BALANCE SHEET AS AT 31 DECEMBER 2007

Figures in € thousand, save for footnotes where figures are provided in full

	Assets	31-Dec-07	30-Jun-07
10.	Cash and cash equivalents	1	1
20.	Financial assets held for trading	26,314	36,676
30.	Financial assets at fair value		
40.	Financial assets available for sale		
50.	Financial assets held to maturity		
60.	Due from banks	3,483,750	3,262,444
70.	Due from customers	3,026,491	3,420,068
80.	Hedging derivatives	4,412	3,493
90.	Value adjustments to financial assets subject to general hedging		
100.	Equity investements		
110.	Total reinsurers'share of technical reserves		
120.	Tangible assets	41	49
130.	Intangible assets	143	24
	of wich:		
	- goodwill		
140.	Tax assets		
	a) current		
	b) advance		
150.	Other non-current and group assets being sold		
160.	Other assets	1,456	1,415
	TOTAL ASSETS	**6,542,608**	**6,724,170**

	Liabilities and shareholders' equity	31-Dec-07	30-Jun-07
10.	Amounts due to banks	3,428,125	3,781,691
20.	Amounts due to customers		
30.	Debt securities in issue	2,953,164	2,786,821
40.	Trading liabilities	21,045	28,730
50.	Liabilities at fair value		
60.	Hedging derivatives	29,285	30,886
70.	Value adjustments to financial liabilities subject to general hedging		
80.	Tax liabilities		
	a) current	4,870	1,727
	b) advance		649
90.	Liabilities linked to assets being sold		
100.	Other liabilities	6,148	6,046
110.	Staff severance indemnity provision		
120.	Provisions for liabilities and charges:		
	a) post-employment and similar benefits		
	b) other provisions		
130.	Technical reserves		
140.	Revaluation reserves		
150.	Redeemable shares		
160.	Equity instruments		
170.	Reserves	77,620	68,623
180.	Share premium reserve		
190.	Share capital	10,000	10,000
200.	Treasury shares		
210.	Net equity attributable to minority shareholders		
220.	Profit (loss) for the year	12,351	8,997
	TOTAL LIABILITIES	**6,542,608**	**6,724,170**

GUARANTEES AND COMMITMENTS

		31-Dec-07	30-Jun-07
10.	Guarantees given		
	of which:		
	- acceptances		
	- other guarantees	43,784	42,112
20.	Commitments		
	of which:		
	- assets sold under repurchase agreements	2,817,047	4,592,450
30.	Credit derivatives	110,000	110,000

PROFIT AND LOSS ACCOUNT

		6 mths to 31/12/07	6 mths to 31/12/06
10.	Interest and similar income	173,647	63,274
20.	Interest expense and similar charges	(165,530)	(63,591)
30.	**Net interest income**	8.117	(317)
40.	Fee and commission income	14,028	6,463
50.	Fee and commission expense	(7,563)	(4,833)
60.	**Net fee and commission income**	6,465	1,630
70.	Dividends and similar income		
80.	Net trading income	(464)	(73)
90.	Net hedging income (expense)	1,670	1,163
100.	Gain (loss) on disposal or repurchase of:		
	a) loans and receivables		
	b) Financial assets available for sale		
	c) Financial assets held to maturity		
	d) financial liabilities		
110.	Net income from financial operations		
120.	**Total income**	15,788	2,403
130.	Adjustments for impairment to:		
	a) loans and receivables		
	b) Financial assets available for sale		
	c) Financial assets held to maturity		
	d) other financial operations		
140.	**Net income from ordinary operations**		
150.	Net premium income		
160.	Income less expense from insurance operations		
170.	**Net income from financial and insurance operations**		
180.	Administrative expenses:	(969)	(666)
	a) personnel costs	(307)	(286)
	b) other administrative expenses	(662)	(380)
190.	Net transfers to provisions for liabilities and charges		
200.	Net adjustements to tangible assets	(8)	(8)
210.	Net adjustements to intangible assets	(33)	(4)
220.	Other operating income (expenses)	67	
230.	**Operating costs**	(943)	(678)
240.	Gains (losses) on equity investments		
250.	Net gain (loss) on valuing tangible/intangible assets at fair value		
260.	Net adjustments to goodwill		
270.	Net gain (loss) upon disposal of investments		
280.	**Profit (loss) on ordinary activities before tax**	14,845	1,725
290.	Income tax on ordinary activities	(2,494)	(350)
300.	**Profit (loss) on ordinary activities after tax**	12,351	1,375
310.	Net gain (loss) on groups of assets being sold after tax		
320.	**Net profit (loss) for the year**	12,351	1,375
330.	Profit (loss) attributable to minorities		
340.	**Profit (loss) for the year attributable to Mediobanca**		

A.1 GENERAL

Section 1

Statement of conformity to IAS/IFRS

Pursuant the authorization received by CSSF on 8 January 2007, as from the current financial year, Mediobanca International (Luxembourg) S.A.'s financial statement has been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standars (IAS) issued by the International Accounting Standards Board (IASB). These were adopted by the European Commission in accordance with the procedure laid down under Article 6 of EC regulation 1606/02 issued by the European Council and Parliament on 19 July 2002. A summary of the main accounting policies adopted by the Group is provided below.

Section 2

Significant accounting policies

Financial assets held for trading

This category comprises debt securities, equities and the positive value of derivatives held for trading including those embedded in complex instruments such as structured bonds (recorded separately).

At the settlement date for securities and subscription date for derivatives, such assets are recognized at fair value not including any transaction expenses or income directly attributable to the asset concerned which are taken through profit and loss.

After initial recognition they continue to be measured at fair value, which for listed instruments is calculated on the basis of market prices ruling at the reporting date. If no market prices are available, valuation methods and models are used based on market-derived data e.g. valuations of listed instruments with similar features, discounted cash flow analysis, option price calculation methods, or valuations used in comparable transactions. Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at cost. If the assets suffer impairment, they are written down to their current value.

Gains and losses upon disposal and/or redemption and the positive and negative effects of changes in fair value over time are reflected in earnings under the heading *Net trading income*.

Loans and receivables

These comprise loans to customers and banks which provide for fixed or otherwise determinable payments that are not quoted in an active market and which cannot therefore be classified as available for sale. Repos and receivables due in respect of finance leasing transactions are also included.

Loans and receivables are booked on disbursement at a value equal to the amount drawn plus (less) any income (expenses) directly attributable to individual transactions and determinable from the outset despite being payable at a later date. The item does not, however, include costs subject to separate repayment by the borrower, or which may otherwise be accounted for as ordinary internal administrative costs. Repos and reverse repos are booked as funding or lending transactions for the spot amount received or paid. Non-performing loans acquired are booked at amortized cost on the basis of an internal rate of return calculated using estimates of expected recoverable amounts.

Loans and receivables are stated at amortized cost, i.e. initial values adjusted upwards or downwards to reflect: repayments of principal, amounts written down/back, and the difference between amounts drawn at disbursement and repayable at maturity amortized on the basis of the effective interest rate. The latter is defined as the rate of interest which renders the discounted cash flow of future cash flows deriving from the loan or receivable by way of principal and interest equal to the initial recognition value of the loan or receivable.

Individual items are tested at annual and interim reporting dates to show whether or not there is evidence of impairment. Items reflecting such evidence are then subjected to analytical testing, and, if appropriate, adjusted to reflect the difference between their carrying amount at the time of the impairment test (amortized cost), and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Future cash flows are estimated to take account of anticipated collection times, the presumed value of receivables upon disposal of any collateral, and any costs likely to be incurred in order to recover the exposure. Cash flows from loans expected to be recovered in the short term are not discounted.

The original effective interest rate for each loan remains unchanged in subsequent years, even if new terms are negotiated leading to a reduction below market rates, including non-interest-bearing loans. The relevant value adjustment is taken through earnings.

If the reasons which brought about the loss of value cease to apply, the original value of the loan is recovered in earnings in subsequent accounting periods up to the value of amortized cost.

Accounts for which there is objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subjected to collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the test date on the basis of historical series of internal and external data. Collective value adjustments are credited or charged to earnings, as appropriate. At each annual and interim reporting date, any writedowns or writebacks are remeasured on a different basis from the entire portfolio of loans deemed to be performing at that date.

Hedges

There are two types of hedge:

– fair value hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in the fair value;
– cash flow hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in future cash flows attributable to specific risks relating to the items concerned.

For the process to be effective, the item must be hedged with a counterparty from outside the Group.

Hedge derivatives are recognized at fair value as follows:

– changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged asset, where a difference between the two values emerges as a result of the partial ineffectiveness of the hedge;
– the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity, while the gain or loss deriving from the ineffective portion is recognized through profit and loss only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

Hedge accounting is permitted for derivatives where the hedging relationship is formally designated and documented and provided that the hedge is effective at its inception and is expected to be so for its entire life.

A hedge is considered to be effective when the changes in fair value or cash flow of the hedging instrument offset those of the hedged item within a range of 80-125%. The effectiveness of the hedge is assessed both prospectively and retrospectively at annual and interim reporting dates, the former to show expectations regarding effectiveness, the latter to show the degree of effectiveness actually achieved by the hedge during the period concerned. If an instrument proves to be ineffective, hedge accounting is discontinued and the derivative concerned is accounted for under trading securities.

Tangible assets

These comprise land, core and investment properties, plant, furniture, fittings, equipment and assets used under the terms of finance leases, despite the fact that such assets remain the legal property of the less or rather than the lessee.

These are stated at historical cost, which in addition to the purchase price includes any ancillary charges directly resulting from their acquisition and usage. Extraordinary maintenance charges are reflected by increasing the asset's value, while ordinary maintenance charges are recorded in profit and loss.

Fixed assets are depreciated over the length of their useful life on a straight-line basis, with the exception of land, which is not depreciated on the grounds that it has unlimited useful life. Properties built on land owned by the company is are recorded separately, on the basis of valuations prepared by independent experts.

At annual and interim reporting dates, where there is objective evidence that the value of an asset may be impaired, its carrying amount is compared to its current value, which is defined as the higher of its fair value net of any sales costs and its related value of use, and adjustments, if any, are recognized through profit and loss. If the reasons which gave rise to the loss in value cease to apply, the adjustment is written back to earnings with the proviso that the amount credited may not exceed the value which the asset would have had net of depreciation, which is calculated assuming no impairment took place.

Intangible assets

These chiefly comprise goodwill and long-term computer applications.

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. Where there is evidence of a possible loss of value, goodwill is tested for impairment, which is calculated as the difference between the initial recognition value of the goodwill and its realizable value, the latter being equal to the higher of the fair value of the cash-generating unit concerned net of any sales costs and its assumed value of use. Any adjustments are taken through profit and loss.

Other intangible assets are recognized at cost, adjusted to reflect ancillary charges only where it is likely that future earnings will derive from the asset and the cost of the asset itself may be reliably determined. Otherwise the cost of the asset is booked to profit and loss in the year in which the expense was incurred.

The cost of intangible assets is amortized on a straight-line basis over the useful life of the asset concerned. If useful life is not determinable the cost of the asset is not amortized, but the value at which it is initially recognized is tested for impairment on a regular basis.

At annual and interim reporting dates, where there is evidence of impairment the realizable value of the asset is estimated, and the impairment is recognized in profit and loss as the difference between the carrying amount and the recoverable value of the asset concerned.

Payables, debt securities in issue and subordinated liabilities

These include the items *Due to banks*, *Due to customers* and *Debt securities in issue* less any shares bought back. Amounts payable by the lessee under the terms of finance leasing transactions are also included.

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount collected net of transaction costs incurred directly or indirectly in connection with the liability concerned. Thereafter liabilities are stated at amortized cost on the basis of the original effective interest rate, with the exception of short-term liabilities which continue to be stated at the original amount collected.

Derivatives embedded in structural bonds are stripped out from the underlying contract and recognized at fair value. Subsequent changes in fair value are recognized through profit and loss.

Financial liabilities are derecognized upon expiry or repayment, even if buybacks of previously issued bonds are involved. The difference between the liabilities' carrying value and the amount paid to repurchase them is recorded through profit and loss.

The sale of treasury shares over the market following a buyback is treated as a new issue. The new sale price is recorded as a liability without passing through profit and loss.

Trading liabilities

This item includes the negative value of trading derivatives and derivatives embedded in complex instruments. Liabilities in respect of technical shortfalls deriving from securities trading activity are also included. All trading liabilities are recognized at fair value.

Provisions for liabilities and charges

This heading comprises amounts set aside to cover risks not necessarily associated with defaults on loans and advances that could lead to future expenses. If the time effect is material, provisions are discounted using current market rates. Provisions are recognized in profit and loss.

Provisions are reviewed on a regular basis, and where the charges that gave rise to them are deemed unlikely to crystallize, the amounts involved are written back to profit and loss in part or in full.

Foreign currency transactions

Transactions in currencies other than the Euro are recorded by applying the exchange rate ruling at the date of the transaction to the amount denominated in foreign currency.

Assets and liabilities denominated in currencies other than the Euro are translated into Euros using exchange rates ruling at the reference dates. Differences on cash items due to translation are recorded through profit and loss, whereas those on non-cash items are taken through earnings or to equity depending on their category.

Tax assets and liabilities

Income taxes are recorded in the income statement, with the exception of tax payable on items debited or credited directly to equity. Provisions for income tax are calculated on the basis of current, advance and deferred obligations. Advance and deferred tax is calculated on the basis of temporary differences – without time limits – between the carrying amount of an asset or liability and its taxable amount.

Advance tax assets are recognized in the balance sheet to the degree in which it is likely that they will be recovered.

Deferred tax liabilities are recognized in the balance sheet with the exception of tax-suspended reserves, if the size of the reserves available and already subjected to taxation is such that it may reasonably be assumed that no transactions will be carried out on the company’s initiative that might lead to their being taxed.

Deferred tax arising on business combinations is recognized when this is likely to result in a charge for one of the companies concerned.

Tax assets and liabilities are adjusted as and when changes occur in the regulatory framework or in applicable tax rates, *inter alia* to cover charges that might arise in connection with inspections by or disputes with the tax revenue authorities.

STATEMENT OF CHANGES IN EQUITY

		Allocation of previous year's profit	Changes during the accounting period									
			Chang es to	Transactions involving net equity								
	Balance as at 30 June 2007	Reserves	Dividends and other applications	Changes to reserves	Eew shares issued	Treasury share purchses	Extraordinary dividend payouts	Changes in equities	Treasury share derivatives	Stock options	Profit (loss) for period ended 30/06/0206	Net equity at 31/12/2007
Share capital:												
a) ordinary shares	10,000											10,000
b) other shares												
Share premium reserve												
Reserves:												
a) retained earnings	68,623	8,997										77,620
b) other reserves												
Revaluation reserves:												
a) AFS securities												
b) cash flow hedges												
c) special laws												
d) others												
Equities												
Treasury shares												
Net profit (loss) for period	8,997	(8.997)									12,351	12,351
Net equity	87,620										12,351	99,971

MEDIOBANCA INTERNATIONAL
(LUXEMBOURG) S.A.
A wholly-owned subsidiary of Mediobanca Group

CASH FLOW STATEMENT
Direct method

		Amount	
A.	CASH FLOW FROM OPERATING ACTIVITIES	31/12/2007	31/12/2006
1.	**Operating activities**	**24,822**	**7,317**
	– interest received	167,998	53,121
	– interest paid	(151,739)	(48,680)
	– dividends and similar income		
	– net fee and commission received	9,465	3,443
	– cash payments to employees	(307)	(286)
	– other expenses paid	-	(380)
	– other income received	67	399
	– income taxes paid	(662)	(300)
	– net expenses/income from groups of assets being sold after tax		
2.	**Cash generated/absorbed by financial assets**	**181,776**	**(1,818,759)**
	– trading securities		
	– financial assets at fair value		
	– AFS securities		
	– amounts due to customers	388,684	(795,374)
	– amounts due to banks: on demand	(8,020)	(899,001)
	– amounts due to banks: other	(198,746)	(124,059)
	– other assets	(142)	(325)
3.	**Cash generated/absorbed by financial liabilities**	**(206,446)**	**1,811,442**
	– amounts due to banks: on demand	(353,924)	2,600
	– amounts due to banks: other	-	903,872
	– amounts due to clients		
	– debt securities in issue	148,192	905,185
	– trading liabilities		
	– financial liabilities at fair value		
	– other liabilities	(714)	(215)
	Net cash flow (outflow) from operating activities	**152**	**0**
B.	INVESTMENT ACTIVITIES		
1.	**Cash generated from**	**0**	**0**
	– disposals of shareholdings		
	– dividends received in respect of shareholdings		
	– disposals/redemptions of held-to-maturity investments		
	– disposals of tangible assets		
	– disposals of intangible assets		
	– disposals of subsidiaries or business units		
2.	**Cash absorbed by**	**(152)**	**0**
	– acquisitions of shareholdings		
	– acquisitions of held-to-maturity investments		
	– acquisitions of tangible assets	0	0
	– acquisitions of intangible assets	(152)	0
	– acquisitions of subsidiaries or business units		
	Net cash flow (outflow) from investment activities	**(152)**	**0**
C.	FUNDING ACTIVITIES		
	– issues/purchases of treasury shares		
	– issues/purchases of equity instruments		
	– dividend payouts and other applications		
	Net cash flow (outflow) from funding activities	**0**	**0**
	NET CASH FLOW (OUTFLOW) DURING PERIOD	**0**	**0**

RECONCILIATION

	Amount	
	31/12/2007	30/06/2006
Cash and cash equivalents: balance at 1 July 2007	1	0
Total cash flow (outflow) during period	0	0
Cash and cash equivalents: exchange rate effect	-	-
Cash and cash equivalents: balance at 31 December 2007	1	0