MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 389,264,707.50 FULLY PAID UP - RESERVES € 3,188.7m

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

Registered as a Bank. Parent Company of the Mediobanca Banking Group

Quarterly Report

for the period ended 31 March 2002

www.mediobanca.it

REVIEW OF GROUP OPERATIONS

The Group's consolidated accounts for the nine months ended 31 March 2002 reflect a margin before tax of € 244m (31/3/01: € 178.1m) after provisions totalling € 13.8m (€ 8.5m).

At € 262.9m, profit from ordinary operations during the period under review was virtually the same as last year's € 262.1m, bearing out the trend noted in our interim report for the six months ended 31 December 2001, with the marked slowdown in investment banking continuing and interest rates still low. Despite this, and notwithstanding an € 8.9m decrease in dividends, our interest margin rose 10% during the quarter from € 290.3m to € 319m, enabling both the € 25.2m reduction in fee income and the small € 2.7m increase in operating expenses to be offset.

In addition to ordinary business, there was a net gain of € 465.4m on disposals of investment securities during the period, as against a net loss of € 4.7m last year. Bad debt writeoffs were almost the same as a year ago, involving only consumer credit and factoring and to a much lesser extent our leasing activities. Net interim writedowns in our securities portfolio amounted to € 419.8m (€ 26.9m), based on average prices in March in the case of trading securities and in the six months ended 31 March in the case of investment securities. This figure falls to € 407.7m on the basis of prices at the close of business on 13 May 2002.

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The following is a review of major asset headings in the three-month period.

Funding – This fell during the quarter by € 669.8m, mostly due to reductions of € 538.1m in bonds in issue and € 380.6m in deposits raised through correspondent banks. Meanwhile, current accounts rose by € 235m. *Mediobanca International*'s contribution to aggregate funding was € 2,136.9m (31/12/01: € 2,223.8m).

Customer loans – These rose to € 17,124.9m (31/12/01: € 16,974.9m). At 31 March 69.2% of the Group's loan book consisted of corporate lendings, 17.9% leasing transactions and 12.9% consumer credit. At the end of the quarter, significant exposures in terms of loan concentration (i.e., in excess of 10% of consolidated regulatory capital), according to the permitted risk weightings, totalled € 9,524.6m, or 19.7% of the aggregate limit of € 48,391.4m. The funds concerned have been lent to nine "groups of connected clients", exposure to none of which exceeds the currently permitted individual threshold.

Investment securities – These rose by € 6.3m compared with 31 December 2001. The net surplus of market price over book value based on average prices in the six months ended 31 March 2002 was € 4,552.3m. Net gains based on share prices and holdings at the close of business on 13 May 2002 amounted to € 3,810.1m after writedowns charged at 31 March.

Treasury transactions – These showed a decrease of € 824m. The overall figure, which takes the contribution from forward transactions into account, includes net writedowns of € 21.5m in securities held.

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A consolidated financial statement and profit and loss account are set out below in the usual restated format:

CONSOLIDATED FINANCIAL STATEMENT

	31/3/01	30/6/01	31/12/01	31/3/02
	€ m	€ m	€ m	€ m
Assets				
Treasury funds employed	3,914.8	4,601.7	4,366.3	3,542.3
Loans and advances	16,479.7	16,998.1	16,974.9	17,124.9
Investment securities	3,561.3	3,333.7	3,111.6	3,117.9
Intangible assets	1.6	1.5	1.5	1.3
Net fixed assets	67.1	67.2	128.8	127.4
Other assets	1,607.6	1,648.4	1,710.2	1,850.9
Total assets	25,632.1	26,650.6	26,293.3	25,764.7
Liabilities				
Deposits and loans	18,287.9	19,170.9	18,485.2	17,815.4
Provision for liabilities and charges	375.9	375.5	297.9	299.6
Consolidated provision for future liabilities and charges	6.5	6.8	6.7	6.6
Other liabilities	2,444.9	2,460.2	2,448.3	2,611.5
Credit risks provisions	13.4	13.4	13.4	13.4
Shareholders' equity attributable to minorities	50.4	49.0	53.1	56.8
Shareholders' equity	4,275.0	4,277.6	4,716.7	4,717.4
Profit	178.1 (1)	297.2	272.0 (1)	244.0 (1)
Total liabilities	25,632.1	26,650.6	26,293.3	25,764.7

(1) Before tax.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	9 months to 31/3/01	12 months to 30/6/01	6 months to 31/12/01	9 months to 31/3/02
	€ m	€ m	€ m	€ m
Interest margin	290.3	530.1	219.8	319.0
of which: dividends	*9.3*	*152.1*	*0.3*	*0.4*
Commissions received and other income	165.3	219.0	100.4	140.1
General expenses and sundry operating costs	(193.5)	(266.8)	(134.9)	(196.2)
GROSS MARGIN FROM ORDINARY OPERATIONS	**262.1**	**482.3**	**185.3**	**262.9**
Net gain (loss) on sale of investment securities	(4.7)	101.7	462.0	465.4
Net writebacks (writedowns) in securities and investments	(26.9)	(109.0)	(319.3)	(419.8)
Gain (loss) on exchange and derivative transactions	(3.8)	14.4	(20.9)	(14.1)
Bad debts written off	(32.1)	(42.7)	(19.7)	(33.2)
Net overprovision for taxation	—	—	—	6.8
Gain (loss) on investments stated on equity basis	—	0.2	—	—
MARGIN BEFORE TAXATION AND PROVISIONS	**194.6**	**446.9**	**287.4**	**268.0**
Transfer to provision for liabilities and charges	(5.8)	(12.5)	(7.6)	(11.2)
Accelerated depreciation and amortisation	(2.7)	(4.7)	(1.3)	(2.6)
(Profit) loss attributable to minority interests	(8.0)	(6.3)	(6.5)	(10.2)
PROFIT BEFORE TAX	**178.1**	**423.4**	**272.0**	**244.0**
Transfers to provisions for income taxes	—	(126.2)	—	—
NET PROFIT	—	**297.2**	**—**	**—**

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A review of the main developments in Group companies is given below.

Mediobanca

Profit before tax in the nine months ended 31 March 2002 was € 106.5m (31/3/01: € 93.1m), after charging € 60m (€ 62m) to the *Credit risks provision* and € 26.1m to cover the substantial initial instalment on the lease for the premises the Group has acquired in Via Filodrammatici opposite the Bank's Head Office, which provides floor space of 11,452 squ.m. Gains of € 459.7m on the disposal of equity investments reflect the sale of the Bank's interests in *Montedison* and *Consortium*. At € 419.1m, net interim writedowns to our securities portfolio, computed in accordance with the usual principles, were some € 100m higher than at 31 December 2001.

Profit from ordinary operations was down from € 188.8m to € 156.9m as a result of the trend in the interest margin, which reflects market conditions in terms of rates and share prices for the Bank more closely than it does for the Group. However, excluding dividends the margin still rose by 5%. The increase in operating expenses was mainly attributable to the higher headcount and the ordinary instalment on the new lease.

Funding at the end of the quarter fell by € 632.9m from the figure recorded at 31 December 2001. Liquid assets were € 828.3m lower, taking account of forward deposit and funding transactions and changes in other assets and liabilities, whereas lendings were up by € 181.4m.

Investments in securities fell by € 31.9m to € 2,696.7m net of interim writedowns. New investments during the quarter amounted to € 68.5m, as against divestments of € 5.6m. The main movements were as follows:

- we purchased 27.5m *Olivetti* shares for an outlay of € 41.6m;
- we increased our holding in *Fiat* by 1.6m ordinary shares, including subscribing to a rights issue, involving a total outlay of € 25.6m;

- we sold a principal amount of € 4m *Olivetti 2010 convertible* bonds, involving a divestment of € 5.3m.

Interim adjustments were made to the stocks listed below as follows:

Writedowns:

	€ m
Olivetti	94.3
Commerzbank	83.2
Intesa - BCI	71.8
Banca di Roma	54.6
Mediolanum	49.0
Gemina	20.8
Finmeccanica	18.0
Others	8.0
	399.7

Writebacks:

	€ m
Olivetti 2010 convertible bonds	1.7
AMB	0.2
	1.9

Movements since 31 March 2002 include:

- the sale of a further principal amount of € 6m *Olivetti 2010 convertible* bonds;
- the purchase of 400,000 *Koenig & Bauer* shares;
- the purchase of 12,721 *Compagnie Monégasque de Banque* shares, increasing Mediobanca's holding from 15% to 17.3%;

- the conversion of *Pirelli & C. 2003* bonds worth a total of € 7.4m at par into 3.2m ordinary shares.

THE COMPASS GROUP

Compass is the parent company of all Mediobanca's financial service subsidiaries. The Compass Group's consolidated highlights as at 31 March reflect lendings totalling € 5,309.5m (31/12/01: € 5,359m), approximately 59% of which derive from leasing and 41% from consumer credit. Business volume in the first nine months of the period reflected a 4% increase over the equivalent months in the previous financial year, with disbursements rising from € 1,777.5m to € 1,847.8m. Earnings from ordinary operations before tax amounted to € 90.9m (31/12/01: € 62m).

A review of the individual companies' results follows:

Compass

This company's gross profit from ordinary operations (i.e., before tax, net writedowns in listed investments and adjustments to receivables) in the nine-month period was € 48.9m (31/3/01: € 29.4m). Customer loans were 1.2% lower than at 31 December 2001, with this decline being mainly attributable to a reduction in vehicle credit disbursements.

SelmaBipiemme Leasing

Gross profit from ordinary operations (as defined above) was € 20.4m in the nine months under review (31/3/01: € 11.7m). The volume of business was 0.5% higher than at 31 December 2001.

Palladio Leasing

At € 10.4m this company's gross profit from ordinary operations was in line with last year's result of € 10.6m. The net value of goods on or pending lease was 4.5% up on 31 December 2001.

Teleleasing

Gross profit from ordinary operations in the nine-month period was € 13.1m (31/3/01: € 0.2m). The net value of goods on or pending lease was 3.9% lower than at 31 December 2001.

Micos Banca

Gross profit from ordinary operations was € 2.7m (31/3/01: € 1.4m). Mortgage loans outstanding were 8.2% up on 31 December 2001.

Results from our other main subsidiaries were as follows:

MB Finstrutture - Intersomer

Pre-tax profit before provisions for the first nine months of the financial year amounted to € 2.8m (31/3/01: € 2.7m). Lendings totalled € 565.4m (31/12/01: € 512.2m).

Spafid

Profit before tax in the nine months under review was € 350,000 after writing down securities held by € 760,000, compared with a profit of € 3.7m at 31 March 2001. The nominal amount of securities managed on a discretionary and non-discretionary basis was € 1,268m (31/12/01: € 1,266m).

Mediobanca International

Profit in the nine-month period amounted to $ 2.4m (31/3/01: $ 4.6m). Total deposits were $ 1.9bn (31/12/01: $ 2bn).

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Significant events

- *Business plan*: the Bank's 2002-2005 business plan was approved at a Board Meeting held in April. The plan provides for Mediobanca to develop advanced financial services for corporates and high net worth individuals. We shall therefore concentrate on (i) our wholesale banking operations, i.e. lending to corporates and investment banking, (ii) private banking and private equity, and (iii) injecting an international dimension into our business aimed at taking opportunities arising from cross-border deals. Developing these three areas and combining them with the Bank's traditional role in direct equity investment in business enterprises should enable us to exploit the value chain in full.

- *Compagnie Monégasque de Banque*: Mediobanca has entered into a put-and-call agreement with Commerzbank to buy its 34% stake in CMB. Subject to the requisite clearances from Banca d'Italia and Banque de France, Mediobanca will thus acquire a controlling interest in CMB, in line with our new business plan which provides for growth in private banking operations *inter alia* by means of acquisitions. This controlling interest will eventually be transferred to Banca Esperia on such terms as will leave Banca Esperia's existing joint ownership structure with Mediolanum unaffected. The consideration payable for the 34% stake will involve an outlay in the region of € 190m, which may take the form of newly-issued Mediobanca shares.

- *Rating*: Mediobanca has recently been given a long-term credit rating of AA– by Standard and Poor's with a stable outlook and a short-term rating of A-1+.

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Outlook

Earnings from ordinary operations in the fourth quarter of our financial year are likely to display a fairly similar trend to that in the first nine months, but the expected reduction in dividends will lower the overall figure by some 5%. The performance of the stock market should result in some writedowns in the group's investment portfolio, but these are expected to be less than those reflected in the end-March figures.

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Francesco CESARINI, Angelo MARCHIÒ and Marco TRONCHETTI PROVERA have resigned from the Board. We are most grateful to them all for their invaluable contribution to our deliberations.

Milan, 14 May 2002

THE BOARD OF DIRECTORS

Methods of consolidation and accounting policies

The financial statement and profit and loss account for the period ended 31 March 2002 have been prepared on a consolidated basis and in reclassified form consistent with the accounts for the year ended 30 June 2001 and those for the six months ended 31 December 2001.

Scope of consolidation

The consolidated accounts as at 31 March 2002 comprise the results of the Parent Company and those of its directly or indirectly controlled subsidiaries engaged in banking or financial services or solely or principally in activities of a substantially similar nature. The Bank's other significant equity investments have been consolidated using the net equity method.

Basis of consolidation

Group subsidiaries have been consolidated on the line-by-line basis by combining their earnings, expenses, assets and liabilities, and by eliminating equity and intra-group accounts against the carrying value of the underlying investments.

Net differences arising when the accounts were first consolidated as at 30 June 1994 have been recorded in the item *Negative goodwill on consolidation*. No positive goodwill on consolidation has been attributed to any assets.

The portion of net equity and share of profit for the period attributable to minority interests has been stated as *Net equity attributable to minority shareholders*.

Accounts expressed in foreign currencies

Accounts of subsidiaries denominated in currencies other than the euro have been translated into euros at exchange rates ruling on 29 March 2002. Exchange differences against net equity arising when the accounts were first consolidated have been taken to *Other reserves*.

Accounts used for consolidation

The consolidated accounts have been prepared from the financial statements of the individual subsidiaries as at 31 March 2002, restated where appropriate on a basis consistent with the format adopted for the Parent Company's accounts, and also adjusted to eliminate amounts charged to the profit and loss account solely to achieve tax benefits.

Leasing companies have been consolidated on the basis of their accounts prepared according to the finance lease method.

Accounting policies

The accounting policies are the same as those used in presenting the consolidated accounts.

Profit for the period ended 31 March 2002 is shown before tax.