MEDIOLANUM S.p.A.

Interim Report at June 30 2006

MEDIOLANUM
MEDIOLANUM GROUP

Contents

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.

Interim Report at June 30 2006

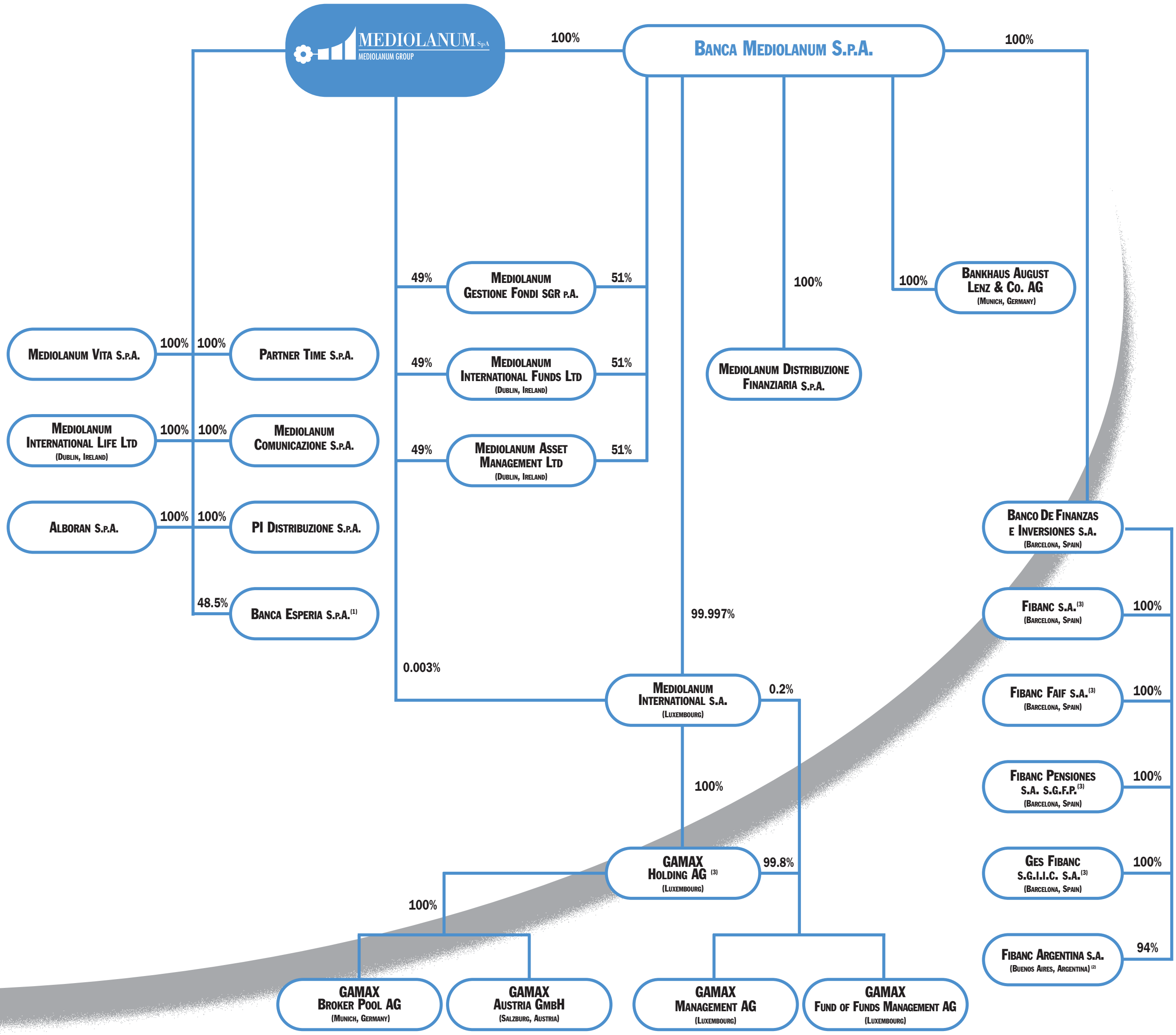
Mediolanum Group - Financial Highlights

€/ million	June 30, 2006	June 30, 2005	Change %
Assets under management and administration	31,061.7	28,146.7	+10%
Profit before performance fees and tax (°)	105.7	90.0	+17%
Performance fees (°)	33.3	58.0	-42%
Profit before tax	139.0	148.0	-6%
Income tax	(33.5)	(32.9)	+2%
Net profit	105.5	115.1	-8%
Embedded Value (*)	2,974	2,807	+6%
Earnings per share (#)	0.145	0.158	-8%
Embedded Value per share (§)	4.085	3.865	+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"
(#) Net profit attributable to holders of ordinary shares divided by the weighted average number of ordinary shares in issue
(§) Embedded value attributable to holders of ordinary shares divided by the weighted average number of ordinary shares in issue

Group Structure

AS OF JUNE 30, 2006



(1) The remaining capital is held by third parties.
(2) In liquidation.
(3) Pursuant to regulations directors have a symbolic shareholding.

Corporate Governance Officers

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

BOARD SECRETARY

Luca Maria Rovere

INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A.

MEDIOLANUM S.p.A.

Directors' Report

Directors' Report

At June 30, 2006 the Mediolanum Group reported net profit of €105,519 thousand versus €115,058 thousand in the same period of the prior year.

The decline is in connection with the lower performance fees earned in the first half of 2006, which amounted to €33,324 thousand versus €57,952 thousand in the first half of 2005.

Net of that effect, Group performance was on the upswing thanks especially to the growth of assets under management compared to the prior year.

At June 30, 2006 total assets under management and administration amounted to €31,061.7 million, up 10% from €28,146.7 million in the same period of 2005 and up 2.2% from €30,399.1 million at December 31, 2005.

The macroeconomic environment

In the first half of the year the global macroeconomic environment continued to improve, driven by the robust growth in Asian emerging economies and the United States as well as the faster recovery not only in Europe but also in Japan, that broke out of the deflationary spiral after almost a decade.

However, while China and India continued to grow at tremendous rates, the United States' GDP growth was vigorous (5.6%) in the first quarter, but slowed down to 2.5% (preliminary figure) in the second quarter, and many sectors of the economy have shown signs of softening in the past few months.

The neutral fiscal policy and marginally tight monetary policy adopted by the Fed, which raised short-term rates from 4.25% to 5.25% in the first six months of the year, began to have a cool-down effect on the building sector as well as on real estate prices, which had soared over the past few years with a significant adverse impact on overall inflation.

The effect of benchmark interest rate hikes combined with reduced disposable income and high oil prices began to adversely impact also private consumption.

The higher demand, on the one hand, and the lower supply due to refining capacity and distribution inefficiencies on the other hand, combined with speculative moves in connection with increased geopolitical risk brought per-barrel oil price to stabilize above 70$.

The positive cycle of the global economy in the past few years propagated also to Europe where GDP grew 0.6% in the first quarter and 0.9% in the second quarter, driven by the good performance of France and Germany. Italy was no exception. Its GDP grew 0.7% in the first quarter and 0.5% in the second quarter thanks to the good performance of industrial production and the services sector.

The European Central Bank (ECB) raised interest rates twice from 2.25% at the beginning of January to 2.75% to keep at bay any inflationary pressures arising from increasing energy prices and growing demand.

The economy recovered also in Japan where GDP grew 0.7% in the first quarter and 0.2% in the second quarter, and industrial production as well as orders for equipment strongly improved. Reassured by the better overall economic environment, after years of accommodative monetary policy, the Bank of Japan followed the example of other major Central Banks and raised interest rates by 25 basis points in July.
Turning to the analysis of financial markets, after the robust growth of the past year, in the first half of 2006 major global equity indices were marginally in positive territory, except for Japan. Bond indices instead ended up in negative territory due to the adverse impact of the actions taken by monetary authorities.
Specifically, in the first half of 2006 the S&P 500 was up 1.75%, the Nikkei 225 down 3.76%, the DJ Eurostoxx up 1.95%. and the Standard & Poor's MIB up 2.07%.
Market expectations of a pause in the Fed's interest rate tightening cycle and of further rate hikes by the European Central Bank and the Bank of Japan led the euro to appreciate against other major currencies. In particular, since the beginning of 2006 the euro remarkably appreciated against the US dollar as it was up about 8%.

Mediolanum Group's Performance

For a better understanding of the Group's performance, the review of operations is divided into domestic market and foreign markets.

Domestic market

In the first half of 2006 the furthering of the 4 Freedoms strategic plan led to a series of programs geared to increase the number of customers and strengthen the offering of banking products and services also in view of attracting new clients.
The number of bank accounts increased from 392,400 at December 31, 2005 to 424,676 at June 30, 2006. Please note that the Riflex account now offers also a prepaid credit card named Riflexcash in addition to the existing innovative Riflexcard.
In the first half of the current year, 53,000 new bank accounts were opened with a monthly average of 8,800 new bank accounts versus 7,260 in the second half of 2005 and 6,170 in the first half of 2005.
About 60% of new bank accounts were opened by new customers and that entails greater cross-selling opportunities for the Mediolanum Group.
An even more interesting result relates to the active use of new current accounts. In fact, about 70% of new clients' bank accounts became active within 6 months of their opening.
Our strategy which leverages active bank accounts to grow assets under management confirmed its effectiveness: the managed assets of customers, who hold a bank account with us and actively use it, are 38% greater than those of inactive customers.
Among the initiatives promoted in the first half of the year there was the launch of the Riflex Mortgage in May. That mortgage satisfies home financing needs by combining various product features and rates into a bespoke solution tailored to individual customer requirements. The Riflex Mortgage features can be changed throughout the loan life.
As banking transactions made by clients increased, related dedicated structures within the organization were strengthened, devoting special attention to security issues in relation to the use of direct channels, primarily the Internet.

At June 30, 2006 the sales force consisted of 6,204 people (vs. 5,836 people at December 31, 2005) of whom 3,954 licensed financial advisors (vs. 3,978 at December 31, 2005). The sales force increase largely relates to non-licensed financial advisors, who after training and passing the CONSOB exam will become licensed financial advisors.
At June 30, 2006 Punto Mediolanum offices increased by 36 new offices to 196 compared to the year end figure (160 offices).

Let's now turn to the presentation of results by business line.

Life insurance

Premiums written in the first half of the year amounted to €1,580.3 million up 24% from €1,271.3 million in the past year.
New business amounted to €1,042 million versus €830.9 million at June 30, 2005.
Specifically, recurring premiums increased 28% from €79.8 million to €101.7 million at June 30, 2006.
At June 30, 2006 life assets amounted to €12,596.9 million up 11% from €11,310.5 million at June 30, 2005.
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. Premiums written in the first half of 2006 in foreign markets (Spain and Germany) increased from €48.5 million at June 30, 2005 to €89.6 million at the end of the first half of the year under review.

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

€/'000	June 30, 2006	June 30, 2005
Mediolanum Vita S.p.A.	20,261	28,711
Partner Time S.p.A.	(85)	(458)
Mediolanum International Life Ltd	13,022	1,773

Banking

For the first half of 2006 Banca Mediolanum S.p.A. reported net profit of €37,570 thousand versus €59,478 thousand in the same period of the prior year.
The decline in net profit is in connection with the effect of lower dividends relating to the first half of the year and amounting to €28,073 thousand, following the payment of the 2005 interim dividend by the subsidiary Mediolanum International Funds Ltd in December of the past year (€68,850 thousand).
At the end of June 2006 the Bank's total assets amounted to €5,964 million increasing by €430 million over December 31, 2005. That was partly due to increased financial liabilities held for trading (up €228 million) recognized in relation to possible losses on financial assets held for trading which could arise from interest rate increases.

Customer deposits declined 3% from €3,668 million at December 31, 2005 to €3,542 million at the end of the first half of 2006.

At June 30, 2006 the Bank's total assets under administration (current account deposits and securities accounts of customers) grew to €4,795 million from €4,760 million at the end of the prior year.
At June 30, 2006 customer loans totalled €808 million up 12% from €722 million at December 31, 2005. Direct mortgage lending contributed to that result as mortgage loans increased from €125.4 million at December 31, 2005 to €200.1 million at June 30, 2006.

At June 30, 2006 net interest income amounted to €34,470 thousand up 32% from €26,078 thousand at June 30, 2005. Net income from trading amounted to €1,615 thousand versus €4,429 thousand at June 30, 2005.
Net interest income plus net income from trading totalled €36,082 thousand versus €30,507 thousand at June 30, 2005 (+18.3%).

At June 30, 2006 commission income amounted to €64,660 thousand versus €56,021 thousand in the prior year. The 15.4% increase is mostly due to good performance of sales of asset management products and services.

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

€/'000	June 30, 2006	June 30, 2005
Banca Mediolanum S.p.A.	37,570	59,478
Mediolanum Distribuzione Finanziaria S.p.A.	(182)	n/a

Asset Management

In the first half of the year gross inflows of retail clients' assets into managed accounts and mutual funds increased 129% from €719.5 million at June 30, 2005 to €1,647.2 million. Net inflows amounted to €113.6 million versus a negative balance of €58.8 million in the past year.
In the first half of 2006 the new closed-end Mediolanum Real Estate fund (Mediolanum Gestione Fondi) commenced operation. Gross inflows into that fund amounted to €220 million.
In the first half of the year, gross inflows to life insurance products amounted to €1,351.7 million versus €600 million in the same period of the prior year, while net inflows reached €486.7 million versus €203.8 million at June 30, 2005.

At June 30, 2006 total assets under management amounted to €14,339.5 million up 17% from €12,254.6 million at June 30, 2005 and up 1.8% over December 31, 2005.

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

€/'000	June 30, 2006	June 30, 2005
Mediolanum International Funds Ltd	65,029	84,484
Mediolanum Gestione Fondi SGR p.A.	6,542	3,253
Mediolanum Asset Management Ltd	5,008	1,793

The lower net profit of Mediolanum International Funds in the first half of 2006 is in connection with the lower performance fees earned in the first half of the year (- €26.6 million).

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., the trust company Duemme Trust Company S.p.A., plus Duemme Capital that was incorporated in the first months of 2006. Duemme Capital is an advisory firm based in London that was formed to assist the Banca Esperia Group in the selection of asset managers and investment monitoring.

For the first half of 2006 the Banca Esperia Group reported gross inflows of €1,123 million in line with the H1 2005 trend (€978 million at June 30, 2005). Net inflows increased 36% from €413 million at June 30, 2005 to €562 million.
Total assets under management increased from €5,306 million at June 30, 2005 to €6,232 million at the end of the six-month period under review (+17%).
At June 30, 2006 it employed 56 private bankers versus 54 at December 31, 2005.
For the first half of the year the Banca Esperia Group reported net profit of €6,229 thousand- which includes the estimated impact of IAS application – versus €4,640 thousand in the same period of the prior year (+36%).

Mediolanum S.p.A.

At June 30, 2006 the Parent Company Mediolanum S.p.A. reported net profit of €110,539 thousand versus €122,721 thousand at June 30, 2005.
The decrease in net profit is in connection with the effect of lower dividends from subsidiaries relating to the first half of the year and amounting to €6,560 thousand, following the distribution of the 2005 interim dividends paid out by Mediolanum International Funds Ltd in December of the past year (€66,150 thousand).

Commission income amounted to €86,303 thousand (vs. €87,660 thousand at June 30, 2005), of which €84,389 thousand (€85,709 thousand at June 30, 2005) earned as insurance agent of the subsidiary Mediolanum Vita S.p.A..
In the first half of 2006 the terms of the commercial agreement with Mediolanum Vita S.p.A. were reviewed and from the beginning of the current year the rappels calculated on collection commissions were no longer paid. For comparative purposes please note that at June 30, 2005 that expense had amounted to €5,361 thousand.
Commission expense primarily relates to commissions paid to the subsidiary Banca Mediolanum S.p.A. which amounted to €84,327 thousand (€77,912 thousand at June 30, 2005).

Foreign Markets

Spain

Mediolanum conducts business in Spain through the Spanish Group Fibanc (a wholly-owned subsidiary of Banca Mediolanum).
For the first half of 2006 the Spanish Group Fibanc reported net profit of €70 thousand versus €492 thousand at June 30, 2005. The decline in net profit over the same period of the prior year is in connection with the about €600

thousand greater provisions set aside in the first six months of the current year in relation to the prior year, also in the light of observations made by Spain's Central Bank during its last inspection.
At June 30, 2006 the sales network consisted of 522 people (495 at June 30, 2005) of whom 470 tied financial advisors (427 at June 30, 2005).
In the first half of 2006 gross inflows grew 42% to €265.7 million from the prior year's figure of €187 million. Net inflows amounted to €68.6 million (of which €76.1 million into managed accounts) versus €38.2 million in the prior year (of which €39.8 million into managed accounts).
Inflows into Mediolanum International Life products in Spain amounted to €73.7 million versus €41.5 million at June 30, 2005.
At June 30, 2006 total assets under management and administration amounted to €2,317.1 million up 6.8% from €2,169.7 million at June 30, 2005 and up 6.9% from €2,167.8 million at December 31, 2005.

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

€/'000	June 30, 2006	June 30, 2005
Gruppo Banco de Finanzas e Inversiones S.A. - Fibanc	70	492

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.

In the first half of 2006 **Bankhaus August Lenz** recorded net inflows of €3.4 million (of which +€7.8 million into managed accounts) versus a negative balance of €4 million in the prior year (of which +€4.1 million into managed accounts). At June 30, 2006 the sales network consisted of 45 people (vs. 80 at June 30, 2005).
For the first half of 2006 the bank reported net loss of €3,534 thousand, which marks an improvement from the €4,351 thousand net loss reported at June 30, 2005.

For the first half of 2006 the **Gamax Group** reported net profit of €599 thousand versus €2,439 thousand at June 30, 2005. The decline in net profit over the same period of the prior year is in connection with the lower performance fees earned in 2006 and reduced assets under management.
Gross inflows (Gamax funds and third-party funds) totalled €59.6 million versus €42.6 million in the past year. Net inflows into Gamax funds continued to be negative at € -29.3 million (vs. €-30 million at June 30, 2005).

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

€/'000	June 30, 2006	June 30, 2005
Bankhaus August Lenz & Co. AG	(3,534)	(4,351)
Gamax Holding AG Group	599	2.439

Summary key financials

Funding

€/million	June 30, 2006	June 30, 2005	Change %
DOMESTIC MARKET			
ASSET MANAGEMENT			
- Life insurance products			
Life premiums written	1,580.3	1,271.3	+24
Of which:			
New business	1,042.0	830.9	+25
Portfolio	538.3	440.4	+22
- Mutual funds and managed accounts			
Consolidated net inflows	113.6	(58.8)	n/a
Out of:			
Consolidated gross inflows	1,647.2	719.5	+129
- Banca Esperia Group			
Consolidated net inflows (48.5%)	272.6	200.3	+36
Out of:			
Consolidated gross inflows (48.5%)	544.7	474.3	+15
ASSET ADMINISTRATION			
- Bank accounts and securities in custody			
Consolidated net inflows	109.7	162.8	-33
FOREIGN MARKETS			
ASSET MANAGEMENT			
- Life insurance products			
Life premiums written	85.6	48.5	+76
- Mutual funds and managed accounts			
Consolidated net inflows	(7.0)	(24.4)	n/a
Out of:			
Consolidated gross inflows	251.2	178.2	+41
ASSET ADMINISTRATION			
- Bank accounts and securities in custody			
Consolidated net inflows	(12.0)	(9.8)	n/a

Consolidated assets under management and under administration

€/million	June 30, 2006	June 30, 2005	Change%
Life products	12,596.9	11,310.5	+11
Mutual funds and managed accounts	14,339,5	12,254.6	+17
Banking	4,794.6	4,528.4	+6
Consolidation adjustments	(6,660.1)	(5,327.5)	+25
Banca Esperia Group (*)	3,022.5	2,573.4	+17
Total "Domestic Market"	28,093.4	25,339.4	+11
Life products	366.2	266.7	+37
Mutual funds and managed accounts	1,097.8	1,102.9	+0
Banking	1,513.3	1,411.9	+7
Other products	241.8	281.1	-14
Consolidation adjustments	(250.8)	(255.2)	-2
Total "Foreign Markets"	2,968.3	2,807.4	+6
Total Group	31,061.7	28,146.8	+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	June 30, 2006	June 30, 2005	Dec 31, 2005
Banca Mediolanum licensed financial advisors	3,954	3,980	3,978
Banca Mediolanum non-licensed financial advisors	1,626	792	1,183
Credit executives	78	63	59
Partner Time network (*)	546	823	616
Total "Domestic Market"	6,204	5,658	5,836
Fibanc Group network	655	624	615
Gamax Group network (**)	162	146	192
Bankhaus August Lenz & Co. network	45	80	55
Total "Foreign Markets"	862	850	862
Total	7,066	6,508	6,698

(*) The Partner Time Network sales force figures relate to advisors and soliciting agents who worked for the network in the last six months.

(**) The Gamax Group network sales force figures relate to the monthly average number of soliciting agents who worked for the network in the period.

MEDIOLANUM S.p.A.

Mediolanum Group European Embedded Value June 30 2006

Mediolanum Group
European Embedded Value June 30, 2006

SUPPLEMENTARY INFORMATION

Introduction

In May 2004, the CFO Forum, a group then representing the Chief Financial Officers of 19 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 with the publication of its full year 2005 results. This disclosure provides results as at June 30, 2006 and a comparison with values determined as at December 31, 2005, as well as with a restatement of values as at June 30, 2005.

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. The value of in-force asset management (mutual funds, real estate funds and managed accounts) 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, namely current account, deposit account and mortgage 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 June 30, 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 June 30, 2006, December 31, 2005 and restated values as at June 30, 2005, all determined under the EEV Principles.

Embedded value

Euro millions	June 30, 2005	December 31, 2005	June 30, 2006
Published shareholders' net assets	744	808	809
adjustments to net assets [1]	(174)	(160)	(151)
Adjusted shareholders' net assets	570	648	658
value of in-force Life business	1,757	1,793	1,802
value of in-force asset management	397	410	394
value of in-force banking business	83	100	120
Value of in-force business	2,237	2,303	2,316
Embedded value	2,807	2,951	2,974

[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 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 6.62% as at June 30, 2006, 5.80% as at December 31, 2005 and 5.48% as at June 30, 2005.

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 June 30, 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 June 30, 2006

Euro millions Discount rate	-1%	central	+1%
Adjusted shareholders' net assets	658	658	658
value of in-force Life business	1,975	1,802	1,651
value of in-force asset management	413	394	377
value of in-force banking business	126	120	114
Value of in-force business	2,514	2,316	2,142
Embedded value	3,172	2,974	2,800

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 the first half of 2006, in the full year 2005 and in the first half of 2005.

Embedded value earnings

Euro millions	1st half 2005	Full year 2005	1st half 2006
Change in embedded value for the period	314	458	23
Dividends paid or accrued	102	163	83
Other capital movements	(4)	(7)	(2)
Embedded value earnings	412	614	104

Embedded value earnings for the period 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 yea;
- 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 Life business transformations in the first half of 2005, 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 the first half of 2006, in the full year 2005 and in the first half of 2005.

Components of embedded value earnings

Euro millions	1st half 2005	Full year 2005	1st half 2006
Expected return	71	143	76
Experience variances	163	259	(94)
Operating assumption changes	(8)	(43)	-
Economic assumption changes	94	31	(29)
Earnings on initial embedded value	320	390	(47)
New Life business	77	162	110
New asset management business	11	52	32
New banking business	3	10	9
Life business transformation	1	-	-
Value added by new business	92	224	151
EMBEDDED VALUE EARNINGS	412	614	104

Description of key embedded value elements for the first half of 2006

Experience variances gave rise to a decrease in the embedded value earnings for the year of 94 million Euro. The most important negative variances were 73 million Euro associated with the lower investment performance of unit-linked funds and asset management business compared to the assumptions used at the start of the year, as well as of the shareholding in Mediobanca, and lower persistency that expected on managed account and Life business, (31 million Euro in total). These were partially counterbalanced by higher performance commissions than those assumed (16 million Euro). The remaining effects comprise a series of smaller positive and negative items.

There were no significant changes in operating assumptions as overall operating experience was broadly in line with expectations.

The negative impact of changes to economic assumptions (approximately 29 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 110 million Euro of which 8 million Euro related to business distributed by Fibanc in Spain.

The value added by new asset management business in the period of 32 million Euro was almost entirely related to Italian business.

New banking business added 9 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 current 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 the first half of 2006, in the full year 2005 and in the first half of 2005.

Value of new business at moment of sale

Euro millions	1st half 2005	Full year 2005	1st half 2006
Unit-linked Life business	66	133	86
Index-linked Life business	11	25	22
Asset management business	11	50	32
Banking business	3	10	9
Value of new business	91	218	149

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 6.50% for Life business (5.65% in full year 2005 and 5.40% in the first half of 2005), 7.25% for asset management business (6.50% in full year 2005 and 5.90% in the first half of 2005) and 6.30% for banking business (5.60% in full year 2005 and 5.20% in the first half of 2005), giving an average, weighted by new business value of 6.65% in the first half of 2006.

In order to evaluate the effect of alternative discount rates on new business, the value of new business in the first half of 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 the first half of 2006

Euro millions Discount rate	-1%	central	+1%
Unit-linked Life business	96	86	77
Index-linked Life business	23	22	21
Asset management business	34	32	30
New banking business	9	9	8
Total	162	149	136

New business margins

New business margins for the Italian Life and asset management business in the first half of 2006, full year 2005 and the first half of 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 first half of 2006 - Life and asset management

Euro millions	Unit-linked	Index-linked	Asset mgmt
Value of new business at moment of sale	81	19	31
Regular premiums / Pac	90		45
Single premiums / Pic	243	612	828
APE	115	61	128
New business margin (% APE)	70.8%	30.9%	24.4%
PVNBP	962	612	1,091
New business margin (% PVNBP)	8.4%	3.1%	2.9%

New business margins full year 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%

New business margins first half of 2005 - Life and asset management

Euro millions	Unit-linked	Index-linked	Asset mgmt
Value of new business at moment of sale	63	10	11
Regular premiums / Pac	62		23
Single premiums / Pic	151	454	438
APE	77	45	67
New business margin (% APE)	82.5%	22.0%	16.8%
PVNBP	701	454	581
New business margin (% PVNBP)	9.0%	2.2%	1.9%

The margin on APE for new Life business in Spain is approximately 75% in the first half of 2006.

The margin of new current accounts as a percentage of the money invested in current accounts opened in the first half of 2006 is 2.0%. The profitability of new mortgages sold in the first half of 2006 is 2.0%, which reflects a mix between mortgages intermediated for third parties and Mediolanum's proprietary mortgage book.

Methodology

The traditional embedded value calculations which Mediolanum has 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 structured bonds underlying the index-linked guarantees. This gives rise to capital requirements of approximately 3.8% of reserves for business where Mediolanum bears the full investment risk and approximately 1.9% for business where investment risk is passed to policyholders.

Total required capital for the Life business as at June 30, 2006 is 166 million Euro, which correspond 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 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 June 30, 2006.

Derived discount rates

%	Unit-linked 2005	Unit-linked 2006	Asset management 2005	Asset management 2006	Banking business 2005	Banking business 2006
Average risk-free rate	3.60	4.45	3.40	4.25	3.45	4.15
Margin for financial risk	0.85	0.65	2.30	2.05	-	-
Margin for non-financial risks	1.20	1.40	0.80	0.95	2.15	2.15
Risk discount rate	5.65	6.50	6.50	7.25	5.60	6.30

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 June 30, 2006 is due to the general increase in the forward yield curve at all durations. The reduction in the margins for financial risk is mostly associated with a reduction in the gap between average projected best estimate investment returns and the average risk-free rates. On the other hand, the margin for non-financial risks increases between December 31, 2005 and June 30, 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 36 million Euro as at June, 30 2006 (41 million Euro as at December 31, 2005 and 42 million Euro as at June 30, 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.

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. There were no extraordinary items or development costs excluded from the expenses allocated to the lines of business in the first half of 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 the first half of 2006 in Italy were 90 million Euro of annualised regular premiums (of which 16 million Euro related to discretionary increases), 243 million Euro of unit-linked single premiums, and 612 million Euro of index-linked single premiums. Additional index-linked premiums of 83 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 45 million Euro for mutual fund instalment plans, 799 million Euro of lump-sum investments in mutual funds and 29 million Euro for managed accounts. Portfolio accounted for 148 million Euro of new lump-sum investments; in calculating the volume and value of new business, the switches of 100 million Euro from managed accounts to Portfolio in the first months of the year have been excluded.

New Life business in Spain comprised 65 million Euro of single premium business, of which index-linked comprise 51 million Euro, and regular premium unit-linked business for 4.2 million Euro. New asset management business in the first half of 2006 comprised lump-sum investments of 124 million Euro in Spanish funds, and 35 million Euro in Irish mutual fund products.

New banking business comprises new current accounts and deposit accounts in the year, for 281 million Euro, and new mortgages issued for 128 million Euro, of which 75 million Euro proprietary mortgages.

Assumptions

The following section sets out the main assumptions used in the embedded value calculations at June 30, 2006, December 31, 2005 and June 30, 2005.

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

%	June 30, 2005	December 31, 2005	June 30, 2006
Pre-tax investment returns:			
Benchmark 10-year BTP	3.40	3.50	4.30
Liquidity	2.00	2.40	2.90
Equity	6.15	6.30	7.10
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	35	35
Average RDR (in-force business)	5.48	5.80	6.62

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 4.00% for the first half of 2006 valuation (3.70% for full year 2005, 4.00% in the first half of 2005). 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 5.70% for unit-linked funds (5.00% for full year 2005, 4.62% in the first half of 2005) and of 5.95% for Asset management products (5.20% for full year 2005, 5.05% in the first half of 2005).

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					
June 30, 2005	2.08	2.63	3.22	3.52	3.69
December 31, 2005	2.88	3.22	3.45	3.64	3.73
June 30, 2006	3.56	4.04	4.29	4.44	4.53
15 year Swaption volatility					
June 30, 2005	17.0	14.9	13.2	12.4	12.5
December 31, 2005	16.2	15.9	14.5	13.7	13.4
June 30, 2006	13.1	12.1	11.0	10.4	9.9

Source: Bloomberg

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, 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 16 million Euro in the first half of 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, and mainly relates 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% in the first half of 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, 30 million Euro as at June 30, 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 the first half of 2006, is approximately 1 million Euro.

Statement by Directors

The directors confirm that the embedded value as at June 30, 2006, and the embedded value earnings including the value added by new business in the first half of 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 June 30, 2006, together with the embedded value earnings in the first half of 2006. The estimates of value determined by Tillinghast are based on 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 Basle 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 are reasonable in the context of recent available experience and the expected future operating environment;
- 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 June 30, 2006 and the value of new business in the first half of 2006, broken down by business segment.

Value of in-force business as at June 30, 2006 by segment

Euro millions	Italy	Spain	Total
Life insurance (excluding index-linked)	1,781	12	1,793
Index-linked Life insurance	10	(1)	9
Asset management	381	13	394
Current and deposit accounts	110	n/a	110
Mortgages	10	n/a	110
Total	2,292	24	2,316

Value of new business in the first half of 2006 by segment

Euro millions	Italy	Spain	Total
Life insurance (excluding index-linked)	81	5	86
Index-linked Life insurance	19	3	22
Asset management	31	1	32
Current and deposit accounts	6	n/a	6
Mortgages	3	n/a	3
Total	140	9	149

TOWERS PERRIN
TILLINGHAST

Milan, 11 September 2006

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 30 June 2006, 31 December 2005 and 30 June 2006, together with the embedded value earnings in the first half of 2006, in the full year 2005, and in the first half 2005, 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 in May 2004. 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 30 June 2006, 31 December 2005 and 30 June 2005, determined in accordance with the EEV Principles.

TOWERS PERRIN
TILLINGHAST

Embedded Value (Euro million)	30 June 2006	31 December 2005	30 June 2005
Adjusted net worth	658	648	570
value of in-force life business	1,802	1,793	1,757
value of in-force asset management business	394	410	397
value of in-force banking business	120	100	83
Value of in-force business	2,316	2,303	2,237
Embedded Value	2,974	2,951	2,807

The discount rates vary between lines of business since they reflect the risk profile of the underlying business; the average discount rates, weighted by value of in-force business is 6.62% as at 30 June 2006 (5.80% as at 31 December 2005 and 5.48% as at 30 June 2005).

EMBEDDED VALUE EARNINGS

The following table shows the principal components of the Mediolanum Group's embedded value earnings in the first half of 2006, in the full year 2005, and in the first half of 2005.

Embedded Value Earnings (Euro million)	1st half 2006	Year 2005	1st half 2005
Expected return	76	143	71
Experience variances	(94)	259	163
Operating assumption changes	-	(43)	(8)
Economic assumption changes	(29)	31	94
Life business transformations	-	-	1
New Life business	110	162	77
New Asset Management business	32	52	11
New Banking business	9	10	3
Embedded value earnings	104	614	412

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 30 June 2006, 31 December 2005 and 30 June 2005, together with the embedded value earnings in the first half of 2006, in the full year 2005, and in the first half of 2005. The estimates of value determined by Tillinghast are based on 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 Basle 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 are reasonable in the context of recent available experience and the expected future operating environment;
- 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
Andrew Milton
Fellow of the Institute of Actuaries

Vittorio Chimenti
Vittorio Chimenti
Attuario

MEDIOLANUM S.p.A.

Consolidated Accounts at June 30 2006

Balance sheet

Assets

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
1. Intangible assets			
1.1 Goodwill	162,414	162,414	177,247
1.2 Other intangible assets	24,685	25,516	29,737
Total intangible assets	187,099	187,930	206,984
2. Tangible assets			
2.1 Property	58,099	59,831	59,505
2.2 Other tangible assets	15,788	17,235	14,690
Total tangible assets	73,887	77,066	74,195
3. Reinsurers' share of technical reserves	103,811	105,737	105,860
4. Investments			
4.1 Investment property	6,997	22,276	23,378
4.2 Investments in subsidiaries, associates and jvs	34,333	29,354	25,739
4.3 Held to maturity investments	566,965	733,680	733,922
4.4 Loans and receivables	3,128,203	3,342,392	2,950,764
4.5 Available for sale financial assets	886,753	845,166	842,012
4.6 Financial assets at fair value through profit and loss	14,066,935	12,643,332	11,995,182
Total investments	18,690,186	17,616,200	16,570,996
5. Receivables			
5.1 Arising out of direct insurance business	32,551	11,543	15,571
5.2 Arising out of reinsurance business	299	-	46
5.3 Other receivables	1,630	1,966	5,933
Total receivables	34,480	13,509	21,550
6. Other assets			
6.1 Non current assets or assets of disposal groups, held for sale	372	372	372
6.2 Deferred acquisition costs	-	-	-
6.3 Deferred tax assets	43,628	39,847	47,425
6.4 Current tax assets	101,905	121,098	80,964
6.5 Other assets	283,952	207,334	208,744
Total other assets	429,857	368,651	337,505
7. Cash and cash equivalents	307,828	522,869	588,653
TOTAL ASSETS	19,827,148	18,891,962	17,905,743

Shareholders' equity and liabilities

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
1. Shareholders' equity			
1.1 Group shareholders' equity			
1.1.1 Share capital	72,840	72,738	72,688
1.1.2 Other equity instruments	-	-	-
1.1.3 Capital reserves	51,033	50,358	49,682
1.1.4 Retained earnings and other equity reserves	500,813	349,518	409,195
1.1.5 Treasury shares (-)	(2,045)	(2,045)	(2,045)
1.1.6 Exchange difference reserves	-	-	-
1.1.7 Gains or losses on available for sale financial assets	80,412	104,105	99,337
1.1.8 Other gains or losses recognised directly in equity	-	-	-
1.1.9 Net profit (loss) for the year attributable to the Group	105,519	233,312	115,058
Total capital and reserves attributable to the Group	808,572	807,986	743,915
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	808,572	807,986	743,915
2. Provisions	60,011	57,422	34,732
3. Technical reserves	11,885,594	11,201,382	10,303,114
4. Financial liabilities			
4.1 Financial liabilities at fair value through profit and loss	1,327,450	1,399,692	1,610,127
4.2 Other financial liabilities	5,318,732	4,971,315	4,852,569
Total financial liabilities	6,646,182	6,371,007	6,462,696
5. Payables			
5.1 Arising out of direct insurance business	11,666	8,357	6,616
5.2 Arising out of reinsurance business	109	900	885
5.3 Other payables	183,944	208,346	128,242
Total payables	195,719	217,603	135,743
6. Other liabilities			
6.1 Liabilities of disposal groups held for sale	-	-	-
6.2 Deferred tax liabilities	15,689	17,441	31,185
6.3 Current tax liabilities	34,594	43,910	33,302
6.4 Other liabilities	180,787	175,210	161,056
Total other liabilities	231,070	236,561	225,543
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	19,827,148	18,891,962	17,905,743

Income statement

€/'000	June 30, 2006	June 30, 2005	Dec. 31, 2005
1. Revenues			
1.1 Net premiums written			
1.1.1 Gross premiums written	1,655,090	1,264,846	2,455,254
1.1.2 Reinsurance premiums	(2,631)	(2,860)	(6,530)
Net premiums written	1,652,459	1,261,986	2,448,724
1.2 Commission income	290,917	252,537	576,816
1.3 Net income on financial instruments at fair value through profit and loss	(216,547)	616,711	1,131,050
1.4 Income on investments in sudsidiaries, associates and jvs	3,178	2,250	7,684
1.5 Income on other financial instruments and investment property			
1.5.1 Interest income	70,162	61,524	131,220
1.5.2 Other income	4,416	1,227	9,442
1.5.3 Realised gains	10,513	13,133	14,319
1.5.4 Unrealised gains	2,622	3,858	7,434
Total income on other financial instruments and investment property	87,713	79,742	154,550
1.6 Other revenues	12,305	15,325	28,638
Unrealised gains	1,830,025	2,228,551	4,353,527
2. Costs			
2.1 Net claims and benefits			
2.1.1 Amounts paid and change in technical reserves	(1,329,884)	(1,776,643)	(3,390,491)
2.1.2 Reinsurers' share/recoveries from reinsurers	3,594	3,646	8,295
Net claims and benefits	(1,326,290)	(1,772,997)	(3,382,196)
2.2 Commission expense	(114,001)	(79,164)	(146,121)
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	(38,243)	(35,935)	(71,893)
2.4.2 Other expenses	(613)	(796)	(1,685)
2.4.3 Realised losses	(91)	(33)	(248)
2.4.4 Unrealised losses	(3,178)	(5,535)	(11,414)
Loss on other financial instruments and investment property	(42,125)	(42,299)	(85,240)
2.5 Operating expenses			
2.5.1 Agents' commissions and other acquisition costs	(62,366)	(46,913)	(135,717)
2.5.2 Investment management costs/expenses	(219)	(218)	(484)
2.5.3 Other administrative expense	(119,865)	(113,920)	(230,015)
Total operating expenses	(182,450)	(161,051)	(366,216)
2.6 Other costs	(26,204)	(25,088)	(85,593)
Total costs	(1,691,070)	(2,080,599)	(4,065,366)
Profit (loss) before tax for the period	138,955	147,952	289,961
3. Income tax	(33,436)	(32,894)	(56,649)
Profit(loss) for the period	105,519	115,058	233,312
4. Profit (loss) from discountinued operations	-	-	-
Group net profit (loss) for the period	105,519	115,058	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 June 30, 2005
Shareholders' equity pertaining to the Group						
Share capital	72,567	-	121		-	72,688
Other equity instruments	-	-	-	-	-	-
Capital reserves	47,807	-	1,875			49,682
Retained earnings and other equity reserves	364,365	(14,633)	59,463			409,195
(Treasury shares)	-	(2,045)	-		-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Gains (losses) on available-for-sale financial assets	-	35,178	70,494	(6,335)	-	99,337
Other gains (losses) recognized 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	-	57,543		(101,540)	115,058
Total shareholders' equity pertaining to the Group	643,794	18,500	189,496	(6,335)	(101,540)	743,915
Shareholders' equity pertaining to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognized directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity pertaining to minority interests	-	-	-	-	-	-
TOTAL	643,794	18,500	189,496	(6,335)	(101,540)	743,915

€/'000	Balance at Dec. 31, 2005	Adjustment to closing balance	Amount credited	Transferred to the Income Statement	Other movements	Balance at June 30, 2006
Shareholders' equity pertaining to the Group						
Share capital	72,738	-	102	-	-	72,840
Other equity instruments	-	-	-	-	-	-
Capital reserves	50,358	-	675	-	-	51,033
Retained earnings and other equity reserves	349,518	-	151,295	-	-	500,813
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Gains (losses) on available-for-sale financial assets	104,105	-	(20,933)	(2,760)	-	80,412
Other gains (losses) recognized 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	-	(44,189)		(83,604)	105,519
Total shareholders' equity pertaining to the Group	807,986	-	86,950	(2,760)	(83,604)	808,572
Shareholders' equity pertaining to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognized directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity pertaining to minority interests	-	-	-	-	-	-
TOTAL	807,986	-	86,950	(2,760)	(83,604)	808,572

Cash flow statement

Indirect method

€/'000	June 30, 2006	June 30, 2005
Profit (loss) before tax for the year	138,955	147,952
Changes in non-monetary items	364,817	1,798,422
Change in mathematical reserves and other technical reserves (Life business)	686,138	1,194,934
Change in provisions	2,589	2,321
Non-monetary income (losses) on financial instruments, investment property and equity investments	(323,910)	601,167
Changes in receivables and payables arising out of operating activities	(107,659)	26,042
Changes in receivables and payables arising out of direct insurance and reinsurance operations	(18,789)	(2,189)
Changes in other receivables and payables	(88,870)	28,231
Income tax paid	(35,330)	(19,414)
Net cash from monetary items relating to investment and financial activities	467,665	(118,725)
Liabilities on financial contracts issued by insurance companies	(72,242)	448,589
Amounts due to banks and banking customers	347,417	667,060
Loans to and receivables from banks and banking customers	213,306	(1,219,087)
Other financial instruments at fair value through profit or loss	(20,816)	(15,287)
NET CASH FLOWS FROM OPERATING ACTIVITIES	828,448	1,834,277
Net cash from investment property	15,279	10,011
Net cash from subsidiaries, associates and joint ventures	(4,979)	(2,249)
Net cash from loans and receivables	883	1,357
Net cash from held-to-maturity investments	166,715	527
Net cash from available-for-sale financial assets	(41,587)	(60,480)
Net cash from tangible and intangible assets	4,010	2,909
Other cash flows from investment activities	(1,078,877)	(1,596,920)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(938,556)	(1,644,845)
Net cash from equity instruments pertaining to the Group	(21,329)	68,103
Distribution of dividends pertaining to the Group	(83,604)	(101,540)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(104,933)	(33,437)
Effect of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	522,869	432,658
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(215,041)	155,995
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	307,828	588,653

Notes to the consolidated financial statements

Notes to the consolidated financial statements

ACCOUNTING BASIS AND SCOPE OF CONSOLIDATION

This interim report was prepared in accordance with the accounting standards 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.

The interim report at June 30, 2006 was prepared applying the international accounting standards as set out in article 81 of Consob Regulation No. 11971 of May 14, 1999, as subsequently amended by Consob Regulation No.14990 of April 14, 2005, including IAS 34 (Interim Financial Reporting), and in compliance with supplementary disclosure requirements set out in Consob Communication DEM/6064293 of July 28, 2006.

In the preparation of this interim report the Group applied the international accounting and reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at June 30, 2006, as adopted by the European Commission.

The accounting policies applied in the preparation of the interim report are presented in the relevant section below.

Accounting Basis

The interim report consists 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 interim report for the six-month period ended June 30, 2006 is in compliance with ISVAP Regulation No. 2460 of August 10, 2006 (Interim financial reporting rules. Amendments to ISVAP Regulation No. 1207-G of July 6, 1999), and uses the formats indicated in the "Instructions for the preparation of IFRS consolidated accounts" issued by ISVAP under Regulation No. 2404 of December 22, 2005, exercising its authority pursuant to art. 9 of Legislative Decree No. 38/2005. The accounts include comparative information at June 30, 2005 and at December 31, 2005.
For a more accurate presentation of balance sheet and income statement information at June 30, 2006, certain amounts underwent reclassification with respect to prior reporting periods. When significant, those reclassifications are detailed in the notes.
In accordance with art. 5 of Legislative Decree No. 38 of February 28, 2005 the Group's interim report was prepared using the euro as reporting currency. Except where otherwise stated, the amounts set out herein are presented in thousands of euro.
In applying IAS/IFRS no departure was made from requirements therein.

Scope of consolidation

The interim 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 owned directly by Mediolanum S.p.A. and consolidated on 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
Alboran S.p.A.	1,500	100.00	Cologno M.	Audio/film/TV production
Mediolanum International Life Ltd	1,395	100.00	Dublin	Life insurance
Banca Mediolanum S.p.A.	341,000	100.00	Basiglio	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	49.00	Basiglio	Fund management
Mediolanum International Funds Ltd	150	49.00	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	51.00	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.00	Dublin	Asset management and advice
Banco de Finanzas e Inversiones S.A.	14,032	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 Fund of Funds 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

Group companies that are indirectly owned by Mediolanum S.p.A. through Banca Mediolanum S.p.A. and accounted for at cost:

Company	Share capital	% holding	Registered office	Business
Fibanc Argentina S.A. (in liq.)	ARS 50,000	94,00	Buenos Aires	Representative office

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 in an associate is initially recognised at cost and its carrying amount is increased or decreased to reflect the value of the investor's share of the investee's equity thereafter.
Any differences between the carrying amount and the equity of the investee are treated like differences arising on line-by-line consolidation.
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 last approved interim financial statements of associates were used.

Use of estimates

The preparation of interim financial statements generally requires a greater use of estimation methods than annual financial statements in relation to certain items of assets and liabilities as well as certain effects on income of measurement processes. That does not affect the reliability of the financial statements.

ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the interim financial statements which are the same as those applied in the preparation of the 2005 annual financial statements.

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 subscription date 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 (bid/ask or average price). 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 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 they are 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.
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.

[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.

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 the loan or receivable 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. Amortised 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.
Amortised 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 realizable 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, expenditure on the renovation of leasehold property and the costs of software used over more than one year.
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.
Expenditure on the renovation of leasehold property is capitalized 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.
An intangible assets 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.

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.

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 risks 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 method 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 materialise 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. Their fair value, and the corresponding increase in equity, is determined by reference to the fair value of the stock option at the grant date.
The fair value of the stock option is determined using a valuation model 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.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

INTANGIBLE ASSETS

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Goodwill	162,414	162,414	177,247
Other intangible assets	24,685	25,516	29,737
Total	187,099	187,930	206,984

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	June 30, 2006
CGU Fibanc	122,809
CGU Gamax	31,501
Other CGU	8,104
Total	162,414

Analysis of intangible assets

	June 30, 2006		Dec. 31, 2005		June 30, 2005	
€/'000	Finite life	Indefinite life	Finite life	Indefinite life	Finite life	Indefinite life
Goodwill						
- Group	-	162,414	-	162,414	-	177,247
- Minorities	-	-	-	-	-	-
Other intangible assets						
Measured at cost:						
- Internally generated intangible assets	-	-	-	-	14	-
- Other intangible assets	24,685	-	25,516	-	29,723	-
Total	-	-	-	-	-	-
Total	24,685	162,414	25,516	162,414	29,737	177,247

TANGIBLE ASSETS

Property

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Land	20,100	21,020	21,020
Buildings	37,999	38,811	38,485
Total	58,099	59,831	59,505

Other tangible assets

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Furnishings	2,734	2,372	3,267
Electronic equipment	9,777	10,981	7,759
Other	3,277	3,882	3,664
Total	15,788	17,235	14,690

ANALYSIS OF REINSURERS' SHARE OF TECHNICAL RESERVES

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Life business reserves			
Mathematical reserves	103,265	104,369	104,780
Reserve for outstanding claims	546	1,368	1,080
Total reinsurers' share of Life technical reserves	103,811	105,737	105,860

INVESTMENTS

Investment property

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Land	5,454	16,738	17,444
Buildings	1,543	5,538	5,934
Total	6,997	22,276	23,378

At June 30, 2006 the market value of investment property was €12,009 thousand.

Investments in subsidiaries, associates and joint ventures

Investments in associates amounted to €34,333 thousand and relate to the 48.5% shareholding in Banca Esperia S.p.A., which is accounted for under the equity method.

Held-to-maturity investments

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Debt securities	566,965	733,680	733,922
Total	566,965	733,680	733,922

At June 30, 2006 the fair value of held-to-maturity investments was €566,355 thousand.

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

€/'000	June 30, 2006
Time to maturity	
1-5 years	346,584
5-10 years	91,815
Over 10 years	128,566
Held-to-maturity investments	566,965

Loans and receivables

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Banks	2,114,060	2,374,028	2,242,465
Banking customers	1,002,111	955,449	706,932
Other	12,032	12,915	1,367
Total	3,128,203	3,342,392	2,950,764

For the purposes of comparative analysis over June 30, 2005 please note that an amount of €1,367 thousand previously recognised under "Other Assets" was reclassified into this account, while an amount of €33,058 thousand was reclassified out of this account into "Cash and cash equivalents".

Loans and receivables: banks

€/'000	June 30, 2006	Dec. 31, 2005
Deposits with Central Banks		
- for reserve requirements	8,101	7,283
Loans to banks		
- time deposits	1,797,262	2,211,011
- other loans	308,697	155,734
Total	2,114,060	2,374,028
Fair value	2,114,060	2,374,028

Loans and receivables: banking customers

€/'000	June 30, 2006	Dec. 31, 2005
Current accounts	186,962	166,204
Repurchase agreements	54,214	43,565
Mortgage loans	259,013	186,651
Credit cards, personal loans and salary-guaranteed loans	85,700	73,844
Finance leases	1,741	2,244
Other	394,775	457,870
Impaired assets	19,706	25,071
Total	1,002,111	955,449
Fair value	1,002,111	982,257

The item "Other" primarily consists of loans in the form of "hot money" and loans granted by the Group as a member of lending syndicates.

Available-for-sale financial assets

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Debt securities	487,546	545,194	560,744
Equities	303,610	292,358	273,654
Holdings in UCITS	95,597	7,614	7,614
Total	886,753	845,166	842,012

Financial assets at fair value through profit or loss

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Financial assets held for trading			
Debt securities	2,470,560	1,435,293	1,722,118
Equities	1,086	9	14
Holdings in UCITS	61,853	58,737	69,601
Trading derivatives	20,814	10,605	23,486
Total	2,554,313	1,504,644	1,815,219
Financial assets at fair value			
Debt securities	5,135,722	5,056,353	4,985,232
Holdings in UCITS	6,376,900	6,082,335	5,194,731
Total	11,512,622	11,138,688	10,179,963
Total financial assets at fair value through profit or loss	14,066,935	12,643,332	11,995,182

Financial assets held for trading: trading derivatives

€/'000	Interest rate	Currencies and gold	Other	June 30, 2006	Dec. 31, 2005
Listed derivatives					
Financial derivatives					
• Without exchange of principal					
- Options purchased	6,428	-	7,742	14,170	4,714
- Other derivatives	(137)	-	-	(137)	(103)
Total listed derivatives	6,291	-	7,742	14,033	4,611
Unlisted derivatives					
Financial derivatives					
• With exchange of principal					
- Other derivatives	-	3,726	202	3,928	2,926
• Without exchange of principal					
- Options purchased	-	-	218	218	766
- Other derivatives	2,635	-	-	2,635	2,302
Totale unlisted derivatives	2,635	3,726	420	6,781	5,994
Total derivatives	8,926	3,726	8,162	20,814	10,605

ANALYSIS OF OTHER ASSETS

Other Assets

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Due from tax authorities	19,626	35,165	21,120
Investment contracts Deferred Acquisition Costs (DAC)	14,353	18,053	19,262
Items in transit relating to lending	148,985	81,836	111,658
Security deposits	16,588	16,665	17,497
Other	84,400	55,615	39,207
Total	283,952	207,334	208,744

For the purposes of comparative analysis over June 30, 2005 please note that an amount of €62,643 thousand previously recognised under "Other Assets" was reclassified into "Current tax assets" as that amount relates to tax credits on mathematical reserves, while an amount of €1,367 thousand was reclassified out of this account into "Loans and receivables".

SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Share capital	72,840	72,738	72,688
Capital reserves	51,033	50,358	49,682
Retained earnings and other equity reserves	500,813	349,518	409,195
Treasury shares	(2,045)	(2,045)	(2,045)
Gains (losses) on available-for-sale financial assets	80,412	104,105	99,337
Group's profit (loss) for the year	105,519	233,312	115,058
Group's capital and reserves	808,572	807,986	743,915

Share capital is fully paid up and amounts to €72,840,066.80 divided into 728,400,668 shares.
Please note that there are no equity holders other than the Group. For information on movements in the period readers are referred to the Statement of Changes in Shareholders' Equity herein.

Earnings

Earnings per share

€/'000	June 30, 2006	June 30, 2005
Profit for the year	105,519	115,058
Weighted average number of shares outstanding	727,999	726,274
Earnings per share (in euro)	0.145	0.158

Diluted earnings per share

€/'000	June 30, 2006	June 30, 2005
Profit for the year	105,519	115,058
Weighted average number of shares outstanding	727,299	726,274
Adjustments for stock options with potential dilution effect	1,149	690
Weighted average number of shares outstanding for diluted earnings per share	728,448	726,964
Diluted earnings per share (in euro)	0.145	0.158

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

	June 30, 2006		Dec. 31, 2005		June 30, 2005	
€/'000	Gains	Losses	Gains	Losses	Gains	Losses
Debt securities	324	(7,043)	1,637	(585)	2,973	(6)
Equities	88,112	(981)	103,053	-	96,371	(1)
Total	88,436	(8,024)	104,690	(585)	99,344	(7)

The positive revaluation reserve relating to AFS financial assets is stated net of the portion of additional benefits payable to policyholders under shadow accounting.

PROVISIONS

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Provision for tax claims	2,124	2,028	911
Other provisions	57,887	55,394	33,821
Total	60,011	57,422	34,732

Analysis of other provisions

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Provision for other completion-of-service entitlements and similar obligations	836	1,754	1,874
Provision for sales network benefits	31,950	28,909	14,174
Provision for risks related to sales network's illegal actions	15,018	14,693	9,110
Other provisions for risks and charges	10,083	10,038	8,663
Total	57,887	55,394	33,821

TECHNICAL RESERVES

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Mathematical reserves	1,210,453	1,181,661	1,848,570
Reserve for outstanding claims	50,086	56,419	48,744
Technical reserves for contracts under which the investment risk is borne by the policyholder and in connection with pension fund management	10,590,242	9,917,893	8,343,603
Other reserves	34,813	45,409	62,197
of which for deferred liabilities to policyholders	-	10,607	20,607
Total	11,885,594	11,201,382	10,303,114

The increase in life technical reserves is in connection with sales of class III products in the first half of the year. However, that effect was offset by the reduction of reserves following the negative performance of index and unit-linked policies markets.

Please note that at June 30, 2006 "Other reserves" do not include reserves for deferred liabilities to policyholders since there were no gains on available-for-sale financial assets underlying traditional products in portfolio.

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Financial liabilities held for trading			
Short positions on debt securities	286,636	55,610	371,823
Trading derivatives	35,506	42,939	12,870
Other financial liabilities	444	821	2,981
Total Financial liabilities held for trading	322,586	99,370	387,674
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	995,841	1,292,367	1,216,264
– in connection with pension fund management	9,023	7,955	6,189
Total financial liabilities at fair value through profit or loss	1,004,864	1,300,322	1,222,453
Total financial liabilities at fair value through profit or loss	1,327,450	1,399,692	1,610,127

Financial liabilities held for trading: trading derivates

€/'000	Interest rate	Currencies and gold	Equities	Jun. 30, 2006	Dec. 31, 2005
Listed derivatives					
Financial derivatives					
• Without exchange of principal					
- Options issued	-	-	-	-	-
- Other derivatives	32,108	-	-	32,108	36,174
Total listed derivates	32,108	-	-	32,108	36,174
Unlisted derivatives					
Financial derivatives					
• With exchange of principal					
- Other derivatives	-	877	-	877	3,336
• Without exchange of principal					
- Options issued	-	-	110	110	524
- Other derivatives	2,411	-	-	2,411	2,905
Total unlisted derivates	2,411	877	110	3,398	6,765
Total listed and unlisted derivatives	34,519	877	110	35,506	42,939

Other financial liabilities

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Banks	1,414,321	1,148,403	1,135,874
Banking customers	3,801,165	3,718,562	3,607,008
Securities outstanding	-	-	4,982
Reinsurers' deposits	103,246	104,350	104,705
Total	5,318,732	4,971,315	4,852,569

Financial liabilities: Banks

€/'000	June 30, 2006	Dec. 31, 2005
Central Banks	854,508	511,080
Other banks		
- Current accounts and demand deposits	80,183	47,638
- Time deposits	254,315	204,895
- Loans	225,141	384,706
- Other liabilities	174	84
Total	1,414,321	1,148,403

Financial liabilities: Banking customers

€/'000	June 30, 2006	Dec. 31, 2005
Current accounts	3,404,098	3,381,651
Loans	203,576	161,757
Liabilities for assets that were sold but not derecognised (Repurchase agreements)	127,267	108,870
Other liabilities	66,224	66,284
Total	3,801,165	3,718,562

PAYABLES

Other payables

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Employee completion-of-service entitlements	14,318	13,410	12,761
Payables to suppliers	87,962	100,885	74,905
Due to tax authorities	24,350	45,700	17,823
Other payables	57,314	48,351	22,753
Total	183,944	208,346	128,242

OTHER LIABILITIES

Other liabilities

€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2005
Deferred liabilities relating to investment contracts (DIR)	32,023	44,488	50,924
Items in transit relating to lending	122,609	74,330	82,544
Other	26,155	56,392	27,588
Total	180,787	175,210	161,056

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

TECHNICAL ACCOUNT - LIFE INSURANCE

Analysis of the account at June 30, 2006

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums			
- Premiums written	1,655,090	(2,631)	1,652,459
Total premiums written	1,655,090	(2,631)	1,652,459
Gross amounts paid less recoveries from reinsurers			
- Amounts paid	(637,577)	5,521	(632,056)
- Change in reserve for outstanding claims	3,911	(822)	3,089
- Change in mathematical reserves	(14,126)	(1,105)	(15,231)
- Change in other technical reserves	(261)	-	(261)
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(681,831)	-	(681,831)
Total amounts paid and change in technical reserves	(1,329,884)	3,594	(1,326,290)
Life Insurance net income (expense)	325,206	963	326,169

Analysis of the account at June 30, 2005

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums			
- Premiums written	1,264,846	(2,860)	1,261,986
Total premiums written	1,264,846	(2,860)	1,261,986
Gross amounts paid less recoveries from reinsurers			
- Amounts paid	(587,508)	6,553	(580,955)
- Change in reserve for outstanding claims	(5,699)	(93)	(5,792)
- Change in mathematical reserves	23,230	(2,814)	20,416
- Change in other technical reserves	(4,654)	-	(4,654)
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(1,202,012)	-	(1,202,012)
Total amounts paid and change in technical reserves	(1,776,643)	3,646	(1,772,997)
Life Insurance net income (expense)	(511,797)	786	(511,011)

Gross premiums written

€/'000	June 30, 2006	June 30, 2005
Class III products	1,624,997	1,232,523
Traditional products	30,093	32,323
Total gross premiums written	1,655,090	1,264,846

COMMISSION INCOME

€/'000	June 30, 2006	June 30, 2005
Management, brokerage and consulting services	247,902	215,928
Collection and payment services	17,793	12,831
Loadings on investment contracts	12,786	6,564
Other services	12,436	17,214
Total	290,917	252,537

COMMISSION EXPENSE

€/'000	June 30, 2006	June 30, 2005
Management, brokerage and consulting services	81,343	57,436
Collection and payment services	13,550	9,278
Commissions on the acquisition of investment contracts	4,239	1,197
Other services	14,869	11,253
Total	114,001	79,164

For the purposes of comparative analysis over June 30, 2005, please note that an amount of €820 thousand was reclassified out of "Commission expense" into "Other expenses".

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

€/'000	June 30, 2006	June 30, 2005
Investment income		
Financial assets		
Interest income and other investment income:		
- from financial assets held for trading	27,307	21,142
- from financial assets at fair value through profit or loss	99,444	79,403
Net income from financial assets held for trading	(10,829)	12,056
Net income from financial assets at fair value through profit or loss	(344,726)	575,667
Financial liabilities		
Interest expense and similar charges:		
- on financial liabilities at fair value through profit or loss	(28,072)	(19,425)
Net loss on financial liabilities at fair value through profit or loss	40,329	(52,132)
Total	(216,547)	616,711

Analysis of net income from financial assets held for trading

Analysis of the account at June 30, 2006

€/'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	5,297	26,524	(16,622)	(28,167)	(12,968)
Equities	-	-	-	-	-
Holdings in UCITS	5	-	(393)	-	(388)
Other financial assets and liabilities: exchange differences	-	584	-	-	584
Derivatives					
Financial derivatives:					
- debt securities and interest rates	807	40,505	(141)	(39,239)	1,932
- equities and stock indices	-	-	-	-	-
- other	-	1,092	-	(1,081)	11
Total	6,109	68,705	(17,156)	(68,487)	(10,829)

Analysis of net income from financial assets through profit or loss

Analysis of the account at June 30, 2006

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Financial assets at fair value	178,409	10,957	(502,319)	(31,773)	(344,726)

INVESTMENT INCOME AND EXPENSE

€/'000	June 30, 2006	June 30, 2005
Interest income and other income	74,578	62,751
Realised gains	10,513	13,133
Unrealised gains	2,622	3,858
Total income	87,713	79,742
Interest expense and other charges	(38,856)	(36,731)
Realised losses	(91)	(33)
Unrealised losses	(3,178)	(5,535)
Total expense	(42,125)	(42,299)
Total net investment income	45,588	37,443

Net investment income from:		
Investment property	7,155	6,332
Available-for-sale financial assets	15,985	15,658
Held-to-maturity investments	9,859	11,024
Loans and receivables	50,475	40,409
Financial liabilities	(37,886)	(35,980)
Total net investment income	45,588	37,443

Investment property

€/'000	June 30, 2006	June 30, 2005
Realised gains	7,673	6,608
Other income	98	475
Other expenses	(616)	(751)
Total	7,155	6,332

Available-for-sale financial assets

€/'000	June 30, 2006	June 30, 2005
Interest income and other income	13,225	9,323
Realised gains	2,840	6,368
Realised losses	(80)	(33)
Total	15,985	15,658

Held-to-maturity investments

€/'000	June 30, 2006	June 30, 2005
Interest income and other income	9,859	11,024
Total	9,859	11,024

Loans and receivables

€/'000	June 30, 2006	June 30, 2005
Interest income and other income	50,963	41,929
Realised gains	-	157
Unrealised gains	2,622	3,858
Realised losses	(11)	-
Unrealised losses	(3,099)	(5,535)
Total	50,475	40,409

Interest income and other income

€/'000	June 30, 2006	June 30, 2005
Loans to banks	30,472	26,614
Loans to customers	20,491	15,315
Total	50,963	41,929

Financial liabilities

€/'000	June 30, 2006	June 30, 2005
Interest income and other income	433	-
Interest expense and other charges	(38,319)	(35,980)
Total	(37,886)	(35,980)

Interest expense and other expense

€/'000	June 30, 2006	June 30, 2005
Due to banks	13,414	17,474
Due to customers	19,441	15,668
Other liabilities	5,464	2,838
Total	38,319	35,980

OPERATING EXPENSES

€/'000	June 30, 2006	June 30, 2005
Commissions and other expenses relating to the acquisition of insurance contracts	62,366	46,913
Investment management expenses	219	218
Other administrative expenses		
Employees	56,286	47,375
Advertising and promotions	8,643	11,060
Advisory services and collaborations	12,182	11,653
IT systems	13,720	13,538
Miscellaneous communications services	8,529	7,455
Other general expenses	20,505	22,839
Total other administrative expenses	119,865	113,920
Total	182,450	161,051

For the purposes of comparative analysis over June 30, 2005, please note that an amount of €347 thousand previously recognised under "Other expenses" was reclassified into "Operating expenses".

Average number of employees by category at June 30, 2006

Number	June 30, 2006
Employees:	
a) senior management	103
b) middle management	264
c) other employees	1,126
Total employees	1,493
Other personnel	119
Total	1,612

OTHER EXPENSES

€/'000	June 30, 2006	June 30, 2005
Employees	1,976	1,747
Amortisation of intangible assets	7,089	6,652
Depreciation of investment property and other assets	3,863	4,780
Provisions for risks and charges	5,964	3,641
Other miscellaneous expenses	7,312	8,268
Total	26,204	25,088

Provisions for risks and charges

€/'000	June 30, 2006	June 30, 2005
Provision for sales network benefits	5,132	1,875
Provision for risks related to financial advisors' illegal actions	325	1,297
Other provisions for risks and charges	507	469
Total	5,964	3,641

INCOME TAXES

€/'000	June 30, 2006	June 30, 2005
Current taxes	(33,901)	(30,898)
Deferred taxes	465	(1,996)
Total	(33,436)	(32,894)

SEGMENT REPORTING

This section presents consolidated financial data reported by segment. Segment reporting entailed certain reclassifications of financial information in comparison with the Consolidated Income Statement included in the consolidated accounts at June 30, 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.
This section presents consolidated financial results reported by business segment (primary format), i.e. Life Insurance, Banking, Asset Management and Other, and then by geographical segment (secondary segment) by reference to the Group markets, i.e. Domestic and Foreign markets.

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".
The reconciliation of the consolidated income statement at June 30, 2006 to the reclassified income statement prepared for segment reporting purposes is set out below.

Reconciliation of the income statement at June 30, 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	1,655,090
1.1.2 Reinsurance premiums	(2,631)
Total premiums written	1,652,459
1.2 Commission income	290,917
1.3 Net income on financial instruments at fair value through profit and loss	(216,547)
1.4 Income on investments in sudsidiaries, associates and jvs	3,178
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	70,162
1.5.2 Other income	4,416
1.5.3 Realised gains	10,513
1.5.4 Unrealised gains	2,622
Total income on other financial instruments and investment property	87,713
1.6 Other revenues	12,305
Total revenues	1,830,025
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	(1,329,884)
2.1.2 Reinsurers' share/recoveries from reinsurers	3,594
Net claims and benefits	(1,326,290)
2.2 Commission expense	(114,001)
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	(38,243)
2.4.2 Other expenses	(613)
2.4.3 Realised losses	(91)
2.4.4 Unrealised losses	(3,178)
Loss on other financial instruments and investment property	(42,125)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(62,366)
2.5.2 Investment management costs/expenses	(219)
2.5.3 Other administrative expense	(119,865)
Total operating expenses	(182,450)
2.6 Other costs	(26,204)
Total costs	(1,691,070)
Profit (loss) before tax for the period	138,955
3. Income tax	(33,436)
Profit(loss) for the period	105,519
4. Profit (loss) from discountinued operations	-
Group net profit (loss) for the period	105,519
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
	1,655,090	-	-	-	-	-	-	-	-	-	-
	(2,631)	-	-	-	-	-	-	-	-	-	-
	1,652,459	-	-	-	-	-	-	-	-	-	-
	-	37,442	156,654	33,324	37,098	26,399	-	-	-	-	-
	-	-	-	-	-	-	115,491	(28,072)	(315,692)	-	-
	-	-	-	-	-	-	-	-	-	3,178	-
	-	-	-	-	-	-	70,162	-	-	-	-
	-	-	-	-	-	-	11	-	-	4,405	-
	-	-	-	-	-	-	-	-	-	10,513	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	12,305
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	(38,243)	-	-	-
	-	-	-	-	-	-	-	(76)	-	(537)	-
	-	-	-	-	-	-	-	-	-	(91)	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	(1,056)	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(104,401)	28,010	305,937	-	-
	1,652,459	37,442	156,654	33,324	37,098	26,399	81,263	(38,381)	(9,755)	16,412	12,305

Reconciliation of the income statement at June 30, 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	1,655,090
1.1.2 Reinsurance premiums	(2,631)
Total premiums written	1,652,459
1.2 Commission income	290,917
1.3 Net income on financial instruments at fair value through profit and loss	(216,547)
1.4 Income on investments in sudsidiaries, associates and jvs	3,178
1.5 Income on other financial instruments and investment property	
1.5.1 Interest income	70,162
1.5.2 Other income	4,416
1.5.3 Realised gains	10,513
1.5.4 Unrealised gains	2,622
Total income on other financial instruments and investment property	87,713
1.6 Other revenues	12,305
Total revenues	1,830,025
2. Costs	
2.1 Net claims and benefits	
2.1.1 Amounts paid and change in technical reserves	(1,329,884)
2,1.2 Reinsurers' share/recoveries from reinsurers	3,594
Net claims and benefits	(1,326,290)
2.2 Commission expense	(114,001)
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	(38,243)
2.4.2 Other expenses	(613)
2.4.3 Realised losses	(91)
2.4.4 Unrealised losses	(3,178)
Loss on other financial instruments and investment property	(42,125)
2.5 Operating expenses	
2.5.1 Agents' commissions and other acquisition costs	(62,366)
2.5.2 Investment management costs/expenses	(219)
2.5.3 Other administrative expense	(119,865)
Total operating expenses	(182,450)
2.6 Other costs	(26,204)
Total costs	(1,691,070)
Profit (loss) before tax for the period	138,955
3. Income tax	(33,436)
Profit(loss) for the period	105,519
4. Profit (loss) from discountinued operations	-
Group net profit (loss) for the period	105,519
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
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,726	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	2,622	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1,329,150)	-	-	(734)	-	-	-	-
3,594	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(114,001)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(3,099)	-	(79)	-	-	-
-	-	-	-	-	-	-	-
-	(60,642)	-	(1,724)	-	-	-	-
-	-	-	(219)	-	-	-	-
-	-	-	(119,865)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(36)	(8,196)	(10,952)	(5,964)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(33,436)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	105,519
(229,546)	-	-	-	-	-	-	-
(1,543,376)	(174,643)	(513)	(130,738)	(11,031)	(5,964)	(33,436)	105,519

INCOME STATEMENT AT JUNE 30, 2006

Segment reporting by business sector

	LIFE INSURANCE			BANKING		
€/'000	2006	2005	delta	2006	2005	delta
Net premiums written	1,652,459	1,261,986	390,473	-	-	-
Entry fees	-	-	-	-	-	-
Management fees	69,255	50,777	18,478	-	-	-
Performance fees	14,376	25,289	(10,913)	-	-	-
Banking service fees	-	-	-	37,671	35,369	2,302
Other fees	12,814	11,015	1,799	172	80	92
Total commission income	96,445	87,081	9,364	37,844	35,449	2,395
Interest income and similar income	9,340	4,646	4,694	79,652	67,206	12,446
Interest expense and similar charges	(2,306)	(2,439)	133	(40,789)	(36,683)	(4,106)
Net income on investments at fair value	(11,219)	7,373	(18,592)	1,448	4,273	(2,825)
Net financial income	(4,185)	9,580	(13,765)	40,311	34,796	5,515
Net income on other investments	9,817	12,411	(2,594)	110	693	(583)
Other revenues	8,504	8,017	487	2,387	5,227	(2,841)
TOTAL REVENUES	1,763,040	1,379,075	383,965	80,651	76,165	4,486
Amounts paid and change in technical reserves	(1,543,376)	(1,171,827)	(371,549)	-	-	-
Acquisition costs & other commission expense	(90,129)	(73,984)	(16,145)	(23,970)	(17,948)	(6,022)
Net impairment of financial investments	-	(474)	474	(513)	(781)	268
G&A expenses	(43,608)	(38,464)	(5,144)	(50,335)	(56,303)	5,969
Amortisation and depreciation	(3,196)	(3,277)	81	(5,519)	(5,331)	(188)
Provision for risks and charges	(3,501)	(2,290)	(1,211)	(708)	(353)	(355)
PROFIT BEFORE TAX	79,230	88,759	(9,528)	(394)	(4,551)	4,157
Income tax						
NET PROFIT						

ASSET MANAGEMENT			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2006	2005	delta	2006	2005	delta	2006	2005	delta	2006	2005	delta
-	-	-	-	-	-	-	-	-	1,652,459	1,261,986	390,473
37,442	17,794	19,648	-	-	-	-	-	-	37,442	17,794	19,648
87,399	71,443	15,956	-	-	-	-	1,248	(1,248)	156,654	123,468	33,186
18,948	32,663	(13,715)	-	-	-	-	-	-	33,324	57,952	(24,628)
143	623	(480)	-	-	-	(716)	(630)	(86)	37,098	35,362	1,736
11,857	7,572	4,285	1,929	1,970	(41)	(373)	(2,280)	1,907	26,399	18,357	8,043
155,789	130,095	25,694	1,929	1,970	(41)	(1,089)	(1,662)	573	290,918	252,933	37,985
1,300	1,376	(76)	697	770	(73)	(9,726)	(4,904)	(4,822)	81,263	69,094	12,169
(241)	(236)	(5)	(4,792)	(4,472)	(320)	9,747	4,904	4,843	(38,381)	(38,926)	545
38	4	34	(2)	-	(2)	(20)	-	(20)	(9,755)	11,650	(21,405)
1,097	1,144	(47)	(4,097)	(3,702)	(395)	1	-	1	33,127	41,818	(8,691)
142	140	2	6,343	2,265	4,078	-	-	-	16,412	15,509	903
123	494	(371)	1,929	1,686	243	(638)	(130)	(508)	12,305	15,294	(2,990)
157,151	131,873	25,278	6,104	2,219	3,885	(1,726)	(1,792)	66	2,005,220	1,587,540	417,680
-	-	-	-	-	-	-	-	-	(1,543,376)	(1,171,827)	(371,549)
(59,435)	(32,865)	(26,570)	(1,484)	(1,816)	332	375	1,032	(657)	(174,643)	(125,581)	(49,062)
-	(265)	265	-	(184)	184	-	-	-	(513)	(1,704)	1,191
(37,085)	(29,703)	(7,382)	(1,061)	(1,720)	659	1,351	760	591	(130,738)	(125,430)	(5,308)
(2,239)	(2,713)	474	(77)	(83)	6	-	-	-	(11,031)	(11,404)	373
(1,660)	(928)	(732)	(95)	(70)	(25)	-	-	-	(5,964)	(3,641)	(2,323)
56,732	65,399	(8,667)	3,387	(1,654)	5,041	-	-	-	138,956	147,953	(8,997)
									(33,437)	(32,895)	(542)
									105,519	115,058	(9,539)

INCOME STATEMENT AT JUNE 30, 2006

Segment reporting by business sector / domestic market

	LIFE INSURANCE			BANKING		
€/'000	2006	2005	delta	2006	2005	delta
Net premiums written	1,571,584	1,258,308	313,276	-	-	-
Entry fees	-	-	-	-	-	-
Management fees	69,255	50,777	18,478	-	-	-
Performance fees	14,376	25,289	(10,913)	-	-	-
Banking service fees	-	-	-	21,103	20,052	1,051
Other fees	9,971	6,566	3,405	3	45	(42)
Total commission income	93,602	82,632	10,970	21,106	20,097	1,009
Interest income and similar income	9,278	4,520	4,758	70,923	58,848	12,075
Interest expense and similar charges	(2,306)	(2,439)	133	(36,453)	(32,770)	(3,683)
Net income on investments at fair value	(11,219)	7,373	(18,592)	1,615	4,429	(2,814)
Net financial income	(4,247)	9,454	(13,701)	36,085	30,507	5,578
Net income on other investments	9,817	12,411	(2,594)	-	-	-
Other revenues	8,504	8,017	487	1,727	4,065	(2,338)
TOTAL REVENUES	1,679,260	1,370,822	308,438	58,918	54,669	4,249
Amounts paid and change in technical reserves	(1,470,998)	(1,168,616)	(302,382)	-	-	-
Acquisition costs & other commission expense	(84,459)	(71,956)	(12,503)	(11,833)	(7,090)	(4,743)
Net impairment of financial investments	-	(474)	474	16	(652)	668
G&A expenses	(41,375)	(36,774)	(4,601)	(37,387)	(42,355)	4,969
Amortisation and depreciation	(2,872)	(2,887)	15	(4,516)	(3,940)	(576)
Provision for risks and charges	(3,501)	(2,290)	(1,211)	(235)	(277)	42
PROFIT BEFORE TAX	76,055	87,825	(11,770)	4,963	355	4,608
Income tax						
NET PROFIT						

ASSET MANAGEMENT			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2006	2005	delta	2006	2005	delta	2006	2005	delta	2006	2005	delta
-	-	-	-	-	-	-	-	-	1,571,584	1,258,308	313,276
32,962	15,410	17,552	-	-	-	-	-	-	32,962	15,410	17,552
77,910	63,800	14,110	-	-	-	-	-	-	147,165	114,577	32,588
17,968	30,293	(12,325)	-	-	-	-	-	-	32,344	55,582	(23,238)
-	26	(26)	-	-	-	(714)	(630)	(84)	20,389	19,448	941
11,828	7,492	4,336	1,929	1,970	(41)	-	-	-	23,731	16,073	7,658
140,668	117,021	23,647	1,929	1,970	(41)	(714)	(630)	(84)	256,591	221,090	35,501
1,115	1,226	(111)	697	770	(73)	(6,063)	(4,904)	(1,159)	75,950	60,460	15,490
(75)	(45)	(30)	(4,792)	(4,472)	(320)	6,063	4,904	1,159	(37,563)	(34,822)	(2,741)
2	(2)	4	(2)	-	(2)	-	-	-	(9,604)	11,800	(21,404)
1,042	1,179	(137)	(4,097)	(3,702)	(395)	-	-	-	28,783	37,438	(8,655)
142	140	2	6,343	2,265	4,078	-	-	-	16,302	14,816	1,486
101	456	(355)	1,929	1,686	243	-	-	-	12,261	14,224	(1,963)
141,953	118,796	23,157	6,104	2,219	3,885	(714)	(630)	(84)	1,885,521	1,545,876	339,645
-	-	-	-	-	-	-	-	-	(1,470,998)	(1,168,616)	(302,382)
(51,754)	(27,630)	(24,124)	(1,484)	(1,816)	332	-	-	-	(149,530)	(108,492)	(41,038)
-	(265)	265	-	(184)	184	-	-	-	16	(1,575)	1,591
(30,928)	(24,315)	(6,613)	(1,061)	(1,720)	659	714	630	84	(110,037)	(104,534)	(5,503)
(2,083)	(2,391)	308	(77)	(83)	6	-	-	-	(9,548)	(9,301)	(247)
(1,660)	(928)	(732)	(95)	(70)	(25)	-	-	-	(5,491)	(3,565)	(1,926)
55,528	63,267	(7,739)	3,387	(1,654)	5,041	-	-	-	139,933	149,793	(9,860)
									(32,886)	(32,386)	(500)
									107,047	117,407	(10,360)

INCOME STATEMENT AT JUNE 30, 2006

Segment reporting by business sector / foreign market

	LIFE INSURANCE			BANKING		
€/'000	2006	2005	delta	2006	2005	delta
Net premiums written	80,875	3,678	77,197	-	-	-
Entry fees	-	-	-	-	-	-
Management fees	-	-	-	-	-	-
Performance fees	-	-	-	-	-	-
Banking service fees	-	-	-	16,568	15,317	1,251
Other fees	2,843	4,449	(1,606)	169	35	134
Total commission income	2,843	4,449	(1,606)	16,737	15,352	1,385
Interest income and similar income	62	126	(64)	8,729	8,358	371
Interest expense and similar charges	-	-	-	(4,336)	(3,913)	(423)
Net income on investments at fair value	-	-	-	(167)	(156)	(11)
Net financial income	62	126	(64)	4,226	4,289	(63)
Net income on other investments	-	-	-	110	693	(583)
Other revenues	-	-	-	660	1,162	(502)
TOTAL REVENUES	83,780	8,253	75,527	21,733	21,496	237
Amounts paid and change in technical reserves	(72,378)	(3,211)	(69,167)	-	-	-
Acquisition costs & other commission expense	(5,670)	(2,028)	(3,642)	(12,137)	(10,858)	(1,279)
Net impairment of financial investments	-	-	-	(529)	(129)	(400)
G&A expenses	(2,233)	(1,690)	(543)	(12,948)	(13,948)	1,000
Amortisation and depreciation	(324)	(390)	66	(1,003)	(1,392)	389
Provision for risks and charges	-	-	-	(473)	(77)	(396)
PROFIT BEFORE TAX	3,175	934	2,241	(5,357)	(4,908)	(449)
Income tax						
NET PROFIT						

ASSET MANAGEMENT			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2006	2005	delta	2006	2005	delta	2006	2005	delta	2006	2005	delta
-	-	-	-	-	-	-	-	-	80,875	3,678	77,197
4,480	2,384	2,096	-	-	-	-	-	-	4,480	2,384	2,096
9,489	7,643	1,846	-	-	-	-	1,248	(1,248)	9,489	8,891	598
980	2,370	(1,390)	-	-	-	-	-	-	980	2,370	(1,390)
143	597	(454)	-	-	-	-	-	-	16,711	15,914	797
29	80	(51)	-	-	-	-	(2,280)	2,280	3,041	2,284	757
15,121	13,074	2,047	-	-	-	-	(1,032)	1,032	34,701	31,843	2,858
185	150	35	-	-	-	-	-	-	8,976	8,634	342
(166)	(191)	25	-	-	-	-	-	-	(4,502)	(4,104)	(398)
36	6	30	-	-	-	-	-	-	(131)	(150)	19
55	(35)	90	-	-	-	-	-	-	4,343	4,380	(37)
-	-	-	-	-	-	-	-	-	110	693	(583)
22	38	(16)	-	-	-	(190)	(130)	(60)	492	1,070	(578)
15,198	13,077	2,121	-	-	-	(190)	(1,162)	972	120,521	41,664	78,857
-	-	-	-	-	-	-	-	-	(72,378)	(3,211)	(69,167)
(7,681)	(5,235)	(2,446)	-	-	-	-	1,032	(1,032)	(25,488)	(17,089)	(8,399)
-	-	-	-	-	-	-	-	-	(529)	(129)	(400)
(6,157)	(5,388)	(769)	-	-	-	190	130	60	(21,148)	(20,896)	(252)
(156)	(322)	166	-	-	-	-	-	-	(1,483)	(2,104)	621
-	-	-	-	-	-	-	-	-	(473)	(77)	(396)
1,204	2,132	(928)	-	-	-	-	-	-	(978)	(1,842)	864
									(551)	(509)	(42)
									(1,529)	(2,351)	822

Risk Management and Internal Control

In developing a risk management model the legal framework under which an entity operates, in terms of both national and international regulations, is to be taken into account.
Considering the broadest legal framework, in the conduct of their business, financial groups are increasingly required to undertake risks that are adequate to the complexity, nature and size of their business as well as the capital structure of their organization.
With regard to the Mediolanum Group and its risk management and internal control system it should be noted that the Group established a "Risk Control and Compliance" function which supervises the control actions of various Group units, provides guidance and ensures a consistent approach to risk management and control.
Against that backdrop, a special role is played, inter alia, by the Mediolanum approach to the assessment and measurement of the impact of risks on its business through the measurement of the Group embedded value. The calculation of the European Embedded Value permits to obtain a group valuation which takes into account the main risks to which the group is exposed.
The work plan for the development of the Group risk control model was approved by the Board of Directors of Mediolanum S.p.A. on July 12, 2006. That model will be detailed during 2006. It will be developed considering the specific characteristics of individual companies, and supplemented with specific features according to concentration/diversification levels arising as a result of being part of the Group.
Risk identification, management and monitoring processes will be implemented taking into account their complexity and impact on individual organizational units.
For further qualitative information on risk exposures within the Group, readers are referred to the 2005 Annual Financial Statements.

Atypical and/or unusual transactions

In the current reporting period there were no atypical and/or unusual transactions as defined in Consob Communication No. DEM/6064293 of July 28, 2006.

Non-recurring transactions

In the current reporting period there were no non-recurring transactions as defined in Consob Communication No. DEM/6064293 of July 28, 2006.

RELATED PARTY TRANSACTIONS

Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/General Managers	Other key managers
Emoluments and social security contributions	3,996	642
Non-cash benefits	105	-
Share-based awards (stock options)	480	101

Related Party Transactions

Balance Sheet

€/'000	Other related parties
Loans to customers	40,501
Loans to banks	1
Amounts due from customers	13,594
Guarantees issued	218

"Loans to customers" include €40,000 thousand loans in the form of "hot money" extended to Duemme Hedge SGR p.A.

"Amounts due from customers" include €11,734 thousand relating to Mediolanum assicurazioni S.p.A.'s current accounts.

Income Statement

€/'000	Other related parties
Goods acquired/sold	111
Services provided/received	(947)
Commission income/expense	1,929
Key personnel	(152)
Interest expense	(170)

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

€/'000	Capital and reserves	Net profit	Shareholders' equity
H1 2006 - Parent company accounts	381,743	110,539	492,282
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	130,907	144,240	275,147
Differences on investments accounted for by the equity method	5,342	3,178	8,520
Intercompany dividends	158,016	(158,016)	0
Elimination of intercompany transactions effects	22,401	7,115	29,516
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	6,286	(78)	6,208
Other	(1,642)	(1,459)	(3,101)
H1 2006 - Consolidated accounts	703,053	105,519	808,572

Post-Balance Sheet date events

In July Banca Mediolanum's Board of Directors approved a capital strengthening plan geared to promote the growth of operations of the subsidiary Banco de Finanzas e Inversiones S.A. (Fibanc). The plan entails Banco's share capital increase from €14,032 thousand to €66,032 thousand. Mediolanum S.p.A. subscribed to the residual €30,000 thousand portion of that capital increase undertaken by Banca Mediolanum S.p.A.. That amount was paid on August 30, 2006.
On September 4, 2006 Banca Mediolanum S.p.A. subscribed to and paid up the €52 million capital increase to the subsidiary Banco de Finanzas e Inversiones S.A. (Fibanc).

At the Extraordinary General Meeting of the respective companies held last July 4, the shareholders of Mediolanum Comunicazione S.p.A. and Alboran S.p.A. approved the plan for the merger of Alboran S.p.A. into Mediolanum Comunicazione S.p.A. Upon the lapse of the term required by law the two companies will make the merger agreement.

There were no other post-balance sheet date events which could have a material impact on the Group's financial position or result of operation.

Outlook

In the light of results recorded in the first six months of 2006, the outlook for the current year is positive.

Basiglio, September 11, 2006

For the Board of Directors
The Chairman
Roberto Ruozi

MEDIOLANUM S.p.A.

SCHEDULES

Information pursuant to ISVAP requirements

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 pursuant to art. 9 of Legislative Decree No. 38/2005, pursunt 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 interim accounts at June 30, 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 AT JUNE 30, 2006

Mediolanum Group - Financial information by business segment (ISVAP)

	LIFE INSURANCE	
€/'000	June 30, 2006	Dec. 31, 2005
1. Intangible assets	7,315	8,119
2. Tangible assets	20,645	22,244
3. Reinsurers' share of technical reserves	103,811	105,737
4. Investments	13,555,021	13,103,220
4.1 Investment property	6,997	22,276
4.2 Investments in subsidiaries, associates and joint ventures	355,642	352,786
4.3 Held-to-maturity investments	234,619	234,691
4.4 Loans and receivables	12,202	12,981
4.5 Available-for-sale financial assets	782,268	823,737
4.6 Financial assets at fair value through profit or loss	12,163,293	11,656,749
5. Receivables	32,958	11,640
6. Other assets	160,538	188,710
6.1 Deferred acquisition costs	-	-
6.2 Other	160,538	188,710
7. Cash and cash equivalents	183,582	305,845
Total assets	14,063,870	13,745,515
1. Shareholders' equity	-	-
2. Provisions	791	746
3. Technical reserves	11,885,594	11,201,382
4. Financial liabilities	1,385,233	1,677,862
4.1 Financial liabilities at fair value through profit or loss	1,036,972	1,336,496
4.2 Other financial liabilities	348,261	341,366
5. Payables	90,408	124,357
6. Other liabilities	62,983	106,422
Total liabilities and shareholders' equity	-	-

BANKING		OTHER		INTERSEGMENT		TOTAL	
June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005
155,298	155,276	89	138	24,397	24,397	187,099	187,930
50,673	52,110	1,668	1,811	901	901	73,887	77,066
-	-	-	-	-	-	103,811	105,737
5,614,495	4,998,013	40	40	(479,370)	(485,073)	18,690,186	17,616,200
-	-	-	-	-	-	6,997	22,276
-	(1)	-	-	(321,309)	(323,431)	34,333	29,354
332,346	498,989	-	-	-	-	566,965	733,680
3,136,705	3,354,187	-	-	(20,704)	(24,776)	3,128,203	3,342,392
130,257	47,201	40	40	(25,812)	(25,812)	886,753	845,166
2,015,187	1,097,637	-	-	(111,545)	(111,054)	14,066,935	12,643,332
506	328	1,016	2,574		(1,033)	34,480	13,509
296,224	250,831	5,454	4,705	(32,359)	(75,595)	429,857	368,651
-	-	-	-	-	-	-	-
296,224	250,831	5,454	4,705	(32,359)	(75,595)	429,857	368,651
223,318	444,506	(197)	608	(98,875)	(228,090)	307,828	522,869
6,340,514	5,901,064	8,070	9,876	(585,306)	(764,493)	19,827,148	18,891,962
-	-	-	-	-	-	808,572	807,986
59,220	56,660	-	16	-	-	60,011	57,422
-	-	-	-	-	-	11,885,594	11,201,382
5,482,825	5,090,108	9	575	(221,885)	(397,538)	6,646,182	6,371,007
290,478	63,196	-		-		1,327,450	1,399,692
5,192,347	5,026,912	9	575	(221,885)	(397,538)	5,318,732	4,971,315
141,565	144,615	3,716	4,973	(39,970)	(56,342)	195,719	217,603
167,981	114,989	960	1,044	(854)	14,106	231,070	236,561
-	-	-	-	-	-	19,827,148	18,891,962

INCOME STATEMENT AT JUNE 30, 2006

Mediolanum Group - Financial information by business segment (ISVAP)

	LIFE INSURANCE	
€/'000	June 30, 2006	June 30, 2005
1 Revenues		
1.1 Net premiums written		
1.1.1 Gross premiums written	1,655,090	1,264,846
1.1.2 Reinsurance premiums	(2,631)	(2,860)
Total premiums written	1,652,459	1,261,986
1.2 Commission income	57,089	42,795
1.3 Net income on financial instruments at fair value through profit and loss	(238,160)	594,651
1.4 Income on investments in sudsidiaries, associates and jvs	-	-
1.5 Income on other financial instruments and investment property		
1.5.1 Interest income	17,874	17,374
1.5.2 Other income	4,834	1,371
1.5.3 Realised gains	10,386	11,482
1.5.4 Unrealised gains	-	-
Total income on other financial instruments and investment property	33,094	30,227
1.6 Other revenues	8,728	10,366
Total revenues	1,513,210	1,940,025
2 Costs		
2.1 Net claims and benefits		
2.1.1 Amounts paid and change in technical reserves	(1,330,260)	(1,777,038)
2.1.2 Reinsurers' share/recoveries from reinsurers	3,594	3,646
Total amounts paid and change in technical reserves	(1,326,666)	(1,773,392)
2.2 Commission expense	(5,252)	(3,872)
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	(5,472)	(5,394)
2.4.2 Other expenses	(529)	(751)
2.4.3 Realised losses	(11)	-
2.4.4 Unrealised losses	(79)	-
Loss on other financial instruments and investment property	(6,091)	(6,145)
2.5 Operating expenses		
2.5.1 Agents' commissions and other acquisition costs	(115,223)	(88,803)
2.5.2 Investment management costs/expenses	(1,268)	(1,134)
2.5.3 Other administrative expense	(13,813)	(16,693)
Total operating expenses	(130,304)	(106,630)
2.6 Other costs	(2,364)	(2,676)
Total costs	(1,470,677)	(1,892,715)
Profit (loss) before tax for the period	42,533	47,310
3 Income tax	(13,356)	(17,725)
Profit(loss) for the period	29,177	29,585
4 Profit (loss) from discountinued operations		
Group net profit (loss) for the period	29,177	29,585

BANKING		OTHER		INTERSEGMENT		TOTAL	
June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
-	-	-	-	-	-	1,655,090	1,264,846
-	-	-	-	-	-	(2,631)	(2,860)
-	-	-	-	-	-	1,652,459	1,261,986
372,482	319,337	16	1,091	(138,670)	(110,686)	290,917	252,537
23,510	22,819	-		(1,897)	(759)	(216,547)	616,711
-	-	3,178	2,250	-	-	3,178	2,250
55,273	46,760	12	10	(2,997)	(2,620)	70,162	61,524
158	461	-	19	(576)	(624)	4,416	1,227
127	667	-	-	-	984	10,513	13,133
2,622	3,858	-	-	-	-	2,622	3,858
58,180	51,746	12	29	(3,573)	(2,260)	87,713	79,742
4,967	9,896	8,008	10,281	(9,398)	(15,218)	12,305	15,325
459,139	403,798	11,214	13,651	(153,538)	(128,923)	1,830,025	2,228,551
-	-	-	-	376	395	(1,329,884)	(1,776,643)
-	-	-	-	-	-	3,594	3,646
-	-	-	-	376	395	(1,326,290)	(1,772,997)
(133,163)	(92,482)	(7)	(838)	24,421	18,028	(114,001)	(79,164)
-	-	-	-	-	-		
-	-	-	-	-	-		
(37,123)	(33,898)	(11)	(21)	4,363	3,378	(38,243)	(35,935)
(76)	(45)	(8)	-	-	-	(613)	(796)
(80)	(33)	-	-	-	-	(91)	(33)
(3,098)	(5,534)	(1)	(1)	-	-	(3,178)	(5,535)
(40,377)	(39,510)	(20)	(22)	4,363	3,378	(42,125)	(42,299)
(61,033)	(48,884)		-	113,890	90,774	(62,366)	(46,913)
-	-	-	-	1,049	916	(219)	(218)
(114,702)	(111,812)		(43)	8,650	14,628	(119,865)	(113,920)
(175,735)	(160,696)		(43)	123,589	106,318	(182,450)	(161,051)
(15,871)	(13,242)	(8,758)	(9,974)	789	804	(26,204)	(25,088)
(365,146)	(305,930)	(8,785)	(10,877)	153,538	128,923	(1,691,070)	(2,080,599)
93,993	97,868	2,429	2,774	-	-	138,955	147,952
(19,881)	(14,959)	(199)	(210)	-	-	(33,436)	(32,894)
74,113	82,909	2,230	2,564	-	-	105,519	115,058
74,113	82,909	2,230	2,564	-	-	105,519	115,058

Analysis of tangible and intangible assets

€/'000	At cost	Remeasured or at fair value	Book value
Investment property	6,997	-	6,997
Other property	58,099	-	58,099
Other tangible assets	15,788	-	15,788
Other intangible assets	24,685	-	24,685

Analysis of financial assets

	Held-to-maturity investments		Loans and receivables	
€/'000	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005
Equity instruments and derivatives at cost	-	-	-	-
Equity instruments at fair value	-	-	-	-
of which listed	-	-	-	-
Debt instruments	566,965	733,680	-	-
of which listed	566,965	733,680	-	-
Holdings in UCITS	-	-	-	-
Loans to and receivables from banking customers	-	-	1,002,111	955,449
Loans to and receivables from banks	-	-	2,114,060	2,374,028
Deposits with cedents	-	-	-	-
Financial assets of insurance contracts	-	-	-	-
Other loans and receivables	-	-	12,032	12,915
Trading derivatives	-	-	-	-
Hedging derivatives	-	-	-	-
Other financial investments	-	-	-	-
Total	566,965	733,680	3,128,203	3,342,392

Available-for-sale financial assets		Financial assets at fair value through profit or loss: Financial assets held for trading		Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss		Book value	
June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005
-	-	-	-	-	-	-	-
303,610	292,358	1,086	9	-	-	304,696	292,367
246,131	230,706	1,086	-	-	-	247,217	230,706
487,546	545,194	2,470,560	1,435,293	4,676,447	4,619,499	8,201,518	7,333,666
487,328	544,428	2,458,261	1,359,076	4,676,447	4,619,499	8,189,001	7,256,683
95,597	7,614	61,853	58,737	6,376,900	6,082,335	6,534,350	6,148,686
-	-	-	-	-	-	1,002,111	955,449
-	-	-	-	-	-	2,114,060	2,374,028
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	12,032	12,915
-	-	20,814	10,605	459,275	436,854	480,089	447,459
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
886,753	845,166	2,554,313	1,504,644	11,512,622	11,138,688	18,648,856	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	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005
On-balance sheet assets	11,510,840	11,136,584	9,023	7,955	11,519,863	11,144,539
Intercompany assets*	111,545	111,054	-	-	111,545	111,054
Total Assets	11,622,385	11,247,638	9,023	7,955	11,631,408	11,255,593
On-balance sheet financial assets	1,027,449	1,328,193	9,023	7,955	1,036,472	1,336,148
On-Balance sheet technical reserves	10,590,242	9,917,893	-	-	10,590,242	9,917,893
Intercompany liabilities*	-	-	-	-	-	-
Total Liabilities	11,617,691	11,246,086	9,023	7,955	11,626,714	11,254,041

* Asset and liabilites eliminated upon consolidation,

Analysis of reinsurers' share of technical reserves

	Book value	
€/'000	June 30, 2006	Dec. 31, 2005
General business reserves	-	-
Life business reserves	103,811	105,737
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	-	-
Mathematical reserves and other reserves	103,811	105,737
Total reinsurers' share of technical reserves	103,811	105,737

Analysis of technical reserves

€/'000	Book value June 30, 2006	Book value Dec. 31, 2005
General Business reserves	-	-
Unearned premiums	-	-
Outstanding claims	-	-
Other reserves	-	-
of which amounts set aside following liability adequacy testing	-	-
Life Business reserves	11,885,594	11,201,382
Outstanding claims	50,086	56,419
Mathematical reserves	1,210,453	1,181,661
Technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	10,590,242	9,917,893
Other reserves	34,813	45,409
of which amounts set aside following liability adequacy testing	-	-
of which deferred liabilities to policyholders	-	10,607
Total Technical reserves	11,885,594	11,201,382

Analysis of financial liabilities

€/'000	Financial liabilities at fair value through profit or loss			
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss	
	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005
Quasi-equity instruments	-	-	-	-
Subordinated liabilities	-	-	-	-
Liabilities under financial contracts issued by insurance companies of which	-	-	1,004,864	1,300,322
contracts under which the investment risk is borne by the policyholder	-	-	995,841	1,292,367
pension fund management	-	-	9,023	7,955
other contracts	-	-	-	-
Deposits received from reinsureres	-	-	-	-
Financial liabilities of insurance contracts	-	-	-	-
Debt securities issued	-	-	-	-
Amounts due to banking customers	-	-	-	-
Amounts due to banks	-	-	-	-
Other financing received	-		-	-
Trading derivatives	35,506	42,939	-	-
Hedging derivatives	-	-	-	-
Other financial liabilities	287,080	56,431	-	-
Total	322,586	99,370	1,004,864	1,300,322

Analysis of technical account items

€/'000	June 30, 2006	June 30, 2005
General Business		
Net premiums written		
a Premiums written	-	-
b Change in unearned premiums reserve	-	-
Net claims incurred	-	-
a Claims paid	-	-
b Change in outstanding claims reserve	-	-
c Change in recoveries	-	-
d Change in other technical reserves	-	-
Life Business		
Net premiums written	1,652,459	1,261,986
Net claims and benefits		
a Amounts paid	(632,056)	(580,955)
b Change in outstanding claims reserve	3,089	(5,792)
c Change in mathematical reserves	(15,231)	20,416
d Change in technical reserves for contracts under which the investment risk is borne by the policyholder and for pension fund management	(681,831)	(1,202,012)
e Change in other technical reserves	(261)	(4,654)

Other financial liabilities		Book value	
June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005
-	-	-	-
-	-	-	-
-	-	1,004,864	1,300,322
-	-	995,841	1,292,367
-	-	9,023	7,955
-	-	-	-
103,246	104,350	103,246	104,350
-	-	-	-
-	-	-	-
3,801,165	3,718,562	3,801,165	3,718,562
1,414,321	1,148,403	1,414,321	1,148,403
-	-	-	-
-	-	35,506	42,939
-	-	-	-
-	-	287,080	56,431
5,318,732	4,971,315	6,646,182	6,371,007

Analysis of net interest income and investment income

€/'000	Interest income (expense)	Other income	Other expenses
Investment income	170,082	342	(537)
a) from investment property	-	98	(537)
b) from investments in subsidiaries, associates and joint ventures	-	-	-
c) from held-to-maturity investments	9,859	-	-
d) from loans and receivables	20,491	-	-
e) from available-for-sale financial assets	13,225	-	-
f) from financial assets held for trading	27,063	244	-
g) from financial assets at fair value through profit or loss	99,444	-	-
Income on amounts receivable	433	-	-
Net cash and cash equivalents	30,461	11	-
Loss on financial liabilities	(33,460)	-	-
a) on financial liabilities held for trading	-	-	-
b) on financial liabilities at fair value through profit or loss	(28,072)	-	-
c) on other financial liabilities	(5,388)	-	-
Expense on amounts payable	(32,855)	-	(76)
Total	134,661	353	(613)

Insurance - Analysis of expenses

	General Business		Life Business	
€/'000	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Gross agents' commissions &other acquisition costs less commissions and profit sharing from reinsurers	-	-	62,366	46,913
Investment management expenses	-	-	219	218
Other administrative expenses	-	-	119,865	113,920
Total	-	-	182,450	161,051

			Unrealised gains		Unrealised losses			Net income	Net income
Realised gains	Realised losses	Gains on Total	Reversal of measurement	Losses on impairment	measurement	Impairment	Total	(loss) at June 30, 2006	(loss) at June 30, 2005
93,353	(100,351)	162,889	184,518	2,622	(519,475)	(3,178)	(335,513)	(172,624)	737,327
7,673	-	7,234	-	-	-	(79)	(79)	7,155	6,332
3,178	-	3,178	-	-	-	-	-	3,178	2,250
	-	9,859	-	-	-	-	-	9,859	11,024
-	(11)	20,480	-	2,622	-	(3,099)	(477)	20,003	13,795
2,840	(80)	15,985	-		-	-	-	15,985	15,658
68,705	(68,487)	27,525	6,109	-	(17,156)	-	(11,047)	16,478	33,198
10,957	(31,773)	78,628	178,409	-	(502,319)	-	(323,910)	(245,282)	655,070
-	-	433	-	-	-	-	-	433	-
-	-	30,472	-	-	-	-	-	30,472	26,614
-	-	(33,460)	40,329	-	-	-	40,329	6,869	(74,395)
-	-	-	-	-		-	-	-	-
-	-	(28,072)	40,329	-		-	40,329	12,257	(71,557)
-	-	(5,388)	-	-	-	-	-	(5,388)	(2,838)
-	-	(32,931)	-	-	-	-	-	(32,931)	(33,142)
93,353	(100,351)	127,403	224,847	2,622	(519,475)	(3,178)	(295,184)	(167,781)	656,404

MEDIOLANUM S.p.A.

Parent Company's Accounts

Balance Sheet

Assets

Euro	June 30, 2006	Dec. 31, 2005
Non current assets		
Receivables from shareholders for unpaid calls	-	-
Fixed assets		
Intangible assets	219,373	342,120
Tangible assets	419,985	608,201
Investments in subsidiaries and associates	520,841,459	520,841,459
Available-for-sale financial assets	299,867,184	288,823,821
Total Non current assets	821,348,001	810,615,601
Current assets		
Current assets		
Subsidiaries	12,790,949	32,600,122
Related parties	207,985	634,409
Others	15,710,775	15,413,438
Total Receivables	28,709,709	48,647,969
Cash and cash equivalents		
Bank deposits	18,891,721	13,865,624
Cash	9,822	7,824
Total Cash and cash equivalents	18,901,543	13,873,448
Tax Assets		
Current	4,629,953	48,532,677
Deferred	860,573	116,588
Total Tax Assets	5,490,526	48,649,265
Other assets	113,686	77,063
Total Current assets	53,215,464	111,247,745
TOTAL ASSETS	874,563,465	921,863,346

Shareholders' equity and liabilities

Euro	June 30, 2006	Dec. 31, 2005
Shareholders' equity and liabilities		
Capital and reserves		
Share capital	72,840,067	72,737,993
Treasury shares	(2,045,116)	(2,045,116)
Share premium account	48,988,705	48,313,300
Retained earnings	174,221,706	65,893,705
Valuation reserve for AFS financial instruments	87,737,452	102,948,811
Net profit (loss) for the period	110,538,719	191,564,883
Total Capital and reserves	492,281,533	479,413,576
Non current liabilities		
Completion-of-service entitlements	1,588,917	1,638,224
Total Non current liabilities	1,588,917	1,638,224
Liabilities		
Current liabilities		
Due to banks	226,662,894	226,731,742
Other financial liabilities at amortised cost	88,620,518	113,620,518
Due to suppliers	1,007,705	1,660,140
Other payables	50,345,171	42,426,242
Tax liabilities		
Current	5,319,636	50,117,592
Deferred	5,286,352	5,738,701
Other liabilities	3,450,739	516,611
Current liabilities	380,693,015	440,811,546
TOTAL LIABILITIES	382,281,932	442,449,770
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	874,563,465	921,863,346

Income Statement

Euro	June 30, 2006	June 30, 2005
Commission income	86,302,718	87,660,097
Commission expense		
acquisition of insurance contracts	(84,327,301)	(77,912,061)
other	(22,469)	(13,967)
Interest income and similar income	669,030	759,003
Interest expense and similar charges	(4,833,561)	(4,487,325)
Gains/losses from trading	161	(245)
Income from equity investments		
dividends from subsidiaries	117,481,038	124,040,868
gains on sale of equity investments	-	89,944
Income from other financial instruments		
Dividends from available-for-sale financial assets	4,222,511	375,105
Gains from available-for-sale financial assets	-	20,516
Other income	373,343	361,797
Staff costs	(3,556,213)	(3,161,827)
Other administrative expenses	(3,341,632)	(3,106,993)
Other expenses	(2,856,000)	-
Amortisation and depreciation		
intangible assets	(123,628)	(164,988)
tangible assets	(193,262)	(317,837)
Tax expense		
current	-	(1,399,399)
deferred	743,984	(21,403)
Total tax expense	743,984	(1,420,802)
NET PROFIT (LOSS) FOR THE PERIOD	110,538,719	122,721,285

Cash flow statement

Indirect method

€/'000	June 30, 2006	June 30, 2005
Profit (loss) before tax for the period	109,795	124,142
Changes in non-monetary items		
Completion-of-service entitlements	(49)	(75)
Amortisation and depreciation	317	503
Stock Options	367	370
Changes in receivables and payables relating to operating activities		
Changes in other receivables and payables	12,130	(11,035)
Income tax paid	(7,922)	(78)
Net cash from monetary items relating to investment and financial activities	-	-
NET CASH FROM OPERATING ACTIVITIES	114,638	113,827
Net cash from subsidiaries, associates and joint ventures	-	541
Net cash from available-for-sale financial assets	(26,707)	13
Net cash from tangible and intangible assets	(6)	(11)
Other cash flows from investment activities	-	-
NET CASH FROM INVESTING ACTIVITIES	(26,713)	543
Net cash from equity instruments	777	2,008
Net cash from treasury shares	-	-
Distribution of dividends	(83,604)	(101,540)
Net cash from capital and reserves pertaining to minority interests	-	-
Net cash from subordinated liabilities	-	-
Net cash from other financial liabilities	(69)	193
NET CASH FROM FINANCING ACTIVITIES	(82,896)	(99,339)
Effect of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	13,873	17,041
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,029	15,031
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18,902	32,072

Statement of changes in shareholders' equity

Euro	Balance at Jan. 1, 2005	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: 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)

Euro	Balance at Jan. 1, 2006	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: 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 instru-ments	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 instru-ments	Stock options	Net profit for the year June 30, 2006	Shareholders' equity at June 30, 2006
-	102,074	-	-	-		-	72,840,067
-	675,405	-	-	-	-	-	48,988,705
					367,535	-	174,221,706
-	-	-	-	-	-	-	
(15,211,359)	-	-	-	-	-	-	87,737,452
-	-	-	-	-	-	-	(2,045,116)
-	-	-	-	-	-	110,538,719	110,538,719
(15,211,359)	777,479	-	-	-	367,535	110,538,719	492,281,533

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

AUDITORS' REVIEW REPORT ON THE CONSOLIDATED REPORT AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2006 PREPARED PURSUANT TO ARTICLE 81 OF THE CONSOB REGULATION ADOPTED BY THE RESOLUTION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

(Translation from the original Italian text)

To the Shareholders of
Mediolanum S.p.A.

1. We have reviewed the interim consolidated financial statements, consisting of the balance sheet, the statement of income, the statement of changes in shareholders' equity and the statement of cash flows (the "Statements") and the related explanatory notes, included in the consolidated report of Mediolanum S.p.A. as of and for the six months ended June 30, 2006. The consolidated report is the responsibility of Mediolanum S.p.A.'s management. Our responsibility is to issue this review report based on our review. We have also examined that part of the information included in the management's discussion and analysis of operations, solely for the purpose of evaluating its consistency with the remaining part of the consolidated report.

2. Our review was conducted in accordance with auditing standards governing the review of interim financial statements recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. The review consisted mainly of obtaining information with respect to the accounts included in the Statements and the consistency of the accounting principles applied, through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such Statements. The review did not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities, and the scope of the work performed provides significant less assurance than a full scope audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the consolidated report as we do in connection with reporting on our full scope audit of the annual consolidated financial statements.

3. With respect to the comparative data related to the consolidated financial statements of the preceding year and to the consolidated report for the same period of the preceding year presented in the Statements, reference should be made to our audit and review reports issued on April 12, 2006 and on October 10, 2005, respectively.

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 C.C.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)

4. Based on our review, we are not aware of any significant modifications that should be made to the Statements and the related explanatory notes, identified in paragraph 1. of this report, in order for them to be in conformity with International Accounting Standard no. 34 and with the criteria for the preparation of the six months management report required by Article 81 of Consob Regulation as adopted in its Resolution no. 11971 of May 14, 1999 and subsequent modifications and integrations.

Milan, October 2, 2006

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