MEDIOLANUM S.P.A.

QUARTERLY REPORT AS AT SEPTEMBER 30, 2005

MEDIOLANUM
MEDIOLANUM GROUP

Index

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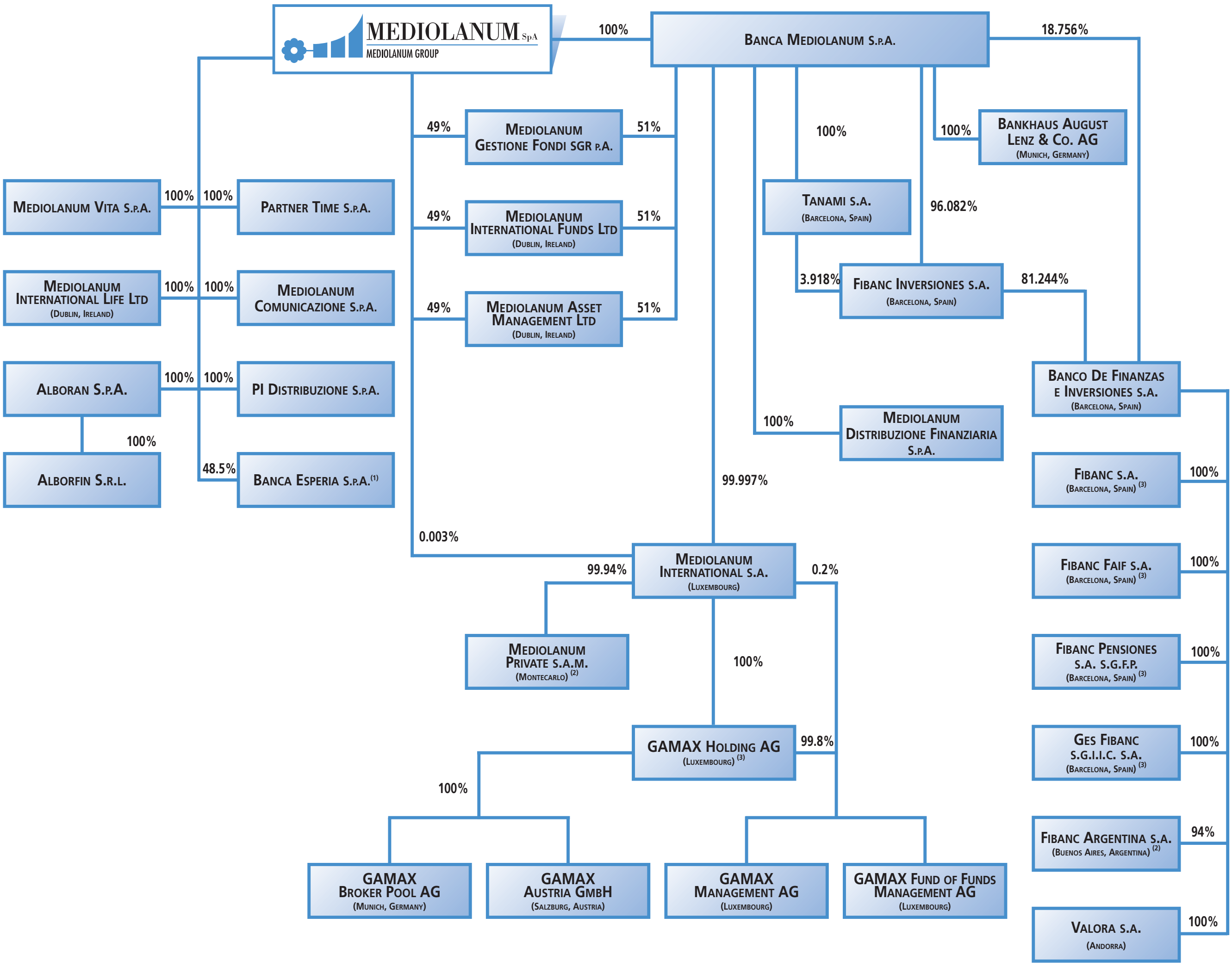
Mediolanum S.p.A. Officers of the company

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 September 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 quarterly statement has 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 rules 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 (Financial Instruments: Measurement and Recognition) and IFRS 4 (Insurance Contracts) were ratified led the European Legislation 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 of 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 IFRS 4.

MACROECONOMIC SCENARIO

In September, growth forecasts for the US economy, the driving force behind the world economy, were revised downwards due to the devastating effect of the hurricanes that struck New Orleans, leading to the loss of human life and jobs and causing massive damage: respected economists expect 2005 GDP growth in the USA to decline from 3.8% to 3.5%, while world growth could decline from 4.1% to 3.7%.

The negative impact that this will have on US GDP for the current year will however be offset next year by the positive contribution lent by sizeable federal funds assigned for the rebuilding of the affected areas: any reduction in economic growth is therefore just temporary. High oil prices will instead continue to have an adverse effect on spending and inflation in the years ahead as well.

Welcome news has instead arrived from Asia, whose emerging economies (the standouts being China, India and South Korea) are continuing to develop at a sustained pace: the Japanese economy has also been showing increasingly concrete signs of a revival.

While progressing very slowly, exports fared better in Europe, above all in France and Germany, where the outcome of the elections nevertheless triggered uncertainty as to the country's actual governability and had a negative impact on the entire political and economic climate.

Monetary policy in the United States of America did not change: the Federal Reserve continued with its normalisation of official interest rates and intervened two more times – in August and September, meaning that the Fed funds rate was up from 3.25% at the end of June to 3.75% by the end of September. Greenspan seemed concerned about the possible imbalances arising from the excessive rise in real estate prices and made it clear that by the end of his term in office (January 2006), interest rates would be higher than at present. The European Central Bank kept its monetary policy unchanged.

Taken collectively, the international equity markets put in a positive performance in the third quarter of 2005, especially as far as Asia (where certain indexes grew by more than 20%) and Europe are concerned, while the US equity market bore the brunt of the restrictive monetary policy adopted by the Federal Reserve.

The business sectors benefiting the most were those related to the economic cycle's behaviour, such as the energy sector, particularly buoyed up by the trends followed by the oil prices and base commodities. Also worthy of mention was the revaluation enjoyed by automotive stocks, while those related to spending and retail sales only reaped partial benefit from the boom undergone by the markets.
Bond prices were negatively impacted by the inflationary pressure caused by the rise in energy and commodity prices and the increase in short-term interest rates in the USA. Medium/long-term yields increased slightly in all geographical areas.
Despite a highly volatile climate, exchange rates for principal currencies against the euro underwent only marginal change during the quarter.

The current scenario – characterised by moderate economic growth, limited inflationary pressure, improvements on the spending and jobs front, growing corporate earnings and interest rates that have nevertheless been contained compared with historical rates – is encouraging for equity investments: the returns expected, in terms of higher share prices and distributed dividends, should be higher than those seen for investments in other securities.

Performance of the Mediolanum Group

As at September 30, 2005, the Mediolanum Group achieved an excellent result, closing the period with a net profit of 180,273 thousand euro, representing an increase of 41% on the same period of 2004 (September 30, 2004: 127,793 thousand euro).
This fine performance should be viewed mainly in relation to the increase in assets under management, which – thanks to encouraging performances in the financial markets, generated higher management and performance fees.
Total assets under management as at September 30, 2005 amounted to 29,510 million euro, representing an increase of 17% on the same period of 2004 (25,165 million euro) and an increase of 5.6% on the level reported as at June 30, 2005 (27,953 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

During the quarter under review, promotional activities continued by way of an 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.

The launch of a new current account, known as RIFLEX (whose key features are *simplicity, complete transparency and extremely competitive costs*) and a new revolving credit card known as RIFLEX CARD (which operates like a debit card, offering secure online payments and repayments by instalment), brought with it impressive results right from the start, with the number of new customer accounts being opened growing considerably.

Specifically, in the period March-October 2005, around 7,370 new current accounts were opened on average every month (with around 48% of these relating to new clients acquired during the year), representing an increase of 79% over the average level recorded in 2004. (During the period January-October 2004, 4,120 new current accounts were opened on average every month). Turning to credit cards, the same period saw around 3,127 credit cards issued on average every month (with approximately 87% of these relating to new cardholders), with in this case too a significant increase (+132%) being registered over the monthly averages seen in 2004. (During the period January-October 2004, 1,345 credit cards were issued on average every month).

As at September 30, 2005, there were 373,140 active current accounts, compared with 338,000 a year earlier (+10%), while the number of prime accountholders increased from 782,200 as at September 30, 2004 to 790,500 by the end of the three-month period under review.

As at September 30, 2005, the sales network's headcount totalled 5,651, compared with 5,485 at the end of 2004, and included 3,999 financial advisers. The difference was made up of insurance business executives, credit executives and other collaborators.

As regards the various events taking place during the quarter, we should mention that on July 29 last, the subsidiary Banca Mediolanum S.p.A. set about establishing a financial broking firm, which would need to be included in the General Register, foreseen under Article 106 of the Italian Banking Act and held by the Italian Foreign Exchange Office. The new firm's listing became official on September 12, 2005. The firm is in the process of being included as part of the Mediolanum Banking Group.

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

LIFE INSURANCE

During the quarter under review, total inflows amounted to 558 million euro, representing an increase of 11.4% on the 501 million euro registered the previous year.

New business generated amounted to 328 million euro, representing an increase of 9% on the same period of 2004 (3rd quarter 2004: 301 million euro).

In the first nine months of 2005, total inflows increased by around 11% to reach 1,829 million euro (September 30, 2004: 1,648 million euro). Over the same length of time, new business generated increased by 10% to total 1,153 million euro (September 30, 2004: 1,046 million euro).

Administered life assets at the end of the period totalled 11,791.3 million euro, up 23.4% on the level reported a year earlier (September 30, 2004: 9,557.6 million euro; December 31, 2004: 10,107 million euro, +16.7%).

Performance figures of investee companies operating in the Life Insurance sector (consolidated on a line-by-line basis):

Euro thousands	3rd quarter 2005	3rd quarter 2004	30.09.05	30.09.04
Mediolanum Vita S.p.A.	6,726	9,096	35,437	28,771
Partner Time S.p.A.	(385)	(531)	(843)	(675)
Mediolanum International Life Ltd	3,118	2,274	4,891	4,081

BANKING

Banca Mediolanum S.p.A. ended the three months to September 30, 2005 with a net profit of 53,943 thousand euro, after income taxes of 2,467 thousand euro, compared with a net profit as at September 30, 2004 of 59,149 thousand euro (net of income taxes, which amounted to 8,969 thousand euro).

The decrease thus recorded is mainly attributable to the costs incurred for the "4 Freedoms" initiative embarked upon in respect of the launch of the new current account and credit card "Riflex".

Customer deposits grew from 3,152 million euro as at December 31, 2004 to 3,276 million euro by the end of the three months under review, thus registering an increase of 4%.

As at September 30, 2005, total assets administered by the Bank (current accounts and securities portfolios of customers) grew to 4,673 million euro, up from 4,474 million euro as at September 30, 2004 and 4,424 million euro at the end of 2004.

The bank's interest margin as at September 30, 2005 amounted to 40,017 thousand euro, representing an increase of 16.7% on the 34,286 thousand euro reported as at September 30, 2004. Net income from trading activities amounted to 3,056 thousand euro, compared with 4,746 thousand euro as at September 30, 2004.

Considered collectively, the two income-statement headings referred to above produced an increase in the net margin of 10.4% as it rose from 39,032 thousand euro as at September 30, 2004 to 43,073 thousand euro at the end of the quarter under review.

As at September 30, 2005, the bank registered a fee margin of 86,050 thousand euro, down from 90,934 thousand euro a year earlier, due to changes to the composition of commissions from placed services, and specifically to a reduction in fees from home mortgages placed on behalf of other banks and the higher commissions paid in respect of the "4 Freedoms" initiative.

Performance figures of investee companies operating in the Bank sector (consolidated on a line-by-line basis):

Euro thousands	3rd quarter 2005	3rd quarter 2004	30.09.05	30.09.04
Banca Mediolanum S.p.A.	(5,535)	(1,993)	53,943	59,149

ASSET MANAGEMENT

In the first nine months of the year 2005, gross inflows to mutual funds and managed accounts totalled 1,216.8 million euro (third quarter 2004: 497.3 million euro), against 1,104.3 million euro as at September 30, 2004 (third quarter 2004: 263 million euro). Net inflows totalled 58.8 million euro (third quarter 2005: +117.7 million euro), compared with 29.6 million euro in 2004 (third quarter 2004: -46.2 million euro).

Assets under management as at September 30, 2005 amounted to 13,317.3 million euro, representing an increase of 24.6% over the 10,689.6 million euro recorded as at September 30, 2004. During the quarter under review, an increase of 1,062.7 million euro was thus recorded (third quarter 2004: -270.9 million euro).

Performance figures of investee companies operating in the Asset Management sector (consolidated on a line-by-line basis):

Euro thousands	3rd quarter 2005	3rd quarter 2004	30.09.05	30.09.04
Mediolanum International Funds Ltd.	54,392	25,520	138,876	92,248
Mediolanum Gestione Fondi SGR p.A.	2,945	1,702	6,198	5,848

The improvement seen in the quarterly result of Mediolanum International Funds was attributable to the higher management and performance fees generated by an increase in the value of assets under management.

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 realised a net profit for third quarter 2005 of 5,790 thousand euro, which included the estimate for the impact of IAS and represented a significant 458% increase on the 1,038 thousand euro registered for third quarter 2004. As at September 30, 2005, the Group reported net income of 10,613 thousand euro, which included the estimate for the impact of IAS, compared with 3,211 thousand euro (+231%) for the same period a year earlier.

Foreign Markets

Spain

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

As at September 30, 2005, the Fibanc Group posted a net result of 19 thousand euro, compared with 1,573 thousand euro for the same period of 2004.

At the end of the three-month period under review, the Group's sales network boasted a workforce of 618 people (September 30, 2004: 578), which included 420 exclusive Global Consultants, based on the same financial adviser model as that used by Banca Mediolanum (September 30, 2004: 406 consultants).

Gross inflows for the period reached 300 million euro, representing an increase of 16% on the same period of 2004, while net inflows at the end of September 2005 amounted to 78.8 million euro, up sharply on the 25 million euro reported the previous year.

Total inflows for Mediolanum International Life products in Spain amounted to 56.1 million euro, compared with 61.3 million euro in the three months to September 30, 2004.

Total assets under management as at September 30, 2005 amounted to 2,290.8 million euro, representing an increase of 14.6% on September 30, 2004 (September 30, 2004: 1,999.6 million euro).

As part of the direct measures being taken to simplify and rationalise the Spanish conglomerate Fibanc, the following corporate restructuring exercises were put in place:

– he holding company Fibanc Inversiones S.A. and Tanami S.A. were merged by being incorporated into the Spanish group Banco de Finanzas e Inversiones S.A. This merger process is expected to be wrapped up by the end of this year;
– the sale of the investment in Valora S.A. (a financial company based in Andorra) was executed on October 14, 2005, generating a capital gain of 281 thousand euro;
– the Argentine subsidiary Fibanc Argentina S.A., was put into liquidation, with proceedings expected to be completed by December 31, 2005.

Performance figures of investee companies operating in Spain (consolidated on a line-by-line basis):

Euro thousands	3rd quarter 2005	3rd quarter 2004	30.09.05	30.09.04
Group Fibanc S.A.	(473)	(15)	19	1,573

GERMANY

Mediolanum operates in Germany through Bankhaus August Lenz &Co. AG (100% Banca Mediolanum) and the Gamax Holding AG Group (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 September 30, 2005 amounted to 654.3 million euro, largely unchanged on the level registered as at September 30, 2004 (649 million euro).

At the end of the quarter under review, the sales network of Bankhaus August Lenz had a headcount of 64, compared with 86 as at September 30, 2004.
During the quarter under review, the German bank posted a loss of 2,147 thousand euro, compared with a loss of 2,345 thousand euro for the third quarter of 2004. The bank registered a total loss for the nine months to September 30, 2005 of 6,498 thousand euro, which represented an improvement on the loss of 7,484 thousand euro posted a year earlier.

In the three-month period, the Gamax Group achieved a result of 1,608 thousand euro, which was considerably better than the 527 thousand euro reported a year earlier, thanks mainly to the performance fees it accrued during the three months. Net profit as at September 30, 2005 totalled 4,047 thousand euro, compared with 1,307 thousand euro a year earlier (+210%).

Performance figures of investee companies operating in Germany (consolidated on a line-by-line basis):

Euro thousands	3rd quarter 2005	3rd quarter 2004	30.09.05	30.09.04
Gruppo Gamax Holding AG	1,608	527	4,047	1,307
Bankhaus August Lenz & Co. AG	(2,147)	(2,345)	(6,498)	(7,484)

MEDIOLANUM S.P.A.

As at September 30, 2005, the net profit realised by the Parent Company amounted to 121,194 thousand euro, compared with 108,905 thousand euro as at September 30, 2004.
As regarding operating activities, fees receivable totaled 129,857 thousand euro (September 30, 2004: 127.002 thousand euro), 127,016 thousand euro of which came from the insurance agent activities undertaken by the subsidiary company Mediolanum Vita S.p.A. (compared with 124.065 thousand euro a year earlier).
Costs relating to such activity were mainly made up of commissions totalling 116,477 thousand euro paid to the subsidiary Banca Mediolanum S.p.A. (September 30, 2004: 113,078 thousand euro).
Interest payable arising from the utilisation of credit facilities granted by leading banks amounted to 6,622 thousand euro, compared with 6,784 thousand euro for the same period of 2004.

MEDIOLANUM GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2005

Balance sheet

ASSETS

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

Euro thousands	30.09.2005	30.06.2005	31.12.2004
1. Intangible assets			
1.1 Goodwill	177,247	177,247	177,247
1.2 Other intangible assets	26,959	29,737	32,853
TOTAL INTANGIBLE ASSETS	204,206	206,984	210,100
2. Investments			
2.1 Property investments	23,024	23,378	33,388
2.2 Investments in subsidiaries, associates and joint ventures	28,521	25,739	23,490
2.3 Loans and receivables	2,981,517	2,982,455	1,735,001
2.4 Investments held to maturity	731,049	733,922	734,449
2.5 Available-for-sale financial assets	851,288	842,012	736,647
2.6 Financial assets at fair value carried in the income statement	12,880,619	11,995,182	10,982,730
TOTAL INVESTMENTS	17,496,018	16,602,688	14,245,704
3. Cash and cash equivalents	403,668	555,595	432,658
4. Technical reserves when the risk is carried by policyholders	105,999	105,860	108,767
5. Receivables			
5.1 Due from direct insurance operations	14,124	15,571	12,642
5.2 Due from reinsurance operations	1	46	0
5.3 Other receivables	5,468	5,933	4,510
TOTAL RECEIVABLES	19,593	21,550	17,152
6. Tangible assets			
6.1 Property assets	60,191	59,505	60,182
6.2 Other tangible assets	14,146	14,690	13,806
TOTAL TANGIBLE ASSETS	74,337	74,195	73,988
7. Other assets			
7.1 Deferred acquisition costs			
7.2 Current tax assets	21,689	18,321	36,243
7.3 Deferred tax assets	48,133	47,425	25,290
7.4 Non-current assets or discontinued operations held for sale	372	372	372
7.5 Other assets	266,832	272,753	237,740
TOTAL OTHER ASSETS	337,026	338,871	299,645
TOTAL ASSETS	18,640,847	17,905,743	15,388,015

LIABILITIES

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

Euro thousands	30.09.2005	30.06.2005	31.12.2004
1. Capital and reserves			
1.1 Pertaining to the Group			
1.1.1 Share capital or equivalent fund	72,732	72,688	72,567
1.1.2 Other equity instruments			
1.1.3 Capital reserves	50,143	49,682	47,854
1.1.4 Profit reserve and other equity reserves	410,557	409,195	364,318
1.1.5 Own shares (-)	(2,045)	(2,045)	0
1.1.6 Reserves for net exchange differences			
1.1.7 Profit (loss) from available-for-sale financial assets	124,206	111,228	0
1.1.8 Other profits or losses carried directly in equity	(10,698)	(11,891)	0
1.1.9 Profit (loss) for the period pertaining to the Group	180,273	115,058	159,055
TOTAL CAPITAL AND RESERVES PERTAINING TO THE GROUP	825,168	743,915	643,794
1.2 Pertaining to minority interests			
1.2.1 Capital and reserves pertaining to minority interests	0	0	0
1.2.2 Other profits or losses carried directly in equity	0	0	0
1.2.3 Profit (loss) for the period pertaining to minority interests	0	0	0
TOTAL CAPITAL AND RESERVES PERTAINING TO MINORITY INTERESTS	0	0	0
TOTAL CAPITAL AND RESERVES	825,168	743,915	643,794
2. Subordinated liabilities	0	4,982	4,994
3. Financial liabilities			
3.1 Financial liabilities at fair value carried in the income statement	1,676,317	1,610,127	8,008
3.2 Other financial liabilities	4,969,733	4,847,587	4,180,014
TOTAL FINANCIAL LIABILITIES	6,646,050	6,457,714	4,188,022
4. Technical reserves	10,755,032	10,303,114	10,269,303
5. Provisions			
5.1 Provisions relating to fiscal issues	891	911	907
5.2 Other provisions	39,742	33,821	31,504
TOTAL PROVISIONS	40,633	34,732	32,411
6. Payables			
6.1 Due to direct insurance operations	5,118	6,616	5,984
6.2 Due to reinsurance operations	545	885	731
6.3 Other payables	125,067	128,242	141,805
TOTAL PAYABLES	130,730	135,743	148,520
7. Other liabilities			
7.1 Current tax liabilities	45,367	33,302	37,162
7.2 Deferred tax liabilities	26,506	31,185	10,106
7.3 Current liabilities or discontinued operations held for sale			
7.4 Other liabilities	171,361	161,057	53,703
TOTAL OTHER LIABILITIES	243,234	225,543	100,971
TOTAL LIABILITIES, CAPITAL AND RESERVES	18,640,847	17,905,743	15,388,015

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

Euro thousands	3rd quarter 2005
1. Revenues	
1.1 Net premiums	
1.1.1 Premium income, gross	557,846
1.1.2 Outward reinsurance	(1,292)
Total net premiums	556,554
1.2 Fees receivable	146,552
1.3 Income from financial instruments at fair value carried in the income statement	313,379
1.4 Income from investments in subsidiaries, associates and joint ventures	2,833
1.5 Income from other financial instruments and property investments	
1.5.1 Interest receivable	35,747
1.5.2 Other income from investments	458
1.5.3 Realised gains	380
1.5.4 Unrealised gains	3,376
Total income from other financial instruments and property investments	39,961
1.6 Other income	5,849
Total income	1,065,128
2. Costs	
2.1 Net claims incurred	
2.1.1 Claims paid and changes in technical reserves	(831,359)
2.1.2 Reinsurance's share	1,807
Total net claims incurred	(829,552)
2.2 Fees payable	(41,003)
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	(18,644)
2.4.2 Other expenses from investments	(379)
2.4.3 Realised losses	(22)
2.4.4 Impairment	(2,833)
Total charges from other financial instruments and property investments	(21,878)
2.5 Management expenses	
2.5.1 Commissions and other acquisition costs incurred on insurance contracts	(24,099)
2.5.2 Investments management expenses	(52,037)
2.5.3 Other administrative expenses	(3,051)
Total operating expenses	(79,187)
2.6 Other costs	(15,017)
Total costs	(986,637)
Profit (loss) for the period before taxes	78,491
3. Current taxes	(14,754)
4. Deferred taxes	1,478
5. Profit (loss) from discontinued operations	
Minority interest	
Profit (loss) for the period pertaining to the Group	65,215

3rd quarter 2004	30.09.2005	30.09.2004
519,925	1,822,692	1,717,619
(1,327)	(4,152)	(4,487)
518,598	1,818,540	1,713,132
94,754	399,089	307,130
(35,800)	930,090	279,205
2,260	5,485	3,648
28,958	97,271	86,471
348	1,283	1,062
615	13,513	3,427
2,355	7,234	6,746
32,276	119,301	97,706
5,358	21,174	15,957
617,446	3,293,679	2,416,779
(407,192)	(2,608,002)	(1,841,495)
1,652	5,453	5,751
(405,540)	(2,602,549)	(1,835,744)
(36,302)	(120,987)	(104,451)
(44,583)	(54,579)	(47,934)
(540)	(1,175)	(1,197)
(70)	(55)	(126)
(1,616)	(8,368)	(9,679)
(46,809)	(64,177)	(58,936)
(20,973)	(71,012)	(64,947)
(42,209)	(159,491)	(139,262)
(2,028)	(9,388)	(6,673)
(65,210)	(239,891)	(210,882)
(12,418)	(39,632)	(41,900)
(566,279)	(3,067,236)	(2,251,913)
51,167	226,443	164,865
(11,219)	(45,652)	(38,504)
(1,774)	(518)	(1,996)
190		
38,364	180,273	124,365

Balance sheet

ASSETS

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

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6.2 Other tangible assets	14,146	14,690	13,806
TOTAL TANGIBLE ASSETS	74,337	74,195	73,988
7. Other assets			
7.1 Deferred acquisition costs			
7.2 Current tax assets	21,689	18,321	36,243
7.3 Deferred tax assets	48,133	47,425	45,021
7.4 Non-current assets or discontinued operations held for sale	372	372	372
7.5 Other assets	266,832	272,753	255,931
TOTAL OTHER ASSETS	337,026	338,871	337,567
TOTAL ASSETS	18,640,847	17,905,743	15,470,267

LIABILITIES

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

Euro thousands	30.09.2005	30.06.2005	31.12.2004
1. Capital and reserves			
1.1 Pertaining to the Group			
1.1.1 Share capital or equivalent fund	72,732	72,688	72,567
1.1.2 Other equity instruments			
1.1.3 Capital reserves	50,143	49,682	59,812
1.1.4 Profit reserve and other equity reserves	410,557	409,195	332,665
1.1.5 Own shares (-)	(2,045)	(2,045)	(2,045)
1.1.6 Reserves for net exchange differences	0	0	0
1.1.7 Profit (loss) from available-for-sale financial assets	124,206	111,228	40,675
1.1.8 Other profits or losses carried directly in equity	(10,698)	(11,891)	(5,497)
1.1.9 Profit (loss) for the period pertaining to the Group	180,273	115,058	164,117
TOTAL CAPITAL AND RESERVES PERTAINING TO THE GROUP	825,168	743,915	662,294
1.2 Pertaining to minority interests			
1.2.1 Capital and reserves pertaining to minority interests	0	0	0
1.2.2 Other profits or losses carried directly in equity	0	0	0
1.2.3 Profit (loss) for the period pertaining to minority interest	0	0	0
TOTAL CAPITAL AND RESERVES PERTAINING TO MINORITY INTERESTS	0	0	0
TOTAL CAPITAL AND RESERVES	825,168	743,915	662,294
2. Subordinated liabilities	0	4,982	4,994
3. Financial liabilities			
3.1 Financial liabilities at fair value carried in the income statement	1,676,317	1,610,127	1,161,538
3.2 Other financial liabilities	4,969,733	4,847,587	4,180,016
TOTAL FINANCIAL LIABILITIES	6,646,050	6,457,714	5,341,554
4. Technical reserves	10,755,032	10,303,114	9,111,086
5. Provisions			
5.1 Provisions relating to fiscal issues	891	911	907
5.2 Other provisions	39,742	33,821	31,504
TOTAL PROVISIONS	40,633	34,732	32,411
6. Payables			
6.1 Due to direct insurance operations	5,118	6,616	5,984
6.2 Due to reinsurance operations	545	885	731
6.3 Other payables	125,067	128,242	141,805
TOTAL PAYABLES	130,730	135,743	148,520
7. Other liabilities			
7.1 Current tax liabilities	45,367	33,302	37,307
7.2 Deferred tax liabilities	26,506	31,185	24,470
7.3 Current liabilities or discontinued operations held for sale	0	0	0
7.4 Other liabilities	171,361	161,057	107,631
TOTAL OTHER LIABILITIES	243,234	225,543	169,408
TOTAL LIABILITIES, CAPITAL AND RESERVES	18,640,847	17,905,743	15,470,267

Income statement

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

Euro thousands	3rd quarter 2005
1. Revenues	
1.1 Net premiums	
1.1.1 Premium income, gross	557,846
1.1.2 Outward reinsurance	(1,292)
TOTAL NET PREMIUMS	556,554
1.2 Fees receivable	146,552
1.3 Income from financial instruments at fair value carried in the income statement	313,379
1.4 Income from investments in subsidiaries, associates and joint ventures	2,833
1.5 Income from other financial instruments and property investments	
1.5.1 Interest receivable	35,747
1.5.2 Other income from investments	458
1.5.3 Realised gains	380
1.5.4 Unrealised gains	3,376
TOTAL INCOME FROM OTHER FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS	39,961
1.6 Other income	5,849
TOTAL INCOME	1,065,128
2. Costs	
2.1 Net claims incurred	
2.1.1 Claims paid and changes in technical reserves	(831,359)
2.1.2 Reinsurance's share	1,807
TOTAL NET CLAIMS INCURRED	(829,552)
2.2 Fees payable	(41,679)
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	(18,644)
2.4.2 Other expenses from investments	(379)
2.4.3 Realised losses	(22)
2.4.4 Impairment	(2,833)
TOTAL CHARGES FROM OTHER FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS	(21,878)
2.5 Management expenses	
2.5.1 Commissions and other acquisition costs incurred on insurance contracts	(23,423)
2.5.2 Investments management expenses	(52,037)
2.5.3 Other administrative expenses	(3,051)
TOTAL OPERATING EXPENSES	(78,511)
2.6 Other costs	(15,017)
TOTAL COSTS	(986,637)
Profit (loss) for the period before taxes	78,491
3. Current taxes	(14,754)
4. Deferred taxes	1,478
5. Profit (loss) from discontinued operations	
Minority interest	
Profit (loss) for the period pertaining to the Group	65,215

	3rd quarter 2004	30.09.2005	30.09.2004
	499,761	1,822,692	1,643,322
	(1,327)	(4,152)	(4,487)
	498,434	1,818,540	1,638,835
	96,347	399,089	320,578
	(47,305)	930,090	231,952
	2,259	5,485	3,647
	28,970	97,271	86,483
	348	1,283	1,062
	606	13,513	3,427
	1,079	7,234	6,746
	31,003	119,301	97,718
	5,383	21,174	15,957
	586,121	3,293,679	2,308,687
	(405,984)	(2,608,002)	(1,729,816)
	1,652	5,453	5,751
	(404,332)	(2,602,549)	(1,724,065)
	(34,336)	(124,552)	(105,092)
	(16,319)	(54,579)	(47,934)
	(540)	(1,175)	(1,197)
	(70)	(55)	(126)
	(1,661)	(8,368)	(9,785)
	(18,590)	(64,177)	(59,042)
	(20,290)	(67,447)	(61,657)
	(42,209)	(159,491)	(139,262)
	(2,023)	(9,388)	(6,671)
	(64,522)	(236,326)	(207,590)
	(12,466)	(39,632)	(41,900)
	(534,246)	(3,067,236)	(2,137,689)
	51,875	226,443	170,998
	(11,220)	(45,652)	(38,505)
	(2,117)	(518)	(4,700)
	190		
	38,728	180,273	127,793

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

Euro thousands	**Share capital**	**Capital reserves**
Consolidated balance as at December 31, 2003	72,567	47,854
Transition to IAS/IFRS		
Allocation of profit for the period:		
- payment of dividends out of profits		
- reserve		
Other changes		(47)
Profit (loss) 2004		
Consolidated balance as at December 31, 2004	72,567	47,807
Transition to IAS/IFRS		
Consolidated balance as at January 1, 2005	72,567	47,807
Allocation of profit for the period:		
- payment of dividends out of profits		
- reserve		
Increase of share capital against payment	165	2,336
Other changes		
Adjustment to valuation reserves as at September 30, 2005		
Profit (loss) for the period		
Consolidated balance as at September 30, 2005 (IAS/IFRS)	72,732	50,143

Profit reserve and other equity reserves	Own shares	Profit/Loss from available-for-sale financial assets	Other profits or losses carried directly in equity	Consolidated profit	Total equity
312,590	0	0	0	129,427	562,438
(463)					(463)
				(79,824)	(79,824)
49,603				(49,603)	0
2,635					2,588
				159,055	159,055
364,365	0	0	0	159,055	643,794
(14,633)	(2,045)	40,675	(5,497)		18,500
349,732	(2,045)	40,675	(5,497)	159,055	662,294
				(101,540)	(101,540)
57,515				(57,515)	0
					2,501
3,310					3,310
		83,531	(5,201)		78,330
				180,273	180,273
410,557	(2,045)	124,206	(10,698)	180,273	825,168

Consolidated cash flow statement as at September 30, 2005

Euro thousands		30.09.2005
A)	**CASH INFLOW**	
	Cashflows from operating activities:	
	Group profit (loss) for the period	180,273
	Change in technical reserves	1,646,714
	Provision	8,222
	Increase or decrease in receivables, payables and other assets and liabilities	54,137
	Total cashflows from operating activities	1,889,346
	Divestment in tangible and intangible assets	5,545
	Increase in financial liabilities	1,304,496
	Increase own shares	0
Total cash inflow		3,199,387
B)	**CASH OTUFLOW**	
	Increase in investments	3,205,984
	Decrease in subordinated liabilities	4,994
	Change in equity	17,399
Total cash outflow		3,228,377
C)	**CASH FLOW FOR THE PERIOD (A-B)**	(28,990)
D)	Cash and cash equivalent (opening balance)	432,658
E)	Cash and cash equivalent (closing balance)	403,668
F)	**CHANGE IN CASH AND CASH EQUIVALENT (E-D)**	(28,990)

RECONCILIATION SCHEDULES AS AT SEPTEMBER 30, 2004

RECONCILIATION BETWEEN CONSOLIDATED EQUITY DETERMINED PURSUANT TO LEGISLATIVE LECREE NO. 173/97 AND EQUITY DETERMINED PURSUANT TO IAS/IFRS

Euro thousands	Excluding IAS 39/IFRS 4 30.09.2004	Including IAS 39/IFRS 4 30.09.2004
Equity pursuant to Legislative Decree No. 173/97	592,777	592,777
Reserves		
Measurement of trading securities and derivatives at fair value	0	3,108
Collective measurement of performing receivables	0	(1,856)
Analytical measurement of receivables	0	(77)
Deferment of net fees generated from investment contracts (IFRS 4)	0	(24,260)
Reversal of goodwill amortisation	15,149	15,149
Adjustment to depreciation of land	(2,745)	(2,745)
Non-capitalisable intangible assets	(2,829)	(2,829)
Adjustment to measurement of provisions for risks and charges	7,450	7,450
Actuarial measurement of employee termination indemnity	(543)	(543)
Other effects	134	(2,032)
Valuation reserves		
Available-for-sale financial assets		
- Measurement of equity securities at fair value	0	1,471
- Measurement of debt securities at fair value	0	10,732
Shadow accounting reserve	0	(1,177)
Fiscal effect	(2,553)	5,050
TOTAL EFFECTS OF FIRST-TIME ADOPTION OF IAS/IFRS	14,063	7,441
Equity pursuant to IAS/IFRS	606,840	600,218

RECONCILIATION BETWEEN CONSOLIDATED OPERATING PERFORMANCE DETERMINED PURSUANT TO LEGISLATIVE DECREE NO. 173/97 AND OPERATING PERFORMANCE DETERMINED PURSUANT TO IAS/IFRS

Euro thousands	Excluding IAS 39/IFRS 4 30.09.2004	Including IAS 39/IFRS 4 30.09.2004
Net result pursuant to Legislative Decree No. 173/97	110,118	110,118
Premiums	0	(74,297)
Insurance technical charges	0	111,679
Net fees	(876)	15,223
Net interest	(435)	(46,098)
Gains/losses on assets measured at fair value	221	(1,358)
Other income	188	188
Net adjustments due to impairment	1,729	1,623
Amortisation of positive consolidation differences	15,149	15,149
Depreciation of tangible assets and amortisation of intangible assets	1,483	1,483
Personnel costs	(618)	(618)
Other administrative expenses	(416)	(416)
Net allocations to provisions for risks and charges	(79)	(79)
Taxes	(2,098)	(4,802)
Net result pursuant to IAS/IFRS	124,365	127,793

Reconciliation schedules 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 September 30, 2004

Euro thousands	Excluding IAS 39/IFRS 4 30.09.2004	Including IAS 39/IFRS 4 30.09.2004
Equity pursuant to Legislative Decree No. 127/91	340,299	340,299
Reserves		
Actuarial measurement of employee termination indemnity	(262)	(262)
Other effects	0	(1,904)
Valuation reserves		
Available-for-sale financial assets		
- Measurement of equity securities at fair value	0	9,924
Fiscal effect	86	86
Total effects of first-time adoption of IAS/IFRS	(176)	7,672
Equity pursuant to IAS/IFRS	340,123	348,143

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

Euro thousands	Excluding IAS 39/IFRS 4 30.09.2004	Including IAS 39/IFRS 4 30.09.2004
Net result pursuant to Legislative Decree No. 127/91	(3,099)	(3,099)
Dividends	113,286	113,286
Personnel costs	(200)	(200)
Other administrative expenses	(314)	(314)
Taxes	(768)	(768)
Net result pursuant to IAS/IFRS	108,905	108,905

Reconciliation between net income determined pursuant to Legislative Decree No. 173/97 and net income determined pursuant to IAS/IFRS: as at September 30, 2004

Income statement

Euro thousands	Balance at 30.09.2004 national accounting standards
1. Revenues	
1.1 Net premiums	
1.1.1 Premium income, gross	1,717,619
1.1.2 Outward reinsurance	(4,487)
Total net premiums	1,713,132
1.2 Fees receivable	307,130
1.3 Income from financial instruments at fair value carried in the income statement	279,224
1.4 Income from investments in subsidiaries, associates and joint ventures	3,513
1.5 Income from other financial instruments and property investments	
1.5.1 Interest receivable	86,478
1.5.2 Other income from investments	1,062
1.5.3 Realised gains	3,321
1.5.4 Unrealised gains	5,017
Total income from other financial instruments and property investments	95,878
1.6 Other income	15,769
Total income	2,414,647
2. Costs	
2.1 Net claims incurred	
2.1.1 Claims paid and changes in technical reserves	(1,841,495)
2.1.2 Reinsurance's share	5,751
Total net claims incurred	(1,835,744)
2.2 Fees payable	(103,574)
2.3 Charges on other investments in subsidiaries, associates and joint ventures	0
2.4 Charges on other financial instruments and property investments	
2.4.1 Interest payable	(47,506)
2.4.2 Other expenses from investments	(1,197)
2.4.3 Realised losses	(126)
2.4.4 Impairment	(9,679)
Total charges from other financial instruments and property investments	(58,508)
2.5 Management expenses	
2.5.1 Commissions and other acquisition costs incurred on insurance contracts	(64,947)
2.5.2 Investments management expenses	(138,325)
2.5.3 Other administrative expenses	(6,570)
Total operating expenses	(209,842)
2.6 Other costs	(58,460)
Total costs	(2,266,127)
Profit (loss) for the period before taxes	148,520
3. Current taxes	(38,504)
4. Deferred taxes	102
Profit (loss) for the period pertaining to the Group	110,118

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 30.09.2004 IAS/IFRS (excluding IAS 39/IFRS 4)	Balance at 30.09.2004 IAS/IFRS
0	(74,297)	1,717,619	1,643,322
0	0	(4,487)	(4,487)
0	(74,297)	1,713,132	1,638,835
0	13,448	307,130	320,578
(19)	(47,253)	279,205	231,952
134	0	3,647	3,647
(6)	11	86,472	86,483
0	0	1,062	1,062
106	0	3,427	3,427
1,729	0	6,746	6,746
1,829	11	97,707	97,718
188	0	15,957	15,957
2,132	(108,092)	2,416,779	2,308,687
0	111,679	(1,841,495)	(1,729,816)
0	0	5,751	5,751
0	111,679	(1,835,744)	(1,724,065)
(877)	(640)	(104,451)	(105,092)
0	0	0	0
(428)	0	(47,935)	(47,934)
0	0	(1,197)	(1,197)
0	0	(126)	(126)
0	(106)	(9,679)	(9,785)
(428)	(106)	(58,937)	(59,042)
0	3,290	(64,947)	(61,657)
(937)	0	(139,262)	(139,262)
(103)	0	(6,673)	(6,673)
(1,040)	3,290	(210,882)	(207,592)
16,560	0	(41,900)	(41,900)
14,214	114,222	(2,251,914)	(2,137,690)
16,346	6,131	164,865	170,997
0	0	(38,504)	(38,504)
(2,098)	(2,704)	(1,996)	(4,700)
14,248	3,427	124,365	127,793

Consolidated explanatory notes for the period as at September 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 issued by the International Accounting Standards Board (IASB) and the interpretations of said standards by the International Financial Reporting Interpretations Committee (IFRIC) and ratified by the European Commission, as foreseen under EU Regulation No. 1606 dated July 19, 2002. This Regulation requires international accounting standards to be adopted, from 2005, when preparing the consolidated financial statements of listed companies.

The quarterly report as at September 30, 2005 has been prepared by adopting international accounting standards, as defined by Article 82 of CONSOB Resolution No. 11971 of May 14, 1999, later amended by way of CONSOB Resolution No. 14990 of April 14, 2005, and has been produced in accordance with the requirements set forth in Appendix 3D of the above Resolution.

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 EU Regulation No. 1725 dated September 29, 2003 (published in the Official Gazette of the European Communities - No. L261 of October 13, 2003), EU Regulation No. 707 dated April 6, 2004 (published in the Official Gazette of the European Communities - No. L111 of April 17, 2004), EU Regulation No. 2236 dated December 29, 2004 (published in the Official Gazette of the European Communities - No. L392 of December 31, 2004), EU Regulation No. 2237 dated December 29, 2004 (published in the Official Gazette of the European Communities - No. L393 of December 31, 2004), EU Regulation No. 2238 dated December 29, 2004 (published in the Official Gazette of the European Communities - No. L394 of December 31, 2004) and EU Regulation No. 211 dated February 4, 2005 (published in the Official Gazette of the European Communities - No. L41 of February 11, 2005).

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

Criteria adopted when preparing the financial statements

The quarterly report is made up of a Balance Sheet, Income Statement, Statement of Changes in Equity, Cashflow Statement and Explanatory Notes. It is 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 drawn – until instructions are provided by the competent Regulatory Authorities – on the basis of a consulting paper circulated around the insurance system by ISVAP last July.

The charts of accounts present not only the amounts for the three-month reporting period but also comparative data as at December 31, 2004 and as at June, 30 2005 in the case of the balance sheet and as at September 30, 2004 and third quarter 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 entries pertaining to receivables, payables, securities, derivatives, shareholdings and investment contracts, the accounting standards used up until financial year 2004 have been adopted and presented in the relevant report. 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 September 30, 2005 with figures as at December 31, 2004 (in the case of the balance sheet) and as at September 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	Basiglio	Life Insurance
Partner Time S.p.A.	520	100	Basiglio	Distribution of life insurance products
Mediolanum Comunicazione S.p.A.	775	100	Basiglio	Audio/film/TV production
PI Distribuzione S.p.A.	517	100	Basiglio	Real estate broker
Alboran S.p.A.	1,500	100	Cologno M.	Audio/film/TV production
Alborfin S.r.l.	100	100	Cologno M.	Service company
Mediolanum International Life Ltd	1,395	100	Dublin	Life Insurance
Banca Mediolanum S.p.A.	341,000	100	Basiglio	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	100	Basiglio	Management of mutual funds
Mediolanum Distribuz.Finanz. S p.A.	1,000	100	Basiglio	Financial broking
Mediolanum International Funds Ltd	150	100	Dublin	Management of mutual funds
Mediolanum Asset Management Ltd	150	100	Dublin	Asset management and consultancy
Fibanc Inversiones S.A.	6,852	100	Barcelona	Investment company
Banco de Finanzas e Inversiones S.A.	14,032	100	Barcelona	Banking
Ges Fibanc SGIIC S.A.	2,506	100	Barcelona	Management of mutual funds
Fibanc S.A.	301	100	Barcelona	Financial advisory company
Fibanc Pensiones S.G.F.P. S.A.	902	100	Barcelona	Management of pension funds
Fibanc Faif S.A.	60	100	Barcelona	Financial advisory company
Tanami S.A.	181	100	Barcelona	Real estate broker
Valora S.A.	421	100	Andorra	Asset management
Mediolanum International S.A.	71,500	99.997	Luxembourg	Sub-holding company
Gamax Holding AG	5,618	100	Luxembourg	Sub-holding company
Gamax Management AG	125	100	Luxembourg	Management of mutual funds
Gamax Fund of Funds Management AG	125	100	Luxembourg	Management of mutual funds
Gamax Broker Pool AG	500	100	Munich	Fund sales network
Gamax Austria GmbH	40	100	Salzburg	Fund sales network
Bankhaus August Lenz & Co. AG	20,000	100	Munich	Banking
Mediolanum Private S.A.M.	500	99.94	Principality of 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	94.0	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	48.5	Milan	Banking

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 transaction 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 operating results of a controlled company acquired during the period are included in the consolidated financial statements from the date of acquisition. On the other hand, the operating 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 equity of the investee company 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 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.

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 shareholdings 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/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 DESIGNATED AT FAIR VALUE THROUGH THE INCOME STATEMENT

Included in this category are the following:
- investments of benefit to life policyholders that carry the risk, arising from the management of pension funds;
- financial assets held for trading purposes

Financial assets recognised at fair value through the income statement 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 the income statement are initially recognised on settlement date in the case of debt and equity securities and on subscription date in the case of derivatives.

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

After the initial recognition phase, financial assets recognised at fair value through the income statement 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 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. 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.

Financial assets are eliminated 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 it consequently assigned to another party.

[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.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Included in this category are non-derivative financial assets that cannot be classified otherwise as Receivables, Investments held for trading purposes 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 from held-to-maturity investments, it is measured at the fair value recorded at the time of 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, including any directly attributable costs or income. If an asset is recorded in this category following its reclassification 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 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.

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 spot, while spot purchases and forward reselling transactions are reported as receivables for the amount paid 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 revocation.

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 estimated realisable value, as well as the costs expected to be borne when recovering amounts due. 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 no longer apply, 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 enable 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 six-month period, 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.

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 voting trust, 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 property assets, are measured at cost, less any depreciation and impairment.

All fixed assets are systematically depreciated and amortized 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 component approach, 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 experts 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 in use, 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 in the income statement.

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 through the income statement

Financial liabilities measured at fair value through the income statement 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;
- technical 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 units 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 initially recognised by considering the fair value of the assets stood in respect of the policy contract, which usually corresponds to the value of the security underlying the issue price.

The fair value of any financial liabilities issued below market value is estimated as necessary, with the difference in relation to market value directly carried in the income statement.

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 transaction 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 in the income statement.

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 time factor 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 TECHNICAL RESERVES

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

Life insurance technical 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 charges arising from the management of policies, such as operating costs and healthcare additional 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 the income statement.

With regard to contracts with DPFs, this entry contains liabilities relating to 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 the income statement.

Liabilities associated with group of 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, providing that the amount involved can be reliably estimated.
Where time factor 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 credit 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 contribution 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 the income statement in the period in which they arise.

When a gain or loss on a non-monetary item is recognised 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 the income statement, the exchange difference is also carried in the income statement.

Tax 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 and deferred taxes. Specifically, prepaid and deferred taxes are determined by considering temporary differences – without time limits – between asset and liability amounts in accordance with the criteria established for individual financial statements and the amounts recognised in respect of these same items for fiscal purposes.

Prepaid tax assets are carried in the financial statements 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 positive taxable profits on a continuous basis.

Prepaid 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 "Tax assets" and the latter under the item "Tax 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 recognized in relation to prepaid and deferred taxes are systematically measured in order to take into account both possible changes in laws or tax rates and any other subjective situations affecting Group companies.

The level of *Provisions relating to tax 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 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.

TECHNICAL ACCOUNT OF LIFE BUSINESS

1.01 - 30.09.2005

Euro thousands	Gross	Reinsurance	Net
Premium income, net of reinsurance			
– Recognised premiums	1,822,692	(4,152)	1,818,540
TOTAL NET PREMIUMS	1,822,692	(4,152)	1,818,540
Claims incurred, net of amounts recovered and reinsurance			
– Claims paid	(968,953)	8,220	(960,733)
– Change in reserves due to amounts payable	(5,125)	(210)	(5,335)
– Change in mathematical reserves	13,389	(2,557)	10,832
– Change in other technical reserves	5,371	0	5,371
Change in reserves where investment risk is carried by policyholders and reserves arising from pension fund management	(1,652,684)	0	(1,652,684)
TOTAL NET CHARGES RELATING TO CLAIMS	(2,608,002)	5,453	(2,602,549)
TOTAL - LIFE BUSINESS	(785,310)	1,301	(784,009)

1.01 - 30.09.2004

Euro thousands	Gross	Reinsurance	Net
Premium income, net of reinsurance			
- Recognised premiums	1,643,322	(4,487)	1,638,835
TOTAL NET PREMIUMS	1,634,322	(4,487)	1,638,835
Claims incurred, net of amounts recovered and reinsurance			
– Claims paid	(564,265)	8,100	(556,165)
– Change in reserves due to amounts payable	7,175	(1,105)	6,070
– Change in mathematical reserves	57,121	(1,244)	55,877
– Change in other technical reserves	(1,702)	0	(1,702)
Change in reserves where investment risk is carried by policyholders and reserves arising from pension fund management	(1,228,145)	0	(1,228,145)
TOTAL NET CHARGES RELATING TO CLAIMS	(1,729,816)	5,751	(1,724,065)
TOTAL - LIFE BUSINESS	(86,494)	1,264	(85,230)

3rd quarter 2005

Euro thousands	Gross	Reinsurance	Net
Premium income, net of reinsurance			
– Recognised premiums	557,846	(1,292)	556,554
TOTAL NET PREMIUMS	557,846	(1,292)	556,554
Claims incurred, net of amounts recovered and reinsurance			
– Claims paid	(381,445)	1,667	(379,778)
– Change in reserves due to amounts payable	574	(117)	457
– Change in mathematical reserves	(9,841)	257	(9,584)
– Change in other technical reserves	10,025	0	10,025
Change in reserves where investment risk is carried by policyholders and reserves arising from pension fund management	(450,672)	0	(450,672)
TOTAL NET CHARGES RELATING TO CLAIMS	(831,359)	1,807	(829,552)
TOTAL - LIFE BUSINESS	(273,513)	515	(272,998)

3rd quarter 2004

Euro thousands	Gross	Reinsurance	Net
Premium income, net of reinsurance			
– Recognised premiums	499,761	(1,327)	498,434
TOTAL NET PREMIUMS	499,761	(1,327)	498,434
Claims incurred, net of amounts recovered and reinsurance			
– Claims paid	(181,821)	1,925	(178,896)
– Change in reserves due to amounts payable	(1,948)	112	(1,836)
– Change in mathematical reserves	12,653	(385)	12,268
– Change in other technical reserves	3,659	0	3,659
Change in reserves where investment risk is carried by policyholders and reserves arising from pension fund management	(239,527)	0	(239,527)
TOTAL NET CHARGES RELATING TO CLAIMS	(405,984)	1,652	(404,332)
TOTAL - LIFE BUSINESS	(93,777)	325	(94,102)

Fees receivable

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Management, broking and advisory services received	108,048	63,039	323,976	256,450
Collection and payment services received	6,639	6,132	19,470	12,369
Charges transferred to investment contracts	3,142	3,391	11,874	13,449
Other services received	28,723	23,785	43,769	38,310
Total	146,552	96,347	399,089	320,578

Fees payable

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Management, broking and advisory services received	32,000	24,617	91,644	79,324
Collection and payment services received	4,894	4,559	14,172	7,918
Commissions for acquisition of investment contracts	676	683	3,565	3,290
Other services received	4,109	4,477	15,171	14,560
Total	41,679	34,336	124,552	105,092

Net income from financial instruments recognised at fair value in the income statement

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Investment income and charges				
Interest receivable and other financial income:				
– from trading investments	9,731	11,586	30,873	28,940
– from investments recognised at fair value in the income statement	52,680	64,232	132,083	173,546
Net result from trading investments:				
– debt securities	95	5,735	11,552	8,476
– equity securities	(586)	(374)	961	228
– derivatives	(670)	(2,287)	(1,262)	(1,650)
Net result from investments recognised at fair value in the income statement:				
– debt securities	105,009	(81,963)	305,438	(12,138)
– units held in UCITS and other equity securities	225,785	(63,629)	601,023	80,867
Result of financial liabilities				
Interest payable and other financial charges:				
– from financial liabilities related to trading	(17,068)	(17,309)	(36,493)	(45,675)
Net result:				
– from financial liabilities related to trading	(605)	20	(961)	(1)
– from financial liabilities recognised at fair value in the income statement	(60,992)	36,684	(113,124)	(641)
Total	313,379	(47,305)	930,090	231,952

Investment income and charges

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Interest receivable and other income	36,205	29,318	98,554	87,545
Realised gains	380	606	13,513	3,427
Valuation gains	3,376	1,079	7,234	6,746
Total income	39,961	31,003	119,301	97,718
Interest payable and other charges	(19,023)	(16,859)	(55,754)	(49,131)
Realised losses	(22)	(70)	(55)	(126)
Unrealised losses	(2,833)	(1,661)	(8,368)	(9,785)
Total investment charges	(21,878)	(18,590)	(64,177)	(59,042)
TOTAL NET INCOME FROM INVESTMENTS	18,083	12,413	55,124	38,676
Net investment income from:				
Real estate investments	130	308	6,462	546
Held-to-maturity investments	5,584	5,898	16,608	17,275
Available-for-sale financial assets	4,901	4,171	20,157	14,258
Loans and receivables	7,468	2,036	11,897	6,597
TOTAL NET INCOME FROM INVESTMENTS	18,083	12,413	55,124	38,676

Real estate investments

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Realised gains	197	380	6,805	810
Other income	276	342	751	807
Other charges	(343)	(414)	(1,094)	(1,071)
Total net income from real estate investments	130	308	6,462	546

Available-for-sale financial assets

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Interest receivable and other income	4,739	3,988	13,660	11,740
Realised gains	157	226	6,525	2,617
Realised losses	33	56	0	0
Impairment losses	(28)	(99)	(28)	(99)
Total net income from available-for-sale financial assets	4,901	4,171	20,157	14,258

Held-to-maturity investments

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Interest receivable and other income	5,584	5,898	16,608	17,275
Total net income from held-to-maturity investments	5,584	5,898	16,608	17,275

Loans and receivables

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Interest receivable and other income	25,579	19,090	67,508	57,723
Interest payable and other charges	(18,652)	(16,445)	(54,632)	(48,060)
Realised gains	26	0	183	0
Unrealised gains	3,376	1,079	7,234	6,746
Unrealised losses	(2,806)	(1,562)	(8,341)	(9,686)
Realised losses	(55)	(126)	(55)	(126)
Total net income from loans and receivables	7,468	2,036	11,897	6,597

Interest receivable and other income

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Amounts receivable from banks	16,645	12,263	43,259	37,709
Amounts receivable from customers	5,812	4,031	19,767	15,754
Other financial assets	3,122	2,796	4,482	4,260
Total	25,579	19,090	67,508	57,723

Interest payable

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Amounts payable to banks	8,278	7,019	25,752	17,200
Amounts payable to customers	8,904	8,193	24,572	26,670
Subordinated liabilities	28	56	85	167
Other financial liabilities	1,442	1,177	4,223	4,023
Total	18,652	16,445	54,632	48,060

Operating expenses

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Commissions and other acquisition costs incurred on insurance contracts	23,423	20,290	67,447	61,657
Investment management costs				
Personnel costs	20,117	19,024	66,341	60,872
Advertising and promotional expenses	2,992	354	13,973	4,348
Fees paid to consultants and outside collaborators	9,294	5,430	19,712	16,438
Services relating to information systems	4,470	3,779	15,392	15,005
Sundry communication services	3,800	2,529	11,108	10,147
Other general operating expenses	11,364	11,093	32,965	32,452
Total operating expenses	52,037	42,209	159,491	139,262
Other administrative expenses	3,051	2,023	9,388	6,671
TOTAL OPERATING EXPENSES	78,511	64,522	236,286	207,590

Other costs

Euro thousands	3rd quarter 05	3rd quarter 04	30.09.05	30.09.04
Personnel costs	690	255	2,437	977
Amortisation of intangible assets	3,952	4,469	10,604	12,530
Depreciation of real estate investment and other fixed assets	1,456	2,357	6,236	7,457
Allocations for risks and charges	5,962	2,666	9,130	7,415
Sundry costs	2,957	2,719	11,225	13,521
Total	15,017	12,466	39,632	41,900

Principal balance-sheet aggregates as at September 30, 2005

Intangible assets

Euro thousands	30.09.05	30.06.05	31.12.04
Positive consolidation differences	177,247	177,247	177,247
Other intangible assets	26,959	29,737	32,853
Total	204,206	206,984	210,100

Real estate investments and property assets

Euro thousands	30.09.05	30.06.05	31.12.04
Real estate investments			
Land	17,249	17,444	24,568
Buildings	5,775	5,934	8,820
Total real estate investments	23,024	23,378	33,388
Property assets			
Land	21,020	21,020	22,506
Buildings	39,171	38,485	37,676
Total property assets	60,191	59,505	60,182

Investments in subsidiaries, associates and joint ventures

Investments in associated companies, amounting to 28,521 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	30.09.05	30.06.05	31.12.04
Loans and other amounts receivable from banks	2,258,741	2,280,504	1,186,128
Loans and other amounts receivable from banking customers	721,468	700,584	545,411
Other loans and receivables	1,308	1,367	1,495
Total	2,981,517	2,982,455	1,733,034

Amounts receivable from banks were made up of tied-up deposits (1,738,905 thousand euro), repurchase agreements (516,460 thousand euro) and deposits with Central Banks (3,376 thousand euro).

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

Euro thousands	30.09.05	30.06.05	31.12.04
Current accounts	204,238	158,001	154,068
Loans	149,180	118,949	66,311
Other loans and receivables	368,050	423,634	325,032
Total	721,468	700,584	545,411

Held-to-maturity investments

Euro thousands	30.09.05	30.06.05	31.12.04
Debt securities	731,049	733,922	734,449
Total	731,049	733,922	734,449

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Euro thousands	**30.09.05**	**30.06.05**	**31.12.04**
Debt securities	553,270	560,744	559,889
Equity securities and UCITS	298,018	281,268	221,643
TOTAL	851,288	842,012	781,532

FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH THE INCOME STATEMENT

Euro thousands	**30.09.05**	**30.06.05**	**31.12.04**
Trading investments			
Debt securities	2,126,200	1,722,118	1,967,815
Equity securities	799	14	29
Units held in UCITS	58,588	69,601	58,922
Non-hedge derivatives	8,816	23,486	32,567
TOTAL TRADING INVESTMENTS	2,194,403	1,815,219	2,059,333
Financial assets recognised at fair value through the income statement			
Debt securities	5,022,367	4,985,232	4,501,262
Units held in UCITS	5,663,849	5,194,731	4,423,547
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH THE INCOME STATEMENT	10,686,216	10,179,963	8,924,809
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH THE INCOME STATEMENT	12,880,619	11,995,182	10,984,142

OTHER ASSETS

Euro thousands	**30.09.05**	**30.06.05**	**31.12.04**
Due from tax authorities	81,278	83,763	105,493
Deferred assets relating to investment contracts (DAC)	19,942	19,262	18,190
Transitory items from credit activities	82,663	85,319	48,512
Guarantee deposits	15,855	18,864	15,130
Down payments and sundry receivables	24,137	26,460	32,111
Sundry assets	42,957	39,085	36,495
TOTAL	266,832	272,753	255,931

FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE THROUGH THE INCOME STATEMENT

Euro thousands	**30.09.05**	**30.06.05**	**31.12.04**
Financial liabilities related to trading			
Technical overdrafts from debt securities	398,615	371,823	3,098
Non-hedge derivatives	3,214	12,870	2,091
Sundry financial liabilities	1,398	2,981	2,818
TOTAL FINANCIAL LIABILITIES RELATED TO TRADING	403,227	387,674	8,007
Financial liabilities recognised at fair value through the income statement			
Liabilities relating to financial contracts issued by insurance companies arising from:			
– contracts, where investment risk is carried by policyholders	1,266,275	1,216,264	1,148,576
– pension funds management	6,815	6,189	4,955
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE THROUGH THE INCOME STATEMENT	1,273,090	1,222,453	1,153,531
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE RECORDED IN THE INCOME STATEMENT	1,676,317	1,610,127	1,161,538

Other financial liabilities

Euro thousands	30.09.05	30.06.05	31.12.04
Amounts payable to banks	1,255,991	1,135,874	618,263
Amounts payable to banking customers	3,608,684	3,607,008	3,454,267
Sundry financial liabilities	105,058	104,705	107,486
Total	4,969,733	4,847,587	4,180,016

Amounts payable to banks were made up of repurchase agreements (903,007 thousand euro), free and tied-up deposits (350,536 thousand euro) and other payables (2,448 thousand euro).

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

Euro thousands	30.09.05	30.06.05	31.12.04
Current accounts	3,193,043	3,154,996	3,049,288
Repurchase agreements	329,482	349,668	302,604
Structured debt	19,432	22,731	33,375
Deposits	18,044	21,925	35,397
Other liabilities	48,683	57,688	33,603
Total	3,608,684	3,607,008	3,454,267

Breakdown of technical reserves - Life business

Euro thousands	30.09.05	30.06.05	31.12.04
Mathematical reserves	2,084,554	1,848,570	1,567,265
Reserves for amounts to be paid	53,796	48,744	43,045
Technical reserves where investment risk is carried by policyholders and reserves from pension funds management	8,561,862	8,343,604	7,491,918
Other reserves	54,820	62,196	8,858
– of which: deferred liabilities towards policyholders	17,422	20,607	8,858
Total - Life business	10,755,032	10,303,114	9,111,086

Breakdown of reinsurers' share of technical reserves - Life business

Euro thousands	30.09.05	30.06.05	31.12.04
Mathematical reserves	105,037	104,780	107,594
Reserves for amounts to be paid	962	1,080	1,173
Total - Life business	105,999	105,860	108,767

Provisions

Euro thousands	30.09.05	30.06.05	31.12.04
Provisions relating to fiscal issues	891	911	907
Other provisions	39,742	33,821	31,504
Total	40,633	34,732	32,411

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

Euro thousands	**30.09.05**	**30.06.05**	**31.12.04**
Staff pension funds and similar obligations	1,798	1,874	1,798
Provisions for compensation payable to agents	14,793	14,174	12,880
Risks provision for unlawful dealings of agents	14,415	9,110	7,645
Other provisions for risks and charges	8,736	8,663	9,181
TOTAL	39,742	33,821	31,504

OTHER DEBTS

Euro thousands	**30.09.05**	**30.06.05**	**31.12.04**
Employee termination indemnity	13,006	12,761	12,016
Amounts payable to suppliers	75,995	74,905	77,725
Other sundry payables	36,066	40,576	52,064
TOTAL	125,067	128,242	141,805

OTHER LIABILITIES

Euro thousands	**30.09.05**	**30.06.05**	**31.12.04**
Deferred liabilities relating to investment contracts (DIR)	49,803	50,924	53,928
Transitory items from credit activities	88,396	82,544	26,210
Other sundry liabilities	33,162	27,589	27,493
Total	171,361	161,057	107,631

EQUITY

The Group's equity, including the net income for the period, amounted to 825,168 thousand euro and included valuation reserves totalling 113,508 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			LIFE INSURANCE		
	2005	2004	delta	2005	2004	delta
INCOME						
Net premiums written	0	0	0	1,818,540	1,638,835	179,705
Entry fees	0	0	0	0	0	0
Management fees	0	0	0	80,197	63,019	17,178
Performance fees	0	0	0	43,865	17,377	26,488
Bank service fees and revenues	51,979	55,349	(3,370)	0	0	0
Other fees	438	1,132	(694)	11,873	13,860	(1,987)
TOTAL RECEIVABLE FEES	52,417	56,481	(4,064)	135,935	94,256	41,679
Interest income and similar revenues	102,127	85,728	16,399	8,548	9,713	(1,165)
Interest expense and similar charges	(55,601)	(46,081)	(9,520)	(3,722)	(3,728)	5
Net profit on investment at fair value	2,943	2,308	635	7,396	4,700	2,696
Financial margin	49,469	41,955	7,514	12,222	10,685	1,537
Net income on other investments	848	2,624	(1,776)	12,014	1,370	10,644
Other revenues	6,318	2,289	4,029	12,961	13,048	(87)
TOTAL INCOME	109,052	103,349	5,703	1,991,672	1,758,194	233,478
CHARGES						
Amounts paid and change in technical reserves	0	0	0	(1,686,368)	(1,500,370)	(185,998)
Fees payable and acquisition costs	(28,066)	(18,897)	(9,169)	(108,789)	(101,341)	(7,448)
Net value adjustment	(1,170)	(2,539)	1,369	0	0	0
G&A expenses	(77,196)	(66,934)	(10,262)	(57,248)	(48,915)	(8,333)
Amortization and depreciation	(6,921)	(8,401)	1,480	(5,504)	(6,153)	649
Provision for risks and charges	(3,252)	(2,290)	(961)	(3,097)	(2,446)	(651)
PROFIT BEFORE TAX	(7,553)	4,287	(11,840)	130,666	98,968	31,697
Taxes						
Profit/loss pertaining to minority interests						
NET INCOME FOR THE 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	1,818,540	1,638,835	179,705
29,958	21,559	8,399	0	0	0	0	0	0	29,958	21,559	8,399
112,008	106,962	5,046	0	0	0	0	0	0	192,205	169,981	22,224
54,491	28,681	25,810	0	0	0	0	0	0	98,356	46,058	52,298
1,018	1,523	(505)	0	0	0	0	0	0	52,997	56,872	(3,875)
10,701	8,514	2,187	2,980	3,179	(199)	0	0	0	25,992	26,685	(693)
208,176	167,239	40,937	2,980	3,179	(199)	0	0	0	399,508	321,155	78,353
2,084	1,682	403	1,061	731	330	(7,397)	(5,250)	(2,147)	106,423	92,603	13,820
(311)	(390)	79	(6,655)	(6,816)	161	7,397	5,250	2,147	(58,892)	(51,764)	(7,127)
5	0	5	1	0	1	0	0	0	10,345	7,008	3,337
1,778	1,292	486	(5,593)	(6,085)	492	0	0	0	57,876	47,847	10,029
210	211	(1)	5,528	2,480	3,048	0	0	0	18,600	6,685	11,915
420	216	204	2,058	862	1,196	(200)	(226)	26	21,557	16,189	5,368
210,584	168,958	41,626	4,973	436	4,537	(200)	(226)	26	2,316,081	2,030,711	285,371
0	0	0	0	0	0	0	0	0	(1,686,368)	(1,500,370)	(185,998)
(51,976)	(42,780)	(9,197)	(2,960)	(3,059)	99	0	0	0	(191,792)	(166,077)	(25,715)
(2)	0	(2)	0	(487)	487	0	0	0	(1,172)	(3,026)	1,854
(47,828)	(44,858)	(2,970)	(2,618)	(2,216)	(403)	200	226	(26)	(184,691)	(162,697)	(21,994)
(4,140)	(5,164)	1,024	(237)	(269)	32	0	0	0	(16,802)	(19,988)	3,186
(2,636)	(2,706)	70	(146)	(115)	(31)	0	0	0	(9,130)	(7,557)	(1,573)
104,002	73,450	30,551	(988)	(5,710)	4,722	0	0	0	226,127	170,996	55,131
									(45,853)	(43,203)	(2,650)
									0	0	0
									180,274	127,793	52,481

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	1,810,887	1,630,525	180,362
Entry fees	0	0	0	0	0	0
Management fees	0	0	0	80,027	63,019	17,008
Performance fees	0	0	0	43,737	17,377	26,360
Bank service fees and revenues	29,309	42,057	(12,748)	0	0	0
Other fees	4	1,018	(1,014)	9,676	11,763	(2,087)
TOTAL RECEIVABLE FEES	29,313	43,075	(13,762)	133,440	92,159	41,281
Interest income and similar revenues	89,619	72,417	17,202	8,283	9,746	(1,463)
Interest expense and similar charges	(49,537)	(38,074)	(11,463)	(3,722)	(3,728)	5
Net profit on investment at fair value	3,056	2,319	737	7,396	4,700	2,696
Financial margin	43,138	36,662	6,476	11,957	10,718	1,239
Net income on other investments	25	2	23	12,014	1,370	10,644
Other revenues	4,979	1,227	3,752	12,961	13,048	(87)
TOTAL INCOME	77,455	80,966	(3,511)	1,981,259	1,747,820	233,439
CHARGES						
Amounts paid and change in technical reserves	0	0	0	(1,679,404)	(1,492,871)	(186,533)
Fees payable and acquisition costs	(11,667)	(10,516)	(1,151)	(107,847)	(100,834)	(7,013)
Net value adjustment	(844)	(1,796)	952	0	0	0
G&A expenses	(57,929)	(49,684)	(8,246)	(55,545)	(47,092)	(8,453)
Amortization and depreciation	(5,242)	(6,039)	797	(5,026)	(5,724)	698
Provision for risks and charges	(3,230)	(2,580)	(649)	(3,097)	(2,446)	(651)
PROFIT BEFORE TAX	(1,457)	10,351	(11,808)	130,340	98,853	31,487
Taxes						
Profit/loss pertaining to minority interests						
NET INCOME FOR THE 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	1,810,887	1,630,525	180,362
26,175	19,035	7,140	0	0	0	0	0	0	26,175	19,035	7,140
99,070	93,884	5,186	0	0	0	0	0	0	179,097	156,903	22,194
50,431	27,550	22,881	0	0	0	0	0	0	94,168	44,927	49,241
0	0	0	0	0	0	0	0	0	29,309	42,057	(12,748)
10,612	8,459	2,153	2,980	3,179	(199)	0	0	0	23,272	24,419	(1,147)
186,288	148,928	37,360	2,980	3,179	(199)	0	0	0	352,021	287,341	64,680
1,897	1,584	314	1,061	731	330	(7,397)	(5,250)	(2,147)	93,463	79,227	14,236
(53)	(127)	74	(6,655)	(6,816)	161	7,397	5,250	2,147	(52,570)	(43,494)	(9,075)
(2)	(1)	(1)	1	0	1	0	0	0	10,451	7,018	3,433
1,842	1,456	386	(5,593)	(6,085)	492	0	0	0	51,344	42,751	8,593
210	210	0	5,528	2,480	3,048	0	0	0	17,777	4,062	13,715
335	165	170	2,058	862	1,196	0	0	0	20,333	15,302	5,031
188,675	150,759	37,916	4,973	436	4,537	0	0	0	2,252,362	1,979,981	272,382
0	0	0	0	0	0	0	0	0	(1,679,404)	(1,492,871)	(186,533)
(44,029)	(35,655)	(8,374)	(2,960)	(3,059)	99	0	0	0	(166,503)	(150,064)	(16,439)
(2)	0	(2)	0	(487)	487	0	0	0	(846)	(2,283)	1,437
(37,847)	(35,891)	(1,957)	(2,618)	(2,216)	(403)	0	0	0	(153,940)	(134,882)	(19,058)
(3,425)	(4,362)	938	(237)	(269)	32	0	0	0	(13,930)	(16,395)	2,465
(2,110)	(1,864)	(246)	(146)	(115)	(31)	0	0	0	(8,582)	(7,005)	(1,577)
101,262	72,987	28,275	(988)	(5,710)	4,722	0	0	0	229,157	176,481	52,677
									(45,468)	(42,698)	(2,770)
									0	0	0
									183,689	133,783	49,907

SEGMENT REPORTING BY BUSINESS SECTOR (FOREIGN 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	7,653	8,310	(657)
Entry fees	0	0	0	0	0	0
Management fees	0	0	0	170	0	170
Performance fees	0	0	0	128	0	128
Bank service fees and revenues	22,670	13,292	9,378	0	0	0
Other fees	434	114	320	2,197	2,097	100
TOTAL RECEIVABLE FEES	23,104	13,406	9,698	2,495	2,097	398
Interest income and similar revenues	12,508	13,311	(803)	265	(33)	298
Interest expense and similar charges	(6,064)	(8,007)	1,943	0	0	0
Net profit on investment at fair value	(113)	(11)	(102)	0	0	0
Financial margin	6,331	5,293	1,038	265	(33)	298
Net income on other investments	823	2,622	(1,799)	0	0	0
Other revenues	1,339	1,062	277	0	0	0
TOTAL INCOME	31,597	22,383	9,214	10,413	10,374	39
CHARGES						
Amounts paid and change in technical reserves	0	0	0	(6,964)	(7,499)	535
Fees payable and acquisition costs	(16,399)	(8,381)	(8,018)	(942)	(507)	(435)
Net value adjustment	(326)	(743)	417	0	0	0
G&A expenses	(19,267)	(17,250)	(2,017)	(1,703)	(1,823)	120
Amortization and depreciation	(1,679)	(2,362)	683	(478)	(429)	(48)
Provision for risks and charges	(22)	290	(312)	0	0	0
PROFIT BEFORE TAX	(6,096)	(6,063)	(32)	326	115	210
Taxes						
Profit/loss pertaining to minority interests						
NET INCOME FOR THE 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	7,653	8,310	(657)
3,783	2,524	1,259	0	0	0	0	0	0	3,783	2,524	1,259
12,938	13,078	(140)	0	0	0	0	0	0	13,108	13,078	30
4,060	1,131	2,929	0	0	0	0	0	0	4,188	1,131	3,057
1,018	1,523	(505)	0	0	0	0	0	0	23,688	14,815	8,873
89	55	34	0	0	0	0	0	0	2,720	2,266	454
21,888	18,311	3,577	0	0	0	0	0	0	47,487	33,814	13,673
187	98	89	0	0	0	0	0	0	12,960	13,376	(416)
(258)	(263)	5	0	0	0	0	0	0	(6,322)	(8,270)	1,948
7	1	6	0	0	0	0	0	0	(106)	(10)	(96)
(64)	(164)	100	0	0	0	0	0	0	6,532	5,096	1,436
0	1	(1)	0	0	0	0	0	0	823	2,623	(1,800)
85	51	34	0	0	0	(200)	(226)	26	1,224	887	337
21,909	18,199	3,710	0	0	0	(200)	(226)	26	63,719	50,730	12,989
0	0	0	0	0	0	0	0	0	(6,964)	(7,499)	535
(7,947)	(7,125)	(823)	0	0	0	0	0	0	(25,289)	(16,013)	(9,276)
0	0	0	0	0	0	0	0	0	(326)	(743)	417
(9,981)	(8,967)	(1,013)	0	0	0	200	226	(26)	(30,751)	(27,815)	(2,936)
(715)	(802)	86	0	0	0	0	0	0	(2,872)	(3,593)	721
(526)	(842)	316	0	0	0	0	0	0	(548)	(552)	4
2,740	463	2,276	0	0	0	0	0	0	(3,030)	(5,485)	2,454
									(385)	(505)	120
									0	0	0
									(3,415)	(5,990)	2,575

Adoption of IAS/IFRS

Legal framework

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 issued 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 individual 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 possibility 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 accompanying information.

Principal changes introduced by the new accounting standards

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 shown 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, increased or decreased 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 recognised at fair value 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 financial statements. The way in which they are classified may only be changed afterwards in limited circumstances. IAS 39 requires financial instruments to be classified in one of four categories: assets and liabilities measured at fair value in the income statement (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, receivables and non-trading financial assets. 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 in the income statement 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 recognised at fair value in the income statement, IAS/IFRS require the entity to check systematically that there is no evidence 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 instrument and the hedge derivative contract being recognised in the income statement; 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 hedge derivative contract 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, hedge derivatives 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, financial instrument 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 claim and quantifying the claim 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 now 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 carried by 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 recognised in the income statement 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 real estate investments, for which any fair value variations are to be carried in the income statement, 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 granted 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 criteria, 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 in the first 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, and 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.

The application of 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 financial statements 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 possibility 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 to 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 possibility 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 earlier 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 possibility foreseen under IFRS 1 to apply IAS 32 and IAS 39 (relating to financial instruments) and IFRS 4 (relating 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 32 and 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 specific 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 only upon acquisition of a financial instrument.

Investment contracts, where the risk of investment is carried by policyholders, have been recorded under the item "Liabilities measured at fair value through the income statement" at their 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 the income statement".

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 through the income statement, 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 shareholdings needing to be consolidated by the line-by-line method. These are companies that were previously excluded since they did not engage in insurance activities.
The Group has chosen not to measure property assets at fair value, deciding instead to continue to report them at purchase cost less accumulated depreciation and any 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 possibility, foreseen by IFRS 1, to apply IAS 32 and IAS 39 (relating to financial instruments) and IFRS 4 (relating 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 Decree No. 173/97 and equity determined pursuant to IAS/IFRS

Excluding IAS 39 and IFRS 4

The reconciliation schedule of equity reports the effects determined by the adoption of the new international accounting standards.

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 to depreciation of land	(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
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

Euro thousands	**01.01.2005**	**01.01.2004**
Equity pursuant to Legislative Decree No. 173/97	623,945	562,438
Reserves		
Measurement of trading equities 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
Adjustment to depreciation of land	(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)
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)
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)
Other income	64	64
Net adjustments due to impairment	1,365	3,196
Goodwill amortisation (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 RECOGNISED AT FAIR VALUE THROUGH THE INCOME STATEMENT

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 any 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.

COLLECTIVE MEASUREMENT OF PERFORMING RECEIVABLES

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

Provisions allocated for performing 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 review 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 when it is earned.

(This had a negative effect on equity as at January 1, 2005 of 0.3 million euro, including fiscal effect.)

Tangible and intangible assets

Adjustment of the depreciation of land and buildings

International standards require tangible assets to be depreciated as a function of their useful life 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 fund, 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

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 commission 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 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 MEASUREMENT 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/her employment contract. The employee 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 allocated 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, deferred policyholder liabilities are to be recognised in the presence of valuation gains or losses relating to 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 granted – to be recognised in the income statement for the period between the date of allocation and the 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 excluding 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 taxes 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 01.01.2004

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)
0	0	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		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

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

RECONCILIATION SCHEDULES OF THE PARENT COMPANY

RECONCILIATION BETWEEN EQUITY DETERMINED PURSUANT TO LEGISLATIVE DECREE 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 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 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)
Other effects	(1,998)	(2,092)
Valuation reserves		
Available-for-sale financial assets		
- Measurement of equity securities at fair value	33,964	(26,217)
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 IAS 39/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

Other information

SIGNIFICANT POST-PERIOD EVENTS

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

PERFORMANCE OUTLOOK

Based on the results achieved during the first nine months of 2005, we believe that a positive result will be seen this year, with a significant improvement on last year's result.

For and on behalf of the Board of Directors
The Chairman
Roberto Ruozi

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

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