Translation of press release issued by Mediobanca on 28 October 2002

At a Board Meeting held today with Mr Francesco Cingano in the chair, the Directors of Mediobanca approved the Bank's quarterly report for the three months ended 30 September 2002.

The Group made a profit of € 104.3m in this period, 35% higher than the total recorded at the same juncture last year. This was mostly due to our fee income almost doubling from € 28.5m to € 54m, despite the continuing stagnation in the investment banking market. However, the difficult market conditions impacted heavily on the consolidated accounts for the first quarter of our new financial year, which reflect a loss of € 346.3m, after charging writedowns of € 375.1m in our portfolio of listed equities and bonds to profit and loss account. After these writedowns, the net surplus of market price at 30 September 2002 over the book value of our investment portfolio was € 1,529.1m, which rises to € 2,067.1m based on prices and holdings at 25 October. This compares with a net profit of € 347.9m at 30 September 2001, after realizing a gain of € 428.6m on the disposal of our holding in Montedison, and writedowns of € 99.6m in our investment portfolio.

For this quarter we have decided to continue with the conservative accounting principle of basing equity portfolio writedowns on prices recorded at the end of the period under review, rather than our customary policy of using the average values of the six months to 30 September (which would have yielded net writebacks of some € 30m). This is because of the further deterioration in stock market conditions, with prices at the end of September having fallen another 15% below the already depressed levels recorded at 30 June. However, on the basis of prices at 25 October 2002, writedowns charged to earnings reduce from € 348 to € 286m.

This loss is clearly not representative of the Group's interim or full year prospects, because market visibility is so low and because a major portion of our revenues, in the shape of dividends estimated at around € 100m will only be collected in May and June 2003.

Extraordinary business included bad debt writeoffs, which showed a 27% reduction and still chiefly involve our consumer credit and factoring activities, and to a more limited extent, our leasing operations.

As at 30 September 2002 funding amounted to € 21,721.6m, an increase of 5.9% compared with 30 June, while loans and advances stood at € 16,501.4m, down by 3.8%. Equity investments were 6.5% lower at € 3,132.3m, after the writedowns mentioned earlier. The Group's net worth rose to € 4,845.4m (30/6/02: € 4,706.7m). This does not take account of profit for the period or the surplus of market over book value of investment securities, which was € 2,067.1m based on our holdings and share prices as at 25 October 2002.

Mediobanca made a pre-tax loss before provisions of € 350.8m in the period under review, as against a profit of € 336.7m at 30 September 2001, after writedowns of € 375.7m (€ 97.5m) in our investment portfolio based, in the case of listed stocks, on quarter-end prices. Profit from ordinary operations grew from € 38.1m to € 71.1m, due to the increased contribution from treasury transactions and fee and other income.

Funding (including loans from banks and EIB funds) grew by around € 1bn during the quarter, whereas loans and advances fell by € 910.6m. Liquid assets thus rose by € 2bn, taking account of forward transactions and changes in other assets and liabilities.

28 October 2002

CONSOLIDATED FINANCIAL STATEMENT

	30/9/01	30/6/02	30/9/02
	€ m	€ m	€ m
Assets			
Treasury funds employed	6,022.0	5,614.5	7,462.4
Loans and advances	16,263.6	17,154.2	16,501.4
Investment securities	3,103.2	3,351.5	3,132.3
Intangible assets	1.4	1.9	1.8
Net fixed assets	66.4	126.2	126.1
Other assets	1,978.8	2,026.5	1,960.9
Total assets	27,435.4	28,274.8	29,184.9
Liabilities			
Deposits and loans	19,467.9	20,511.3	21,721.6
Provision for liabilities and charges ...	377.8	338.6	344.1
Consolidated provision for future liabilities and charges	6.4	5.8	5.9
Other liabilities	2,699.4	2,390.3	2,544.9
Credit risks provisions	13.4	13.4	13.4
Shareholders' equity attributable to minorities	52.8	53.6	55.9
Shareholders' equity	4,469.8	4,706.7	4,845.4
Profit (loss)	347.9 (1)	255.1	(346.3) (1)
Total liabilities	27,435.4	28,274.8	29,184.9

(1) Before tax.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	3 months to 30/9/01	12 months to 30/6/02	3 months to 30/9/02
	€ m	€ m	€ m
Interest margin	109.3	550.4	115.6
of which: dividends	*0.3*	*128.8*	*0.1*
Commissions received and other income	28.5	177.6	54.0
General expenses and sundry operating costs	(60.5)	(283.9)	(65.3)
GROSS MARGIN FROM ORDINARY OPERATIONS	**77.3**	**444.1**	**104.3**
Net gain (loss) on sale of investment securities	432.4	463.7	(13.4)
Net writedowns in securities and investments	(99.6)	(535.9)	(375.1)
Gain (loss) on exchange and derivative transactions ([1])	(45.0)	(18.6)	(45.5)
Bad debts written off	(11.1)	(46.8)	(8.1)
Net overprovision for taxation	—	6.8	—
Loss on investments stated on equity basis ..	—	(5.1)	—
MARGIN BEFORE TAXATION AND PROVISIONS	**354.0**	**308.2**	**(337.8)**
Transfer to provision for liabilities and charges	(1.7)	(13.3)	(4.7)
Accelerated depreciation and amortization ..	(0.6)	(3.6)	(0.6)
(Profit) loss attributable to minority interests	(3.8)	(7.0)	(3.2)
PROFIT BEFORE TAX	**347.9**	**284.3**	**(346.3)**
Transfers to provisions for income taxes and asset tax	—	(29.2)	—
NET PROFIT	—	**255.1**	**—**

([1]) Covered by unrealized gains of € 23m, € 14.4m and € 31.3m respectively.