenue.

CORPORATE AND OTHER

Operating losses for second quarter 2006 were $7.3 million, compared to

operating losses of $4.9 million for the same period in 2005. Higher losses in

second quarter 2006 reflect the second quarter 2006 declaration of a preferred

stock dividend, the cost of which reduced segment operating earnings by $8.3

million, with no corresponding activity in the second quarter 2005. The earnings

impact of this item was substantially offset by $5.4 million of higher operating

earnings from joint venture real estate activity in second quarter 2006 compared

to second quarter 2005.

FORWARD LOOKING AND CAUTIONARY STATEMENTS

This press release contains forward-looking statements, including, without

limitation, statements as to sales targets, sales and earnings trends, and

management's beliefs, expectations, goals and opinions. The company does not

undertake to update these statements, which are based on a number of assumptions

concerning future conditions that may ultimately prove to be inaccurate. Future

events and their effects on the company may not be those anticipated, and actual

results may differ materially from the results anticipated in these

forward-looking statements. The risks, uncertainties and factors that could

cause or contribute to such material differences are discussed in the company's

annual report on Form 10-K for the year ended December 31, 2005, and in the

company's quarterly report on Form 10-Q for the quarter ended March 31, 2006,

filed by the company with the Securities and Exchange Commission. These risks

and uncertainties include, without limitation: competitive factors; volatility

of financial markets; decrease in ratings; interest rate changes; inability to

attract and retain sales representatives; international business risks; foreign

currency exchange rate fluctuations; and investment portfolio risks.

5

USE OF NON-GAAP FINANCIAL MEASURES

The company uses a number of non-GAAP financial measures that management

believes are useful to investors because they illustrate the performance of

normal, ongoing operations, which is important in understanding and evaluating

the company's financial condition and results of operations. They are not,

however, a substitute for U.S. GAAP financial measures. Therefore, the company

has provided reconciliations of the non-GAAP measures to the most directly

comparable U.S. GAAP measure at the end of the release. The company adjusts U.S.

GAAP measures for items not directly related to ongoing operations. However, it

is possible these adjusting items have occurred in the past and could recur in

the future. Management also uses non-GAAP measures for goal setting, determining

employee and senior management awards and compensation, and evaluating

performance on a basis comparable to that used by investors and securities

analysts.

SHARE REPURCHASES

In May 2006, the company completed the $250 million share repurchase program

authorized by the Board in November 2005. Under this program, the company

repurchased 5.1 million common shares for a cost of $250.0 million. Also in May

2006, following the Board's share repurchase authorization of up to $500

million, the company entered into an accelerated common stock repurchase

agreement with an investment bank. Under this agreement, the company paid $500

million and received an initial delivery of approximately 7.7 million common

shares, while retaining the right to receive additional common shares depending

on the volume weighted average share price of the company's common stock over

the program's execution period. The program is expected to be completed in

fourth quarter 2006, at which time the company will receive any remaining common

shares owed to it under the agreement.

EARNINGS CONFERENCE CALL

At 9:00 A.M. (CDT) tomorrow, Chairman and CEO J. Barry Griswell and Executive

Vice President and CFO Mike Gersie will lead a discussion during a live

conference call. Parties interested in listening to the conference call live may

access the webcast on the company's Investor Relations (IR) website

(www.principal.com/investor) or by dialing (800) 374-1609 (U.S. callers) or

(706) 643-7701 (International callers) approximately 10 minutes prior to the

start of the call. To access the call, leader name is Tom Graf. Listeners can

access an audio replay of the call on the IR website, or by calling (800)

642-1687 (US callers) or (706) 645-9291 (International callers). The access code

for the replay is 2068246. Replays will be available through August 8, 2006. The

financial supplement is currently available on our website and may be referred

to during the conference call.

6

ABOUT THE PRINCIPAL FINANCIAL GROUP The Principal

Financial Group(R) (The Principal (R))(3) is a leader in offering businesses,

individuals and institutional clients a wide range of financial products and

services, including retirement and investment services, life and health

insurance, and banking through its diverse family of financial services

companies. A member of the Fortune 500, the Principal Financial Group has $206.0

billion in assets under management(4) and serves some 16.3 million customers

worldwide from offices in Asia, Australia, Europe, Latin America and the United

States. Principal Financial Group, Inc. is traded on the New York Stock Exchange

under the ticker symbol PFG. For more information, visit WWW.PRINCIPAL.COM.

###

7

SUMMARY OF SEGMENT AND PRINCIPAL FINANCIAL GROUP, INC. RESULTS

OPERATING EARNINGS (LOSS)\* IN MILLIONS

------------------------------ ------------------------------

THREE MONTHS ENDED, SIX MONTHS ENDED,

SEGMENT 6/30/06 6/30/05 6/30/06 6/30/05

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

U.S. ASSET MANAGEMENT AND ACCUMULATION $151.2 $130.5 $309.0 $269.1

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

INTERNATIONAL ASSET MANAGEMENT AND ACCUMULATION 16.1 19.1 33.7 28.6

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

LIFE AND HEALTH INSURANCE 65.2 76.3 135.6 145.8

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

CORPORATE AND OTHER (7.3) (4.9) (12.9) (13.3)

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

OPERATING EARNINGS 225.2 221.0 465.4 430.2

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

NET REALIZED/UNREALIZED CAPITAL

GAINS (LOSSES), AS ADJUSTED (12.9) 3.2 12.0 (0.5)

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

OTHER AFTER-TAX ADJUSTMENTS (1.8) 14.7 18.8 14.7

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

NET INCOME AVAILABLE TO COMMON STOCKHOLDERS $210.5 $238.9 $496.2 $444.4

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

PER DILUTED SHARE

------------------------------ ------------------------------

THREE MONTHS ENDED, SIX MONTHS ENDED,

--------------- -------------- -------------- ---------------

6/30/06 6/30/05 6/30/06 6/30/05

--------------- -------------- -------------- ---------------

OPERATING EARNINGS $ 0.82 $ 0.76 $ 1.67 $ 1.44

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

NET REALIZED/UNREALIZED CAPITAL

GAINS (LOSSES), AS ADJUSTED (0.05) 0.01 0.04 --

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

OTHER AFTER-TAX ADJUSTMENTS (0.01) 0.05 0.07 0.05

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

NET INCOME AVAILABLE TO COMMON STOCKHOLDERS $ 0.76 $ 0.82 $ 1.78 $ 1.49

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

WEIGHTED-AVERAGE DILUTED COMMON SHARES OUTSTANDING 276.2 291.4 279.0 298.2

--------------- -------------- -------------- ---------------

\*OPERATING EARNINGS VERSUS U.S. GAAP (GAAP) NET INCOME AVAILABLE TO COMMON

STOCKHOLDERS

Management uses operating earnings, which excludes the effect of net

realized/unrealized capital gains and losses, as adjusted, and other after-tax

adjustments, for goal setting, determining employee compensation, and evaluating

performance on a basis comparable to that used by investors and securities

analysts. Segment operating earnings are determined by adjusting U.S. GAAP net

income available to common stockholders for net realized/unrealized capital

gains and losses, as adjusted, and other after-tax adjustments we believe are

not indicative of overall operating trends. Note: after-tax adjustments have

occurred in the past and could recur in future reporting periods. While these

items may be significant components in understanding and assessing our

consolidated financial performance, management believes the presentation of

segment operating earnings enhances the understanding of our results of

operations by highlighting earnings attributable to the normal, ongoing

operations of the company's businesses.

8

PRINCIPAL FINANCIAL GROUP, INC.

RESULTS OF OPERATIONS

(IN MILLIONS)

- -----------------------------------------------------------------------------------------------------------------

THREE MONTHS ENDED SIX MONTHS ENDED

---------------- --------------- --------------- ---------------

6/30/06 6/30/05 6/30/06 6/30/05

---------------- --------------- --------------- ---------------

Premiums and other considerations $ 1,104.6 $ 948.9 $ 2,146.4 $ 1,883.0

Fees and other revenues 451.3 405.3 900.1 822.5

Net investment income 911.6 836.0 1,763.8 1,629.9

Net realized/unrealized capital gains (losses) (19.1) 10.2 29.8 8.7

---------------- --------------- --------------- ---------------

TOTAL REVENUES 2,448.4 2,200.4 4,840.1 4,344.1

---------------- --------------- --------------- ---------------

Benefits, claims, and settlement expenses 1,459.6 1,264.5 2,801.4 2,498.8

Dividends to policyholders 72.5 72.2 144.4 145.1

Operating expenses 619.8 580.8 1,224.2 1,137.7

---------------- --------------- --------------- ---------------

TOTAL EXPENSES 2,151.9 1,917.5 4,170.0 3,781.6

---------------- --------------- --------------- ---------------

Income from continuing operations before

income taxes 296.5 282.9 670.1 562.5

Income taxes 77.7 59.3 157.4 134.0

---------------- --------------- --------------- ---------------

Income from continuing operations, net of

related income taxes 218.8 223.6 512.7 428.5

Income from discontinued operations, net of

related taxes -- 15.3 -- 15.9

---------------- --------------- --------------- ---------------

NET INCOME 218.8 238.9 512.7 444.4

Preferred stock dividends 8.3 -- 16.5 --

---------------- --------------- --------------- ---------------

NET INCOME AVAILABLE TO COMMON STOCKHOLDERS $ 210.5 $ 238.9 $ 496.2 $ 444.4

Less:

Net realized/unrealized capital gains

(losses), as adjusted (12.9) 3.2 12.0 (0.5)

Other after-tax adjustments (1.8) 14.7 18.8 14.7

---------------- --------------- --------------- ---------------

OPERATING EARNINGS $ 225.2 $ 221.0 $ 465.4 $ 430.2

================ =============== =============== ===============

SELECTED BALANCE SHEET STATISTICS

PERIOD ENDED

------------------------------------------------------------

06/30/06 12/31/05 06/30/05

-------------------- --------------------- -----------------

Total assets (in billions) $ 131.4 $ 127.0 $ 117.2

Total common equity (in millions) $ 6,302.7 $ 7,265.2 $ 7,310.1

Total common equity excluding accumulated other

comprehensive income (in millions) $ 6,084.2 $ 6,270.4 $ 5,856.2

End of period common shares outstanding

(in millions) 269.1 280.6 279.4

Book value per common share $ 23.42 $ 25.89 $ 26.16

Book value per common share excluding

accumulated other comprehensive income $ 22.61 $ 22.35 $ 20.96

9

PRINCIPAL FINANCIAL GROUP, INC.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO U.S. GAAP

(IN MILLIONS, EXCEPT AS INDICATED)

THREE MONTHS ENDED SIX MONTHS ENDED

----------------------------- --------------------------------

6/30/06 6/30/05 6/30/06 6/30/05

--------------- -------------- --------------- ----------------

DILUTED EARNINGS PER COMMON SHARE:

Operating Earnings 0.82 0.76 1.67 1.44

Net realized/unrealized capital gains (losses) (0.05) 0.01 0.04 -

Other after-tax adjustments (0.01) 0.05 0.07 0.05

--------------- -------------- --------------- ----------------

Net income available to common stockholders 0.76 0.82 1.78 1.49

=============== ============== =============== ================

BOOK VALUE PER COMMON SHARE EXCLUDING ACCUMULATED OTHER

COMPREHENSIVE INCOME:

Book value per common share excluding accumulated other

comprehensive income 22.61 20.96 22.61 20.96

Net unrealized capital gains 1.05 5.46 1.05 5.46

Foreign currency translation (0.20) (0.24) (0.20) (0.24)

Minimum pension liability (0.04) (0.02) (0.04) (0.02)

--------------- -------------- --------------- ----------------

Book value per common share including accumulated other

comprehensive income 23.42 26.16 23.42 26.16

=============== ============== =============== ================

OPERATING REVENUES:

USAMA 1,116.2 971.1 2,166.0 1,928.4

IAMA 164.2 158.2 307.6 291.0

Life and Health 1,183.1 1,089.5 2,342.7 2,158.1

Corporate and Other 3.8 (28.0) (5.9) (38.1)

--------------- -------------- --------------- ----------------

Total operating revenues 2,467.3 2,190.8 4,810.4 4,339.4

Add: Net realized/unrealized capital gains (losses)

and related fee adjustments (18.9) 10.6 29.7 6.6

Less: Operating revenues from discontinued real estate - 1.0 - 1.9

--------------- -------------- --------------- ----------------

Total GAAP revenues 2,448.4 2,200.4 4,840.1 4,344.1

=============== ============== =============== ================

OPERATING EARNINGS:

USAMA 151.2 130.5 309.0 269.1

IAMA 16.1 19.1 33.7 28.6

Life and Health 65.2 76.3 135.6 145.8

Corporate and Other (7.3) (4.9) (12.9) (13.3)

--------------- -------------- --------------- ----------------

Total operating earnings 225.2 221.0 465.4 430.2

Net realized/unrealized capital gains (losses) (12.9) 3.2 12.0 (0.5)

Other after-tax adjustments (1.8) 14.7 18.8 14.7

--------------- -------------- --------------- ----------------

Net income available to common stockholders 210.5 238.9 496.2 444.4

=============== ============== =============== ================

NET REALIZED/UNREALIZED CAPITAL GAINS (LOSSES):

Net realized/unrealized capital gains (losses), as (12.9) 3.2 12.0 (0.5)

adjusted

Add:

Amortization of DPAC and sale inducement costs 0.6 4.4 1.2 3.9

Capital gains (losses) distributed - (0.2) 3.6 1.2

Tax impacts (4.8) 3.0 11.1 1.8

Minority interest capital gains (losses) (1.8) 0.2 1.8 0.2

Less related fee adjustments:

Unearned front-end fee income 0.5 1.4 1.1 1.8

Certain market value adjustments to fee revenues (0.3) (1.0) (1.2) (3.9)

--------------- -------------- --------------- ----------------

GAAP net realized/unrealized capital gains (losses) (19.1) 10.2 29.8 8.7

=============== ============== =============== ================

OTHER AFTER TAX ADJUSTMENTS:

IRS Audit Issue (1.8) - 18.8 -

Gain on disposal of discontinued real estate investments - 14.7 - 14.7

--------------- -------------- --------------- ----------------

Total other after-tax adjustments (1.8) 14.7 18.8 14.7

=============== ============== =============== ================

10

- -------------

(1) Use of non-GAAP financial measures is discussed in this release after

Segment Highlights.

(2) In third quarter 2005, Principal International increased ownership is its

Malaysian joint venture (JV). As a result, AUM of $1.8 billion is included

in total AUM as of September 30, 2005. The increase in AUM above is on an

organic basis, and excludes the AUM associated with increased JV ownership.

(3) "The Principal Financial Group" and "The Principal" are registered service

marks of Principal Financial Services, Inc., a member of the Principal

Financial Group.

(4) As of June 30, 2006

11