

## **Explanatory note to the Agenda of the Extraordinary General Meeting of Shareholders of Fortis SA/NV on 4 October 2006**

### **Agenda item 2.2.: Authorised capital**

The special report of the Board of Directors explains in detail the circumstances under which the proposed authorised capital can be used and the objectives pursued. Part of the authorised capital (125,000,000 shares or 9.32% of outstanding capital) offers the company the flexibility to seize acquisition opportunities in line with the Fortis strategy, should they arise, and to take initiatives to incentivise management and staff. The other part (125,000,000 shares, or 9.32% of outstanding capital) may only be used by the company to cover the commitments entered into in the context of certain financial instruments further described in the special report of the Board and in the financial statements.

### **Agenda item 2.3. Use of authorised capital in the event of a public takeover bid for a period of three years**

As explained in the special report of the Board, this authorisation is intended to avoid, in the interest of the company, any direct or indirect destabilisation of the company likely to hamper pursuance of the company's business strategy. Any issue of shares in the event of a public takeover bid is subject to very restrictive conditions: the number of shares issued may not exceed 10% of the outstanding shares, the issue price may not be less than the price of the public bid and the shares have to be fully paid up.

### **Agenda item 3: Lodging of securities and of proxies**

In order to allow the company to provide the shareholders who have registered for the shareholders' meeting with the relevant documents prior to such meeting, the Board proposes extending the so-called 'blocking period' by one working day (from four to five working days). The underlying reasons for this proposal are as follows:

- (a) The Board attaches great importance to the participation of shareholders in shareholder meetings. The Board therefore takes seriously the complaints received from (mainly retail) shareholders who, in recent years, had not received the annual report and financial statements ahead of the annual shareholders' meetings.
- (b) Taking into account the time it takes in practice for the company to receive lodging information through the custody banks, *especially if the blocking period includes a public holiday and a bank holiday, which was the case in 2004 and 2006 and which will also be the case in 2007*, it is materially impossible for the company to ensure – in line with legal requirements - timely delivery of the annual review and financial statements to the shareholders who expressed their wish to attend the meeting.

Attention of institutional shareholders is drawn to the intrinsically temporary nature of the above proposed measure: on the one hand, the accelerated disclosure of annual financial statements is likely to result in a proposal to move forward the annual shareholders' meeting as of 2008 or 2009. On the other hand, anticipated legislative developments (proposed European directive on shareholder rights) are likely to lead, within approximately the same timeframe, to a proposal to move to a 'record date' system.