MEDIOBANCA

Quarterly Report

for the period ended 31 March 2005

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 394,601,582.50 FULLY PAID UP - RESERVES € 3,227.3m

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 2005

www.mediobanca.it

REVIEW OF GROUP OPERATIONS

Following an excellent third quarter, the Mediobanca Banking Group's results for the nine months reflect pre-tax profit in line with last year at € 413.8m (31/3/04: € 413.6m). Last year's result was also boosted by € 152.9m in writebacks to the Group's investment portfolio, compared with € 45.8m this year. Operating profit was up 14.3%, from € 362.3m to € 414.1m, and writedowns to securities and derivatives held in treasury were lower at € 4.9m (€ 56.9m). Investment portfolio management generated € 32.2m (€ 31.2m) in gains on disposals of holdings, as well as the writebacks referred to above. Of the other items, bad debt writeoffs rose by 8.5% from € 62.1m to € 67.4m; this involved only the Compass group's operations, and was due to higher lending volumes.

The increase in operating profit reflects improvements in both interest income, which grew from € 426.9m to € 500.1m (a rise of 8.4% net of the € 123.9m (€ 79.9m) in dealing profits from treasury operations) as a result of higher consumer lending volumes, and fee income, which rose by 10.2%, from € 181.9m to € 200.4m. Operating costs also went up from € 246.5m to € 286.4m, chiefly as a result of the Compass group's geographical and commercial expansion.

This healthy performance involved all the Group's main areas of operation. Ordinary profit from wholesale banking activities rose despite the challenging market conditions, climbing 12.4% from € 232.8m to € 261.6m, due to the treasury income referred to above, plus fees of € 129.1m (€ 118m). In retail financial services, the Compass group confirmed its ongoing improvement in terms of operating profit, which rose 16.1%, and at the pre-tax level, up 23.9%, on 20% growth in finance disbursed. The Group's private banking operations also added € 23.5m in profits (€ 10.9m) following the acquisition of minority interests in Compagnie Monégasque de Banque (CMB), plus € 4.1m attributable to Banca Esperia booked under gains on holdings stated on a net equity basis.

CONSOLIDATED ACCOUNTS

The Group's profit-and-loss account and balance sheet are set out below in customary fashion, along with a review of the main items concerned. It should be noted that in the light of recent changes to reporting requirements, tax credits on dividends received in the year ended 30 June 2004 have been taken to provision for income taxes, in order to provide a like-for-like basis of comparison:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	9 mths to 31/3/04	12 mths to 30/6/04	6 mths to 31/12/04	9 mths to 31/3/05
	€ m	€ m	€ m	€ m
Interest income	426.9	797.1	355.3	500.1
of which: dividends	*0.1*	*119.4*	*3.1*	*3.2*
Commissions received and other income	181.9	253.6	140.7	200.4
General costs and expenses	(246.5)	(362.6)	(182.4)	(286.4)
GROSS MARGIN FROM ORDINARY OPERATIONS	**362.3**	**688.1**	**313.6**	**414.1**
Net writedowns to securities and derivatives held in treasury	(56.9)	(7.0)	(11.7)	(4.9)
Net gains on disposal of investment securities	31.2	40.4	32.0	32.2
Net writebacks (writedowns) to investment securities	152.9	132.0	(1.1)	45.8
Bad debts written off	(62.1)	(88.4)	(44.8)	(67.4)
Gains on holdings stated on net equity basis	4.5	4.4	3.8	4.8
PROFIT BEFORE TAX AND PROVISIONS	**431.9**	**769.5**	**291.8**	**424.6**
Provisions for liabilities and charges	—	(1.5)	—	—
Depreciation and amortization	(4.8)	(7.1)	(0.8)	(1.3)
Profit attributable to minority shareholders	(13.5)	(17.4)	(5.7)	(9.5)
PROFIT BEFORE TAX	**413.6**	**743.5**	**285.3**	**413.8**
Transfer to provision for income taxes	—	(207.1)	—	—
NET PROFIT	—	**536.4**	—	—

CONSOLIDATED BALANCE SHEET

	31/3/04		30/6/04	31/12/04		31/3/05	
	€ m		€ m	€ m		€ m	
Assets							
Net treasury funds employed	9,238.7		9,723.0	9,970.9		10,040.0	
Loans and advances to customers	16,941.1		16,280.9	16,314.2		16,366.1	
Investment securities	3,099.1		3,154.8	3,223.4		3,313.2	
Intangible assets	0.9		1.5	1.2		1.1	
Property	260.6		260.5	261.4		259.7	
Furniture and fixtures	10.4		11.1	13.1		13.6	
Other assets	2,330.9		2,407.3	2,157.9		2,286.0	
Total assets	31,881.7		31,839.1	31,942.1		32,279.7	
Liabilities							
Funding	24,880.3		24,596.6	25,061.3		25,166.2	
Provision for liabilities and charges	181.2		386.6	142.8		145.2	
Other liabilities	1,569.5		1,476.9	1,443.6		1,511.1	
Loan loss provisions	13.4		13.4	—		—	
Equity attributable to minorities	180.4		184.3	72.5		76.3	
Shareholders' equity	4,643.3		4,644.9	4,936.6		4,967.1	
Profit for the period	413.6	(1)	536.4	285.3	(1)	413.8	(1)
	31,881.7		31,839.1	31,942.1		32,279.7	

(1) Pre-tax.

REVIEW OF KEY ITEMS

BALANCE SHEET

The following is a review of the movements in the main balance sheet items during the period under review:

Funding – this item grew from € 25,061.3m to € 25,166.2m, reflecting an increase in debt securities from € 16,785.3m to € 17,117.1m, which more than offset the € 246.4m reduction in back-to-back loans.

Loans and advances to customers – the slight increase in this item from € 16,314.2m to € 16,366.1m reflects growth of 6.9% in consumer credit and 2.4% in leasing, against a 2.6% reduction in corporate lending. As at 31 March 2005, 61% of the Group's loan book consisted of corporate lending and structured finance (31/12/04: 63%), 20% of consumer credit (19%), and 16% of leasing (16%). The other 3% is made up of finance disbursed by CMB (2%).

Investment securities – these rose by € 89.8m, following net writebacks of € 45.8m and gains of € 4.8m on holdings stated on a net equity basis, i.e. Banca Esperia and Athena Private Equity. Movements during the three months under review, in addition to those described in the Group's interim accounts for the period ended 31 December 2004, are as follows: we subscribed to a rights issue implemented by Pirelli & C., which involved an outlay of € 44.6m; we also converted € 59m worth of Telecom Italia 1.5% bonds, carried at a book value of € 73.7m, into 27.8 million Telecom Italia shares. An additional € 3m was collected from Athena Private Equity and Clessidra during the three months. As at 31 March 2005, the listed securities portfolio reflects a surplus of market over book value amounting to € 3,788m (31/12/04: € 3,806.1m), or € 3,512.5m based on current prices and holdings. At the same date, the Group's interest in Assicurazioni Generali stood at 14.12% of that company's share capital, unchanged from the total at 31 December 2004. Of this, 12.80% is owned by Mediobanca, and the other 1.32% by Compass, MB - Finstrutture Intersomer and Spafid. The entire holding is carried at a book value of € 1,260.7m.

Treasury accounts – these rose by € 69.1m from € 9,970.9m to € 10,040m, and comprise € 0.9bn in liquid assets and short-term lendings (including repos) and € 9.1bn in securities, virtually all of which are fixed income. Net writedowns charged on such securities including derivatives at 31 March 2005 amounted to € 4.9m, after which the Group's treasury portfolio reflects an unrealized gain of € 212.3m.

Provisions for liabilities and charges – these include the provision for taxation amounting to € 59.6m, the staff severance indemnity provision totalling € 34.3m, and the provision for liabilities and charges which stands at € 51.3m, and is chiefly connected to the Compass group's business.

Shareholders' equity – the Group's net worth rose by € 30.5m compared with 31 December 2004, following exercise of stock options.

PROFIT AND LOSS ACCOUNT

Interest income

This rose by 17.1%, from € 426.9m to € 500.1m, more than 40% of which is attributable to Mediobanca. Such growth was driven by higher income from treasury operations, which rose from € 79.8m to € 120.7m, and enhanced interest income on lendings, up 8.4% from € 347m to € 376.2m due to higher business volumes generated by the Compass group.

Commissions received and other income

This item grew by 10.2%, rising from € 181.9m to € 200.4m, and comprises:

— € 126.5m in fees earned by Mediobanca (31/3/04: € 113.4m);
— € 34.4m in income generated by the Compass group (€ 32.8m);
— € 39.5m (€ 35.7m) in commissions earned by other Group companies, including € 34.8m earned by CMB, € 2.7m by Spafid, and € 0.4m by MB Finstrutture - Intersomer.

General costs and expenses

The increase in this item, from € 246.5m to € 286.4m, chiefly reflects costs linked to geographical and commercial expansion by the Compass group, whose number of branches rose from 101 to 114. The most significant items here comprise:

— labour costs of € 126.5m (31/3/04: € 111.8m), virtually half of which are attributable to Mediobanca;
— bank charges and commissions of € 49.1m (€ 39.1m), including € 38m in fees paid to dealers by the Compass group (€ 29m); these are charged in full to profit and loss as and when the underlying loan is disbursed, rather than being amortized over its expected life;

— sundry items totalling € 110.8m (€ 95.6m), of which € 94.9m (€ 79m) in administrative expenses, € 8.9m (€ 11.7m) in ordinary depreciation charges, and € 7m (€ 4.9m) in sundry other charges. The main items under administrative expenses, € 32.8m of which are attributable to Mediobanca, are as follows:
  – EDP and financial information subscriptions of € 19.3m (€ 17.9m);
  – outside service and consultancy fees of € 14.3m (€ 11.4m);
  – advertising costs of € 11.2m (€ 4.4m);
  – rent, equipment leasing and maintenance charges of € 10.4m (€ 10.8m);
  – fees incurred in respect of bad debts recovered and legal expenses amounting to € 9.9m (€ 10.4m);
  – stationery, publication costs and utilities of € 8.9m (€ 7.6m);
  – travel, entertainment and representative expenses of € 4.6m (€ 3.9m).

Bad debts written off

This item involves the Compass group almost exclusively, and rose from € 62.1m to € 67.4m as a result of higher business volumes.

REVIEW OF GROUP BUSINESSES

A review of the Group's performance in its various areas of operation during the period under review is provided below, based on the same format adopted in presenting the annual accounts.

Wholesale banking

	9 mths to 31/3/04	12 mths to 30/6/04 (*)	6 mths to 31/12/04	9 mths to 31/3/05
	€ m	€ m	€ m	€ m
Net treasury funds employed	8,463.5	8,727.5	8,936.7	9,037.5
Loans and advances to customers	13,298.3	13,010.7	12,770.9	12,601.8
Funding	20,577.6	20,469.4	20,649.6	20,609.7
Total revenues	319.5	550.1	274.1	361.1
General costs and expenses	(86.7)	(139.7)	(63.0)	(99.5)
Gross margin on ordinary operations	232.8	410.4	211.1	261.6
Pre-tax profit	173.3	398.5	195.1	251.4
Cost/income ratio (%)	27.1	25.4	23.0	27.6

(*) Net of tax credit on dividends.

There was an increase of 12.4% in the gross margin on ordinary operations earned during the first nine months, from € 232.8m to € 261.6m. This was driven by higher dealing profits and fee income, which grew from € 79.7m to € 118.2m and from € 118m to € 129.1m respectively.

The slight reduction in the Group's loan book, from € 12,770.9m to € 12,601.8m, reflects the closure of back-to-back loans worth € 246.4m. Funding levels were stable compared with three months previously, at € 20,609.7m (31/12/04: € 20,649.6m), reflecting the reduction in back-to-back loans referred to above, and also new bond issues amounting to € 331.9m. Treasury accounts were also virtually unchanged from the figure recorded at 31 December, up just 1.1%. Among the items included under this heading were € 94.1m in cash and bank balances, € 9bn in fixed income securities, and € 0.6bn in equities, with a € 0.7bn shortfall on other applications of funds, i.e. repo transactions and technical shortfalls.

Equity investment portfolio

	31/3/04	30/6/04 (1)	31/12/04	31/3/05
	€ m	€ m	€ m	€ m
Securities held in portfolio	3,079.0	3,134.5	3,199.6	3,288.4
Dividends	—	99.9	—	—
Gains arising on disposal	31.2	40.4	32.0	32.2
Net writebacks (writedowns)	152.9	132.0	(1.1)	45.8
Profit before tax.....................	174.1	257.1	24.3	67.3
Unrealized gain vs previous year (2) ..	266.5	422.1	240.5	654.4
Operating profit	440.6	679.2	264.8	721.7

(1) Net of tax credit on dividends.
(2) Based on average prices over the preceding six-month period.

The Group's equity investment portfolio closed at € 3,288.4m, up € 88.8m from the figure recorded at 31 December 2004. The main movements in the period were as follows:

— *Telecom Italia*: Telecom Italia 1.5% bonds with a par value of € 59m and carried at a book value of € 73.7m were converted into equity, which increased the Group's holding in Telecom Italia from 1.73% of its ordinary share capital to 1.84%, and from 1.11% of its total share capital to 1.21%. The entire holding is carried at a book value of € 556.6m;

— *Pirelli & C.*: we subscribed to the rights issue implemented by this company, which involved an outlay of € 44.6m. In addition, the Group has recently acquired a further 10 million Pirelli & C. shares which were sold following changes to the company's shareholder agreement; this involved an outlay of some € 9.7m. As a result of this acquisition, the Group's interest in Pirelli & C., all of which is syndicated to the shareholders' agreement, has risen to 4.50% of that company's ordinary share capital.

Gains realized on disposal totalled € 32.2m, in line with the figure recorded during the first half of the year, and relate to disposals of Group holdings in Capitalia, Commerzbank and Ciments Français.

Net writebacks amounting to € 45.8m were credited to earnings, which comprised:

	€ m
Writebacks	
Telecom Italia, *ordinary*	37.0
Gemina, *ordinary*	10.4
Commerzbank	3.9
Finmeccanica	2.7
	54.0
Writedowns	
Mediolanum	(4.0)
Fiat, *ordinary*	(3.1)
Other listed	(1.1)
Total	(8.2)

The book value of listed securities held in the portfolio, compared with average market prices in the six months ended 31 March 2004, reflects a net gain of € 3,617.4m (€ 3,512.5m based on current prices and holdings), up € 413.9m on the figure recorded at 31 December 2004.

Retail financial services

	9 mths to 31/3/04	12 mths to 30/6/04	6 mths to 31/12/04	9 mths to 31/3/05
	€ m	€ m	€ m	€ m
Loans to customers	5,044.5	5,338.9	5,676.2	5,946.2
Securitized lendings	1,112.2	1,112.2	1,112.2	1,112.2
Amounts disbursed	2,262.6	3,080.6	1,793.5	2,712.1
Total revenues	249.1	342.9	191.2	292.9
General costs and expenses	(124.2)	(173.2)	(93.5)	(147.9)
Gross margin from ordinary operations	124.9	169.7	97.7	145.0
Pre-tax profit	54.8	73.9	47.1	67.9

The Compass group's consolidated highlights as at 31 March 2005 reflect a 23.9% increase in profit before tax, driven by growth in interest income, which rose from € 216.3m to € 258.5m on the back of higher consumer credit volumes. Commissions and other income rose by 4.9% from € 32.8m to € 34.4m, and comprised € 13.4m (31/3/04: € 12.7m) in income from recovered loans, € 15.3m (€ 14.4m) in income and recovered financing costs from loans to households, and € 5.7m in net income from leasing, in line with the result achieved in the equivalent period last year. The increase in general costs and expenses from € 124.2m to € 147.9m is due to growth in adminstration and labour costs in connection with the new branch openings and expansion in the group's business in the consumer credit segment especially, and to higher fees paid to dealers in view of the rise in volumes, up from € 29.1m to € 38.1m. The pre-tax result reflects bad debt writeoffs and transfers to provisions for liabilities and risks amounting to € 67.4m (€ 61.7m).

As at 31 March 2005, customer lendings totalled € 5,946.2m (31/12/04: € 5,676.2m), shared almost equally between the leasing and consumer credit segments.

Private banking

	9 mths to 31/3/04	12 mths to 30/6/04	6 mths to 31/12/04	9 mths to 31/3/05
	€ m	€ m	€ m	€ m
Assets under management/ administration	9,043.6	9,378.7	10,151.6	10,414.5
Securities held in trust	1,029.2	1,008.7	1,069.2	1,025.4
Total revenues	66.4	91.5	50.7	75.6
Profit from ordinary operations	19.3	28.1	15.9	24.7
Pre-tax profit attributable to the Group	14.6	19.1	19.7	29.2

The aggregate figures include the Group's 48.5% share in the profits of Banca Esperia. Pre-tax profit for the period under review amounts to € 29.2m, € 22.8m of which is attributable to CMB. This is more than double the € 14.6m recorded at the same stage last year, in part through the acquisition of minority interests in CMB, now a wholly-owned subsidiary of the Mediobanca Banking Group. Management fees totalled € 57.3m (31/3/04: € 48.5m). Assets under management/administration as at 31 March 2005 amounted to € 10.4bn (€ 10.2bn).

REVIEW OF GROUP COMPANIES' PERFORMANCE

Mediobanca

	31/3/04	30/6/04	31/12/04	31/3/05
	€ m	€ m	€ m	€ m
Net treasury funds employed	8,405.5	8,427.8	8,729.2	8,896.8
Loans and advances to customers	13,546.0	13,324.4	12,991.3	12,822.2
Investment securities	2,948.1	2,987.7	3,145.2	3,233.8
Funding	20,845.2	20,561.2	20,749.3	20,777.8
Shareholders' equity	4,380.0	4,383.1	4,543.6	4,574.1
Total income (1)	312.8	626.0	273.4	358.6
General costs and expenses	(92.1)	(148.3)	(66.8)	(105.3)
Pre-tax profit from ordinary operations (1)	220.7	477.7	206.6	253.3
Profit for the period	313.3 (2)	427.6	220.9	320.5 (2)

(1) Net of tax credit on dividends.

(2) Pre-tax.

In the first nine months, the pre-tax profit from ordinary operations earned by Mediobanca rose by 14.8%, from € 220.7m to € 253.3m, on the back of higher interest income due entirely to enhanced treasury earnings, up from € 80.4m to € 117.6m, and higher net fees, which grew from € 113.1m to € 126.2m.

Pre-tax profit for the period amounted to € 320.5m (31/3/04: € 313.3m), after net writebacks to the investment portfolio amounting to € 46.3m (€ 153.7m) based on average prices in the six months to 31 March 2005, and writedowns to securities and derivatives held in treasury totalling € 10.2m (€ 61.2m).

A review of the individual companies' results is given below (figures refer to the companies' statutory accounts):

Compass

This company's accounts for the nine months to 31 March 2005 reflect a pre-tax profit of € 51.8m (31/3/04: € 40.1m). At € 1,975.3m, customer loans were 7.3% higher than at 31 December 2004, and up 9.3% in the nine months.

Micos Banca

Micos recorded a pre-tax profit of € 2.8m (31/3/04: € 2.5m), after adjustments and transfers to loan loss provision amounting to € 5.4m (€ 4.1m). Mortgage loans outstanding at 31 March 2005 totalled € 1,205.9m, up 6.3% from the figure recorded at 31 December 2004 and up 22.4% in the nine months.

SelmaBipiemme Leasing

This company earned a pre-tax profit in the nine months of € 10.7m (31/3/04: € 10.7m). As at 31 March 2005, the net value of goods on or pending lease stood at € 1,720m, up just 0.9% on the total recorded at 31 December 2004.

Palladio Leasing

A pre-tax profit of € 6.9m (31/3/04: € 6.6m) was earned by this company in the nine months to 31 March 2005. At the same date, the net value of goods on or pending lease totalled € 1,075.3m, up 3.7% on the figure recorded at 31 December 2004.

Teleleasing

In the nine months under review, Teleleasing earned a statutory pre-tax profit of € 14.2m (31/3/04: € 19.2m). At 31 March 2005, the net value of goods on or pending lease was up 6% compared with the total recorded at 31 December 2004 at € 382.2m.

MB Finstrutture - Intersomer

Pre-tax profit for this company came in at € 7.9m, after € 13m in extraordinary gains linked to tax offset measures. This compares with a € 3.8m pro-forma loss as at 31 March 2004. Customer lendings declined from € 647m to € 528m.

Mediobanca International

Profit for the nine months totalled € 2.6m (31/3/04: € 5m). Total deposits amounted to € 1,757.9m (31/12/04: € 1,815.5m).

Compagnie Monégasque de Banque

This bank's accounts for the first quarter of the year reflect a profit of € 7.8m (31/3/04: € 5.2m). Management fees of € 7.4m (€ 5.9m) were earned, and assets under management/administration totalled € 6.8bn (€ 6.7bn).

Spafid

This company recorded a profit for the nine months to 31 March 2005 of € 1.3m (31/3/04: € 1.3m) before tax and writedowns to securities. Securities and value items managed on a non-discretionary basis amounted to € 1,155m (31/12/04: € 1,208m).

Outlook

The Group's performance in the fourth quarter is not expected to differ from guidance released in the interim report for the period to 31 December 2004. The wholesale banking and leasing businesses will continue to face weak market conditions, but this should be countered by robust consumer credit growth. Against this backdrop, operating profit should be buoyed by healthy performances from all the Group's businesses, with a lower contribution from treasury income compared with the fourth quarter last year. Current market conditions suggest investment portfolio management should see end-March levels borne out, and growth in assets under management/administration and profits by private banking also look set to continue.

Milan, 13 May 2005

THE BOARD OF DIRECTORS

Methods of consolidation and accounting policies

The balance sheet and profit and loss account for the nine months ended 31 March 2005 have been prepared on a consolidated basis and in reclassified form consistent with the accounts for the year ended 30 June 2004 and the six months ended 31 December 2004.

Scope of consolidation

The consolidated accounts as at 31 March 2005 comprise the results of Mediobanca 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 Group's other significant equity investments have been consolidated using the net equity method.

Basis of consolidation

Group subsidiaries have been consolidated by combining their earnings, expenses, assets and liabilities, and by eliminating equity and intragroup accounts against the carrying value of the underlying investment.

Negative net differences arising when the accounts were first consolidated have, where possible, been recorded in the assets and liabilities of the companies concerned. Other negative net differences have been taken to *Negative goodwill arising on consolidation*, or the *Consolidated provision for future liabilities and risks*. Positive net differences have been accounted for under the item *Positive goodwill arising on consolidation* and amortized over a period of five years.

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 currenices

Accounts of subsidiaries denominated in currencies other than the Euro have been translated into Euros at exchange rates ruling on 31 March. 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 individual subsidiaries' financial statements as at 31 March, restated where appropriate on a basis consistent with the format adopted for the parent company's accounts.

Leasing companies have been consolidated on the basis of their accounts which have been 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 is stated before tax.