

**REPORT OF
THE BOARD OF DIRECTORS
TO THE EXTRAORDINARY
GENERAL MEETING OF APRIL 26, 2005**

**Report of the Board of Directors to the
Extraordinary Meeting of April 26, 2005**

Dear shareholders,

We convened the Extraordinary Meeting to vote on the following agenda items:

1. Revocation of the authority delegated to the Board of Directors under art. 2443 of the Italian Civil Code to increase share capital (against payment), in one or more occasions, over five years, through the issue of up to 3,000,000 ordinary shares of €0.10 each, to be allotted to the employees of the Company and of its subsidiaries, waiving any shareholders' pre-emptive rights, as approved by the Ordinary and Extraordinary General Meetings of April 12, 2001 and partly effected;
2. Revocation of the authority delegated to the Board of Directors under art. 2443 of the Italian Civil Code to increase share capital (against payment), in one or more occasions, over five years, through the issue of up to 1,500,000 ordinary shares of €0.10 each, to be allotted to Non-Employee Directors of the Company and its subsidiaries, waiving any shareholders' preemptive rights, as approved by the Ordinary and Extraordinary General Meetings of April 12, 2001 and partly effected;
3. Approval of the guidelines for a stock incentive plan for the employees, contract workers and non-employee directors of the company and its subsidiaries; related resolutions and delegation of powers for the implementation of the plan;
4. Delegation of authorities to the Board of Directors, under art. 2443 of the Italian Civil Code over five years, to increase share capital (against payment), in one or more occasions, waiving any shareholders' pre-emptive rights, through the offer of Options exercisable in one or more occasions and in different years to subscribe for:
 - up to 4,000,000 ordinary shares of €0.10 each, to be allotted to the employees of the Company and its subsidiaries;
 - up to 4,000,000 ordinary shares of €0.10 each, to be allotted to contract workers of the Company and its subsidiaries;
 - up to 1,500,000 ordinary shares of €0.10 each, to be allotted to non-employee directors of the Company and subsidiaries;subsequent and related resolutions.

Items 1), 2), 3) and 4)

With respect to items 1), 2), 3) and 4), to be discussed together, you were convened to examine the proposal to revoke the authorities granted by the General Meeting of April 12, 2001 to increase share capital to service a stock incentive plan for employees and non-employee directors of the Company and its subsidiaries, for the unimplemented portion thereof, as well as to examine the proposal to increase share capital to service the new stock incentive plan (hereafter also the “**Plan**”) under agenda item 3) for employees, contract workers and non-employee directors of your Company and its subsidiaries.

With respect to items 1) and 2), the Board of Directors notes that the authorities delegated at the General Meeting of April 12, 2001 related, *inter alia*, to capital increases to service the stock incentive plan for 2001 (the “**2001 Plan**”) for employees, contract workers and non-employee directors of the Company and its subsidiaries. To-date that plan has been implemented – though not in its entire amount – through different annual allotments of Options and concurrent capital increases in connection therewith. To-date, the authorities delegated to the Board of Directors to increase share capital have been unexecuted in the amount of €200.00 (out of €300,000.00) for the portion reserved to employees, in the amount of €71,066.00 (out of €300,000.00) for the portion reserved to contract workers, and in the amount of €77,000.00 (out of €150,000.00) for the portion reserved to directors who are not employees.

In consideration of the proposal to adopt a new stock incentive plan as detailed below, we deem appropriate to recommend the General Meeting to revoke, for the unimplemented portion thereof, the authorities granted by the General Meeting of April 12, 2001 limited to the capital increases reserved to employees and directors who are not employees. We do not recommend to revoke the authority granted to the Board of Directors by the General Meeting of April 12, 2001 for capital increases to service the stock incentive plan for contract workers of the Company and its subsidiaries, since the fourth annual allotment of Options has not been completed for that category of Beneficiaries.

With reference to item 3), the Board of Directors – also considering of the past successful experience - believes that the Plan is a particularly effective way to provide incentives and promote the loyalty of those employees, directors and contract workers of the Company and its subsidiaries (hereafter, collectively, the “**Beneficiaries**”) who are crucial to the success of the Company and the Group.

The Plan, which will be implemented and administered by a Committee established for that purpose, provides for the allotment to the Beneficiaries of rights to subscribe for newly-issued Mediolanum S.p.A. shares (the “**Options**”). Options will be in the name of the Beneficiary and

non-transferable *inter vivos*.

The Plan will be implemented through capital increases reserved to each category of Beneficiaries, pursuant to art. 2441, fifth and eighth paragraphs, of the Italian Civil Code, as resolved by the Board of Directors under the authority delegated to it in accordance with art. 2443 of the Italian Civil Code. We propose that for all capital increases the authority delegated to the Board of Directors be in force up to the time limit set out in art. 2443 of the Italian Civil Code i.e. five years from the date of the General Meeting resolution.

The exercise of the Options allotted to the Beneficiaries under the Plan may be subject to the achievement of operating and/or financial performance objectives and to the uninterrupted employment/service of the Beneficiary in the Company or other companies within the Group. The Committee shall determine and set out the restrictions in the “Rules”.

In that respect, the Board of Directors noted that the Options allotted under the 2001 Plan have not always been an effective way to reward the Beneficiaries for their dedication and contribution to the Mediolanum Group’s value growth. In fact, partly those Options could not be exercised, mainly due to the decline in the share price, which was heavily impacted by external market factors. On the one hand the Options, which had been allotted to the employees at fair market value turned out to be “out of the money”, i.e. the exercise price of the Options (and therefore the price at which shares could be subscribed) was higher than the share price at the date the Options were exercised. On the other hand, the condition required for the exercise of the Options allotted to contract workers and non-employee directors - i.e. that at the Option exercise date the official price of Mediolanum S.p.A. ordinary shares on the stock exchange be at least equal to the official price of Mediolanum S.p.A. ordinary shares on the stock exchange on the Option allotment date – did not materialize. Recognizing the foregoing, the Board of Directors acknowledged that, in spite of the adverse economic cycle and the dramatic international events, in the years 2001-2004 the Company remarkably improved its market position, recording positive results in terms of consolidated net profit as well as greater “*embedded value*”. In consideration of the foregoing, the Board of Directors, taking stock of the 2001 Plan experience, recommends the General Meeting to adopt a new stock option plan featuring allotment terms and exercise conditions which enable the Beneficiaries to exercise their Options subject to objective parameters linked not only to the share price, but also to other company’s performance indicators, to more effectively achieve the motivation and loyalty objectives underlying the stock option plan.

Specifically, also in the light of the above considerations, the exercise of the Options allotted to contract workers and directors who are not employees will be subject to at least one of the following conditions (the “**Exercise Conditions**”): (i) that at the date the Options vest the official

price of Mediolanum S.p.A. ordinary shares on the stock exchange be no less than the official price of Mediolanum S.p.A. ordinary shares on the stock exchange on the allotment date; **or (ii)** the change in the official price of Mediolanum S.p.A. ordinary shares on the stock exchange in the period between the allotment date and the date the Options vest (the "**Vesting Period**") be not lower than the arithmetic means of the changes recorded in the Vesting Period in the "S&P/Mib, Comit Assicurativi and Comit Bancari" indices (the "**Indices**"), properly adjusted applying the criteria commonly adopted in financial market practice to take into account the correlation coefficient (known as the beta coefficient) between the Mediolanum S.p.A. ordinary shares and said Indices in the Vesting Period; the adjusted mean change in the Indices will be calculated by an independent third party appointed for that purpose; **or (iii)** the "*Embedded Value*" of the Mediolanum Group, as calculated by an independent third-party appointed for that purpose and reported in the latest financial statements approved prior to the date Options vest, be at least equal to the "*Embedded Value*" of the Mediolanum Group as reported in the latest financial statements approved prior to the allotment date.

With respect to number of Options to be allocated to potential Beneficiaries and the subsequent maximum amount of the capital increases reserved to each category of Beneficiaries we propose that:

- up to 4,000,000 Options entitling the Beneficiary to subscribe for a corresponding number of dividend-bearing ordinary shares, par value of €0.10 each, be allotted to employees and that the subsequent capital increase, in one or more tranches, reserved to employees be no more than €400,000.00;
- up to 4,000,000 Options entitling the Beneficiary to subscribe for a corresponding number of dividend-bearing ordinary shares, par value of €0.10 each, be allotted to contract workers and that the subsequent capital increase, in one or more tranches, reserved to contract workers be no more than €400,000.00;
- up to 1,500,000 Options entitling the Beneficiary to subscribe for a corresponding number of dividend-bearing ordinary shares, par value of €0.10 each, be allotted to Non-Employee Directors and that the subsequent capital increase, in one or more tranches, reserved to Non-Employee Directors be no more than €150,000.00.

With respect to the different categories of Beneficiaries above and the different legal status of their relationship with the Company or its Subsidiaries, the Board of Directors proposes that the price of the shares subscribed under the Plan following the exercise of the Options be as follows:

- for employees, equal to the fair market value, as defined by tax rules, of the Company stock at the Options allotment date;

- for contract workers, equal to the weighted average of (i) the Company's equity value per share as reported in the latest financial statements approved prior to the allotment of the Options and (ii) and the average stock market price of Mediolanum S.p.A. shares in the six-month period preceding the allotment date, applying a weight equal to 90% of the equity value and a weight equal to 10% of the average stock market price in the last six-month period, respectively;
- for Non-Employee Directors, equal to the weighted average of (i) the Company's equity value per share as reported in the latest financial statements approved prior to the allotment of the Options and (ii) and the average stock market price of Mediolanum S.p.A. shares in the six-month period preceding the allotment date, applying a weight equal to 90% of the equity value and a weight equal to 10% of the average stock market price in the last six-month period, respectively.

Dear Shareholders,

We invite you to pass the following resolutions:

“The Shareholders

- having examined the report of the Board of Directors;
- having noted the report of the Board of Statutory Auditors stating that the current share capital is fully paid up;
- having noted the opinion of the independent auditors Reconta Ernst & Young S.p.A that the share issue price is fair;

resolved

- 1) to revoke the authority delegated to the Board of Directors under art. 2443 of the Italian Civil Code to increase share capital (against payment) over five years through the issue of up to 3,000,000 ordinary shares to be allotted to the employees of the Company and its subsidiaries, waiving any shareholders' pre-emptive rights, as approved by the Ordinary and Extraordinary General Meetings of April 12, 2001 and partly effected;
- 2) to revoke the authority delegated to the Board of Directors under art. 2443 of the Italian Civil Code to increase share capital (against payment) over five years through the issue of up to 1,500,000 ordinary shares to be allotted to Non-Employee Directors of the Company and its subsidiaries, waiving any shareholders' pre-emptive rights, as approved by the Ordinary and Extraordinary General Meetings of April 12, 2001 and partly effected;
- 3) to approve a stock incentive plan in accordance with the guidelines set out in the report of the Board of Directors;
- 4) to authorize directors pursuant to art. 2443, first and second paragraphs of the Italian Civil Code

for a period of no more than five years from the date of this resolution, to increase share capital (against payment), in one or more occasions, by a maximum total amount of 400,000.00 issuing up to 4,000,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to the employees of the company and its subsidiaries who will be selected as Beneficiaries under the Stock Incentive Plan, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph eight of the Italian Civil Code. Those shares will be offered for subscription at a share price equal to their fair market value – as defined in tax rules – at the date of the Board of Directors' resolutions relating to the respective capital increases through the offer of subscription rights exercisable in one or more occasions and in different years. The subscription rights for those shares will be in the name of the Beneficiary and non-transferable *inter vivos*. The terms for share subscription will be set out in the resolutions passed by the Board of Directors. Those resolutions will also set out that in the event that the approved capital increase is not fully subscribed within the prescribed term, share capital will be increased by the amount of the subscriptions received as of that date;

- 5) to authorize directors pursuant to art. 2443, first and second paragraphs of the Italian Civil Code for a period of no more than five years from the date of this resolution, to increase share capital (against payment), in one or more occasions, by a maximum total amount of €400,000.00 issuing up to 4,000,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to contract workers of the Company and its subsidiaries who will be selected as Beneficiaries under the Stock Incentive Plan, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph five of the Italian Civil Code. Those shares will be offered for subscription at a share price equal to the weighted average of (i) the company's equity value per share as reported in the latest financial statements approved prior to the allotment of the Options and (ii) the average stock market price of Mediolanum S.p.A. shares in the six-month period preceding the allotment date, applying a weight equal to 90% of the equity value and a weight equal to 10% of the average stock market price in the last six-month period, respectively, through the offer of subscription rights exercisable in one or more occasions and in different years. The subscription rights for those shares will be in the name of the Beneficiary and non-transferable *inter vivos*. The terms for share subscription will be set out in the resolutions passed by the Board of Directors. Those resolutions will also set out that in the event that the approved capital increase is not fully subscribed within the prescribed term, share capital will be increased by the amount of the subscriptions received as of that date;
- 6) to authorize directors pursuant to art. 2443, first and second paragraphs of the Italian Civil Code for a period of no more than five years from the date of this resolution, to increase share capital

(against payment), in one or more occasions, by a maximum total amount of €150,000.00 issuing up to 1,500,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to Non-Employee Directors of the Company and its subsidiaries who will be selected as Beneficiaries under the Stock Incentive Plan, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph five of the Italian Civil Code. Those shares will be offered for subscription at a share price equal to the weighted average of (i) the company's equity value per share as reported in the latest financial statements approved prior to the allotment of the Options and (ii) and the average stock market price of Mediolanum S.p.A. shares in the six-month period preceding the allotment date, applying a weight equal to 90% of the equity value and a weight equal to 10% of the average stock market price in the last six-month period, respectively, through the offer of subscription rights exercisable in one or more occasions and in different years. The subscription rights for those shares will be in the name of the Beneficiary and non-transferable *inter vivos*. The terms for share subscription will be set out in the resolutions passed by the Board of Directors. Those resolutions will also set out that in the event that the approved capital increase is not fully subscribed within the prescribed term share capital will be increased by the amount of the subscriptions received as of that date;

- 7) to authorize the Stock Options Plan Committee to draft the rules governing the implementation of the Plan which shall set out, *inter alia*, the criteria for the selection of the Beneficiaries, the structure of the plan, the criteria for the definition and measurement of the performance objectives which trigger the exercise of the Options, and more generally, to grant the Stock Options Plan Committee any and all powers for the implementation of the plan, including the determination of the number of Options to be allotted to each Beneficiary and the rules applying in case of termination or other changes in the service/employment relationship;
- 8) to grant the Board of Directors the broadest powers to implement the resolutions above and in particular to comply with all formalities required for their statutory approvals as well as the authority to make any amendments or additions as may be necessary or expedient for that purpose;
- 9) to amend art. 6 of the company's Bylaws in accordance with the resolutions under 1), 2), 4), 5) and 6) herein;
- 10) to grant the Board of Directors the powers required to register and publish the Bylaws including the amended text of article 6 thereof, making any amendments thereto as may be required subsequent to the adopted resolutions".

Basiglio – Milano 3, March 1, 2005

For the Board of Directors

The Chairman

Roberto Ruozi