MEDIOLANUM S.p.A.

2006 Annual Report

MEDIOLANUM
MEDIOLANUM GROUP

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The financial statements and the consolidated financial statements have been translated from those issued in Italy, from the Italian into English language solely for the convenience of international readers.

MEDIOLANUM S.p.A.

2006 Annual Report

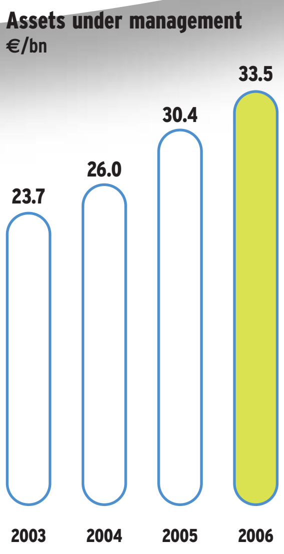
Financial highlights

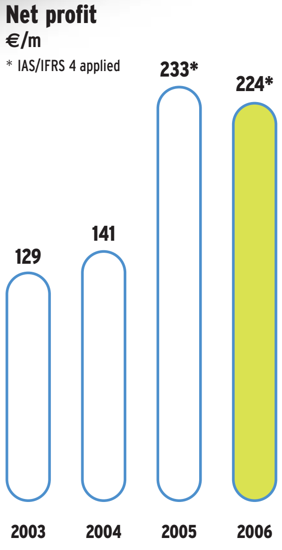
€/m	2006	2005	Change
Assets under management and administration	33,516	30,399	+10%
Profit before performance fees and tax (°)	202	137	+47%
Performance fees (°)	83	153	-46%
Profit before tax	285	290	-2%
Income tax	(61)	(57)	+7%
Net profit	224	233	-4%
Embedded Value (*)	3,122	2,951	+6%
€			
Earnings per share	0.310	0.320	-3%
Embedded Value per share (§)	4.29	4.06	+6%

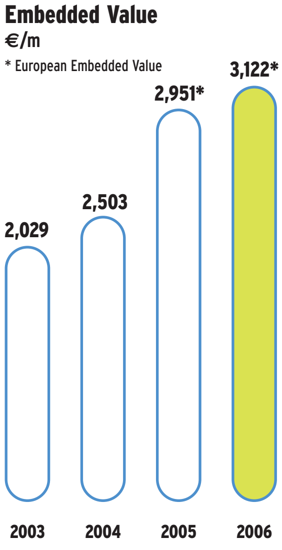
(°) Figure referred to the reclassified income statement as set out in the section "Segment Reporting".

(*) Figure referred to Embedded Value as set out in the section "European Embedded Value".

(§) Embedded value attributable to holders of ordinary shares divided by the weighted average number of ordinary shares in issue.

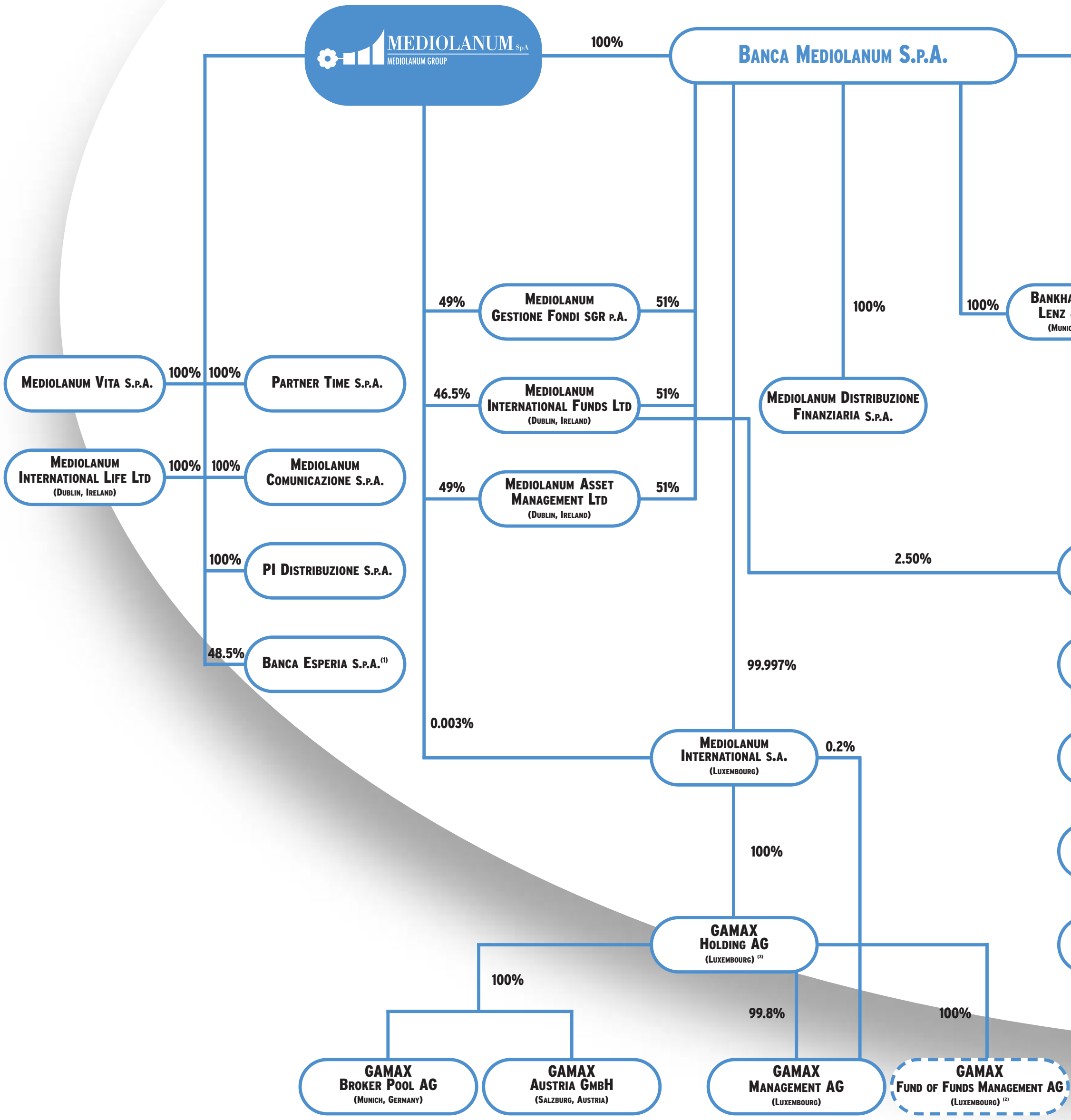






Group structure

As of December 31, 2006



(1) The remaining capital is held by third parties.
(2) Cancelled from the Register of Businesses on January 15, 2007 with effectiveness from October 24, 2006.
(3) Pursuant to regulations directors have a symbolic shareholding.

Corporate Governance Officers

BOARD OF DIRECTORS:

Roberto Ruozi	Chairman of the Board
Alfredo Messina	Deputy Chairman of the Board
Edoardo Lombardi	Executive Deputy Chairman
Ennio Doris	Chief Executive Officer
Marina Elvira Berlusconi	Director
Pasquale Cannatelli	Director
Massimo Antonio Doris	Director
Bruno Ermolli	Director
Mario Molteni	Director
Angelo Renoldi	Director
Paolo Sciumè	Director
Antonio Zunino	Director

BOARD OF STATUTORY AUDITORS:

Arnaldo Mauri	Chairman
Achille Frattini	Standing Auditor
Francesco Antonio Giampaolo	Standing Auditor
Ferdinando Gatti	Alternate Auditor
Francesco Vittadini	Alternate Auditor

BOARD SECRETARY:

Luca Maria Rovere

INDEPENDENT AUDITORS:

Reconta Ernst & Young S.p.A.

MEDIOLANUM S.p.A.

Consolidated Annual Financial Statements

2006

Directors' Report

Dear Shareholder

For financial year 2006 the Mediolanum Group reported net profit of €223.7 million versus €233.3 million in the prior year.

The year-on-year decline was due to a lower level of performance fees earned in the period, which stood at €83.1 million versus €152.6 million at December 31, 2005.

Excluding the impact of this revenue item, the Group's performance held strong with consolidated pre-tax profit growing 47% to €202 million from €137 million in financial year 2005, mainly thanks to the growth in assets under management.

At December 31, 2006, assets under management and administration amounted to €33,516.4 million growing 10% from €30,399.1 million at December 31, 2005.

The Macroeconomic Environment

In 2006, the global economy powered ahead. The International Monetary Fund's global economy report indicates that GDP growth on a global scale was 5.1% versus 4.3% in 2005.
Again, in 2006, growth was diverse across regions. Emerging economies continued to grow at a tremendous pace as in previous years, while North America and Europe reported more modest growth rates.
In the US, CPI stood at 3.2%, in line with the prior year's figure, while in the Eurozone, it averaged 2.2%, a figure not far from the ECB target rate for inflation. In Italy, inflation was close to 2%.
In August, geopolitical tensions in the Persian Gulf put pressure on oil prices. In this month, per barrel oil prices peaked, reaching almost $80, then progressively declined, and at year end they were hovering around $60. The progressive decline in oil prices contributed to ease inflationary pressures.
In Europe, fears of possible pressures from generalised price increases as well as the softening of the housing market led the European Central Bank (ECB) to continue its tightening cycle, raising interest rates from 2.25% in January to 3.50% at year end.
The US Federal Reserve tightened its policy in the first half of the year. This resulted in seventeen consecutive hikes that pushed June interest rates to 5.25%, at which point the Fed stopped tightening.
Turning to currencies, in 2006, the Euro strengthened against the US dollar, increasing from 1.18 in January to 1.31 in December. The Euro progressively appreciated also against the Yen, reaching record highs of about 160 Yens per Euro.
International medium/long-term treasuries were impacted by rising interest rates and their year-end prices ended up lower than at the beginning of the year.

In the first three quarters of 2006, Italy's economy resumed growth at a sustained pace. Also OECD data confirmed this recovery, that marked the end of four years and a half of stagnation. According to the OECD analysis, growth was largely driven by stronger exports, better lending terms, a higher employment rate and improved business confidence.

The official data released by Italy's National Institute of Statistics (ISTAT) on industrial output and other cycle indicators show that in 2006 our domestic economy was unequivocally out of the doldrums. The growth of Italy's industrial output averaged 2.1% on an annual basis versus -0.9% in 2005.

Turning to the analysis of the labour market, ISTAT data show that in 2006 employment moved in sync with GDP. The unemployment rate declined to 6.8% from 7.7% in the prior year, remaining below the prevalent eurozone rate.

On the other hand, there was an acceleration in retail prices. Italy's General Consumer Price Index measured by ISTAT rose from 2% in 2005 to 2.1% in 2006, while the Consumer Price Index relative to households of blue and white collars increased from 1.8% in 2005 to 2% in 2006.

In 2006, tax revenues increased. This, however, only slightly mitigated the overall deterioration of public finances. In fact, preliminary data show that the deficit/GDP ratio is estimated at 4.1 percent for budget year 2006. It should be noted, however, that said ratio returned to decline, in line with the commitments made by the Italian Government before European authorities and set out in Italy's Economic and Financial Plan for 2007-2011, which shows a projected ratio below 3% at the end of 2008 and of nil in 2011.

In 2006, the world's equity markets performed well. Specifically, the NYSE S&P 500 was up 12.2%, the Nikkei 225 up 7.2% and the Dow Jones Euro Stoxx Large Cap up 14.6%.

In Italy, the Mibtel index rose 18.3% (15.1% in 2005) and the S&P/Mib, which is constructed using an international method based on free float in lieu of market capitalisation, also displayed a good performance (16.1% versus 15.8% in 2005).

In 2006, Italy's private-sector financial business further grew about 3.8%.

Bank deposits (+4.5%), bank bonds (+8.3%) reverse repurchase agreements with customers (+14.7%) and pension products (insurance products up 16.9% and pension funds up 4.3%) recorded an above-average growth rate.

In October 2006, bank deposits accounted for 25.3% of total private-sector financial business versus 25.1% in the same month of the prior year. At the end of December 2006, total customer securities (managed accounts and securities held directly by customers) amounted to €1,718 billion, up 5.3% over the prior year. Discretionary accounts managed by banks accounted for 9.2% of total assets under management and administration (vs. 9.7% in the prior year), and amounted to about €158 billion.

At year end 2006, the NAV of Italian and foreign mutual funds and open-end investment vehicles (sicavs) was equal to €609.2 billion versus €584.6 billion in the prior year (up 4.2%). The asset allocation analysis shows that in 2006 equity funds increased their share from 24.2% to 25.9%, flexible funds from 3.6% to 8.5%, and hedge funds from 3.4% to 4.6%. Conversely, the share of balanced funds declined from 7.9% to 6.9%, bond funds from 45.8% to 40.4% and cash funds from 15.1% to 13.7%.

The insurance market

In 2006 the insurance market was impacted by the uncertainties surrounding the reform of supplementary pension legislation. Against this backdrop, in 2006 new life business written declined about 8.2% over the prior year.
The decline largely related to traditional life products. Conversely, products linked to either units or indices (class III) sold well: sales of unit-linked products were up 6%, while those of index-linked products were in line with the prior year's figure.
Turning to the analysis by distribution channel, sales made through bank branches declined over 10%, after years of uninterrupted growth. Conversely, sales made by financial advisors increased 3.3%. Also traditional agencies did well, as their sales were up 5.2%.
It should be noted that pension fund premiums written also increased (+35.5%), although their relative share out of total insurance business continued to be marginal.

The banking market

At year end 2006, inflows of customer assets amounted to €1,197 billion, up 8.1% versus 8.6% at year end 2005.
During the past year, the stock of funding grew by about €90 billion versus €86 billion in 2005.
The analysis of funding components shows, on the one hand, a slight deceleration in the growth of customer deposits, up 6% versus 7.5% at year end 2005, and on the other hand, a slight acceleration of bank bonds, up 11.4% at year end 2006 versus 10.3% at year end 2005.
At year end 2006, total loans extended by banks in Italy amounted to €1,322.1 billion, up 11.2% versus 8.6% at year end 2005.
At year end 2006, total loans to households and non-financial companies (i.e. non-financial companies, households, one-man companies) grew about 11.5%.
Consumer lending continued to display remarkable growth, up 12.2% at year end 2006 versus 16.6% at year end 2005.
Mortgage loans continued to perform buoyantly. In the past five years, home loans showed a marked acceleration and, at year end, they grew 12.5% well above the Eurozone average of 10.1%.

Mediolanum Group's performance

For a better understanding of the Group's performance, the analysis is organised by business segment and distribution market.

Life Insurance

Mediolanum confirmed its ability to offer innovative retirement products and services. Specifically, in 2006 it created new unit-linked policies, that invest also in highly sophisticated instruments such as hedge funds (Life funds and Alternative funds). Sales of principal-protected index-linked policies remained strong.

In 2006, Mediolanum Vita S.p.A. premiums written amounted to €1,973.1 million versus €1,736.4 million in the prior year. Life business grew €236.6 million (+14%) mainly as a result of larger sales of index-linked policies.
Against this backdrop, new business increased €101.4 million (+14%), and the year-on-year growth of premiums in force amounted to €135.3 million (+13%).
Traditional business remained in line with the prior year.
At year end, gross annual return on MEDINVEST segregated funds was 4.03% versus 4.12% in the prior year.
At December 31, 2006, mathematical reserves and financial liabilities to policyholders amounted to €11,707.6 million versus €11,116.0 million in 2005. Specifically, €11,652.2 million related to individual policies (vs. €11,061.1 million in 2005) and €55.4 million to group policies (vs. €54.9 million in 2005).
For financial year 2006 Mediolanum Vita S.p.A. reported net profit of €41.4 million versus €40.3 million at the end of the prior year (+3%). The increase in net profit was contained due to the impact of interest rate hikes.

Mediolanum International Life Ltd policies are distributed in Italy by Banca Mediolanum, in Spain by Fibanc and in Germany through the networks of Bankhaus August Lenz and the Gamax Group. In 2006, Mediolanum International Life Ltd premiums written amounted to €1,409.2 million versus €840.6 million in the prior year. Business written increased by €568.6 million (+68%), largely as a result of greater sales volumes of class III products.
Premiums written in foreign markets (Spain and Germany) increased from €120.2 million at December 31, 2005 (of which €91.2 million relating to financial contracts) to €167.7 million at the end of the year under review (of which €5.4 million relating to financial contracts).
At December 31, 2006, mathematical reserves and financial liabilities to policyholders amounted to €2,473.6 million versus €1,325.8 million in 2005.
For financial year 2006 Mediolanum International Life Ltd reported net profit of €34.1 million versus €11.7 million at the end of the prior year (+191%).

Net profit (loss) of life insurance subsidiaries consolidated on a line-by-line basis:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Mediolanum Vita S.p.A.	41,352	40,337
Partner Time S.p.A.	(189)	(1,258)
Mediolanum International Life Ltd	34,106	11,664

Asset management

Mediolanum Gestione Fondi SGR p.A.. manages 23 funds, including 1 non-occupational pension fund and 2 closed-end real estate funds.
At December 31, 2006, total assets under management invested in open-end mutual funds, including the non-occupational pension fund, amounted to €2,183 million versus €2,313 million at December 31, 2005 (down 5.9%), while total assets under management invested in the 2 real estate funds (Property and Real Estate) grew significantly from €87.5 million at December 31, 2005 to €313.5 million at year end 2006.
Assets managed on mandates from fellow subsidiaries amounted to €13,514 million (vs. €13,419 million at December 31, 2005), while assets managed by fellow subsidiaries on behalf of Mediolanum Gestione Fondi SGR p.A amounted to €167 million (vs. €133 million at December 31, 2005).
For financial year 2006 the company reported net inflows of €99.9 million (vs. 171,6 million at December 31, 2005), of which €220 million relating to the Mediolanum Real Estate closed-end fund.
For financial year 2006 the company reported net profit of €10.4 million (vs. €9.2 million at December 31, 2005).

Through third-party specialist companies, Mediolanum International Funds Ltd manages three fund families (Top Managers, Challenge and Portfolio) for a total of 58 specialist funds in all sectors, markets and asset classes.
At year end, total assets amounted to €13,337 million versus €11,740 million at December 31, 2005.
Mediolanum International Funds products are distributed in Italy, Spain, Germany and Austria.
In 2006, net inflows amounted to €716.2 million versus €779.5 million at December 31, 2005.
For financial year 2006 the company reported net profit of €147.8 million versus €204.9 million at December 31, 2005. The decline in net profit was in connection with the lower performance fees earned over the year (down €66.1 million). On October 26, 2006, the company resolved to distribute a 2006 interim dividend for a total amount of €100 million.

Mediolanum Asset Management Ltd supports the Group's asset management operations by managing assets directly and by providing ancillary services, such as monitoring fund performance and underlying risks.
For financial year 2006, the company reported net profit of €10.2 million versus €4.9 million at December 31, 2005.
On October 26, 2006, the company resolved to distribute a 2006 interim dividend for a total amount of €7 million.

Total gross inflows into mutual funds and managed accounts amounted €2,569.0 million, growing 33% from €1,927.4 million at December 31, 2005.

Net profit (loss) of asset management subsidiaries consolidated on a line-by-line basis:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Mediolanum International Funds Ltd	147,837	204,883
Mediolanum Gestione Fondi SGR p.A.	10,402	9,240
Mediolanum Asset Management Ltd	10,170	4,948

Distribution Markets

Domestic Market

During 2006 *Conto Riflex* (Riflex Account) continued to sell well. *Conto Riflex* is the Banca Mediolanum bank account created to "reflect" what customers expect of their bank. Its distinctive features are: a full range of services, cost-competitiveness and transparency. *Conto Riflex* includes also a credit card (Riflexcard).
During the year, the bank account range was expanded by adding a new account dedicated to one-man companies and other self-employed individuals (Riflex Professional) and allowing the use of the credit card as an ATM card.

Also the credit card range was further expanded by introducing a revolving feature and Riflexcash, a prepaid credit card. At year end total credit and debit cards issued amounted to 138,337 and 304,561, respectively.
The launch of these two new products was backed by a broad, diversified advertising campaign, whereby the bank was advertised almost uninterruptedly on all main media.

At year end 2006, the number of bank accounts increased to 466,006 from 392,309 at year end 2005. They were held by 650,000 clients. The percentage of bank account holders grew to 65% of total customers, confirming the increasing loyalty of those customers, who actively use banking services to their fullest extent.

During the year, new features were added to the banking services provided through the bank's direct channels, the Internet and the Banking Services Center. This generated a further increase in the number of customer accesses and orders made through the bank's multiple channels. In 2006 customer orders placed through direct channels increased by about 40%, thanks to the substantial contribution of banking orders (+48%), and also to the increase in trading orders (+12%) and in investments in financial instruments (+31%).
In November 2006, a new channel became available: the digital terrestrial television channel on the Canale 5 platform. This enables customer to view on their TV screens the status of their bank account and securities account, their credit card and ATM card movements, their investments in funds and insurance products, in addition to topping up their mobile phones and requesting chequebooks.

Compared to the prior year, total customer accesses through the direct channels grew 93% to over 27 million accesses. Text messages accounted for 39% of these accesses, increasing ten-fold over the prior year. This was also due to the introduction of new text messaging services offered to customers (alerts for ATM withdrawals, web-site logins, bank account balances, incoming/outgoing wire transfers, etc.).

At year end 2006, there were 995,300 customers – either bank account holders or investors in Banca Mediolanum financial/insurance products – versus 941,000 at year end 2005. 840,000 of these customers were primary account holders.

The Sales Network

The Banca Mediolanum Sales Network grew significantly in the year under review, especially as a result of the new recruitment process under the I.Co.N.A. project. Under this project, Banca Mediolanum's financial advisors were renamed Family Bankers in order to better communicate their mission of giving families the freedom of Banca Mediolanum's distinctive model.
The total number of Family Bankers rose to 6,173 from 5,220 in 2005. Specifically, the number of licensed financial advisors (i.e. advisors with greater seniority and professional experience who passed the state exam to become licensed) stood at 4,011 versus 3,978 at year end 2005, while the number of non-licensed advisors (i.e. advisors still preparing to take the state exam) increased from 1,183 at year end 2005 to 2,089 at year end 2006. Non-licensed advisors include 1,511 advisors who work as "Financial Agents" for Mediolanum Distribuzione Finanziaria S.p.A.
In 2006, a Private Banking Division was set up as part of the sales network. At year end, this division counted 83 Private Bankers whose customer portfolio mainly included high net-worth individuals.

Banca Mediolanum continued to expand its presence throughout Italy by opening new *Punto Mediolanum*. At December 31, 2006, there were 222 *Punto Mediolanum* versus 160 at December 31, 2005.
The opening of new *Punto Mediolanum* will accelerate in 2007 in order to further increase the coverage of the domestic market. *Punto Mediolanum* is the ideal place where customers can find out more about Banca Mediolanum and where they can use the direct channels to make transactions on their own, using the Internet and the tele-text, or through the Banking Services Center representatives.
Punto Mediolanum are evenly spread across all Italian regions.
The regions with the highest presence of *Punto Mediolanum* are: Lombardy (48), Veneto (31), Tuscany (18), Latium (18), Emilia Romagna (19), Sicily (25) and the Marches (12).

Banking

For financial year 2006, Banca Mediolanum S.p.A. reported net profit of €69,628 thousand versus €81,179 thousand at December 31, 2005.
The decline in net profit for the year was largely due the lower dividends from subsidiaries amounting to €42,362 thousand, partly offset by lower impairment losses on shareholdings amounting to €21,717 thousand. In analysing the decline in the year's dividends you should bear in mind that 2005 dividends included the interim dividend distributed by the subsidiary Mediolanum International Funds Ltd, which brought the dividend received by Banca Mediolanum S.p.A. to €131,431 thousand versus €86,640 thousand in 2006.
Excluding dividend, in 2006, profit from ordinary operations improved over the prior year.
Total assets grew 16.7% to €6,224 million from €5,334 million in the prior year.
Inflows of customer assets into bank accounts took a giant leap forward to €4,145 million at year end 2006 from €3,670 million at year end 2005.

At December 31, 2006, the Bank's total assets under administration (bank accounts and securities accounts) increased to €5,181 million from €4,760 million at the end of the prior year.
At December 31, 2006, loans to customers grew by 51% to €1,090 million from €722 million at December 31, 2005. Direct mortgage lending contributed to this result as mortgage loans increased from €125.4 million at December 31, 2005 to €289.4 million at December 31, 2006.
Net interest income rose 29.8% to €71 million from €54.7 million in 2005, thanks to the profitable management of the bank's interest-earning assets, that consist almost entirely of euro-denominated inter-bank loans and treasuries. The greater volumes of customer financing also contributed to the improved net interest income.
In spite of the low volatility on the money and bond markets as well as the repeated interest rate hikes, profits on financial transactions climbed to €9.1 million from €3.5 million in 2005.
Net commission income amounted to €114,209 thousand, in line with the prior year's figure (€115,563 thousand at December 31, 2005).
Operating expenses increased 4.3% to €208. 4 million from €200.4 million in the prior year.

Net profit (loss) of banking subsidiaries consolidated on a line-by-line basis:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Banca Mediolanum S.p.A.	69,628	81,179
Mediolanum Distribuzione Finanziaria S.p.A.	(169)	(111)

Other businesses

Other businesses include the 48.5%-owned private banking associate Banca Esperia S.p.A., which heads a group made up of the fund manager Duemme SGR p.A., the hedge fund manager Duemme Hedge SGR p.A. the investment trust Duemme Servizi Fiduciari S.p.A., and the trust company Duemme Trust Company S.p.A.. Early in 2006, the London-based advisory firm Duemme Capital was incorporated to assist the Banca Esperia Group in selecting and monitoring asset managers.

In financial year 2006, gross inflows into the Banca Esperia Group soared 37% to €2,535 million from €1,854 million at December 31, 2005. Also the 98% year-on-year growth of net inflows, from €701 million at December 31, 2005 to €1,387 million at the end of 2006, was outstanding.
Total assets under management increased 25% from €5,670 million at December 31, 2005 to €7,080 million at the end of the year under review.
At December 31, 2006, there were 57 private bankers versus 54 at year end 2005.
For financial year 2006, the Banca Esperia Group reported net profit of €16,6 million versus €14.8 million in the prior year.

It should be noted that in relation to the stock option plan for private bankers launched by Banca Esperia together with the majority shareholders Mediobanca and Mediolanum, an expense of €6,495 thousand (vs. €1,800 thousand in FY 2005) was recognised in the consolidated income statement for the year ended December 31, 2006. The 2006 figure includes a €4,005 thousand non-recurring expense.

Termination of agency and sub-agency agreements. New distribution agreements

Following the entry into effect of ISVAP Regulation No. 5 of October 16, 2006, which implemented the provisions of Title IX, section 183, of Legislative Decree 209/2005 (Private Insurers' Code) governing insurance and reinsurance businesses, banks can no longer operate as insurance agent or sub-agent.
In fulfilling the agency mandates conferred upon it by its wholly-owned subsidiary, Mediolanum Vita S.p.A., and by the company Mediolanum Assicurazioni S.p.A., Mediolanum S.p.A. has always availed itself, on an exclusive basis, of the Sales Network of Banca Mediolanum, which in turn acted as Mediolanum S.p.A.'s sub-agent.
Following the regulatory change referred to above, last December the insurance agency agreements in force between Mediolanum S.p.A. and Mediolanum Vita S.p.A., and between Mediolanum S.p.A. and Mediolanum Assicurazioni S.p.A were amicably terminated, effective on January 1, 2007. At the same time Mediolanum S.p.A and the companies above entered into distribution agreements, which stipulate terms and conditions that are substantially in line with those set forth in the terminated agency agreements.

Foreign Markets

Spain

Mediolanum conducts business in Spain through the Spanish Group Fibanc (a wholly-owned subsidiary of Banca Mediolanum).
For financial year 2006 the Fibanc Group reported net profit of €1.2 million, up 54% over the prior year when net profit amounted to €0.8 million.
Gross inflows grew 5% to €446 million from €424 million in 2005. Growth was particularly notable for life products and mutual funds which climbed 21% over the prior year to €478 million.
Net inflows amounted to €35 million versus €94 million in 2005. Specifically, net inflows into life products and mutual funds amounted to €75 million, while net inflows into assets under administration showed a negative balance of €40 million as a result of a €98 million decline in securities in custody.
Therefore, also thanks to the positive market performance, at year end, assets under management & administration grew 15% to €2,493 million from €2,163 million at December 31, 2005.
After the reorganisation undertaken in the prior year, the sales force consisted of 691 people. Specifically, the number of tied Advisors, relying on the same business model as Banca Mediolanum financial advisors, jumped to 524 from 419 people at year end 2005. Fibanc also availed itself of 52 full-time Agents (62 in 2005) and 115 part-time Agents (134 in 2005). The Fibanc Group's presence throughout the country was strengthened with the opening of 6 banking branches and 18 Punto Fibanc, that are similar to Italy's *Punto Mediolanum*.
During the year, Banco de Finanzas e Inversiones increased its share capital by €52 million. The capital increase was entirely subscribed and paid up by the parent company Banca Mediolanum.

In December, Banco de Finanzas e Inversiones acquired a 2.5% interest in the Irish company "Mediolanum International Funds Ltd" from Mediolanum S.p.A. for a consideration of €25 million.

Net profit (loss) of Spanish subsidiaries consolidated on a line-by-line basis:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Gruppo Banco de Finanzas e Inversiones S.A. – Fibanc	1,197	777

Germany

Mediolanum conducts business in Germany through Bankhaus August Lenz &Co AG and the Gamax Holding AG Group. Bankhaus August Lenz &Co AG is a Banca Mediolanum's wholly-owned bank, while the Gamax Holding AG Group is 99.997% owned by Mediolanum International S.A. and is made up of a holding company with shareholdings in two Luxembourg-based fund management companies and in two distribution companies operating in Germany and Austria.

For financial year 2006 **Bankhaus August Lenz** reported total assets under management and administration of €55 million (vs. €57 million at December 31, 2005), of which €40 million in life products and managed assets and €15 million in assets under administration.
The sales network consisted of 42 people versus 55 at December 31, 2005. The sales network reorganisation was completed in the course of the year. This entailed the elimination of positions that were no longer active or no longer in line with our standards.
The year's net inflows into asset management products amounted to €10.3 million, while net inflows into assets under administration displayed a negative balance of €12.2 million.
At December 31, 2006, the bank reported a net loss of €7.5 million, which marks an improvement from the prior year's loss of €8.8 million.

For financial year 2006 the **Gamax Group** reported net profit of €1.8 million versus €4.9 million in the prior year. The decline in net profit over the prior year was essentially due to the lower performance fees earned in 2006, that amounted to €1.4 million versus €5.4 million in 2005.
At year end, assets invested in Gamax funds amounted to €349 million, down 12% over the prior year as a result of the negative balance of net inflows into said funds.
Assets invested in third-party funds grew 8% over the prior year to €241 million.
The average number of active advisors was 175 people versus 156 people in 2005.

On March 9, 2007, the Banca Mediolanum subsidiary Gamax Holding sold its whole shareholding in Gamax Broker Pool AG, Munich, to Consal Makler Service GmbH, a company of the Consal Beteiligungsgesellschaft AG Group, for a consideration of €1,400,000.
The agreements in force between Gamax Broker Pool and Gamax Asset Management SA, Luxembourg, for the sale of mutual funds of the latter were confirmed and will continue to operate in the future. Gamax Asset Management SA, Luxembourg will continue to be part of the Mediolanum Group.
Following this transaction, the Independent Financial Advisors (IFA) who sell Gamax funds under an agreement with Gamax Broker Pool will have the opportunity to continue to sell Gamax funds, and at the same time enter into an agreement which will allow them to work with a prestigious insurance group like Consal Beteiligungsgesellschaft AG.
Finally, it should be noted that the Luxembourg-based asset management company "Gamax Fund of Funds" was liquidated and cancelled from the Luxembourg Business Register effective from October 24, 2006.

Net profit (loss) of German subsidiaries consolidated on a line-by-line basis:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Bankhaus August Lenz & Co. AG	(7,539)	(8,805)
Gruppo Gamax Holding AG	1,965	4,869

SUMMARY KEY FINANCIALS

Inflows

€/m	Dec. 31, 2006	Dec. 31, 2005	Change %
DOMESTIC MARKET			
Italy			
- Life Insurance products			
gross premiums written	3,214.6	2,456.8	+31
of which:			
New Business	2,069.5	1,473.6	+25
Portfolio	1,145.1	983.2	+16
- Mutual funds and managed accounts			
gross inflows	2,569.0	1,927.4	+33
net inflows	(169.6)	137.4	n/a
- Bank accounts and securities in custody			
net inflows	571.0	444.7	+28
- Banca Esperia Group			
net inflow (48.5%)	672.8	340.0	+98
INTERNATIONAL MARKETS			
Spain			
- Life Insurance products			
gross premiums written	156.1	114.3	37
- Mutual funds and managed accounts			
gross inflows	322.5	280.1	15
net inflows	4.0	2.1	90
- Bank accounts and securities in custody			
net inflows	(40.4)	15.5	n/a
Germany			
- Life Insurance products			
gross premiums written	11.6	6.0	+93
- Mutual funds and managed accounts			
gross inflows	124.9	102.3	+22
net inflows	(40.6)	(60.3)	-33
- Bank accounts and securities in custody			
net inflows	(12.2)	(6.5)	+88

Consolidated assets under management and under administration

€/m	Dec. 31, 2006	Dec. 31, 2005	Change %
Life products	13,922.0	12,248.6	+14
Mutual funds and managed accounts	15,467.4	14,082.7	+10
Banking products	5,181.4	4,759.6	+9
Consolidation adjustments	(7,626.9)	(6,285.2)	+21
Banca Esperia Group *	3,433.8	2,750.0	+25
Domestic market	30,377.7	27,555.6	+10
Life Products	409.4	315.7	+30
Mutual funds and managed accounts	1,115.0	1,117.7	+0
Banking products	1,625.6	1,442.8	+13
Other products	241.0	225.4	+7
Consolidation adjustments	(252.3)	(258.2)	-2
International markets	3,138.7	2,843.5	+10
Mediolanum Group	33,516.4	30,399.1	+10

(*) The figures relating to Banca Esperia are stated on a pro-rata basis according to the stake held in that entity (48.5%).

The Sales Networks

Number	Dec. 31, 2006	Dec. 31, 2005
Full Time		
Italy		
Mediolanum Banking Group *		
- Licensed Financial Advisors	4,011	3,978
- Non-licensed advisors	2,089	1,183
- Credit executives	73	59
Spain		
Fibanc	576	481
Germany		
Bankhaus August Lenz	42	55
Total	6,791	5,756
Part-time		
Italy		
Partner Time **	163	172
Spain		
Fibanc Group	115	134
Germany		
Gamax Group	175	156
Total	453	462
Total sales networks	7,244	6,218

(*) All Banca Mediolanum S.p.A. non-licensed advisors work also as financial agents under a mandate from Mediolanum Distribuzione Finanziaria S.p.A.

(**) The Partner Time Sales Network figures relate to advisors and soliciting agents who regularly work for this organisation and have the required qualifications for registration in the Register of Insurance and Reinsurance Intermediaries.

Post balance sheet date events

Following the entry into effect of Legislative Decree 252/05 ahead of schedule on January 1, 2007, (cf. Legislative Decree 279/06 "Urgent measures regarding supplementary pension schemes"), Tax Benefit, the unit-linked, individual pension plan product sold by Mediolanum Vita S.p.A. had to be reviewed.
Tax Benefit was restructured into a product incorporating special features and a high-service content, in line with the new regulatory requirements for supplementary pension schemes. The application for the registration of the new product, named Tax Benefit New, has already been filed with Covip (Pension Fund Supervisory Authority) and authorisation is still pending. Also the Rules for the Non-Occupational Pension Fund Previgest Mediolanum had to be amended.
Said amendments were made in accordance with the "General Guidelines for Supplementary Pension Plans" issued by COVIP on June 28, 2006 and published in Italy's Official Journal No.159 of July 11, 2006, as well as with the Instructions and Notes providing guidance on compliance with new industry regulations, issued by COVIP and published on November 2, 2006.
Authorisations are still pending for the Mediolanum Vita S.p.A. products that are subject to Covip approval. The Supervisory Authority is due to take a decision by June 30, 2007.
As allowed under Covip Regulations, in March 2007 Mediolanum Vita S.p.A. started accepting 'sign-up' applications for the "Tax Benefit New" product.

On March 9, 2007, Banca Mediolanum's indirect subsidiary Gamax Holding sold its whole shareholding in Gamax Broker Pool AG, Munich, to Consal Makler Service GmbH, a company of the Consal Beteiligungsgesellschaft AG Group, for a consideration of €1.4 million.
The agreements in force between Gamax Broker Pool and Gamax Asset Management SA, Luxembourg, for the sale of mutual funds of the latter were confirmed and will continue to operate in the future. Gamax Asset Management SA, Luxembourg will continue to be part of the Mediolanum Group
Following this transaction, the Independent Financial Advisors (IFA) who sell Gamax funds under an agreement with Gamax Broker Pool will have the opportunity to continue to sell Gamax funds, and at the same time enter into an agreement which will allow them to work with a prestigious insurance group like Consal Beteiligungsgesellschaft AG.

After December 31, 2006 there was no other event which could have a significant impact on the financial position, result of operations and cash flows of the Mediolanum Group.

Outlook

In the light of results recorded in the first months of 2007 by Mediolanum Group's companies, the outlook for the current year is positive.

Basiglio, March 28, 2007

For the Board of Directors
The Chairman
(Roberto Ruozi)

MEDIOLANUM S.p.A.

APPENDIX:

European Embedded Value 2006

Tillinghast - Towers Perrin

Mediolanum Group
European Embedded Value 2006

Introduction

In May 2004, the CFO Forum, a group representing the Chief Financial Officers of major European insurance groups published the European Embedded Value ("EEV") Principles with the aim of improving the transparency and consistency of embedded value reporting. Mediolanum adopted the EEV Principles for the first time with the publication of its full year 2005 results. This disclosure provides results as at December 31, 2006 and a comparison with values determined as at December 31, 2005 and at December 31, 2004.

An embedded value is an actuarially determined estimate of the value of a company, excluding any value attributable to future new business. Embedded value is defined as the sum of shareholders' net assets, valuing assets at market value, and the value of in-force business. The value of in-force life business is the present value of the stream of future after-tax statutory profits that are expected to be generated from all the existing policies at the valuation date, adjusted for the cost of maintaining a level of required capital and for the time value of financial options and guarantees. The value of in-force asset management (mutual funds, real estate funds and managed accounts) and banking (current account, deposit account and mortgage) business is calculated in a similar way to the value of in-force life business.

In order to provide more complete information, the embedded values consolidate the value of life and asset management business distributed in Italy and Spain, together with the most significant parts of the Italian banking business, Mediolanum has worked closely with consulting actuaries Tillinghast to develop appropriate methodology and Tillinghast has continued to calculate the embedded value of the Group at December 31, 2006.

Mediolanum has chosen to adopt an approach which maintains consistency with the embedded value reporting which has been a characteristic of the Group's transparent reporting since 1994. The value of in-force business continues to represent the discounted value of a stream of best estimate profits adjusted for the cost of holding a certain level of capital. The key differences between Traditional Embedded Value ("TEV") reporting used in prior reporting years and EEV reporting are in the determination of the level of required capital, and in the allowance for risk, which uses a framework based on market-consistent methodology, from which equivalent risk discount rates are derived.

In calculating the embedded value of the Group, numerous assumptions (some of which are shown below) are required concerning the Mediolanum Group's lines of business with respect to industry performance, business and economic conditions and other factors, many of which are outside the group's control. Although the assumptions used represent estimates that Tillinghast and the Mediolanum Group believe are appropriate for the purpose of embedded value reporting, future operating conditions may differ, perhaps significantly, from those assumed in the calculation of the embedded value. Consequently, the inclusion of embedded value herein should not be regarded as a statement by the Mediolanum Group, Tillinghast or any other entity, that the stream of future after-tax profits discounted to produce the embedded value will be achieved.

Embedded Value

The following table shows the embedded values as at December 31, 2006, 2005 and 2004, all determined under the EEV Principles.

Embedded value as at December 31,

Euro millions	2004	2005	2006
published shareholders' net assets	662	808	904
adjustments to net assets [1]	(161)	(160)	(155)
Adjusted shareholders' net assets	501	648	749
value of in-force life business	1,552	1,793	1,895
value of in-force asset management	368	410	346
value of in-force banking business	72	100	132
Value of in-force business	1,992	2,303	2,373
Embedded value	2,493	2,951	3,122

[1] including elimination of goodwill

Shareholders' net assets shown above are equal to the consolidated net assets of the Group, determined on an IFRS basis, before the distribution of dividends payable in the following year. Adjustments are required primarily to reflect the after-tax impact of (i) marking to market value any assets not considered on a market value under IFRS, (ii) the elimination of goodwill, primarily those related to the acquisitions of Fibanc, Gamax, B.A. Lenz and MILL in prior periods, (iii) the exclusion of the accounting items relating to unrealised gains in the life segregated funds, whose projected emergence over time is included in the value of the in-force life insurance business, (iv) the reversal of accounting items related to life insurance products classified under IAS 39 for which the value of in-force business is determined using the statutory profits, and (v) the impact of the taxation of life reserves.

The following table shows the reconciliation between published consolidated IFRS net equity and adjusted shareholders' net asset value.

Reconciliation of Adjusted shareholders' net equity to IFRS net equity

Euro millions	2004	2005	2006
Consolidated IFRS net equity	662	808	904
Goodwill	(177)	(162)	(162)
Taxation on reserves	(10)	(12)	(12)
AFS & other IFRS items	12	6	9
Net UCG not in value of in-force business	14	8	10
Adjusted shareholders' net assets	501	648	749

The discount rates used under the EEV methodology vary between lines of business, since they reflect, using the methodology outlined later in this document, the risk profile of the underlying business. The average discount rates, weighted by value of in-force business are 6.73% as at December 31, 2006, 5.80% as at December 31, 2005 and 6.27% as at December 31, 2004.

Sensitivity to the risk discount rate

The discount rate appropriate for any shareholder or investor will depend on his or her specific requirements, tax position and perception of the risks associated with the realisation of future profits. To allow potential investors to analyse the effect of using various discount rates to reflect differing views on risk, the embedded value for the Group as at December 31, 2006 was calculated at discount rates respectively 1% higher and lower than the central rates. All other assumptions, in particular inflation rates and investment returns, were kept unchanged when calculating the values at alternative discount rates.

Analysis of the sensitivity to the discount rate of embedded value at December 31, 2006

Euro millions

Discount rate	-1%	central	+1%
Adjusted shareholders' net assets	749	749	749
value of in-force life business	2,082	1,895	1,734
value of in-force asset management	359	346	334
value of in-force banking business	139	132	126
Value of in-force business	2,580	2,373	2,194
Embedded value	3,329	3,122	2,943

Embedded Value Earnings

Embedded value earnings, which are defined as the change in embedded value for the year, adjusted for the payment of dividends and other capital movements, provide a measure of performance during the year. The following table shows the embedded value earnings of the Mediolanum Group in 2005 and 2006.

Embedded value earnings

Euro millions	2005	2006
Change in embedded value for the period	458	171
Dividends paid or accrued	163	146
Other capital movements	(7)	(5)
Embedded value earnings	614	312

Embedded value earnings consist of the following components:

- The expected return on embedded value at the start of the year ("expected return"), equal to the after-tax investment return assumed at the start of the year on shareholders' net assets less solvency capital, plus a return at the discount rate on the sum of in-force business and solvency capital at the start of the year.
- Variances during the period ("experience variances"), caused by differences between the actual experience of the period and the assumptions used to calculate the embedded value at the start of the year, before the impact of new sales during the period.
- The impact of changes in assumptions at the end of the period for operating experience, excluding economic or fiscal assumptions ("operating assumption changes").
- Changes in assumptions regarding future experience used to calculate the value of in-force business at the end of the period relating to economic conditions ("economic assumption changes"), including the discount rate and investment returns.
- The "value added by new business", including business transformations in 2006, initially calculated at the moment of sale using the end of period assumptions, and then capitalised at the discount rate to the end of the period.

The following table shows the components of the embedded value earnings of the Mediolanum Group in 2005 and 2006.

Components of embedded value earnings

Euro millions	2005	2006
Expected return	143	153
Experience variances	259	(19)
Operating assumption changes	(43)	(57)
Economic assumption changes	31	(39)
Earnings on initial embedded value	390	38
New life business	162	211
New asset management business	52	46
New banking business	10	15
Business transformation	-	2
Value added by new business	224	274
EMBEDDED VALUE EARNINGS	614	312

Description of key embedded value earnings items in 2006

Experience variances gave rise to a decrease in the embedded value earnings for the year of 19 million Euro. The most important negative variances were 44 million Euro associated with the lower persistency than expected on managed account and life business; other negative variances were associated with the asset mix on unit-linked and asset management business (15 million Euro) and the exclusion of the development costs (9 million Euro). These were partially counterbalanced by higher performance commissions than those assumed (46 million Euro) and the higher than expected investment performance on unit-linked funds, asset management business and strategic shareholding (20 million Euro). The remaining effects comprise a series of smaller positive and negative items.

The negative impact of changes to operating assumptions (approximately 57 million Euro) is due to the combined effect of the increase in the lapse rate and maintenance expense assumptions.

The negative impact of changes to economic assumptions (approximately 39 million Euro) is due to the combined effect of the increase in the discount rate and in the projected rates of investment return.

The value added by new life business in the period was 211 million Euro of which 17 million Euro related to business distributed by Fibanc in Spain.
The value added by new asset management business in the period of 46 million Euro was almost entirely related to Italian business.

New banking business added 15 million Euro, related mostly to current account business and proprietary mortgages.

Value of new business

New business comprises new life insurance policies sold during the period, excluding those resulting from the transformation or switch of existing policies, together with discretionary increases in the level of regular premiums on existing policies. New asset management business is defined as the sum of retail gross inflows net of internal switches within the mutual funds and managed accounts. New banking business comprises the new money collected in the period relating to bank accounts and deposit accounts opened in the year and the volume of new mortgages issued.

The value of new business has been determined at the moment of sale using the end-year economic and operating assumptions. The following table shows the value added by new business in 2005 and 2006.

Value of new business at moment of sale

Euro millions	2005	2006
Unit-linked life business	133	164
Index-linked life business	25	41
Asset management business	50	44
Banking business	10	15
Value of new business	218	264

The discount rates used under the EEV methodology vary between lines of business, since they reflect, using the methodology outlined later in this document, the risk profile of the underlying business. The average risk profile of the new business was similar to that of the in-force business and so the same discount rates were used, namely 6.60% for life business (5.65% in 2005), 7.60% for asset management business (6.50% in 2005) and 6.40% for banking business (5.60% in 2005), giving an average, weighted by new business value of 6.76% in 2006.

In order to evaluate the effect of alternative discount rates on new business, the value of new business in 2006 was calculated using discount rates 1% lower and higher than the central rates. In calculating these values with alternative discount rates, all the other assumptions, including in particular those relating to inflation and return on investments, were kept unchanged.

Analysis of the sensitivity to the discount rate of the value added by new business in 2006

Euro millions Discount rate	-1%	central	+1%
Unit-linked life business	186	164	145
Index-linked life business	42	41	40
Asset management business	46	44	42
New banking business	16	15	13
Total	290	264	240

New business margins

New business margins for the Italian life and asset management business in 2006 and 2005 are shown in the tables below. Profitability is expressed both in terms of a margin on APE (annual premium equivalent defined as annualised regular premiums plus 10% of single premiums) and as a percentage of PVNBP (present value of new business premiums) calculated using the expected lapse and other exit assumptions.

New business margins in 2006 - life and asset management

Euro millions	Unit-linked	Index-linked	Asset mgmt
Value of new business at moment of sale	154	34	43
Regular premiums / pac	185	-	70
Single premiums / pic	516	1,175	1,355
APE	237	118	206
New business margin (% APE)	65.1%	28.8%	20.9%
PVNBP	1,876	1,175	1,760
New business margin (% PVNBP)	8.2%	2.9%	2.4%

New business margins in 2005 - life and asset management

Euro millions	Unit-linked	Index-linked	Asset mgmt
Value of new business at moment of sale	129	21	49
Regular premiums / pac	145		85
Single premiums / pic	311	835	1,408
APE	176	84	226
New business margin (% APE)	73.5%	25.1%	21.7%
PVNBP	1,551	835	1,891
New business margin (% PVNBP)	8.3%	2.5%	2.6%

The margin on APE for new life business in Spain is approximately 90% in 2006.

The margin of new bank accounts as a percentage of the money invested in bank accounts opened in 2006 is 1.7%. The profitability of new mortgages sold in 2006 is 2.2%, which reflects a mix between mortgages intermediated for third parties and Mediolanum's proprietary mortgage book.

Methodology

The traditional embedded value calculations which Mediolanum used in the past were based on detailed models of the in-force and new business developed in a deterministic environment, using a single set of best estimates for both economic and operating assumptions. In the traditional embedded value framework, risk was allowed for by the use of a single discount rate and an allowance for the cost of holding solvency capital equal to the minimum EU solvency margin. The cost of solvency capital was determined as the present value of the differences between the assumed after-tax return on the assets (mainly bonds) backing solvency capital and the discount rate applied to the projected solvency margin.

In adopting the EEV Principles, Mediolanum has chosen to adopt an approach which maintains consistency with the prior approach to embedded value reporting. The value of in-force business continues to represent the discounted value of a stream of best estimate profits adjusted for the cost of holding a certain level of capital. The key differences between the traditional reporting and EEV reporting are in the determination of the level of required capital, and in the allowance for risk, which uses a framework based on market-consistent methodology.

The embedded value has been determined using a market-consistent framework to value financial risks, an allowance for non-financial risks, and the deduction of a frictional cost of required capital. To maintain consistency with the previous approach used to report embedded values and embedded value earnings and allow like-for-like comparisons, equivalent risk discount rates have then been derived so as to produce the same results when input into the traditional deterministic models, which use best estimate assumptions, after the cost of solvency capital. This produces an average derived risk discount rate for homogeneous blocks of business.

In theory discount rates can vary between new business and in-force business, according to the respective risk profiles. In practice the derived risk discount rates for new business were very close to those calculated for in-force business, and so the same discount rates by line of business were used for both in-force and new business.

Allowance for risk

Appropriate allowance for risk in the projected profits is a key component of the EEV Principles and Guidance. Risk has been allowed for in three main ways:

Explicit risk margins in the discount rate, to allow for:
- a market-consistent approach to financial risk, which reflects the level of market risk in each cash flow;
- an allowance for non-financial risks which reflects the potential asymmetry of operational risks and the capital requirements for banking business;

Deduction of the cost of holding a level of required capital for life business;

- using EU minimum margins for unit-linked and traditional business
- using risk-based capital for counterparty risk on index-linked business
- assuming a frictional cost of double taxation on the required capital

Explicit deduction for the cost of financial options and guarantees:

- relevant for the traditional life business only.

Covered business

The covered business includes all the life insurance and asset management business written in Italy and in Spain, together with the main retail banking business in Italy, consistent with these business segments under IFRS reporting. No value has been attributed to in-force or new business for the remaining lines of business, including in particular Gamax, B.A. Lenz and that part of the Irish operations MILL and MIF not related to Italy and Spain, nor to the other minor lines of business of the Mediolanum Group.

Values are reported on a look-through basis, considering all profits and losses emerging in the Group associated with the relevant line of business.

Required capital and cost of capital

In compliance with EEV Principle 5, Mediolanum has made an assessment of the amount of required capital to be attributed to the covered life business. The approach used varies by line of business. For all life business other than index-linked business, EU minimum solvency requirements have been considered appropriate. For index-linked life business, account has been taken of the counterparty risk, using a risk-based capital approach which considers the rating of the issuers of the structured bonds underlying the index-linked guarantees. This gives rise to capital requirements of approximately 3.5% of reserves for business where Mediolanum bears the full investment risk and approximately 1.75% for business where investment risk is passed to policyholders.

Total required capital for the life business as at December 31, 2006 is 163 million Euro, which corresponds to approximately 150% of the EU minimum margin.

For banking business, the minimum capital requirements based on risk weighted assets for mortgages and loans have been considered as part of the risk margin for non-financial risks, as have the requirements associated with the Basle II regulations regarding operational risk.

To determine the embedded value, the cost of required capital has been determined based on the frictional costs of holding this capital. Since financial risks are already allowed for on a market-consistent basis, these costs are represented by the taxation incurred on locked-in shareholder assets.

As noted, the derived risk discount rates have been calculated so as to reproduce the value of in-force business after cost of capital using the traditional framework.

Risk discount rate - margin for financial risk

Mediolanum has adopted a bottom-up approach to allow for risk, which uses market-consistent methodology to calibrate the risk discount rate to allow for financial, or market-related risk. In principle, under a market-consistent approach each cash flow is valued in line with its specific profile in terms of financial risk, and thus in a consistent fashion with the market prices of similar cash flows which are traded in the open markets. In practice, Mediolanum has used the certainty-equivalent technique; this is an approach commonly used in the pricing of financial instruments and consists in adjusting the individual cash flows to remove the effects of financial risks, and which then allows for the resulting stream of risk-adjusted profits to be discounted at the risk-free rate. The relevant Euro swap curve was used as the appropriate risk-free rate at each valuation date.

Converting the aggregate impact of financial risks into a margin on the discount rate captures the increase in risk associated with the level of equity investments, but is also influenced by the level of underlying margins in the business, and the relative size of projected expenses compared to income.

Risk discount rate - margin for non-financial risk

In theory, an investor can diversify away the uncertainty around non-financial risks, and, according to modern finance theory, would not require an additional return for such diversifiable risk. Allowance for non-financial risk is made through the choice of best estimate assumptions, taking into account the impact that the potential variability of the assumptions has on the level and therefore cost of capital. Although Mediolanum considers that the best estimate assumptions are appropriate in this context, it is possible that the use of best estimate assumptions may fail to capture the full impact on future shareholder profits where there is the potential for asymmetry in the results, in other words where the adverse experience has a higher impact than favourable experience. Mediolanum has identified that such asymmetry may exist in the area of operational risks, including administrative expenses, management fees, and persistency.

Practice is evolving regarding the appropriate approach for considering non-financial risk, and Mediolanum is monitoring closely developments in this area, with particular regard also to the potential impacts of Solvency II on the levels of required capital.

In practice, the following approach has been taken for all lines of business. In the first instance, the amount of capital required to meet the Basle II criteria for operational risks has been determined. Secondly, using economic capital techniques, an amount of value of in-force business "at risk" has been determined by applying stress tests on the value of in-force business to the key parameters identified, namely administrative costs, management fees and persistency. The resulting amount of "economic risk capital" has been subjected to a frictional cost of capital charge equal to the impact of taxation.

In addition, the allowance for non-financial risk also incorporates the cost of holding regulatory minimum capital in respect of mortgages and loans in the banking business.

Derived risk discount rates

The following table shows the components of the derived risk discount rates used as at December 31, 2005 and December 31, 2006.

Derived discount rates

	Unit-linked		Asset management		Banking Business	
%	2005	2006	2005	2006	2005	2006
Average risk-free rate	3.60	4.25	3.40	4.20	3.45	4.20
Margin for financial risk	0.85	0.95	2.30	2.30	-	-
Margin for non-financial risks	1.20	1.40	0.80	1.10	2.15	2.20
Risk discount rate	5.65	6.60	6.50	7.60	5.60	6.40

The derived risk discount rates are those which reproduce the value of in-force business in the traditional deterministic framework, using best estimate assumptions, after cost of solvency capital. The average risk-free rate has been determined based on the term structure of the projected profits from the certainty equivalent projections, using the risk-free curve. The allowances for financial and non-financial risks as described above have been converted into an equivalent margin on the discount rate, to determine the final derived discount rate used in the models.

The increase in the average risk-free rates from December 31, 2005 to December 31, 2006 is due to the general increase in the forward yield curve at all durations. The margins for financial risk are stable. On the other hand, the margin for non-financial risks increases between December 31, 2005 and December 31, 2006, primarily as a result of the increase of the forward curve, which has the effect of increasing the cost of required capital because of the higher annual taxation charge on the projected locked-in economic capital.

Financial options and guarantees

The only material financial options and guarantees in Mediolanum's business relate to the traditional revaluable business linked to segregated funds, which have been closed to new business since 1998. The main risk to shareholders is that the return on the assets in the segregated fund is insufficient to meet the financial guarantees during the period to policy maturity, and, for deferred annuities, also during the annuity payout period.

Given the overall materiality to the group a simplified approach has been taken, by constructing a replicating portfolio comprising risk free assets for the market value of the segregated fund assets, and simulating the purchase of floors at market prices to cover the reinvestment risk, after allowing for the effects of the reinsurance treaties in force. It has been assumed that all the deferred annuity policyholders will exercise their annuity take-up options. The time value of financial options and guarantees has been defined as the difference between a certainty-equivalent valuation and the overall valuation. The time value of financial options and guarantees, which has been deducted from the overall embedded values, is equal to approximately 35 million Euro as at December, 31 2006 (41 million Euro as at December 31, 2005). The decrease in the time value of options and guarantees during 2006 is primarily associated with the reduction in the volatility of swaption prices during the year.

Results representation

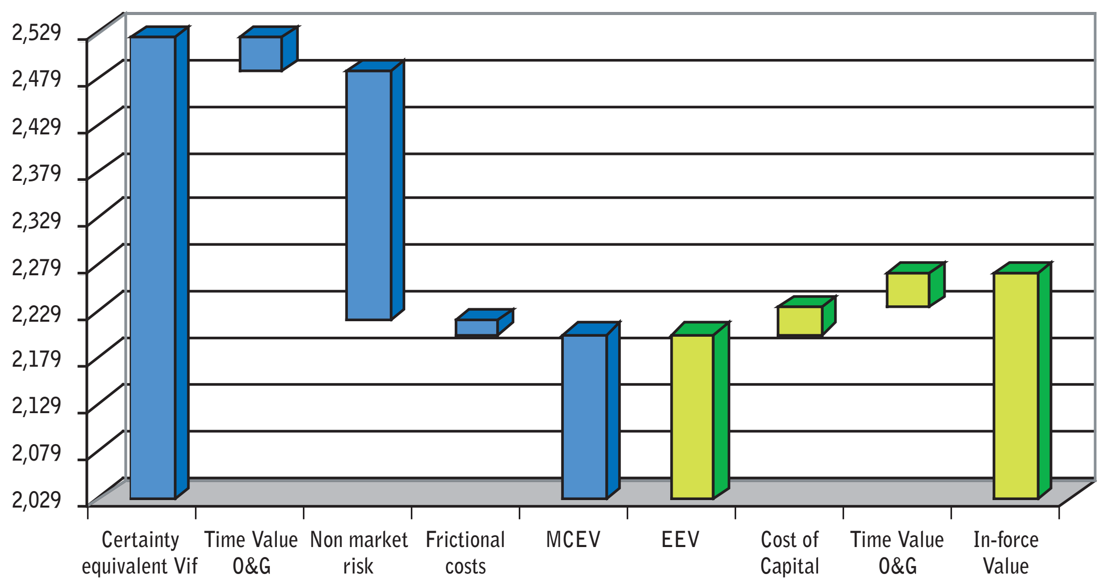
As mentioned before, the embedded value has been calculated using a market-consistent framework to value financial risks, an allowance for non-financial risks, and the deduction of a frictional cost of required capital and the time value of financial option and guarantees for the traditional business. To maintain consistency with the previous approach used to report embedded values and embedded value earnings and allow like-for-like comparisons, equivalent risk discount rates have then been derived so as to produce the same results when input into the traditional deterministic models, which use best estimate assumptions, after the cost of solvency capital.

The table and the graph below show a reconciliation of the two approaches for the Italian Life and Asset Management business.

Reconciliation of the market-consistent embedded value

Euro millions	MCEV	EEV
Certainty equivalent VIF/VIF	2,525	2,271
Time value of options and guarantees	(35)	(35)
Non-market risk	(268)	-
Frictional cost of capital	(16)	-
Traditional cost of capital	-	(30)
Value of in-force business	2,206	2,206

Embedded Value reconciliation



Expenses and development costs

Expense assumptions are actively reviewed, and are based on the entire consolidated company costs, including all holding company and service company costs. Mediolanum has excluded 14 million Euro of development costs from the expenses allocated to the lines of business in 2006.

Costs have been allocated to the separate lines of business and then fully allocated to acquisition, maintenance and investment activities.

Tax

Projected profits have been subjected to normal tax rates in the country of emergence. Account has been taken of the taxation treatment of profits projected to be remitted to Italy.

Participating business

For the Italian traditional revaluable business, policyholder profit participation has been assumed to continue to follows current company practice.

Residual assets

There are no projected residual assets.

Definition of new business

New life business relates to new policies issued during the year excluding those resulting from the transformation or switch of existing policies, together with discretionary increases in the level of regular premiums on existing policies. New life business volumes used to calculate the value of new business in 2006 in Italy were 185 million Euro of annualised regular premiums (of which 26 million Euro related to discretionary increases), 516 million Euro of unit-linked single premiums, and 1,175 million Euro of index-linked single premiums. Additional index-linked premiums of 148 million Euro have been excluded from the new business volumes as they arise from the contestual redemption of old-generation DiPiù policies.

New asset management business is defined as the sum of retail gross inflows net of internal switches within the mutual funds and managed accounts, and totals 70 million Euro for mutual fund instalment plans, 1,315 million Euro of lump-sum investments in mutual funds and 40 million Euro for managed accounts. Of the total mutual fund production shown above, real estate funds accounted for 1 million Euro of instalment plans and 24 million Euro of lump-sum investments. Portfolio accounted for 223 million Euro of new lump-sum investments; in calculating the volume and value of new business, the switches of 140 million Euro from managed accounts to Portfolio in the first months of the year have been excluded.

New life business in Spain comprised 129 million Euro of single premium business, of which index-linked comprise 102 million Euro, and regular premium unit-linked business for 4.9 million Euro. New asset management business in 2006 comprised lump-sum investments of 177 million Euro in Spanish funds, and 58 million Euro in Irish mutual fund products.

New banking business comprises new bank accounts and deposit accounts in the year, for 537 million Euro, and new mortgages issued for 259 million Euro, of which 163 million Euro proprietary mortgages.

Assumptions

The following section sets out the main assumptions used in the embedded value calculations at December 31, 2006, 2005 and 2004.

Best-estimate economic assumptions

Best-estimate economic assumptions are actively reviewed and are based on the market yields on risk-free instruments at different durations at the respective valuation dates. The projected total returns on equities have been assumed to yield a 3% margin over the 10-year Euro AAA government bond yield. The return on other assets was set using benchmarks consistent with the base scenario. The following table shows the main economic assumptions.

Economic assumptions at December, 31

%	2004	2005	2006
Pre-tax investment returns:			
Benchmark 10-year BTP	3.85	3.50	4.15
Liquidity	2.25	2.40	3.65
Equity	6.65	6.30	6.95
Inflation			
Consumer prices	2.00	1.75	1.75
Expenses	2.50	2.25	2.25
Taxation			
Italy	38.25	38.25	38.25
Ireland	12.5	12.5	12.5
Spain	35.0	35.0	35.0 *
Average RDR (in-force business)	6.27	5.80	6.73

* Reducing to 30% by 2008.

Pre-tax rates of returns on assets backing technical reserves were set consistent with the above benchmark rates, taking into consideration the related asset mix, resulting in assumptions for the Italian segregated funds of 4.0% for the 2006 valuation (3.70% in 2005, 4.00% in 2004). These rates of return already include the impact of unrealised capital gains/losses in segregated fund assets. Investment returns on unit-linked funds, and mutual funds and managed accounts business, were determined on the basis of the asset mix of each fund, with average results for the Italian business before costs and taxes, of 5.75% for unit-linked funds (5.00% in 2005, 4.95% in 2004) and of 5.95% for Asset management products (5.20% in 2005, 5.35% in 2004).

The consumer price inflation rate shown above is used to determine the projected automatic premium increases, generally equal to the growth in the consumer price index plus 3%, for products with this characteristic. Management expenses expressed as a per-policy amount are assumed to increase at the expense inflation rate.

Market-consistent economic assumptions

The risk-free rates used in the certainty-equivalent projections are calibrated to the Euro swap curve, and the implied swaption volatilities to market prices of swaptions for various tenors and option terms. The following table shows selected data.

Sample swap rates and implied volatilities

	Term to Maturity				
%	1	5	10	15	20
Swap rates					
December 31, 2004	2.37	3.16	3.75	4.06	4.24
December 31, 2005	2.88	3.22	3.45	3.64	3.73
December 31, 2006	4.08	4.13	4.20	4.27	4.31
15 year Swaption volatility					
December 31, 2004	14.2	12.6	10.9	9.6	9.3
December 31, 2005	16.2	15.9	14.5	13.7	13.4
December 31, 2006	13.5	13.2	12.1	11.5	11.2

Other assumptions

Assumed future rates of mortality, lapse, failure to maintain recurrent premiums and other exits, including total and partial disinvestment rates for the asset management business, were derived from an analysis of the Mediolanum Group's recent operating results and, where appropriate, took into consideration the experience of the life, asset management and banking sectors.

The general and administrative costs incurred by the Group, including depreciation costs, but excluding the development costs, were subdivided by business line, and within each line into the costs pertaining to investment, the acquisition of new business and the management of the in-force business.

Assumed levels of future commission and override payments to agents and sales-people were based on the Mediolanum Group's recent operating experience.

Participation rates and other charges on Life policies and management fees on funds were assumed to be maintained in the future at the prevailing levels on each valuation date. Likewise the charging structure on banking products was assumed to be maintained in the future.

It was assumed that no changes will be made in the principles and technical bases used to calculate technical reserves and surrender values.

For performance fees, a series of conservative rates, based on experience to date, were assumed. Experience variances, in the analysis of the components of embedded value earnings, have included positive contributions of 46 million Euro in 2006 and 102 million Euro in 2005, as a result of actual experience exceeding the assumptions used at the beginning of the year.

Allowance was made for reinsurance of in-force life policies outside the Mediolanum Group, which relates mainly to various quota share financing treaties written in the years up to 1994. No new financing reinsurance arrangements have been made since 1995.

The cost of maintaining solvency capital in the traditional framework was determined on the assumption that assets (mainly bonds) backing solvency capital yielded an average annual pre-tax return of 4.0% in 2006 valuation and 3.7% in 2005. Based on these assumptions, the cost of solvency capital which was deducted from the discounted value of future after-tax statutory profits to determine the value of in-force Life business reported above, 31 million Euro as at December 31, 2006 and 32 million Euro as at December 31, 2005. The cost, which is already allowed for in the value added by Life new business in 2006, is approximately 2.2 million Euro.

Statement by Directors

The directors confirm that the embedded value as at December 31, 2006, and the embedded value earnings including the value added by new business in 2006 have been determined using methodology and assumptions which are compliant with the EEV Principles.

External opinion

Tillinghast, the global insurance and financial services consulting business of Towers Perrin has assisted the Mediolanum Group regarding the methodology and assumptions to be used, and has calculated the European Embedded Value of the Group as at 31 December 2006, together with the embedded value earnings in the year 2006. In determining the estimates of value Tillinghast has relied on data and information provided by the Mediolanum Group, which has been reviewed for reasonableness and consistency with industry knowledge, but Tillinghast has not undertaken independent checks of the data and other information supplied.

Tillinghast has reported that it considers that the methodology and assumptions used comply with the EEV Principles and Guidance as published by the CFO Forum, and in particular:

- that the methodology makes allowance for the aggregate risks in the covered business through:
  - (i) the incorporation of risk margins in the discount rate used to discount projected future profits determined using best estimate assumptions, using

    a) a market-consistent valuation of financial risk,

    b) an allowance for non-financial risk based on the frictional cost of an amount of capital that would be required to cover operational risk requirements under Basel II and the value at risk with respect to key operating variables such as persistency, costs and management fees,
  - (ii) the deduction of the cost of required capital based on minimum EU solvency margins for non-index-linked life business, and a risk-based capital allowance for index-linked business; and
  - (iii) the deduction of the time value of financial options and guarantees for traditional business;
- that the operating assumptions have been set with appropriate regard to past, current and expected future experience;
- that the economic assumptions used are internally consistent and consistent with observable market data;
- for revaluable business, the assumed revaluation rates, and the retrocession rates, are consistent with the projection assumptions, established company practice and local market practice.

Tillinghast considers that the reported results for the embedded value, embedded value earnings and the value of new business are reasonable in the context of embedded value reporting under the EEV Principles.

Appendix 1 - Segmental reporting

The following tables show the value of in-force business as at December 31, 2006 and the value of new business in 2006, broken down by business segment.

Value of in-force business as at December 31, 2006 by segment

Euro millions	Italy	Spain	Total
Life insurance (excluding index-linked)	1,860	21	1,881
Index-linked life insurance	14	0	14
Asset management	332	14	346
Current and deposit accounts	118	n/a	118
Mortgages	14	n/a	14
Total	2,338	35	2,373

Value of new business in 2006 by segment

Euro millions	Italy	Spain	Total
Life insurance (excluding index-linked)	154	10	164
Index-linked life insurance	34	7	41
Asset management	43	1	44
Current and deposit accounts	9	n/a	9
Mortgages	6	n/a	6
Total	246	18	264

Appendix 2 - Sensitivity tests

This section shows the sensitivity of the value of in-force business as at December 31, 2006 and the value of 2006 new business to changes in key assumptions.

- RDR +1% / RDR -1%: sensitivity to the corresponding change in the discount rate.
- Equity and Property Yield +1%: sensitivity to a 100 basis points increase in the equity/property return.
- Risk free rates +0.5%: sensitivity to an upward parallel shift of 50 basis points in the underlying market risk free rates, accompanied by an upward shift of 50 basis points in all economic assumptions. The discount rate is then recalculated.
- Risk free rates -0.5%: sensitivity to a downward parallel shift of 50 basis points in the underlying market risk free rates, accompanied by a downward shift of 50 basis points in all economic assumptions. The discount rate is then recalculated.
- Equity and Property Capital Value -10%: sensitivity to a 10% market value reduction at valuation date for equity and property investments.
- Equity and Property Capital Value +10%: sensitivity to a 10% market value increase at valuation date for equity and property investments.
- Maintenance expenses -10%: sensitivity to a 10% decrease of maintenance expenses (90% of best estimate maintenance expenses parameters). Investment expenses are unchanged in this test.
- Acquisition expenses -10%: sensitivity to a 10% decrease of acquisition expenses (90% of best estimate acquisition expenses parameters).
- Lapse Rate -10%: sensitivity to a 10% decrease of lapse rates (90% of best estimate lapse rates). This does not apply to partial withdrawals.

For each sensitivity test, all the other assumptions remain unchanged, except for those tests which directly affect economic conditions; in these cases the derived risk discount rate has also been recalculated, given the use of market-consistent methodology to set the allowance for financial risk.
For the sensitivity to the risk free rates, the calculation has been performed only for linked business and for the projected values only.

For the sensitivity to the equity values the calculation has been performed assuming that the portfolio is rebalanced to achieve the same asset mix as currently persists

The sensitivity to the increase on equity and property returns has no effect, given the use of market-consistent methodology to set the discount rates. The following tables show the sensitivity separately for the life, asset management and banking businesses.

Sensitivity analysis - Life business

Euro millions	Value of in-force business	Value of new business
Base value	1,895	205
1% increase in discount rates	(161)	(20)
1% decrease in discount rates	187	23
1% increase in return on equity and property	-	-
0.5% reduction in risk free rates	55	8
0.5% increase in risk free rates	(68)	(9)
10% decrease in equity values	(68)	(8)
10% increase in equity values	70	8
10% decrease in maintenance expenses	12	2
10% decrease in acquisition expenses	n/a	6
10% decrease in lapse rates	69	10

Sensitivity analysis - Asset management business

Euro millions	Value of in-force business	Value of new business
Base value	346	44
1% increase in discount rates	(12)	(2)
1% decrease in discount rates	13	2
1% increase in return on equity and property	-	-
0.5% reduction in risk free rates	1	-
0.5% increase in risk free rates	(1)	-
10% decrease in equity values	(28)	(4)
10% increase in equity values	28	4
10% decrease in maintenance expenses	8	1
10% decrease in acquisition expenses	n/a	2
10% decrease in lapse rates	17	3

Sensitivity analysis - Banking business

Euro millions	Value of in-force business	Value of new business
Base value	132	15
1% increase in discount rates	(6)	(2)
1% decrease in discount rates	7	1
1% increase in return on equity and property	-	-
10% decrease in maintenance expenses	22	6
10% decrease in acquisition expenses	n/a	1
10% decrease in lapse rates	7	1

Appendix 3 - Embedded value earnings

The following table shows the breakdown of the embedded value earnings in 2006 into its key components. Embedded value earnings are separated between the movements in adjusted shareholders' net assets and those in the value of in-force business. Opening and closing EEV are shown inclusive of dividends to be paid in the following year.

Embedded value earnings in 2006

Euro millions	Value of in-force business	Value of new business	EEV
EEV 31.12.2005	648	2,303	2,951
Expected result	241	(88)	153
Experience variances	44	(63)	(19)
Changes in operating assumptions	-	(57)	(57)
Changes in economic assumptions	-	(39)	(39)
Business transformation	3	(1)	2
Value added by new business	(46)	318	272
Dividends and other capital movements	(141)	-	(141)
EEV 31.12.2006	749	2,373	3,122
EV earnings			312
Return on EV			10.6%

TOWERS
PERRIN

TILLINGHAST

Milan, 28 March 2007

Egregio signor
Ennio Doris
Amministratore Delegato
Mediolanum S.p.A.
Via F. Sforza - Milano 3 City

20080 BASIGLIO (MI)

Egregio signor Doris,

DISCLOSURE ON THE EMBEDDED VALUE

Tillinghast, the global insurance and financial services consulting business of Towers Perrin, has assisted the Mediolanum Group regarding the methodology and the assumptions to be used, and has calculated the embedded value of the Group as at 31 December 2005 and 2006 together with the embedded value earnings in the years 2005 and 2006, concerning the life and asset management businesses distributed in Italy and Spain and the most significant parts of the Italian banking business.

For all the values shown in this document, Mediolanum has adopted the European Embedded Value (EEV) Principles published by the CFO Forum. The methodology, the main assumptions and the results are explained in more detail in the attached supplementary information disclosure document. In particular a market-consistent approach has been used in the valuation of financial risk.

EMBEDDED VALUE

Using the methodology and the main assumptions summarised in the supplementary information document, the following table shows the principal results at a consolidated level as at 31 December 2005 and 2006, determined in accordance with the EEV Principles.

Towers, Perrin, Forster & Crosby, Inc., Capitale Sociale: USD 36.280,00 i.v.
Sede secondaria per l'Italia — Registro Imprese di Milano, C.F. e P. IVA IT 08946420158 R.E.A. 1260190

Via Chiossetto, 18 - 20122 Milano tel (39) 02 778 721 fax (39) 02 77 87 22 35 www.towersperrin.com
Ufficio di Roma: Via Boezio, 6 - 00192 Roma tel (39) 06 3280 3420 fax (39) 06 3280 3501 www.towersperrin.com

TOWERS PERRIN TILLINGHAST

Embedded Value (Euro million)

	31 December 2005	31 December 2006
Adjusted net worth	648	749
value of in-force life business	1,793	1,895
value of in-force asset management business	410	346
value of in-force banking business	100	132
Value of in-force business	2,303	2,373
Embedded Value	2,951	3,122

The discount rates vary between lines of business since they reflect the risk profile of the underlying business; the average discount rate, weighted by value of in-force business is 6.73% as at 31 December 2006 (5.80% as at 31 December 2005).

EMBEDDED VALUE EARNINGS

The following table shows the principal components of the Mediolanum Group's embedded value earnings in the years 2005 and 2006.

Embedded Value Earnings (Euro million)

	2005	2006
Expected return	143	153
Experience variances	259	(19)
Operating assumption changes	(43)	(57)
Economic assumption changes	31	(39)
Business transformations	-	2
New Life business	162	211
New Asset Management business	52	46
New Banking business	10	15
Embedded value eamings	614	312

TOWERS PERRIN
TILLINGHAST

OPINION

Tillinghast has assisted the Mediolanum Group regarding the methodology and assumptions to be used, and has calculated the European Embedded Value of the Group as at 31 December 2005 and 2006, together with the embedded value earnings in the years 2005 and 2006. In determining the estimates of valueTillinghast has relied on data and information provided by the Mediolanum Group, which has been reviewed for reasonableness and consistency with industry knowledge, but Tillinghast has not undertaken independent checks of the data and other information supplied.

Tillinghast considers that the methodology and assumptions used comply with the EEV Principles and Guidance as published by the CFO Forum, and in particular:

- that the methodology makes allowance for the aggregate risks in the covered business through:
  - (i) the incorporation of risk margins in the discount rate used to discount projected future profits determined using best estimate assumptions, using
    a) a market-consistent valuation of financial risk,
    b) an allowance for non-financial risk based on the frictional cost of an amount of capital that would be required to cover operational risk requirements under Basel II and the value at risk with respect to key operating variables such as persistency, costs and management fees,
  - (ii) the deduction of the cost of required capital based on minimum EU solvency margins for non-index-linked life business, and a risk-based capital allowance for index-linked business; and
  - (iii) the deduction of the time value of financial options and guarantees for traditional business;
- that the operating assumptions have been set with appropriate regard to past, current and expected future experience;
- that the economic assumptions used are internally consistent and consistent with observable market data;
- for revaluable business, the assumed revaluation rates, and the retrocession rates, are consistent with the projection assumptions, established company practice and local market practice.

Tillinghast considers that the results for the embedded value, embedded value earnings and the value of new business, reported in the enclosed supplementary information, are reasonable in the context of embedded value reporting under the EEV Principles.

Yours sincerely

Andrew Milton
Fellow of the Institute of Actuaries

Vittorio Chimenti
Attuario

MEDIOLANUM S.p.A.

Consolidated Accounts 2006

Balance sheet

Assets

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Intangible assets		
1.1 Goodwill	162,414	162,414
1.2 Other intangible assets	19,327	25,516
Total intangible assets	181,741	187,930
2. Tangible assets		
2.1 Property	57,680	59,831
2.2 Other tangible assets	17,180	17,235
Total tangible assets	74,860	77,066
3. Reinsurers' share of technical reserves	103,176	105,737
4. Investments		
4.1 Investment property	6,967	22,276
4.2 Investments in subsidiaries, associates and jvs	39,326	31,154
4.3 Held to maturity investments	567,544	733,680
4.4 Loans and receivables	3,311,815	3,342,392
4.5 Available for sale financial assets	959,715	845,166
4.6 Financial assets at fair value through profit and loss	15,233,145	12,643,332
Total investments	20,118,512	17,618,000
5. Receivables		
5.1 Arising out of direct insurance business	13,806	11,543
5.2 Arising out of reinsurance business	-	-
5.3 Other receivables	1,214	1,966
Total receivables	15,020	13,509
6. Other assets		
6.1 Non current assets or assets of disposal groups, held for sale	414	372
6.2 Deferred acquisition costs	-	-
6.3 Deferred tax assets	45,181	39,847
6.4 Current tax assets	145,208	121,098
6.5 Other assets	191,989	207,334
Total other assets	382,792	368,651
7. Cash and cash equivalents	441,012	522,869
TOTAL ASSETS	21,317,113	18,893,762

Shareholders' equity and liabilities

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Shareholders' equity		
1.1 Group shareholders' equity		
1.1.1 Share capital	72,884	72,738
1.1.2 Other equity instruments	-	-
1.1.3 Capital reserves	52,561	50,358
1.1.4 Retained earnings and other equity reserves	439,761	349,518
1.1.5 Treasury shares (-)	(2,045)	(2,045)
1.1.6 Exchange difference reserves	-	-
1.1.7 Gains or losses on available for sale financial assets	117,465	104,105
1.1.8 Other gains or losses recognised directly in equity	-	-
1.1.9 Net profit (loss) for the year attributable to the Group	223,678	233,312
Total capital and reserves attributable to the Group	904,304	807,986
1.2 Attributable to minority interests		
1.2.1 Capital and reserves attributable to minority interests	-	-
1.2.2 Gains (losses) recognised directly in equity	-	-
1.2.3 Net profit (loss) for the year attributable to minority interests	-	-
Total capital and reserves attributable to minority interests	-	-
Total shareholders' equity	904,304	807,986
2. Provisions	67,598	57,422
3. Technical reserves	13,306,917	11,201,382
4. Financial liabilities		
4.1 Financial liabilities at fair value through profit and loss	1,100,993	1,399,692
4.2 Other financial liabilities	5,489,093	4,971,315
Total financial liabilities	6,590,086	6,371,007
5. Payables		
5.1 Arising out of direct insurance business	13,489	8,357
5.2 Arising out of reinsurance business	1,663	900
5.3 Other payables	248,461	208,346
Total payables	263,613	217,603
6. Other liabilities		
6.1 Liabilities of disposal groups held for sale	-	-
6.2 Deferred tax liabilities	19,630	17,441
6.3 Current tax liabilities	40,570	43,910
6.4 Other liabilities	124,395	177,010
Total other liabilities	184,595	238,361
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	21,317,113	18,893,762

Income statement

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Revenues		
1.1 Net premiums written		
1.1.1 Gross premiums written	3,350,402	2,455,254
1.1.2 Reinsurance premiums	(6,072)	(6,530)
Total premiums written	3,344,330	2,448,724
1.2 Commission income	582,629	576,816
1.3 Net income on financial instruments at fair value through profit and loss	431,769	1,131,050
1.4 Income on investments in sudsidiaries, associates and jvs	8,180	7,684
1.5 Income on other financial instruments and investment property		
1.5.1 Interest income	162,472	131,220
1.5.2 Other income	26,319	9,442
1.5.3 Realised gains	11,328	14,319
1.5.4 Unrealised gains	5,632	7,434
Total income on other financial instruments and investment property	205,751	162,415
1.6 Other revenues	25,560	28,638
Total revenues and income	4,598,219	4,355,327
2. Costs		
2.1 Net claims and benefits		
2.1.1 Amounts paid and change in technical reserves	(3,529,051)	(3,390,491)
2.1.2 Reinsurers' share	7,988	8,295
Net claims and benefits	(3,521,063)	(3,382,196)
2.2 Commission expense	(203,766)	(141,113)
2.3 Losses on investments in subsidiaries, associates and jvs	-	-
2.4 Loss on other financial instruments and investment property		
2.4.1 Interest expense	(92,890)	(71,893)
2.4.2 Other expenses	(1,122)	(1,685)
2.4.3 Realised losses	(7,600)	(248)
2.4.4 Unrealised losses	(9,271)	(11,414)
Loss on other financial instruments and investment property	(110,883)	(85,240)
2.5 Operating expenses		
2.5.1 Agents' commissions and other acquisition costs	(156,824)	(138,978)
2.5.2 Investment management expenses	(339)	(484)
2.5.3 Other administrative expenses	(254,792)	(230,015)
Total operating expenses	(411,955)	(369,477)
2.6 Other costs	(65,456)	(87,340)
Total costs	(4,313,123)	(4,065,366)
Profit (loss) before tax for the period	285,096	289,961
3. Income tax	(61,460)	(56,649)
Profit(loss) for the period	223,636	233,312
4. Profit (loss) from discountinued operations	42	-
Group net profit (loss) for the period	223,678	233,312

Statement of changes in shareholders' equity

€/'000	Balance at Dec. 31, 2004	Adjustment to closing balance	Amount credited	Transferred to the Income Statement	Other movements	Balance at Dec. 31, 2005
Shareholders' equity attributable to the Group						
Share capital	72,567	-	171	-	-	72,738
Other equity instruments	-	-	-	-	-	-
Capital reserves	47,807	-	2,551	-	-	50,358
Retained earnings and other equity reserves	364,365	(14,633)	61,580	-	(61,794)	349,518
(Treasury shares)	-	(2,045)	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Gains (losses) on available-for-sale financial assets	-	35,178	73,237	(4,310)	-	104,105
Other gains (losses) recognised directly in equity						
Gains (losses) on cash flow hedges	-	-	-	-	-	-
Gains (losses) on hedges of a net investment in a foreign operation	-	-	-	-	-	-
Reserve relating to changes in the equity of investees	-	-	-	-	-	-
Intangible assets revaluation reserve	-	-	-	-	-	-
Tangible assets revaluation reserve	-	-	-	-	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Net profit (loss) for the period	159,055	-	175,797	-	(101,540)	233,312
Total shareholders' equity attributable to the Group	643,794	18,500	313,336	(4,310)	(163,334)	807,986
Shareholders' equity attributable to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognised directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity attributable to minority interests	-	-	-	-	-	-
TOTAL	643,794	18,500	313,336	(4,310)	(163,334)	807,986

€/'000	Balance at Dec. 31, 2005	Adjustment to closing balance	Amount credited	Transferred to the Income Statement	Other movements	Balance at Dec. 31, 2006
Shareholders' equity attributable to the Group						
Share capital	72,738	-	146	-	-	72,738
Other equity instruments	-	-	-	-	-	-
Capital reserves	50,358	-	2,203	-	-	52,561
Retained earnings and other equity reserves	349,518	-	2,373	-	87,870	439,761
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Gains (losses) on available-for-sale financial assets	104,105	-	-	13,360	-	117,465
Other gains (losses) recognised directly in equity						
Gains (losses) on cash flow hedges	-	-	-	-	-	-
Gains (losses) on hedges of a net investment in a foreign operation	-	-	-	-	-	-
Reserve relating to changes in the equity of investees	-	-	-	-	-	-
Intangible assets revaluation reserve	-	-	-	-	-	-
Tangible assets revaluation reserve	-	-	-	-	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Net profit (loss) for the period	233,312	-	-	-	(9,634)	223,678
Total shareholders' equity attributable to the Group	807,986	-	4,722	13,360	78,236	904,304
Shareholders' equity attributable to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognised directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity attributable to minority interests	-	-	-	-	-	-
TOTAL	807,986	-	4,722	13,360	78,236	904,304

Consolidated cash flow statement

Indirect method

€/'000	Dec. 31, 2006	Dec. 31, 2005
Profit (loss) before tax for the period	285,096	289,961
Changes in non-monetary items	2,484,493	2,137,666
Change in unearned premiums reserve (general business)	-	-
Change in outstanding claims reserve and other technical reserves (general business)	-	-
Change in mathematical reserves and other technical reserves (Life business)	2,108,096	935,110
Change in deferred acquisition costs	-	-
Change in provisions	10,176	25,447
Non-monetary income (losses) on financial instruments, investment property and equity investments	366,221	1,133,671
Other changes	-	43,438
Changes in receivables and payables arising out of operating activities	(40,517)	62,499
Changes in receivables and payables arising out of direct insurance and reinsurance operations	3,632	3,641
Changes in other receivables and payables	(44,149)	58,858
Income tax paid	(42,510)	(48,236)
Net cash from monetary items relating to investment and financial activities	179,418	252,265
Liabilities on financial contracts issued by insurance companies	(298,699)	(60,353)
Amounts due to banks and banking customers	517,778	61,847
Loans to and receivables from banks and banking customers	(28,997)	31,948
Other financial instruments at fair value through profit or loss	(10,664)	219,183
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,865,980	2,694,155
Net cash from investment property	15,309	11,112
Net cash from subsidiaries, associates and *joint ventures*	(9,972)	(5,865)
Net cash from loans and receivables	59,574	(884,518)
Net cash from held-to-maturity investments	166,136	769
Net cash from available-for-sale financial assets	(114,549)	(106,847)
Net cash from tangible and intangible assets	8,395	18,708
Other cash flows from investment activities	(2,945,370)	(1,561,044)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(2,820,477)	(2,527,685)
Net cash from equity instruments attributable to the Group	18,194	94,214
Net cash from treasury shares	-	-
Distribution of dividends attributable to the Group	(145,554)	(163,334)
Net cash from capital and reserves attributable to minority interests	-	-
Net cash from subordinated liabilities and quasi-equity instruments	-	-
Net cash from miscellaneous financial liabilities	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	(127,360)	(69,120)
Effect of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	522,869	425,519
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(81,857)	97,350
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	441,012	522,869

MEDIOLANUM S.p.A.

Notes to the Consolidated Annual Financial Statements 2006

Notes to the Consolidated Annual Financial Statements for the year ended December 31, 2006

These notes are structured as follows:

Part A - Accounting Basis and Scope of Consolidation
Part B - Accounting policies
Part C - Information on the balance sheet
Part D - Information on the income statement
Part E - Segment reporting
Part F - Information on risks and risk management
Part G - Business combinations
Part H - Related Party Transactions
Part I - Equity-settled share-based payment transactions

PART A - ACCOUNTING BASIS AND SCOPE OF CONSOLIDATION

Pursuant to Legislative Decree No. 38 of February 28, 2005, the consolidated financial statements for the year ended December 31, 2006 of the Mediolanum Group were prepared in accordance with the International Accounting and Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002.

Pursuant to Legislative Decree 142 of May 30, 2005 the Mediolanum Group is a financial conglomerate that operates primarily in the insurance business.
In accordance therewith, the Mediolanum Group's financial statements for the year ended December 31, 2006 were prepared following the "Instructions for the preparation of IFRS consolidated accounts" issued by ISVAP (Italy's supervisory authority for insurance companies) as part of its Regulation No. 2404 of December 22, 2005, within the authority conferred upon it under art. 9 of Legislative Decree 38 of February 28, 2005.

Accounting Basis

In the preparation of the financial statements the Group applied the International Accounting and Financial Reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2006, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
The interpretations and amendments which came into effect on January 1, 2006 did not entail any changes in the accounting standards applied in the preparation of the consolidated financial statements for the year ended December 31, 2006 over those applied in the preparation of the consolidated financial statements for the year ended December 31, 2005.
The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report.
The accounts and the notes also include comparative information for the year ended December 31, 2005.
In accordance with art. 5 of Legislative Decree No. 38 of February 28, 2005 the financial statements were prepared using the euro as reporting currency.
Except where otherwise stated the amounts set out in the Accounts, the Notes and the Directors' Report are presented in thousands of euro.
In applying IAS/IFRS no departure was made from requirements therein.

Scope of consolidation

The consolidated financial statements include the accounts of Mediolanum S.p.A. and those of its directly or indirectly controlled subsidiaries, including subsidiaries whose business activities are dissimilar from those of the Parent Company, as expressly required by the international accounting standards.
The subsidiaries which are consolidated on a line-by-line basis in accordance with the international accounting standards are set out in the table below.

Group companies that are directly owned by Mediolanum S.p.A and consolidated on a line-by-line basis:

€/'000 Company	Share capital	% holding	Registered Office	Business
Mediolanum Vita S.p.A.	87,720	100.00	Basiglio	Life Insurance
Partner Time S.p.A.	520	100.00	Basiglio	Life Insurance distribution
Mediolanum Comunicazione S.p.A.	775	100.00	Basiglio	Audio/film/TV production
PI Distribuzione S.p.A.	517	100.00	Basiglio	Real estate brokerage
Mediolanum International Life Ltd	1,395	100.00	Dublin	Life Insurance
Banca Mediolanum S.p.A.	371,000	100.00	Basiglio	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	49.00	Basiglio	Fund management
Mediolanum International Funds Ltd	150	46.50	Dublin	Fund management
Mediolanum Asset Management Ltd	150	49.00	Dublin	Asset management and advice

Group companies that are indirectly owned by Mediolanum S.p.A. through Banca Mediolanum S.p.A. and consolidated on a line-by-line basis:

€/'000 Company	Share capital	% holding	Registered Office	Business
Mediolanum Distribuz.Finanz. S p.A.	1,000	100.00	Basiglio	Financial Brokerage
Mediolanum Gestione Fondi SGR p.A.	5,165	51.00	Basiglio	Fund management
Mediolanum International Funds Ltd	150	53.50	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.00	Dublin	Asset management and advice
Banco de Finanzas e Inversiones S.A.	66,032	100.00	Barcelona	Banking
Ges Fibanc SGIIC S.A.	2,506	100.00	Barcelona	Fund management
Fibanc S.A.	301	100.00	Barcelona	Financial advice
Fibanc Pensiones S.G.F.P. S.A.	902	100.00	Barcelona	Pension fund management
Fibanc Faif S.A.	60	100.00	Barcelona	Financial advice
Mediolanum International S.A.	71,500	99.997	Luxembourg	Sub-holding company
Gamax Holding AG	5,618	100.00	Luxembourg	Sub-holding company
Gamax Management AG	125	100.00	Luxembourg	Fund management
Gamax Broker Pool AG	500	100.00	Munich	Fund distribution
Gamax Austria GmbH	40	100.00	Salzburg	Fund distribution
Bankhaus August Lenz & Co. AG	20,000	100.00	Munich	Banking

Mediolanum S.p.A. associates accounted for using the equity method:

€/'000 Company	Share capital	% holding	Registered Office	Business
Banca Esperia S.p.A.	13,000	48.50	Milan	Banking

Methods of consolidation

Subsidiaries are consolidated on a line-by-line basis, while associates are accounted for using the equity method.

Consolidation on a line-by-line basis

Consolidation is the combination of the accounts of the parent company and those of its subsidiary line by line by adding together like items of the balance sheet and the income statement. After minority interests in the net assets and minority interests in the profit or loss of subsidiaries are separately identified, the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated.

Any resulting difference, if positive, after recognition of the assets or liabilities of the subsidiary, is recognised as goodwill under "Intangible Assets" on first-time consolidation, and under "Other Reserves" thereafter. Negative differences are recognised in the income statement.
Intercompany assets, liabilities, income and expenses are eliminated in full.

The income and expenses of a subsidiary acquired during the reporting period are included in the consolidated financial statements from the date of acquisition. Accordingly, the income and expenses of a subsidiary disposed of in the reporting period are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary. Any difference between the consideration for the disposal of the subsidiary and its carrying amount as of the date of disposal is recognised in the income statement.
The financial statements of the Parent Company and those of its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date.
When a company within the Group uses different accounting policies, in preparing the consolidated financial statements adjustments are made to make them uniform with the accounting policies adopted by the Group.

Equity method

Under the equity method, an investment is initially recognised at cost and its carrying amount is increased or decreased thereafter to reflect the value of the investor's share of the investee's equity and profit.

The investor's share of the profit or loss of the investee is recognised under the relevant item in the consolidated income statement.
If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the associate, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resulting difference is recognised in the income statement.
In applying the equity method to investments in associates the approved IAS/IFRS annual financial statements of associates were used.

PART B - ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the consolidated financial statements for the year ended December 31, 2006.

Financial assets at fair value through profit or loss

This category includes:

- investment contracts to the benefit of life policyholders who bear the risk thereof and in connection with pension fund management;
- financial assets held for trading.

Financial assets at fair value through profit or loss consist of debt securities, equities and trading derivatives with positive fair value .

Financial assets at fair value through profit or loss are initially recognised on the settlement date if they are debt securities and equities, and on the date they are extended if they are derivatives.

On initial recognition financial assets at fair value through profit or loss are measured at cost, i.e. the fair value of the instrument, without adding directly attributable transaction costs or income.

After initial recognition financial assets at fair value through profit or loss are measured at their fair value.

The fair value of a financial instrument quoted in an active market[1] is determined using its market quotation. If the market for a financial instrument is not active, fair value is determined using estimation and valuation techniques which measure all instrument-related risks and use market data, e.g. the quoted price of instruments with similar characteristics, discounted cash flow analysis, option pricing models, recent comparable transactions.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are not classified as Loans and Receivables, Financial Assets Held for Trading or Held-to-Maturity Investments.

In particular, shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures are also classified under this category.

Available-for-sale financial assets are initially recognised on the settlement date if they are debt or equity instruments and on the date it is extended if they are loans or receivables.

On initial recognition available-for-sale financial assets are measured at cost, i.e. the fair value of the instrument, plus any directly attributable transaction costs or income. When reclassified out of the Held-to-Maturity Investments category, available-for-sale financial assets are re-measured at their fair value on such reclassification.

[1] A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

After initial recognition available-for-sale financial assets continue to be measured at fair value, and are amortised through profit or loss, while gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.

At each interim and annual balance sheet date the Group assesses whether there is objective evidence of any impairment loss.

If the fair value of a previously impaired asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a loan or receivable or a debt instrument, and in equity if the asset is an equity instrument. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Held-to-maturity investments

Held-to-maturity investments consist of debt securities with fixed or determinable payments and fixed maturity which the Group intends or has the ability to hold to maturity. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as available-for-sale.

Held-to-maturity investments are initially recognised on settlement date.

Held-to-maturity investments are initially measured at cost, including any directly attributable costs or income. When reclassified out of the available-for-sale financial assets category, the fair value on such reclassification is the value of the amortised cost at which held-to-maturity investments are carried.

After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses of held-to-maturity investments are recognised in the income statement when the financial assets is derecognised or impaired, and through the amortisation process.

At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss.

If any such evidence exists, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.

If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

Held-to-maturity investments are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Loans and receivables

This category includes loans to customers and to banks with fixed or determinable payments, that are not quoted in an active market and that, upon initial recognition, were not classified as available-for-sale.
Loans and receivables also include trade receivables, repurchase agreements and securities purchased under a public offering or private placement, with fixed or determinable payments, that are not quoted in an active market.
A loan or receivable is initially recognised at fair value on the date it is extended or, in the case of a debt instrument, on the settlement date. The fair value of a loan or receivable is the loaned amount, or the transaction price, including any directly attributable costs or income determinable on the date it is extended, even if settled at a later date, except for those costs that are reimbursed by the borrower/debtor or are internal administrative costs.
Carryovers and repurchase agreements which entail the obligation for a future resale/repurchase are recognised as funding or lending transactions. Specifically, the amount received for the sale of an asset under an agreement to repurchase it at a future date is recognised in the balance sheet as a debt, while the amount paid for the purchase of an asset under an agreement to resell it at a future date is recognised as a loan.
After initial recognition, loans and receivables are measured at amortised cost. Amortized cost is the amount at which the financial asset is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, plus or minus any directly attributable costs/income and minus/plus any reduction/reversal for impairment. The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the net carrying amount of the asset, i.e. the carrying amount plus/minus any directly attributable costs/income, through the expected life of the asset.
Amortized cost is not applied to short-terms loans and receivables for which the effect of discounting is immaterial. Those loans and receivables are measured at historical cost and the related costs/income are recognised in the income statement over the expected life of the asset. The same measurement method is applied to loans and receivables with no fixed maturity or on demand.
At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition. If there is objective evidence of impairment the loan is classified as "non-performing", "watch-list" or "restructured" in accordance with the instructions issued by the Bank of Italy, which are in line with IAS requirements.
Impaired loans are individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount (measured at amortised cost) at the time of assessment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.
Future cash flows are estimated taking into account the expected time of recovery, the realisable value of any collaterals as well as any costs of recovery. Future cash flows of loans which are expected to be recovered in the short term are not discounted.
The asset's original effective interest rate remains unchanged over time also in the event of a restructuring as a result of which the interest rate changes or the loan or receivable actually carries no interest.
The amount of the impairment loss is recognised in the income statement.
If the value of a previously impaired loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.
If no objective evidence of impairment exists for individually assessed loans – i.e. generally, performing loans – those loans are collectively assessed for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics and the related loss probability is estimated using historical loss rates based on observable data at the time of assessment that can reliably estimate the loss probability of each loan group.
Any collectively assessed impairment loss is recognised in the income statement. At each interim and annual reporting date any additional impairment loss or reversal thereof is calculated in relation to the entire portfolio of performing loans on that same date.

Equity investments

This account relates to investments in associates that are accounted for using the equity method.
An associate is an entity in which the investor holds 20% or more of the voting rights or an entity over which the investor has significant influence under legal arrangements e.g. a shareholders' agreement.
If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the associate, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resultant difference is recognised in the income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
Equity investments are derecognised when the contractual rights to the cash flows from the investment expire or the investment and substantially all the risks and rewards of ownership thereof are transferred.

Investment property and other tangible assets

Tangible assets include land, Group-occupied property, investment property, furnishings, fixtures, fittings, plant and equipment.
These are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one period.
This account also includes assets held under finance leases even when the lessor retains title thereof.
Tangible assets are initially recognised at cost, which comprises the purchase price of the asset and all costs directly attributable to the asset's acquisition and operation.
The costs of major repairs which increase the future economic benefits associated with the asset are recognised in the carrying amount of the asset, while the costs of day-to-day servicing are recognised in the income statement.
Tangible assets, including investment property, are carried at cost less any accumulated depreciation and impairment losses.

Tangible assets are systematically depreciated on a straight-line basis over their useful lives except for land, be it acquired separately or together with buildings, which has an indefinite useful life. Under the international accounting standards land and buildings are separable assets and are to be accounted for separately. When the value of land is embedded in the value of the building, only for land on which a building stands, their respective value is determined by independent valuers.

At each interim and annual reporting date if there is an indication that an asset may be impaired the carrying amount of the asset is compared to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any reduction is recognised as impairment loss in the income statement.

If the value of a previously impaired asset increases, the impairment loss is reversed. The reversal shall not result in a carrying amount of the asset that exceeds what the carrying amount less accumulated depreciation would have been had the impairment loss not been recognised at the date the impairment is reversed.

A tangible asset is derecognised from the balance sheet on disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

Intangible assets include goodwill and the costs of software used over more than one year.

Expenditure on the renovation of leasehold property is capitalised since during the lease term the lessee controls the assets and obtains future economic benefits from them.

Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.

Goodwill is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired.

An intangible asset can be recognised as goodwill when the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired (including any accumulated impairment losses) is representative of the future earnings capabilities of the investee.

Any negative goodwill (badwill) is directly recognised in the income statement.

Goodwill is tested for impairment annually (or any time there is evidence of impairment). To that end goodwill is allocated to a cash-generating unit (CGU). If the recoverable amount of the unit is less than its carrying amount an impairment loss is recognised and the carrying amount of goodwill allocated to the cash-generating unit is reduced. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and its value in use. The impairment loss is recognised in the income statement.

Other intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Expenditure on an intangible item is recognised under intangible assets only if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably, otherwise it is recognised as an expense in the income statement in the year in which it was incurred.

Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount. Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.

At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.
The impairment loss is recognised in profit or loss.
An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Other assets

Other assets include expenditure on the renovation of leasehold property.
Expenditure on the renovation of leasehold property is capitalised since during the lease term the lessee controls the assets and obtains future economic benefits from them.
Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include:

- deposit accounts relating to financial contracts (under which the investment risk is borne by the policyholder) and to the management of pension funds;
- trading derivatives with negative fair value;
- short positions on securities trading.

Deposit accounts relating to financial contracts under which the investment risk is borne by the policyholder reflect with the best possible approximation the value of holdings in investment funds or benchmark stock indices. These liabilities are backed by assets carried at fair value.
The same applies to the liabilities relating to the Previgest Mediolanum non-occupational pension fund.
Financial liabilities are initially recognised at the time the policy is issued or amounts are received.
They are initially measured at the fair value of the assets under the contract (policy), i.e. generally the issue price of the underlying assets.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at fair value.
A financial liability is derecognised when it expires or is extinguished.

Other financial liabilities

Other financial liabilities include reinsurance deposit accounts, the various forms of funding from banks and customers as well as bonds issued net of any buybacks .
Those financial liabilities are initially recognised when amounts are received or bonds are issued.
They are initially measured at fair value, i.e. generally the amount received or the issue price, plus any additional costs/ income directly attributable to the individual funding transaction or bond issue and not reimbursed by the creditor. Internal administrative costs are not added.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method except for short-term liabilities for which the time value of money is immaterial that are measured on the basis of the contractual cash flows and related costs are recognised in the income statement over the contractual term of the liability.
A financial liability is derecognised when it expires or is extinguished. A financial liability is derecognised also when it is bought back. The difference between the carrying amount of the liability and amount paid to buy it back is recognised in the income statement.

Life Technical Reserves

Life technical reserves represent the reserves for liabilities under insurance contracts and investment contracts with Discretionary Participation Features (DPF).
Life technical reserves include mathematical reserves, calculated on each individual contract according to the payment commitments undertaken and on the basis of the actuarial assumptions adopted for the computation of related premiums. Mathematical reserves include all revaluations applied in accordance with contract terms, as well as provisions for demographic risk.
Mathematical reserves are not lower than surrender value.
Life technical reserves also include provisions for premiums due in the six months after the reporting date and provisions for future expenses relating to the contract, e.g. handling costs and additional health premiums.
At each reporting date the adequacy of insurance reserves is assessed by calculating the present value of estimated future cash-flows from underlying contracts.
When the value of reserves is lower than estimated future cash-flows, the Company increases reserves and the difference over estimated future cash-flows is recognised in the income statement.
Technical reserves for contracts with DPF represent the reserves for liabilities arising on unrealised gains on assets under segregated fund management contracts.
Those reserves are recognised in equity when unrealised gains or losses on the related contract assets are recognised in equity, otherwise are recognised in the income statement as provisions.

Liabilities associated with disposal groups held for sale

This account relates to non-current assets/liabilities and disposal groups held for sale. They are measured at the lower of their carrying amount and fair value less cost to sell.
Related income and expenses (after tax) are separately recognised in the income statement.

Provisions for risk and charges

Provisions for risks and charges relate to amounts set aside for present obligations resulting from a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the obligation.
When the effect of the time value of money is material, the amount of the provision is discounted at current market rates. Provisions for risk and charges are recognised in the income statement.

Employee completion-of-service entitlements

Completion-of-service entitlements are recognised at the present value of the benefit obligations calculated using actuarial techniques.
To determine the present value of benefit obligations the Projected Unit Credit Method is used. That method calculates the present value of benefit obligations using actuarial assumptions based on historical data including demographics and a discount rate which is determined on the basis of market yields. The methods considers each year of service as giving rise to an additional unit of benefit entitlements. Each unit is individually measured in arriving at the final obligation. The discount rate is determined on the basis of market yields and reflects the estimated timing of benefit payments.
Service costs are recognised under staff costs as the net total of current service costs, past service costs, interest and expected return on any plan assets and actuarial gains or losses.

Employee pension plan

For the defined contribution pension plan under which the company's obligation is limited to the amount it agrees to contribute to the fund, the amount of the contribution payable for the year is recognised in the income statement.

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are initially recognised in the functional currency, applying to the foreign currency amount the exchange rate in effect at the date of the transaction.
At each interim or annual reporting date, assets and liabilities denominated in foreign currencies are measured as follows:

- monetary items are translated using the closing rate;
- non- monetary items measured at historical cost are translated applying the exchange rate in effect at the date of the transaction;
- non- monetary items measured at fair value are translated applying the exchange rate in effect at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the income statement in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, the exchange difference component of that gain or loss is also recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, the exchange difference component of that gain or loss is also recognised in the income statement.

Tax assets and liabilities

The Group recognises current and deferred taxes applying the tax rates in effect in the countries where consolidated subsidiaries are incorporated.
Income taxes are recognised in the income statement except for items which are credited/charged directly to equity.
Provisions for income taxes are calculated on the basis of conservative estimates of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences, with no time limit, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Deferred tax assets are recorded to the extent that there is reasonable certainty they will be recovered, i.e. to the extent that the company – or the Parent Company under Italy's tax consolidation regime – is expected to continue to generate sufficient taxable income against which temporary differences can be utilised.
Deferred tax assets and deferred tax liabilities are not netted, and are separately recognised in the Balance Sheet under "Tax assets" and "Tax liabilities" respectively.
Deferred tax liabilities arising on consolidation are recognised to the extent that it is probable that a related tax expense will materialize in the future for one of the consolidated companies.
Those deferred tax liabilities are essentially connected to the deferred tax assets recognised for positive differences arisen on consolidation of subsidiaries.
Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the company's tax position.
The provision for tax claims relates to tax payments which may become due as a result of pending tax audits or disputes with tax authorities.

Treasury shares

Treasury shares are deducted from equity. Their original cost, any gains or losses on their sale are recognised directly in equity.

Share-based payments

Stock options are share-based payments.
Stock options granted, and the corresponding increase in equity, are measured by reference to the fair value of the stock option at Grant Date, and accounted for during the Vesting Period.
The fair value of the stock option is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The pricing model separately measures the stock option and the probability that the market conditions upon which vesting is conditioned be satisfied. The combination of the two values is the fair value of the stock option.

Income statement

Revenue is recognised when received or when it is probable that future economic benefits will flow to the entity and the amount of those benefits can be measured reliably.
Specifically:

- insurance premiums are recognised in the income statement on an accrual basis at the time the insurance contract is signed;
- commissions on investment contracts are measured on the basis of the stage of completion of the services rendered:
- other commissions are measured on an accrual basis;
- dividends are recognised in the income statement when their distribution to shareholders is established;
- any default interests, in accordance with the terms of the relevant agreement, are recognised in the income statement only when actually received.

PART C - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

INTANGIBLE ASSETS

€/'000	Dec. 31, 2006	Dec. 31, 2005
Goodwill	162,414	162,414
Other intangible assets	19,327	25,516
Total	181,741	187,930

In accordance with IAS 36 goodwill is not amortised but tested for impairment at least annually. To that end goodwill is allocated to a cash-generating unit (CGU) which is not larger than a business segment based on the primary reporting format determined in accordance with IAS 14.

The smallest CGU was identified to be the individual company which always coincides with a single business segment.

The carrying amounts of goodwill as allocated to the individual cash-generating units are as follows:

€/'000	Dec. 31, 2006
CGU Fibanc	122,809
CGU Gamax	31,501
Other CGU	8,104
Total	162,414

Recoverable amount is determined by reference to the value in use, i.e. the present value of the future cash flows expected to be derived from the continuous use of the cash-generating unit.

To measure value in use the Group applied cash-flow projections based on the three-year BP which represent management's best estimate of the economic conditions of the CGU.
Beyond the BP time horizon the growth rate was prudentially assumed to be zero.
The discount rate applied is in line with the BP estimates and was calculated using the "Capital Asset Pricing Model" on the basis of market data.

Analysis of intangible assets

€/'000	Dec. 31, 2006 Finite life	Dec. 31, 2006 Indefinite life	Dec. 31, 2005 Finite life	Dec. 31, 2005 Indefinite life
Goodwill				
- Group	-	162,414	-	162,414
- minorities	-	-	-	-
Other intangible assets				
Measured at cost:				
- other intangible assets	19,327	-	25,516	-
Total	19,327	162,414	25,516	162,414

Year's movements in intangible assets

€/'000	Goodwill	Other Intangible assets: internally generated Finite	Other Intangible assets: internally generated Indefinite	Other Intangible assets: other Finite	Other Intangible assets: other Indefinite	Total
Opening balance	162,414	-	-	25,516	-	187,930
Increases						
- Additions	-	-	-	9,393	-	9,393
Decrease						
- Disposals	-	-	-	-	-	-
- Value adjustments	-	-	-	-	-	-
- Amortization	-	-	-	(15,205)	-	(15,205)
- Impairment						
- in the income statement	-	-	-	(60)	-	(60)
- Other changes	-	-	-	(317)	-	(317)
Closing balance	162,414	-	-	19,327	-	181,741

Legend:
finite: finite useful life
indefinite: indefinite useful life

TANGIBLE ASSETS

Property

€/'000	Dec. 31, 2006	Dec. 31, 2005
Land	20,100	21,020
Buildings	37,580	38,811
Total	57,680	59,831

Other tangible assets

€/'000	Dec. 31, 2006	Dec. 31, 2005
Furnishings	3,019	2,372
Electronic equipment	10,713	10,981
Other	3,448	3,882
Total	17,180	17,235

Year's movements in Group-occupied property and other tangible assets

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
Opening balance	21,020	38,811	2,372	10,981	3,882	77,066
Increases						
- Additions	-	-	1,987	3,538	1,213	6,738
- Capitalised improvement costs	-	15	-	-	-	15
- Other changes	-	202	3	606	96	907
Decreases						
- Disposals	(920)	(188)	(9)	(469)	(98)	(1,684)
- Depreciation	-	(1,260)	(1,334)	(3,943)	(1,492)	(8,029)
- Decrease in fair value through:						
- profit or loss	-	-	-	-	-	-
- Other changes	-	-	-	-	(153)	(153)
Closing balance	20,100	37,580	3,019	10,713	3,448	74,860

REINSURERS' SHARE OF TECHNICAL RESERVES

€/'000	Dec. 31, 2006	Dec. 31, 2005
Life business reserves		
Mathematical reserves	101,360	104,369
Reserve for outstanding claims	1,816	1,368
Total reinsurers' share of life technical reserves	103,176	105,737

INVESTMENTS

Investment property

€/'000	Dec. 31, 2006	Dec. 31, 2005
Land	5,454	16,738
Buildings	1,513	5,538
Total	6,967	22,276

At December 31, 2006, the market value of investment property amounted to €10,500 thousand as determined by external valuers.

Year's movements in investment property

€/'000	Land	Buildings
Opening balance	16,738	5,538
Decreases		
- Disposals	(11,284)	(3,906)
- Depreciation	-	(119)
Closing balance	5,454	1,513

Investments in subsidiaries, associates and joint ventures

Investments in associates relate to the 48.5% shareholding in Banca Esperia S.p.A. accounted for under the equity method. At year end 2006 investments in associates amounted to €39,326 thousand versus €31,154 thousand at December 31, 2005.

The 2005 comparative figure was restated to reflect to the reclassification of Mediolanum S.p.A. commitments under the Banca Esperia S.p.A. Stock Option Plan to "*Other liabilities - Other*". Said reclassification entailed a €1,800 thousand increase in the 2005 comparative figure over the balance set out in the prior year's accounts.

Held-to-maturity investments

€/'000	Dec. 31, 2006	Dec. 31, 2005
Debt securities	367,748	393,241
Investments sold but not derecognised	199,796	340,439
Book value	567,544	733,680
Fair value	*570,706*	*751,564*

Analysis of held-to-maturity investments by issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
Debt securities		
Governments and Central Banks	542,702	709,512
Banks	24,842	24,168
Other issuers	-	-
Total	567,544	733,680

The time to maturity of held-to-maturity investments is set out in the table below:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Time to maturity		
1-5 years	347,491	502,645
5-10 years	91,479	102,430
over 10 years	128,574	128,605
Total	567,544	733,680

Loans and receivables

€/'000	Dec. 31, 2006	Dec. 31, 2005
Banks	1,976,514	2,374,028
Banking customers	1,323,966	955,449
Other	11,335	12,915
Total	3,311,815	3,342,392

Loans and receivables: banks

€/'000	Dec. 31, 2006	Dec. 31, 2005
Deposits with Central Banks		
- for reserve requirements	25,548	7,283
Loans to banks		
- time deposits	1,726,331	2,211,011
- other loans	224,635	155,734
Total	1,976,514	2,374,028
Fair value	*1,976,514*	*2,374,028*

Loans and receivables: banking customers

€/'000	Dec. 31, 2006	Dec. 31, 2005
Bank accounts	206,870	166,204
Repurchase agreements	100,538	43,565
Mortgage loans	351,739	186,651
Credit cards, personal loans and salary-guaranteed loans	84,165	73,844
Finance leases	1,504	2,244
Other	562,567	457,870
Impaired assets	16,583	25,071
Total	1,323,966	955,449
Fair value	*1,353,703*	*982,257*

Analysis of customer loans by borrower

€/'000	Dec. 31, 2006	Dec. 31, 2005
Loans to:		
- non financial companies	83,508	15,033
- financial companies	546,718	433,038
- insurance companies	6,347	6
- others	670,810	482,301
Impaired loans:		
- non financial companies	-	327
- financial companies	-	-
- others	16,583	24,744
Total	1,323,966	955,449

Available-for-sale financial assets

€/'000	Dec. 31, 2006	Dec. 31, 2005
Debt securities	481,381	545,194
Equities	308,882	292,358
Holdings in UCITS	169,452	7,614
Total	959,715	845,166

Analysis of available-for-sale financial assets by issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
Debt securities		
- Governments and central banks	372,426	376,191
- Banks	62,166	99,046
- Other issuers	46,789	69,957
Equities		
- Banks	275,766	227,729
- Other issuers	33,116	64,629
Holdings in UCITS	169,452	7,614
Total	959,715	845,166

Financial assets at fair value through profit or loss

€/'000	Dec. 31, 2006	Dec. 31, 2005
Financial assets held for trading		
Debt securities	2,425,333	1,435,293
Equities	421	9
Holdings in UCITS	56,100	58,737
Trading derivatives	14,628	10,605
Total	2,496,482	1,504,644
Financial assets at fair value		
Debt securities	5,439,831	5,056,353
Holdings in UCITS	7,296,832	6,082,335
Total	12,736,663	11,138,688
Total financial assets at fair value through profit or loss	15,233,145	12,643,332

Analysis of financial assets held for trading by debtor/issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
Non-derivatives		
Debt securities		
- Governments and central banks	1,608,875	964,660
- Government agencies	4	-
- Banks	404,248	198,324
- Other issuers	412,206	272,309
Equities		
- Banks	-	-
- Other issuers	421	9
Holdings in UCITS	56,100	58,737
Total non-derivates	2,481,854	1,494,039
Derivatives		
- Banks	14,260	10,227
- Customers	368	378
Total derivatives	14,628	10,605
Total	2,496,482	1,504,644

Analysis of financial assets at fair value by debtor/issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
Debt securities		
- Banks	1,672,976	953,403
- Other issuers	3,766,855	4,102,950
Holdings in UCITS	7,296,832	6,082,335
Total	12,736,663	11,138,688

Financial assets held for trading: derivatives

€/'000	Interest rate	Currencies and gold	Other	Dec. 31, 2006	Dec. 31, 2005
Listed derivatives					
Financial derivatives					
• Without exchange of principal					
- Options purchased	5,142	-	3,649	8,791	4,714
- Other derivatives	9	-	-	9	(103)
Total listed derivatives	5,151	-	3,649	8,800	4,611
Unlisted derivatives					
Financial derivatives					
• With exchange of principal					
- Other derivatives		2,450	363	2,813	2,926
• Without exchange of principal					
- Options purchased	535	-	965	1,500	766
- Other derivatives	1,515	-	-	1,515	2,302
Total unlisted derivatives	2,050	2,450	1,328	5,828	5,994
TOTAL	7,201	2,450	4,977	14,628	10,605

OTHER ASSETS

Non-current assets and disposal groups

€/'000	Dec. 31, 2006	Dec. 31, 2005
Individual assets		
Tangible assets	414	372
Total	414	372

Deferred tax assets

€/'000	Dec. 31, 2006	Dec. 31, 2005
- charge to the income statement	42,042	39,590
- charge to equity	3,139	257
Total	45,181	39,847

Year's movements in deferred tax assets (charge to the income statement)

€/'000	Dec. 31, 2006	Dec. 31, 2005
Opening balance	39,590	25,927
Increases		
Deferred tax assets arisen in the year		
- relating to prior years	112	-
- changes in the accounting policies	-	8,496
- other	15,540	5,167
- New taxes or increased tax rates	-	-
Other increases	-	-
Decreases		
Deferred tax assets cancelled in the year		
- reversals	(5,015)	-
- write-offs of non-recoverable amounts	(299)	-
- Other decreases	(7,886)	-
Closing balance	42,042	39,590

Year's movements in deferred tax assets (charge to equity)

€/'000	Dec. 31, 2006	Dec. 31, 2005
Opening balance	257	-
Increases		
Deferred tax assets arisen in the year		
- changes in the accounting policies	-	-
- altre	2,911	257
Other increases	-	-
Decreases		
Deferred tax assets cancelled in the year		
- reversals	-	-
- write-offs of non-recoverable amounts	(28)	-
Other decreases	(1)	-
Closing balance	3,139	257

Other Assets

€/'000	Dec. 31, 2006	Dec. 31, 2005
Items in transit	92,114	81,836
Due from tax authorities	32,338	35,165
Security deposits	18,177	16,665
Receivables from financial advisors	9,600	7,291
Advances to suppliers and professionals	3,012	2,684
Other receivables	12,086	22,935
Prepayments	3,394	5,888
Other	21,268	34,870
Total	191,989	207,334

SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY

€/'000	Dec. 31, 2006	Dec. 31, 2005
Share capital	72,884	72,738
Capital reserves	52,561	50,358
Retained earnings and other equity reserves	439,761	349,518
Treasury shares	(2,045)	(2,045)
Gains (losses) on available-for-sale financial assets	117,465	104,105
Group's profit (loss) for the year	223,678	233,312
Group's capital and reserves	904,304	807,986

Share capital is fully paid up and amounts to €72,883,531.70 divided into 728,835,317 ordinary shares.

Please note that there are no equity holders other than the Group.

For information on movements over the year, readers are referred to the Statement of Changes in Shareholders' Equity herein.

Gains (losses) on available-for-sale financial assets

€/'000	Dec. 31, 2006 Gains	Dec. 31, 2006 Losses	Dec. 31, 2005 Gains	Dec. 31, 2005 Losses
Debt securities	-	(5,029)	1,637	(585)
Equities	120,564	-	103,053	-
Holdings in UCITS	1,955	(25)	-	-
Total	122,519	(5,054)	104,690	(585)

Year's movements in the revaluation reserve relating to available-for-sale financial assets

€/'000	Debt securities	Equities	Holdings in UCITS	Total
Opening balance	1,052	103,053	-	104,105
Increases				-
Increase in fair value	6,550	19,057	3,096	28,703
Decreases				
Decrease in fair value	(8,600)	(1)	(40)	(8,641)
Reclassification to the income statement from reserves:				
- realised gains	(4,031)	(568)		(4,599)
Other changes	-	(977)	(1,126)	(2,103)
Closing balance	(5,029)	120,564	1,930	117,465

Earnings per share

Earnings per share

€/'000	Dec. 31, 2006	Dec. 31, 2005
Profit for the year	223,678	233,312
Weighted average number of shares outstanding	728,108	726,524
Earnings per share (in euro)	0.31	0.32

Diluted earnings per share

€/'000	Dec. 31, 2006	Dec. 31, 2005
Profit for the year	223,678	233,312
Weighted average number of shares outstanding	728,108	726,524
Adjustments for stock options with potential dilution effect	1,010	979
Weighted average number of shares outstanding for diluted earnings per share	729,118	727,503
Diluted earnings per share (in euro)	0.31	0.32

Reconciliation of the parent company's shareholders'equity to consolidated shareholders' equity

€/'000	Capital and reserves	Net profit	Shareholders' equity
Parent Company Accounts at Dec. 31, 2006	354,457	193,740	548,197
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	54,350	291,227	345,577
Differences on investments accounted for by the equity method	5,342	8,180	13,522
Intercompany dividends	271,016	(271,016)	-
Other provisions	(874)	(66)	(940)
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	(810)	(156)	(966)
Other	(2,855)	1,769	(1,086)
Consolidated accounts at Dec. 31, 2006	680,626	223,678	904,304

PROVISIONS

€/'000	Dec. 31, 2006	Dec. 31, 2005
Provision for tax claims	153	2,028
Other provisions	67,445	55,394
Total	67,598	57,422

Year's movements in provisions for risks and charges

€/'000	Tax claims	Other provisions
Opening balance	2,028	55,394
Increases		
- Year's provision	-	16,835
- Other increases	-	105
Decreases		
- Funds utilised in the year	-	(4,335)
- Other decreases	(1,875)	(554)
Closing balance	153	67,445

Analysis of other provisions

€/'000	Dec. 31, 2006	Dec. 31, 2005
Provision for other completion-of-service entitlements and similar obligations	1,695	1,754
Provision for sales network benefits	38,530	28,909
Provision for risks related to sales network's illegal actions	17,274	14,693
Other provisions for risks and charges	9,946	10,038
Total	67,445	55,394

TECHNICAL RESERVES

€/'000	Dec. 31, 2006	Dec. 31, 2005
Mathematical reserves	1,255,651	1,181,661
Reserve for outstanding claims	78,039	56,419
Technical reserves for contracts under which the investment risk is borne by the policyholder and in connection with pension fund management	11,939,212	9,917,893
Other reserves	34,015	45,409
of which for deferred liabilities to policyholders	-	-
Total	13,306,917	11,201,382

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit and loss

€/'000	Dec. 31, 2006	Dec. 31, 2005
Financial liabilities held for trading		
Short positions on debt securities	120,278	55,610
Trading derivatives	28,425	42,939
Other financial liabilities	1,149	821
Total Financial liabilities held for trading	149,852	99,370
Financial liabilities at fair value through profit or loss		
Liabilities arising on financial contracts issued by insurance companies:		
- under which the investment risk is borne by the policyholder	938,285	1,292,367
- in connection with pension fund management	11,703	7,955
- securities issued	1,153	-
Total financial liabilities at fair value through profit or loss	951,141	1,300,322
Total financial liabilities at fair value through profit or loss	1,100,993	1,399,692

Financial liabilities held for trading: derivatives

€/'000	Interest rate	Currencies and gold	Other	Dec. 31, 2006	Dec. 31, 2005
Listed derivatives					
Financial derivatives					
• Without exchange of principal					
- Options issued					
- Other derivatives	26,344	-	-	26,344	36,174
Total listed derivatives	26,344	-	-	26,344	36,174
Unlisted derivatives	-	-	-	-	-
Financial derivatives					
• With exchange of principal					
- Other derivatives	798	-	-	798	3,336
• Without exchange of principal					
- Options issued	735	-	-	735	524
- Other derivatives	548	-	-	548	2,905
Total unlisted derivatives	2,081	-	-	2,081	6,765
Total derivatives	28,425	-	-	28,425	42,939

Other financial liabilities

€/'000	Dec. 31, 2006	Dec. 31, 2005
Banks	1,123,420	1,148,403
Banking customers	4,264,332	3,718,562
Securities outstanding	101,341	104,350
Total	5,489,093	4,971,315

Financial liabilities: Banks

€/'000	Dec. 31, 2006	Dec. 31, 2005
Central Banks	560,172	511,080
Other banks		
- Bank accounts and demand deposits	186,113	47,638
- Time deposits	152,135	204,895
- Loans	225,000	384,706
- Other liabilities	-	84
Total	1,123,420	1,148,403

Financial liabilities: Banking customers

€/'000	Dec. 31, 2006	Dec. 31, 2005
Bank accounts	3,619,336	3,381,651
Liabilities for assets that were sold but not derecognised	575,113	270,627
Other liabilities	69,883	66,284
Total	4,264,332	3,718,562

PAYABLES

Other payables

€/'000	Dec. 31, 2006	Dec. 31, 2005
Employee completion-of-service entitlements	14,772	13,410
Payables to suppliers	129,442	100,885
Due to tax authorities	51,212	45,700
Other payables	53,035	48,351
Total	248,461	208,346

Year's movements in employee completion-of-service entitlements

€/'000	Dec. 31, 2006
Opening balance	13,410
Increases	
- Amounts set aside in the year	3,779
- Other increases	72
Decreases	
- Funds used in the year	(1,312)
- Other decreases	(1,177)
Closing balance	14,772

Other payables

€/'000	Dec. 31, 2006	Dec. 31, 2005
Mediolanum Group associates	534	642
Social security agencies	4,768	3,505
Consultants, professionals, directors and statutory auditors	532	505
Suppliers	1,539	6,674
Companies within the Fininvest Group and the Doris Group	1,819	1,982
Employees	549	380
Tax payable by policyholders	1,539	1,629
Dividends payable to shareholders	8	69
Security deposits	217	1,096
Other	41,530	31,869
Total	53,035	48,351

OTHER LIABILITIES

Deferred tax liabilities

€/'000	Dec. 31, 2006	Dec. 31, 2005
- charge to the income statement	11,671	10,688
- charge to equity	7,959	6,753
Total	19,630	17,441

Year's movements in deferred tax liabilities (charge to the income statement)

€/'000	Dec. 31, 2006	Dec. 31, 2005
Opening balance	(10,688)	(12,577)
Increases		
Deferred tax liabilities arisen in the year		
- relating to prior years	-	(650)
- due to changes in the accounting policies	-	(534)
- other	(2,585)	-
Other increases	(818)	-
Decreases		
Deferred tax liabilities cancelled in the year		
- reversal	2,416	-
- other	-	2,867
Reduced tax rates	4	-
Other decreases	-	206
Closing balance	(11,671)	(10,688)

Year's movements in deferred tax liabilities (charge to equity)

€/'000	Dec. 31, 2006	Dec. 31, 2005
Opening balance	(6,753)	-
Increases		
Deferred tax liabilities arisen in the year		
- relating to prior years	-	-
- due to changes in the accounting policies	-	(776)
- other	(1,180)	(5,977)
Other increases	(1,125)	-
Decreases		
Deferred tax liabilities cancelled in the year		
- reversal	1,095	-
- altre	-	-
Reduced tax rates	4	-
Other decreases	-	-
Closing balance	(7,959)	(6,753)

Other liabilities

€/'000	Dec. 31, 2006	Dec. 31, 2005
Agents' severance benefits	3,356	2,870
Security deposits	3,844	4,559
Provision for staff costs	4,626	4,445
Items in transit	78,146	74,330
Deferred income	2,250	1,243
Accrued expenses	36	437
Other	32,137	89,126
Total	124,395	177,010

The 2005 comparative figure shows a €1,800 thousand increase compared to the balance of "*Other liabilities - Other*" set out in the prior year's accounts. Said increase is due to the reclassification of Mediolanum S.p.A. commitments under the Banca Esperia S.p.A. Stock Option Plan from "*Investments in subsidiaries, associates and joint ventures*" to "*Other liabilities - Other*".

PART D - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

TECHNICAL ACCOUNT - LIFE INSURANCE

As of December 31, 2006

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums			
- Premiums written	3,350,402	(6,072)	3,344,330
Total premiums written	3,350,402	(6,072)	3,344,330
Gross claims paid less recoveries from reinsurers			
- Claims paid	(1,454,562)	10,550	(1,444,012)
- Change in reserve for outstanding claims	(21,621)	448	(21,173)
- Change in mathematical reserves	(73,234)	(3,010)	(76,244)
- Change in other technical reserves	796	-	796
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(1,980,430)	-	(1,980,430)
Total claims paid and change in technical reserves	(3,529,051)	7,988	(3,521,063)
Life Insurance net income (expense)	(178,649)	1,916	(176,733)

Gross premiums written

€/'000	Dec. 31, 2006	Dec. 31, 2005
Gross premiums written	-	-
Class III products	3,282,396	2,386,092
Traditional products	68,006	69,162
Total gross premiums written	3,350,402	2,455,254

As of December 31, 2005

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums			
- Premiums written	2,455,254	(6,530)	2,448,724
Total premiums written	2,455,254	(6,530)	2,448,724
Gross claims paid less recoveries from reinsurers			
- Claims paid	(1,373,134)	11,324	(1,361,810)
- Change in reserve for outstanding claims	(12,762)	195	(12,567)
- Change in mathematical reserves	1,029	(3,224)	(2,195)
- Change in other technical reserves	8,818	-	8,818
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(2,014,442)	-	(2,014,442)
Total claims paid and change in technical reserves	(3,390,491)	8,295	(3,382,196)
Life Insurance net income (expense)	(935,237)	1,765	(933,472)

COMMISSION INCOME

€/'000	Dec. 31, 2006	Dec. 31, 2005
Guarantees issued	319	230
Credit derivatives	96	99
Management, brokerage and consulting services:	515,279	505,942
– Financial instruments brokerage	12,150	12,092
– Currency brokerage	3	53
– Asset management	438,048	436,869
- individual portfolio management	16,014	18,486
- collective portfolio management	422,034	418,383
– Securities in custody and under administration	5,848	9,954
– Custodian bank	852	857
– Sales of securities	399	979
– Order taking	7,446	7,025
– Consultancy	18	260
– Services to third parties	50,515	37,853
- asset management	504	4,012
- individual portfolio management	83	90
- collective portfolio management	412	3,922
- insurance products	42,557	33,392
- other products	7,454	449
Collection and payment services	26,249	23,805
Loadings on investment contracts	22,038	23,387
Other services	18,648	23,353
Total	582,629	576,816

COMMISSION EXPENSE

€/'000	Dec. 31, 2006	Dec. 31, 2005
Management, brokerage and consulting services:	141,367	98,462
- Financial instruments brokerage	6,091	2,862
- Currency brokerage	-	224
- Asset management	120,573	76,664
- Securities in custody and under administration	965	947
- Sales of securities	376	360
- Off-premises sales of securities, products and services	13,362	17,405
Collection and payment services	24,901	22,077
Commissions on the acquisition of investment contracts	7,992	9,666
Other services	29,506	10,908
Total	203,766	141,113

The 2005 comparative figures relating to *Commission Expense* and *Operating Expenses* (Agents' Commissions and other acquisition costs) were restated to reflect the reclassification of commissions on the acquisition of insurance contracts (€3,261 thousand), that in the prior year had been recognised under commission expense.
It should also be noted that the balance of commission expense at December 31, 2006 declined by €1,747 thousand following the utilisation of provisions for risks and charges that had been set aside in prior years in connection with payments made in 2005.

INCOME ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This account relates exclusively to income on the 48.5%-owned associate Banca Esperia S.p.A., which is accounted for under the equity method.
The 2005 comparative figure of €7,864 thousand shows a €6,605 thousand decrease compared to the balance set out in the prior year's accounts. The decrease is due to reclassification of dividends from equity investments recognised under "*Available-for-sale financial assets*" from "*Income on investments in subsidiaries, associates and joint ventures*" to "*Other Income*" and the reclassification of commitments under the Banca Esperia S.p.A. Stock Option Plan to "*Other Costs*" which entailed a €7,865 thousand decline and a €1,800 thousand increase in the balance of the account, respectively.

NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

€/'000	Dec. 31, 2006	Dec. 31, 2005
Financial assets		
Interest income and other investment income:		
- from financial assets held for trading	56,706	38,477
- from financial assets at fair value through profit or loss	178,444	191,509
Net income from financial assets held for trading	1,534	9,423
Net income from financial assets at fair value through profit or loss	355,557	1,173,138
Financial liabilities		
Interest expense and similar charges:		
- on financial liabilities held for trading	(3,205)	-
- on financial liabilities at fair value through profit or loss	(50,440)	(60,353)
Net income from financial liabilities held for trading	2,805	670
Net loss on financial liabilities at fair value through profit or loss	(109,632)	(221,814)
Total	431,769	1,131,050

Analysis of net income from financial assets held for trading

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Financial assets held for trading					
Debt securities	2,572	33,015	(10,218)	(32,188)	(6,819)
Equities	37	620	-	(147)	510
Holdings in UCITS	1,194	315	(193)	-	1,316
Other	-	252	-	(353)	(101)
Other financial assets and liabilities: exchange differences	-	-	-	-	205
Derivatives					
Financial derivatives:					
- debt securities and interest rates	1,943	66,511	(412)	(66,352)	1,690
- equities and stock indices	-	-	-	-	-
other	2,450	5,841	(799)	(2,759)	4,733
Total	8,196	106,554	(11,622)	(101,799)	1,534

Analysis of net income from financial assets through profit or loss

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Debt securities	385,401	46,995	(328,809)	(11,168)	92,419
Equities	29,158	-	-	-	29,158
Holdings in UCITS	312,401	11,035	(31,930)	(57,526)	233,980
Total	726,960	58,030	(360,739)	(68,694)	355,557

Analysis of net income from financial liabilities held for trading

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Debt securities	1,037	4,244	(206)	(2,270)	2,805

INVESTMENT INCOME AND EXPENSE

€/'000	Dec. 31, 2006	Dec. 31, 2005
Interest income	162,472	131,220
Other income	26,319	9,442
Realised gains	11,328	14,319
Unrealised gains	5,632	7,434
Total income	205,751	162,415
Interest expense and other charges	(94,012)	(73,578)
Realised losses	(7,600)	(248)
Unrealised losses	(9,271)	(11,414)
Total expense	(110,883)	(85,240)
Total net investment income	94,868	77,175
Net investment income from:		
Investment property	6,827	6,914
Available-for-sale financial assets	24,567	22,222
Held-to-maturity investments	39,228	32,510
Loans and receivables	116,577	86,652
Financial liabilities	(92,331)	(71,123)
Total net investment income	94,868	77.175

The 2005 comparative figure relating to "*Other Income*" shows a €7,865 thousand increase compared to the balance set out in the prior year's accounts. The increase is due to the reclassification of dividends from equity investments recognised under "*Available-for-sale financial assets*" which in the prior year were recognised under "*Income on investments in subsidiaries, associates and joint ventures*".

Investment property

€/'000	Dec. 31, 2006	Dec. 31, 2005
Realised gains	7,673	7,375
Other income	211	1,142
Other expenses	(938)	(1,603)
Unrealised losses	(119)	-
Total	6,827	6,914

Held-to-maturity investments

€/'000	Dec. 31, 2006	Dec. 31, 2005
Interest income and other income	24,567	22,222
Total	24,567	22,222

Available-for-sale financial assets

€/'000	Dec. 31, 2006	Dec. 31, 2005
Interest income	17,099	18,355
Other income	26,063	7,865
Realised gains	3,655	6,944
Realised losses	(7,589)	(248)
Unrealised losses	-	(406)
Total	39,228	32,510

Loans and receivables

€/'000	Dec. 31, 2006	Dec. 31, 2005
Interest income	120,063	89,602
Other income	45	435
Realised gains	5,632	7,369
Realised losses	(11)	-
Unrealised losses	(9,152)	(10,754)
Total	116,577	86,652

OTHER REVENUES

€/'000	Dec. 31, 2006	Dec. 31, 2005
Fixed duties on insurance products	16,242	16,936
Recoveries of expenses on contracts and services rendered	2,556	3,177
Miscellaneous compensation	347	2,710
Other services	2,595	2,050
Other	3,820	3,765
Total	25,560	28,638

OPERATING EXPENSES

€/'000	Dec. 31, 2006	Dec. 31, 2005
Agents' Commissions and other acquisition costs	156,824	138,978
Investment management expenses	339	484
Other administrative expenses		
Employees	108,006	100,528
Advertising and promotions	19,801	19,305
Advisory services and collaborations	28,616	25,082
IT systems	35,742	28,298
Miscellaneous communications services	17,761	14,758
Other general expenses	44,866	42,044
Total other administrative expenses	254,792	230,015
Total	411,955	369,477

The 2005 comparative figures relating to Commission Expense and Operating Expenses (Agents' Commissions and other acquisition costs) are different from the balances set out in the prior year's accounts. The difference is due to the reclassification of commissions on the acquisition of insurance contracts (€3,261 thousand), that in the prior year had been recognised under commission expense.

Average number of employees by category

Number	Dec. 31, 2006	Dec. 31, 2005
Employees:		
a) senior management	106	100
b) middle management	209	218
c) other employees	1,228	1,107
Total employees	1,543	1,425
Other personnel	120	189
Total	1,663	1,614

OTHER COSTS

€/'000	Dec. 31, 2006	Dec. 31, 2005
Employees	3,915	3,797
Amortization of intangible assets	15,206	16,191
Depreciation of investment property and other assets	8,026	8,038
Provisions for risks and charges	16,819	26,908
Other miscellaneous expenses	21,490	32,406
Total	65,456	87,340

The 2005 comparative figure relating to *Other costs* shows a €3,547 thousand increase over the balance reported in the prior year's accounts. This is due to the reclassification of the utilisation of provisions for risks and charges set aside in prior years in connection with payments made in 2005 (€1,747 thousand) to *Commission Expense*, and the reclassification of commitments under the Banca Esperia S.p.A. Stock Option Plan (€1,800 thousand) from "*Income on investments in subsidiaries, associates and joint ventures*" to "Other Costs" .

Provisions for risks and charges

€/'000	Dec. 31, 2006	Dec. 31, 2005
Provision for sales network benefits	12,758	18,238
Provision for risks related to financial advisors' illegal actions	1,681	7,248
Other provisions for risks and charges	2,380	1,422
Total	16,819	26,908

INCOME TAX

€/'000	Dec. 31, 2006	Dec. 31, 2005
Current taxes (-)	(63,027)	(63,122)
Change in prior years' current taxes (+/-)	87	(1,167)
Decrease in the year's current taxes (+)	11	49
Change in deferred tax assets (+/-)	2,452	5,169
Change in deferred tax liabilities (+/-)	(983)	2,422
Income tax charge for the year (-)	(61,460)	(56,649)

Reconciliation between theoretical and effective tax rates

€/'000	Dec. 31, 2006	Dec. 31, 2005
Theoretical tax rate	17.8%	16.9%
Profit for the year before tax	285,096	289,961
Theoretical tax expense	(50,636)	(49,003)
Non-deductible costs	(14,159)	(10,089)
Non-taxable income	10,808	8,876
Irap (regional business tax) and other taxes	(7,473)	(6,433)
Tax expense	(61,460)	(56,649)
Effective tax rate	21.60%	19.54%

PART E - SEGMENT REPORTING

This section presents consolidated financial data reported by segment.
Segment reporting entailed the reclassification of certain income and expense items with respect to the Consolidated Income Statement included in the Consolidated Accounts at December 31, 2006.
In compliance with IAS 14, segment reporting reflects the management reporting system of the Mediolanum Group, and is consistent with the information disclosed to the market and to the various stakeholders.
The policies adopted in the reclassification of income and expense items include the presentation of balances by nature and the recognition of financial income/expense on policyholders' assets under "Amounts paid and change in technical reserves".
For the purpose of segment reporting of balance sheet information, the various companies were classified under their respective business segment. This entailed, on the one hand, the elimination of inter-company balances within the same segment and, on the other hand, the inclusion of inter-segment transaction balances.
Consolidated financial results are reported by business segment (primary format), i.e. Life Insurance, Banking, Asset Management and Other, and then by geographic segment (secondary segment) by reference to the Group markets, i.e. Domestic and Foreign markets.
The reconciliations of the consolidated balance sheet and income statement at December 31, 2006 to the reclassified balance sheet and income statement prepared for segment reporting purposes are set out below.

Reconciliation of the income statement at December 31, 2006 to the reclassified income statement for segment reporting purposes

€/'000	Consolidated income statements
1. Revenues	
1.1 Net premiums written	
1.1.1 Gross premiums written	3,350,402
1.1.2 Reinsurance premiums	(6,072)
Total premiums written	3,344,330
1.2 Commission income	582,629
1.3 Net income on financial instruments at fair value through profit and loss	431,769
1.4 Income on investments in sudsidiaries, associates and jvs	8,180
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	162,472
1.5.2 Other income	26,319
1.5.3 Realised gains	11,328
1.5.4 Unrealised gains	5,632
Total income on other financial instruments and investment property	205,751
1.6 Other revenues	25,560
Total revenues	4,598,219
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	(3,529,051)
2.1.2 Reinsurers' share/recoveries from reinsurers	7,988
Net claims and benefits	(3,521,063)
2.2 Commission expense	(203,766)
2.3 Loss on other investments in subsidiaries, associats and jvs	-
2.4 Loss on other financial instruments and investment property	
2.4.1 Interest expense	(92,890)
2.4.2 Other expenses	(1,122)
2.4.3 Realised losses	(7,600)
2.4.4 Unrealised losses	(9,271)
Loss on other financial instruments and investment property	(110,883)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(156,824)
2.5.2 Investment management costs/expenses	(339)
2.5.3 Other administrative expenses	(254,792)
Total operating expenses	(411,955)
2.6 Other costs	(65,456)
Total costs	(4,313,123)
Profit (loss) before tax for the period	285,096
3. Income tax	(61,460)
Profit(loss) for the period	223,636
4. Profit (loss) from discountinued operations	42
Group net profit (loss) for the period	223,678
RECLASSIFICATIONS	
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as financial contracts under IFRS4)	
TOTAL RECLASSIFICATIONS	

RECLASSIFIED INCOME STATEMENT - REVENUES

Net premiums written	Entry fees	Management fees	Performance fees	Banking service fees	Other fees	Interest income and similar income	Interest expense and similar charges	Net income on investments at fair value	Net income on other investments	Other revenues
3,350,402	-	-	-	-	-	-	-	-	-	-
(6,072)	-	-	-	-	-	-	-	-	-	-
3,344,330	-	-	-	-	-	-	-	-	-	-
-	56,547	317,858	83,128	73,577	51,519	-	-	-	-	-
-	-	-	-	-	-	235,147	(53,644)	250,266	-	-
-	-	-	-	-	-	-	-	-	8,180	-
-	-	-	-	-	-	162,472	-	-	-	-
-	-	-	-	-	-	45	-	-	26,274	-
-	-	-	-	-	-	-	-	-	11,328	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	162,517	-	-	37,602	-
-	-	-	-	-	-	-	-	-	-	25,561
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(92,890)	-	-	-
-	-	-	-	-	-	-	(184)	-	(938)	-
-	-	-	-	-	-	-	-	-	(7,600)	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(93,074)	-	(8,538)	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	42	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(211,402)	50,228	(246,285)	(6,495)	-
3,344,330	56,547	317,858	83,128	73,577	51,519	186,262	(96,490)	3,981	30,790	25,561

Reconciliation of the income statement at December 31, 2006 to the reclassified income statement for segment reporting purposes

€/'000	Consolidated income statements
1. Revenues	
1.1 Net premiums written	
1.1.1 Gross premiums written	3,350,402
1.1.2 Reinsurance premiums	(6,072)
Total premiums written	3,344,330
1.2 Commission income	582,629
1.3 Net income on financial instruments at fair value through profit and loss	431,769
1.4 Income on investments in sudsidiaries, associates and jvs	8,180
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	162,472
1.5.2 Other income	26,319
1.5.3 Realised gains	11,328
1.5.4 Unrealised gains	5,632
Total income on other financial instruments and investment property	205,751
1.6 Other revenues	25,560
Total revenues	4,598,219
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	(3,529,051)
2.1.2 Reinsurers' share/recoveries from reinsurers	7,988
Net claims and benefits	(3,521,063)
2.2 Commission expense	(203,766)
2.3 Loss on other investments in subsidiaries, associats and jvs	-
2.4 Loss on other financial instruments and investment property	
2.4.1 Interest expense	(92,890)
2.4.2 Other expenses	(1,122)
2.4.3 Realised losses	(7,600)
2.4.4 Unrealised losses	(9,271)
Loss on other financial instruments and investment property	(110,883)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(156,824)
2.5.2 Investment management costs/expenses	(339)
2.5.3 Other administrative expenses	(254,792)
Total operating expenses	(411,955)
2.6 Other costs	(65,456)
Total costs	(4,313,123)
Profit (loss) before tax for the period	285,096
3. Income tax	(61,460)
Profit(loss) for the period	223,636
4. Profit (loss) from discountinued operations	42
Group net profit (loss) for the period	223,678
RECLASSIFICATIONS	
Interest income and expense on assets/liabilities pertaining to policyholders (including policies classified as financial contracts under IFRS4)	
TOTAL RECLASSIFICATIONS	

RECLASSIFIED INCOME STATEMENT - EXPENSES AND INCOME TAX

Amounts paid and change in technical reserves	Acquisition costs & other commission expense	Net impairment of financial investments	G&A expenses	Amortisation and depreciation	Provision for risks and charges	Income tax	Net profit
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,632	-	-	-	-	-
-	-	5,632	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(3,527,570)	-	-	(1,481)	-	-	-	-
7,988	-	-	-	-	-	-	-
(3,519,582)	-	-	(1,481)	-	-	-	-
-	(203,766)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(9,152)	-	(119)	-	-	-
-	-	(9,152)	-	(119)	-	-	-
-	(152,363)	-	(4,461)	-	-	-	-
-	-	-	(339)	-	-	-	-
-	-	-	(254,792)	-	-	-	-
-	(152,363)	-	(254,792)	-	-	-	-
-	-	(60)	(25,345)	(23,351)	(16,819)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(61,460)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	223,678
407,459	-	-	6,495	-	-	-	-
(3,112,123)	(356,129)	(3,580)	(279,923)	(23,350)	(16,819)	(61,460)	223,678

INCOME STATEMENT AT DECEMBER 31, 2006

Segment reporting by business sector

	LIFE INSURANCE			ASSET MANAGEMENT		
€/'000	2006	2005	delta	2006	2005	delta
Net premiums written	3,344,330	2,448,725	895,605	-	-	-
Entry fees	-	-	-	56,547	43,098	13,449
Management fees	145,603	111,630	33,973	172,255	153,885	18,370
Performance fees	39,119	68,460	(29,340)	44,009	84,115	(40,107)
Banking service fees	-	-	-	1,893	1,298	595
Other fees	23,719	22,871	848	23,987	15,708	8,279
Total commission income	208,441	202,961	5,480	298,690	298,104	586
Interest income and similar income	20,800	13,985	6,815	2,874	2,665	209
Interest expense and similar charges	(4,625)	(4,794)	169	(504)	(408)	(96)
Net income on investments at fair value	(5,167)	6,682	(11,849)	52	75	(23)
Net financial income	11,008	15,873	(4,865)	2,422	2,332	90
Net income on other investments	9,716	12,663	(2,946)	290	374	(84)
Other revenues	16,617	17,596	(979)	1,002	728	274
TOTAL REVENUES	3,590,113	2,697,817	892,296	302,405	301,538	867
Amounts paid and change in technical reserves	(3,112,122)	(2,267,443)	(844,679)	-	-	-
Acquisition costs & other commission expense	(198,107)	(146,902)	(51,205)	(107,975)	(82,720)	(25,256)
Net impairment of financial investments	(396)	(1,547)	1,152	(185)	(698)	513
G&A expenses	(98,351)	(86,803)	(11,548)	(72,225)	(70,886)	(1,339)
Amortisation and depreciation	(6,852)	(6,467)	(384)	(4,855)	(5,188)	333
Provision for risks and charges	(9,974)	(16,641)	6,667	(4,398)	(7,149)	2,751
PROFIT BEFORE TAX	164,312	172,014	(7,702)	112,767	134,897	(22,130)
Income tax						
NET PROFIT						

BANKING			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2006	2005	delta	2006	2005	delta	2006	2005	delta	2006	2005	delta
-	-	-	-	-	-	-	-	-	3,344,330	2,448,725	895,605
-	-	-	-	-	-	1	-	-	56,547	43,098	13,449
-	-	-	-	581	(581)	(1)	-	-	317,858	266,096	51,762
-	-	-	-	-	-	-	-	-	83,128	152,575	(69,447)
73,053	71,488	1,566	-	-	-	(1,369)	(1,357)	(13)	73,577	71,429	2,148
385	1,321	(936)	3,946	4,277	(331)	(518)	(559)	40	51,519	43,619	7,900
73,439	72,809	630	3,946	4,858	(912)	(1,887)	(1,915)	28	582,629	576,817	5,812
182,927	136,892	46,036	1,438	1,286	152	(21,777)	(4,517)	(17,260)	186,262	150,311	35,951
(102,403)	(73,779)	(28,625)	(10,731)	(8,778)	(1,953)	21,773	4,517	17,257	(96,490)	(83,242)	(13,248)
9,094	3,419	5,675	1	(4)	5	1	-	1	3,981	10,171	(6,190)
89,618	66,532	23,086	(9,293)	(7,496)	(1,797)	(3)	-	(3)	93,753	77,240	16,513
236	1,121	(885)	20,549	12,860	7,689	1	1	-	30,791	27,018	3,773
5,178	8,626	(3,448)	3,941	2,957	984	(1,178)	(383)	(794)	25,561	29,524	(3,963)
168,470	149,087	19,383	19,143	13,179	5,964	(3,067)	(2,298)	(770)	4,077,064	3,159,324	917,740
-	-	-	-	-	-	(1)	(1)	-	(3,112,123)	(2,267,443)	(844,680)
(47,523)	(42,205)	(5,318)	(3,042)	(4,208)	1,166	519	561	(42)	(356,129)	(275,474)	(80,655)
(2,992)	(1,510)	(1,482)	(7)	(14,820)	14,814	(1)	-	(1)	(3,580)	(18,575)	14,995
(109,883)	(96,980)	(12,903)	(2,014)	(3,543)	1,529	2,550	1,738	812	(279,923)	(256,475)	(23,448)
(11,493)	(12,657)	1,164	(154)	(175)	21	1	(1)	2	(23,353)	(24,489)	1,136
(2,206)	(2,684)	478	(241)	(434)	193	-	-	(1)	(16,819)	(26,908)	10,089
(5,627)	(6,949)	1,322	13,685	(10,001)	23,686	-	-	1	285,138	289,960	(4,823)
									(61,460)	(56,648)	(4,812)
									223,678	233,312	(9,635)

INCOME STATEMENT AT DECEMBER 31, 2006

Segment reporting by business sector / domestic market

€/'000	LIFE INSURANCE 2006	LIFE INSURANCE 2005	LIFE INSURANCE delta	ASSET MANAGEMENT 2006	ASSET MANAGEMENT 2005	ASSET MANAGEMENT delta
Net premiums written	3,196,127	2,432,018	764,109	-	-	-
Entry fees	-	-	-	48,779	37,695	11,084
Management fees	145,603	111,630	33,973	153,413	136,465	16,947
Performance fees	39,119	68,460	(29,340)	41,346	77,646	(36,301)
Banking service fees	-	-	-	-	-	-
Other fees	15,966	12,990	2,976	23,688	15,578	8,110
Total commission income	200,689	193,080	7,609	267,225	267,385	(159)
Interest income and similar income	19,645	11,783	7,862	2,423	2,434	(11)
Interest expense and similar charges	(4,625)	(4,794)	169	(182)	(82)	(100)
Net income on investments at fair value	(5,656)	6,682	(12,338)	5	(2)	7
Net financial income	9,364	13,671	(4,307)	2,246	2,350	(104)
Net income on other investments	9,716	12,663	(2,946)	290	285	5
Other revenues	16,617	17,596	(979)	436	484	(48)
TOTAL REVENUES	3,432,513	2,669,027	(3,925)	270,198	270,504	(43)
Amounts paid and change in technical reserves	(2,981,951)	(2,250,293)	(731,658)	-	-	-
Acquisition costs & other commission expense	(185,785)	(143,263)	(42,522)	(92,741)	(70,595)	(22,147)
Net impairment of financial investments	(396)	(1,547)	1,152	(185)	(698)	513
G&A expenses	(92,708)	(82,120)	(10,588)	(60,706)	(59,999)	(707)
Amortisation and depreciation	(6,038)	(5,872)	(166)	(4,483)	(4,579)	96
Provision for risks and charges	(9,974)	(16,641)	6,667	(4,254)	(7,109)	2,855
PROFIT BEFORE TAX	155,662	169,291	(13,629)	107,829	127,525	(19,696)
Income tax						
NET PROFIT						

BANKING			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2006	2005	delta	2006	2005	delta	2006	2005	delta	2006	2005	delta
-	-	-	-	-	-	-	-	-	3,196,127	2,432,018	764,109
-	-	-	-	-	-	-	-	-	48,779	37,695	11,084
-	-	-	-	-	-	-	-	-	299,016	248,096	50,920
-	-	-	-	-	-	-	-	-	80,465	146,106	(65,641)
41,056	40,441	615	-	-	-	(1,363)	(1,354)	(9)	39,693	39,087	606
6	7	(1)	3,946	4,277	(331)	-	-	-	43,606	32,852	10,754
41,062	40,448	614	3,946	4,277	(331)	(1,363)	(1,354)	(9)	511,559	503,836	7,723
163,730	120,518	43,212	1,438	1,286	152	(13,837)	(10,074)	(3,763)	173,399	125,947	47,452
(92,770)	(65,851)	(26,919)	(10,731)	(8,778)	(1,953)	13,837	10,074	3,763	(94,471)	(69,431)	(25,040)
9,076	3,521	5,555	1	(4)	5	-	-	-	3,426	10,196	(6,770)
80,036	58,188	21,848	(9,293)	(7,496)	(1,797)	-	-	-	82,354	66,712	15,642
130	141	(11)	20,549	12,860	7,689	-	-	-	30,685	25,949	4,737
3,642	7,394	(3,751)	3,941	2,957	984	-	-	-	24,637	28,431	(3,794)
124,870	106,170	(3,762)	19,143	12,598	8,673	(1,363)	(1,354)	(9)	3,845,362	3,056,946	943
-	-	-	-	-	-	-	-	-	(2,981,951)	(2,250,293)	(731,658)
(23,364)	(19,331)	(4,033)	(3,042)	(4,208)	1,166	-	-	-	(304,933)	(237,397)	(67,536)
(1,951)	(1,712)	(239)	(7)	(41)	34	-	-	-	(2,538)	(3,998)	1,460
(84,078)	(70,457)	(13,621)	(2,014)	(2,837)	823	1,363	1,354	9	(238,143)	(214,059)	(24,084)
(9,554)	(10,152)	598	(154)	(175)	21	-	-	-	(20,229)	(20,778)	549
(872)	(1,986)	1,114	(241)	(434)	193	-	-	-	(15,341)	(26,170)	10,829
5,051	2,532	2,519	13,685	4,903	8,782	-	-	-	282,227	304,251	(22,024)
									(59,210)	(54,382)	(4,828)
									223,017	249,869	(26,852)

INCOME STATEMENT AT DECEMBER 31, 2006

Segment reporting by business sector / foreign market

	LIFE INSURANCE			ASSET MANAGEMENT		
€/'000	2006	2005	delta	2006	2005	delta
Net premiums written	148,203	16,707	131,496	-	-	-
Entry fees	-	-	-	7,768	5,403	2,365
Management fees	-	-	-	18,843	17,420	1,423
Performance fees	-	-	-	2,663	6,469	(3,806)
Banking service fees	-	-	-	1,893	1,298	595
Other fees	7,753	9,881	(2,128)	299	130	169
Total commission income	7,753	9,881	(2,128)	31,465	30,719	746
Interest income and similar income	1,155	2,202	(1,047)	451	231	220
Interest expense and similar charges	-	-	-	(322)	(326)	4
Net income on investments at fair value	489	-	489	47	77	(30)
Net financial income	1,644	2,202	(558)	176	(18)	194
Net income on other investments	-	-	-	-	89	(89)
Other revenues	-	-	-	566	244	322
TOTAL REVENUES	157,600	28,790	128,810	32,207	31,034	1,173
Amounts paid and change in technical reserves	(130,171)	(17,150)	(113,021)	-	-	-
Acquisition costs & other commission expense	(12,322)	(3,639)	(8,683)	(15,234)	(12,125)	(3,109)
Net impairment of financial investments	-	-	-	-	-	-
G&A expenses	(5,643)	(4,683)	(960)	(11,519)	(10,887)	(632)
Amortisation and depreciation	(814)	(595)	(218)	(372)	(609)	237
Provision for risks and charges	-	-	-	(144)	(40)	(104)
PROFIT BEFORE TAX	8,651	2,723	5,928	4,938	7,372	(2,434)
Income tax						
NET PROFIT						

BANKING			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2006	2005	delta	2006	2005	delta	2006	2005	delta	2006	2005	delta
-	-	-	-	-	-	-	-	-	148,203	16,707	131,496
-	-	-	-	-	-	-	-	-	7,768	5,403	2,365
-	-	-	-	581	(581)	-	-	-	18,843	18,001	842
-	-	-	-	-	-	-	-	-	2,663	6,469	(3,806)
31,997	31,046	951	-	-	-	-	-	-	33,890	32,344	1,546
379	1,314	(935)	-	-	-	-	-	-	8,431	11,325	(2,894)
32,377	32,360	17	-	581	(581)	-	-	-	71,595	73,541	(1,946)
19,197	16,374	2,824	-	-	-	-	-	-	20,803	18,807	1,997
(9,633)	(7,928)	(1,706)	-	-	-	-	-	-	(9,955)	(8,254)	(1,702)
18	(102)	120	-	-	-	-	-	-	554	(25)	579
9,582	8,345	1,238	-	-	-	-	-	-	11,402	10,529	874
106	980	(874)	-	-	-	-	-	-	106	1,069	(963)
1,536	1,233	303	-	-	-	(478)	(384)	(94)	1,624	1,093	531
43,600	42,917	683	-	581	(581)	(478)	(384)	(94)	232,929	102,938	129,991
-	-	-	-	-	-	-	-	-	(130,171)	(17,150)	(113,021)
(24,159)	(22,874)	(1,285)	-	-	-	-	-	-	(51,715)	(38,638)	(13,077)
(1,041)	203	(1,244)	-	(14,780)	14,780	-	-	-	(1,041)	(14,577)	13,536
(25,805)	(26,523)	718	-	(706)	706	478	384	94	(42,489)	(42,416)	(73)
(1,940)	(2,505)	565	-	-	-	-	-	-	(3,125)	(3,710)	585
(1,334)	(698)	(636)	-	-	-	-	-	-	(1,478)	(738)	(740)
(10,679)	(9,481)	(1,198)	-	(14,905)	14,905	-	-	-	2,910	(14,291)	17,200
									(2,250)	(2,265)	15
									660	(16,556)	30,523

Reconciliation of the balance sheet at December 31, 2006 to the reclassified balance sheet for segment reporting purposes

€/'000	Book value	Intangible assets
1. Intangible assets		
1.1 Goodwill	162,414	162,414
1.2 Other intangible assets	19,327	19,327
Total intangible assets	181,741	181,741
2. Tangible assets		
2.1 Property	57,680	-
2.2 Other tangible assets	17,180	-
Total tangible assets	74,860	-
3. Reinsurers' share of technical reserves	103,176	-
4. Investments		
4.1 Investment property	6,967	-
4.2 Investments in subsidiaries, associates and jvs	39,326	-
4.3 Held to maturity investments	567,544	-
4.4 Loans and receivables	3,311,815	-
4.5 Available for sale financial assets	959,715	-
4.6 Financial assets at fair value through profit and loss	15,233,145	-
Total investments	20,118,512	-
5. Receivables		
5.1 Arising out of direct insurance business	13,806	-
5.2 Arising out of reinsurance business	-	-
5,3 Other receivables	1,214	-
Total receivables	15,020	-
6. Other assets		
6.1 Non current assets or assets of disposal groups, held for sale	414	-
6.2 Deferred acquisition costs	-	-
6.3 Deferred tax assets	45,181	-
6.4 Current tax assets	145,208	-
6.5 Other assets	191,989	-
Total other assets	382,792	-
7. Cash and cash equivalents	441,012	-
TOTAL ASSETS	21,317,113	181,741

Property	Securities	Financial assets to banks	Financial assets to customers	Other assets	Total
-	-	-	-	-	162,414
-	-	-	-	-	19,327
-	-	-	-	-	181,741
57,680	-	-	-	-	57,680
-	-	-	-	17,180	17,180
57,680	-	-	-	17,180	74,860
-	-	-	-	103,176	103,176
6,967	-	-	-	-	6,967
-	39,326	-	-	-	39,326
-	567,544	-	-	-	567,544
-	11,335	1,790,875	1,323,966	185,639	3,311,815
-	959,715	-	-	-	959,715
-	15,233,145	-	-	-	15,233,145
6,967	16,811,065	1,790,875	1,323,966	185,639	20,118,512
-	-	-	-	13,806	13,806
-	-	-	-	-	-
-	-	-	-	1,214	1,214
-	-	-	-	15,020	15,020
-	-	-	-	414	414
-	-	-	-	-	-
-	-	-	-	45,181	45,181
-	-	-	-	145,208	145,208
-	-	-	-	191,989	191,989
-	-	-	-	382,792	382,792
-	-	397,945	-	43,067	441,012
64,647	16,811,065	2,188,820	1,323,966	746,874	21,317,113

Reconciliation of the balance sheet at December 31, 2006 to the reclassified balance sheet for segment reporting purposes

€/'000	Book value	Financial liabilities due to banks	Financial liabilities due to banks
1. Shareholders' equity			
1.1 Group shareholders' equity			
1.1.1 Share capital	72,884	-	-
1.1.2 Other equity instruments	-		
1.1.3 Capital reserves	52,561	-	-
1.1.4 Retained earnings and other equity reserves	439,761	-	-
1.1.5 Treasury shares (-)	(2,045)	-	-
1.1.6 Exchange difference reserves	-	-	-
1.1.7 Gains or losses on available for sale financial assets	117,465	-	-
1.1.8 Other gains or losses recognised directly in equity	-	-	-
1.1.9 Net profit (loss) for the year attributable to the Group	223,678	-	-
Total capital and reserves attributable to the Group	904,304	-	-
1.2 Attributable to minority interests			
1.2.1 Capital and reserves attributable to minority interests	-	-	-
1.2.2 Gains (losses) recognised directly in equity	-	-	-
1.2.3 Net profit (loss) for the year attributable to minority interests	-	-	-
Total capital and reserves attributable to minority interests	-	-	-
Total shareholders' equity	904,304	-	-
2. Provisions	67,598	-	-
3. Technical reserves	13,306,917	-	-
4. Financial liabilities			
4.1 Financial liabilities at fair value through profit and loss	1,100,993	-	-
4.2 Other financial liabilities	5,489,093	4,264,332	1,123,420
Total financial liabilities	6,590,086	4,264,332	1,123,420
5. Payables			
5.1 Arising out of direct insurance business	13,489	-	-
5.2 Arising out of reinsurance business	1,663	-	-
5.3 Other payables	248,461	-	-
Total payables	263,613	-	-
6. Other liabilities			
6.1 Liabilities of disposal groups held for sale	-	-	-
6.2 Deferred tax liabilities	19,630	-	-
6.3 Current tax liabilities	40,570	-	-
6.4 Other liabilities	124,395	-	-
Total other liabilities	184.595	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	21,317,113	4,264,332	1,123,420

Other financial liabilities	Other liabilities	Technical reserves	Provision for risks and charges	Shareholders' equity	Total
-	-	-	-	72,884	72,884
-	-	-	-	52,561	52,561
-	-	-	-	439,761	439,761
-	-	-	-	(2,045)	(2,045)
-	-	-	-	-	-
-	-	-	-	117,465	117,465
-	-	-	-	-	-
-	-	-	-	223,678	223,678
-	-	-	-	904,304	904,304
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	904,304	904,304
-	-	-	67,598	-	67,598
-	-	13,306,917	-	-	13,306,917
1,100,993	-	-	-	-	1,100,993
101,341	-	-	-	-	5,489,093
1,202,334	-	-	-	-	6,590,086
-	13,489	-	-	-	13,489
-	1,663	-	-	-	1,663
-	248,461	-	-	-	248,461
-	-	-	-	-	263,613
-	-	-	-	-	-
-	19,630	-	-	-	19,630
-	40,570	-	-	-	40,570
-	124,395	-	-	-	124,395
-	184,595	-	-	-	184,595
1,202,334	448,208	13,306,917	67,598	904,304	21,317,113

BALANCE SHEET AS AT DECEMBER 31, 2006

Mediolanum Group - Financial information by Business segment

	LIFE INSURANCE		ASSET MANAGEMENT	
€/'000	2006	2005	2006	2005
ASSETS				
Intangible Assets	6,275	8,122	32,152	32,602
Property	26,756	43,607	7,821	7,980
Securities	14,547,739	12,735,402	13,813	8,104
Financial assets to banks	293,842	305,822	69,285	58,505
Financial assets to customers	-	-	47,220	79,054
Other assets	337,503	303,313	4,895	14,398
Total assets	15,212,115	13,396,266	175,186	200,643
LIABILITIES				
Financial liabilities due to banks	237,320	237,016	791	10,705
Financial liabilities due to customers	-	-	469	509
Other financial liabilities	1,077,673	1,440,846	-	-
Technical reserves	13,306,917	11,201,382	-	-
Provisions for risks and charges	771	746	1,046	2,842
Other liabilities	228,931	228,802	38,566	36,186
Total liabilities	14,851,612	13,108,792	40,872	50,242
Minority interests				
Shareholders' equity				
Net profit for the year				
Total shareholders' equity and liabilities				

	BANKING		OTHER		CONSOLIDATION ADJUSTMENTS		TOTAL		
	2006	2005	2006	2005	2006	2005	2006	2005	delta
	139,154	142,953	4,159	4,256	-	-	181,740	187,933	(6,193)
	28,371	28,838	1,699	1,683	-	-	64,647	82,108	(17,461)
	2,427,755	1,635,722	40	1,926	(178,282)	(111,054)	16,811,065	14,266,248	2,544,817
	2,057,175	2,695,049	1,824	594	(233,306)	(243,026)	2,188,820	2,816,944	(628,124)
	1,278,388	890,006	-	-	(1,642)	(13,611)	1,323,966	955,449	368,517
	481,652	329,844	5,128	8,322	(82,303)	(70,797)	746,875	585,080	161,795
	6,412,495	5,722,412	12,850	12,929	(495,533)	(438,488)	21,317,113	18,893,762	2,423,351
	886,100	911,361	-	575	(791)	(11,254)	1,123,420	1,148,403	(24,983)
	4,655,290	4,108,207	-	-	(391,427)	(390,154)	4,264,332	3,718,562	545,770
	124,661	63,196	-	-	-	-	1,202,334	1,504,042	(301,708)
	-	-	-	-	-	-	13,306,917	11,201,382	2,105,535
	65,765	53,818	16	16	-	-	67,598	57,422	10,176
	278,747	222,039	5,281	6,017	(103,315)	(37,080)	448,210	455,965	(7,755)
	6,010,563	5,358,621	5,297	6,608	(495,533)	(438,488)	20,412,811	18,085,776	2,327,035
							-	-	-
							680,624	574,674	105,950
							223,678	233,312	(9,634)
							21,317,113	18,893,762	2,423,351

BALANCE SHEET AS AT DECEMBER 31, 2006

Mediolanum Group - Financial information by Geographical segment

	DOMESTIC MARKET		FOREIGN MARKET	
€/'000	2006	2005	2006	2005
ASSETS				
Intangible Assets	21,451	26,616	160,289	161,317
Property	46,586	63,685	18,061	18,423
Securities	16,420,730	13,969,101	390,335	297,147
Financial assets to banks	2,009,319	2,782,190	377,871	159,060
Financial assets to customers	1,134,840	772,815	190,787	193,716
Other assets	529,018	450,271	270,742	224,006
Total assets	20,161,944	18,064,678	1,408,085	1,053,669
LIABILITIES				
Financial liabilities due to banks	1,360,829	1,355,406	8,663	13,053
Financial liabilities due to customers	3,734,429	3,270,845	536,436	452,018
Other financial liabilities	1,059,017	1,318,435	143,317	185,607
Technical reserves	13,108,464	11,135,185	198,453	66,197
Provisions for risks and charges	62,943	51,680	4,655	5,742
Other liabilities	388,418	396,471	60,103	59,722
Total liabilities	19,714,100	17,528,022	951,627	782,339
Shareholders' equity				
Net profit for the year				
Totale shareholders' equity and liabilities				

CONSOLIDATION ADJUSTMENTS		TOTAL		
2006	2005	2006	2005	delta
-	-	181,740	187,933	(6,193)
-	-	64,647	82,108	(17,461)
-	-	16,811,065	14,266,248	2,544,817
(198,370)	(124,306)	2,188,820	2,816,944	(628,124)
(1,661)	(11,082)	1,323,966	955,449	368,517
(52,885)	(89,197)	746,875	585,080	161,795
(252,916)	(224,585)	21,317,113	18,893,762	2,423,351
(246,072)	(220,056)	1,123,420	1,148,403	(24,983)
(6,533)	(4,301)	4,264,332	3,718,562	545,770
-	-	1,202,334	1,504,042	(301,708)
-	-	13,306,917	11,201,382	2,105,535
-	-	67,598	57,422	10,176
(311)	(228)	448,210	455,965	(7,755)
(252,916)	(224,585)	20,412,811	18,085,776	2,327,035
		680,624	574,674	105,950
		223,678	233,312	(9,634)
		21,317,113	18,893,762	2,423,351

PART F - INFORMATION ON RISKS AND RISK MANAGEMENT

Risk Management and Internal Control

The Group's internal control system consists of the set of rules, procedures and functions established to ensure the effectiveness and efficiency of corporate processes, the protection of the company's assets and the proper management of customer assets, the reliability and integrity of accounting and management information as well as the compliance of transactions with the law, the regulations issued by Supervisory Authorities, self-discipline and internal rules.
The various companies within the Mediolanum Group put in place a comprehensive, effective internal control system in accordance with applicable regulations and the business they conduct.

The Board of Directors and management play a key role in the establishment of an adequate risk management framework and the implementation of an effective internal control system.
Internal control, however, is not only the responsibility of certain functions or committees, but rather all departments are responsible to a different extent for the transactions they execute.
The internal control system is designed to encompass the following main lines of defence:

- Line controls. This first line of defence consists of controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit or function. These controls are carried out by operational units or embedded in automated procedures, and they are part of back-office activities. The level of controls depends upon the size, nature and complexity of the business.
- Risk controls. These are specific controls performed by units other than operating units; they contribute to the definition of risk measurement methods, control of operating limits of officers to whom authorities are delegated, and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of responsibility. This second line of defence is tailored to the risk profile of the individual business. Specifically, it includes controls over credit risk, capital risk and investment risk, operational and reputational risks. It also includes control of compliance with the law, the regulations issued by Supervisory Authorities and self-discipline rules (e.g. codes of conducts) as well as with any other rules applicable to the Company;
- Internal Audit. This third line of defence entails the periodic assessment of the completeness, effectiveness and adequacy of the internal control system in relation to the nature of the business and the level of risks undertaken. The Head of Internal Audit is appointed by the Board of Directors. The Internal Audit function is separate and independent of operating units. Due to the scope and sensitiveness of the internal audit work, expert knowledge is required of internal auditors.

In the performance of their duties, internal auditors are granted access to all corporate structures as well as to any information they may need to assess outsourced activities. The Board of Directors and the Board of Statutory Auditors receive regular reports on internal audit work so that they can promptly take suitable corrective measures if deficiencies are detected.

Risk Management and Compliance

The "Risk Management and Compliance" function is responsible for ensuring the adequacy of risk management procedures for financial, operational and credit risks as well as regulatory compliance of the financial conglomerate.
The Group Risk Management and Compliance framework was developed from the models applied by the individual entities and taking into account the level of risk concentration/diversification originating from being part of the Group.
Specifically, the Group Risk Management and Compliance framework sets out the policies for the risks managed directly by subsidiaries (underwriting, reserve, market, credit, liquidity, operational, legal, reputational risks) as well as the policies for the risks faced by individual entities as a result of being members of the Group, that are monitored and managed at Group level.
Policy statements set out the roles and responsibilities of risk management and control staff as well as the timing and manner of risk identification. The risk management processes are calibrated to the complexity of the individual businesses and their impact on cumulative risks.

The Group Risk Management and Compliance framework, together with related corroborative information, was examined and approved by the Audit Committee, the Senior Management and the Board of Directors of the Parent Company. It was developed taking into account the nature of the business as well as statutory and regulatory requirements and is continually revised and upgraded to keep abreast of any changes.

Underlying principles

The following general principles form the bedrock of the Group risk management framework:
- identification and full coverage of all categories of risks within all companies;
- segregation of duties between the Risk Management function and Operating Units. The risk management framework is designed to guarantee the segregation of duties between the Risk Management function and the Internal Audit function. However, temporary dispensations from this requirement may be obtained according to the complexity and volume of the business as well as potential risks;
- use of uniform, consistent models and methods for the collection of data and information as well as for the analysis and measurement of risks by all organisational units and/or companies within a Group;
- timely and consistent analysis and measurement of risk; subsequent preparation of reports to support control and decision-making processes;
- transparency and dissemination, in a structured way, of models, methods and criteria applied in the analysis and measurement of risks to promote a control culture within the organisation and understanding of the reasons underlying the choices made;
- delegation of risk management authorities and responsibilities from the Board of Directors to the Operating Units.

To ensure adherence to the principles above and have a comprehensive risk management framework, the Mediolanum Group has adopted a set of risk policies.
The main purposes of risk policies are:
- to ensure that any material breaches/anomalies be promptly identified by the internal control system and adequate corrective/mitigating actions be taken;
- to ensure the consistent application of risk management principles and rules across the Group;

- to promote a risk management culture at all levels of the organisation and encourage consistent, knowledgeable operating choices and practices.

The "Risk Management and Compliance" function is organised into three main operating units: the Financial Risk Management Unit, the Operational Risk Management Unit, and the Compliance Unit.

Financial Risk and Credit Risk Management

The Financial and Credit Risk Management Unit is mainly responsible for:
- overseeing the definition of risk measurement methods applied by the risk management units of subsidiaries as well as monitoring and managing concentration of the exposures and the risk faced by individual companies as a result of being part of the Group;
- validating the flows of information needed to ensure timely control of exposure to operational and financial risks associated with assets managed by subsidiaries, and, when possible, prevention of any anomalies;
- preparing reports to the Audit Committee, the Board of Directors, Senior Management and heads of operating units on risk evolution within Group companies, including any proposed corrective measures;
- assisting the line control units of subsidiaries in assessing Asset Liability Management models and techniques for proper understanding and management of risk exposures arising from any asset/liability mismatch.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes or controls, technical or human errors, the use of technology – especially systems that enable remote access and transactions – or unpredictable events, that can be, at least partly, mitigated.

For both Mediolanum Spa and its subsidiaries, the Operational Risk Management Unit is mainly responsible for:
- overseeing the definition of the operational risk measurement methods (scoring) applied by the risk management units of subsidiaries as well as the definition of the operational risk model of Mediolanum S.p.A,;
- validating the flows of information needed to ensure timely control of exposure to operational and financial risks associated with the assets managed by subsidiaries; taking mitigating actions and, whenever possible, preventing any anomalies;
- preparing reports to the Audit Committee, the Board of Directors, Senior Management and heads of operating units on risk evolution within Group companies, including any proposed corrective measures.

Compliance

The Compliance Unit is responsible for continuously monitoring the financial and insurance regulatory environment to anticipate the impact of statutes and regulations on the Group business. Compliance Unit staff provide advice and assistance to the Chief Executive Officers, the Chairman and the Secretary of the Board of Directors in their assessment of compliance of procedures and practices with applicable laws and regulations as well as in the timely introduction of amendments thereto, in case of regulatory changes.
Specifically, in relation to Mediolanum S.p.A., the compliance team:

- monitors the regulatory environment, assesses the impact of regulations on the business at Group level, and proposes changes to operating processes and/or procedures;
- reviews compliance of processes with the law, the regulations issued by Supervisory Authorities and self-discipline rules (e.g. codes of conducts) as well as with any other applicable rules. This is done working together with Internal Audit, Corporate Affairs and Organisation officers.

Financial Risk and Credit Risk

This section presents the policies adopted to manage material exposure to financial risk, credit risk and insurance risk within the Mediolanum Group. Information is presented by business segment, namely insurance, banking and financial services. These are the business segments in which the Mediolanum Group subsidiaries operate.

Insurance - Financial Risk and Credit Risk

Introduction

The Group conducts insurance business through two subsidiaries: the Italian company Mediolanum Vita and the Irish company Mediolanum International Life LTD.
The risk management models are tailored to the complexity of the business and the characteristics of the products sold. In certain instances, e.g. class III products dealt with by both companies, control processes are geared to protect the policyholders who bear the investment risk thereof, through the validation of pricing model and control of the creditworthiness of the issuers. For the Italian insurance company, overall portfolio risk is also monitored since it offers a broader, more diversified portfolio of products (prevalence of class III products, class I products, and residual portfolio of products in class I i.e. *capitalisation plans*, and class VI i.e. *pension funds*).
Risk management and control activities are carried out by both the operating units of the individual insurance company and by second-line functions, e.g. the Risk Management and Compliance function.

1 - Free Capital and Traditional Portfolio

The controls currently in place monitor the value of underlying assets ex-ante and ex-post. Frequency of controls is established at the level of each entity.

The risk of asset-liability mismatch in the traditional reserve portfolio is periodically assessed using a simplified Asset Liability Management model.

Under the regulations in force, the insurance companies within the Group are authorised to use derivatives to hedge current positions or to anticipate movements in underlying assets or liabilities. Financial derivatives are primarily used to achieve operating targets with greater efficiency, flexibility and rapidity, to optimise portfolio management ("effective management") and to mitigate market risk arising on interest rate or foreign exchange rate movements.

Pursuant to Circular 577/D of December 31, 2005, the Group implemented a financial risk measurement system based on Value at Risk.

Assets included in free capital and traditional technical reserves coverage are largely assets with a high rating, as shown in the table below:

Provisions for risk and charges

Rating:	AAA	AA-	A+	A	A-
Nominal Value (%)	1.4	3.4	86.1	2.4	6.7

Source: Standard&Poors's

As to the exposure to interest rate risk of the traditional portfolio, the table below sets out information about modified duration (the measure of the sensitivity of the price of a security to a 100bps movement in the discount curve) and residual time-to-maturity (the time between the measurement date and the maturity of the financial instrument, expressed in years):

	Modified duration	Residual Time-to-Maturity
Held to maturity	8.92	12.97
Held for trading	3.69	5.14
Available for sale	4.39	5.24
Loans & Receivables	2.40	4.17

2 - Investments to the benefit of policyholders who bear the investment risk and in connection with pension fund management

These investments consists of holdings in Proprietary Insurance Funds (under Unit-Linked policies) and financial instruments – notes and derivative instruments – (under Index-Linked policies), where the amounts payable by Life Insurers are linked to changes in the value of units of one or more Proprietary Insurance Funds, which in turn depend on changes in the price of the underlying financial assets or in the price of the financial instruments.
The competent functions manage risk by ensuring that regulatory limits (exposure limits, asset quality and volatility, etc.) are not exceeded.
For class III products – Unit and Index-Linked policies – the use of derivatives is allowed to protect related technical reserves. Derivatives and the related assets approximate at best the value of technical reserves.
The company is exposed to counterparty risk on existing derivative positions. For listed instruments with daily re-margining risk is residual.
For Over-The-Counter contracts, exposure to credit risk is represented by the fair value on the measurement date. Credit risk is regularly monitored by reviewing counterparty exposure limits and credit standing.
An evolutionary integrated risk management framework (market, credit and liquidity risks) is being implemented across the Group.

Banking - Financial Risk and Credit Risk

1 - Credit Risk

1.1 General

Lending, be it the provision of home loans or consumer credit, or in other forms to meet other financing needs, is part of the business of the Mediolanum Banking Group. Consistently with the Group mission, lending complements the Group primary business i.e. the distribution of banking, asset management, insurance and retirement savings products. The Group applies prudent lending policies, which are geared to develop and strengthen the relationship with customers who invest in products managed by the companies within the Group.

1.2 Credit risk management - Organizational Aspects

The risk management framework includes policies that set out general principles and instructions on lending as well as on monitoring the quality of the loan portfolio. The Parent Company of the Banking Group is responsible for assessing overall exposure to credit risk and defining credit risk measurement policies for the whole Group.
Credit risk exposure is also assessed at the level of individual companies in their respective areas of responsibility, by measuring and monitoring the risk associated with the various categories of financial instruments. Capital adequacy and, in particular, compliance with solvency ratios and exposure limits for credit risk as set by local supervisory authorities are periodically monitored by the competent offices of the respective companies.

1.3 Credit risk measurement, management and control

Credit quality is monitored by regularly assessing, in each stage of the lending process, whether there is evidence of risk in accordance with entity-specific operating procedures.
In the lending process it is fundamental to have a comprehensive understanding of the financial condition of the borrower and the type of financing which best meets his needs, the loan purpose, the borrower creditworthiness and earnings capacity. To that end, each entity within the Group, as part of its loan application analysis, gathers all information needed to assess the consistency of the loan amount with the type and purpose of financing. In that examination, the entity uses performance and financial analysis tools as well as intelligence obtained from private and public Credit Bureaus. Special attention is paid to the assessment of any security taken.
All loans are subject to regular review by the competent units within each Group entity. Outstanding loans are continuously monitored focusing especially on riskier positions. Regular reports on credit protection actions taken are submitted to the Board of Directors of the respective companies.

1.4 Credit risk mitigation techniques

Loans extended by Group entities are secured by collaterals received from borrowers. Collaterals primarily consist of mortgage over property and pledge over financial instruments, plus conditional sale, and other forms of security, e.g. surety bonds and endorsements . Given the importance of the collateral received from the obligor in the assessment of credit risk, appropriate prudential adjustments are applied to the collateral whose value is subject to regular review.

1.5 Impaired financial assets

Each Group entity, within its sphere of independence, has its own effective tools for prompt detection of any problem loans.
The new rules set forth by the Basel Committee introduced significant changes in the general definitions of problem loans and the discretionary guidance of national supervisory authorities. The most significant change relates to the definition of default.
A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held);
- The obligor is past due more than 180 days under Italian law and more than 90 days in other jurisdictions on any material credit obligation to the banking group.

In accordance with the discretionary guidance of national supervisory authorities, each entity within the Group classifies troubled positions according to their level of risk.
Each entity has dedicated problem loan management units that apply operating procedures and take action according to the severity of the problem.

2 - Market Risk

2.1 Interest Rate Risk and Pricing Risk - Trading book

A. General

The Banking Group's trading book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.

Specifically, the trading book consists of positions held by those Group functions authorised to take market risk exposures within the limits and the authorities delegated to them by their respective Boards of Directors, in accordance with the Parent Company guidelines.

The trading book primarily consists of positions in bonds, equities, derivatives and cash instruments.

B. Interest Rate Risk and Pricing Risk - Measurement and Management

The Parent Company's Risk Management and Compliance function is responsible for ensuring that the various entities use consistent methods in assessing financial risk exposure. It also contributes to the definition of lending and operating limits. However, each entity within the Group is directly responsible for the control of the risks assumed. Risks are to be in accordance with the policies approved by the respective Board of Directors and consistent with the complexity of managed assets.

Exposure to interest rate risk and pricing risk is measured by applying portfolio analyses (e.g. exposure limits, characteristics of the instruments and of the issuers) as well as by estimating the risk of maximum loss on the portfolio (Value at risk) over a defined time horizon.

Analysis by credit rating

Rating:	AAA to A-	BBB+ to BBB-	Unrated
Nominal Value HTF (%)	97.7%	1.6%	0.7%

Source: Standard&Poors's

Modified duration and Time-to-Maturity

	Modified duration	Time to Maturity
Held to maturity	0.38	2.14
Held for trading	0.75	3.99

2.2 Interest rate and pricing risks - Banking book

The Group's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans and held-to-maturity investments.

The Parent Company's central management of foreign subsidiaries' investments in liquid assets, as approved by the respective Boards of Directors and authorised by the competent national supervisory authorities, substantially reduced the overall exposure to risk of foreign subsidiaries.

The Parent Company measures interest rate risk exposure of the banking book using a simplified static ALM model.

In compliance with the requirements of the international accounting standards, in the second half of 2005, the Parent Company developed a hedge accounting framework.
The hedge accounting framework sets forth, inter alia, controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors of each entity within the Group in compliance with the Parent Company's guidelines.

Analysis of on/off-balance sheet exposures by credit rating

	External rating							
Exposure	AAA AA-	A+ A-	BBB+ BBB-	BB+ BB-	B+ B-	Worse than B-	Unrated	Total
A. On balance sheet exposures	348,921	1,460,371	186,599	24,656	-	-	3,567,351	5,587,898
B. Derivatives	2,076	2,353	-	-	-	-	72	4,501
B.1 Financial derivatives	2,076	2,353	-	-	-	-	72	4,501
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	-	-
D. Commitments to disburse funds	14,243	245	-	-	-	-	89,937	104,425
Total	365,240	1,462,969	186,599	24,656	-	-	3,657,360	5,696,824

2.3 Currency risk

The Group is exposed to currency risk on all its foreign-currency denominated assets and liabilities (both on and off-balance sheet) including euro-denominated positions linked to the performance of foreign exchange rates. Currency exposure limits were set for the Parent Company only. Those limits are set by reference to the net value of positions in the main operating currencies.

2.4 Liquidity Risk

Given the types of assets held, their duration as well as the type of funding, the Banking Group is not materially exposed to liquidity risk.
Liquidity risk is monitored by the Parent Company using liquidity gap analysis under a simplified static ALM model.

Insurance contracts - Disclosures under IFRS4

Specific technical offices monitor the following risks:

- Longevity Risk is kept in check by monitoring developments in survival rates, on the basis of statistics and market analysis.
- Mortality Risk. When structuring a product, mortality risk is estimated based on reinsurers' mortality tables.

The risk that the counterparty cancels the contract earlier (lapse risk) and the risk of inadequate loadings to cover the costs of contract acquisition and management (expense risk) are prudentially assessed when pricing a new product. Product pricing and profit testing are based on assumptions derived from the company's experience or the local market. To mitigate the risk of early contract cancellation by the counterparty, penalties are applied. Said penalties are calculated to compensate lost revenues, at least partly.

1 - Guidelines for Product Classification

The main assumption adopted to classify a product as insurance, especially those markedly financial in content (index-linked and unit-linked contracts), is the obligation to pay benefits in case of death. Contracts were classified as insurance or financial contracts according to the significance of that obligation.

For the purpose of said classification the most important assumption is the "significance threshold", i.e. the difference between the benefit payable in case of death and the contract mathematical reserve (i.e. the value of the underlying financial asset for class III products).

For traditional products another key element was considered, i.e. the payment of life annuity and the presence of features which can be classified as "Discretionary Participation Features".

All contracts that met the requirements above were classified as "insurance contracts".

All new products launched in 2006 were classified as "insurance contracts".

2 - Measurement assumptions

In accordance with the principle of prudence, the mortality tables and technical rates used to calculate and measure technical reserves (for class I contracts) were the same used to price premiums (Legislative Decree 174, art. 25 paragraph 11).

Mortality table technical rates

Type of product	Technical rates applied in the calculation of premiums	Technical rates applied in the calculation of reserves
Pure Endowment	S.I.M./F. 1971: 3% 4%	S.I.M./F. 1971: 3% 4%
Whole life	S.I.M./F. 1981: 3% 4%	S.I.M./F. 1981: 3% 4%
Mixed	S.I.M 1961 / 1981: 2% 3% 4%	S.I.M 1961 / 1981: 2% 3% 4%
Annuities	S.I.M./F. 1931 / 1951 /1971 /S.I.M./F. p.s. 1971: 2% 3% 4% RG48: 0%	S.I.M./F. 1931/1951/1971/S.I.M./F. p.s. 1971 / RG48: 2% 3% 4%
Term	S.I.M./F. 1961 / 1981 / 1992: 4%	S.I.M./F. 1961 / 1981 / 1992: 4%
Group	S.I.M./F. 1971 / S.I.M./F. 1971 p.s. / RG48: 3% 4%	S.I.M./F. 1971 / S.I.M./F. 1971 p.s. / RG48: 3% 4%
Index Linked		S.I.M./F.92
Unit Linked		S.I.M./F.92

3- Significant clauses

Certain class I contracts, specifically deferred life annuity contracts, guarantee the payment of minimum income benefits, calculated on the basis of the survival assumptions adopted by the Company when the contract is made. In relation to those contracts the Company constantly monitors survival trends and raises a specific reserve to cover the risk that technical reserves may be inadequate to cover the payment of those benefits.

4 - Insurance Risk

Since the vast majority of insurance written by the Company relates to contracts (class III) under which the investment risk is borne by the policyholder, insurance risk is represented only by the risk of death of the policyholder. That risk is covered via treaty reinsurance arrangements (excess per risk treaties) which limit the Company's overall exposure per head insured. No such reinsurance protection is purchased for class III products since the Company judges it can cover the risk of death of the policyholder using its own equity.

5 - Credit Risk

The Group's primary source of credit risk is reinsurance counterparty risk, since under almost all class III contracts credit risk is borne by the policyholder.

However, the minimum regulatory rating and the minimum counterparty rating limits in place provide sufficient guarantee of solvency.

Reinsurance counterparty risk is covered by deposit accounts held by the Company.

6 - Liquidity Risk

Liquidity risk is constantly monitored and managed by comparing future obligations with the related assets held in the Company's portfolio as well as by using Asset Liability Management techniques.

7 - Market Risk

Under class III contracts market risk is entirely borne by policyholders.
Market risk on class I contracts, relating to Medinvest segregated funds, which guarantee a minimum yield to policyholders, is managed by estimating expected future yields payable to policyholders. In connection therewith a specific additional reserve was created in compliance with law requirements.

8 - Liability Adequacy Testing (LAT)

The company assessed the adequacy of technical reserves for Medinvest segregated funds, using a current estimate of future cash-flows from insurance contracts, net of deferred acquisition costs and intangible assets. Contracts were grouped on the basis of similar technical rate and future cash-flows were discounted at the risk-free interest rate. That exercise showed that the carrying amount of technical reserves is adequate.
No express quantitative testing was performed for class III contracts since liabilities coincide with underlying assets and other technical reserves are broadly covered by annual management fees and loadings (for coverage in case of death of the policyholder) or are calculated using a prudent estimate of actual operating costs (reserve for future expenses).

9 - Solvency II Project

The insurance companies within the Group participate in the Quantitative Impact Studies (QIS) that are carried out to develop the new Solvency II system.
The European Commission requested the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) to coordinate work for the development of a new system to measure the capital requirements (Solvency II) to be applied to life insurance, non-life insurance and reinsurance undertakings beginning from 2010.
CEIOPS will gather evidence on possible quantitative impacts on solvency ratios through Quantitative Impact Studies (QIS) carried out on a voluntary basis by European insurance companies.
The results obtained from the Quantitative Impact Studies (QIS) will contribute to the formation of a future Solvency II Directive.

Operational risk

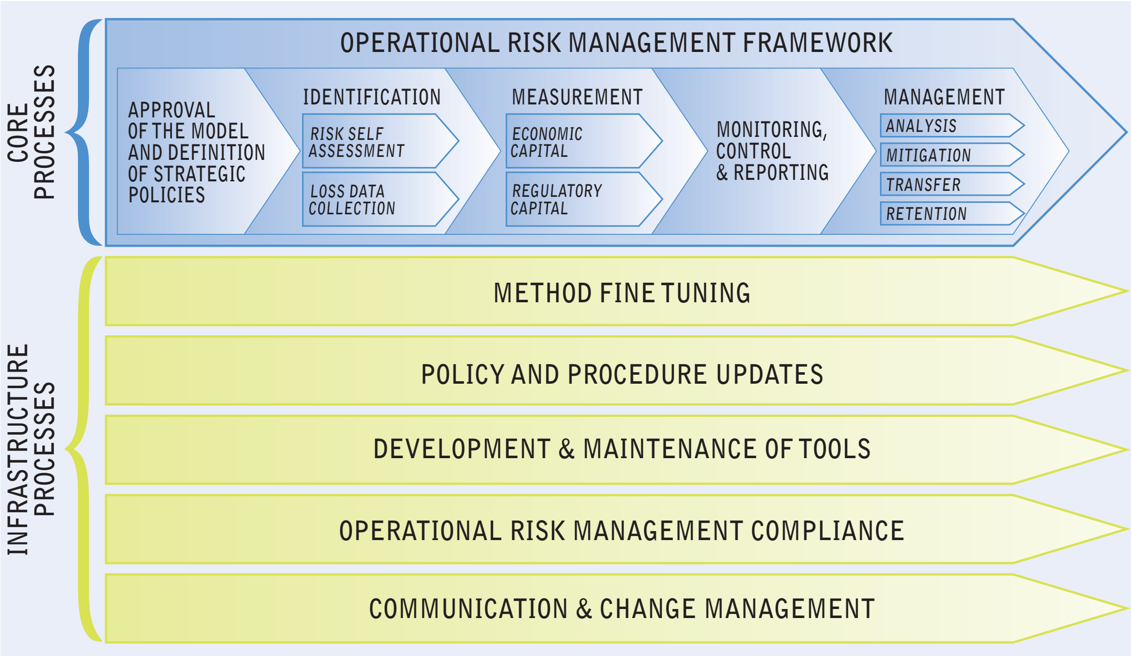
Operational risk is pervasive across the organisation and is closely correlated to legal risk and regulatory risk.
The Mediolanum Group defines operational risk as "the risk of economic loss or damage to assets resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events."

Therefore, the identification, monitoring and management of operational risk entail the analysis of the processes and activities carried out by the various companies within the Group, in addition to the activities conducted by the Parent Company.
The approach used to analyse risks entails the classification of processes into "core processes" and "infrastructure processes". Core processes include operating activities that are connected to the value chain, while infrastructure processes relate to activities supporting operations and to the company's administrative activities.

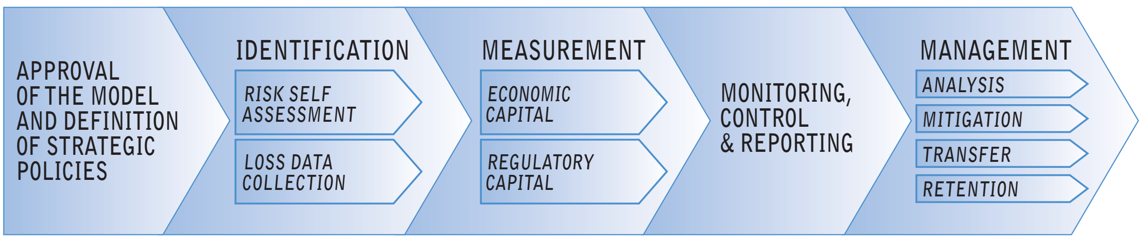
The Risk Self Assessment exercise conducted in past years was supplemented with a new method to assess the risk exposure arising from processes. This entailed, *inter alia*, the introduction of a new qualitative measurement of exposure to operation risk of each organisational unit within the Group, i.e. an internal rating system.
The qualitative metrics differentiate between exposure to risk that is inherent in business management and exposure to risk that is anomalous or at critical levels.
The system uses four ratings, which identify a different level of risk and related response, i.e.:

- **A, negligible risk:** ideal condition, minimum risk of operating loss;
- **B, moderate risk:** the risk of loss is not negligible; first red flag;
- **C, significant risk:** it indicates a critical condition; more in-depth analysis is recommended to assess the opportunity of mitigating actions;
- **D, untenable risk:** the situation is severe and mitigating actions need to be taken immediately.

Group Operational Risk Management is focused on both the assessment of the adequacy of risk management and monitoring procedures applied by the individual entities within the Group, in accordance with statutory and regulatory requirements and deadlines, as well as on the assessment of the specific operational risk to which the Parent Company may be exposed. These activities are conducted under the operational risk management framework set out in the diagram below:



Each main element in the diagram above indicates a macro-process which is divided into one or more sub-processes. In turn, these sub-processes consist of a series of steps and actions. For the sake of completeness readers are referred to the specific separate documents for full details on said steps and actions.



"Identification" consists of the following:

- "Risk Self Assessment": ex-ante assessment of exposure to operational risk of an organisational unit or process based on subjective estimates and self-assessment models applied by the risk officer. One of the main outcomes of the Risk Self Assessment exercise is rating, which is the concise indication of the level of operational risk the organisational unit/process is exposed to;
- "Loss Data Collection": ex-post collection of internal data on actual losses including any information that is relevant to risk measurement and management (including insurance and direct recoveries). This exercise is conducted applying both an "account driven" approach and an "event driven" approach.

"Measurement" relates to the calculation of risk capital, specifically:

- Economic capital: internal risk measurement through a rating system that enables to steer and calibrate risk management and mitigation according to the potential economic impact and the current risk management framework. This exercise is based on the outcome of risk identification analyses and applies an actuarial statistical model;

- Regulatory capital: calculated in accordance with capital requirements indicated by supervisory authorities (Basel 2 for the Banking Group; ISVAP Circular 577/D, solvency margins and Solvency II for insurance businesses; changes in supplementary capital requirements for the Group).

"Monitoring, Control and Reporting" consists of the following:

- "Monitoring and Control": analysis of actual exposure vs. estimated exposure to operational risk; identification of mitigating actions; fine tuning of risk assessment models;
- "Reporting": preparation of periodic reporting to Organisational Units, Senior Management, Control Committees and the Board of Directors

"Management" is composed of the following:

- "Management analysis"
- "Risk mitigation"
- "Management of risk transfer techniques"
- "Risk Retention Management"

The Operational Risk Management framework is rounded off with the following **processes that cut across business lines**:

- "Policies & procedures"
- "Fine-tuning of methods"
- "Development and maintenance of tools and applications"
- "Operational Risk Management Compliance"
- "Internal Communication/Change Management"

Legal Risk

The risk of non-compliance with statutory/regulatory requirements, such as the risk of legal penalties or fines, significant financial losses or reputational damage resulting from failed compliance with statutes, regulations, self-discipline or internal rules.

Legal risk cuts across the entire organisation and its effective management requires close collaboration with the Operational Risk Management unit, especially in relation to activities geared to improve corporate processes and mitigate the risk arising from procedures/processes that are not compliant with law provisions. The operational risk management framework includes the analysis of possible legal risk and the adoption of related mitigating actions.

Reputational risk

The Basel Committee expressly excluded reputational risk from the scope of Operational Risk. Reputational risk is considered to be a "secondary" risk compared to Operational Risk and Legal Risk, since it arises from an event connected to these risks. Since specific units will be dedicated to the control of Reputational Risk, the events that are classified as a potential source of this risk are included in the Risk Management and Compliance model, which is being finalised.

PART G - BUSINESS COMBINATIONS

Transactions concluded during the year

In 2006 there were no transactions requiring disclosure under IFRS 3.
You are advised that in the year under review the subsidiaries Alboran S.p.A. and Alborfin S.r.l. were merged into the fellow subsidiary Mediolanum Comunicazione S.p.A.
The intercompany transaction did not have any impact on the results of operation, financial position or cash flows of the Group.

Post-balance sheet date transactions

No transaction was concluded after the end of the financial year under review.

PART H - RELATED PARTY TRANSACTIONS

Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/ General Managers	Other key managers
Emoluments & social security contributions	5,234	1,151
Non-cash benefits	93	-
Share-based awards (stock options)	855	227

Related Party Transactions

Balance Sheet

€/'000	Parent company	Associates	Other related parties
Loans to customers	-	-	18,338
Loans to banks	-	70,000	-
Amounts due from customers	(15)	-	(9,955)
Guarantees issued	-	4,519	468

Income Statement

€/'000	Other related parties
Goods acquired/sold	1,531
Services provided/received	(6,680)
Commission income/expense	3,928
Interest expense	(354)

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Description of equity-settled share-based payment transactions

At the Extraordinary General Meeting held on April 12, 2001, the shareholders of Mediolanum S.p.A. resolved to increase share capital for a consideration, in one or more occasions over five years, by issuing up to 7,500,000 Mediolanum S.p.A. shares to be allotted to the employees, directors and contract workers of the company and its subsidiaries under a stock option plan, which can be implemented on multiple occasions and in different years.
The exercise price of the stock options granted to employees shall be the arithmetic mean of the MEDIOLANUM S.p.A. share prices in the 30 days preceding the date on which the Board of Directors resolves to implement the stock option plan.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees are allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares shall be made in full on a single occasion in the first five business days of each of the thirty six calendar months subsequent to the Vesting Date.
The stock options granted to directors and contract workers shall be exercisable upon the condition that the closing price of Mediolanum ordinary shares on the Exercise Date is not lower than the closing price of Mediolanum S.p.A. on the Grant Date. If that condition is met, the exercise price shall be equal to the MEDIOLANUM S.p.A. equity value per share as reported in the last financial statements approved prior to the Grant Date.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers are allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares shall be made in full on a single occasion in the first five business days of each of the thirty six calendar months after the Vesting Date.

At the Extraordinary General Meeting held on April 26, 2005, the shareholders of Mediolanum resolved to increase share capital for a consideration, in one or more occasions over five years, by issuing up to 9,500,000 Mediolanum S.p.A. shares to be allotted to the employees, directors and contract workers of the company and its subsidiaries under a stock option plan, which can be implemented on multiple occasions and in different years.
The stock options granted to employees shall be exercisable upon the expiration of a two-year vesting period at a share price equal to the fair market value – as defined by tax rules – of the Mediolanum stock on the date of the Board of Directors' resolutions relating to the respective capital increases.
The exercise of the Options granted to employees is subject to the satisfaction of the Vesting Conditions which will be established annually by the company that employs them.
The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees are allowed only upon the expiration of two years from the Grant Date (vesting period).

The exercise of the Options and the subsequent subscription for Shares shall be made in full on a single occasion in the first five business days of each of the thirty six calendar months subsequent to the Vesting Date.

The stock options granted to directors and contract workers shall be exercisable upon the expiration of a vesting period of two years for Directors and of three years for Contract Workers, at a share price equal to the weighted average of (i) the company's equity value per share as reported in the last financial statements approved prior to the allotment of the Options and (ii) and the average stock market price of Mediolanum S.p.A. shares in the six months preceding the Grant Date, applying a weight equal to ninety percent of the equity value and a weight equal to ten percent of the average stock market price in the last six-month period. The exercise of the Options granted to Directors and Contract Workers is subject to the satisfaction of at least one of the following conditions:
(i) that on the Vesting Date the closing price of Mediolanum S.p.A. ordinary shares be not lower than the closing price of Mediolanum S.p.A. ordinary shares on the Grant date; or
(ii) that the change in the closing price of Mediolanum S.p.A. ordinary shares in the period between the Grant Date and the Vesting Date (the "Vesting Period") be not lower than the arithmetic mean of the changes recorded in the Vesting Period in the S&P/Mib, Comit Assicurativi and Comit Bancari indices (the "Indices"), properly adjusted applying the criteria commonly adopted in financial market practice to take into account the correlation coefficient (known as the beta coefficient) between the Mediolanum S.p.A. ordinary shares and said Indices in the Vesting Period; the adjusted mean change in the Indices will be calculated by an independent third party appointed for that purpose by the Board of Directors of the Company; or
(iii) that the Embedded Value of the Mediolanum Group, as calculated by an independent third-party appointed for that purpose by the Board of Directors of the Company and reported in the last financial statements approved prior to the Vesting Date, be at least equal to the Embedded Value of the Mediolanum Group as calculated based on the last financial statements approved prior to the Grant Date.
The exercise of the Options – subject to the satisfaction of Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers are allowed only upon the expiration of two years for Directors and of three years for Contract Workers from the Grant Date (Vesting Period). The exercise of the Options and the subsequent subscription for Shares shall be made in full on a single occasion in the first five business days of each of the thirty six calendar months subsequent to the Vesting Date.

Exercising the authority delegated to it by the shareholders at the Extraordinary General Meeting of April 26, 2005, at its Meeting held on May 10, 2006 the Board of Directors resolved:

- to increase share capital for a consideration by a maximum amount of €71,400.00 through the issue of up to 714,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to the employees of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1), of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph eight of the Italian Civil Code and article 134, paragraph three, of Legislative Decree 58/98. Those shares will be offered for subscription at a share price, including share premium, equal to the arithmetic mean of the MEDIOLANUM S.p.A. share prices on the electronic trading system of Borsa Italiana S.p.A. (Italian Stock Exchange) in the period from the tenth day of the preceding calendar month to May 10, 2006;
- to increase share capital for a consideration by a maximum amount of €58,750.00 through the issue of up to 587,500 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to contract workers of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1), of the Italian Civil Code,

waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph five of the Italian Civil Code. Those shares will be offered for subscription at a share price of 1.210 including a share premium of €1.110 per share (price determined in accordance with the EGM resolution);

- to increase share capital for a consideration by a maximum amount of €60,900.00 through the issue of up to 609,000 dividend-bearing ordinary shares, par value of €0.1 each, to be allotted to the Directors of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1 of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to article 2441 paragraph five, of the Italian Civil Code. Those shares will be offered for subscription at a share price of €1.210 including a share premium of €1.110 per share (price determined in accordance with the EGM resolution);
- that the subscription to the share capital increases above is to be made on a single occasion in the first five business days of each of the sixty calendar months subsequent to the expiration of the two-year term, except for any exceptional circumstances as set out in the regulations. The final term for exercising the Options with respect to the share capital increases above, is the fifth business day in the sixtieth month subsequent to the expiration of the two-year term. In the event that the capital increases are not fully subscribed within the prescribed term, share capital will be increased by the amount of the subscriptions received as of that date.

In accordance with art. 79 of Consob Regulation 11971 of May 14, 1999 the interests of Directors and Statutory Auditors in ordinary shares of the company and its subsidiaries are set out in Schedule 3 below prepared pursuant to Annex 3C of said regulation.

FAIR VALUE MEASUREMENT OF STOCK OPTIONS

Stock options granted to employees

Since these stock options are exercisable in the months after the expiration of the vesting period they are treated like American-style Options and priced using the Cox-Rubinstein & Ross model (CRR).
Under that model a two-step approach is used. In the first step a binomial tree is built. The tree represents all the possible paths that the share price could take. At the end of the tree (i.e. at expiration of the option) all the option prices for each of the final possible share prices are known. Then, working back from expiration, the option prices are calculated at each node of the tree to assess the option value in case of early exercise.
In the case under review, the stock option is an American-style Option only for the period between the vesting date and the expiration date, therefore the probability of early exercise was estimated only over that period. In the vesting period the option price was weighted and discounted at the risk-free rate.

Stock options granted to directors and contract workers

These stock options are exercisable after the expiration of the vesting period and subject to the satisfaction of the vesting conditions.
These options were priced by building a tree that represents all the possible paths that the share price could take from the grant date to the expiration date of the option. The value of the derivative at expiration is calculated regardless of whether the vesting condition are met or not. Next the option prices are calculated at each node of the tree to assess the option value in case of early exercise and vesting conditions. In the period between the grant date and the vesting date (vesting period) the option was priced treating it like an European-style Option.

Changes occurred in the year

In the year 2006, 1,455,389 stock options granted in 2003 and 2004 were exercised for a total of 1,455,389 shares.

The table below shows movements in option holdings in the year pursuant to Annex 3C of Consob Regulations for Issuers.

	Options held at the beginning of the year			Options granted iIn the year			Options exercised in the year				Options held at year end		
Number of options and exercise price	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average market price	Options lapsed in the year	Number of options	Average exercise price	Average expiration
Employees	2,507,500	5.663	2006-12	714,000	6.374	2008-13	(435,000)	4.049	6.007	-	2,786,500	6.097	2007-13
Directors	720,000	0.831	2006-12	609,000	1.210	2008-13	(330,000)	0.492	5.762	-	999,000	1.174	2007-13
Contract workers	973,484	0.723	2006-10	587,500	1.210	2009-14	(690,389)	0.585	5.537	(279)	870,316	1.162	2007-14
Total	4,200,984	3.690		1,910,500	3.140		(1,455,389)	1.599	5.685	(279)	4,655,816	4.118	

Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to €3,026 thousand and entailed a corresponding increase in the Company's equity reserves.

Basiglio, March 28, 2007

For the Board of Directors
The Chairman
(Roberto Ruozi)

MEDIOLANUM S.p.A.

SCHEDULES

Information pursuant to ISVAP requirements

SCHEDULE: INFORMATION PURSUANT TO ISVAP REQUIREMENTS

This section presents financial information in accordance with the "Instructions for the preparation of IFRS consolidated accounts" issued by ISVAP under Regulation No. 2404 of December 22, 2005, exercising its authority as per art. 9 of Legislative Decree No. 38/2005, pursuant to ISVAP Regulation No. 2460 of August 10, 2006 (Interim financial reporting rules. Amendments to ISVAP Regulation No. 1207-G of July 6, 1999).

In accordance with the regulations mentioned above, for segment reporting purposes, the various companies were allocated to their respective business segment. That entailed, on the one hand, the elimination of inter-company balances within the same segment and, on the other hand, the inclusion of inter-segment transaction balances.
This presentation of segment results is different from the presentation of financial information in the section "Segment Reporting" of the Notes to the consolidated accounts at December 31, 2006 since segment reporting in that section reflects the management reporting system of the Mediolanum Group which entails, *inter alia*, a different classification of income and expense items.

BALANCE SHEET AS AT DECEMBER 31, 2006

Mediolanum Group - Financial information by Business Segment (ISVAP)

	LIFE INSURANCE	
€/'000	2006	2005
1. Intangible assets	6,276	8,119
2. Tangible assets	20,260	22,244
3. Reinsurers' share of technical reserves	103,176	105,737
4. Investments	14,923,947	13,103,054
4.1 Investment property	6,967	22,276
4.2 Investments in subsidiaries, associates and joint ventures	408,565	352,620
4.3 Held-to-maturity investments	234,632	234,691
4.4 Loans and receivables	11,346	12,981
4.5 Available-for-sale financial assets	753,707	823,737
4.6 Financial assets at fair value through profit or loss	13,508,730	11,656,749
5. Receivables	30,571	11,640
6. Other assets	201,386	188,710
6.1 Deferred acquisition costs	-	-
6.2 Other	201,386	188,710
7. Cash and cash equivalents	300,039	305,845
Total assets	15,585,655	13,745,349
1. Shareholders' equity	-	-
2. Provisions	771	746
3. Technical reserves	13,306,917	11,201,382
4. Financial liabilities	1,314,993	1,677,862
4.1 Financial liabilities at fair value through profit or loss	976,332	1,336,496
4.2 Other financial liabilities	338,661	341,366
5. Payables	148,826	124,357
6. Other liabilities	84,418	108,222
Total liabilities and shareholders' equity	14,855,925	13,112,569

BANKING		OTHER		INTERSEGMENT		TOTAL	
2006	2005	2006	2005	2006	2005	2006	2005
151,027	155,276	41	138	24,397	24,397	181,741	187,930
51,837	52,110	1,862	1,811	901	901	74,860	77,066
	-		-		-	103,176	105,737
5,743,027	4,998,013	40	40	(548,502)	(483,107)	20,118,512	17,618,000
	-		-		-	6,967	22,276
(9)	(1)	-	-	(369,230)	(321,465)	39,326	31,154
332,912	498,989	-	-	-	-	567,544	733,680
3,301,459	3,354,187			(990)	(24,776)	3,311,815	3,342,392
205,968	47,201	40	40		(25,812)	959,715	845,166
1,902,697	1,097,637			(178,282)	(111,054)	15,233,145	12,643,332
207	328	920	2,574	(16,678)	(1,033)	15,020	13,509
276,076	250,831	3,138	4,705	(97,808)	(75,595)	382,792	368,651
-	-	-	-	-	-	-	-
276,076	250,831	3,138	4,705	(97,808)	(75,595)	382,792	368,651
379,640	444,506	1,830	608	(240,497)	(228,090)	441,012	522,869
6,601,814	5,901,064	7,831	9,876	(878,187)	(762,527)	21,317,113	18,893,762
-	-	-	-	-	-	904,307	807,986
66,811	56,660	16	16	-	-	67,598	57,422
	-		-	-	-	13,306,917	11,201,382
5,673,544	5,090,108	-	575	(398,451)	(397,538)	6,590,086	6,371,007
124,661	63,196	-	-		-	1,100,993	1,399,692
5,548,883	5,026,912		575	(398,451)	(397,538)	5,489,093	4,971,315
223,348	144,615	4,922	4,973	(113,483)	(56,342)	263,613	217,603
121,361	114,989	359	1,044	(21,547)	14,106	184,591	238,361
6,085,064	5,406,372	5,297	6,608	(533,481)	(439,774)	21,317,113	18,893,762

INCOME STATEMENT AS AT DECEMBER 31, 2006

Mediolanum Group - Financial information by Business Segment (ISVAP)

		LIFE INSURANCE	
€/'000		2006	2005
1	Revenues		
1.1	Net premiums written	-	-
	1.1.1 Gross premiums written	3,350,402	2,455,254
	1.1.2 Reinsurance premiums	(6,072)	(6,530)
	Total premiums written	3,344,330	2,448,724
1.2	Commission income	118,427	96,061
1.3	Net income on financial instruments at fair value through profit and loss	385,466	1,097,253
1.4	Income on investments in sudsidiaries, associates and jvs	8,180	7,865
1.5	Income on other financial instruments and investment property	-	-
	1.5.1 Interest income	35,804	35,260
	1.5.2 Other income	27,055	9,292
	1.5.3 Realised gains	10,446	12,034
	1.5.4 Unrealised gains	-	4
	Total income on other financial instruments and investment property	73,305	56,590
1.6	Other revenues	17,356	18,180
	Total revenues and income	3,947,064	3,724,673
2.	Costs		
2.1	Net claims and benefits		
	2.1.1 Amounts paid and change in technical reserves	(3,529,822)	(3,391,291)
	2.1.2 Reinsurers' share	7,988	8,295
	Net claims and benefits	(3,521,834)	(3,382,996)
2.2	Commission expense	(10,220)	(4,459)
2.3	Losses on investments in subsidiaries, associates and jvs	-	-
2.4	Loss on other financial instruments and investment property	-	-
	2.4.1 Interest expense	(11,644)	(10,582)
	2.4.2 Other expenses	(930)	(1,566)
	2.4.3 Realised losses	(6,712)	
	2.4.4 Unrealised losses	(296)	(387)
	Loss on other financial instruments and investment property	(19,582)	(12,535)
2.5	Operating expenses		
	2.5.1 Agents' commissions and other acquisition costs	(244,366)	(199,765)
	2.5.2 Investment management expenses	(2,743)	(2,429)
	2.5.3 Other administrative expenses	(28,815)	(28,090)
	Total operating expenses	(275,924)	(230,284)
2.6	Other costs	(11,629)	(6,610)
	Total costs	(3,839,189)	(3,636,884)
	Profit (loss) before tax for the period	107,875	87,789
3	Income tax	(29,455)	(28,875)
	Profit(loss) for the period	78,419	58,914
4	Profit (loss) from discontinued operations	-	-
	Consolidated profit (loss) for the period	78,419	58,914
	of which pertaining to the Group	78,419	58,914

BANKING		OTHER		INTERSEGMENT		TOTAL	
2006	2005	2006	2005	2006	2005	2006	2005
-	-	-	-	-	-	-	
-	-	-	-	-	-	3,350,402	2,455,254
-	-	-	-	-	-	(6,072)	(6,530)
-	-	-	-	-	-	3,344,330	2,448,724
756,886	717,952	19	1,353	(292,703)	(238,550)	582,629	576,816
51,052	35,556	-	-	(4,749)	(1,759)	431,769	1,131,050
-	-	-	-	-	-	8,180	7,865
-	-	-	-	-	-	-	-
133,563	101,270	33	31	(6,928)	(5,341)	162,472	131,220
419	1,209	-	-	(1,155)	(1,240)	26,319	9,261
882	1,196	-	-	-	1,089	11,328	14,319
5,632	7,430	-	-	-	-	5,632	7,434
140,496	111,105	33	31	(8,083)	(5,492)	205,751	162,234
13,997	14,539	17,107	18,601	(22,900)	(22,682)	25,560	28,638
962,431	879,152	17,159	19,985	(328,435)	(268,483)	4,598,219	4,355,327
-	-	-	-	771	800	(3,529,051)	(3,390,491)
-	-	-	-	-	-	7,988	8,295
-	-	-	-	771	800	(3,521,063)	(3,382,196)
(245,597)	(174,499)	(11)	(943)	52,062	38,788	(203,766)	(141,113)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(91,258)	(68,299)	(28)	(38)	10,040	7,026	(92,890)	(71,893)
(184)	(82)	(8)	(37)	-	-	(1,122)	(1,685)
(888)	(248)	-	-	-	-	(7,600)	(248)
(8,969)	(11,017)	(6)	(10)	-	-	(9,271)	(11,414)
(101,299)	(79,646)	(42)	(85)	10,040	7,026	(110,883)	(85,240)
(153,150)	(136,724)	-	-	240,692	197,511	(156,824)	(138,978)
-	-	-	-	2,404	1,945	(339)	(484)
(246,684)	(222,951)	-	(20)	20,707	21,046	(254,792)	(230,015)
(399,834)	(359,675)	-	(20)	263,803	220,502	(411,955)	(369,477)
(37,774)	(64,015)	(17,811)	(18,083)	1,759	1,367	(65,456)	(87,340)
(784,505)	(677,835)	(17,864)	(19,131)	328,435	268,483	(4,313,123)	(4,065,366)
177,926	201,317	(705)	854	-	-	285,096	289,961
(31,883)	(27,504)	(122)	(269)	-	-	(61,460)	(56,649)
146,044	173,813	(827)	585	-	-	223,636	233,312
42	-	-	-	-	-	42	-
146,086	173,813	(827)	585	-	-	223,678	233,312
146,086	173,813	(827)	585	-	-	223,678	233,312

Analysis of tangible and intangible assets

€/'000	At cost	Remeasured or at fair value	Book value
Investment property	6,967	-	6,967
Other property	57,680	-	57,680
Other tangible assets	17,180	-	17,180
Other intangible assets	19,327	-	19,327

Analysis of financial assets

	Held-to-maturity investments		Loans and receivables	
€/'000	FY 2006	FY 2005	FY 2006	FY 2005
Equity instruments and derivatives at cost	-	-	-	-
Equity instruments at fair value	-	-	-	-
of which listed	-	-	-	-
Debt instruments	367,748	733,680	-	-
of which listed	367,748	733,680	-	-
Holdings in UCITS	-	-	-	-
Loans to and receivables from banking customers	-	-	1,323,966	955,449
Loans to and receivables from banks	-	-	1,976,514	2,374,028
Deposits with cedents	-	-	-	-
Financial assets of insurance contracts	-	-	-	-
Other loans and receivables	-	-	11,335	12,915
Trading derivatives	-	-	-	-
Hedging derivatives	-	-	-	-
Other financial investments	199,796	-	-	-
Total	567,544	733,680	3,311,815	3,342,392

Available-for-sale financial assets		Financial assets at fair value through profit or loss				Book value	
		Financial assets held for trading		Financial assets at fair value through profit or loss			
FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
-	-	-	-	-	-	-	-
308,882	292,358	421	9	-	-	309,303	292,367
284,070	230,706	412	-	-	-	284,482	230,706
481,381	545,194	1,594,286	1,435,293	4,842,369	4,619,499	7,285,784	7,333,666
480,415	544,428	1,224,971	1,359,076	4,841,216	4,619,499	6,914,350	7,256,683
169,452	7,614	56,100	58,737	7,296,832	6,082,335	7,522,384	6,148,686
-	-	-	-	-	-	1,323,966	955,449
-	-	-	-	-	-	1,976,514	2,374,028
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	11,335	12,915
-	-	14,628	10,605	597,462	436,854	612,090	447,459
-	-	-	-	-	-	-	-
-	-	831,047	-	-	-	1,030,843	-
959,715	845,166	2,496,482	1,504,644	12,736,663	11,138,688	20,072,219	17,564,570

Assets and liabilities relating to contracts issued by insurance companies under which the investment risk is borne by the policyholder and to pension fund management

	Investment funds & indices		Pension funds		Total	
€/'000	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
On-balance sheet assets	12,718,984	11,136,584	11,703	7,956	12,730,687	11,144,540
Intercompany assets *	184,901	111,054	-	-	184,901	111,054
Total Assets	12,903,885	11,247,638	11,703	7,956	12,915,588	11,255,594
On-balance sheet financial assets	964,223	1,328,193	11,703	7,956	975,926	1,336,149
On-Balance Sheet Technical Reserves	11,939,212	9,917,893	-	-	11,939,212	9,917,893
Intercompany liabilities *	-	-	-	-	-	-
Total Liabilities	12,903,435	11,246,086	11,703	7,956	12,915,138	11,254,042

* Asset and liabilites eliminated upon consolidation

Analysis of reinsurers' share of technical reserves

	Insurance		Reinsurance		Book value	
€/'000	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Life business reserves	103,176	105,737	-	-	103,176	105,737
Outstanding claims	1,816	1,368	-	-	1,816	1,368
Mathematical reserves	101,360	104,369	-	-	101,360	104,369
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	-	-	-	-	-	
Other reserves	-	-	-	-	-	-
Total reinsurers' share of technical reserves	103,176	105,737	-	-	103,176	105,737

Analysis of technical reserves

€/'000	Insurance FY 2006	Insurance FY 2005	Reinsurance FY 2006	Reinsurance FY 2005	Book value FY 2006	Book value FY 2005
General business reserves	-	-	-	-	-	-
Unearned premiums	-	-	-	-	-	-
Outstanding claims	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
Life business reserves	13,306,917	11,201,382	-	-	13,306,917	11,201,382
Outstanding claims	78,039	56,419	-	-	78,039	56,419
Mathematical reserves	1,255,651	1,181,661	-	-	1,255,651	1,181,661
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	11,939,212	9,917,893	-	-	11,939,212	9,917,893
Other reserves	34,015	45,409	-	-	34,015	45,409
of which amounts set aside following liability adequacy testing	-	-	-	-	-	-
of which deferred liabilities to policyholders	-	10,607	-	-	-	10,607
Total Technical Reserves	13,306,917	11,201,382	-	-	13,306,917	11,201,382

Analysis of financial liabilities

€/'000	Financial liabilities at fair value through profit or loss: Financial liabilities held for trading FY 2006	Financial liabilities held for trading FY 2005	Financial liabilities at fair value through profit or loss FY 2006	Financial liabilities at fair value through profit or loss FY 2005
Quasi-equity instruments	-	-	-	-
Subordinated liabilities	-	-	-	-
Liabilities under financial contracts issued by insurance companies of which	-	-	949,988	1,300,322
contracts under which the investment risk is borne by the policyholder	-	-	938,285	1,292,367
pension fund management	-	-	11,703	7,955
other contracts	-	-	-	-
Deposits received from reinsureres	-	-	-	-
Financial liabilities of insurance contracts	-	-	-	-
Debt securities issued	-	-	1,153	-
Amounts due to banking customers	-	-	-	-
Amounts due to banks	-	-	-	-
Other financing received	-	-	-	-
Trading derivatives	28,425	42,939	-	-
Hedging derivatives	-	-	-	-
Other financial liabilities	121,427	56,431	-	-
Total	149,852	99,370	951,141	1,300,322

Analysis of technical account items

€/'000	FY 2006 Gross	FY 2006 Reinsurers' share	FY 2006 Net
General Business			
PREMIUMS WRITTEN	-	-	-
a Premiums written	-	-	-
b Change in unearned premiums reserve	-	-	-
CLAIMS INCURRED	-	-	-
a Claims paid	-	-	-
b Change in outstanding claims reserve	-	-	-
c Change in recoveries	-	-	-
d Change in other technical reserves	-	-	-
Life Business			
PREMIUMS WRITTEN	3,350,402	6,072	3,344,330
AMOUNTS PAID AND CHANGE IN TECHNICAL RESERVES	3,529,051	7,988	3,521,063
a Amounts paid	1,454,562	10,550	1,444,012
b Change in outstanding claims reserve	21,621	448	21,173
c Change in mathematical reserves	73,234	(3,010)	76,244
d Change in technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	1,980,430	-	1,980,430
e Change in other technical reserves	(796)	-	(796)

Other financial liabilities		Book value	
FY 2006	FY 2005	FY 2006	FY 2005
-	-	-	-
-	-	-	-
-	-	949,988	1,300,322
-	-	938,285	1,292,367
-	-	11,703	7,955
-	-	-	-
101,341	104,350	101,341	104,350
-	-	-	-
-	-	1,153	-
4,264,332	3,718,562	4,264,332	3,718,562
1,123,421	1,148,403	1,123,421	1,148,403
-	-	-	-
-	-	28,425	42,939
-	-	-	-
-	-	121,427	56,431
5,489,094	4,971,315	6,590,087	6,371,007

FY 2005		
Gross	Reinsurers' share	Net
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
2,455,254	6,530	2,448,724
3,390,491	8,295	3,382,196
1,373,134	11,324	1,361,810
12,762	195	12,567
(1,029)	(3,224)	2,195
2,014,442	-	2,014,442
(8,818)	-	(8,818)

Analysis of net interest income and investment income

€/'000	Interest income (expense)	Other income	Other expense
Investment income	320,074	26,291	938
a from investment property	-	211	938
b from investments in subsidiaries, associates and joint ventures	-	-	-
c from held-to-maturity investments	24,567	-	-
d from loans and receivables	43,278	-	-
e from available-for-sale financial assets	17,099	26,063	-
f from financial assets held for trading	56,706	-	
g from financial assets at fair value through profit or loss	178,424	17	-
Income on amounts receivable	16,223	2	-
Net cash and cash equivalents	61,305	43	-
Loss on financial liabilities	(95,597)	-	-
a on financial liabilities held for trading	(3,205)	-	-
b on financial liabilities at fair value through profit or loss	(50,439)	-	-
c on other financial liabilities	(41,953)	-	-
Expense on amounts payable	(50,937)	-	184
Total	251,068	26,336	1,122

Insurance - Analysis of expenses

	General Business		Life Business	
€/'000	FY 2006	FY 2005	FY 2006	FY 2005
Gross agents' commissions & other acquisition costs	-	-	157,903	140,100
a Acquisition commissions	-	-	104,679	93,169
b Other acquisition costs	-	-	4,461	4,321
c Change in deferred acquisition costs	-	-	-	-
d Collection commissions	-	-	48,763	42,610
Commissions and profit sharing from reinsurers	-	-	(1,079)	(1,122)
Investment management expenses	-	-	339	484
Other administrative expenses	-	-	254,792	230,015
Total	-	-	411,955	369,477

Realised gains	Realised losses	Total	Unrealised gains: Gains on measurement	Unrealised gains: Reversal of impairment	Unrealised losses: Losses on measurement	Unrealised losses: Impairment losses	Total	Net income (loss) for FY 2006	Net income (loss) for FY 2005
184,297	178,093	351,631	735,156	5,632	372,361	9,271	359,156	710,787	1,508,387
7,673	-	6,946	-	-	-	119	(119)	6,827	6,661
8,180	-	8,180	-	-	-	-	-	8,180	13,749
-	-	24,567	-	-	-	-	-	24,567	22,222
-	11	43,267	-	5,631	-	9,152	(3,521)	39,746	28,157
3,655	7,589	39,228	-	1	-	-	1	39,229	25,051
106,759	101,799	61,666	8,196	-	11,622	-	(3,426)	58,240	47,900
58,030	68,694	167,777	726,960	-	360,739	-	366,221	533,998	1,364,647
-	-	16,225	-	-	-	-	-	16,225	1,105
-	-	61,348	-	-	-	-	-	61,348	58,089
4,244	2,270	(93,623)	1,037	-	109,838	-	(108,801)	(202,424)	(291,985)
4,244	2,270	(1,231)	1,037	-	206	-	831	(400)	670
-	-	(50,439)	-	-	109,632	-	(109,632)	(160,071)	(282,167)
-	-	(41,953)	-	-	-	-	-	(41,953)	(10,488)
-	-	(51,121)	-	-	-	-	-	(51,121)	(61,487)
188,541	180,363	284,460	736,193	5,632	482,199	9,271	250,355	534,815	1,214,109

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders of
Mediolanum S.p.A.

1. We have audited the consolidated financial statements of Mediolanum S.p.A. and its subsidiaries ("Mediolanum Group") as of and for the year ended December 31, 2006, comprising the balance sheet, the statement of operations, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements include the comparative information for the prior year. As described in the explanatoty notes, management has modified the comparative information related to the prior year's audited consolidated financial statements, on which we issued our auditors' report on date April 12, 2006. We have examined the methods adopted to retrospectively adjust the comparative financial information for the prior period and the information presented in the explanatory notes in this respect for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2006.

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Mediolanum Group as of December 31, 2006, and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.

Milan, April 3, 2007

Reconta Ernst & Young S.p.A.
Signed by: Natale Freddi, Partner

MEDIOLANUM S.p.A.

Separate Annual Financial Statements 2006

Directors' Report

Dear Shareholder,

The financial statements for the year ended December 31, 2006 we present for your approval show net profit of €193,740 thousand versus €191,565 thousand for financial year 2005.

Net profit reflects greater dividends from available-for-sale securities (+€18,711 thousand) and gains from the sale of shareholdings in Group companies (+€24,968 thousand) as well as lower dividends received from subsidiaries (-€14,280 thousand) and lower commissions (-€14,463 thousand).

BUSINESS REVIEW

In the year 2006 Mediolanum S.p.A. continued its business as insurance agent of the subsidiary Mediolanum Vita S.p.A. and the associate Mediolanum Assicurazioni S.p.A. (owned by the Fininvest Group and the Doris Group that have equal stakes therein) through the commercial organization of the subsidiary Banca Mediolanum S.p.A.

Revenues from this business amounted to €185,634 thousand (vs. €183,632 thousand in 2005), of which €181,706 thousand from activities under authority delegated to it by the subsidiary Mediolanum Vita S.p.A.. In the first months of 2006, the terms of the commercial agreement with Mediolanum Vita S.p.A. were reviewed and, from the beginning of the year, the rappels calculated on collection commissions were no longer paid. It should be noted that in financial year 2005 this expense had amounted to €11,302 thousand.

The costs of that business consisted of €181,415 thousand commissions paid to the subsidiary Banca Mediolanum S.p.A. (€164,932 thousand in 2005) for its insurance sub-agent services as contractually agreed.

Staff costs and other administrative expenses amounted to €13,327 thousand, remaining in line with the prior year's balance of €13,330 thousand.

During the year under review €8,295 thousand other expenses were recognised for commitments under the Banca Esperia S.p.A. stock options plan (of which €4,005 thousand non-recurring expense).

Interest expense rose from €8,896 thousand at December 31, 2005 to €10,754 thousand at the end of the year under review as a result of the interest rates hikes in 2006.

Dividends from subsidiaries amounted to €175,911 thousand versus €190,191 thousand in 2005. It should be noted that dividends received from subsidiaries had been exceptionally high in the prior year, especially as a result of the interim dividend distributed by the subsidiary Mediolanum International Funds Ltd.

Dividends from available-for-sale financial assets grew from €7,152 thousand in financial year 2005 to €25,863 thousand. The increase was in connection with the dividend distributed by Consortium S.r.l. for a total of €16,461 thousand, of which €12,695 thousand upon the liquidation of that company. Following the extraordinary dividend distribution, the carrying amount of this investment was written down and an impairment loss of €6,701 thousand was recognised in the income statement.

Investments

With respect to movements in investments in subsidiaries and associates it should be noted that in September 2006, the share capital of the subsidiary Banca Mediolanum S.p.A. was increased by €30,000 thousand.
In October, the subsidiary Alboran S.p.A. was merged into the subsidiary Mediolanum Comunicazione S.p.A. Following the merger, the shareholding in Mediolanum Comunicazione S.p.A. increased by Alboran S.p.A.'s carrying amount.

Finally, in December, a 2.5% interest in Mediolanum International Funds Ltd was transferred to the indirect subsidiary, Banco de Finanzas e Inversiones, S.A.. This transaction generated a €24,968 thousand gain. The value of the transferred shareholding amounted to €25,000 thousand and was determined by independent valuers.

Banco de Finanzas e Inversiones's acquisition of the shareholding in Mediolanum International Funds Ltd is essentially in connection with the role of Banco as the organisation that directly sells the financial products of Mediolanum International Funds Ltd, and indirectly sells the unit-linked policies of Mediolanum International Life Ltd in the Spanish market, and the increasing strategic importance of those activities due to the growing sales volumes.

For information on the results of operation of the companies that are part of the Mediolanum Group, readers are referred to the Directors' Report in the consolidated financial statements.

In relation to investments classified as "Available-for-sale financial assets", it should be noted that the shareholdings in Mediobanca S.p.A. and Assicurazioni Generali S.p.A. increased. This was in connection with the dissolution of Consortium S.r.l. and the subsequent transfer of Mediobanca S.p.A. and Assicurazioni Generali S.p.A. shares held by that company to the shareholders on a pro-rata basis. The value of transferred shares for a total of €26,707 was determined on the basis of the stock price.

Finally, 871,330 SIA S.p.A. shares were transferred to the subsidiary Banca Mediolanum S.p.A.. The transaction generated a €70 thousand gain. The value of transferred shares, amounting to €6,274 thousand, was determined by independent valuers.

Termination of agency and sub-agency agreements. New distribution agreements

Following the entry into effect of ISVAP Regulation No. 5 of October 16, 2006, which implemented the provisions of Title IX, section 183, of Legislative Decree 209/2005 (Private Insurers' Code) governing insurance and reinsurance businesses, banks can no longer operate as insurance agent or sub-agent.
In fulfilling the agency mandates conferred upon it by its wholly-owned subsidiary Mediolanum Vita S.p.A. and by the company Mediolanum Assicurazioni S.p.A., Mediolanum S.p.A. always availed itself, on an exclusive basis, of the Sales Network of Banca Mediolanum, which in turn acted as Mediolanum S.p.A.'s sub-agent.
Following the regulatory change mentioned above, last December the insurance agency mandate in force between Mediolanum S.p.A. and Mediolanum Vita S.p.A., and between Mediolanum S.p.A. and Mediolanum Assicurazioni S.p.A were amicably terminated, effective on January 1, 2007. At the same time Mediolanum S.p.A and the companies above entered into distribution agreements, which stipulate terms and conditions that are substantially in line with those set forth in the terminated agency mandate.
In the light of the intercompany relationship between the Parent Company Mediolanum S.p.A. and its wholly-owned subsidiaries MediolanumVita S.p.A. and Banca Mediolanum S.p.A, the termination of the agency mandate did not entail any break-up fees. That was confirmed by a primary law firm based in Milan.
Mediolanum Assicurazioni S.p.A. is a company that is not part of the Mediolanum Group. In consideration of the intercompany relationship between Mediolanum S.p.A. and Banca Mediolanum S.p.A., the distribution agreement between Mediolanum Assicurazioni S.p.A. and Banca Mediolanum S.p.A. sets forth that in case of termination of the distribution agreement, a break-up fee would be payable to Banca Mediolanum S.p.A.
In the light of the foregoing, Mediolanum S.p.A. formally agreed to waive its rights to said break-up fees in the event of termination of the distribution agreements, without consequences on Mediolanum S.p.A.'s shareholders and creditors.
You are reminded that Mediolanum S.p.A. together with the subsidiaries Banca Mediolanum S.p.A. and Mediolanum Vita S.p.A. adhered to the tax consolidation regime. The neutrality of the agreements above translates into a substantially neutral tax impact.
In the light of the foregoing, beginning from January 1, 2007 the company is essentially a holding company heading the Mediolanum Group financial conglomerate.

Post balance sheet date event

No material transaction was concluded after the end of the financial year.

Outlook

In the light of results reported by subsidiaries in the recently ended financial year and the dividend distribution proposed by the Boards of Directors of the respective companies, the outlook for financial year 2007 is positive.

Information on Stock Option Plans

Exercising the authority delegated to it by the shareholders at the Extraordinary General Meeting of April 26, 2005, at its Meeting held on May 10, 2006 the Board of Directors resolved:

- to increase share capital for a consideration by a maximum amount of €71,400.00 through the issue of up to 714,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to the employees of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1), of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph eight of the Italian Civil Code and article 134, paragraph three, of Legislative Decree 58/98. Those shares will be offered for subscription at a share price, including share premium, equal to the arithmetic mean of the MEDIOLANUM S.p.A. share prices on the electronic trading system of Borsa Italiana S.p.A. (Italian Stock Exchange) in the period from the tenth day of the preceding calendar month to May 10, 2006;
- to increase share capital for a consideration by a maximum amount of €58,750.00 through the issue of up to 587,500 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to contract workers of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1), of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph five of the Italian Civil Code. Those shares will be offered for subscription at a share price of 1.210 including a share premium of €1.110 per share (price determined in accordance with the EGM resolution);
- to increase share capital for a consideration by a maximum amount of €60,900.00 through the issue of up to 609,000 dividend-bearing ordinary shares, par value of €0.1 each, to be allotted to the Directors of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1 of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to article 2441 paragraph five, of the Italian Civil Code. Those shares will be offered for subscription at a share price of €1.210 including a share premium of €1.110 per share (price determined in accordance with the EGM resolution);
- that the subscription to the share capital increases above is to be made on a single occasion in the first five business days of each of the sixty calendar months subsequent to the expiration of the two-year term, except for any exceptional circumstances as set out in the regulations. The final term for exercising the Options with respect to the share capital increases above, is the fifth business day in the sixtieth month subsequent to the expiration of the two-year term. In the event that the capital increases are not fully subscribed within the prescribed term, share capital will be increased by the amount of the subscriptions received as of that date.

In accordance with art. 79 of Consob Regulation 11971 of May 14, 1999 the interests of Directors and Statutory Auditors in ordinary shares of the company and its subsidiaries are set out in Schedule 3 below prepared pursuant to Annex 3C of said regulation.

Dear shareholder,

We assure you that the financial statements for the year ended December 31, 2006 presented to you for examination and approval were prepared in compliance with the law in force.

In requesting Your approval of the financial statements including this report, we propose the following appropriation of the year's net profit of €193,739,970.99:

- distribution of a full-year dividend of €0.2 per share (par value of €0.10) to the shareholders, including the interim dividend of €0.085 paid in November 2006. The final dividend of €0.115 per share will be due for payment from May 24, 2007, (ex-dividend date May 21, 2007). Said dividend will not be payable for treasury shares held after the close of business on May 18, 2007;
- the remainder to the Extraordinary Reserve as the legal reserve has already reached the statutory limit.

Basiglio, March 28, 2007

For the Board of Directors
The Chairman
(Roberto Ruozi)

MEDIOLANUM S.p.A.

Accounts
2006

Balance sheet

Assets

€	Dec. 31, 2006	Dec. 31, 2005
Non current assets		
Receivables from shareholders for unpaid calls	-	-
Fixed assets		
Intangible assets	124,735	342,120
Tangible assets	302,004	608,201
Investments in subsidiaries and associates	550,809,118	520,841,459
Available-for-sale financial assets	299,465,421	288,823,821
Total Non current assets	850,701,278	810,615,601
Current assets		
Current assets		
Subsidiaries	37,995,253	32,600,122
Related parties	264,086	634,409
Others	17,377,027	15,413,438
Total Receivables	55,636,366	48,647,969
Cash and cash equivalents		
Bank deposits	27,664,748	13,865,624
Cash	12,817	7,824
Total Cash and cash equivalents	27,677,565	13,873,448
Tax Assets		
Current	56,474,713	48,532,677
Deferred	166,477	116,588
Total Tax Assets	56,641,190	48,649,265
Other assets	60,069	77,063
Total Current assets	140,015,190	111,247,745
TOTAL ASSETS	990,716,468	921,863,346

Shareholders' equity and liabilities

€	Dec. 31, 2006	Dec. 31, 2005
Shareholders' equity and liabilities		
Capital and reserves		
Share capital	72,883,532	72,737,993
Treasury shares	(2,045,116)	(2,045,116)
Share premium account	50,484,670	48,313,300
Retained earnings	112,648,114	65,893,705
Valuation reserve for AFS financial instruments	120,485,331	102,948,811
Net profit (loss) for the period	193,739,971	191,564,883
Total Capital and reserves	548,196,502	479,413,576
Non current liabilities		
Completion-of-service entitlements	1,679,544	1,638,224
Total Non current liabilities	1,679,544	1,638,224
Liabilities		
Current liabilities		
Due to banks	226,999,684	226,731,742
Other financial liabilities at amortised cost	93,620,518	113,620,518
Due to suppliers	919,371	1,660,140
Other payables	47,881,821	42,426,242
Tax liabilities		
Current	54,924,506	50,117,592
Deferred	6,716,243	5,738,701
Other liabilities	9,778,279	516,611
Current liabilities	440,840,422	440,811,546
TOTAL LIABILITIES	442,519,966	442,449,770
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	990,716,468	921,863,346

Income Statement

€	Dec. 31, 2006	Dec. 31, 2005
Commission income	185,633,640	183,631,995
Commission expense		
acquisition of insurance contracts	(181,365,180)	(164,901,318)
other	(50,020)	(31,095)
Interest income and similar income	1,373,741	1,243,562
Interest expense and similar charges	(10,753,854)	(8,896,030)
Gains/losses from trading	1,598	(678)
Income from equity investments		
dividends from subsidiaries	175,911,038	190,190,868
gains on sale of equity investments	24,967,660	89,944
Income from other financial instruments		
Dividends from available-for-sale financial assets	25,862,986	7,151,913
Gains from available-for-sale financial assets	69,706	20,516
Impairment		
equity investments	(6,700,968)	(1,200,000)
Other income	802,333	881,723
Staff costs	(6,325,680)	(5,981,141)
Other administrative expenses	(7,001,811)	(7,348,563)
Other expenses	(8,294,574)	-
Amortisation and depreciation		
intangible assets	(260,465)	(331,310)
tangible assets	(316,532)	(521,530)
Tax expense		
current	136,465	(2,431,774)
deferred	49,888	(2,199)
Total tax expense	186,353	(2,433,973)
NET PROFIT (LOSS) FOR THE PERIOD	193,739,971	191,564,883

Cash flow statement

Indirect method

€/'000	Dec. 31, 2006	Dec. 31, 2005
Profit (loss) before tax for the period	193,554	193,999
Changes in non-monetary items		
Completion-of-service entitlements	42	(44)
Amortisation and depreciation	577	853
Stock Options	711	709
Changes in receivables and payables relating to operating activities		
Changes in other receivables and payables	19,110	(3,261)
Income tax paid	(15,102)	(4,385)
NET CASH FROM OPERATING ACTIVITIES	198,892	187,871
Net cash from subsidiaries, associates and joint ventures	(29,968)	541
Net cash from available-for-sale financial assets	7,873	(6,575)
Net cash from tangible and intangible assets	(53)	(35)
NET CASH FROM INVESTING ACTIVITIES	(22,148)	(6,069)
Net cash from equity instruments	2,316	2,722
Distribution of dividends	(145,522)	(163,334)
Net cash from other financial liabilities	(19,733)	(24,358)
NET CASH FROM FINANCING ACTIVITIES	(162,939)	(184,970)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	13,873	17,041
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,805	(3,168)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	27,678	13,873

Statement of changes in shareholders' equity

€	Balance at Jan. 1, 2005	Appropriation of prior year's profit	
		Reserves	Dividends and other
Share capital	72,566,861	-	-
Share premium account	45,761,836	-	-
Reserves:			
a) retained earnings	113,233,841	13,698,592	-
b) other	-	-	-
Valuation reserves:			
a) AFS fin. instruments	33,964,052	-	-
Treasury shares	(2,045,116)	-	-
Net profit (loss)	115,284,921	(13,698,592)	(101,539,704)
Shareholders' equity	378,766,395	-	(101,539,704)

€	Balance at Jan. 1, 2006	Appropriation of prior year's profit	
		Reserves	Dividends and other
Share capital	72,737,993	-	-
Share premium account	48,313,300	-	-
Reserves:			
a) retained earnings	65,893,705	107,960,466	-
b) other	-	-	-
Valuation reserves:			
a) AFS fin. instruments	102,948,811	-	-
Treasury shares	(2,045,116)	-	-
Net profit (loss)	191,564,883	(107,960,466)	(83,604,417)
Shareholders' equity	479,413,576	-	(83,604,417)

Movements in the year							
	Shareholders' Equity						
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Stock options	Net profit for the year Dec. 31, 2005	Shareholders' equity at Dec. 31, 2005
-	171,132	-	-	-	-	-	72,737,993
-	2,551,465	-	-	-	-	-	48,313,300
46,625	-	-	(61,794,569)	-	709,214	-	65,893,705
-	-	-	-	-	-	-	-
68,984,759	-	-	-	-	-	-	102,948,811
-	-	-	-	-	-	-	(2,045,116)
(46,625)	-	-	-	-	-	191,564,883	191,564,883
68,984,759	2,722,597	-	(61,794,569)	-	709,214	191,564,883	479,413,576

Movements in the year							
	Shareholders' Equity						
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Stock options	Net profit for the year Dec. 31, 2006	Shareholders' equity at Dec. 31, 2006
-	145,539	-	-	-	-	-	72,883,532
-	2,171,370	-	-	-	-	-	50,484,670
-	-	-	(61,917,513)	-	711,456	-	112,648,114
-	-	-	-	-	-	-	-
17,536,520	-	-	-	-	-	-	120,485,331
-	-	-	-	-	-	-	(2,045,116)
-	-	-	-	-	-	193,739,971	193,739,971
17,536,520	2,316,909	-	(61,917,513)	-	711,456	193,739,971	548,196,502

MEDIOLANUM S.p.A.

Notes to the Separate Annual Financial Statements 2006

Notes to the Separate Annual Financial Statements at December 31, 2006

These notes are structured as follows:

Part A - Accounting Basis
Part B - Accounting policies
Part C - Information on the balance sheet
Part D - Information on the income statement
Part E - Segment reporting
Part F - Information on risks and risk management
Part G - Business combinations
Part H - Related Party Transactions
Part I - Equity-settled share-based payment transactions

PART A - ACCOUNTING BASIS

Pursuant to Legislative Decree No. 38 of February 28, 2005 the Mediolanum separate financial statements for the year ended December 31, 2006 were prepared in accordance with the International Accounting and Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002.

In the preparation of the financial statements the company applied the International Accounting and Financial Reporting Standards (IAS/IFRS) (including SIC and IFRIC interpretations) in effect at December 31, 2006, as adopted by the European Commission, as well as the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows (Accounts) and these Explanatory Notes, which set out the information required under art. 2427 and other articles of the Italian Civil Code on financial reporting as well as other applicable statutes.
The financial statements also include the Directors' Report.
In accordance with art. 5 of Legislative Decree 38/2005 the financial statements were prepared using the euro as reporting currency.
The amounts set out in the Accounts are presented in units of euro, while the amounts set out in the Notes and the Directors' Report are presented in thousands of euro except where otherwise stated.
In applying IAS/IFRS, no departure was made from requirements therein.
The accounts and the notes also include comparative information for the year ended December 31, 2005.

PART B - ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the separate financial statements for the year ended December 31, 2006.

Equity investments

This account relates to investments in subsidiaries and associates.
On initial recognition these investments are measured at cost, i.e. the fair value of the investment, plus any directly attributable transaction costs or income.
After initial recognition equity investments continue to be carried at cost.
If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the investment, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resultant difference is recognised in the income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
Investments are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Available-for-sale financial assets

This account relates to shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures.
Available-for-sale financial assets are initially recognised on the settlement date.
On initial recognition available-for-sale financial assets are measured at cost, i.e. the fair value of the instrument, plus any directly attributable transaction costs or income.
After initial recognition available-for-sale financial assets continue to be measured at fair value. The gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.
Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.
At each interim and annual balance sheet date the Company assesses whether there is objective evidence of any impairment loss.
If the fair value of a previously impaired asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a loan or receivable or a debt instrument, and in equity if the asset is an equity instrument. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

Available-for-sale financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Loans and receivables

This account relates to trade receivables.

A receivable is initially recognised on the billing date or due date.

At each interim and annual reporting date the Company assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition.

An impaired account is individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount at the time of assessment and the present value of estimated future cash flows.

Future cash flows are estimated taking into account the expected time of recovery, the realisable value of any collaterals as well as any costs of recovery. Future cash flows of receivables which are expected to be recovered in the short term are not discounted.

The amount of the impairment loss is recognised in the income statement.

If the value of a previously impaired loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

Tangible assets

Tangible assets include furnishings, fixtures, fittings, plant and equipment.

These are tangible items that are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one period.

Tangible assets are initially recognised at cost, which comprises the purchase price of the asset and all costs directly attributable to the asset's acquisition and operation.

The costs of major repairs which increase the future economic benefits associated with the asset are recognised in the carrying amount of the asset, while the costs of day-to-day servicing are recognised in the income statement.

Tangible assets are carried at cost less any accumulated depreciation and impairment losses.

Tangible assets are systematically depreciated on a straight-line basis over their useful lives.

At each interim and annual reporting date if there is an indication that an asset may be impaired the carrying amount of the asset is compared to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any reduction is recognised as impairment loss in the income statement.

If the value of a previously impaired asset increases, the impairment loss is reversed. The reversal shall not result in a carrying amount of the asset that exceeds what the carrying amount less accumulated depreciation would have been had the impairment loss not been recognised at the date the impairment is reversed.

A tangible asset is derecognised from the balance sheet on disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

Intangible assets include the costs of software used over more than one year.
Expenditure on the renovation of leasehold property is capitalised since during the lease term the lessee controls the assets and obtains future economic benefits from them.
Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.
Other intangible assets are carried at cost less any accumulated amortisation and impairment losses only if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably, otherwise it is recognised as an expense in the income statement in the year in which it was incurred.
Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount. Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.
At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. The impairment loss is recognised in profit or loss.
An intangible asset is derecognised on disposal or when no future economic benefits are expected from it.

Other assets

Other assets include expenditure on the renovation of leasehold property.
Expenditure on the renovation of leasehold property is capitalised since during the lease term the lessee controls the assets and obtains future economic benefits from them.
Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.

Financial liabilities

Other financial liabilities include the various forms of funding from banks and companies within the Group.
Those financial liabilities are initially recognised when amounts are received.
They are initially measured at fair value, i.e. generally the amount received, plus any additional costs/income directly attributable to the individual funding transaction. Internal administrative costs are not added.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method except for short-term liabilities for which the time value of money is immaterial that are measured on the basis of the contractual cash flows and related costs are recognised in the income statement over the contractual term of the liability.
A financial liability is derecognised when it expires or is extinguished.

Employee completion-of-service entitlements

Employee completion-of-service entitlements are defined benefit payment obligations recognised at the present value of the benefit obligations calculated using actuarial techniques.
To determine the present value of benefit obligations the Projected Unit Credit Method is used. That method calculates the present value of benefit obligations using actuarial assumptions based on historical data including demographics and a discount rate which is determined on the basis of market yields. The methods considers each year of service as giving rise to an additional unit of benefit entitlements. Each unit is individually measured in arriving at the final obligation. The discount rate is determined on the basis of market yields and reflects the estimated timing of benefit payments.
Service costs are recognised under staff costs as the net total of current service costs, past service costs, interest and expected return on any plan assets and actuarial gains or losses.

Employee pension plan

For the defined contribution pension plan under which the company's obligation is limited to the amount it agrees to contribute to the fund, the amount of the contribution payable for the year is recognised in the income statement.

Tax assets and liabilities

The Company recognises current and deferred taxes applying the tax rates in effect.
Income taxes are recognised in the income statement except for items which are credited/charged directly to equity.
Provisions for income taxes are calculated on the basis of conservative estimates of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences, with no time limit, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Deferred tax assets are recorded to the extent that there is reasonable certainty they will be recovered, i.e. to the extent that the company – under Italy's tax consolidation regime – is expected to continue to generate sufficient taxable income against which temporary differences can be utilised.
Deferred tax assets and deferred tax liabilities are not netted, and are separately recognised in the Balance Sheet under "Tax assets" and "Tax liabilities" respectively.
Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the company's tax position.
The provision for tax claims relates to tax payments which may become due as a result of pending tax audits or disputes with tax authorities.

Share-based payments

Stock options are share-based payments. Stock options granted, and the corresponding increase in equity, are measured by reference to the fair value of the stock option at Grant Date, and accounted for during the Vesting Period.

The fair value of the stock option is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The pricing model separately measures the stock option and the probability that the market conditions upon which vesting is conditioned be satisfied. The combination of the two values is the fair value of the stock option.

Income Statement

Revenue is recognised when received or when it is probable that future economic benefits will flow to the entity and the amount of those benefits can be measured reliably.

Specifically:

- commissions are measured on an accrual basis;
- dividends are recognised in the income statement when their distribution to shareholders is established.

PART C - INFORMATION ON THE BALANCE SHEET

ASSETS

NON-CURRENT ASSETS

FIXED ASSETS

Intangible assets

	Dec. 31, 2006		Dec. 31, 2005	
€/'000	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill	-	-	-	-
2. Other intangible assets				
- Internally generated	-	-	-	-
- Other	125	-	342	-
Total	125	-	342	-

Year's movements in intangible assets

€/'000	Total
A. Opening balance	342
B. Increases	
B.1 Additions	43
B.2 Reversal of impairment	-
B.3 Increases in fair value	-
- in equity	-
- through profit or loss	-
B.4 Other changes	-
C. Decreases	
C.1 Sales	-
C.2 Value adjustments	-
- Amortization	260
- Impairment	-
- in equity	-
- through profit or loss	-
C.3 Decreases in fair value	-
- in equity	-
- through profit or loss	-
C.4 Other changes	-
D. Closing balance	125

Tangible assets

€/'000	Dec. 31, 2006 Assets measured at cost	Dec. 31, 2006 Assets measured at fair value or revalued	Dec. 31, 2005 Assets measured at cost	Dec. 31, 2005 Assets measured at fair value or revalued
1. owned	302	-	608	-
- furnishings	69	-	115	-
- electronic equipment	32	-	141	-
- other	201	-	352	-
2. under finance lease	-	-	-	-
Total (at cost and revalued)	302	-	608	-

Year's movements in tangible assets

€/'000	Furnishing	Electronic equipment	Other	Total
A. Opening balance	115	141	352	608
B. Increases				
B.1 Additions	4	-	6	10
B.2 Reversal of impairment	-	-	-	-
B.3 Increases in fair value	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases				
C.1 Sales	-	-	-	-
C.2 Depreciation	50	109	157	316
C.3 Impairment	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
C.4 Decreases in fair value	-	-	-	-
a) in equity	-	-	-	-
b) through profit or loss	-	-	-	-
C.5 Other changes	-	-	-	-
D. Closing balance	69	32	201	302

Investments in subsidiaries and associates

€/'000	Dec. 31, 2006	Dec. 31, 2005
Subsidiaries:		
Banca Mediolanum S.p.A.	371,239	341,239
Mediolanum Vita S.p.A.	116,681	116,681
Mediolanum International Life Ltd	25,131	25,131
Mediolanum Gestione Fondi SGR p.A.	2,507	2,507
Mediolanum International Funds Ltd	1,261	1,294
Alboran S.p.A.	-	6,024
Mediolanum Comunicazione S.p.A.	6,786	762
PI Distribuzione S.p.A.	516	516
Mediolanum Asset Management Ltd	441	441
Partner Time S.p.A.	433	433
Mediolanum International S.A.	2	2
Total subsidiaries	524,997	495,030
Associates:		
Banca Esperia S.p.A.	25,812	25,812
Total associates	25,812	25,812
TOTAL	550,809	520,842

In the year there were the following movements in investments in *subsidiaries and associates*.
In September, the share capital of the subsidiary Banca Mediolanum S.p.A. was increased by €30,000 thousand.
In October, the subsidiary Alboran S.p.A. was merged into Mediolanum Comunicazione S.p.A. Following the merger the shareholding in Mediolanum Comunicazione S.p.A. increased by Alboran S.p.A.'s carrying amount.
Finally, in December, a 2.5% interest in Mediolanum International Funds Ltd was transferred to the indirect subsidiary Banco de Finanzas e Inversiones, S.A. The transaction generated a €24,968 thousand gain.

Available-for-sale financial assets

	Dec. 31, 2006		Dec. 31, 2005
€/'000	Book value	of which: Equity reserve	Book value
Mediobanca S.p.A.	275,766	125,886	227,729
Assicurazioni Generali S.p.A.	8,049	1,316	-
Sia S.p.A.	6,204	-	12,408
Istituto Europeo di Oncologia	4,703	-	4,703
Cedacri S.p.A.	4,250	-	4,250
Consortium S.r.l.	422	-	39,663
Nomisma S.p.A.	71	-	71
Europa Invest S.A.	-	-	-
Total	299,465	127,202	288,824

An analysis of holdings is set out in the table below:

€ Company	Share capital	% holding	Registered Office
Mediobanca S.p.A.	408,781,457	1.887	Via Filodrammatici 10 Milan
Assicurazioni Generali S.p.A.	1,277,997,026	0.020	Via Filodrammatici 10 Milan
Consortium S.r.l.	8,631,265	4.075	Via Filodrammatici 10 Milan
Sia S.p.A.	18,123,684	2.499	Via Taramelli 26 Milan
Istituto Europeo di Oncologia	79,071,770	4.700	Via Filodrammatici 10 Milan
Cedacri S.p.A.	12,609,000	5.004	Via del Conventino 1 Collecchio(PR)
Nomisma S.p.A.	5,345.327	1.320	Strada Maggiore 44 Bologna (BO)

The increased shareholding in Mediobanca S.p.A. and Assicurazioni Generali S.p.A. is in connection with the dissolution of Consortium S.r.l. and the subsequent transfer of the Mediobanca S.p.A. and Assicurazioni Generali S.p.A. shares held by that company to the shareholders on a pro-rata basis. The value of transferred shares, amounting in the aggregate to €26,707 thousand, was determined on the basis of the stock quotes.
During the year under review Consortium S.r.l. received ordinary and extraordinary dividends totalling €16,461 thousand, of which €11,429 thousand on a cash basis. Following the extraordinary dividend distribution, the carrying amount of that shareholding was written down and an impairment loss of €6,701 thousand was recognised in the income statement.
Other decreases in the year related to the transfer of 871,330 SIA S.p.A. shares to the subsidiary Banca Mediolanum S.p.A.

CURRENT ASSETS

RECEIVABLES

Receivables from subsidiaries

€/'000	Dec. 31, 2006	Dec. 31, 2005
Trade receivables		
Mediolanum Vita S.p.A.	37,075	31,756
Central functions and personnel		
Mediolanum Vita S.p.A.	129	130
Banca Mediolanum S.p.A.	577	459
Mediolanum Gestione Fondi SGR p.A.	141	116
Mediolanum Comunicazione S.p.A.	33	41
Partner Time S.p.A.	30	60
PI Distribuzione S.p.A.	2	16
Mediolanum International Life Ltd	3	17
Mediolanum Distribuzione Finanziaria S.p.A.	5	5
Total	37,995	32,600

"Trade receivables" primarily relates to commissions on services provided as insurance agent.

Receivables from related parties

€/'000	Dec. 31, 2006	Dec. 31, 2005
Mediolanum Assicurazioni S.p.A.	257	613
Mondadori Pubblicità	-	20
Other	7	1
Total	264	634

Receivables from Mediolanum Assicurazioni S.p.A. include commissions on services provided as insurance agents, key personnel and other services.

Receivables from others

€/'000	Dec. 31, 2006	Dec. 31, 2005
Due within one year		
IRS	15,170	14,879
Advances to suppliers	139	247
Suppliers	47	154
Other	2,021	133
Total	17,377	15,413

CASH AND CASH EQUIVALENTS

€/'000	Dec. 31, 2006	Dec. 31, 2005
Bank deposits	27,665	13,865
Cash	13	8
Total	27,678	13,873

"Bank deposits" relate to bank accounts balances including interest accrued at year end. Cash held with the subsidiary Banca Mediolanum S.p.A. amounts to €27,584 thousand.

TAX ASSETS

Current Tax Assets

€/'000	Dec. 31, 2006	Dec. 31, 2005
Tax consolidation regime		
Mediolanum Vita S.p.A.	18,492	18,487
Mediolanum Gestione Fondi SGR p.A.	5,785	5,345
Banca Mediolanum S.p.A.	2,831	1,468
Partner Time S.p.A.	20	-
PI Distribuzione S.p.A.	-	84
Total tax consolidation regime	27,128	25,384

€/'000	Dec. 31, 2006	Dec. 31, 2005
IRS		
IRES advances	10,873	6,614
IRES carried forward	136	-
Withholding tax under the tax consolidation regime	17,843	15,798
Withholding tax on bank interest	292	257
IRAP advances	203	480
Total IRS	29,347	23,149
Total current tax assets	56,475	48,533

Deferred tax assets

€/'000	Dec. 31, 2006	Dec. 31, 2005
Deferred tax assets	166	117
Total	166	117

OTHER ASSETS

Other assets consist of prepayments amounting to €60 thousand (vs. €77 thousand at December 31, 2005) and relating to amounts due in the following year for services rendered and repairs made.

LIABILITIES AND SHAREHOLDERS' EQUITY

CAPITAL AND RESERVES

Share Capital

Share capital is fully paid up and amounts to €72,883,531.70 divided into 728,835,317 ordinary shares.
In 2006 to service the Stock Options Plans, capital was increased by €145,538.90 which corresponds to 1,455,389 shares.

Share premium account

The increase relates to the subscriptions for the shares issued under the Stock Option Plan.

Retained earnings

€/'000	Dec. 31, 2006	Dec. 31, 2005
Legal reserve	17,363	17,363
Extraordinary reserves	276,879	230,713
FTA reserve	(112,407)	(112,407)
2006 interim dividend	(61,918)	(61,794)
Other	(7,269)	(7,982)
Total	112,648	65,893

The legal reserve remained unchanged since it had already reached the statutory limit.

Revaluation reserve for Available-for-sale financial assets

The *Revaluation reserve relating to available-for-sale financial assets* amounted to €120,485 thousand. The reserve includes the effect of fair value measurement of investments in Mediobanca S.p.A. and Assicurazioni Generali S.p.A. (€127,202 thousand) after deferred tax liabilities, which amounted to €6,716 thousand.
As already commented in the corresponding note in the balance sheet assets section, following the liquidation of Consortium S.r.l., the amount of €10,292 thousand recognised under this item in relation to Consortium in the past year was written off following the distribution of extraordinary dividends in 2006.

NON CURRENT LIABILITIES

EMPLOYEE COMPLETION-OF-SERVICE ENTITLEMENT

An analysis of the year's movements in this account is set out in the table below:

€/'000	
Balance at December 31, 2005	1,638
Amount accrued and posted to the income statement	319
Benefits paid during the year	(190)
Transferred to other Mediolanum Group companies	(14)
Invested in Pension Funds	(73)
Balance at December 31, 2006	1,680

CURRENT LIABILITIES

PAYABLES

Due to banks

This account relates to €225,000 thousand due under credit facilities provided by banks plus the related interest expense at year end.

Other financial liabilities at amortised cost

This account relates to amounts due to the subsidiary Mediolanum Vita S.p.A. under a 3-month EURIBOR plus 30 bps credit facility renewed in the year and maturing on June 30, 2009. At December 31, 2006 the balance due amounted to €93,621 thousand.

Due to suppliers

The balance on this account of €919 thousand (vs. €1,660 thousand at December 31, 2005) primarily relates to the supply of goods and the provision of services.

Other payables

An analysis of other payables is set out in the table below.

€/'000	Dec. 31, 2006	Dec. 31, 2005
Trade payables		
Banca Mediolanum S.p.A.	46,347	39,921
Mediolanum Vita S.p.A.	-	738
Mediolanum Comunicazione S.p.A.	1	-
Alba Servizi Aerotrasporti S.p.A.	23	43
Mondadori Pubblicità S.p.A.	-	20
Fininvest S.p.A.	15	15
Mediolanum Assicurazioni S.p.A.	-	11
Others	2	-
Other payables		
IRS - withholding tax	948	1,157
Social Security Agencies	237	254
Directors/Statutory Auditors	184	166
Shareholders	8	69
Others	117	32
Total	47,882	42,426

Amounts payable to the subsidiary Banca Mediolanum S.p.A. primarily relate to commissions due for the sale of insurance products.

Other payables include withholding taxes due on wages, salaries and professional fees, on commissions, which were paid in January 2007.

Amounts payable to social security agencies are paid when they become due.

TAX LIABILITIES

Current Tax Liabilities

€/'000	Dec. 31, 2006	Dec. 31, 2005
IRS		
IRES	27,065	26,666
IRAP	-	504
Total IRS	27,065	27,170
Tax consolidation regime		
Mediolanum Vita S.p.A.	12,706	9,676
Banca Mediolanum S.p.A.	12,081	9,895
Mediolanum Gestione Fondi SGR p.A.	2,992	2,542
PI Distribuzione S.p.A.	76	96
Mediolanum Comunicazione S.p.A.	4	149
Partner Time S.p.A.	1	590
Total	27,860	22,948
Total current tax liabilities	54,925	50,118

Current tax liabilities under the tax consolidation regime primarily relate to withholding taxes that will be netted upon payment of 2006 taxes.

Deferred tax liabilities

€/'000	Dec. 31, 2006	Dec. 31, 2005
Deferred tax liabilities	6,716	5,739
Totale	6,716	5,739

Deferred tax liabilities refer to IRES on the valuation reserve for available-for-sale financial assets.

OTHER LIABILITIES

€/'000	Dec. 31, 2006	Dec. 31, 2005
Accrued expenses on 14th months	159	169
Leave and holiday allowance	324	348
Other liabilities	9,295	-
Total	9,778	517

PART D - INFORMATION ON THE INCOME STATEMENT

COMMISSION INCOME

Commission income amounts to €185,634 thousand (vs. €183,632 thousand at December 31, 2005) and relates to commissions earned for the sale of insurance products on behalf of the subsidiary Mediolanum Vita S.p.A. and Mediolanum Assicurazioni S.p.A.

In the first months of 2006 the terms of the commercial agreement with Mediolanum Vita S.p.A. were reviewed and from the beginning of 2006 the rappels calculated on collection commissions were no longer paid. At December 31, 2005 that expense had amounted to €11,302 thousand.

COMMISSION EXPENSE

Commission expense, amounting to €181,365 thousand (vs. €164,901 thousand at December 31, 2005) entirely relates to commissions paid to the subsidiary Banca Mediolanum S.p.A. for the distribution of insurance products.

INTEREST INCOME AND SIMILAR INCOME

An analysis of interest income and similar income is set out below.

€/'000	Dec. 31, 2006	Dec. 31, 2005
On bank accounts	1,082	951
On receivables from IRS	291	291
Other interest income	1	2
Total	1,374	1,244

Bank accounts are held by the subsidiary Banca Mediolanum S.p.A.

INTEREST EXPENSE AND SIMILAR CHARGES

Interest expense amounts to €10,754 thousand (vs. €8,896 thousand at December 31, 2005) and primarily relates to financing received from the subsidiary Mediolanum Vita S.p.A. (€3,486 thousand) and banks (€7,268 thousand).

INCOME FROM EQUITY INVESTMENTS

The account includes dividends from subsidiaries amounting to €175,911 thousand (vs. €190,191 thousand at December 31, 2005).

The sale of a 2.5% shareholding in Mediolanum International Funds Ltd to Banco de Finanzas e Inversiones, S.A. generated a €24,968 thousand gain.

INCOME ON OTHER FINANCIAL INSTRUMENTS

The account includes €25,863 thousand dividends received from investments classified as available-for-sale financial assets, largely from Mediobanca in the amount of €8,945 thousand and from Consortium S.r.l. in the amount of €16,461 thousand.
The sale of Sia S.p.A. shares generated a €70 thousand gain.

IMPAIRMENT

The balance of this account, amounting to €6,701 thousand, relates to the adjustment of the value of the investment in Consortium S.r.l. to its carrying amount following the extraordinary dividend distribution made in 2006.

OTHER INCOME

€/'000	Dec. 31, 2006	Dec. 31, 2005
Central functions:		
- subsidiaries	663	647
- companies that are part of the Fininvest Group and of the Doris Group	10	10
Other	129	225
Total	802	882

Central functions relate to corporate affairs and tax management services provided by Mediolanum S.p.A.

STAFF COSTS

An analysis of staff costs is set out below.

€/'000	Dec. 31, 2006	Dec. 31, 2005
Wages and salaries	4,224	4,186
Social security contributions	1,362	1,408
Completion-of-service entitlements	726	253
Remuneration of Directors	1,381	1,302
Directors' benefits	700	677
Key personnel	(2,080)	(1,869)
Pension fund	13	24
Total	6,326	5,981

Average number of employees

An analysis of the average number of employees by category is set out in the table below.

Category	Dec. 31, 2006
Senior management	6
Middle management	5
Other personnel	18
Total	29

OTHER ADMINISTRATIVE EXPENSES

€/'000	Dec. 31, 2006	Dec. 31, 2005
Advisory and other professional services	1,485	1,774
Vehicle rental	967	1,148
Miscellaneous services	949	808
Advertising, promotions, PR, gifts	671	441
Utilities	526	467
Banca Mediolanum central functions	456	383
Property rental/management costs	232	374
Membership fees	208	195
Travel expenses	202	214
Insurance	135	141
Emoluments of corporate officers	131	127
Donations	98	143
Other	942	1,134
Total	7,002	7,349

Advisory and other professional services include fees for legal counseling, technical and administrative expertise, audit of financial statements by independent auditors and other professional services.

OTHER EXPENSES

Other expenses amounted to €8,295 thousand and related to commitments under the Banca Esperia S.p.A. stock options plan (of which €4,005 thousand non-recurring expenses).

INCOME TAX

Income tax relates to the IRES (corporate income tax) and IRAP (regional business tax) tax expense for the year calculated in accordance with tax rules and rates.

€/'000	Dec. 31, 2006	Dec. 31, 2005
Current tax expense (IRES)	(136)	1,935
Change in deferred tax assets (IRES)	(45)	(21)
Total tax expense for the year (IRES)	(181)	1,914
Current tax expense (IRAP)	-	504
Change in deferred tax assets (IRAP)	(5)	(1)
Utilization of tax provisions (IRAP)	-	(7)
Total tax expense for the year (IRAP)	(5)	496
Change in deferred tax liabilities	-	24
Total income tax expense for the year	186	(2,434)

Since the company and certain subsidiaries applied the tax consolidation regime, in the year under review Mediolum S.p.A benefited from a 5% tax allowance on dividends from subsidiaries for a total amount of €1,229 thousand.
The reconciliation between the theoretical tax expense and the effective tax expense is set out in the table below.

€/'000	Rate %	Taxable amount	Tax expense
Calculation of taxable income (IRES)			
Profit before tax		193,554	-
Theoretical tax	33	-	63,873
Temporary differences taxable in following years		-	-
Temporary differences deductible in following years		238	-
Prior years' temporary differences		(116)	-
Permanent differences		(203,114)	-
Permanent differences as a result of IAS adoption		9,025	-
Total taxable income		(413)	-
Taxable income (33%)		(413)	-
Current tax expenses for the year		-	(136)
Average rate on profit before tax	(0,07)	-	-
Calculation of taxable income (IRAP)			
Value of production less production costs		4,336	-
Costs which are not significant for the purpose of IRAP calculation		(6,326)	-
Total		(1,990)	-
Theoretical tax	4,25	-	497
Temporary differences taxable in following years		-	-
Temporary differences deductible in following years		166	-
Prior years' temporary differences		(116)	-
Permanent differences		309	-
Taxable income (at a rate of 4.25%)		(1,631)	-
Current tax expense for the year		-	-

PART E - SEGMENT REPORTING

No disclosure is provided in this section as segmental information is not significant.

PART F - INFORMATION ON RISKS AND RISK MANAGEMENT

For information on risks and risk management readers are referred to the same section of the consolidated financial statements. No additional information is provided herein in consideration of the immateriality of risk inherent in the company's positions at year end.

PART G - BUSINESS COMBINATIONS

Transactions concluded during the year

In 2006 there were no transactions requiring disclosure under IFRS 3.
You are advised that, during the year under review, the subsidiary Alboran S.p.A. was merged into the fellow subsidiary Mediolanum Comunicazione S.p.A.

Post-balance sheet date transactions

No transaction was concluded after the end of the financial year under review.

PART H - RELATED PARTY TRANSACTIONS

Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/General Managers	Other key managers
Emoluments & social security contributions	1,535	1,122
Other pension benefits and insurance	-	29
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock option)	391	227

The Board of Directors consists of 12 members and the Board of Statutory Auditors of 3 members.

Information on related party transactions

Related party transactions primarily refer to transactions with companies that are part of the Mediolanum Group and specifically:

- with the subsidiary Mediolanum Vita S.p.A. in relation to insurance agent services;
- with the subsidiary Banca Mediolanum S.p.A. in relation to the intermediation services provided on our behalf, bank accounts held with Banca Mediolanum and services provided by central functions e.g. internal audit, IT systems management, organization and HR, general affairs, legal affairs, central procurement and management of suppliers, risk management and compliance function.

In addition personnel was seconded to other companies within the Mediolanum Group.
All transactions are made on an arm's length basis at market conditions, except for personnel seconded to other companies and services provided by central functions which are charged on the basis of actual costs incurred.
For companies that are within the scope of the tax consolidation regime, related party transactions include also amounts receivable and payable as a result of the application of said tax regime.

Analysis of related party balances at December 31, 2006 by related party category

€/'000	Tax assets	Receivables	Cash	Other payables	Tax liabilities	Other financial liabilities
(a) Parent company	-	-	-	15	-	-
(b) Entities exercising significant influence over the company	-	-	-	-	-	-
(c) Subsidiaries	27,128	37,995	27,584	46,349	27,860	93,621
(d) Associates	-	-	-	-	-	-
(e) Joint ventures	-	-	-	-	-	-
(f) Key managers	-	-	-	-	-	-
(g) Other related parties	-	257	-	24	-	-

Details on related party transactions in excess of €10 thousand made in the year are set out in the table below.

€/'000	
Commission income:	
Mediolanum Vita S.p.A.	181,706
Mediolanum Assicurazioni S.p.A.	3,928
Commission expense:	
Banca Mediolanum S.p.A.	181,415
Other commissions and charges on banking services:	
Banca Mediolanum S.p.A.	1,081
Interest expense on other financial liabilities:	
Mediolanum Vita S.p.A.	3,486
Central tax and corporate affairs services charged:	
Mediolanum Vita S.p.A.	260
Banca Mediolanum S.p.A.	260
Mediolanum Gestione Fondi SGR p.A.	60
Partner Time S.p.A.	40
Mediolanum Comunicazione S.p.A.	15
Mediolanum Distribuzione Finanziaria S.p.A	15
Mediolanum Assicurazioni S.p.A.	10
Other revenues:	
Mediolanum Gestione Fondi SGR p.A.	30
Partner Time S.p.A.	20
Banca Mediolanum S.p.A. central services:	
IT services	339
Other administrative services	456
Office rental:	
Mediolanum Gestione Fondi SGR p.A.	174
Aircraft rental:	
Alba Servizi Aerotrasporti S.p.A.	684
Key personnel:	
Charged by Banca Mediolanum S.p.A.	247
Charged by Mediolanum Vita S.p.A.	47
Charged to Banca Mediolanum S.p.A.	1,633
Charged to Mediolanum Gestione Fondi SGR p.A.	427
Charged to Mediolanum Vita S.p.A.	376
Charged to Mediolanum Comunicazione S.p.A.	110
Charged to Mediolanum Assicurazioni S.p.A.	68
Charged to Partner Time S.p.A.	42
Charged to Mediolanum International Life Ltd	19
Other costs:	
Fininvest S.p.A.	47
Milan A.C. S.p.A.	17
Mediolanum Comunicazione S.p.A.	17
Finedim Italia S.p.A.	19

The information required under art. 78 of Consob Regulation 11971 of May 14, 1999 is set out in Schedule 1 and Schedule 2 below prepared pursuant to Annex 3C of said regulation.

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Description of equity-settled share-based payment transactions

For information on equity-settled share-based payment transactions readers are referred to the same section of the consolidated financial statements.

Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to €711 thousand and entailed a corresponding increase in the Company's equity reserves.

SCHEDULES

Additional information is provided in the Schedules listed below which form an integral part of these notes.

Basiglio, 28 March, 2007

For the Board of Directors
The Chairman
(Roberto Ruozi)

Schedules

SCHEDULE 1

Analysis of equity reserves

Type / description	Amount	Possible utilization (A, B, C)	Usable amount	Utilization in the prior three years: loss coverage	Utilization in the prior three years: other
Share capital:	72,883,532	-	-	-	-
Capital reserves:					
- share premium account	50,484,670	A B C	50,484,670	-	-
Retained earnings:					
- legal reserve	17,362,794	B	17,362,794	-	-
- other reserves	93,240,205	A B C	93,240,205	-	-
Valuation reserves:					
- available-for-sale financial assests	120,485,330	A B	120,485,330	-	-
Total	354,456,531		281,572,999	-	-
of which undistributable	-		137,848,124	-	-
of which distributable	-		143,724,875	-	-

Legend:

A: capital increase

B: loss coverage

C: distribution to shareholders

SCHEDULE 2

Analysis of deferred taxation

	FY 2005		FY 2006	
	Amount of temporary differences	Tax rate applied (%)	Amount of temporary differences	Tax rate applied (%)
Deferred tax assets:				
Impairment on tangible assets	-	-	-	-
Impairment on intangible assets	-	-	-	-
Provisions for risks and charges	25,046	33.00	25,046	33.00
Business expenses	200,510	37.25	289,738	37.25
Remuneration of Directors	39,000	37.25	67,074	37.25
Adjustment to FTA reserve	57,904	33.00	76,672	33.00
Total	322,460	-	458,530	-
Deferred tax liabilities:				
Accelerated depreciation and amortisation	-	-	-	-
Excess depreciation and amortisation	-	-	-	-
Impairment of loans	-	-	-	-
Available-for-sale financial assets	17,390,002	33.00	20,352,252	33.00
Adjustment to completion-of-service entitlements under IAS	-	-	-	-
Total	17,390,002	-	20,352,252	-
Net deferred tax liabilities (assets)	-	5,622,113	-	6,549,764
Deferred tax assets on tax losses for the year	-	-	-	-
Deferred tax assets on tax losses for the prior year	-	-	-	-
Temporary differences excluded from the calculation of deferred tax liabilities (assets)	-	-	(19,473)	-
Tax losses carried forward	-	-	-	-
Net amount	-	-	(19,473)	-

SCHEDULE 3

Analysis of directly and indirectly controlled subsidiaries and associates

€/000		Equity	
Name	Share capital	Total	Share
Subsidiary			
Banca Mediolanum S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	371,000	488,407	488,407
Mediolanum Vita S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	87,720	265,880	265,880
Mediolanum Gestione Fondi SGR p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	5,165	26,567	13,018
Mediolanum Comunicazione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	775	2,145	2,145
Partner Time S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	520	1,012	1,012
PI Distribuzione S.p.A. Via F. Sforza P.zzo Meucci Basiglio (MI)	517	423	423
Mediolanum International S.A. 180, rue des Aubèpines L - 1145 Luxembourg	71,500	46,406	1
Mediolanum International Life Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	1,395	60,060	60,060
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	4,070	1,994
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	50,376	23,425

(1) The amount includes the share of profit of subsidiaries indirectly controlled by the Group.

	Net profit			
	Total	Share	% holding	Carrying amount
	69,628	69,628 (1)	100	371,239
	33,824	33,824	100	116,681
	10,402	5,097	49	2,507
	(501)	(501)	100	6,786
	(193)	(193)	100	433
	(205)	(205)	100	516
	(194)	-	0,003	2
	34,105	34,105	100	25,131
	10,170	4,983	49	441
	147,837	68,744	46,5	1,261

Analysis of directly and indirectly controlled subsidiaries and associates (continued)

€/000		Equity	
Name	Share capital	Total	Share
Subsidiaries indirectly controlled through Banca Mediolanum			
Mediolanum Distribuzione Finanziaria S.p.A. P.zzo Meucci Basiglio (MI)	1,000	1,013	1,013
Gamax Holding AG 47 Boulevard Royal L-2449 Luxembourg	5,618	11,810	11,810
Gamax Broker Pool AG Holbeinstrasse 11 81679 Munich	500	1,022	1,022
Gamax Austria GmbH Rainerstrabe 7 A-5020 Salzburg Austria	40	498	498
Gamax Management AG 69, route d'Esch 1470 Luxembourg	125	5,061	5,061
Bankhaus August Lenz & Co. AG Holbeinstrasse 11 81679 Munich	20,000	40,289	40,289
Banco de Finanzas e Inversiones S.A. Avenida Diagonal 668/670 Barcelona	66,032	113,352	113,352
Fibanc Faif S.A. Avenida Diagonal 668/670 Barcelona	60	53	53
Fibanc Pensiones S.G.F.P. S.A. Avenida Diagonal 668/670 Barcelona	902	1.346	1.346
Fibanc S.A. Avenida Diagonal 668/670 Barcelona	301	407	407
Ges Fibanc S.G.I.I.C. S.A. Calle Enteza 325/335 Barcelona	2,506	3,176	3,176
Mediolanum Gestione Fondi SGR p.A. Via F.Sforza P.zzo Meucci Basiglio (MI)	5,165	26,567	13,549
Mediolanum Asset Management Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	4,070	2,076
Mediolanum International Funds Ltd Iona Building, Block B, 4th Floor, Shelbourne Road Dublin 4 Ireland	150	50,376	26,951
Mediolanum International S.A. 180, rue des Aubèpines L - 1145 Luxembourg	71,500	46,406	46,405
Associates			
Banca Esperia S.p.A. Via Del Lauro, 7 Milan	13,000	60,111	29,154

* Data relate to the year ended December 31, 2005, since financial data for the year ended December 31, 2006 will be presented at the Board of Directors Meeting to be held in the first ten days of April 2007.

	Net profit			
	Total	Share	% holding	Carrying amount
	(169)	(169)	100	-
	5,804	5,804	100	-
	(1,315)	(1,315)	100	-
	(525)	(525)	100	-
	4,101	4,101	100	-
	(7,539)	(7,539)	100	-
	1,101	1,101	100	-
	-	-	100	-
	59	59	100	-
	6	6	100	-
	30	30	100	-
	10,402	5,305	51	-
	10,170	5,187	51	-
	147,837	79,093	53.5	-
	(194)	(194)	99.997	-
	13,379	6,489	48.5	25,812 *

SCHEDULE 4

Analysis of significant investments under art. 125 of Consob Regulation No.11971/1999

as of December 31, 2006

Company name	Country	Total holding %
Banca Esperia S.p.A.	Italy	48.50
Banca Mediolanum S.p.A.	Italy	100.00
Banco de Finanzas e Inversiones S.A.	Spain	100.00
Bankhaus August Lenz & Co. AG	Germany	100.00
Fibanc Faif S.A.	Spain	99.990
Fibanc Pensiones S.A. S.G.F.P.	Spain	99.999
Fibanc S.A.	Spain	99.998
Gamax Austria GmbH	Austria	100.00
Gamax BrokerPool AG	Germany	100.00
Gamax Fund of Funds Management AG (*)	Luxembourg	100.00
Gamax Holding AG	Luxembourg	99.998
Gamax Management AG	Luxembourg	100.00
Ges. Fibanc S.G.I.I.C. S.A.	Spain	99.999
Mediolanum Asset Management Ltd	Ireland	100.00
Mediolanum Comunicazione S.p.A.	Italy	100.00
Mediolanum Distribuzione Finanziaria S.p.A.	Italy	100.00
Mediolanum Gestione Fondi SGR p.A.	Italy	100.00
Mediolanum International Funds Ltd	Ireland	100.00
Mediolanum International Life Ltd	Ireland	100.00
Mediolanum International S.A.	Luxembourg	100.00
Mediolanum Vita S.p.A.	Italy	100.00
Partner Time S.p.A.	Italy	100.00
PI Distribuzione S.p.A.	Italy	100.00

(*) Cancelled from the Register of Businesses on January 15, 2007 with effectiveness from October 24, 2006.

Type of holding	Shareholder	% holding
direct ownership	Mediolanum S.p.A.	48.500
direct ownership	Mediolanum S.p.A.	100.00
indirect ownership	Banca Mediolanum S.p.A.	100.00
indirect ownership	Banca Mediolanum S.p.A.	100.00
indirect ownership	Banco de Finanzas e Inversiones S.A.	99.990
indirect ownership	Banco de Finanzas e Inversiones S.A.	99.999
indirect ownership	Banco de Finanzas e Inversiones S.A.	99.998
indirect ownership	Gamax Holding AG	100.00
indirect ownership	Gamax Holding AG	100.00
indirect ownership	Gamax Holding AG	100.00
indirect ownership	Mediolanum International S.A.	99.998
indirect ownership	Gamax Holding AG	99.800
indirect ownership	Mediolanum International S.A.	0.20
indirect ownership	Banco de Finanzas e Inversiones S.A.	99.999
indirect ownership	Banca Mediolanum S.p.A.	51.00
direct ownership	Mediolanum S.p.A.	49.00
direct ownership	Mediolanum S.p.A.	100.00
indirect ownership	Banca Mediolanum S.p.A.	100.00
indirect ownership	Banca Mediolanum S.p.A.	51.00
direct ownership	Mediolanum S.p.A.	49.00
indirect ownership	Banca Mediolanum S.p.A.	51.00
direct ownership	Mediolanum S.p.A.	46.50
indirect ownership	Banco de Finanas e Inversiones S.A.	2.50
direct ownership	Mediolanum S.p.A.	100.00
indirect ownership	Banca Mediolanum S.p.A.	99.997
direct ownership	Mediolanum S.p.A.	0.003
direct ownership	Mediolanum S.p.A.	100.00
direct ownership	Mediolanum S.p.A.	100.00
direct ownership	Mediolanum S.p.A.	100.00

TABLE 1

Remuneration of members of the board of directors, general managers, other corporate governance and key management officers

(A) Surname and name	(B) Position	(C) Period
RUOZI ROBERTO	Chairman of the Board of Directors of Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
MESSINA ALFREDO	Deputy Chairman of Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Other positions held in subsidiaries	Jan 1, 2006/Dec. 31, 2006
LOMBARDI EDOARDO	Executive Deputy Chairman of Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Other positions held in subsidiaries	Jan 1, 2006/Dec. 31, 2006
DORIS ENNIO	Chief Executive Officer Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Other positions held in subsidiaries	Jan 1, 2006/Dec. 31, 2006
BERLUSCONI MARINA	Director Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
CANNATELLI PASQUALE	Director Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
DORIS MASSIMO ANTONIO	Director Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Other positions held in subsidiaries	Jan 1, 2006/Dec. 31, 2006
ERMOLLI BRUNO	Director Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
MOLTENI MARIO	Director Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Member of the Audit Committee	Jan 1, 2006/Dec. 31, 2006
RENOLDI ANGELO	Director Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Chairman of the Supervisory Board (Legislative Decree 231/2001) of Mediolanum S.p.A	Jan 1, 2006/Dec. 31, 2006
	Member of the Audit Committee	Jan 1, 2006/Dec. 31, 2006
	Other positions held in subsidiaries	Jan 1, 2006/Dec. 31, 2006
SCIUME' PAOLO	Director Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Member of the Audit Committee	Jan 1, 2006/Dec. 31, 2006
	Other positions held in subsidiaries	Jan 1, 2006/Dec. 31, 2006
ZUNINO ANTONIO	Director Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Other positions held in subsidiaries	Jan 1, 2006/Dec. 31, 2006
MAURI ARNALDO	Chairman of the Board of Statutory Auditors of Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Other positions held in subsidiaries	
FRATTINI ACHILLE	Standing Auditor of Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Other positions held in subsidiaries	
GIAMPAOLO FRANCESCO ANTONIO	Standing Auditor of Mediolanum S.p.A.	Jan 1, 2006/Dec. 31, 2006
	Other positions held in subsidiaries	
KEY MANAGEMENT (***)		Jan 1, 2006/Dec. 31, 2006

(*) The expiration date is the date of the AGM called to approve the financial statements for that year.

(**) Amount transferred to the company the officer belongs to.

(***) Information relating to Key Management Officers is indicated in the aggregate.

(a) services provided by a company controlled by the officer

(b) professional fees

(D) Expiration (*)	(1) Emoluments received for the position held in the reporting company	(2) Non cash benefits	(3) Bonuses and other incentives	(4) Other
Dec. 31, 2007	100,000.00			
Dec. 31, 2007	200,000.00			
	21.500,00			
Dec. 31, 2007	300,000.00			(a) 99,636.56
	582,500.00			
Dec. 31, 2007	600,000.00			
	190,000.00			
Dec. 31, 2007	15,000.00			
Dec. 31, 2007	15,000.00 (**)			
Dec. 31, 2007	15,000.00			
	250,243.76	34,339.91		
Dec. 31, 2007	15,000.00			
Dec. 31, 2007	15,000.00			(a) 18,000.00
	12,000.00			
Dec. 31, 2007	15,000.00			
	25,000.00			
	12,000.00			
	56,666.67			
Dec. 31, 2007	15.250,00			(b) 103,259.96
	12,000.00			
	12,565.55			
Dec. 31, 2007	15,000.00			
	204,000.00			
Dec. 31, 2007	45,000.00			
	43,960.00			
Dec. 31, 2007	30,000.00			
	25,100.00			
Dec. 31, 2007	30,000.00			
	29,216.45			
	742,441.32		170,046.00	

TABLE 2

Stock options granted to members of the board of directors, general managers and other key management officers

		Options held at the beginning of the year		
(A)	(B)	(1)	(2)	(3)
Name	Position	No. of options	Average exercise price	Average expiration
MESSINA ALFREDO	Deputy chairman	140.000	0,769	1.567
LOMBARDI EDOARDO	Executive Deputy Chairman	390.000	0,728	1.451
KEY MANAGEMENT (*)		320.000	4,366	1.262

Please Note:
Unlike previous versions, average expiration now includes the option exercise period.
Average expiration runs from December 31, 2006 for both options granted during the year and options held at year end.
(*) Information relating to Key Management Officers is indicated in the aggregate.

Notes: Each option corresponds to the subscription for or the purchase of one share.
Any bonus stock option shall be recorded as a stock option granted and exercised at a nil price.
The table is prepared for all Directors and General Managers to whom options are granted under a stock option plan including those who are employees of the company.

TABLE 3

Interest of members of the board of directors, general managers, other corporate governance and key management officers

Surname and name	Company		No of Shares held at the end of the prior year (Dec. 31, 2005)
MESSINA ALFREDO	MEDIOLANUM S.p.A.	(pd)	-
LOMBARDI EDOARDO	MEDIOLANUM S.p.A.	(pd)	190,500
DORIS ENNIO	MEDIOLANUM S.p.A.	(pd)	23,119,070
		(pi)	148,726,557
		(u) (*)	46,260,000
		(c)	27,950,595
DORIS MASSIMO ANTONIO	MEDIOLANUM S.p.A.	(pd)	14,507,180
		(pi)	-
		(c)	7,000
ERMOLLI BRUNO	MEDIOLANUM S.p.A.	(c)	14,500
MAURI ARNALDO	MEDIOLANUM S.p.A.	(pd)	500
		(c)	300
FRATTINI ACHILLE	MEDIOLANUM S.p.A.	(c)	6,000
KEY MANAGEMENT (**)	MEDIOLANUM S.p.A.		102,000

(so) exercise of stock options
(pd) direct holding
(pi) indirect holding
(u) usufruct
(c) spouse

(*) Joint usufruct with spouse Tombolato Lina.
(**) Information relating to Key Management Officers is indicated in the aggregate.

Options granted during the year			Options exercised during the year			Options lapsed during the year	Options held at the end of the year		
(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=1+4-7-10	(12)	(13)
No. of options	Average exercise price	Average expiration	No. of options	Average exercise price	Average mkt price upon exercise	No. of options	No. of options	Average exercise price	Average expiration
66.000	1,210	2.318	80.000	0,508	5,934	-	126.000	1,166	2.173
247.500	1,210	2.318	240.000	0,484	5,915	-	397.500	1,175	2.203
142.500	1,210	2.318	80.000	3,907	5,522	-	382.500	3,286	1.511

No. of shares acquired in 2006	No. of shares sold in 2006	No. of shares held at the end of the current year (Dec. 31, 2006)
80,000 (so)	40,000	40,000
240,000 (so)	100,000	330,500
-	-	23,119,070
2,263,000	2,635,000	148,354,557
-	-	46,260,000
5,463,300		33,413,895
-	-	-
-	-	14,507,180
-	-	7,000
-	-	14,500
-	-	500
-	-	300
-	-	6,000
80,000 (so)	15,000	167,000

Report of the Board of Statutory Auditors

Dear Shareholder,

During the year we performed our statutory supervisory duties as required by the law and in accordance with the procedures recommended by the National Council of Accountants.

Specifically:

- we saw to compliance with the law and the articles of incorporation as well as adherence to principles of proper management;
- we attended General Meetings as well as Meetings of the Board of Directors and Board Committees. We regularly obtained information from Directors on the company's operations, outlook and transactions material to income, equity and finances. We satisfied ourselves that resolutions and their subsequent implementation were not manifestly imprudent or risky, did not represent a potential conflict of interest, were not in contrast with the resolutions passed at General Meetings and did not put the company's equity at risk;
- we examined the company's organisational structure, within the scope of our authority, to assess its adequacy. This was achieved by inspection, collection of information and regular meetings with the independent auditors Reconta Ernst & Young SpA, during which we also mutually exchanged information. No material aspect requiring disclosure emerged from our examination;
- we examined the internal control system and internal audit work to assess their adequacy. We also examined the accounting system and satisfied ourselves that it is reliable and accurately reflects transactions. This work was performed by obtaining information, examining corporate documents, analysing the results of the work of the independent auditors. We held regular meetings with the Head of Internal Audit during which we also exchanged information on the outcome of audits conducted at subsidiaries'. We also attended the meetings of the Audit Committee;
- we supervised the upgrade of corporate governance rules also to incorporate the new provisions of the Corporate Governance Code for listed companies issued by Borsa Italiana SpA (March 2006 edition).
  Specifically:
  i) we verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of Board members
  ii) we satisfied ourselves that external auditors are independent in their work
  iii) we verified adherence to independence standards for statutory auditors
- we examined the instructions given to subsidiaries to assess their adequacy. Those instructions enabled subsidiaries to provide timely information to the Parent Company for its compliance with statutory disclosure requirements;
- we satisfied ourselves that the preparation of the consolidated and separate financial statements for the year ended December 31, 2006, including directors' reports, comply with statute by direct verification and by requesting information from the independent auditors.

During our audit work we did not find any omissions, inconsistencies or irregularities which required reporting to the supervisory authorities or disclosure herein.

In 2006 the Supervisory Board responsible for overseeing the effectiveness, adherence to and update of the organisational, management and control model pursuant to Legislative Decree 231/01 did not report any misconduct.

Likewise, the Report of the Board of Directors on corporate governance did not reveal any issue that needs to be brought to your attention.

In addition, in compliance with CONSOB recommendations and instructions, the Statutory Auditors also advise you that:

- the company did not engage in any atypical and/or unusual inter-company or related party transactions;
- the Board of Directors provided adequate information also with regard to inter-company or related party transactions. Specifically, related party-transactions were in connection and expedient to the achievement of the company's purpose. The terms and conditions as well as the economic effects of transactions with related parties are disclosed in the notes to the financial statements. Those transactions were carried out on an arm's length basis, were fair and in the best interests of the company. Information on the intercompany sale of a shareholding and the related gain was duly disclosed to the market pursuant to article 71-bis of Consob Regulation 11971/1999 as well as in the notes to the financial statements.

  There were no transactions which could represent a conflict of interest or could have a material impact on the financial positions, result of operations or cash-flows of the company;
- as set out in the Report of the Board of Directors on corporate governance, the company adhered long ago to the Corporate Governance Code for listed companies issued by Borsa Italiana SpA and corporate governance rules were reviewed to bring them in line with best practices and regulatory changes;
- during the year:
  - the board of statutory auditors held regular meetings and mutually exchanged information with the independent auditors Reconta Ernst & Young SpA, and, even if the board of statutory auditors has not yet received the independent auditors' report on the consolidated and separate financial statements, it has reasons to believe that the report will not contain any remarks;
  - the board of statutory auditors did not express opinions pursuant to art. 2389, paragraph 3, of the Italian Civil Code and former art. 159, paragraph 1, of Legislative Decree 58/98, except for its recent opinion on the renewal of the audit mandate to the independent auditors Reconta, Ernst & Young for the three year period 2008-2010. Our opinion on that matter was submitted to you pursuant to said article 159, as amended;
  - the Board of Directors held 8 meetings and the Board of Statutory Auditors held 13 meetings;
  - the company mandated Reconta Ernst & Young SpA the independent auditors responsible for auditing the interim and annual consolidated and separate financial statements to perform additional work (fees include VAT), specifically:
- audit work in connection with the preparation of income tax returns (Unico 2005 and 770 Forms), for a total fee of €3,780.00;
- assistance in the preparation of IAS/IFRS-compliant financial information for 2005 annual consolidated financial reporting, for a total fee of €24,000.00;
- update on the opinion on the fairness of the terms of the Stock Options Plan, for a total fee of €12,000.00;
- audit of the 2006 interim reports of international subsidiaries, for a total fee of €77,964.00;

- opinion on the documents required under art. 2433-bis of the Italian Civil Code in connection with the distribution of the 2006 interim dividend, for a total fee of €54,480.00;
- the company did not confer any assignments on any parties related to Reconta Ernst & Young SpA or members of its international network;
- no notices or complaints under art. 2408 of the Italian Civil Code were lodged with the board of statutory auditors, except for a report that was judged to be outside our area of responsibility.

In consideration of the foregoing, within the scope of its authority, the Board of Statutory Auditors expresses its favourable opinion on the approval of the financial statements for the year ended December 31, 2006, which show a net profit of €193,739,971 and on the distribution of dividends as proposed by the Board of Directors, also in consideration of equity reserves.

Basiglio - April 2, 2007

THE BOARD OF STATUTORY AUDITORS
Arnaldo Mauri, Chairman
Achille Frattini
Francesco Antonio Giampaolo

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders of
Mediolanum S.p.A.

1. We have audited the financial statements of Mediolanum S.p.A. as of and for the year ended December 31, 2006, comprising the balance sheet, the statement of operations, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 12, 2006.

3. In our opinion, the financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Mediolanum S.p.A. as of December 31, 2006 and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.

Milan, April 3, 2007

Reconta Ernst & Young S.p.A.
Signed by: Natale Freddi, Partner

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.259.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

MEDIOLANUM S.p.A.

Ordinary and Extraordinary General Meeting of April 19, 2007

RESOLUTIONS ABSTRACT

Ordinary and Extraordinary General Meeting of April 19, 2007

RESOLUTIONS ABSTRACT

The General Meeting was attended by shareholders representing 66.45% of share capital. At the Ordinary General Meeting by majority of votes the shareholders resolved:

- to approve the financial statements for the year ended December 31, 2006, which reported net profit of €193,739,970.99, including the Directors' Report;
- to appropriate net profit for the year amounting to €193,739,970.99 as follows:
  - distribution of a full-year dividend of €0.2 per share (par value of €0.10) to the shareholders, including the 2006 interim dividend of €0.085 paid in November 2006. The final dividend of €0.115 (before withholding tax) per share will not be payable for treasury shares held after the close of business on May 18, 2007;
  - the remainder to the Extraordinary Reserve as the legal reserve has already reached the statutory limit;
  - the final dividend will be due for payment from May 24, 2007 (coupon No. 14);
- to authorize the Board of Directors to purchase and sell up to 8,000,000 treasury shares with par value of €0.10 each, which correspond to 1.10% of share capital, within the limit amount of €80 million, for a period of one year and in any case up until the date of the General Meeting convened to approve the financial statements for the year 2007.

  Said limit shall be absolute, i.e. it shall not take into account any treasury shares which might have been resold over the same period of time.

  Purchases shall be effected at a price which fulfils the requirements of article 5, paragraph 1 of Commission Regulation (EC) 2273/2003. Purchases shall be effected on-exchange in accordance with the rules established by Borsa Italiana S.p.A. and in compliance with art. 132 of Legislative Decree 58/98 and article 144-bis, paragraph 1, letter b) of Consob Resolution 11971/99, as subsequently amended. Sales of treasury shares held in portfolio shall be effected in the manner which is considered most appropriate to the best interest of the company, including on-exchange, block trading or by exchanging treasury shares with equity investments or other assets at a price not lower than the average price recorded on the electronic trading system of the stock exchange in the last 5 trading days preceding the sale;
- to grant the Board of Directors all necessary powers to implements the resolution above;
- to increase the number of members of the Board of Directors from 12 to 14;
- to appoint to the Board of Directors the following new members: Luigi Berlusconi born in Arlesheim (Switzerland) on September 27, 1988; and Maurizio Carfagna born in Milan on November 13, 1947. These new Board members shall be coterminous with members already in office, whose term expires on the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2007;

- to fix the aggregate annual gross compensation of the members of the Board of Directors, including the compensation of those directors who hold special positions, at €1,411,000,00, effective from today and until a new resolution is passed in relation to that matter. The Board of Directors shall be responsible for distributing said compensation among its members. Said compensation can be withdrawn during the year, also on different occasions;
- to confirm the appointment of the independent auditors Reconta Ernst & Young S.p.A responsible for auditing the accounts, including the consolidated and separate financial statements for financial years 2008, 2009 and 2010, pursuant to art. 8, paragraph 7 (transitional provisions) of Legislative Decree 303/2006. Reconta Ernst & Young S.p.A were originally appointed on April 26, 2005 pursuant to art. 2409 bis and art. 159 of Legislative Decree 58/98;
- to confirm the appointment of the independent auditors Reconta Ernst & Young S.p.A responsible for carrying out the limited audit of the interim consolidated financial statements for the six-month periods ending June 30 2008, 2009 and 2010, for a total annual fee of €110,300.00 plus VAT and reimbursement of out-of-pocket expenses, for a total of 1,050 hours of work;
- to approve the amendments to the stock options plan approved by the General Meeting of April 26, 2005 as proposed by the Board of Directors in its report;
- to confirm the power of the compensation committee (previously the stock options plan committee) to amend and supplement the rules governing the stock options plan as appropriate to reflect the resolutions above as well as the changes in tax regulations introduced by Legislative Decree 223 of July 4, 2006 and later by Legislative Decree 262 of October 3, 2006;
- to confirm all powers of the compensation committee to implement the stock options plan (as amended), including the selection of the Beneficiaries (directors), the number of options to be allotted to each of them and the rules to apply in case of termination or changes in their contractual relationship with the Company;
- to confer upon the Board of Directors the broadest powers for the implementation of the resolutions above including the authority to amend or supplement them as necessary and appropriate;

At the Extraordinary General Meeting the shareholders resolved:

- to note and approve the amendments to the stock options plan voted by the Ordinary General Meeting as proposed by the Board of Directors in its report to the Ordinary General Meeting;
- to amend the authority to increase share capital by a maximum nominal amount of €150,000.00 (one hundred and fifty thousand point zero), delegated to the Board of Directors at the Extraordinary General Meeting held on April 26, 2005 pursuant to art. 2443 of the Italian Civil Code in the part relating to the shares to be allotted to non-employee directors, as follows: (i) by striking the term "non employee"; and (ii) by striking "by a maximum total amount of €150,000.00 (one hundred and fifty thousand point zero)" and inserting "by a maximum total amount of €400,000,00 (four hundred thousand point zero)" in relation to the maximum nominal amount of the share capital increase, and by striking "issuing up to 1,500,000 (one million five hundred thousand) new dividend-bearing shares" and inserting "issuing up to 4,000,000 (four million) new dividend-bearing shares" in relation to the amount of shares to be issued under said capital increase. The amendment under (ii) is made also in consideration of the capital increases effected hitherto. All other provisions including the term for the exercise of said authority shall remain unchanged;
- to amend article 6, paragraph 5.4 of the company's Bylaws (current numbering) to reflect the amendment above. The amended paragraph shall read: "Pursuant to art. 2443, first and second paragraphs of the Italian Civil Code, the Extraordinary General Meeting of April 26, 2005 passed a resolution, amended on April 19

2007, whereby directors are authorised, for a period of no more than five years from April 26, 2005, to increase share capital (against payment), in one or more occasions, by a maximum total amount of €400,000.00 issuing up to 4,000,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to the directors of the Company and its subsidiaries who will be selected as Beneficiaries under the Stock Incentive Plan, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph five of the Italian Civil Code. Those shares will be offered for subscription at a share price equal to the weighted average of (i) the company's equity value per share as reported in the latest financial statements approved prior to the allotment of the Options and (ii) the average stock market price of Mediolanum S.p.A. shares in the six-month period preceding the allotment date, applying a weight equal to ninety percent of the equity value and a weight equal to ten percent of the average stock market price in the last six-month period, respectively, through the offer of subscription rights exercisable in one or more occasions and in different years. The subscription rights for those shares will be in the name of the Beneficiary and non-transferable inter vivos. The terms for share subscription will be set out in the resolutions passed by the Board of Directors. Those resolutions will also set out that in the event that the approved capital increase is not fully subscribed within the prescribed term, share capital will be increased by the amount of the subscriptions received as of that date;

- to confer upon the Board of Directors the broadest powers for the implementation of the resolutions above including the authority to amend or supplement them as necessary and appropriate;
- to amend art. 6 of the company's Bylaws, by deleting paragraph 5.1, which sets out the terms of the authority of the Board of Directors to increase share capital under the resolution of the Extraordinary General Meeting held on April 12, 2001. The paragraph is deleted due to the expiration of the term set out therein. Paragraphs 5.2, 5.3 and 5.4 (the latter as amended by the previous resolution) are to be renumbered;
- to amend art. 6 of the company's Bylaws, by deleting the paragraph under the heading "Share capital increase resolved by the Board on May 11, 2001 under delegated authority" since the term for subscription has expired. By virtue of the express provisions contained therein, that paragraph shall remain in full force and effect for subscriptions received;
- to amend art. 6 of the company's Bylaws, to reflect the amendment to the 2005 stock options plan, pursuant to the resolution of the Ordinary General Meeting, as set out above (item 5 of the agenda), as well as for consistency with the amendment relating to the share capital increase authorised on April 26, 2005, as per resolution of the Extraordinary General Meeting (item 1 on the agenda), which requires striking "non employee directors" and inserting "directors" in the sub-paragraph under the heading "Share capital increase resolved by the Board on July 13, 2005 under delegated authority". All other provisions shall remain unchanged;
- to confer upon the Board of Directors the broadest powers for the implementation of the resolutions above including the authority to amend or supplement them as necessary and appropriate;
- to amend articles 11, 19, 23 and 24 of the company's Bylaws in force as set out in the text of the articles of the Bylaws attached hereto and presented in the Board of Directors Report;
- to confer upon the Executive Deputy Chairman, the Deputy Chairman and the Chief Executive Officer, individually, all powers necessary to implement this resolution and to take all actions pursuant to statutory and regulatory requirements.

Finally, the shareholders noted the "Annual Report on Corporate Governance" approved by the Board of Directors on March 28, 2007.