MEDIOLANUM S.P.A.

HALF-YEAR REPORT AS AT JUNE 30, 2005

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Mediolanum S.p.A. Officers of the company

Board of Directors

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

Board of Statutory Auditors

Arnaldo Mauri	Chairman of the Board of Statutory Auditors
Achille Frattini	Regular Statutory Auditor
Francesco Antonio Giampaolo	Regular Statutory Auditor
Ferdinando Gatti	Alternate Statutory Auditor
Francesco Vittadini	Alternate Statutory Auditor

Secretary of the Board

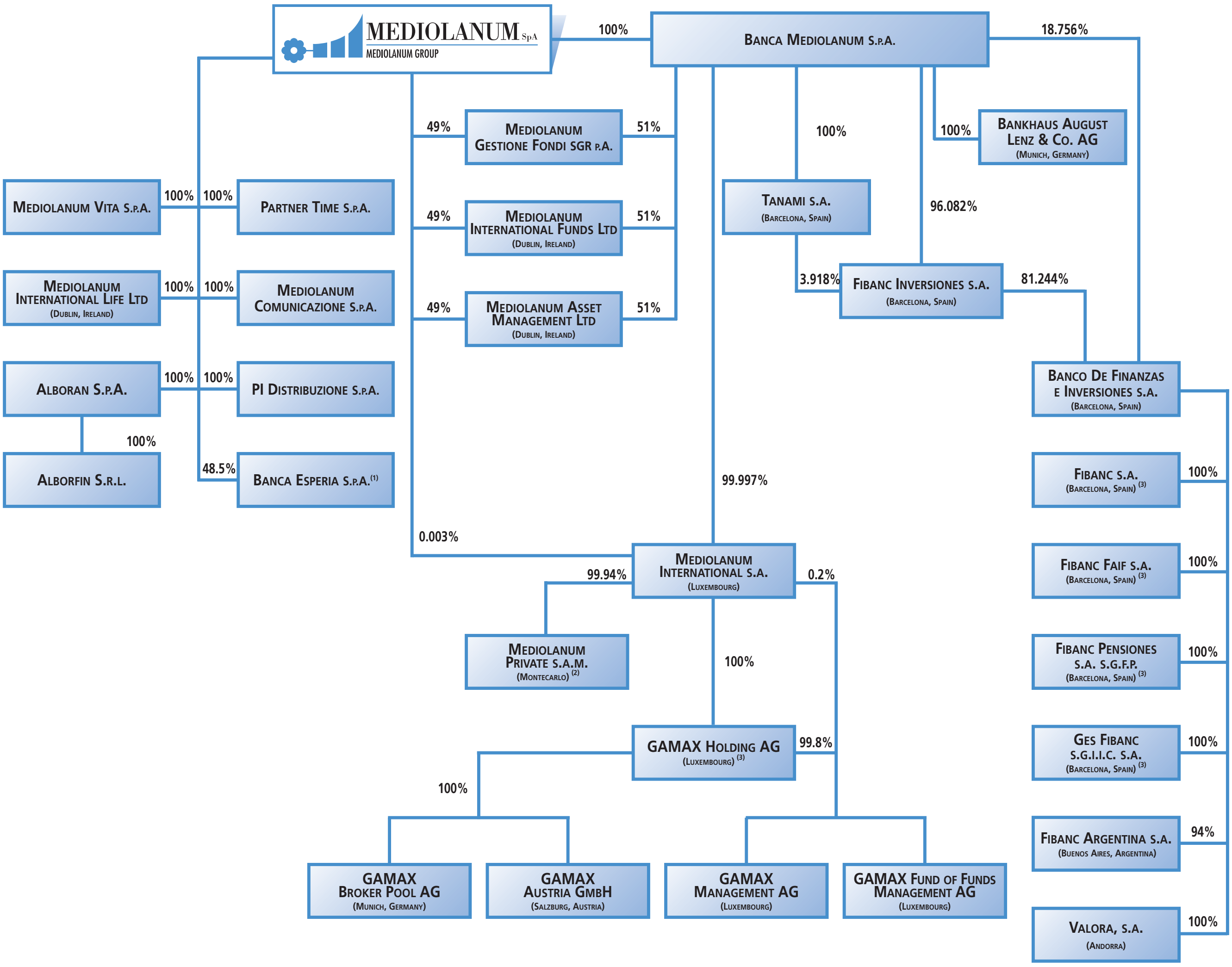
Luca Maria Rovere

Independent Auditors

Reconta Ernst & Young S.p.A.

Corporate structure

Updated as at June 30, 2005



(1) The remaining capital is held by third parties.
(2) Winding-up company.
(3) Due to regulations, directors own a symbolic investment in the share capital.

New structure adopted for the financial statements

This consolidated interim report is the first to have been prepared in accordance with the new international accounting standards represented by IAS/IFRS.

Adopting the new standards has led to important changes to the way in which transactions are reported and assets and liabilities are measured, as well as to the actual structure of the financial statements.

The laws governing the first-time adoption of IAS/IFRS require at least one year's comparative accounts to be drawn up adopting the same standards. However, the delay with which IAS 39 (measurement of financial instruments) and IFRS 4 (insurance contracts) were ratified led the European lawmaker to make the requirement for 2004 comparative information to conform to the above standards optional.

However, in order to produce a comparison with figures that are as consistent as possible, measures were taken to estimate – based on the data available – the effects that would have been seen as at January 1, 2004 and in financial year 2004, had IAS 39 and IFRS 4 been adopted from January 1, 2004 onwards.

For a broader presentation of the impact that the first-time adoption of IAS/IFRS, please refer to the chapter dealing with this particular issue.

When commenting upon the company's interim performance, reference will be made to the previous year's figures, reclassified and redetermined in accordance with the new accounting standards, including an estimate of the impact of IAS 39 and IFRS4.

MEDIOLANUM GROUP

ADOPTION OF IAS/IFRS

Adoption of IAS/IFRS

THE LEGAL ENVIRONMENT

By way of Regulation (EC) No. 1606 of July 19, 2002, the European Commission introduced provisions whereby, from 2005, all listed European Union companies are required to adopt IAS/IFRS when preparing their consolidated financial statements. The purpose of this Regulation is to improve the quality of information regarding company accounts and, above all, to ensure that the financial statements of listed European companies are comparable with one another.

International standards are promulgated by an independent body – the IASB (International Accounting Standards Board®) – and submitted for its ratification by the European Commission, following which they are published in the Official Gazette of the European Union.

A complete list of IAS/IFRS as ratified by the European Commission is attached to this Report.

By way of Legislative Decree No. 38 of February 28, 2005, Italy extended the application of the new international accounting standards to the separate financial statements (from 2006 or on an optional basis from 2005) of listed companies, and supervised banks and other financial institutions too, as well as to the consolidated financial statements of supervised banks and financial institutions and unlisted insurance companies. The ability to apply the new standards was also extended to companies controlled by the latter, with the exception of unlisted insurance companies and minor entities, pursuant to the provisions of Clause 2435 of the Italian Civil Code.

With regard to the consolidated financial statements of insurance companies, the aforementioned Decree confirms the powers assigned to ISVAP (the Italian authority responsible for supervision over insurance and reinsurance companies) under Legislative Decree No. 173/97 regarding the chart of accounts that insurance/reinsurance companies must adopt and the necessary supplementary information.

PRINCIPAL CHANGES INTRODUCED BY THE NEW ACCOUNTING STANDARDS

The accounting standards represented by IAS/IFRS include a number of important changes to the procedures by which transactions are recognised and the principal balance-sheet entries are classified as well as the criteria adopted to measure assets and liabilities, as per the general principle whereby economic substance prevails over legal form.

The key changes introduced by way of the international accounting standards that affect the way in which the results of the Mediolanum Group are presented below.

Financial instruments

The new accounting treatment of financial instruments constitutes the most important change introduced by the new accounting standards.

The initial reporting value of a financial asset or liability should normally be based on its fair value, i.e. the amount for which an asset could be exchanged or a liability cancelled in a normal transaction between aware and independent parties, plus or less any costs or income directly related to the transaction, which are thus capitalised and carried to the income statement over the term of the transaction on the basis of the effective rate of return (the so-called "amortised cost").

Whenever the price paid as part of a transaction is not aligned to market value, at the time the differential between the two values is initially recorded, said price should be allocated to the income statement.

As regards "complex" financial instruments (i.e. those comprising a primary contract and an embedded derivative) IAS/IFRS require that an embedded derivative be recognised separately from its host contract, whenever a contract taken in its entirety is not marked-to-market or whenever the economic features and risks of the implicit derivative contract are not closely related to those of the primary contract.

Financial instruments must be classified when first recorded in the balance sheet. The way in which they are classified may only be changed afterwards in limited circumstances. IAS 39 requires financial assets to be classified in one of four categories: assets and liabilities measured at fair value through profit or loss (substantially, assets and liabilities held for trading and assets that – regardless of the purpose for which they are held – the entity decides to measure at fair value), available-for-sale financial assets, held-to-maturity investments, and loans and receivables. The way in which financial instruments are classified is also important when it comes to defining the measurement principle to be adopted, since the first two categories must be measured at fair value, while the other two are measured at cost or amortised cost.

The values emerging from the measurement of assets and liabilities recognised at fair value through profit or loss must be allocated to the income statement, while those relating to available-for-sale financial assets are allocated to an equity reserve until the assets in question are sold.

In the case of financial instruments that are not financial assets or liabilities measured at fair value through profit or loss, IAS/IFRS require the entity to check systematically that there is no data suggesting that a given asset's balance-sheet value may not be recovered in full. Such checks should be carried out analytically for individual assets or collectively in the case of groups of assets that are comparable with one another in terms of risk. Any fair value adjustments must also take into account the time needed to collect the amounts deemed recoverable.

The accounting treatment of derivative contracts used to hedge financial risks and the assets and liabilities covered by them may also be traced back to the issue of the criteria needing to be adopted when measuring financial instruments. International standards refer to three different categories of hedges: a fair value hedge in respect of a financial asset or liability, which involves changes in fair value of both the hedged item and the hedging instrument (derivative) being recognised in profit or loss; a cash flow hedge in respect of exposure to variability in cash flows that is attributable to a particular risk; and the hedge of an investment in a foreign operation expressed in currency, which involves changes in fair value of only the hedging instrument (derivative) being recorded in an equity reserve (while the hedged asset or liability continues to be carried at cost or amortised cost). This criterion stems from the need to measure all derivatives (including hedging instruments) at fair value. Under Italian accounting standards, on the other hand, hedges normally used to be measured at cost, in keeping with the principle followed for hedged items.

Classification of insurance products

International standards only allow a product to be classified as an "insurance product" when a "significant insurance risk" (or rather, a risk other than a "financial risk") is transferred from the Contracting Party to the Insurer. By financial risk, we mean the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, providing that – in the case of non-financial variables – such variables are not specific to one of the parties of the underlying contract.

An "insurance risk" is significant if, and only if, an insured event is able to force the insurer to pay significant additional damages, excluding scenarios without "commercial substance". Significant additional damages refer to amounts that exceed those that would be payable in the event of the insured event not taking place. These additional amounts include the expenses incurred in handling the loss and quantifying the loss itself.

As a result, all insurance products with "insignificant" insurance risk are classified as investment or financial contracts, with a distinction being made between contracts "with discretionary profit-sharing" and other investment contracts. The former retain accounting rules until applied, while contracts without discretionary profit-sharing are recognised in the accounts as deposits by recording a financial liability on the liabilities side of the balance sheet.

In the case of all financial contracts whose investment risk is supported by the insured parties (policyholders), the reporting value and subsequent measurement of the investment contract is based on the fair value of the investment carried on the assets side of the balance sheet, to which the present value of the guarantees foreseen by the contract and not included in the value of assets is added.

Shareholdings

Under international standards, only investments in subsidiaries, associates or joint ventures may be classified as "shareholdings". All other equity securities should be classified as either assets measured at fair value through profit or loss or available-for-sale financial assets.

Tangible and intangible assets

International accounting standards allow tangible and intangible assets to be measured at fair value as an alternative to purchase cost (with any change in value carried to an equity reserve), with the exception of property investments, for which any fair value variations are to be carried in profit or loss), while also allowing the periodic amortisation of intangible assets with an indefinite useful life (such as goodwill) to be replaced with the so-called "impairment test", i.e. a test that verifies that a given asset has not lost value. According to IAS/IFRS, tangible assets carried at cost should be depreciated in keeping with their useful life, while any components of an asset with a different useful life should be depreciated separately.

International accounting standards do not allow research, advertising, training and restructuring costs or the cost of trademarks and rights produced in-house to be capitalised.

Share based payments

As regards "share-based payments" (which concern specifically stock options allotted to employers and collaborators), international standards require the options allocated to be measured at fair value and the amount thus ascertained to be carried to the income statement and distributed over the so-called "vesting period", with a balancing entry carried as part of the entity's equity.

Benefits paid to employees after the termination of employment contracts

International standards break pension funds (and, in general, all benefits paid to employees after the termination of employment contracts) into two categories: defined contribution plans, in respect of which only the contributions payable by the entity are to be recognised, and defined benefit plans, the allocation in respect of which is to be measured by calculating, by actuarial procedures, the amount that will be payable upon termination of an employer-employee relationship.

The first-time adoption of IAS/IFRS by Mediolanum S.p.A.

The first-time adoption of IAS/IFRS is governed by the accounting standard known as "IFRS 1", which requires enterprises to:

- prepare an opening balance sheet as at the transition date, which is to be drawn up pursuant to the criteria foreseen by IAS/IFRS;
- apply the accounting standards foreseen by IAS/IFRS when preparing their financial statements, which are to be drawn up in accordance with the new standards and in all periods of comparison (with the exclusion of a number of compulsory exceptions and exemptions, which are optional, as expressly foreseen by IFRS 1);
- to provide information regarding the effects of the transition to the aforementioned international standards.

The new standards must be applied from January 1, 2004, while at least a comparative set of financial statements is to be produced for financial year 2004, drawn up according to the same IAS/IFRS in force from January 1, 2005.

Application of the accounting standards IAS 32 and IAS 39 (financial instruments) and IFRS 4 (insurance contracts), approved by the IASB and ratified by the European Commission only during the course of 2004, has not become compulsory from January 1, 2004. Those entities availing themselves of this option must proceed with conversion by referring to the accounting balances produced by adopting these standards as at January 1, 2005, meaning that the year 2004 balance-sheet values may not be comparable.

The opening balance sheet as at January 1, 2004, and as at January 1, 2005 with reference to financial instruments and insurance contracts, must be presented in conformity to IAS/IFRS, by taking the following steps:

- those assets and liabilities recognised in accordance with Italian accounting standards that do not however fulfil the conditions for being reported under IAS/IFRS requirements should be annulled, while other assets and liabilities recorded in the balance sheet should be reclassified in keeping with the new requirements;
- assets and liabilities that did not need to be recorded under Italian accounting standards should now be recorded, as defined by international standards;
- all assets and liabilities are to be subjected to the valuation criteria foreseen by IAS/IFRS.

The effects of adjustments made to accounting balances arising from this new reporting scheme should be recognised directly under equity as at the date on which the new standards are adopted for the first time.

The first-time adoption of the new accounting standards has meant that a number of decisions have had to be made with regard to the new classifications established for financial instruments, the adoption of certain optional valuation criteria and the possible application of certain (optional) exemptions) when adopting the new standards retroactively, as foreseen by IFRS 1.

The Group has availed itself of the following options:

- <u>business combinations</u>: this exemption concerns the ability not to apply IAS/IFRS requirements retroactively to business combinations that took place prior to the date of transition to IFRS. As a result, existing goodwill may not be redetermined pursuant to the provisions of international standards;
- <u>employee benefits</u>: IAS 19 allows entities to adopt the so-called "corridor method" and therefore not recognise a portion of actuarial gains and losses, when the variation compared with the previous year is less than 10%. In this regard, the Group has chosen not to adopt the corridor method;
- <u>share-based payments</u>: entities have the ability not to apply IFRS 2 to share-based payments granted before November 7, 2002 and to share-based payments granted after November 7, 2002 that vested before the later of the date of transition to IFRS and January 1, 2005. The Mediolanum Group chose to adopt this approach for stock option plans

fulfilling exemption conditions. The standard has therefore been adopted since January 1, 2004 for stock option plans allotted after November 7, 2002.

Furthermore, the Mediolanum Group has chosen to avail itself of the ability foreseen under IFRS 1 to apply IAS 32 and IAS 39 (with regard to financial instruments) and IFRS 4 (with regard to insurance contracts) with effect from January 1, 2005. The figures for financial year 2004 and as at June 30, 2004 are not therefore comparable as regards the measurement of financial instruments and the reporting of insurance contracts.

However, in order to produce a comparison with figures that are as consistent as possible, measures were taken to estimate – based on the data available – the effects that would have been seen as at January 1, 2004 and in financial year 2004, had IAS 39 and IFRS 4 been adopted from January 1, 2004 onwards.

Financial instruments (made up of investment contracts, securities, receivables, payables, derivatives and shareholdings) have been reclassified and allocated to the new categories foreseen under IAS/IFRS, by virtue of a requirement set out in IFRS 1. This requirement allows the categories to be used during the transition to IAS/IFRS, as a departure from the general rule requiring these items to be entered upon acquisition of a financial instrument.

Investment contracts, where the risk of investment is supported by policyholders, have been recorded under the item “Liabilities measured at fair value through profit or loss” at fair value, which is equal to the value of the investments stood in respect of said contracts and included under the item “Assets measured at fair value through profit or loss”.

Securities have been classified in accordance with the new categories, and the framework resolutions of Group companies regarding the management of investment securities (now known as “Held-to-maturity securities”) have been reviewed, said review process leading to a reduction in the portfolio and the transfer of said securities to the item “Available-for-sale financial assets”.

Amounts receivable from banks and customers as a result of credit activities (including repurchase transactions) have been reported under the item “Loans and receivables”, while funding from customers and banks has been reported under the item “Other financial liabilities”.

Derivatives entered into for trading purposes are recognised as assets/liabilities measured at fair value and carried as a profit or loss, where reporting a positive or negative amount respectively.

Shareholdings have remained as such when held in subsidiaries, associates or joint ventures. All other interests have been recognised as “Available-for-sale financial assets”.

For the purpose of redefining its consolidation structure following the introduction of the new standards and their respective interpretations, the Group has identified those investments needing to be consolidated by the line-by-line method. These are enterprises that were previously excluded since they did not engage in insurance activities.

The Group has chosen not to measure property, plant and machinery at fair value, deciding instead to continue to report such assets at purchase less accumulated depreciation and impairment. The Group has, however, removed the portion attributable to land from the value of buildings and eliminated the depreciation fund pertaining to land.

RECONCILIATION SCHEDULES AND CONSOLIDATED EXPLANATORY NOTES

Schedules for the reconciliation of equity and net income have been prepared pursuant to the provisions of IFRS 1. These schedules, having been drawn up for the purposes of transition to international accounting standards, should not be regarded as a replacement for the more detailed information that will be provided when the first complete set of consolidated financial statements are produced in conformity to IAS/IFRS requirements.

The values reported in the reconciliation schedules could be subject to changes rendered necessary in the event of a new international accounting standard being introduced, one of those already in force being amended, or any interpretation of said standards being introduced or amended, possibly with retroactive effects, prior to the publication of the Group’s 2005 consolidated financial statements. The fiscal effect of the first-time adoption of the new standards could be redetermined in the event that changes are made to current legislation. Furthermore, these figures could undergo changes (although they would be of negligible amount) due to companies consolidated by the equity method being completely aligned to IAS/IFRS at a later stage.

In consideration of the ability, foreseen by IFRS 1, to apply IAS 32 and IAS 39 (with regard to financial instruments) and IFRS 4 (with regard to insurance contracts) from January 1, 2005, in order to allow figures to be compared on a consistent basis, measures were also taken to estimate – based on the data available – the effects of the transition to IAS/IFRS (with regard to financial instruments and insurance contracts) as at January 1, 2004, as at June 30, 2004 and for full year 2004.

The reconciliation of equity as at January 1, 2004, December 31, 2004 (with the exclusion of IAS 39) and January 1, 2005, as well as the reconciliation (with the exclusion of IAS 39) of net income as at December 31, 2004 were audited by the independent auditors.

Reconciliation between equity determined pursuant to Legislative Lecree No. 173/97 and equity determined pursuant to IAS/IFRS

Excluding IAS 39 and IFRS 4

Euro thousands	**31.12.2004**	**01.01.2004**
Equity pursuant to Legislative Decree No. 173/97	623,945	562,438
Reserves		
Reversal of goodwill amortisation	20,980	0
Adjustment of land depreciation	(1,452)	(3,066)
Non-capitalisable intangible assets	(2,425)	(4,043)
Adjustment to measurement of provisions for risks and charges	3,282	7,948
Actuarial measurement of employee termination indemnity	(411)	(325)
Other effects	233	0
Asset valuation reserves		
Other effects	(42)	0
Fiscal effect	(316)	(977)
Total effects of first-time adoption of IAS/IFRS	19,849	(463)
Equity pursuant to IAS/IFRS	643,794	561,975

Including IAS 39 and IFRS 4

Euro thousands	**01.01.2005**	**01.01.2004**
Equity pursuant to Legislative Decree No. 173/97	623,945	562,438
Reserves		
Measurement of trading securities and derivatives at fair value	1,413	1,428
Collective measurement of performing receivables	(1,548)	(2,266)
Analytical measurement of receivables	(79)	(1,800)
Deferment of net fees generated from investment contracts (IFRS 4)	(22,193)	(28,331)
Reversal of goodwill amortisation	20,980	0
Reversal of land depreciation	(1,452)	(3,066)
Non-capitalisable intangible assets	(2,425)	(4,043)
Adjustment to measurement of provisions for risks and charges	3,282	7,948
Actuarial measurement of employee termination indemnity	(411)	(325)
Other effects	(2,028)	(2,347)
Asset valuation reserves		
Available-for-sale financial assets		
Measurement of equity securities at fair value	34,071	(23,260)
Measurement of debt securities at fair value	10,769	(12,996)
Measurement of shadow accounting reserve	(8,858)	0
Other effects	(42)	0
Fiscal effect	6,870	14,264
Total effects of first-time adoption of IAS/IFRS	38,349	(54,794)
Equity pursuant to IAS/IFRS	662,294	507,644

The item “Reserves” includes adjustments that, in the years following first-time adoption, are not carried to the income statement, since they would have already had an impact on the income statement had IAS/IFRS been previously adopted.

The item “Asset valuation reserves” instead includes adjustments for which the amounts will vary over time (due to the recognition of the effects of measuring assets and liabilities carried in the balance sheet) and that will only be reported in the income statement when they are actually sold.

The entries added to, and deducted from, equity during the first-time adoption of IAS/IFRS caused equity as at January 1, 2005 to increase from 623.9 million euro to 662.3 million euro (+38.4 million euro), following gross increases totalling 31.5 million euro and after deducting a positive fiscal effect of 6.9 million euro. As a result, equity has incorporated the item “Own shares” (shown separately and reporting a negative balance of 2 million euro), the item “Reserve for the first-time adoption of IAS/IFRS” (shown separately and reporting a positive balance of 5.2 million euro) and “Asset valuation reserves” totalling 35.2 million euro, both reported without the fiscal effect.

RECONCILIATION BETWEEN NET INCOME DETERMINED PURSUANT TO LEGISLATIVE DECREE NO. 173/97 AND NET INCOME DETERMINED PURSUANT TO IAS/IFRS

The reconciliation of net income presents the impact that the adoption of the new accounting standards would have had on net income as at December 31, 2004.

Euro thousands	Excluding IAS-IFRS 4 31.12.2004	Including IAS-IFRS 4 31.12.2004
Net result pursuant to Legislative Decree No. 173/97	141,286	141,286
Premiums	0	(94,717)
Other technical insurance charges	0	154,301
Net fees	(1,358)	19,708
Net interest	(614)	(68,392)
Gains/losses on assets measured at fair value	0	(6,302)
Interest receivable and other income	64	64
Net adjustments due to impairment	1,365	3,196
Amortisation of positive consolidation differences	20,980	20,980
Depreciation of tangible assets and amortisation of intangible assets	1,961	1,964
Personnel costs	(915)	(915)
Other administrative expenses	(506)	(417)
Net allocations to provisions for risks and charges	(4,037)	(4,037)
Taxes	829	(2,602)
Net result pursuant to IAS/IFRS	159,055	164,117

Financial assets measured at fair value through profit or loss

Measurement of trading equities and derivatives at fair value

Trading equities and derivatives should be measured at fair value. Unlike what happened in the past, the application of this measurement criterion leads to the recognition of gains.

Measures were thus taken to determine the value of securities and derivatives in place as at the reporting date by applying the fair value determined according to IAS/IFRS requirements.

(This had a positive effect on equity as at January 1, 2005 of 1.4 million euro, including fiscal effect.)

Receivables and loans

Analytical measurement of doubtful debts

Under IAS/IFRS, financial assets recorded at amortised cost are to be measured on the basis of the present value of expected cash flows. Doubtful debts – in other words, receivables that, according to the evidence present, may not be collected for the full amount – should be measured analytically by considering (among other things) the time required to recover the amounts receivable. Unlike what happened up until the 2004 financial statements, this leads to the present value of what is expected to be recovered being determined.

In the case of non-performing receivables, the present values of amounts to be recovered are discounted to take into account the time for debts to be discharged by using the original rates applied to individual positions. The amounts to be recovered have been spread over time on the basis of the average length of time taken in the past to recover amounts receivable.

In the case of bad debts, the present values of amounts to be recovered have not been discounted, since their settlement schedules do not go beyond 18 months.

Global valuation of performing receivables

Receivables not reporting any anomalies should be valued "globally" by being divided into classes of risk, with reductions in value based on previous loan-loss experience being determined for every class.

Provisions allocated for receivables have been determined by identifying the best possible synergies (wherever thus permitted by the various laws), with the approach foreseen for supervisory purposes by the requirements of the new Capital Accord, known as "Basel II". Specifically, the parameters of the calculation model foreseen by the new supervisory requirements, represented by "PD" (Probability of Default) and "LGD" (Loss Given Default), have been used, where already available, partly for balance-sheet valuation purposes.

The relationship between these two parameters formed the starting point for the segmentation of receivables, since they summarise the significant factors considered by IAS/IFRS for the determination of comparable categories and the calculation of provisions. It is felt that a time-horizon of one year, used to assess the probability of default, may be used to approximate the notion of incurred loss, i.e. of loss based on current events but not yet acquired by the entity in the assessment of a particular client's degree of risk, foreseen by international standards.
(This had a negative effect on equity as at January 1, 2005 of 1.5 million euro, including fiscal effect.)

OTHER EFFECTS ARISING FROM THE ASSESSMENT OF RECEIVABLES

Other effects arising from the assessment of receivables are represented by the application of amortised cost and the writing down of arrears interest. According to international standards, revenues may only be recognised when it is likely that their economic benefits will be received by the entity. Arrears interest is therefore recognised by the cash flow method.
(This had a negative effect on equity as at January 1, 2005 of 0.3 million euro, including fiscal effect.)

TANGIBLE ASSETS AND INTANGIBLE ASSETS

ADJUSTMENT OF THE DEPRECIATION OF LAND AND BUILDINGS

International standards require tangible assets to be depreciated and intangible assets to be amortised as a function of the useful life of same assets or of the individual components forming them whenever they have different useful lives. In the case of property assets, this approach requires the entity to remove from the carrying value of buildings the component attributable to the land on which they are built – based on the assumption that the land in question is not subject to deterioration – with any depreciation charges previously computed that may be traced back to the latter value being consequently reversed.
Measures have therefore been taken to compute the values of buildings and the portion attributable to the land on which they are built separately in the case of property developments where both land and structures are owned, with the portion of the depreciation fund previously allocated in respect of the land element consequently reversed.
In order to determine the value to be attributed to land, the necessary surveys have been carried out on the properties concerned. Comparing the book value of land, including depreciation, with its survey value highlighted the need to write down book value in order to bring it into line with the latter value.

Furthermore, in the case of real estate investments, depreciation has been determined by considering their useful life and their expected residual value. Under Italian accounting standards, such investments were not depreciated.
(This had an overall negative effect on equity as at January 1, 2005 of 2 million euro, including fiscal effect.)

NON-CAPITALISABLE INTANGIBLE ASSETS

The new standards only allow intangible assets to be capitalised where they are likely to generate future economic benefits and their cost may be reliably measured.
In keeping with this criterion, non-capitalisable intangible assets (predominantly made up of start-up costs) have been reversed. (This had a negative effect on equity as at January 1, 2005 of 2.4 million euro, including fiscal effect.)

IMPAIRMENT OF GOODWILL

IAS/IFRS do not allow assets with an indefinite useful life (including goodwill) to be amortised. Goodwill must now be measured systematically at least once a year, on the basis of its recoverable value, which is determined by carrying out an impairment test.
(This had a positive effect on equity as at January 1, 2005 of 21.2 million euro, including fiscal effect, due to the reversal of amortisation registered in financial year 2004).

INVESTMENT CONTRACTS (IFRS 4)

DEFERRAL OF FEES GENERATED BY INVESTMENT CONTRACTS AND CHARGES INCURRED IN ACQUIRING THEM

As regards the premium loadings of investment contracts, the fees from investment contracts are deferred over the term of the underlying contract by recording a specific entry on the liabilities side of the balance sheet. Known as the “DIR” (Deferred Income Reserve), it is included in “Other liabilities”. Similarly, the charges incurred in acquiring an investment contract are deferred by recording a specific entry on the assets side of the balance sheet. Known as “DAC” (Deferred Acquisition Costs), this entry is included in “Other assets” (This had a negative effect on equity as at January 1, 2005 of 22.2 million euro, including fiscal effect.)
The DIR is deferred in relation to the costs expected to be incurred over the life of the contract. The same amortisation schedule as that used for the DIR is also applied to DAC.

Provisions, funds and other liabilities

Provisions for future risks and charges and the time-discounting of allocations

International standards allow allocations to be made in the balance sheet only where they relate to current obligations that the entity feels are likely to involve the utilisation of economic resources and where it is able to produce a reliable estimate that takes into account the various elements of probability based on past experiences. The provisions previously allocated are therefore adjusted by applying the rules laid down by international accounting standards. Still on the subject of provisions for risks and charges, IAS/IFRS require – where the present value of money is an important aspect – the amount of the allocation effected to be represented by the present value of the charge that is expected to be incurred in order to discharge the obligation concerned. Allocations have therefore been adjusted in order to take their present value into account. (This had a positive effect on equity as at January 1, 2005 of 3.3 million euro, including fiscal effect.)

Actuarial valuation of employee termination indemnity

Under international standards, defined benefit plans are to be valued on the basis of an actuarial estimate of the amount payable by the entity to an employee upon termination of his employment contract. This employment termination indemnity has been considered similar to a defined benefits obligation and has therefore been redetermined by using actuarial values and no longer as per the Italian legal requirements established in this regard. (This had a negative effect on equity as at January 1, 2005 of 0.4 million euro, including fiscal effect.)

Other effects

The residual effects of the first-time adoption of the new accounting standards are largely attributable to the annulment of own shares, which – pursuant to the provisions of said international standards – have been allocated to equity, which they reduce, given that it is no longer possible to record them as an asset.

Available-for-sale financial assets

IAS/IFRS require those financial instruments classified as “available-for-sale financial assets to be measured at fair value. The effect of this measurement process is to be imputed directly to an equity reserve until the assets in question have been sold.

Measurement of debt securities at fair value

During first-time adoption, a number of debt securities that are not held for trading and whose features are not such for them to be classified as assets held to maturity or as receivables have been included in the item "Available-for-sale financial assets".

The impact of the transition is linked to securities held in an entity's portfolio being measured at fair value, having being previously measured at the lower of purchase cost and market value. (This had a positive effect on equity as at January 1, 2005 of 10.8 million euro, including fiscal effect.)

Measurement of equity securities at fair value

During the first-time adoption of the new standards, those shareholdings regarded as long-term investments that cannot be defined as investments in subsidiaries, associates or joint ventures, have been classified as "Available-for-sale financial assets".

These shareholdings, which were previously measured entirely at cost (except where there were variations caused by permanent losses in value), have been measured at fair value whenever stockmarket prices or up-to-date valuations are available for the investee companies concerned. In other situations, they have continued to be recorded at cost. (This had a positive effect on equity as at January 1, 2005 of 34.1 million euro, including fiscal effect.)

Measurement of shadow accounting reserve

Under IAS/IFRS, policyholder liabilities are to be deferred in the presence of investment gains or losses realised for assets pertaining to traditional life policies subject to revaluation, based on the discretionary portion expected to be distributed to policyholders.

These liabilities are reported in equity where the gains recorded are carried under equity. Where losses are recorded, they are instead reported in the income statement.

For first-time adoption on January 1, 2005, deferred policyholder liabilities, using the valuation reserve for available-for-sale (AFS) securities as their taxable base, reduced equity by 8,858 thousand euro, including the associated fiscal effect. (This had a negative effect on equity as at January 1, 2005 of 8.9 million euro, including fiscal effect.)

Share-based payments

IAS/IFRS, as opposed to Italian accounting standards, require the present value of stock options – represented by the fair value of options as at the date on which they are allocated – to be recognised in the income statement for the period spanning date of allocation and date of maturity, with a balancing entry carried under an equity reserve.

The requirements laid down by IFRS 2 apply to all plans granted after November 7, 2002.

The fair value of the options granted has been determined for these plans, with the amount relating to financial year 2004 being charged to the income statement, without equity undergoing any variation.

Fiscal effect

The impact of the first-time adoption of IAS/IFRS on equity has been calculated without the fiscal effect associated with it, said effect having been determined pursuant to current legal provisions (including Legislative Decree No. 38/2005); specifically:

- IRES (corporation tax) has been calculated at a rate of 33%;
- IRAP (regional business tax) has been calculated at a rate of 4.25% (plus additional regional taxes where foreseen);
- in the case of foreign companies, the prevailing tax laws of the countries in which they are based have been applied.

ASSETS

RECONCILIATION BETWEEN BALANCE SHEET DETERMINED PURSUANT TO LEGISLATIVE DECREE NO. 173/97 AND BALANCE SHEET DETERMINED PURSUANT TO IAS/IFRS: AS AT 01.01.2005

Euro thousands		Balance at 01.01.2005 national accounting standards
1.	**Intangible assets**	
	1.1 Goodwill	156,310
	1.2 Other intangible assets	35,277
	TOTAL INTANGIBLE ASSETS	191,587
2.	**Investments**	
	2.1 Property investments	37,253
	2.2 Investments in subsidiaries, associates and joint ventures	23,215
	2.3 Loans and receivables	1,734,747
	2.4 Investments held to maturity	734,449
	2.5 Available-for-sale financial assets	736,647
	2.6 Financial assets at fair value carried in the income statement	10,982,730
	TOTAL INVESTMENTS	14,249,040
3.	**Cash and cash equivalents**	432,519
4.	**Technical reserves when the risk is carried by policyholders**	108,767
5.	**Receivables**	
	5.1 Due from direct insurance operations	12,642
	5.2 Due from reinsurance operations	0
	5.3 Other receivables	4,510
	TOTAL RECEIVABLES	17,152
6.	**Tangible assets**	
	6.1 Property assets	57,771
	6.2 Other tangible assets	13,804
	TOTAL TANGIBLE ASSETS	71,575
7.	**Other assets**	
	7.1 Deferred acquisition costs	0
	7.2 Current tax assets	36,238
	7.3 Deferred tax assets	23,622
	7.4 Non-current assets or discontinued operations held for sale	414
	7.5 Other assets	238,177
	TOTAL OTHER ASSETS	298,451
TOTAL ASSETS		15,369,091

Impact of the transition to IAS/IFRS (excluding IAS 39/IFRS 4)	Impact of the transition to IAS/IFRS (IAS 39/IFRS 4)	Balance at 01.01.2005 IAS/IFRS (excluding IAS 39/IFRS 4)	Balance at 01.01.2005 IAS/IFRS
20,937	0	177,247	177,247
(2,424)	0	32,853	32,853
18,513	0	210,100	210,100
(3,864)	0	33,389	33,389
275	0	23,490	23,490
254	(1,967)	1,735,001	1,733,034
0	0	734,449	734,449
0	44,885	736,647	781,532
0	1,412	10,982,730	10,984,142
(3,335)	44,330	14,245,704	14,290,034
139	0	432,658	432,658
0	0	108,767	108,767
0	0	12,642	12,642
0	0	0	0
0	0	4,510	4,510
0	0	17,152	17,152
2,411	0	60,182	60,182
2	0	13,806	13,806
2,413	0	73,988	73,988
0	0	0	0
5	0	36,243	36,243
1,668	19,732	25,290	45,021
(42)	0	372	372
(436)	18,191	237,740	255,931
1,194	37,923	299,645	337,567
18,924	82,251	15,388,015	15,470,267

LIABILITIES

Euro thousands	Balance at 01.01.2005 national accounting standards
1. Capital and reserves	
1.1 Pertaining to the Group	
1.1.1 Share capital or equivalent fund	72,567
1.1.2 Other equity instruments	0
1.1.3/4 Capital and profit reserves	410,092
1.1.5 Own shares (-)	0
1.1.6 Reserves for net exchange differences	0
1.1.7 Profit and loss from available-for-sale financial assets	0
1.1.8 Other profits or losses carried directly in equity	0
1.1.9 Profit (loss) for the period pertaining to the Group	141,286
TOTAL CAPITAL AND RESERVES PERTAINING TO THE GROUP	623,945
1.2 Pertaining to minority interests	
1.2.1 Capital and reserves pertaining to minority interests	0
1.2.2 Other profits or losses carried directly in equity	0
1.2.3 Profit (loss) for the period pertaining to minority interests	0
TOTAL CAPITAL AND RESERVES PERTAINING TO MINORITY INTERESTS	0
TOTAL CAPITAL AND RESERVES	623,945
2. Subordinated liabilities	5,494
3. Financial liabilities	
3.1 Financial liabilities at fair value carried in the income statement	18,589
3.2 Other financial liabilities	4,180,014
TOTAL FINANCIAL LIABILITIES	4,198,603
4. Technical reserves	10,258,722
5. Provisions	
5.1 Provisions relating to fiscal issues	907
5.2 Other provisions	34,269
TOTAL PROVISIONS	35,176
6. Payables	
6.1 Due to direct insurance operations	5,984
6.2 Due to reinsurance operations	731
6.3 Other payables	138,597
TOTAL PAYABLES	145,312
7. Other liabilities	
7.1 Current tax liabilities	37,162
7.2 Deferred tax liabilities	7,862
7.3 Current liabilities or discontinued operations held for sale	0
7.4 Other liabilities	56,815
TOTAL OTHER LIABILITIES	101,839
TOTAL LIABILITIES, CAPITAL AND RESERVES	15,369,091

Impact of the transition to IAS/IFRS (excluding IAS 39/IFRS 4)	Impact of the transition to IAS/IFRS (IAS 39/IFRS 4)	Balance at 01.01.2005 IAS/IFRS (excluding IAS 39/IFRS 4)	Balance at 01.01.2005 IAS/IFRS
0	0	72,567	72,567
0	0	0	0
2,080	(19,692)	412,172	392,480
0	(2,045)	0	(2,045)
0	0	0	0
0	40,675	0	40,675
0	(5,497)	0	(5,497)
17,769	5,059	159,055	164,117
19,849	18,500	643,794	662,294
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
19,849	18,500	643,794	662,294
0	0	5,494	5,494
(10,581)	1,153,531	8,008	1,161.539
0	0	4,180,014	4,180,014
(10,581)	1,153,531	4,188,022	5,341,553
10,581	(1,158,216)	10,269,303	9,111,087
0	0	907	907
(2,765)	0	31,504	31,504
(2,765)	0	32,411	32,411
0	0	5,984	5,984
0	0	731	731
2,709	0	141,306	141,306
2,709	0	148,021	148,021
0	145	37,162	37,307
2,244	14,363	10,106	24,470
0	0	0	0
(3,112)	53,928	53,703	107,631
(868)	68,436	100,971	169,408
18,924	82,251	15,388,015	15,470,267

Reconciliation between net income determined pursuant to Legislative Decree No. 173/97 and net income determined pursuant to IAS/IFRS: as at 31.12.2004

Euro thousands		Balance at 31.12.2004 national accounting standards
1.	**Revenues**	
	1.1 Net premiums	
	1.1.1 Premium income, gross	2,396,996
	1.1.2 Outward reinsurance	(7,090)
	Total net premiums	2,389,906
	1.2 Fees receivable	406,320
	1.3 Income from financial instruments at fair value carried in the income statement	466,269
	1.4 Income from investments in subsidiaries, associates and joint ventures	13,911
	1.5 Income from other financial instruments and property investments	
	1.5.1 Interest receivable	113,145
	1.5.2 Other income from investments	37,448
	1.5.3 Realised gains	8,653
	1.5.4 Unrealised gains	6,806
	Total income from other financial instruments and property investments	166,052
	1.6 Other income	27,731
Total income		3,470,189
2.	**Costs**	
	2.1 Net claims incurred	
	2.1.1 Claims paid and changes in technical reserves	(2,696,688)
	2.1.2 Reinsurance's share	9,072
	Total net claims incurred	(2,687,616)
	2.2 Fees payable	(25,713)
	2.3 Charges on other investments in subsidiaries, associates and joint ventures	
	2.4 Charges on other financial instruments and property investments	
	2.4.1 Interest payable	(63,571)
	2.4.2 Other expenses from investments	(1,145)
	2.4.3 Realised losses	(809)
	2.4.4 Impairment	(13,248)
	Total charges from other financial instruments and property investments	(78,773)
	2.5 Management expenses	
	2.5.1 Commissions and other acquisition costs incurred on insurance contracts	(206,220)
	2.5.2 Investments management expenses	(194,927)
	2.5.3 Other administrative expenses	(8,522)
	Total operating expenses	(409,669)
	2.6 Other costs	(78,153)
Total costs		(3,279,924)
	Profit (loss) for the period before taxes	190,265
3.	**Current taxes**	(45,267)
4.	**Deferred taxes**	(3,712)
5.	**Profit (loss) from discontinued operations**	
	Minority interest	
	Profit (loss) for the period pertaining to the Group	141,286

Impact of the transition to IAS/IFRS (excluding IAS 39/IFRS 4)	Impact of the transition to IAS/IFRS (IAS 39/IFRS 4)	Balance at 31.12.2004 IAS/IFRS (excluding IAS 39/IFRS 4)	Balance at 31.12.2004 IAS/IFRS
0	(94,717)	2,396,996	2,302,279
0	0	(7,090)	(7,090)
0	(94,717)	2,389,906	2,295,189
0	18,440	406,320	424,760
(614)	(74,080)	465,655	391,575
0	0	13,911	13,911
0	0	113,145	113,145
0	0	37,448	37,448
1,262	0	9,915	9,915
0	1,977	6,806	8,783
1,262	1,977	167,314	169,291
64	0	27,795	27,795
712	(148,380)	3,470,901	3,322,521
0	154,301	(2,696,688)	(2,542,387)
0	0	9,072	9,072
0	154,301	(2,687,616)	(2,533,315)
(1,358)	2,626	(27,071)	(24,445)
0	0	(63,571)	(63,571)
0	0	(1,145)	(1,145)
0	0	(809)	(809)
103	(149)	(13,145)	(13,294)
103	(149)	(78,670)	(78,819)
0	0	(206,220)	(206,220)
(915)	0	(195,842)	(195,842)
0	0	(8,522)	(8,522)
(915)	0	(410,584)	(410,584)
18,398	92	(59,755)	(59,663)
16,228	156,870	(3,263,696)	(3,106,826)
16,940	8,490	207,205	215,695
0	0	(45,267)	(45,267)
829	(3,431)	(2,883)	(6,314)
17,769	5,059	159,055	164,117

Reconciliations of the parent company

Reconciliation between equity determined pursuant to Legislative Lecree No. 127/91 and equity determined pursuant to IAS/IFRS

Excluding IAS 39 and IFRS 4

Euro thousands	31.12.2004	01.01.2004
Equity determined pursuant to Legislative Decree No. 127/91	469,956	423,179
Reserves		
Reversal of dividends for accrual accounting purposes	(124,041)	(113,286)
Actuarial measurement of employee termination indemnity	(131)	(164)
Fiscal effect	1,063	1,043
Total effects of first-time adoption of IAS/IFRS	(123,109)	(112,407)
EQUITY PURSUANT TO IAS/IFRS	346,847	310,772

Including IAS 39 and IFRS 4

Euro thousands	01.01.2005	01.01.2004
Equity determined pursuant to Legislative Decree No. 127/91	469,956	423,179
Reserves		
Reversal of dividends for accrual accounting purposes	(124,041)	(113,286)
Actuarial measurement of employee termination indemnity	(131)	(164)
Valuation reserves		
Available-for-sale financial assets		
Measurement of equity securities at fair value	33,964	(26,217)
Other effects	(1,998)	(2,092)
Fiscal effect	1,016	1,043
Total effects of first-time adoption of IAS/IFRS	(91,190)	(140,716)
EQUITY PURSUANT TO IAS/IFRS	378,766	282,463

Reconciliation between net income determined pursuant to Legislative Decree No. 127/91 and net income determined pursuant to IAS/IFRS

Euro thousands	Excluding IAS 39/IFRS 4 31.12.2004	Including IAS39/IFRS 4 31.12.2004
Net result pursuant to Legislative Decree No. 127/91	126,558	126,558
Dividends	(10,755)	(10,755)
Personnel costs	(120)	(120)
Other administrative expenses	(465)	(465)
Other revenues	47	47
Taxes	20	20
NET RESULT PURSUANT TO IAS/IFRS	115,285	115,285

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INDEPENDENT AUDITOR'S REPORT ON THE STATEMENTS OF RECONCILIATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") WITH THE DESCRIPTION OF THE EFFECTS OF THE TRANSITION TO IFRS

(Translation from the original Italian text)

To the Board of Directors of
Mediolanum S.p.A.

1. We have audited the accompanying consolidated statements denominated "Reconciliation of balance sheet as per Legislative Decree 173/97 to IAS/IFRS balance sheet" as of January 1, 2004 and January 1, 2005, "Reconciliation of net income as per Legislative Decree 173/97 to IAS/IFRS net income" for the year ended December 31, 2004, "Reconciliation of Shareholders' equity as per Legislative Decree 173/97 to IAS/IFRS Shareholders' equity" as of January 1, 2004, December 31, 2004 and January 1, 2005 (hereinafter, the "IFRS Reconciliation Statements") of Mediolanum S.p.A. and the related explanatory notes, as presented in the sections denominated "IAS/IFRS first time adoption" and "Consolidated statements as at June 30, 2005" to the Consolidated Report as at June 30, 2005. These IFRS Reconciliation Statements are based on the consolidated financial statements of Mediolanum S.p.A. as of December 31, 2004, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated April 8, 2005. The IFRS Reconciliation Statements have been prepared as part of the Group's conversion to International Financial Reporting Standards (IFRS) as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in Italy. In accordance with such standards, we planned and performed the audit to obtain the information necessary in order to determine whether the IFRS Reconciliation Statements are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the IFRS Reconciliation Statements identified in paragraph 1. above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in article 81 of CONSOB Regulation as approved in its resolution No. 11971 of May 14, 1999 and subsequent modifications.

4. We draw your attention to the fact that, as described in the explanatory notes, the data presented in the IFRS Reconciliation Statements will be utilized for inclusion as comparative information in the first complete set of consolidated financial statements as of December 31, 2005; such data may require adjustments since new IFRS standards or IFRIC interpretations, for which earlier adoption could be allowed, may be effective before the publication of the 2005 consolidated financial statements.

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Moreover, as described in the explanatory notes, since the IFRS Reconciliation Statements have been prepared as part of the Group's conversion to IFRS in connection with preparation of its first complete set of consolidated financial statements in accordance with IFRS as adopted by the European Commission, they do not include certain tables, comparative data and explanatory notes which would be required for a complete presentation of the financial position and results of operations of Mediolanum S.p.A. in conformity with IFRS.

Milan, October 10, 2005

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

MEDIOLANUM GROUP

REPORT ON OPERATIONS FOR THE FIRST HALF OF 2005

Report on operations for the first half of 2005

Macroeconomic scenario in the first half of 2005

During the first half of the year currently underway, the global economy as a whole improved considerably from a macroeconomic perspective, with the growth rates of local economies (as both geographical areas and single countries) varying significantly. The United States of America and the emerging markets reported sustained growth rates, while the economies of Continental Europe and Japan experienced constant setbacks from a development perspective.

In the first and second quarter, GDP in the USA increased by 3.8% and 3.4% respectively, bolstered by the solid growth of private spending and by increased corporate investments, particularly in technological infrastructure and plant, while spending on non-residential was less striking. Investment in construction continued along the buoyant path seen last year – in the opening months of 2005. The size of the current deficit widened considerably to reach new record levels, while the trade deficit (in the second quarter in particular) showed signs of stabilising, thanks to the positive contribution lent by net exports.

Employment growth continued through the first few months of the current year, albeit at a contained pace, while the jobless rate decreased further. Wages growth would not seem to pose the threat of a rise in inflation, though. Indeed, the pressure of inflation has been under control so far, although a rise in commodity prices (specifically fuels), with oil surging from US$ 40 a barrel at the start of the year to around US$ 60 by the end of June, may threaten to force prices to shoot up.

In Asia, despite the credit restrictions introduced by the monetary authorities in an attempt to rein in uncontrolled development, GDP has continued to grow in China, while economic development is steaming ahead in those countries most dependent on exports to the USA. A revival in the Japanese economy, after a decade of stagnation, is however proving slow to materialise, although the release of the most recent macroeconomic figures, which were encouraging, has helped restore hopes of growth.

Influenced by structural rigidity and with the average exchange rate registered by the euro against other major currencies not helping to stimulate growth in exports, Europe again saw its economy stutter along, with economic growth rates remaining extremely contained, except for in the United Kingdom, where the economy seems better synchronised in relation to the US economy.

In June, however, the economies of Germany, France and Spain were all revived, with a confidence booster and a noticeable pick-up in manufactured goods exports, providing new hope that the slowdown previously experienced is now in the past and that improvements in the global economy will also be extended to Europe during the second half of the year.
Penalised by the aggressive competitive policies of Asian manufacturers looking to boost their commercial penetration (above all in those sectors most closely associated with the production of goods for which the “Made in Italy” segment is most renowned), the Italian economy failed to benefit from the positive vibe produced by the pick-up in exports and is for now relying solely on domestic spending trends, which are still uncertain.

Collectively, the financial markets performed extremely well during the first half of 2005, in terms of both global share indices (those in the USA excepted) and bond indices.
During the first half of the year, international share prices performed as follows: Standard & Poor’s 500 -1.70%, Nikkei 225 + 0.83%, DJ Eurostoxx 500 + 9.43% and Standard & Poor’s MIB + 4.66%.
Europe’s equity markets underwent a sharp rise, bolstered by the monetary policy of the ECB, which decided to leave official rates unchanged, and spurred on by the more than satisfactory profit figures posted by listed companies. The bourses of the emerging markets and Asia generally put in an impressive performance, the only exception being the Tokyo Stock Exchange, which only increased moderately, due to the delays in economic development.
After enjoying a sharp rise in 2004, the USA’s share indices instead entered a phase of consolidation. This was mainly due to the restrictive stance adopted by the Federal Reserve, which intervened on several occasions during the first half of 2005, raising the Fed funds rate from 2.25% to 3.25% to curb in advance any imbalances arising from sustained economic growth and consequent inflationary pressure.

On the currency front, the Eurozone’s disappointing economic expansion and the rejection of the European Constitution by the French and the Dutch both contributed to the sharp tumble taken by the euro relative to other major currencies, with the euro/US dollar exchange rate sinking from 1.36 at the start of the year to 1.21 by the end of June.

In Europe, the confidence index for businesses and households improved slightly, although negative data was still recorded in some instances. At the end of June, Italy's inflation rate stood at 2.3%, compared with the Eurozone's 2.0%.
The private-sector investments of Italian households totalled 2,600 billion euro, representing an annual rise of 5.5%. The principal trends seen point towards a rise in bank deposits (reporting an increase of 6.6% on the level reported a year earlier) and bank bonds (+12.4%), and an increase in funds invested in life insurance (+13.7%). Downturns were instead recorded by post office deposits (-4.4%) and mutual funds (- 3.3%).
At the halfway stage of the year, total bank deposits (i.e. deposits plus bonds) amounted to 1,058 billion. Lending by Italian banks totalled 1,148 billion euro as at the same date.
Figures for securities held on deposit (both those managed as part of asset-management facilities and those owned directly by customers) were up slightly on the end of 2004, increasing to 1,600 billion euro.
At the halfway stage, total loans to Italian households and non-financial companies were up 8.7% on a year earlier, said increase being far higher than the current nominal GDP growth rate seen in Italy and the increase reported by investments. By June, the interest rate paid on the current accounts of households and non-financial companies had dropped to 5.85% by June 2005, while the rate applied to euro-denominated home loans taken out by households was down to 3.61%. By the end of June, a deposit rate of 0.71% was being applied to the euro-denominated accounts of households and non-financial companies.

Turning to the insurance market, the first half of 2005 saw new policies within the life sector increase by 22.6% over the same period of the previous year. The less traditional distribution channels (business agencies, banks and brokers) were mainly responsible for this increase, while financial advisers reported a decrease of 25.9% and the portion attributable to agents remained more or less unchanged.
Standing out among the most placed life products were new releases of traditional products, specifically, revaluable guaranteed-return policies (branche V), which reported a 51.9% increase over the first six months of the pervious year. Except for when they were halted in June, index-linked products grew by 41.2%, while further positive results came from the traditional life sector and classic unit products (+15.2% and +9.7% respectively).

Performance of the Mediolanum Group

During the first half of 2005, the Mediolanum Group achieved an excellent result, closing the period with net earnings of 115,058 thousand euro, representing an increase of 29% on the same period of 2004 (June 30, 2004: 89,065 thousand euro).

The main reasons behind this achievement were the increased output from insurance activities and the growth undergone by assets under management.

Total assets under management as at June 30, 2005 amounted to 27,953 million euro, representing an increase of 12% on the same period of 2004 (24,946 million euro) and an increase of 8.4% on the level reported as at December 31, 2004 (25,791 million euro).

In order to understand the Group's business management aspects more clearly, this report will go on to present the Mediolanum Group's operations and performance in both the Italian market and abroad.

Domestic Market

The first half of 2005 saw particularly focused efforts made on the commercial front to relaunch typical banking activities, which are considered to form the foundations for the development of private investment assets entrusted to us by personal customers.

March saw a new initiative known as "4 Freedoms" get off the ground, the aim being to revive the acquisition of new current accounts from both brand new clients and clients with their assets already invested in the Group's products but not banking with us.

A new current account was engineered and given the name RIFLEX. The principal features of the account, which comprises series of forward-looking services, are as follows: *simplicity, complete transparency and extremely competitive on the cost front*. A new revolving credit card, RIFLEX CARD, was launched alongside this account. This card operates like a debit card, offering secure online payments, repayments by instalment and the ability – a first in Italy – to include a photograph of the client.

The focus on "4 Freedoms" will continue through to early 2007.

At the same time as this initiative was being launched, multi-media advertising campaign also got underway, making use of television, radio and the press, as well as billboards in Italy's principal cities. The commercial network, for its own part, set up a series of meetings around the country, geared to contact potential customers by showing them both the innovative and technical features of the account and the RIFLEX card.

The relevant Head Office departments stepped up measures to oversee the quality of operations, to ensure that clients could be adequately be provided with a outstanding service in all payment and credit areas connected with the current account service.

As early as the second quarter, the first positive signs started to emerge as the Group's customer base expanded, reflecting the soundness of the commercial initiatives underway.
During the period March-June, around 27,000 new current accounts were opened, with new customers acquired during the current year responsible for around 13,000 of these. The rise registered represented an increase of 79% on the figure reported for the same period of the previous year (March-June 2004: 15,000). This same period also saw 12,400 new credit cards issued, with new cardholders accounting for around 10,600. In this case too, a significant increase on the same period of 2004 was reported (March-June 2004: 7,400; +67%).

As at June 30, 2005, there were 363,100 active current accounts, compared with 334,000 a year earlier (+9%), while the number of prime accountholders increased from 782,000 as at June 30, 2004 to 788,000 by the of the six-month period under review.

DEVELOPMENT OF THE SALES NETWORK

As at June 30, 2005, the sales network's headcount totalled 4,835, in line with year-end figures and including 3,980 financial advisers. The difference was made up of insurance business executives (650), credit executives and other collaborators.
As at June 30, 2005, the number of Punto Mediolanum business units increased to 114, with eight new units having opened since the end of the year (106). The total number of offices occupied by financial advisers (including the above Punto Mediolanum units) decreased to 548 (from 567 at the end of the year) as a result of the exercise underway to rationalise their presence around the country.

We shall now go on to look at the performance of the Group's different business areas.

Life Insurance

During the first six months of the year, total inflows amounted to 1,271 million euro, representing an increase of 10.8% on the same period of 2004 (June 30, 2004: 1,147 million euro).

New business generated amounted to 825 million euro, representing an increase of 10.7% over the first half of the previous year (745 million euro).

To be more specific, single premiums increased by 12% over June 30, 2004, growing from 671 million euro to 751 million euro as at June 30, 2005.

Administered life assets at the end of the period totalled 11,310.5 million euro, up 20.7% on the level reported a year earlier (June 30, 2004: 9,370.6 million euro; 31.12.2004: 10,107 million euro, +11.9%).

Net income figures of companies operating in the Life Insurance sector (consolidated on a line-by-line basis)

Euro thousands	30.06.2005	30.06.2004	Variation
Mediolanum Vita S.p.A.	28,711	19,675	9,036
Partner Time S.p.A.	(458)	(144)	(314)
Mediolanum International Life Ltd	1,773	1,807	(34)

Banking

Banca Mediolanum S.p.A. ended the first half of 2005 with a net profit of 59,478 thousand euro, compared with the 61,142 thousand euro posted for the first half of 2004.

The decrease thus recorded should be regarded largely in relation to the charges borne by the bank for the promotional initiatives currently underway.

Customer deposits grew from 3,152 million euro as at December 31, 2004 to 3,376 million euro by the end of the six months under review, thus registering an increase of 7%.

Total assets under administration as at June 30, 2005 increased to 4,528 million euro, from 4,424 million euro at the end of 2004.

The bank's interest margin as at June 30, 2005 amounted 26,078 thousand euro, representing an increase of 17.2% on the 22,242 thousand euro reported as at June 30, 2004). Net income from trading activities amounted to 4,429 thousand euro, compared with 3,286 thousand euro as at June 30, 2004.

Considered collectively, the two income-statement headings referred to above produced a net margin of 30,507 thousand euro, compared with 25,528 thousand euro as at June 30, 2004 (+19.5%).

As at June 30, 2005, the bank registered a fee margin of 55,200 thousand euro, down from 63,601 thousand euro a year earlier, due to a reduction in fees from home mortgages placed on behalf of other banks and changes to the composition of commissions from placed services.

Asset Management

Gross inflows to mutual funds and managed accounts totalled 719.5 million euro, down 14% on the same period of the previous year (June 30, 2004: 841.1 million euro).

Net inflows produced a negative balance of 58.9 million euro (June 30, 2004: +75.8 million euro).

Assets under management as at June 30, 2005 amounted to 12,254.6 million euro, representing an increase of 11.8% on the 10,960.5 million euro reported as at June 30, 2004.

Net income figures of companies operating in the Asset Management sector (consolidated on a line-by-line basis)

Euro thousands	30.06.2005	30.06.2004	Variation
Mediolanum International Funds Ltd.	84,484	66,728	17,756
Mediolanum Gestione Fondi SGR p.A.	3,253	4,146	(893)

The improvement seen in the half-year result of Mediolanum International Funds was thanks to the higher management fees and performance fees generated by an increase in the value of assets under management. The half-year result of Mediolanum Gestione Fondi, on the other hand, underwent a decrease due to increased costs stemming from the start-up of real-estate fund management activities.

Other assets

Other assets include the shareholding in the affiliate bank Banca Esperia S.p.A. (48.5% of share capital), which operates in the private banking segment and heads up a banking group comprising a fund management company (Duemme SGR p.A.) and a hedge fund management company (Duemme Hedge SGR p.A.).

The Banca Esperia Group ended the first six months of the year with a net profit of 4,640 thousand euro, which included the estimate for the impact of IAS, compared with 1,990 thousand euro a year earlier (+133%).

Foreign Markets

Spain

Mediolanum operates in Spain through the Spanish group Fibanc (100% Banca Mediolanum).

The Fibanc Group posted a half-year result of 492 thousand euro, compared with 1,588 thousand euro for the same period of 2004.

At the end of the six-month period under review, the Group's sales network boasted a workforce of 624 (June 30, 2004: 568), which included 427 exclusive "Global Consultants", based on the same financial adviser model as that used by Banca Mediolanum (June 30, 2004: 407 consultants).

Gross inflows for the period reached 177 million euro, representing an increase of 6% on the same period of 2004, while net inflows at the end of fine June 2005 amounted to 38 million euro, up sharply on the 11 million euro reported the previous year.

Total inflows for Mediolanum International Life products in Spain amounted to 41.5 million euro, compared with 45.9 million euro in the six months to June 30, 2004.

Total assets under management as at June 30, 2005 amounted to 2,100 million euro, representing an increase of 7.5% on June 30, 2004 (June 30, 2004: 1,953 million euro).

On the corporate front, we should mention that the restructuring of the Fibanc Group is in the process of being completed. This particular exercise involves incorporating the controlling company Fibanc Inversione SA into the subsidiary company Banco de Finanzas e Inversiones SA. The latter will then take on the role of parent company. This merger operation is expected to be wrapped up during the current year.

Germany

Mediolanum operates in Germany through the bank Bankhaus August Lenz &Co AG (100% Banca Mediolanum) and the Group Gamax Holding AG (99.997% Mediolanum International S.A.), made up of a holding company that owns stakes in two Luxembourg-based fund management companies and two distribution companies operating in Germany and Austria.

Total assets under management in Germany as at June 30, 2005 amounted to 637.7 million euro, down 14% on the 743 million euro recorded as at June 30, 2004.

During the first half, Bankhaus August Lenz continued to firm up its sale networks with a view to boosting the productivity levels of its sales force and at the same time cancel its arrangements with those agents failing to reach the standards of development expected of them.

There were 80 sales executives at the end of the period, compared with 86 a year earlier. However, the productivity of agents working for the organisation grew at a constantly high rate.

The half-year loss of 4,351 thousand euro was an improvement on the 5,139 thousand euro loss posted as at June 30, 2004, said improvement mainly being due to revenues from banking activities, specifically the financial margin and revenues from ATM network operations.

In the first half of 2005, the Gamax Group achieved net earnings of 2,439 thousand euro, which was considerably better than the 780 thousand euro reported a year earlier, thanks mainly to the performance fees it accrued during the six months.

MEDIOLANUM S.p.A.

The parent company Mediolanum S.p.A. closed the first half of the year with a net profit of 122,721 thousand euro, compared with 115,285 thousand euro as at June 30, 2004.

As regarding operating activities, fee income totalled 87,660 thousand euro (June 30, 2004: 86,711 thousand euro), 85,709 thousand euro of which came from the insurance agent activities undertaken by the subsidiary company Mediolanum Vita S.p.A. (compared with 84,693 thousand euro a year earlier).

Costs relating to the latter activity were mainly made up of commissions totalling 77,912 thousand euro paid to the subsidiary Banca Mediolanum S.p.A. (June 30, 2004: 77,278 thousand euro).

Interest charges arising from the utilisation of credit facilities granted by leading banks amounted to 4,447 thousand euro, compared with 4,612 thousand euro for the same period of 2004.

MEDIOLANUM GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2005

Balance sheet

Assets

Statement of accounts as at June 30, 2005 (excluding IAS 39/IFRS 4 for the period under review)

Euro thousands		30.06.2005	31.12.2004
1.	**Intangible assets**		
	1.1 Goodwill	177,247	177,247
	1.2 Other intangible assets	29,737	32,853
	Total intangible assets	206,984	210,100
2.	**Investments**		
	2.1 Property investments	23,378	33,388
	2.2 Investments in subsidiaries, associates and joint ventures	25,739	23,490
	2.3 Loans and receivables	2,982,455	1,735,001
	2.4 Investments held to maturity	733,922	734,449
	2.5 Available-for-sale financial assets	842,012	736,647
	2.6 Financial assets at fair value carried in the income statement	11,995,182	10,982,730
	Total investments	16,602,688	14,245,704
3.	**Cash and cash equivalents**	555,595	432,658
4.	**Technical reserves when the risk is carried by policyholders**	105,860	108,767
5.	**Receivables**		
	5.1 Due from direct insurance operations	15,571	12,642
	5.2 Due from reinsurance operations	46	0
	5.3 Other receivables	5,933	4,510
	Total receivables	21,550	17,152
6.	**Tangible assets**		
	6.1 Property assets	59,505	60,182
	6.2 Other tangible assets	14,690	13,806
	Total tangible assets	74,195	73,988
7.	**Other assets**		
	7.1 Deferred acquisition costs	0	0
	7.2 Current tax assets	18,321	36,243
	7.3 Deferred tax assets	47,425	25,290
	7.4 Non-current assets or discontinued operations held for sale	372	372
	7.5 Other assets	272,753	237,740
	Total other assets	338,871	299,645
TOTAL ASSETS		17,905,743	15,388,015

LIABILITIES

STATEMENT OF ACCOUNTS AS AT JUNE 30, 2005 (EXCLUDING IAS 39/IFRS 4 FOR THE PERIOD UNDER REVIEW)

Euro thousands	30.06.2005	31.12.2004
1. Capital and reserves		
1.1 Pertaining to the Group		
1.1.1 Share capital or equivalent fund	72,688	72,567
1.1.2 Other equity instruments		
1.1.3 Capital reserves	49,682	47,854
1.1.4 Profit reserve and other equity reserves	409,195	364,318
1.1.5 Own shares (-)	(2,045)	0
1.1.6 Reserves for net exchange differences	0	0
1.1.7 Profit (loss) from available-for-sale financial assets	111,228	0
1.1.8 Other profits or losses carried directly in equity	(11,891)	0
1.1.9 Profit (loss) for the period pertaining to the Group	115,058	159,055
TOTAL CAPITAL AND RESERVES PERTAINING TO THE GROUP	743,915	643,794
1.2 Pertaining to minority interests		
1.2.1 Capital and reserves pertaining to minority interests	0	0
1.2.2 Other profits or losses carried directly in equity	0	0
1.2.3 Profit (loss) for the period pertaining to minority interests	0	0
TOTAL CAPITAL AND RESERVES PERTAINING TO MINORITY INTERESTS	0	0
TOTAL CAPITAL AND RESERVES	743,915	643,794
2. Subordinated liabilities	4,982	5,494
3. Financial liabilities		
3.1 Financial liabilities at fair value carried in the income statement	1,610,127	8,008
3.2 Other financial liabilities	4,847,587	4,180,014
TOTAL FINANCIAL LIABILITIES	6,457,714	4,188,022
4. Technical reserves	10,303,114	10,269,303
5. Provisions		
5.1 Provisions relating to fiscal issues	911	907
5.2 Other provisions	33,821	31,504
TOTAL PROVISIONS	34,732	32,411
6. Payables		
6.1 Due to direct insurance operations	6,616	5,984
6.2 Due to reinsurance operations	885	731
6.3 Other payables	128,242	141,305
TOTAL PAYABLES	135,743	148,020
7. Other liabilities		
7.1 Current tax liabilities	33,302	37,162
7.2 Deferred tax liabilities	31,185	10,106
7.3 Current liabilities or discontinued operations held for sale	0	0
7.4 Other liabilities	161,056	53,703
TOTAL OTHER LIABILITIES	225,543	100,971
TOTAL LIABILITIES, CAPITAL AND RESERVES	17,905,743	15,388,015

Income statement

STATEMENT OF ACCOUNTS AS AT JUNE 30, 2005 (EXCLUDING IAS 39/IFRS 4 FOR THE PERIOD UNDER REVIEW)

Euro thousands

1. Revenues
1.1 Net premiums
1.1.1 Premium income, gross
1.1.2 Outward reinsurance
TOTAL NET PREMIUMS
1.2 Fees receivable
1.3 Income from financial instruments at fair value carried in the income statement
1.4 Income from investments in subsidiaries, associates and joint ventures
1.5 Income from other financial instruments and property investments
1.5.1 Interest receivable
1.5.2 Other income from investments
1.5.3 Realised gains
1.5.4 Unrealised gains
TOTAL INCOME FROM OTHER FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS
1.6 Other income
TOTAL INCOME
2. Costs
2.1 Net claims incurred
2.1.1 Claims paid and changes in technical reserves
2.1.2 Reinsurance's share
TOTAL NET CLAIMS INCURRED
2.2 Fees payable
2.3 Charges on other investments in subsidiaries, associates and joint ventures
2.4 Charges on other financial instruments and property investments
2.4.1 Interest payable
2.4.2 Other expenses from investments
2.4.3 Realised losses
2.4.4 Impairment
TOTAL CHARGES FROM OTHER FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS
2.5 Management expenses
2.5.1 Commissions and other acquisition costs incurred on insurance contracts
2.5.2 Investments management expenses
2.5.3 Other administrative expenses
TOTAL OPERATING EXPENSES
2.6 Other costs
TOTAL COSTS
Profit (loss) for the period before taxes
3. Current taxes
4. Deferred taxes
5. Profit (loss) from discontinued operations
Minority interest
Profit (loss) for the period pertaining to the Group

30.06.2005	30.06.2004
1,264,846	1,197,694
(2,860)	(3,160)
1,261,986	1,194,534
252,537	212,376
616,711	315,005
2,652	1,388
61,524	57,513
825	714
13,133	2,812
3,858	4,391
79,340	65,430
15,325	10,599
2,228,551	1,799,332
(1,776,643)	(1,434,303)
3,646	4,099
(1,772,997)	(1,430,204)
(79,984)	(68,149)
(35,935)	(1,277)
(796)	(2,731)
(33)	(56)
(5,535)	(8,063)
(42,299)	(12,125)
(46,913)	(43,974)
(107,454)	(96,823)
(6,337)	(4,645)
(160,704)	(145,442)
(24,615)	(29,712)
(2,080,599)	(1,685,632)
147,952	113,700
(30,898)	(27,285)
(1,996)	(222)
	(190)
115,058	86,003

Balance sheet

ASSETS

STATEMENT OF ACCOUNTS AS AT JUNE 30, 2005 (INCLUDING IAS 39/IFRS 4 FOR THE PERIOD UNDER REVIEW)

Euro thousands		30.06.2005	31.12.2004
1.	**Intangible assets**		
	1.1 Goodwill	177,247	177,247
	1.2 Other intangible assets	29,737	32,853
	TOTAL INTANGIBLE ASSETS	206,984	210,100
2.	**Investments**		
	2.1 Property investments	23,378	33,388
	2.2 Investments in subsidiaries, associates and joint ventures	25,739	23,490
	2.3 Loans and receivables	2,982,455	1,733,034
	2.4 Investments held to maturity	733,922	734,449
	2.5 Available-for-sale financial assets	842,012	781,532
	2.6 Financial assets at fair value carried in the income statement	11,995,182	10,984,142
	TOTAL INVESTMENTS	16,602,688	14,290,034
3.	**Cash and cash equivalents**	555,595	432,658
4.	**Technical reserves when the risk is carried by policyholders**	105,860	108,767
5.	**Receivables**		
	5.1 Due from direct insurance operations	15,571	12,642
	5.2 Due from reinsurance operations	46	0
	5.3 Other receivables	5,933	4,510
	TOTAL RECEIVABLES	21,550	17,152
6.	**Tangible assets**		
	6.1 Property assets	59,505	60,182
	6.2 Other tangible assets	14,690	13,806
	TOTAL TANGIBLE ASSETS	74,195	73,988
7.	**Other assets**		
	7.1 Deferred acquisition costs	0	0
	7.2 Current tax assets	18,321	36,243
	7.3 Deferred tax assets	47,425	45,021
	7.4 Non-current assets or discontinued operations held for sale	372	372
	7.5 Other assets	272,753	255,931
	TOTAL OTHER ASSETS	338,871	337,567
TOTAL ASSETS		17,905,743	15,470,267

LIABILITIES

STATEMENT OF ACCOUNTS AS AT JUNE, 30 2005 (INCLUDING IAS 39/IFRS 4 FOR THE PERIOD UNDER REVIEW)

Euro thousands	30.06.2005	31.12.2004
1. Capital and reserves		
1.1 Pertaining to the Group		
1.1.1 Share capital or equivalent fund	72,688	72,567
1.1.2 Other equity instruments	0	0
1.1.3 Capital reserves	49,682	59,812
1.1.4 Profit reserve and other equity reserves	409,195	332,665
1.1.5 Own shares (-)	(2,045)	(2,045)
1.1.6 Reserves for net exchange differences	0	0
1.1.7 Profit (loss) from available-for-sale financial assets	111,228	40,675
1.1.8 Other profits or losses carried directly in equity	(11,891)	(5,497)
1.1.9 Profit (loss) for the period pertaining to the Group	115,058	164,117
TOTAL CAPITAL AND RESERVES PERTAINING TO THE GROUP	743,915	662,294
1.2 Pertaining to minority interests		
1.2.1 Capital and reserves pertaining to minority interests	0	0
1.2.2 Other profits or losses carried directly in equity	0	0
1.2.3 Profit (loss) for the period pertaining to minority interests	0	0
TOTAL CAPITAL AND RESERVES PERTAINING TO MINORITY INTERESTS	0	0
TOTAL CAPITAL AND RESERVES	743,915	662,294
2. Subordinated liabilities	4,982	5,494
3. Financial liabilities		
3.1 Financial liabilities at fair value carried in the income statement	1,610,127	1,161,538
3.2 Other financial liabilities	4,847,587	4,180,015
TOTAL FINANCIAL LIABILITIES	6,457,714	5,341,553
4. Technical reserves	10,303,114	9,111,087
5. Provisions		
5.1 Provisions relating to fiscal issues	911	907
5.2 Other provisions	33,821	31,504
TOTAL PROVISIONS	34,732	32,411
6. Payables		
6.1 Due to direct insurance operations	6,616	5,984
6.2 Due to reinsurance operations	885	731
6.3 Other payables	128,242	141,305
TOTAL PAYABLES	135,743	148,020
7. Other liabilities	0	0
7.1 Current tax liabilities	33,302	37,307
7.2 Deferred tax liabilities	31,185	24,470
7.3 Current liabilities or discontinued operations held for sale	0	0
7.4 Other liabilities	161,056	107,631
TOTAL OTHER LIABILITIES	225,543	169,408
TOTAL LIABILITIES, CAPITAL AND RESERVES	17,905,743	15,470,267

Income statement

STATEMENT OF ACCOUNTS AS AT JUNE 30, 2005 (INCLUDING IAS 39/ IFRS 4 FOR THE PERIOD UNDER REVIEW)

Euro thousands

1.	**Revenues**
	1.1 Net premiums
	1.1.1 Premium income, gross
	1.1.2 Outward reinsurance
	TOTAL NET PREMIUMS
	1.2 Fees receivable
	1.3 Income from financial instruments at fair value carried in the income statement
	1.4 Income from investments in subsidiaries, associates and joint ventures
	1.5 Income from other financial instruments and property investments
	1.5.1 Interest receivable
	1.5.2 Other income from investments
	1.5.3 Realised gains
	1.5.4 Unrealised gains
	TOTAL INCOME FROM OTHER FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS
	1.6 Other income
TOTAL INCOME	
2.	**Costs**
	2.1 Net claims incurred
	2.1.1 Claims paid and changes in technical reserves
	2.1.2 Reinsurer's share
	TOTAL NET CLAIMS INCURRED
	2.2 Fees payable
	2.3 Charges on other investments in subsidiaries, associates and joint ventures
	2.4 Charges on other financial instruments and property investments
	2.4.1 Interest payable
	2.4.2 Other expenses from investments
	2.4.3 Realised losses
	2.4.4 Impairment
	TOTAL CHARGES FROM OTHER FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS
	2.5 Management expenses
	2.5.1 Commissions and other acquisition costs incurred on insurance contracts
	2.5.2 Investments management expenses
	2.5.3 Other administrative expenses
	TOTAL OPERATING EXPENSES
	2.6 Other costs
TOTAL COSTS	
	Profit (loss) for the period before taxes
3.	**Current taxes**
4.	**Deferred taxes**
5.	**Profit (loss) from discontinued operations**
	Minority interest
	Profit (loss) for the period pertaining to the Group

	30.06.2005	30.06.2004
	1,264,846	1,143,561
	(2,860)	(3,160)
	1,261,986	1,140,401
	252,537	224,231
	616,711	279,257
	2,652	1,388
	61,524	57,513
	825	714
	13,133	2,821
	3,858	5,667
	79,340	66,715
	15,325	10,574
	2,228,551	1,722,566
	(1,776,643)	(1,323,832)
	3,646	4,099
	(1,772,997)	(1,319,733)
	(79,984)	(68,149)
	(35,935)	(29,541)
	(796)	(2,731)
	(33)	(56)
	(5,535)	(8,124)
	(42,299)	(40,452)
	(46,913)	(43,974)
	(107,454)	(96,823)
	(6,337)	(4,648)
	(160,704)	(145,445)
	(24,615)	(29,664)
	(2,080,599)	(1,603,443)
	147,952	119,123
	(30,898)	(27,285)
	(1,996)	(2,583)
	0	(190)
	115,058	89,065

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS AT JUNE 30, 2005

Euro thousands	Share capital	Reserves	FTA Reserves	Valuation reserves	Consolidated profit	Total equity
Consolidated balance as at December 31, 2003	72,567	360,444			129,427	562,438
Transition to IAS/IFRS			(463)			(463)
Allocation of profit for the period:						0
- payment of dividends out of profits					(79,824)	(79,824)
- reserve		49,603			(49,603)	0
Other changes		45				45
Adjustment to valuation reserves as at June 30, 2004						0
Profit (loss) 2004		2,543			159,055	161,598
Consolidated balance as at December 31, 2004	72,567	412,635	(463)		159,055	643,794
Transition to IAS/IFRS		(2,045)	(14,633)	35,178		18,500
Consolidated balance as at January 1, 2005	72,567	410,590	(15,096)	35,178	159,055	662,294
Allocation of profit for the period:						
- payment of dividends out of profits					(101,540)	(101,540)
- reserve		37,203	20,296		(57,515)	(16)
Increase of share capital against payment	121	1,886				2,007
Other changes		278				278
Adjustement to valuation reserves as at June 30, 2005				64,139		64,139
Profit (loss) for the first-half		1,695			115,058	116,753
Consolidated balance as at June 30, 2005 (IAS/IFRS)	72,688	451,652	5,200	99,317	115,058	743,915

CONSOLIDATED CASH FLOW STATEMENT AS AT JUNE 30, 2005

Euro thousands	30.06.2005	30.06.2004 Excluding IAS 39/IFRS 4
A) CASH INFLOW		
Cashflows from operating activities:		
Group profit (loss) for the period	115,058	86,003
Change in technical reserves	1,194,935	918,380
Provision	2,321	4,766
Increase or decrease in receivables payables and other assets and liabilities	(17,831)	11,012
TOTAL CASHFLOWS FROM OPERATING ACTIVITIES	1,294,483	1,020,161
Divestment in tangible and intangible assets	2,909	2,844
Increase in financial liabilities	1,116,160	980,316
Increase own shares	47	0
TOTAL CASH INFLOW	2,413,599	2,003,321
B) CASH OUTFLOW		
Increase in investments	2,256,666	2,029,620
Decrease in subordinated liabilities	512	82
Change in equity	33,484	27,817
TOTAL CASH OUTFLOW	2,290,662	2,057,519
C) CASH FLOW FOR THE PERIOD (A-B)	122,937	(54,198)
D) Cash and cash equivalent (opening balance)	432,658	330,335
E) Cash and cash equivalent (closing balance)	555,595	276,137
F) CHANGE IN CASH AND CASH EQUIVALENT (E-D)	122,937	(54,198)

Reconciliations as at June 30, 2004

Reconciliation between consolidated equity determined pursuant to Legislative Decree No. 173/97 and equity determined pursuant to IAS/IFRS

Euro thousands	**Excluding IAS39-IFRS4 30.06.2004**	**Including IAS39-IFRS4 30.06.2004**
Equity pursuant to Legislative Decree No. 173/97	559,496	559,496
Reserves		
Measurement of trading equities and derivatives at fair value	0	2,254
Collective measurement of performing receivables	0	(2,215)
Analytical measurement of receivables	0	(146)
Deferment of net fees generated from investment contracts (IFRS 4)	0	(25,418)
Reversal of goodwill amortisation	9,918	9,918
Reversal of land depreciation	(2,858)	(2,858)
Non-capitalisable intangible assets	(3,211)	(3,211)
Adjustment to measurement of provisions for risks and charges	8,163	8,163
Actuarial measurement of employee termination indemnity	(306)	(306)
Other effects	0	(2,776)
Asset valuation reserves		
Available-for-sale financial assets		
Measurement of equity securities at fair value	0	(12,038)
Measurement of debt securities at fair value	0	0
Measurement of shadow accounting reserve	0	0
Other effects	0	0
Fiscal effect	(1,324)	11,029
Total effects of first-time adoption of IAS/IFRS	10,382	(17,604)
Equity pursuant to IAS/IFRS	569,878	541,892

Reconciliation between consolidated net income determined pursuant to Legislative Decree No. 173/97 and net income determined pursuant to IAS/IFRS

Euro thousands	Excluding IAS39-IFRS4 30.06.2004	Including IAS39-IFRS4 30.06.2004
Net result pursuant to Legislative Decree No. 173/97	76,838	76,838
Premiums	0	(54,133)
Other technical charges	0	110,471
Net fees	(394)	11,461
Net interest	(285)	(28,551)
Gains/losses on assets measured at fair value	55	(35,684)
Other income	57	32
Net adjustments due to impairment	0	1,215
Amortisation of positive consolidation differences	10,033	10,033
Depreciation of tangible assets and amortisation of intangible assets	945	945
Personnel costs	(258)	(258)
Other administrative expenses	(173)	(127)
Net allocations to provisions for risks and charges	396	396
Taxes	(1,211)	(3,573)
Net result pursuant to IAS/IFRS	86,003	89,065

Assets

Reconciliation between balance sheet determined pursuant to Legislative Decree no. 173/97 and balance sheet determined pursuant to IAS/IFRS as at 01.01.2004

Euro thousands		Balance at 01.01.2004 national accounting standards
1.	**Intangible assets**	
	1.1 Goodwill	140,689
	1.2 Other intangible assets	35,717
	Total intangible assets	176,406
2.	**Investments**	
	2.1 Property investments	46,847
	2.2 Investments in subsidiaries, associates and joint ventures	17
	2.3 Loans and receivables	2,666,755
	2.4 Investments held to maturity	724,285
	2.5 Available-for-sale financial assets	691,365
	2.6 Financial assets at fair value carried in the income statement	8,562,831
	Total investments	12,692,100
3.	**Cash and cash equivalents**	330,335
4.	**Technical reserves when the risk is carried by policyholders**	111,174
5.	**Receivables**	
	5.1 Due from direct insurance operations	26,437
	5.2 Due from reinsurance operations	74
	5.3 Other receivables	5,614
	Total receivables	32.125
6.	**Tangible assets**	
	6.1 Property assets	59,708
	6.2 Other tangible assets	17,887
	Total tangible assets	77.595
7.	**Other assets**	
	7.1 Deferred acquisition costs	0
	7.2 Current tax assets	62,260
	7.3 Deferred tax assets	33,160
	7.4 Non-current assets or discontinued operations held for sale	0
	7.5 Other assets	178,434
	Total other assets	273,854
TOTAL ASSETS		13,693,589

	Impact of the transition to IAS/IFRS (excluding IAS 39/IFRS 4)	Impact of the transition to IAS/IFRS (IAS 39/IFRS 4)	Balance at 01.01.2004 IAS/IFRS (excluding IAS 39/IFRS 4)	Balance at 01.01.2004 IAS/IFRS
	0	0	140,689	140,689
	(4,043)	0	31,674	31,674
	(4,043)	0	172,363	172,363
	(3,066)	0	43,781	43,781
	0	0	17	17
	0	(3,839)	2,666,755	2,662,916
	0	0	724,285	724,285
	0	(38,348)	691,365	653,017
	0	1,426	8,562,831	8,564,257
	(3,066)	(40,761)	12,689,034	12,648,273
	0	0	330,335	330,335
	0	0	111,174	111,174
	0	0	26,437	26,437
	0	0	74	74
	0	0	5,614	5,614
	0	0	32,125	32,125
	0	0	59,708	59,708
	0	0	17,887	17,887
	0	0	77,595	77,595
	0	0	0	0
	0	0	62,260	62,260
	1,645	21,961	34,805	56,766
	0	0	0	0
	0	15,595	178,434	194,029
	1,645	37,556	275,499	313,055
	(5,464)	(3,205)	13,688,125	13,684,920

LIABILITIES

Euro thousands	Balance at 01.01.2004 national accounting standards
1. Capital and reserves	
1.1 Pertaining to the Group	
1.1.1 Share capital or equivalent fund	72,567
1.1.2 Other equity instruments	
1.1.3/4 Capital and profit reserves	360,447
1.1.5 Own shares (-)	0
1.1.6 Reserves for net exchange differences	
1.1.7 Profit (loss) from available-for-sale financial assets	0
1.1.8 Other profits or losses carried directly in equity	
1.1.9 Profit (loss) for the period pertaining to the Group	129,426
TOTAL CAPITAL AND RESERVES PERTAINING TO THE GROUP	562,440
1.2 Pertaining to minority interests	
1.2.1 Capital and reserves pertaining to minority interests	5,875
1.2.2 Other profits or losses carried directly in equity	0
1.2.3 Profit (loss) for the period pertaining to minority interests	(15)
TOTAL CAPITAL AND RESERVES PERTAINING TO MINORITY INTERESTS	5,860
TOTAL CAPITAL AND RESERVES	568,300
2. Subordinated liabilities	10,389
3. Financial liabilities	
3.1 Financial liabilities at fair value carried in the income statement	208,193
3.2 Other financial liabilities	4,290,351
TOTAL FINANCIAL LIABILITIES	4,498,544
4. Technical reserves	8,325,636
5. Provisions	
5.1 Provisions relating to fiscal issues	363
5.2 Other provisions	32,094
TOTAL PROVISIONS	32,457
6. Payables	
6.1 Due to direct insurance operations	2,151
6.2 Due to reinsurance operations	1,450
6.3 Other payables	140,223
TOTAL PAYABLES	143,824
7. Other liabilities	
7.1 Current tax liabilities	60,700
7.2 Deferred tax liabilities	17,606
7.3 Current liabilities or discontinued operations held for sale	
7.4 Other liabilities	36,135
TOTAL OTHER LIABILITIES	114,441
TOTAL LIABILITIES, CAPITAL AND RESERVES	13,693,589

Impact of the transition to IAS/IFRS (excluding IAS 39/IFRS 4)	Impact of the transition to IAS/IFRS (IAS 39/IFRS 4)	Balance at 01.01.2004 IAS/IFRS (excluding IAS 39/IFRS 4)	Balance at 01.01.2004 IAS/IFRS
0	0	72,567	72,567
(465)	(19,924)	359,982	340,062
0	(2,092)	0	(2,092)
0	(32,319)	0	(32,319)
		129,426	129,426
(465)	(54,335)	561,975	507,644
0	0	5,875	5,875
0	0	0	0
0	0	(15)	(15)
0	0	5,860	5,860
(465)	(54,335)	567,835	513,504
0	0	10,389	10,389
0	916,981	208,193	1,125,170
0	0	4,290,351	4,290,351
0	916,981	4,498,544	5,415,521
0	(933,475)	8,325,636	7,392,161
0	0	363	363
(7,948)	0	24,146	24,146
(7,948)	0	24,509	24,509
0	0	2,151	2,151
0	0	1,450	1,450
326	0	140,549	140,549
326	0	144,150	144,150
2,623	0	63,323	63,323
0	6,721	17,606	24,327
0	60,903	36,135	97,038
2,623	67,624	117,064	184,688
(5,464)	(3,205)	13,688,125	13,684,920

RECONCILIATION BETWEEN NET INCOME DETERMINED PURSUANT TO LEGISLATIVE DECREE NO. 173/97 AND NET INCOME DETERMINED PURSUANT TO IAS/IFRS: AS AT 30.06.2004

Euro thousands		Balance at 30.06.2004 national accounting standards
1.	**Revenues**	
	1.1 Net premiums	
	1.1.1 Premium income, gross	1,197,694
	1.1.2 Outward reinsurance	(3,160)
	TOTAL NET PREMIUMS	1,194,534
	1.2 Fees receivable	212,376
	1.3 Income from financial instruments at fair value carried in the income statement	315,005
	1.4 Income from investments in subsidiaries, associates and joint ventures	1,388
	1.5 Income from other financial instruments and property investments	
	1.5.1 Interest receivable	57,513
	1.5.2 Other income from investments	714
	1.5.3 Realised gains	2,757
	1.5.4 Unrealised gains	4,391
	TOTAL INCOME FROM OTHER FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS	65,375
	1.6 Other income	10,542
TOTAL INCOME		1,799,220
2.	**Costs**	
	2.1 Net claims incurred	
	2.1.1 Claims paid and changes in technical reserves	(1,434,303)
	2.1.2 Reinsurance's share	4,099
	TOTAL NET CLAIMS INCURRED	(1,430,204)
	2.2 Fees payable	(67,755)
	2.3 Charges on other investments in subsidiaries, associates and joint ventures	
	2.4 Charges on other financial instruments and property investments	
	2.4.1 Interest payable	(990)
	2.4.2 Other expenses from investments	(2,731)
	2.4.3 Realised losses	(56)
	2.4.4 Impairment	(8,063)
	TOTAL CHARGES FROM OTHER FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS	(11,840)
	2.5 Management expenses	
	2.5.1 Commissions and other acquisition costs incurred on insurance contracts	(43,974)
	2.5.2 Investments management expenses	(96,565)
	2.5.3 Other administrative expenses	(4,645)
	TOTAL OPERATING EXPENSES	(145,187)
	2.6 Other costs	(40,912)
TOTAL COSTS		(1,695,898)
	Profit (loss) for the period before taxes	103,322
3.	**Current taxes**	(27,285)
4.	**Deferred taxes**	990
5.	**Profit (loss) from discontinued operations**	
	Minority interest	(190)
	Profit (loss) for the period pertaining to the Group	76,838

Impact of the transition to IAS/IFRS (excluding IAS 39/IFRS 4)	Impact of the transition to IAS/IFRS (IAS 39/IFRS 4)	Balance at 30.06.2004 IAS/IFRS (excluding IAS 39/IFRS 4)	Balance at 30.06.2004 IAS/IFRS
0	(54,133)	1,197,694	1,143,561
0	0	(3,160)	(3,160)
0	(54,133)	1,194,534	1,140,401
0	11,855	212,376	224,231
0	(35,748)	315,005	279,257
0	0	1,388	1,388
0	0	57,513	57,513
0	0	714	714
55	9	2,812	2,821
	1,276	4,391	5,667
55	1,285	65,430	66,715
57	(25)	10,599	10,574
112	(76,766)	1,799,332	1,722,566
0	110,471	(1,434,303)	(1,323,832)
0	0	4,099	4,099
0	110,471	(1,430,204)	(1,319,733)
(394)	0	(68,149)	(68,149)
			0
(285)	(28,266)	(1,277)	(29,541)
0	0	(2,731)	(2,731)
0	0	(56)	(56)
0	(61)	(8,063)	(8,124)
(285)	(28,327)	(12,125)	(40,452)
0	0	(43,974)	(43,974)
(258)	0	(96,823)	(96,823)
0	0	(4,645)	(4,648)
(258)	0	(145,442)	(145,445)
11,200	48	(29,712)	(29,664)
10,263	82,192	(1,685,632)	(1,603,443)
10,375	5,426	113,700	119,123
0	0	(27,285)	(27,285)
(1,211)	(2,362)	(222)	(2,583)
0	0	(190)	(190)
9,164	3,064	86,003	89,065

MEDIOLANUM GROUP

CONSOLIDATED EXPLANATORY NOTES FOR THE PERIOD AS AT JUNE 30, 2005

Consolidated explanatory notes for the period as at June 30, 2005

General criteria for the preparation of the financial statements and consolidation structure

The Group's half-year report is prepared in accordance with the accounting standards promulgated by the International Accounting Standards Board (IASB) and the interpretations of said standards issued by the International Financial Reporting Interpretations Committee (IFRIC) and ratified by the European Commission, as foreseen under Regulation (EC) No. 1606 of July 19, 2002. This Regulation requires international accounting standards to be adopted, from 2005, when preparing the consolidated financial statements of listed companies.

The half-year report as at June 30, 2005 has been prepared by adopting international accounting standards, as permitted by CONSOB Resolution No. 14990 of April 14, 2005, which amended CONSOB's "Regulation on Issuers".

The above resolution states that the content of the half-year report, if prepared by adopting IAS, should be conform to the requirements of IAS 34 as regards interim financial statements.

The impact of the first-time adoption of international accounting standards, as required under IFRS 1, is presented and commented upon in the relevant section at the beginning of this report.

When producing the Group's interim financial statements, the standards in force as at their reporting date are applied (including the interpretative documents "SIC" and "IFRIC"), having been ratified by way of Regulation (EC) No. 1725 of September 29, 2003 (published in the Official Gazette of the European Communities – Law No. 261 of October 13, 2003), Regulation (EC) No. 707 of April 6, 2004 (published in the Official Gazette of the European Communities – Law No. 111 of April 17, 2004), Regulation (EC) No. 2236 of December 29, 2004 (published in the Official Gazette of the European Communities – Law No. 392 of December 31, 2004), Regulation (EC) No. 2237 of December 29, 2004 (published in the Official Gazette of the European Communities – Law No. 393 of December 31, 2004), Regulation (EC) No. 2238 of December 29, 2004 (published in the Official Gazette of the European Communities – Law No. 394 of December 31, 2004) and Regulation (EC) No. 211 of February 4, 2005 (published in the Official Gazette of the European Communities – Law No. 41 of February 11, 2005).

The accounting standards adopted are outlined in the relevant section below.

Criteria adopted when preparing the financial statements

The half-year financial statements are made up of a balance sheet, income statement, statement of changes in equity, cashflow statement and explanatory notes. They are also accompanied by a Report on Operations.

The charts of accounts, statement of changes in equity and cashflow statement set out in the section relating to the accounts, have been extracted – until instructions are provided by the competent regulatory authorities – from a consulting paper circulated around the insurance system by ISVAP last July.

The charts of accounts present not only the amounts for the six-month reporting period but also comparative data as at December 31, 2004 in the case of the balance sheet and as at June 30, 2004 in the case of the income statement. In said charts, pursuant to the provisions of IFRS 1 ("First-time Adoption of International Financial Reporting Standards"), the previous year's figures are not reproduced for financial instruments (IAS 39, 32 and IFRS 4), which therefore reflect the reporting and measurement procedures laid down by the Italian accounting standards previously in force. In measuring balance-sheet entries pertaining to receivables, payables, securities, derivatives, shareholdings and insurance contracts, the accounting standards used up until financial year 2004 have been adopted and presented in the relevant section of the accounts. The differences in these standards compared with IAS/IFRS have been extensively reported on in the section regarding the adoption of the new international accounting standards. However, in order to make the comparison of values for the various periods as straightforward as possible, the necessary charts of accounts have been produced comparing figures as at June 30, 2005 with figures as at December 31, 2004 (in the case of the balance sheet) and as at June 30, 2004 (in the case of the income statement), with said charts having been reconstructed after making a reasonable estimate of the impact caused by applying IAS 39 and IFRS 4.

Furthermore, the balance-sheet and income-statement figures for previous periods have been adapted in order to guarantee consistency further to the changes undergone by the consolidation structure following the application of IAS/IFRS.

Pursuant to the provisions of Article 5 of Legislative Decree No. 38 of February 28, 2005, the financial statements have been prepared by using the euro as the currency of account. Unless indicated otherwise, the amounts presented in this report are shown in thousands of euro.

CONSOLIDATION STRUCTURE

The Group's consolidated financial statements include Mediolanum S.p.A. and the companies directly or indirectly controlled by it, with companies operating in sectors other than those to which the parent company belongs also being included in the consolidation structure, as specifically foreseen by the new standards.

The schedule below details the companies that are consolidated by the line-by-line method following the adoption of international accounting standards.

The schedule below details the companies included in the Group's consolidated financial statements by the line-by-line method.

Euro thousands Company	Share capital	% holding	Head office	Area of activity
Mediolanum Vita S.p.A.	87,720	100.00	Basiglio	Life insurance
Partner Time S.p.A.	520	100.00	Basiglio	Distribution of Life insurance products
Mediolanum Comunicazione S.p.A.	775	100.00	Basiglio	Audio/film/TV production
PI Distribuzione S.p.A.	517	100.00	Basiglio	Real estate broker
Alboran S.p.A.	1,500	100.00	Cologno M.	Audio/film/TV production
Alborfin S.r.l.	100	100.00	Cologno M.	Service company
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	100.00	Basiglio	Management of mutual funds
Mediolanum International Funds Ltd	150	100.00	Dublin	Management of mutual funds
Mediolanum Asset Management Ltd	150	100.00	Dublin	Asset management and consultancy
Mediolanum International S.A.	71,500	0.003	Luxembourg	Sub-holding company
Fibanc Inversiones S.A.	6,852	100.00	Barcelona	Investment company
Banco de Finanzas e Inversiones S.A.	14,032	100.00	Barcelona	Banking
Ges Fibanc SGIIC S.A.	2,506	100.00	Barcelona	Management of mutual funds
Fibanc S.A.	301	100.00	Barcelona	Financial advisory company
Fibanc Pensiones S.G.F.P. S.A.	902	100.00	Barcelona	Management of pension funds
Fibanc Faif S.A.	60	100.00	Barcelona	Financial advisory company
Tanami S.A.	181	100.00	Barcelona	Real estate broker
Valora S.A.	421	100.00	Andorra	Asset management
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	Management of mutual funds
Gamax Fund of Funds Management AG	125	100.00	Luxembourg	Management of mutual funds
Gamax Broker Pool AG	500	100,00	Munich	Fund sales network
Gamax Austria GmbH	40	100.00	Salzburg	Fund sales network
Bankhaus August Lenz & Co. AG	20,000	100.00	Munich	Banking
Mediolanum Private S.A.M.	500	99.94	Monaco	Asset management

Directly controlled companies measured at cost:

Euro thousands Company	Share capital	% holding	Head office	Area of activity
Fibanc Argentina S.A.	ARS 50,000	94.00	Buenos Aires	Sales representatives

Schedule of the associated companies of Mediolanum S.p.A. measured by the equity method:

Euro thousands Company	Share capital	% holding	Head office	Area of activity
Banca Esperia S.p.A.	13,000	48.50	Milan	Banking

During the first half of 2005, Mediolanum Fiduciaria was transferred to Banca Esperia. Given that the transferred company was no longer active and the company acquiring it is consolidated by the equity method, the effect of this transfer on the consolidated half-year accounts as at June 30, 2005 is negligible.

CONSOLIDATION

Subsidiary companies are consolidated by the line-by-line method, while non-controlling interests are measured by the equity method.

CONSOLIDATION BY THE LINE-BY-LINE METHOD

Consolidation by the line-by-line method consists of acquiring the balance-sheet and income-statement aggregates of controlled companies "line by line". After the relevant share of equity and net income has been attributed to third parties by way of a specially created heading, the value of an investment is eliminated against the residual value of the equity of the controlled company concerned.

Positive differences arising from this operation are reported – possibly after being imputed to assets or liabilities of the controlled company – as goodwill under the heading "Intangible assets" on the first consolidation date and subsequently as part of "Other reserves". Negative differences are instead recognised in the income statement.

Assets, liabilities, income and charges between consolidated companies are eliminated in full.

The economic results of a controlled company acquired during the period are included in the consolidated financial statements from the date on which said company is acquired. On the other hand, the economic results of a controlled company sold during the period are included in the consolidated financial statements until the date on which control is terminated. The difference between the transfer fee and book value as at the date of disposal is recognised in the income statement.

The financial statements of the parent company and other companies used to prepare the consolidated financial statements adopt the same reporting date.
Where necessary, any financial statements of consolidated companies that have been prepared by adopting other accounting standards are adjusted to conform to the Group's standards.

CONSOLIDATION BY THE EQUITY METHOD

The equity method involves a shareholding initially being recognised at cost and its value subsequently being adjusted to reflect the share of equity effectively held in the entity.
Differences between the value of a shareholding and the net equity of the entity concerned are treated in a similar way to the aforementioned differences arising from consolidation by the line-by-line method.

The share in the year's result of an investee company is reported under a separate heading created specially within the consolidated income statement.
If there is evidence suggesting that the value of a shareholding may have decreased, its recoverable value is estimated, while taking into account the present value of future financial flows that it may generate, including the final disposal value of the investment.
Should the recovery value prove to be lower than carrying value, then the difference in this regard is recognised in the income statement.
When consolidating holdings in associated companies, the most recent approved half-year accounts of the companies concerned have been used. In a number of cases, companies have yet to apply the new standards represented by IAS/IFRS, meaning that half-year accounts drawn up in accordance with local requirements were used, further to the negligible nature of the differences emerging as a result being estimated.

The use of estimates

The preparation of the half-year financial statements usually requires a more extended use of estimate methods than when an annual report and accounts are being prepared, with regard to both items on the assets side and liabilities side of the balance sheet and certain economic effects related to measurement processes. This, however, does not compromise the reliability of the financial statements themselves.

Accounting standards

The purpose of this section is to outline the accounting standards that are used to prepare the half-year report and that – with possible amendments/different interpretations arising due to changes in legislation – will be applied by the Mediolanum Group for the purposes of its periodic reports and financial statements for financial year 2005.

Financial assets measured at fair value through profit or loss

Included in this category are the following:

- investments of benefit to life policyholders that support their risk, arising from the management of pension funds;
- investments held for trading purposes.

Financial assets measured at fair value through profit or loss are made up of debt securities and equity securities as well as the positive value of non-hedge derivative contracts.

Financial assets measured at fair value through profit or loss are initially recognised on settlement date in the case of debt securities and equity securities and on subscription date in the case of derivatives.

Upon being initially recognised, *financial assets measured at fair value through profit or loss* are measured at cost, this being the fair value of an instrument, without considering the transaction costs or income directly attributable to the instrument itself.

After the initial recognition phase, *financial assets measured at fair value through profit or loss* are instead measured at fair value.

When determining the fair value of financial instruments that are listed in an active market[1], market prices are used (supply-demand prices or average prices). In the absence of an active market, estimate models and measurement models that take into account all risk factors associated with the instruments and are based on data that is obtainable from the market are instead used.

[1] A financial instrument is considered to be listed in an active market if prices, which reflect standard market transactions, are readily and properly available through Stock Exchanges, brokers, intermediaries, companies operating within the industry, listing services or licensed institutions, and these prices are representative of actual and proper market transactions taking place in a normal reporting period.

These include methods based on the measurement of listed instruments with similar features, discounted cashflow calculations, models to determine the price of options, and values recorded in recent comparable transactions.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Included in this category are non-derivative financial assets that cannot be classified otherwise as receivables, trading investments or held-to-maturity investments.

Specifically, this heading includes (among other things) equity interests that are not managed for trading purposes and cannot be defined as interests in controlled companies, associates or joint ventures.

Such financial assets are initially recognised on settlement date in the case of debt securities and equity securities and on the date on which funds are advanced in the case of receivables.

Upon being initially recognised, these assets are measured at cost, this being the fair value of an instrument, inclusive of any costs or income directly attributable to the instrument itself. If an asset is measured following its reclassification and transfer from held-to-maturity investments, it is measured at the fair value recorded at the time of this transfer.

After they have been initially recognised, available-for-sale financial assets continue to be measured at fair value, with an amount equal to amortised cost being carried in the income statement, while gains or losses arising from a change in the fair value of an asset are carried under a specific equity reserve until the asset concerned is cancelled or records an impairment loss. At the time of an asset is disposed of or a loss in value is recognised, the accumulated gain or loss is put back into the income statement.

Equity securities whose fair value cannot be reliably determined in accordance with the above guidelines are carried at cost.

Checks are carried out to ascertain the existence of objective data suggesting impairment at the end of each annual financial reporting period or half-year.

Whenever the reasons that led to a loss in value being recognised are removed following an event taking place after the recognition of said loss, the loss is written back and carried in the income statement in the case of receivables or debt securities, or as part of equity in case of equity securities. The amount written back cannot in any event exceed the amortised cost that the instrument concerned would have had, if previous adjustments have not been effected.

These financial assets are annulled when contractual rights in respect of the cashflow generated by them mature or when the asset in question is transferred, with substantially all the risks/benefits associated with its ownership consequently assigned to another party.

Held-to-maturity investments

Included in this category are debt securities with fixed or determinable payments and fixed maturity that an entity intends and is able to hold to maturity. If, due to such an intention or ability changing, it is no longer appropriate to hold an investment until it matures, said investment is reclassified as available-for-sale.

This type of investment is initially recognised on settlement date.

Upon being initially recognised, financial assets classified in this category are measured at cost, of any directly attributable costs or income. If an asset is recorded in this category following its reclassification and transfer from available-for-sale financial assets, its fair value as at the date of its reclassification is assumed as its new amortised cost.

After being initially recognised, held-to-maturity investments are measured at amortised cost by adopting the effective interest rate method.

Gains or losses relating to held-to-maturity investments are recognised in the income statement at the time they are annulled or upon their value decreasing, as well as by the amortisation process.

Checks are carried out to ascertain the existence of objective data suggesting impairment at the end of each annual financial reporting period or half-year.

If such data exists, the amount of the loss is measured as the difference between the carrying value of the assets and the present value of estimated future financial flows, discounted at the original effective interest rate. The amount represented by the loss is recognised in the income statement.

Whenever the reasons that led to an impairment loss being recognised are removed following an event taking place after the recognition of said loss, the impairment loss is written back and carried in the income statement.

Such investments are annulled when contractual rights in respect of the cashflow generated by them mature or when the asset in question is transferred, with substantially all the risks/benefits associated with its ownership consequently assigned to another party.

RECEIVABLES

Receivables include commitments with customers and banks involving fixed or in any event determinable payments, which are not listed in an active market and have not originally been classified as available-for-sale.

The heading "Receivables" also includes trade debtors, repurchase agreements and securities purchased through subscription or as part of a private placement, with determined or determinable payments, none of which are listed in active markets.

A receivable is initially recognised on the date the funds are advanced, or – in the case of a debt security – on settlement date, and measured at fair value. This is equal to the amount advanced or subscription price, inclusive of any costs or income directly attributable to the individual receivable in question and determinable from the origin of the transaction, where liquidated later. Excluded are those receivables that, whilst bearing the above features, are repaid by the debtor counterparty or may be included as part of normal internal costs of an administrative nature.

Swaps and repurchase agreements with the obligation to repurchase or resell a security on a forward basis are carried in the balance sheet as funding or lending transactions. Specifically, spot selling transactions and forward repurchases are reported in the balance sheet as payables for the amount received at spot, while spot purchases and forward reselling transactions are reported as receivables for the amount paid at spot.

After they have been initially recognised, receivables are measured at amortised cost, which is equal to the value at which they are first recorded, plus or less any repayments of principal, value adjustments/write-backs and the amortisation – calculated by the effective interest rate method – of the difference between the amount advanced and the amount repayable at maturity, typically attributable to the costs/income imputed directly to the individual receivable concerned. The effective interest rate is identified by calculating the rate that equates the present value of the receivable's future fund flows (in the form of principal and interest) to the amount advanced, inclusive of any costs/income attributable to it. This measurement procedure, by adopting a financial logic, enables the economic effect of costs/income to be spread over the receivable's expected residual life.

The amortised cost method is not used for those receivables whose short term means that the effect of adopting a time-discounting approach is considered negligible. Said receivables are measured at historical cost, while the costs/income relating to them are recognised in the income statement by the straight-line method over their contractual duration. A similar measurement method is adopted for receivables without a defined maturity or subject to rescission.

At the end of every financial reporting year or six-month period, receivables undergo a recognition process, aimed at identifying those that, following the emergence of events after their computation, show objective evidence of possible impairment. Included in this category are receivables pertaining to credit activities to which the status of non-performing, bad or restructured debt has been assigned, in accordance with current Bank of Italy regulations, which are in keeping with IAS requirements.

These bad debts undergo an analytical evaluation process, with the adjustment made to the value of each debt equal to the difference between its balance sheet value at the time it is measured (amortised cost) and the present value of expected future cashflows, calculated by applying the original effective interest rate.

Expected cashflows take into account time expected to recover the amounts outstanding and the realisable value of any security, as well as the costs expected to be borne when recovering amounts due to the entity. The present values of cashflows relating to receivables that are expected to be recovered in the short term are not discounted.

The original effective interest rate of each receivable remains unchanged over time where the relationship/arrangement that led to the change in the interest rate contractually agreed is being restructured and also whenever the arrangement, in practice, no longer attracts contractually agreed interest.

The value adjustment is recognised in the income statement.

The original value of receivables is restored in later financial years where the reasons leading to the adjustment in the first place can no longer be justified, providing that this valuation may be objectively linked to an event taking place after the adjustment itself. The write-back thus effected is carried in the income statement. It may not, in any event, exceed the amortised cost that the receivable would have borne in the absence of previous adjustments.

Receivables for which no objective evidence of loss has been individually identified (i.e. usually “performing receivables”) undergo a collective measurement process to determine any loss in value. This process is carried out for groups of receivables that are comparable with one another in terms of credit risk, their respective loss percentages estimated by considering historical data, based on elements that may be acquired as at the valuation date, which enables the loss of value embedded in each category of receivables to be estimated.

The value adjustments thus determined collectively are recognised in the income statement. At the end of each annual financial reporting period or half-year, any additional adjustments or write-backs are recalculated on a differential basis with reference to the entire portfolio of performing receivables as at that date.

INVESTMENTS (SHAREHOLDINGS)

The above item includes the interests held in associated companies, which are computed by the equity method.

"Associated companies" are those in which the Group holds 20% or more of voting rights and the companies that for specific juridical ties, such as the participation in shareholder syndicates, should be regarded as subjected to significant influence.

If there is evidence that the value of an investment may have decreased, the appropriate steps are taken to estimate its recoverable value, taking into account the present value of the future financial flows that the investment may generate, including its final disposal value.

Whenever recoverable value is lower than carrying value, the difference is recognised in the income statement.

Whenever the reasons for a loss in value are removed following an event taking place after the loss in value has been recognised, the loss is written back and carried in the income statement.

These financial assets are annulled when contractual rights in respect of the cashflow generated by them mature or when the asset in question is transferred, with substantially all the risks and benefits associated with its ownership consequently assigned to another party.

PROPERTY INVESTMENTS AND OTHER TANGIBLE ASSETS

Tangible assets include land, instrumental buildings, property investments, plant and machinery, furniture and fittings and equipment of any kind.

Such assets are held to be used in the production or provision of goods and services, to be rented to third parties, or for administrative purposes, and are expected to be utilised over more than one period.

This item also includes those assets utilised by way of financial leases, whose legal property remains with the lessor company.

Tangible assets are initially recorded at cost, which includes not only purchase price but also all additional costs that are directly imputable to their purchase and to getting them up and running.

Extraordinary maintenance costs that lead to an increase in future economic benefits are added to the value of assets, while ordinary maintenance costs are charged to the income statement.

Tangible assets, including non-instrumental plant and properties, are measured at cost, less depreciation and impairment.

All property assets are systematically depreciated over their useful life by the straight-line method except for land, whether they have been purchased individually or incorporated into the value of buildings, since their useful life is indefinite. In the event that their value is incorporated into the value of a building, by virtue of the entity removing from the carrying value of buildings the component attributable to the land on which they are built, they are regarded as separable from the structure. The value of land and the value of a building are computed separately on the basis of surveys undertaken by independent valuers solely in respect of property developments where both land and structures are owned.

At the end of every financial reporting year or six-month period, where there is some indication of an asset having possibly been impaired, a comparison is made between the carrying value of the asset concerned and its recoverable value, this being equal to the lower of fair value (less selling costs) and the asset's value, this being the present value of future flows generated by the asset. Any adjustments are recognised in the income statement.

Whenever the reasons that led to an impairment loss being recognised are removed, the impairment loss is written back. This write-back cannot exceed the value that the asset would have had, less depreciation calculated in the absence of previous impairment losses.

A tangible asset is eliminated from the balance sheet upon disposal or when it is permanently retired from use and its disposal is not expected to generate any future economic benefits.

Intangible assets

Intangible assets include goodwill, restructuring costs in respect of leased assets and software applications expected to be used for several years.

Goodwill represents the positive difference between the purchase cost and fair value of the assets and liabilities acquired.

Costs for the restructuring of leased properties are capitalised in consideration of the fact that for the life of the underlying lease agreement, the lessee company has control over the assets being leased to it and may derive future economic benefits from them.

Other intangible assets are recorded as such if they are identifiable and originate from legal or contractual rights.

An intangible asset may be recognised as goodwill when the positive difference between the fair value of the assets acquired and the purchase cost of the investment (including additional related charges) is representative of the investment's ability to generate future income (goodwill).

Whenever negative ("badwill"), this difference is recognised directly in the income statement.

The adequacy of the value of goodwill is tested on an annual basis (or whenever there is evidence of an impairment loss). For this very purpose, the cash-generating unit to which goodwill is to be attributed is identified. The level of any impairment loss thus emerging is based on the difference between the carrying value of goodwill and its recoverable value, where lower. This recoverable value is equal to the lower of the fair value of the cashflow-generating unit less selling costs (where applicable) and its value in use. Any consequent value adjustments are carried through profit and loss.

Other intangible assets are carried at cost, which is adjusted to take any additional related charges into account, but only if the future economic benefits attributable to an asset are likely to materialise and the cost of the asset itself may be reliably determined. Where this is not the case, the intangible asset's cost is recognised in the income statement in the financial year in which it was borne.

The cost of intangible assets is amortised on a straight-line basis over their useful life. Any intangible asset with an indefinite useful life is not amortised, being subjected instead to only a periodic test, to check that its value in the balance sheet is adequate. Renovation costs incurred in respect of leased assets are amortised over a period that is no longer than the term of the underlying contract.

At the end of every financial reporting year, where there is evidence of an impairment loss, the recoverable value of the assets concerned is estimated. The amount of the loss, which is carried in the income statement, is equal to the difference between the asset's carrying value and recoverable value.
An intangible asset is eliminated from the balance sheet upon its disposal and whenever no future economic benefits are to be expected.

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE AND CARRIED THROUGH PROFIT AND LOSS

Financial liabilities measured at fair value and carried through profit and loss include the following:

- deposit accounts carried on the liabilities side of the balance sheet in respect of financial agreements (where investment risk is carried by policyholders) and the management of pension funds;
- the negative value of derivatives used for trading purposes;
- overdrafts generated by securities trading.

Deposits relating to financial agreements assumed with policyholders – where investment risk is carried by policyholders – constitute the best possible approximation of the value of quotas held in investment funds or the share indices to which they refer. They are matched on the assets side of the balance sheet with hedging assets, recognised at fair value.
This very same accounting treatment has been applied to liabilities relating to the "*Previgest Mediolanum Open-end Pension Fund*".
These financial liabilities are initially recognised when the underlying policy is issued or the funds raised are actually received.
They are recognised by considering the fair value of the assets stood in respect of the policy, which is usually the same as the value of the security underlying the issue price.
The fair value of any financial liabilities issued below market value is estimated as necessary and the difference in relation to market value reported carried through profit and loss.
After initial recognition, financial liabilities are measured at fair value.
Financial liabilities are removed from the balance sheet once they have matured or have been cleared.

OTHER FINANCIAL LIABILITIES

Other financial liabilities include deposits pertaining to reinsurance activities, various forms of inter-bank funding and funds from customers, and fund-raising through bonds in circulation, less therefore any amounts bought back.

These financial liabilities are initially recognised upon receipt of the amounts raised or the issue of debt securities.

Initial recognition is based on the fair value of such liabilities, which is usually the same as the amount received or issue price, plus any additional costs/income that are directly attributable to a single funding operation or issue but are not repaid by the creditor counterparty. Internal costs of an administrative nature are excluded.

The fair value of any financial liabilities issued below market value is estimated as necessary, with the difference in relation to market value carried through profit and loss.

After initial recognition, financial liabilities are measured at amortised cost by the effective interest rate method.

An exception to the rule are short-term liabilities (where the financial effect of time is negligible), which continue to be reported for the amounts received. Any costs relating to them are recognised in the income statement by the straight-line method over their contractual duration.

Financial liabilities are removed from the balance sheet once they have matured or have been cleared. They may also be removed where securities previously issued are bought back. The difference between the carrying value of a liability and the amount paid to purchase it is carried in the income statement.

LIFE INSURANCE RESERVES

Technical reserves represent commitments that are contractually assumed in respect of insurance contracts and investment contracts with Discretionary Participation Features ("DPFs").

Life insurance reserves include the mathematical reserve, which is analytically determined for each contract based on pure commitments and with reference to the actuarial assumptions used when calculating premiums. This reserve includes all revaluations accrued under contractual clauses, as well as specific provisions reflecting demographic risk, and is no lower than surrender values.

These technical reserves also include the deferral of the portion of premiums pertaining to the next six months and the portion of future expenses arising from the management of policies, such as operating costs and supplementary healthcare premiums.

At the end of every financial reporting year, checks are carried out to ensure that the reserves for insurance contracts are adequate, by considering the present value of the future cashflows expected from the contracts underlying said reserves. Where the present value of these reserves proves to be inadequate in relation to the level of future cashflows estimated, the insurance company adjusts their balance sheet value accordingly, carrying the difference thus recorded in profit or loss.

With regard to contracts with DPFs, this entry contains provisions covering the net valuation gains registered by assets backing separate management contracts.

Such provisions are carried as a balancing entry under equity where the valuation gains and losses registered are carried directly to equity. In all other instances, they are carried in profit or loss.

Liabilities associated with activities in the process of being sold

Classified under this heading are non-current assets/liabilities and assets/liabilities in the process of being sold. Specifically, such assets/liabilities are measured at the lower of book value and fair value net of transfer costs.

Income and charges relating to these items are reported (less fiscal effect) in the income statement under a separate heading.

Provisions for risks and charges

The provisions for risks and charges are used to cover current obligations arising from previous events where fulfilment of same obligations is likely to incur a charge or involve financial outlay, providing that the amount involved can be reliably estimated.

Where the financial effect of time is significant, the present value of the allocation is discounted by using current market rates. Each allocation is charged to the income statement.

Employee termination indemnity

The termination indemnity is recognised as per its actuarial value.

For time-discounting purposes, the unitary projection method is used. This involves projecting future charges based on historical statistical analyses and the demographic curve and discounting the present value of cashflows by using the relevant market interest rate. The allocations made each year are regarded as separate items, and are recognised and measured individually in order to determine the final obligation. The rate used to discount present value is based on market rates, in keeping with the estimated residual term of the commitments assumed.

The costs incurred to service the plan are computed as part of personnel costs and reported net of contributions paid, contributions pertaining to previous years that have yet to be computed, accrued interest, revenues expected from the assets servicing the plan, and actuarial gains/losses.

Staff pension funds

In the case of defined-contributions plans in favour of pension funds, for which the entity through the payment of contributions does not assume any further obligation towards those registered with the fund, the contributions accrued during the year are recorded in the income statement.

Assets and liabilities in currency

When initially recognised, assets and liabilities denominated in foreign currency are recognised in the presentation currency, which involves converting the amount in foreign currency at the exchange rate recorded on the date of the underlying transaction.

At the end of every financial reporting year or six-month period, balance sheet entries in foreign currency are measured as follows:

– Monetary items are converted by using closing rates;
– Non-monetary items carried at historical cost are converted by using the exchange rate at the date of the transaction;
– Non-monetary items carried at fair value are converted by using closing rates.

Exchange differences arising when monetary items are settled or when monetary items are translated at rates different from those at which they were translated when initially recognised or in previous financial statements are carried in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any foreign exchange component of that gain or loss is also recognised directly in equity. On the other hand, when a gain or loss is carried in profit or loss, the exchange difference is also carried in profit or loss.

Fiscal assets and liabilities

The Group recognises the effects relating to current and prepaid taxes by using the tax rates prevailing in the various countries in which those controlled companies included in its consolidated financial statements are based.

Income taxes are recorded in the income statement, except for those relating to items that are directly deducted from, or added, to equity.

The allocation effected for income taxes is determined by prudentially estimating the current tax burden and considering prepaid taxes and deferred taxes. Specifically, prepaid taxes and deferred taxes are determined by considering temporary differences – without time limits – between asset amounts and liability amounts in accordance with the criteria established for company balance sheets and the amounts recognised in respect of these same items for fiscal purposes.

Assets in the form of prepaid taxes are carried in the balance sheet for the amount likely to be recovered, which is measured by considering the ability of the actual company concerned or its parent company (after it has chosen to adopt the "fiscal scheme of consolidation"), to generate taxable profits on a continuous basis.

Prepaid taxes and deferred taxes are recognised in the balance sheet as separate entries without being set off against one another, the former being carried under the item "Fiscal assets" and the latter under the item "Fiscal liabilities".

Deferred taxes arising from consolidation operations are also recognised, where they are likely to lead to an actual charge being incurred by one of the consolidated companies.

Such taxes are essentially those relating to a positive difference arising from the consolidation of an investment being recognised in the assets side of the balance sheet of the controlled company concerned.

Assets and liabilities in the form of prepaid taxes and deferred taxes are systematically measured in order to taken into account both possible changes in laws or tax rates and any other subjective situations affecting Group companies.

The level of *Provisions relating to fiscal issues* covers those charges that could emerge from Inland Revenue investigations that the entity has already been advised of, or in any event from disputes currently underway with the tax authorities.

OWN SHARES

Any own shares are allocated to equity, which they reduce directly. Similarly, the original cost of the entity's own shares and the gains or losses arising from any subsequent share sales are recognised as equity movements.

Share-based payments

Stock option plans are a form of "share-based payment". Their fair value, and the amount by which they increase equity, has been determined by considering the fair value of options measured on the date on which they are granted.
The fair value of an option has been calculated by adopting a model that considers not only information such as strike price and the life of said option but also the current value of the shares involved along with their expected volatility, expected dividends and the risk-free interest rate, and the special features of the plan in place. Under this pricing model, the option and the probability of the necessary market conditions being achieved are measured separately. The combination of the two values thus obtained provides the fair value of the instrument assigned.

Income statement

Revenues are recognised when received, or in any event when future benefits are likely to be received and such benefits can be reliably quantified.
Specifically:

– premiums from insurance contracts are carried in the income statement by the accrual method of accounting at the time each contract is entered into;
– fees from investment contracts are recognised by the percentage of completion method of accounting:
– other fees are recognised by the accrual method of accounting;
– dividends are carried in the income statement at the time their distribution is resolved upon;
– arrears interest, where foreseen by contract, are only reported in the income statement when it is actually collected.

First half 2005

Euro thousands	Gross	Reinsurance	Net
Premium income, net of reinsurance			
– Earned premiums	1,264,846	(2,860)	1,261,986
TOTAL NET PREMIUMS			1,261,986
Claims incurred, net of amounts recovered and reinsurance			
– Claims paid	(587,508)	6,553	(580,955)
– Change in reserve for amounts to be paid	(5,699)	(93)	(5,792)
– Change in mathematical reserves	23,230	(2,814)	20,416
– Change in other technical reserves	(4,654)	0	(4,654)
Change in reserves where investment risk is carried by policyholders and reserves from pension fund management	(1,202,012)	0	(1,202,012)
TOTAL NET CHARGES RELATING TO CLAIMS			(1,772,997)
TOTAL TECHNICAL ACCOUNT OF LIFE BUSINESS	(511,797)	786	(511,011)

First half 2004

Euro thousands	Gross	Reinsurance	Net
Premium income, net of reinsurance			
– Earned premiums	1,143,561	(3,160)	1,140,401
TOTAL NET PREMIUMS			1,140,401
Claims incurred, net of amounts recovered and reinsurance			
– Claims paid	(383,434)	6,165	(377,269)
– Change in reserve for amounts to be paid	9,123	(1,217)	7,906
– Change in mathematical reserves	44,468	(859)	43,609
– Change in other technical reserves	(5,361)	0	(5,361)
Change in reserves where investment risk is carried by policyholders and reserves from pension fund management	(988,618)	0	(988,618)
TOTAL NET CHARGES RELATING TO CLAIMS			(1,319,733)
TOTAL TECHNICAL ACCOUNT OF LIFE BUSINESS	(180,261)	929	(179,332)

Fees receivable

Euro thousands	30.06.2005	30.06.2004	Variation
Management, broking and advisory services rendered	215,928	193,411	22,517
Collection and payment services rendered	12,831	6,237	6,594
Charges transferred to investment contracts	6,564	8,281	(1,717)
Other services rendered	17,214	16,302	912
Total	252,537	224,231	28,306

Fees payable

Euro thousands	30.06.2005	30.06.2004	Variation
Commissions for acquisition of investment contracts	44,335	41,509	2,826
Management, broking and advisory services received	14,298	12,628	1,670
Collection and payment services received	9,278	3,359	5,919
Other services received	12,073	10,653	1,420
Total	79,984	68,149	11,835

Net income from investments recognised at fair value in the income statement

Euro thousands	30.06.2005	30.06.2004	Variation
Investment income and charges			
Interest receivable and other financial income:			
– from trading investments	21,142	17,354	3,788
– from investments recognised at fair value in the income statement	79,403	109,314	(29,911)
Net result from trading investments:			
– debt securities	11,457	2,741	8,716
– equity securities	1,547	602	945
– derivatives	(592)	637	(1,229)
Net result from investments recognised at fair value in the income statement:			
– debt securities	200,429	69,825	130,604
– quotas held in UCITS and other capital-based instruments	375,238	144,496	230,742
Result of financial liabilities			
Interest payable and other financial charges:			
– from financial liabilities related to trading	(19,425)	(28,366)	8,941
Net result:			
– from financial liabilities related to trading	(356)	(21)	(335)
– from financial liabilities recognised at fair value in the income statement	(52,132)	(37,325)	(14,807)
Total	616,711	279,257	337,454

Investment income and charges

Euro thousands	30.06.2005	30.06.2004	Variation
Interest receivable and other investment income	62,349	58,227	4,122
Realised gains	13,133	2,821	10,312
Unrealised gains	3,858	5,667	(1,809)
Total income	79,340	66,715	12,625
Interest payable and other investment charges	(36,731)	(32,272)	(4,459)
Realised losses	(33)	(56)	23
Unrealised losses	(5,535)	(8,124)	2,589
Total investment charges	(42,299)	(40,452)	(1,847)
TOTAL NET INCOME FROM INVESTMENTS	37,041	26,263	10,778
Net investment income from:			
Real estate investments	6,332	238	6,094
Held-to-maturity investments	11,024	11,377	(353)
Available-for-sale financial assets	15,256	10,087	5,169
Loans and receivables	4,429	4,561	(132)
TOTAL NET INCOME FROM INVESTMENTS	37,041	26,263	10,778

Real estate investments

Euro thousands	30.06.2005	30.06.2004	Variation
Realised gains	6,608	430	6,178
Other income	475	465	10
Other charges	(751)	(657)	(94)
Total net income from real estate investments	6,332	238	6,094

Available-for-sale financial assets

Euro thousands	30.06.2005	30.06.2004	Variation
Interest receivable and other income	8,921	7,752	1,169
Realised gains	6,368	2,391	3,977
Realised losses	(33)	(56)	23
Total net income from available-for-sale financial assets	15,256	10,087	5,169

Held-to-maturity investments

Euro thousands	30.06.2005	30.06.2004	Variation
Interest receivable and other income	11,024	11,377	(353)
Total net income from held-to-maturity investments	11,024	11,377	(353)

Loans and receivables

Euro thousands	30.06.2005	30.06.2004	Variation
Interest receivable and other income	41,929	38,633	3,296
Interest payable and other charges	(35,980)	(31,615)	(4,365)
Realised gains	157	0	157
Unrealised gains	3,858	5,667	(1,809)
Unrealised losses	(5,535)	(8,124)	2,589
Total net income from loans and receivables	4,429	4,561	(132)

Interest receivable and other income

Euro thousands	30.06.2005	30.06.2004	Variation
On amounts receivable from banks	26,614	25,446	1,168
On amounts receivable from customers	15,315	13,187	2,128
Total	41,929	38,633	3,296

INTEREST PAYABLE

Euro thousands	30.06.2005	30.06.2004	Variation
On amounts payable to banks	17,474	10,181	7,293
On amounts payable to customers	15,668	16,403	(735)
Subordinated liabilities	57	111	(54)
Other liabilities	2,781	4,920	(2,139)
TOTAL	35,980	31,615	(4,365)

OPERATING EXPENSES

Euro thousands	30.06.2005	30.06.2004	Variation
Commissions and other acquisition costs Incurred on insurance contracts	46,913	43,974	2,939
Investment management costs			
Personnel costs	46,224	41,618	4,606
Advertising and promotional expenses	10,981	3,994	6,987
Fees paid to consultants and outside collaborators	10,418	11,008	(590)
Services relating to information systems	10,922	11,226	(304)
Sundry communication services	7,308	7,618	(310)
Other general operating expenses	21,601	21,359	242
TOTAL OPERATING EXPENSES	107,454	96,823	10,631
Other administrative expenses	6,337	4,648	1,689
TOTAL OPERATING EXPENSES	160,704	145,445	15,259

OTHER COSTS

Euro thousands	30.06.2005	30.06.2004	Variation
Personnel costs	1,747	952	795
Amortisation of intangible assets	6,652	8,061	(1,409)
Depreciation of real estate investment and other fixed assets	4,780	5,100	(320)
Allocations for risks and charges	3,168	4,749	(1,581)
Sundry costs	8,268	10,802	(2,534)
TOTAL	24,615	29,664	(5,049)

Principal balance-sheet aggregates as at June 30, 2005

Intangible assets

Euro thousands	30.06.2005	31.12.2004	Variation
Positive consolidation differences	177,247	177,247	0
Other intangible assets	29,737	32,853	(3,116)
Total	206,984	210,100	(3,116)

Real estate investments and property assets

Euro thousands	30.06.2005	31.12.2004	Variation
Real estate investments			
Land	17,444	24,568	(7,124)
Buildings	5,934	8,820	(2,886)
Total	23,378	33,388	(10,010)
Property assets			
Land	21,020	22,506	(1,486)
Buildings	38,485	37,676	809
Total	59,505	60,182	(677)

Investments in subsidiaries, associates and joint ventures

Investments in associated companies, amounting to 25,720 thousand euro, were made up of the 48.5% stake held in Banca Esperia S.p.A., measured by the equity method.

Loans and receivables

Euro thousands	30.06.2005	31.12.2004	Variation
Loans and other amounts receivable from banks	2,280,504	1,186,128	1,094,376
Loans and other amounts receivable from banking customers	700,584	545,411	155,173
Other loans and receivables	1,367	1,495	(128)
Total	2,982,455	1,733,034	1,249,421

Amounts receivable from banks were made up of tied-up deposits (1,748,267 thousand euro), repurchase agreements (524,447 thousand euro) and deposits with central banks (7,790 thousand euro).

The item *Loans and other amounts receivable from banking customers* may be broken down as follows:

Euro thousands	30.06.2005	31.12.2004	Variation
Overdrafts	158,001	154,068	3,933
Loans	118,949	66,311	52,638
Other loans and receivables	423,634	325,032	98,602
Total	700,584	545,411	155,173

Held-to-maturity investments

Euro thousands	30.06.2005	31.12.2004	Variation
Debt securities	733,922	734,449	(527)
Total	733,922	734,449	(527)

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Euro thousands	30.06.2005	31.12.2004	Variation
Debt securities	560,744	559,889	855
Equities	273,654	214,029	59,625
Quotas held in UCITS	7,614	7,614	0
TOTAL	842,012	781,532	60,480

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

Euro thousands	30.06.2005	31.12.2004	Variation
Trading investments			
Debt securities	1,722,118	1,967,815	(245,697)
Equity securities	14	29	(15)
Quotas held in UCITS	69,601	58,922	10,679
Non-hedge derivatives	23,486	32,567	(9,081)
TOTAL TRADING INVESTMENTS	1,815,219	2,059,333	(244,114)
Financial assets designated at fair value in the income statement			
Debt securities	4,985,232	4,501,262	483,970
Quotas held in UCITS	5,194,731	4,423,547	771,184
TOTAL FINANCIAL ASSETS DESIGNATED AT FAIR VALUE IN THE INCOME STATEMENT	10,179,963	8,924,809	1,255,154
TOTAL FINANCIAL ASSETS DESIGNATED AT FAIR VALUE IN THE INCOME STATEMENT	11,995,182	10,984,142	1,011,040

OTHER ASSETS

Euro thousands	30.06.2005	31.12.2004	Variation
Due from tax authorities	83,763	105,493	(21,730)
Deferred assets relating to investment contracts (DAC)	19,262	18,190	1,072
Transitory items from credit activities	85,319	48,512	36,807
Guarantee deposits	18,864	15,130	3,734
Down payments and sundry receivables	26,460	32,111	(5,651)
Sundry assets	39,085	36,495	2,590
TOTAL	272,753	255,931	16,822

FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

Euro thousands	30.06.2005	31.12.2004	Variation
Financial liabilities related to trading			
Technical overdrafts from debt securities	371,823	3,098	368,725
Non-hedge derivatives	12,870	2,091	10,779
Sundry financial liabilities	2,981	2,818	163
TOTAL FINANCIAL LIABILITIES RELATED TO TRADING	387,674	8,007	379,667
Financial liabilities designated at fair value in the income statement			
Liabilities from financial agreements issued by insurance companies arising from:			
– contracts, where investment risk is carried by policyholders	1,033,562	1,004,374	29,188
– from pension fund management	188,891	149,157	39,734
TOTAL FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE IN THE INCOME STATEMENT	1,222,453	1,153,531	68,922
TOTAL FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE IN THE INCOME STATEMENT	1,610,127	1,161,538	448,589

Other financial liabilities

Euro thousands	30.06.2005	31.12.2004	Variation
Amounts payable to banks	1,135,874	618,263	517,611
Amounts payable to banking customers	3,607,008	3,454,267	152,741
Sundry financial liabilities	104,705	107,485	(2,780)
Total	4,847,587	4,180,015	667,572

Amounts payable to banks were made up of repurchase agreements (695,426 thousand euro), free and tied-up deposits (435,480 thousand euro) and other payables (4,968 thousand euro).

The item *Amounts payable to customers* may be broken down as follows:

Euro thousands	30.06.2005	31.12.2004	Variation
Current accounts	3,154,996	3,049,288	105,708
Repurchase agreements	349,668	302,604	47,064
Structured debt	22,731	33,375	(10,644)
Deposits	21,925	35,397	(13,472)
Other payables	57,688	33,603	24,085
Total	3,607,008	3,454,267	152,741

Breakdown of technical reserves - Life business

Euro thousands	30.06.2005	31.12.2004	Variation
Mathematical reserves	1,848,570	1,567,265	281,305
Reserve for amounts to be paid	48,744	43,045	5,699
Technical reserves where investment risk is carried by policyholders and reserves from pension fund management	8,343,603	7,491,918	851,685
Other reserves	62,197	8,859	53,338
– of which: deferred liabilities towards policyholders	20,607	8,859	11,748
Total - Life business	10,303,114	9,111,087	1,192,027

Breakdown of reinsurers' share of technical reserves - Life business

Euro thousands	30.06.2005	31.12.2004	Variation
Mathematical reserves	104,780	107,594	(2,814)
Reserve for amounts to be paid	1,080	1,173	(93)
Total - Life business	105,860	108,767	(2,907)

Provisions

Euro thousands	30.06.2005	31.12.2004	Variation
Provisions relating to fiscal issues	911	907	4
Other provisions	33,821	31,504	2,317
Total	34,732	32,411	2,321

The item *Other provisions* may be broken down as follows:

Euro thousands	30.06.2005	31.12.2004	Variation
Staff pension funds and similar obligations	1,874	1,798	76
Provisions for compensation payable to agents	14,174	12,880	1,294
Risks provision for unlawful dealings of agents	9,110	7,645	1,465
Other provisions for risks and charges	8,663	9,181	(518)
TOTAL	33,821	31,504	2,317

OTHER LIABILITIES

Euro thousands	30.06.2005	31.12.2004	Variation
Employee termination indemnity	12,761	12,016	745
Amounts payable to suppliers	74,905	77,225	(2,320)
Sundry payables	40,576	52,064	(11,488)
TOTAL	128,242	141,305	(13,063)

OTHER LIABILITIES

Euro thousands	30.06.2005	31.12.2004	Variation
Deferred liabilities relating to investment contracts (DIR)	50,924	53,928	(3,004)
Transitory items from credit activities	82,544	26,210	56,334
Sundry liabilities	27,588	27,493	95
TOTAL	161,056	107,631	53,425

EQUITY

The Group's equity, including the net income for the period, amounted to 743,915 thousand euro and included valuation reserves totalling 35,178 thousand euro, nearly all of which related to balancing entries carried under equity after measuring available-for-sale financial assets at fair value.

PERFORMANCE BY BUSINESS AREA

In this section, consolidated results are presented subdivided into the various areas of activity, Banking, Life Insurance, Asset Management and Other. These are in turn subdivided by geographic area as regards distribution markets: Domestic and Foreign.

In conformity to the provisions of IAS 14, segment results have been produced according to a scheme that reflects the Mediolanum Group's management structure, in keeping with all the information provided to the market and the various stakeholders, with certain income-statement items having to be reclassified as a result.

SEGMENT REPORTING BY BUSINESS SECTOR MEDIOLANUM GROUP

INCOME STATEMENT BY SECTOR	BANKING 2005	BANKING 2004	BANKING delta	LIFE INSURANCE 2005	LIFE INSURANCE 2004	LIFE INSURANCE delta
INCOME						
Net premiums written	0	0	0	1,261,986	1,140,401	121,585
Entry fees	0	0	0	0	0	0
Management fees	0	0	0	50,777	41,697	9,079
Performance fees	0	0	0	25,289	14,934	10,355
Bank service fees and revenues	34,740	35,772	(1,032)			
Other fees	80	232	(152)	11,015	12,826	(1,811)
Total receivable fees	34,819	36,004	(1,184)	87,081	69,457	17,624
Interest income and similar revenues	67,206	55,472	11,734	4,646	5,910	(1,264)
Interest expense and similar charges	(36,683)	(29,803)	(6,880)	(2,439)	(2,557)	118
Net profit on investment at fair value	4,273	3,277	996	7,373	697	6,676
Financial margin	34,796	28,946	5,850	9,580	4,050	5,530
Net income on other investments	693	2,566	(1,873)	12,411	55	12,356
Other revenues	5,227	1,348	3,879	8,017	8,285	(268)
TOTAL INCOME	75,536	68,864	6,672	1,379,075	1,222,248	156,827
CHARGES						
Amounts paid and change in technical reserves	0	0	0	(1,171,832)	(1,045,264)	(126,568)
Fees payable and acquisition costs	(18,004)	(10,180)	(7,824)	(74,544)	(71,668)	(2,876)
Net value adjustment	(781)	(2,531)	1,750	(473)	0	(473)
G&A expenses	(54,984)	(48,450)	(6,534)	(37,597)	(34,240)	(3,357)
Amortization and depreciation	(1,995)	(2,140)	144	(5,876)	(5,934)	58
Provision for risks and charges	(2,821)	(3,740)	919	0	0	0
PROFIT BEFORE TAX	(3,050)	1,823	(4,873)	88,753	65,142	23,611
Taxes						
Profit/loss pertaining to minority interests						
NET INCOME FOR THE SIX-MONTH PERIOD						

ASSET MANAGEMENT			OTHER			TOTAL		
2005	2004	delta	2005	2004	delta	2005	2004	delta
0	0	0	0	0	0	1,261,986	1,140,401	121,585
17,794	15,775	2,019	0	0	0	17,794	15,775	2,019
71,443	71,464	(21)	0	366	(366)	122,219	113,527	8,692
32,664	24,010	8,653	0	0	0	57,952	38,944	19,008
622	1,179	(557)	0	0	0	35,362	36,951	(1,589)
7,572	6,313	1,259	1,970	2,741	(771)	20,637	22,112	(1,475)
130,094	118,741	11,353	1,970	3,107	(1,137)	253,964	227,309	26,656
1,376	1,098	278	770	529	241	73,998	63,009	10,989
(236)	(250)	14	(4,472)	(4,618)	146	(43,830)	(37,228)	(6,602)
4	6	(2)	0	0	0	11,650	3,980	7,670
1,144	854	290	(3,702)	(4,089)	387	41,818	29,761	12,057
140	0	140	2,265	1,340	925	15,509	3,961	11,548
494	9	485	1,686	1,240	446	15,424	10,882	4,542
131,872	119,604	12,268	2,219	1,598	621	1,588,702	1,412,314	176,388
0	0	0	0	0	0	(1,171,832)	(1,045,264)	(126,568)
(33,052)	(30,701)	(2,352)	(1,831)	(1,874)	43	(127,431)	(114,423)	(13,008)
(265)		(265)	(184)	(61)	(123)	(1,704)	(2,592)	888
(30,909)	(29,067)	(1,842)	(1,719)	(1,369)	(350)	(125,210)	(113,126)	(12,084)
(3,298)	(4,566)	1,268	(237)	(397)	160	(11,406)	(13,037)	1,631
(347)	(1,009)	662	0	0	0	(3,168)	(4,749)	1,581
64,001	54,261	9,740	(1,752)	(2,103)	351	147,952	119,123	28,828
						(32,894)	(29,868)	(3,026)
						0	(190)	190
						115,058	89,065	25,992

SEGMENT REPORTING BY BUSINESS SECTOR (DOMESTIC MARKET) MEDIOLANUM GROUP

INCOME STATEMENT BY SECTOR	BANKING 2005	BANKING 2004	BANKING delta	LIFE INSURANCE 2005	LIFE INSURANCE 2004	LIFE INSURANCE delta
INCOME						
Net premiums written	0	0	0	1,258,308	1,135,223	123,085
Entry fees	0	0	0	0	0	0
Management fees	0	0	0	50,777	41,697	9,079
Performance fees	0	0	0	25,289	14,934	10,355
Bank service fees and revenues	19,423	28,859	(9,436)	0	0	0
Other fees	45	121	(76)	6,566	8,282	(1,716)
TOTAL RECEIVABLE FEES	19,467	28,980	(9,512)	82,632	64,913	17,719
Interest income and similar revenues	58,848	46,641	12,207	4,520	5,497	(977)
Interest expense and similar charges	(32,770)	(24,399)	(8,371)	(2,439)	(2,557)	118
Net profit on investment at fair value	4,429	3,286	1,143	7,373	700	6,673
Financial margin	30,507	25,528	4,979	9,454	3,640	5,814
Net income on other investments	0	0	0	12,411	55	12,356
Other revenues	4,065	747	3,318	8,017	8,285	(268)
TOTAL INCOME	54,040	55,255	(1,215)	1,370,822	1,212,116	158,706
CHARGES						
Amounts paid and change in technical reserves	0	0	0	(1,168,616)	(1,040,292)	(128,324)
Fees payable and acquisition costs	(7,147)	(5,703)	(1,445)	(72,516)	(69,395)	(3,122)
Net value adjustment	(652)	(1,809)	1,157	(473)	0	(473)
G&A expenses	(42,355)	(37,377)	(4,978)	(36,145)	(32,490)	(3,655)
Amortization and depreciation	(785)	(573)	(213)	(5,516)	(5,639)	123
Provision for risks and charges	(2,744)	(3,856)	1,112	0	0	0
PROFIT BEFORE TAX	355	5,937	(5,582)	87,555	64,300	23,255
Taxes						
Profit/loss pertaining to minority interests						
NET INCOME FOR THE SIX-MONTH PERIOD						

ASSET MANAGEMENT			OTHER			ELIMINATION			TOTAL		
2005	2004	delta	2005	2004	delta	2005	2004	delta	2005	2004	delta
0	0	0	0	0	0	0	0	0	1,258,308	1,135,223	123,085
15,410	13,792	1,618	0	0	0	0	0	0	15,410	13,792	1,618
63,800	62,786	1,014	0	366	(366)	0	0	0	114,576	104,849	9,727
30,294	23,300	6,993	0	0	0	0	0	0	55,582	38,234	17,348
25	0	25	0	0	0	0	0	0	19,448	28,859	(9,411)
7,492	6,187	1,305	1,970	2,741	(771)	0	0	0	16,073	17,331	(1,258)
117,020	106,065	10,955	1,970	3,107	(1,137)	0	0	0	221,089	203,065	18,025
1,226	1,042	184	770	529	241	(4,904)	(3,313)	(1,591)	60,460	50,396	10,064
(45)	(75)	30	(4,472)	(4,621)	149	4,904	3,313	1,591	(34,822)	(28,339)	(6,483)
(2)	0	(2)	0	0	0	0	0	0	11,800	3,986	7,814
1,179	967	212	(3,702)	(4,092)	390	0	0	0	37,438	26,043	11,395
140	0	140	2,265	1,340	925	0	0	0	14,816	1,395	13,421
456	0	456	1,686	1,240	446	0	0	0	14,224	10,272	3,952
118,795	107,032	11,763	2,219	1,595	624	0	0	0	1,545,876	1,375,998	169,878
0	0	0	0	0	0	0	0	0	(1,168,616)	(1,040,292)	(128,324)
(27,817)	(25,769)	(2,048)	(1,831)	(1,874)	43	0	0	0	(109,312)	(102,741)	(6,571)
(265)	0	(265)	(184)	(61)	(123)	0	0	0	(1,575)	(1,870)	295
(24,315)	(23,180)	(1,135)	(1,719)	(1,369)	(350)	0	0	0	(104,534)	(94,416)	(10,118)
(2,763)	(4,028)	1,265	(237)	(397)	160	0	0	0	(9,301)	(10,637)	1,336
0	0	0	0	0	0	0	0	0	(2,744)	(3,856)	1,112
63,636	54,055	9,581	(1,752)	(2,106)	354	0	0	0	149,794	122,186	27,608
									(32,385)	(29,476)	(2,909)
									0	1	(1)
									117,409	92,711	24,698

SEGMENT REPORTING BY BUSINESS SECTOR (FOREIGN MARKET) MEDIOLANUM GROUP

	BANKING			LIFE INSURANCE		
INCOME STATEMENT BY SECTOR	2005	2004	delta	2005	2004	delta
INCOME						
Net premiums written	0	0	0	3,678	5,178	(1,500)
Entry fees	0	0	0	0	0	0
Management fees	0	0	0	0	0	0
Performance fees	0	0	0	0	0	0
Bank service fees and revenues	15,317	6,913	8,404	0	0	0
Other fees	35	111	(76)	4,449	4,544	(95)
TOTAL RECEIVABLE FEES	15,352	7,024	8,328	4,449	4,544	(95)
Interest income and similar revenues	8,358	8,831	(473)	126	413	(287)
Interest expense and similar charges	(3,913)	(5,404)	1,491	0	0	0
Net profit on investment at fair value	(156)	(9)	(147)	0	0	0
Financial margin	4,289	3,418	871	126	413	(287)
Net income on other investments	693	2,566	(1,873)	0	0	0
Other revenues	1,162	601	561	0	0	0
TOTAL INCOME	21,496	13,609	7,887	8,253	10,135	(1,882)
CHARGES						
Amounts paid and change in technical reserves	0	0	0	(3,211)	(4,972)	(1,761)
Fees payable and acquisition costs	(10,856)	(4,477)	(6,379)	(2,028)	(2,273)	(245)
Net value adjustment	(129)	(722)	593	0	0	0
G&A expenses	(12,629)	(11,072)	(1,557)	(1,452)	(1,750)	(298)
Amortization and depreciation	(1,210)	(1,567)	357	(360)	(295)	(65)
Provision for risks and charges	(77)	116	(193)	0	0	0
PROFIT BEFORE TAX	(3,405)	(4,114)	709	1,202	845	357
Taxes						
Profit/loss pertaining to minority interests						
NET INCOME FOR THE SIX-MONTH PERIOD						

ASSET MANAGEMENT			OTHER			ELIMINATION			TOTAL		
2005	2004	delta	2005	2004	delta	2005	2004	delta	2005	2004	delta
0	0	0	0	0	0	0	0	0	3,678	5,178	(1,500)
2,384	1,983	401	0	0	0	0	0	0	2,384	1,983	401
7,643	8,678	(1,035)	0	0	0	1,248	0	1,248	8,891	8,678	213
2,370	710	1,660	0	0	0	0	0	0	2,370	710	1,660
597	1,179	(582)	0	0	0	0	0	0	15,914	8,092	7,822
80	126	(46)	0	0	0	(2,280)	(2,767)	487	2,284	2,014	270
13,074	12,676	398	0	0	0	(1,032)	(2,767)	1,735	31,843	21,477	10,366
150	56	94	0	0	0	0	0	0	8,634	9,300	(666)
(191)	(175)	(16)	0	0	0	0	0	0	(4,104)	(5,579)	1,475
6	6	0	0	0	0	0	0	0	(150)	(3)	(147)
(35)	(113)	78	0	0	0	0	0	0	4,380	3,718	662
0	0	0	0	0	0	0	0	0	693	2,566	(1,873)
38	9	29	0	0	0	(130)	(171)	41	1,070	439	631
13,077	12,572	505	0	0	0	(1,162)	(2,938)	1,776	41,664	33,378	8,286
0	0	0	0	0	0	0	0	0	(3,211)	(4,972)	1,761
(5,235)	(4,932)	(303)				1,032	2,767	(1,735)	(17,089)	(8,915)	(8,174)
0	0	0	0	0	0	0	0	0	(129)	(722)	593
(6,595)	(5,887)	(708)	0	0	0	130	171	(41)	(20,548)	(18,539)	(2,009)
(535)	(538)	3	0	0	0	0	0	0	(2,105)	(2,400)	295
(347)	(1,009)	662	0	0	0	0	0	0	(424)	(893)	469
365	206	159	0	0	0	0	0	0	(1,842)	(3,063)	1,221
									(509)	(392)	(117)
									0	(190)	190
									(2,351)	(3,645)	1,294

EMBEDDED VALUE

In view of the important role played by embedded value when it comes to interpreting the development of the Mediolanum Group as accurately as possible, information regarding embedded value (calculated with the assistance of the Tillinghast business of Towers Perrin, which provides management consulting and actuarial services to financial institutions) is provided below.

Embedded value is defined as the sum of shareholders' net assets (whereby assets are marked to market value) and the value of in-force business. The value of in-force life business is the present value of future expected cash flows, after taxes, projected by considering policies in force as at the date of valuation, less the cost of keeping the business solvent. The value of in-force mutual funds and managed accounts is calculated in a similar way to the value of in-force life policies. There is no need, in this instance, to adjust the cost of capital, since this particular business does not require solvency margins. The table below presents the embedded value of the Mediolanum Group as at June 30, 2005, together with the equivalent values reported as at December 31, 2004 and June 30, 2004.

EMBEDDED VALUE

Euro millions	30.06.2005	31.12.2004	30.06.2004
Adjusted shareholders' net assets	570	518	431
Value of in-force life business	1,625	1,477	1,373
Value of in-force mutual funds and management accounts	379	359	362
Embedded value	2,574	2,354	2,166

In order to determine embedded value as at June 30, 2005, economic assumptions were amended. To be more precise, a central discounting rate of 6.15% was applied (compared with 6.60% as at December 31, 2004 and 7.25% as at June 30, 2004). Discounting rates have been amended from one period to the next to take the changes undergone by effective levels of interest rates into account. What was witnessed during the period did not suggest the need to amend operating assumptions.

In order to gauge the effect of using other different discounting rates, the embedded value of the Group as at June 30, 2005 was determined to be 2,661 million euro and 2,493 million euro using discounting rates of 5.65% and 6.65% respectively.

The embedded value earnings for the period (embedded value earnings), defined as the change in embedded value registered during the period, adjusted for the payment of dividends and other capital movements, provides a measure of Group performance.

Euro millions	30.06.2005	31.12.2004	30.06.2004
Change in embedded value during the period	220	325	137
Capital movements	98	80	80
Embedded value earnings for the period	318	405	217

The table below highlights the principal components of the Mediolanum Group's embedded value earnings in the first half of 2005, compared with those for the year 2004 and the first half of 2004.

Euro millions	30.06.2005	31.12.2004	30.06.2004
Projected return	67	132	65
Difference in relation to assumptions	141	106	75
Changes made to operating assumptions	0	(10)	0
Changes to economic assumptions	30	38	0
Change to fiscal assumptions	0	(5)	(4)
Effect of acquisitions made during the period	0	(32)	(2)
EMBEDDED VALUE EARNINGS BEFORE GOODWILL	238	229	134
New sales: Life policies (1)	68	151	69
New sales: funds and managed accounts (2)	11	25	14
EMBEDDED VALUE EARNINGS AFTER GOODWILL	79	176	83
COMMERCIAL INITIATIVES (3)	1	0	0
EMBEDDED VALUE EARNINGS FOR THE PERIOD	318	405	217

(1) During the first half of 2005, new life business, defined as new policies issued during the period (including extensions of multi-year plans) net of transformations, amounted to 62 million euro for recurring-premium policies and 605 million euro for single-premium policies, of which 454 million euro related to DiPiù products.

(2) During the same period, new sales in respect of mutual funds and management accounts, defined as the sum of gross retail inflows less switches within mutual funds and management accounts, amounted to 23 million euro in the case of mutual fund instalment plans, 409 million euro in the case of lump-sum investments in mutual funds and 30 million euro in the case of managed accounts.

(3) Commercial initiatives, which refer to "old-generation" DiPiù policies being redeemed at the same time as "new-generation" DiPiù policies, produced total premiums of 140 million euro.

In order to gauge the effect of using different discounting rates, the embedded value earnings of new sales for the period was determined to be 83 million euro and 75 million euro using discounting rates of 5.65% and 6.65% respectively.

The excellent result achieved by embedded value earnings, compared with what was registered in both the first half of 2004 and the full-year 2004, was mainly due to the financial performances put in by assets under management, a rise in performance fees and the performance of investments held in the Group's portfolio.

In addition to the contribution lent by these factors, new life and fund business was also notably resilient.

INDIVIDUAL BALANCE SHEET (EXCLUDING IAS 39/IFRS 4)

ASSETS

Euro	30.06.2005	31.12.2004 Excluding IAS 39/IFRS 4
Non current assets		
Due from shareholders for payment still due	0	0
Fixed assets		
Intangible assets	521,229	706,503
Tangible assets	795,824	1,103,106
Investments in controlled and affiliated companies	520,841,460	521,382,650
Available-for-sale financial assets	269,660,558	173,561,371
TOTAL NON CURRENT ASSETS	791,819,071	696,753,630
Current assets		
Inventories	0	0
Sundry receivables		
from controlled companies	16,928,339	29,742,019
from customers	518,530	604,422
from others	15,110,112	15,025,528
TOTAL SUNDRY RECEIVABLES	32,556,981	45,371,969
Cash and cash equivalents		
bank deposits	32,061,645	17,034,814
cash	9,880	6,483
TOTAL CASH AND CASH EQUIVALENTS	32,071,525	17,041,297
Tax assets		
current	5,386,639	51,330,429
deferred	103,702	129,568
TOTAL TAX ASSETS	5,490,341	51,459,997
Other assets		
own shares (total nom, value 38,500 euro)	0	2,091,739
other assets	150,011	26,776
TOTAL OTHER ASSETS	150,011	2,118,515
TOTAL CURRENT ASSETS	70,268,858	115,991,778
TOTAL ASSETS	862,087,929	812,745,408

INDIVIDUAL BALANCE SHEET (EXCLUDING IAS 39/IFRS 4)

LIABILITIES

Euro	30.06.2005	31.12.2004 Excluding IAS 39/IFRS 4
Equity and liabilities		
Capital and reserves		
Share capital	72,687,866	72,566,861
Own shares	(2,045,116)	0
Capital reserves	2,033,181	2,091,739
Share premium reserve	47,648,668	45,761,836
Legal reserve	17,362,794	17,362,794
Other reserves	231,062,063	206,232,550
FTA reserve	(123,109,131)	(112,406,618)
Available-for-sale financial assets reserve	96,113,027	0
Profit for the period	122,721,285	115,284,921
TOTAL CAPITAL AND RESERVES	464,474,637	346,894,083
Non current liabilities		
Employee termination indemnity	1,607,877	1,682,723
TOTAL NON CURRENT LIABILITIES	1,607,877	1,682,723
Current liabilities		
Amounts payable to banks	251,283,489	251,090,125
Other financial liabilities at amortized cost	113,620,518	113,620,518
Amounts payable to suppliers	1,102,264	1,357,764
Other payables	23,011,105	46,129,849
Tax liabilities		
Current	6,388,559	51,425,735
Deferred	6,318	10,780
Other liabilities	593,162	533,831
TOTAL CURRENT LIABILITIES	396,005,415	464,168,602
TOTAL LIABILITIES	397,613,292	465,851,325
TOTAL EQUITY AND LIABILITIES	862,087,929	812,745,408

INDIVIDUAL INCOME STATEMENT (EXCLUDING IAS 39/IFRS 4)

Euro
Fees receivable
Fees payable
acquisition insurance contracts
other
Interest receivable
Interest payable
Profit/loss from trading activities
Dividend and other revenues from equity investments
shareholdings: Group
shareholdings: others
Write-downs for impairment
loans
Write-backs for impairment
Other income
Personnel expenses
Other administrative expenses
Depreciation and amortisation
intangible assets
tangible assets
Income from investments sale
Other expenses
Taxes
current taxes
deferred taxes
TOTAL TAXES
NET INCOME FOR THE PERIOD

	30.06.2005	30.06.2004 Excluding IAS 39/IFRS 4
	87,660,097	86,711,092
	(77,912,061)	(77,277,971)
	(53,937)	(210,990)
	759,003	514,397
	(4,447,354)	(4,612,272)
	(245)	(146)
	124,040,868	113,285,674
	375,105	191,693
	0	(962,498)
	0	604,794
	1,562,970	1,899,211
	(3,136,807)	(3,336,980)
	(4,155,977)	(5,819,661)
	(185,274)	(335,839)
	(317,836)	(374,896)
	110,460	0
	(156,925)	(311,253)
	(1,399,399)	(229,283)
	(21,403)	(47,630)
	(1,420,802)	(276,913)
	122,721,285	109,687,442

INDIVIDUAL BALANCE SHEET (INCLUDING IAS 39/IFRS 4)

ASSETS

Euro	30.06.2005	31.12.2004 Including IAS 39/IFRS 4
Non current assets		
Due from shareholders for payment still due	0	0
Fixed assets		
Intangible assets	521,229	706,503
Tangible assets	795,824	1,103,106
Investments in controlled and affiliated companies	520,841,460	521,382,650
Available-for- sale financial assets	269,660,558	207,525,423
TOTAL NON CURRENT ASSETS	791,819,071	730,717,682
Current assets		
Inventories	0	0
Sundry receivables		
From controlled companies	16,928,339	29,742,019
From customers	518,530	604,422
From others	15,110,112	15,025,528
TOTAL SUNDRY RECEIVABLES	32,556,981	45,371,969
Cash and cash equivalents		
bank deposits	32,061,645	17,034,814
cash	9,880	6,483
TOTAL CASH AND CASH EQUIVALENTS	32,071,525	17,041,297
Tax assets		
current	5,386,639	51,330,429
deferred	103,702	129,568
TOTAL TAX ASSETS	5,490,341	51,459,997
Other assets	150,011	26,776
TOTAL CURRENT ASSETS	70,268,858	113,900,039
TOTAL ASSETS	862,087,929	844,617,721

INDIVIDUAL BALANCE SHEET (INCLUDING IAS 39/IFRS 4)

LIABILITIES

Euro	30.06.2005	31.12.2004 Including IAS 39/IFRS 4
Equity and liabilities		
Capital and reserves		
Share capital	72,687,866	72,566,861
Own shares	(2,045,116)	(2,091,739)
Capital reserves	2,033,181	2,091,739
Share premium reserve	47,648,668	45,761,836
Legal reserve	17,362,794	17,362,794
Other reserves	231,062,063	206,232,550
FTA reserve	(123,109,131)	(112,406,618)
Available-for-sale financial assets reserve	96,113,027	33,964,052
Profit for the period	122,721,285	115,284,921
TOTAL CAPITAL AND RESERVES	464,474,637	378,766,396
Non current liabilities		
Employee termination indemnity	1,607,877	1,682,723
TOTAL NON CURRENT LIABILITIES	1,607,877	1,682,723
Current liabilities		
Amounts payable to banks	251,283,489	251,090,125
Other financial liabilities at amortized cost	113,620,518	113,620,518
Amounts payable to suppliers	1,102,264	1,357,764
Other payables	23,011,105	46,129,849
Tax liabilities		
Current	6,388,559	51,425,735
Deferred	6,318	10,780
Other liabilities	593,162	533,831
TOTAL CURRENT LIABILITIES	396,005,415	464,168,602
TOTAL LIABILITIES	397,613,292	465,851,325
TOTAL EQUITY AND LIABILITIES	862,087,929	844,617,721

Individual income statement (including IAS 39/IFRS 4)

Euro
Fees receivable
Fees payable
acquisition insurance contracts
other
Interest receivable
Interest payable
Profit/loss from trading activities
Dividend and other revenues from equity investments
shareholdings: Group
shareholdings: others
Write-downs for impairment
loans
Write-backs for impairment
Other income
Personnel expenses
Other administrative expenses
Depreciation and amortisation
intangible assets
tangible assets
Income from investments sale
Other expenses
Taxes
current taxes
deferred taxes
Total taxes
NET INCOME FOR THE PERIOD

Analysis of changes in shareholders' equity as at June 30, 2005

Euro thousands	**Share capital**	**Legal reserve**	**Share premium reserve**
Balance as at December 31, 2004	72,567	17,363	45,762
Transition to IAS/IFRS			
Balance as at January 1, 2005	72,567	17,363	45,762
Allocation of profit for the period:			
- dividends paid of profits			
- reserves			
Increase of share capital against payment	121		1,887
Adjustment to reserves as at 30.06.05			
Profit (loss) for the period			
Balance as at June 30, 2005 (IAS/IFRS)	72,688	17,363	47,649

	30.06.2005	30.06.2004 Including IAS 39/IFRS 4
	87,660,097	86,711,092
	(77,912,061)	(77,277,971)
	(53,937)	(210,990)
	759,003	514,397
	(4,447,354)	(4,612,272)
	(245)	(146)
	124,040,868	113,285,674
	375,105	191,693
	0	(962,498)
	0	604,794
	1,562,970	1,899,211
	(3,136,807)	(3,336,980)
	(4,155,977)	(5,819,661)
	(185,274)	(335,839)
	(317,836)	(374,896)
	110,460	0
	(156,925)	(311,253)
	(1,399,399)	(229,283)
	(21,403)	(47,630)
	(1,420,802)	(276,913)
	122,721,285	109,687,442

	Other reserves	Reserve for own shares	FTA Reserve	Valuation reserve	Profit for the period	Total equity
	205,661	2,045	0	0	126,559	469,957
	571	(2,045)	(112,407)	33,964	(11,274)	(91,191)
	206,232	0	(112,407)	33,964	115,285	378,766
					(101,540)	(101,540)
	24,448		(10,703)		(13,745)	0
						2,008
	370			62,149		62,519
					122,721	122,721
	231,050	0	(123,110)	96,113	122,721	464,474

CASH FLOW STATEMENT AS AT JUNE 30, 2005

Euro thousands	30.06.2005	30.06.2004
A) CASH INFLOW		
Increase of share capital	121	0
Increase share-premium reserve	1,887	0
Cashflows from operating activities:		
Profit (loss) for the period	122,721	109,687
Amortisation, depreciation of tangible and intangible assets	503	711
Change in reserves	370	213
Net change in employee termination indemnity	(75)	(514)
Change in receivables, payables and other assets and liabilities	(9,501)	(23,321)
TOTAL CASHFLOWS FROM OPERATING ACTIVITIES	114,018	86,776
Sale of investments	555	0
TOTAL CASH INFLOWS	116,581	86,776
B) CASH OUTFLOW		
Increase of tangible and intangible assets	11	88
Increase in securities and investments	0	10,016
Distributed dividends	101,540	79,781
TOTAL CASH OUTFLOW	101,551	89,885
C) CASH FLOW FOR THE PERIOD (A - B)	15,030	(3,109)
D) C/a receivable at sight, cash and cash equivalent (opening balance)	17,041	17,506
E) C/a receivable at sight, cash and cash equivalent (closing balance)	32,071	14,397
F) CHANGE IN CASH AND CASH EQUIVALENT (E - D)	15,030	(3,109)

Reconciliations of the Parent Company

Reconciliation between individual equity determined pursuant to Legislative Decree No. 127/91 and equity determined pursuant to IAS/IFRS as at June 30, 2004

Euro thousands	Excluding IAS 39/IFRS 4 30.06.2004	Including IAS 39/IFRS 4 30.06.2004
Equity pursuant to Legislative Decree No. 127/91	338,846	338,846
Reserves		
Actuarial measurement of employee termination indemnity	(69)	(69)
Other effects	57	57
Measurement of equity securities at fair value	0	(1,452)
Fiscal effect	(34)	34
Total effects of first-time adoption of IAS/IFRS	(46)	(1,498)
Equity pursuant to IAS/IFRS	338,800	337,348

Reconciliation between individual net income determined pursuant to Legislative Decree No. 127/91 and net income determined pursuant IAS/IFRS as at June 30, 2004

Euro thousands	Excluding IAS 39/IFRS 4 30.06.2004	Including IAS 39/IFRS 4 30.06.2004
Net result pursuant to Legislative Decree No. 127/91	(2,517)	(2,517)
Dividends	113,286	113,286
Personnel costs	44	44
Other administrative expenses	(162)	(162)
Other revenues	57	57
Taxes	(1,020)	(1,020)
Net result pursuant to IAS/IFRS	109,687	109,687

Significant post-period events

No events that might have a significant impact on the company's balance sheet, financial position or net income took place after June 30, 2005.

In July, the Bank of Italy approved the Regulations for the closed-end real estate fund "Mediolanum Real Estate" (managed by the subsidiary company Mediolanum Gestione Fondi SGR), with CONSOB authorising the fund's prospectus in early September. The new fund should start to be placed from this coming October.

On 29 July 2005, the subsidiary Banca Mediolanum established a new wholly-owned company, Mediolanum Distribuzione Finanziaria S.p.A., which is listed in Register 106 of Legislative Decree No. 385/93. This new company will make use of financial agents to place the products on offer.

In September, in conformity to the new laws regarding the transparency of life insurance policies, the subsidiary Mediolanum Vita launched 13 new unit-linked funds to replace those already in place for future policy business.

Foreseeable business performance

Based on the results achieved by Mediolanum Group companies during the first half of 2005, we believe that a positive result will be seen this year and be an improvement on last year's result.

For and on behalf of the Board of Directors
Alfredo Messina
Deputy Vice Chairman

MEDIOLANUM S.P.A.

ATTACHMENTS

List of IAS/IFRS homologated by the European Commission

International Financial Reporting Standards

IFRS	1	First-time adoption of International Financial Reporting standards
IFRS	2	Share-based payments
IFRS	3	Business combinations
IFRS	4	Insurance contracts
IFRS	5	Non-current assets held for sale and discontinued operations
IAS	1	Presentation of financial statements
IAS	2	Inventories
IAS	7	Cash flow statements
IAS	8	Accounting policies, changes in accounting estimates, and errors
IAS	10	Events after the balance sheet date
IAS	11	Construction contracts
IAS	12	Income taxes
IAS	14	Segment reporting
IAS	16	Property, plant and equipment
IAS	17	Leases
IAS	18	Revenue
IAS	19	Employee benefits
IAS	20	Accounting for Government grants and disclosure of Government assistance
IAS	21	The effects of changes in foreign exchange rates
IAS	23	Borrowing costs
IAS	24	Related party disclosures
IAS	26	Accounting and reporting by retirement benefit plans
IAS	27	Consolidated and separate financial statements
IAS	28	Investments in associates
IAS	29	Financial reporting in hyperinflationary economies
IAS	30	Disclosures in the financial statements of banks and similar financial institutions
IAS	31	Interests in joint venture
IAS	32	Financial instruments: disclosure and presentation
IAS	33	Earnings per share
IAS	34	Interim financial reporting
IAS	36	Impairment of assets
IAS	37	Provisions, contingent liabilities and contingent assets
IAS	38	Intangible assets
IAS	39	Financial instruments: recognition and measurement
IAS	40	Investment property
IAS	41	Agriculture

Interpretations

IFRIC	1	Changes in existing decommissioning, restoration and similar liabilities
SIC	7	Introduction of the euro
SIC	10	Government assistance - no specific relation to operating activities
SIC	12	Consolidation - special purpose entities
SIC	13	Jointly controlled entities - non-monetary contributions by venturers
SIC	15	Operating leases - incentives
SIC	21	Income taxes - recovery of revalued non-depreciable assets
SIC	25	Income taxes - changes in the tax status of an enterprise or its shareholders
SIC	27	Evaluating the substance of transactions in the legal form of a lease
SIC	29	Disclosure - service concession arrangements
SIC	31	Revenue - barter transactions involving advertising services
SIC	32	Intangible assets - website costs

Regulation homologation
707/2004 mod. 2236/2004 - 2237/2004 - 2238/2004 - 211/2005
211/2005
2236/2004
2236/2004
2236/2004
2238/2004
2238/2004
1725/2003 mod. 2238/2004
2238/2004
2238/2004
1725/2003
1725/2003 mod. 2236/2004 - 2238/2004 - 211/2005
1725/2003 mod. 2236/2004 - 2238/2004
2238/2004 - 211/2005
2238/2004
1725/2003 mod. 2236/2004
1725/2003 mod. 2236/2004 - 2238/2004 - 211/2005
1725/2003 mod. 2238/2004
2238/2004
1725/2003 mod. 2238/2004
2238/2004
1725/2003
2238/2004
2238/2004
1725/2003 mod. 2238/2004
1725/2003 mod. 2238/2004
2238/2004
2237/2004 mod. 2238/2004 - 211/2005
2238/2004 - 211/2005
1725/2003 mod. 2236/2004 - 2238/2004
2236/2004 mod. 2238/2004
1725/2003 mod. 2236/2004 - 2238/2004
2236/2004 mod. 2238/2004 - 211/2005
2086/2004 mod. 2236/2004 - 211/2005
2238/2004
1725/2003 mod. 2236/2004 - 2238/2004

Regulation homologation
2237/2004
1725/2003 mod. 2238/2004
1725/2003
1725/2003 mod. 2238/2004
1725/2003 mod. 2238/2004
1725/2003
1725/2003 mod. 2238/2004
1725/2003 mod. 2238/2004
1725/2003 mod. 2238/2004
1725/2003
1725/2003 mod. 2238/2004
1725/2003 mod. 2236/2004 - 2238/2004

TABLE OF MAJOR SHAREHOLDINGS AS PER ART. 125 OF CONSOB REGULATION NO. 11971/1999

REFERENCE DATE JUNE 30, 2005

Company name	Country	Total % holding
Alboran S.p.A.	Italy	100.00
Alborfin S.r.l.	Italy	100.00
Banca Esperia S.p.A.	Italy	48.50
Banca Mediolanum S.p.A.	Italy	100.00
Banco de Finanzas e Inversiones S.A.	Spain	100.00
Bankhaus August Lenz & Co. AG	Germany	100.00
Fibanc Argentina S.A.	Argentina	94.00
Fibanc Faif S.A.	Spain	99.99
Fibanc Inversiones S.A.	Spain	100.00
Fibanc Pensiones S.A. S.G.F.P.	Spain	99.999
Fibanc S.A.	Spain	99.998
Gamax Austria GmbH	Austria	100.00
Gamax Broker Pool AG	Germany	100.00
Gamax Fund of Funds Management AG	Luxembourg	100.00
Gamax Holding AG	Luxembourg	99.998
Gamax Management AG	Luxembourg	100.00
Ges. Fibanc S.G.I.I.C. S.A.	Spain	99.999
Mediolanum Asset Management Limited	Ireland	100.00
Mediolanum Comunicazione S.p.A.	Italy	100.00
Mediolanum Gestione Fondi SGR p.A.	Italy	100.00
Mediolanum International Funds Limited	Ireland	100.00
Mediolanum International Life Limited	Ireland	100.00
Mediolanum International S.A.	Luxembourg	100.00
Mediolanum Private S.A.M. In liq.	Principality of Monaco	99.94
Mediolanum Vita S.p.A.	Italy	100.00
Partner Time S.p.A.	Italy	100.00
PI Distribuzione S.p.A.	Italy	100.00
Tanami S.A.	Spain	100.00
Valora S.A.	Andorra	100.00

Type of control	Holding company	Interest %
Direct control	Mediolanum S.p.A.	100.00
Indirect control	Alboran S.p.A.	100.00
Direct control	Mediolanum S.p.A.	48.50
Direct control	Mediolanum S.p.A.	100.00
Indirect control	Banca Mediolanum S.p.A.	18.756
Indirect control	Fibanc Inversiones S.A.	81.244
Indirect control	Banca Mediolanum S.p.A.	100.00
Indirect control	Banco de Finanzas e inversiones S.A.	94.00
Indirect control	Banco de Finanzas e inversiones S.A.	99.99
Indirect control	Banca Mediolanum S.p.A.	96.082
Indirect control	Tanami S.A.	3.918
Indirect control	Banco de finanzas e inversiones S.A.	99.999
Indirect control	Banco de finanzas e inversiones S.A.	99.998
Indirect control	Gamax Holding AG	100.00
Indirect control	Gamax Holding AG	100.00
Indirect control	Gamax Holding AG	99.80
Indirect control	Mediolanum International S.A.	0.20
Indirect control	Mediolanum international S.A.	99.998
Indirect control	Gamax Holding AG	99.80
Indirect control	Mediolanum International S.A.	0.20
Indirect control	Banco de Finanzas e Inversiones S.A.	99.999
Indirect control	Banca Mediolanum S.p.A.	51.00
Direct control	Mediolanum S.p.A.	49.00
Direct control	Mediolanum S.p.A.	100.00
Indirect control	Banca Mediolanum S.p.A.	51.00
Direct control	Mediolanum S.p.A.	49.00
Indirect control	Banca Mediolanum S.p.A.	51.00
Direct control	Mediolanum S.p.A.	49.00
Direct control	Mediolanum S.p.A.	100.00
Indirect control	Banca Mediolanum S.p.A.	99.997
Direct control	Mediolanum S.p.A.	0.003
Indirect control	Mediolanum International S.A.	99.94
Direct control	Mediolanum S.p.A.	100.00
Direct control	Mediolanum S.p.A.	100.00
Direct control	Mediolanum S.p.A.	100.00
Indirect control	Banca Mediolanum S.p.A.	100.00
Indirect control	Banco de Finanzas e Inversiones S.A.	100.00

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AUDITORS' REPORT ON THE REVIEW OF THE MANAGEMENT REPORT FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2005 PREPARED IN CONFORMITY WITH CONSOB REGULATIONS AS APPROVED IN ITS RESOLUTION No.11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS

(Translation from the original Italian version)

To the Shareholders of
Mediolanum S.p.A.

1. We have performed the review of the statements of Consolidated Balance Sheet and Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flows (the "Statements") and related Notes included in the Management Report of Mediolanum S.p.A. for the six months period ended June 30, 2005. The Management Report is the responsibility of Mediolanum S.p.A.'s management. Our responsibility is to issue the present report based on our review. We have also reviewed that part of the financial information presented by the Board of Directors in the Management Report with respect of their discussions and analyses of the consolidated operations of Mediolanum S.p.A., solely for the purpose of evaluating its consistency with the remaining part of the Management Report.

2. Our review was conducted in accordance with auditing standards governing review of interim financial statements recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of July 31, 1997. A review consists 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. A review does not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities. Consequently, the scope of a review engagement provides significantly 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 Management Report of Mediolanum S.p.A. as of and for the six months period ended June 30, 2005, as we do in connection with reporting on our full scope audit of the annual consolidated financial statements of Mediolanum S.p.A..

3. With respect to the consolidated comparative data as of and for the year ended December 31, 2004, presented in the Statements, reference should be made to our report issued under today's date.

   The comparative data of the Management Report for the six months ended June 30, 2004, restated in conformity with IFRS and the related IFRS statements of reconciliation, derive from the consolidated financial data prepared in accordance with Italian regulations governing financial statements and the then applicable accounting principles; such financial data were previously reviewed by us and reference should be made to our review report dated September 20, 2004.

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)

As reported in paragraph "IAS/IFRS First-Time Adoption by Mediolanum" of the Management Report, the Company, to enhance comparability among periods, presented in the Statements and related Notes the consolidated data of the corresponding period of the previous year, restated taking into account the estimated impacts produced by the application of IAS 39 and IFRS 4, had these principles been applied starting from January 1, 2004. We have not examined such comparative data.

4. Based on our review, we did not become aware of any significant modifications that should be made to the Statements and related Notes, identified in paragraph 1. of this report, in order for them to be in conformity with the criteria for the presentation of the six months period Management Report, stated by CONSOB regulations as approved in its resolution No. 11971 of May 14, 1999 and subsequent modifications.

Milan, October 10, 2005

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

TOWERS
PERRIN

TILLINGHAST

Milan, 28 September 2005

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

20080 BASIGLIO (MI)

Egregio signor Doris,

EMBEDDED VALUE AND EMBEDDED VALUE EARNINGS

Tillinghast, the global actuarial and management 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 2005, 31 December 2004 and 30 June 2004, together with the embedded value earnings in the first half of 2005, in the full year 2004, and in the first half of 2004. The estimates of value determined by Tillinghast are based on information provided by the Group; we have reviewed this information for reasonableness and consistency with our knowledge of the industry, but have not undertaken independent checks of the data and other information supplied.

The principal results at a consolidated level, calculated using realistic operating, fiscal and economic assumptions considered appropriate at the respective valuation dates, are shown in the following table. The discount rate used was 6.15% as at 30 June 2005 (6.60% as at 31 December 2004 and 7.25% as at 30 June 2004) and the value of in-force life business is shown after the cost of holding solvency capital at 100% of the EU minimum margin.

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Embedded Value (Euro million)			
	30 June 2005	**31 December 2004**	**30 June 2004**
Adjusted net worth	570	518	431
Value of in-force Life business	1,625	1,477	1,373
Value of in-force Asset Management business	379	359	362
Embedded Value	2,574	2,354	2,166

The following table shows the principal components of the Group's embedded value earnings in the first half of 2005, in the full year 2004 and in the first half of 2004.

Embedded Value Earnings (Euro million)			
	1st half 2005	**Year 2004**	**1st half 2004**
Expected return	67	132	65
Experience variances	141	106	75
Operating assumption changes	-	(10)	-
Economic assumption changes	30	38	-
Tax assumption changes	-	(5)	(4)
Life business transformations	1	-	-
New Life business	68	151	69
New Asset Management business	11	25	14
Impact of acquisitions in the period	-	(32)	(2)
Embedded value earnings	318	405	217

The valuations make use of actuarial methodology typically used in traditional embedded value reporting, based on deterministic projections of future after-tax profits, with an allowance for risk through the use of a single risk discount rate and an explicit assumption for the level and cost of holding capital. The allowance for risk may not correspond to a capital markets based valuation of such risk or to that required to comply with the European Embedded Value Principles published by the CFO Forum.

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In this context, Tillinghast considers that the methodology and the assumptions used to calculate the embedded values and the embedded value earnings are reasonable and consistent with the recent operating experience of the Group, and that the resulting values, as shown in this letter, are reasonable.

Yours sincerely

Andrew Milton
Fellow of the Institute of Actuaries

Vittorio Chimenti
Attuario