

# **ARNOLDO MONDADORI EDITORE S.p.A.**

**Share capital €67,451,756.32**

**Head Offices in Milan, Italy**

**Administrative Offices in Segrate (MI)**

**Quarterly report as of 31 March 2004**



## ***Corporate Boards***

### ***Board of Directors***

#### **Chairman**

Marina Berlusconi

#### **Deputy Chairman and Chief Executive**

Maurizio Costa

#### **Directors**

Francesco Barbaro (\*)

Pier Silvio Berlusconi

Pasquale Cannatelli

Fedele Confalonieri

Bruno Ermolli

Martina Forneron Mondadori

Roberto Poli

Giovanni Puerari

Mario Resca

Marco Spadacini

(\*) Secretary

#### **Powers**

Chairman: powers of legal representation in dealings with third parties and legal proceedings. Deputy Chairman and Chief Executive: routine powers and power of separate signature limited to actions prescribed by law.

### ***Board of Statutory Auditors***

#### **Chairman**

Achille Frattini

#### **Acting Statutory Auditors**

Antonio Aiello

Ferdinando Superti Furga

#### **Substitute Statutory Auditors**

Francesco A. Giampaolo

Francesco Vittadini



## *Contents*

### **Board of Directors report on the results for the period**

The Mondadori Group's business activities:

- The first quarter of 2004 **9**
- Accounting principles and evaluation criteria adopted **10**
- Volume of business per business and geographical area **10**
- Book Division **11**
- Magazine Division **13**
- Printing Division **15**
- Direct Division **15**
- Internet **17**

Financial situation **17**

Technical investments **18**

Personnel **19**

Expectations for the year **19**

**Balance sheet and Income statement 23**



***Report of the Board of Directors on the results for the period***



## The Mondadori Group's business activities

### *The first quarter of 2004*

In an economic scenario that showed timid signs of recovery but which remains characterised by uncertainties related to the recovery in consumer spending and the international political situation with the enduring conflict in Iraq, the Mondadori Group recorded excellent results for the first quarter of the year in all the sectors in which it operates, with increases in revenues and an improvement in profitability.

In particular the Magazine Division benefited from the successful launches of the previous year and the excellent results deriving from add-on sales.

The performance of the Book Division was also extremely positive with its market share growing further in a market that is growing only slightly.

**Consolidated revenues** came to **€411.2 million**, an increase of 14.1% on the €360.5 million in the same period of the previous year. On a like-for-like basis, excluding the contribution of Piemme (acquired in October 2003) the increase was 11.7%.

**Gross operating profit** came to **€54.1 million**, compared with €42.9 million in Q1 2003 (an increase of 26.1%). As a proportion of revenues, a rise from 11.9% to 13.2%.

**Operating profit** totalled **€44.7 million**, an increase of 32.6% compared with the €33.7 million at the end of March 2003; as a proportion of revenues a rise from 9.3% to 10.9%.

There was a marked increase in **profit before taxes** from the €26.3 million of the first quarter of 2003 to **€36.4 million** this time, an increase of 38.4% and an increase in terms of the proportion of revenues from 7.3% to 8.9%.

**Gross cash flow** totalled **€50.9 million**, compared with the €41.1 million of the same period last year.

The following table illustrates the information referred to above.

<b>Consolidated reclassified income statement</b>	<b>€m</b>	<b>€m</b>	<b>Change</b>
	<b>31 March 2004</b>	<b>31 March 2003</b>	<b>%</b>
Revenues	411.2	360.5	14.1%
Personnel costs	63.1	62.4	1.1%
Product and management costs	294.0	255.2	15.2%
<b>Gross operating profit</b>	<b>54.1</b>	<b>42.9</b>	<b>26.1%</b>
<i>Gross operating profit as a percentage of revenues</i>	<i>13.2%</i>	<i>11.9%</i>	
Depreciations of fixed assets	9.4	9.2	2.2%
<b>Operating profit</b>	<b>44.7</b>	<b>33.7</b>	<b>32.6%</b>
<i>Operating result as percentage of revenues</i>	<i>10.9%</i>	<i>9.3%</i>	
Depreciations of intangible assets	5.1	5.6	(8.9%)
Net financial income (charges)	(0.3)	0	n.a.
Other income (charges) net	(2.2)	(1.5)	46.7%
Extraordinary income (charges) net	0.1	1.0	(90.0%)
Internet activities	(0.8)	(1.3)	(38.5%)
<b>Profit before income taxes</b>	<b>36.4</b>	<b>26.3</b>	<b>38.4%</b>
<i>Net profit as a percentage of revenues</i>	<i>8.9%</i>	<i>7.3%</i>	
<b>Gross cash flow</b>	<b>50.9</b>	<b>41.1</b>	

The Group's **financial position** at 31 March 2004 showed a surplus of €103.9 million.

#### ***Accounting principles and evaluation criteria adopted***

The accounting principles and evaluation criteria adopted for drawing up the financial statements as of 31 March 2004 are the same as those adopted for the Consolidated Financial Statements at year end, with the exception that the amount of taxes due for the period has not been included, in accordance with CONSOB Regulations pertaining to Half-Yearly Reports.

#### ***Volume of business per business and geographical area***

The following table gives details of sales for each business activity and geographical area.

It should be noted that some figures from the previous year have been reclassified in line with those of March 2004.

Volume of business for each business activity	€m		% change
	31 March 2004	31 March 2003	
Books	87.8	75.6	16.1%
Magazines	228.5	204.3	11.8%
Printing	118.5	105.4	12.4%
Direct	42.2	35.1	20.2%
Others	3.9	3.5	11.4%
<b>Total sales</b>	<b>480.9</b>	<b>423.9</b>	<b>13.4%</b>
Intergroup sales	(69.7)	(63.4)	9.9%
<b>Total consolidated sales</b>	<b>411.2</b>	<b>360.5</b>	<b>14.1%</b>

Volume of business by geographical area	€m		% change
	31 March 2004	31 March 2003	
Italy	387.3	335.2	15.5%
EU countries	19.5	20.7	(5.8%)
USA	2.4	2.7	(11.1%)
Other countries	2.0	1.9	5.3%
<b>Total consolidated revenues</b>	<b>411.2</b>	<b>360.5</b>	<b>14.1%</b>

We will now move on to a summary of Mondadori's various business activities.

### ***Book Division***

For the first three months of 2004, Demoskopea data show a market that is growing in comparison to the same period of last year, both in terms of copies and revenues. In this context the performance of the Mondadori Group, compared with that of its competitors, appears even more positive as it was the only player to increase its market share, both in terms of copies and in terms of value.

Revenues for the period came to €87.8 million, an increase of 16.1% compared with Q1 2003

In the first quarter of 2004, **Edizioni Mondadori** books had revenues of €38.2 million, up 12% on the already excellent results of the previous year.

This excellent result is due, as well as to the anticipation of the Oscar campaign that was launched this year on 28 February, to the quality of the editorial plan in which the standout success was *Il codice da Vinci* by Dan Brown, a previously unknown author in Italy, but who, thanks to a detailed marketing and communication plan, sold more than 450,000 copies and spent many weeks in this quarter at the top of the best sellers list.

The exceptional case of *Non ti muovere* by Margaret Mazzantini should also be mentioned, which, at the end of February, two years after it was first published, returned to the top of the Demoskopea list. Excellent sales were also made by *Calliphora* by Patricia Cornwell (190,000 copies) and *Katartico 3* by Flavio Oreglio, the third success for the comedian that again sold more than 100,000 copies. The latest book by Andrea Camilleri, *La prima indagine di Montalbano*, was published at the end of the first quarter and has already sold more than 300,000 copies.

**Einaudi** recorded revenues of €11.7 million (+6,5% on Q1 2003). The period was characterised by positive performance in the bookstore channel, the result of the special paperback campaign and the effective placement of a range of new titles. Installment revenues were in line with those of the previous year.

The most significant titles published in the first three months of 2004 included: *Nuovi misteri d'Italia* by Carlo Lucarelli, *Noi* by Richard Mason, *Forte movimento* by Jonathan Franzen, *Elizabeth Costello* by J. M. Coetzee, the book and videocassette combination by Max Tortora, *Animal Factory* by Edward Bunker and *Guerra agli umani* by Wu Ming.

First quarter 2004 revenues by **Mondadori Electa** were in line with those of the same period of the previous year. While book sale were extremely positive, there was a fall on the exhibition organisation side (in 2003 the *Storie da un'eruzione* was running).

Particularly positive in the publishing area was the launch of two new series: *Top Ten*, with eight tourist guidebooks dedicated to the most visited cities and *Ricette testate*, with two gastronomy manuals to which was added positive results in the supply of the various editorial lines and a reduction in returns. In the art catalogues segment, of particular relevance, and appreciation by the critics and the public, was the collection *Ukiyoe il mondo fluttuante*, on Japanese art, now on at the Palazzo Reale in Milan, as well as *Pittori della realtà*, at the Museo Civico in Cremona, *Depero*, at Palazzo Bricherasio in Turin and the *Aztechi*, at Palazzo Ruspoli in Rome.

In the licensing segment, Mondadori Electa, in association with other companies, was awarded, for the second time consecutively, the tender for services at the Musei Civici in Venice.

The net revenues of the **Sperling & Kupfer** Group for the first quarter of 2004 came to €8.3 million, a 10.7% increase on Q1 2003. The result is the fruit of a marked increase in the foreign sale of rights (double in the period) and a lower level of returns compared with last year in the face of revenues that were essentially stable in the traditional channels (bookstores and large-scale retail).

It should also be noted that the result was achieved in spite of the lack of a traditional new publication at the beginning of the year by a best-selling author such as Stephen King, in part compensated for by the new book by Giampaolo Pansa (*Bestiario d'Italia*) and by substantial re-ordering for Pansa's 2003 success (*Il sangue dei vinti*) and the re-printing of *Pamela* (by the subsidiary Frassinelli) which benefitted from the TV dramatisation *Elisa di Rivombrosa*, freely adapted from the book.

The net revenues of **Edmond Le Monnier** in the first quarter were in line with those of the same period of the previous year.

The specific nature of the school textbook market in which the company operates and the consequent seasonality means that the figures for such a short period do not give an accurate representation of the company's business.

In fact, in this period of the year the company is largely involved in the preparation of new titles for the school year that begins in September, in an effort to ensure the same qualitative-quantitative level for all schools and years.

In the first three months of 2004, **Edizioni Piemme** recorded revenues of €9.5 million. The positive trend continued during the quarter of the Fiction and Non-Fiction line that in the first months of 2004 generated important new titles such as *Bruciata Viva* by Suad, that sold 50,000 copies between the initial and subsequent print runs.

The Junior line performed well both with the *Il Battello a Vapore* series and *Geronimo Stilton*. Of particular importance was the performance of the *Nel regno della fantasia* series that in the first months of 2004 continued to re-supply 10,000 copies per month. The launch of the new author Tenebrosa Tenebrax was also very successful with the 40,000 copies of *Chi ha rapito Languorina* overtaking on the bestsellers list the already mentioned and highly successful *Geronimo Stilton*.

**Distribution** recorded lower revenues than in 2003 as a result of the distribution of third-party publishers.

This change is in large measure attributable to the Baldini & Castoldi publishing house, which in the previous year benefited from the huge success of *Io uccido* by Giorgio Faletti.

### ***Magazine Division***

In the first quarter of the year the Magazine Division's total revenues came to €228.5 million compared with the €204.3 of Q1 2003, an increase of 11.8%.

<b>Magazines</b>	<b>€m</b>		<b>% change</b>
	<b>31 March 2004</b>	<b>31 March 2003</b>	
Circulation	159.7	138.2	15.6%
Advertising	68.8	66.1	4.1%
<b>Total magazines</b>	<b>228.5</b>	<b>204.3</b>	<b>11.8%</b>

## Circulation

The marked growth in circulation revenues (+15.6% to €159.7 million) was the result of an increase in the sales of existing titles, the positive contribution of recently launched titles and, above all, of the excellent performance of add-on sales.

In the first three months of the year the circulation of Mondadori titles increased by 6.5%. Also excluding the effect of the new launches of 2003 (*Flair*, *Economy*, *Flair Living*) and the 2004 launches (*Per me* and the re-styling repositioning of *VilleGiardini*), the increase in circulation was still more than 5%. All the main titles grew in the period: *TV Sorrisi e canzoni* (average circulation +1.3%), *Donna Moderna* (+7.2%), *Chi* (+9.6%), *Tu* (+3.6%), *Casaviva* (+32%) and *Sale e Pepe* (+25%).

Only *Panorama* showed a slight fall (-5.6%), even if it improved its advantage over its direct competitor.

The first three months of 2004 were also marked by a number of successful editorial initiatives:

- the launch of *Per me*, a new women's psychology monthly that met with immediate success: the first issue sold more than 300,000 copies and the second around 280,000.
- the re-launch of *VilleGiardini*, a complete re-design of the title that was undertaken in the context of a complete overhaul of a strategy to reinforce Mondadori's position in the high target segment, the first issue sold 185,000 copies.
- the launch of *Focus Junior*, published by the joint venture Gruner&Jahr/Mondadori, was an extraordinary success that widely exceeded expectations: the third issue at full-price (€2.00) sold more than 220,000 copies.

Another relevant feature of the first quarter was the continuing flow of innovative add-sales initiatives that met with great success in the market (+40% on Q1 2003). Among the most successful projects were the *Donna Moderna* recipe cards, a series of film musicals on DVD and cartoons on VHS and DVD with *TV Sorrisi e Canzoni*, the *Panorama* DVD film library and the fashion accessories of *Grazia* and *Chi*. Record sales were also achieved (more than 220,000 copies) by the *TV Sorrisi e Canzoni* Sanremo Festival compilation.

## Advertising

Advertising investments in the first quarter of 2004 grew, compared with the same period of the previous year, in all media, confirming the improving trend that began in the closing months of 2003, with a stronger emphasis in TV and radio.

However, print media also saw an improvement in sales, with slightly greater gains for newspapers than for magazines

In the first quarter, Mondadori Pubblicità saw its total revenues grow by 4.1% thanks to the positive performance of the leading Mondadori titles and increased spending by advertising clients, with the exception of the fashion and cosmetics sectors, that showed a fall compared with Q1 2003.

### ***Printing Division***

In the first quarter of 2004 the situation in the sector showed a weak recovery compared with the situation that was evident at the end of 2003.

In particular, demand for the printing of books remained strong, thanks to the success of the newsstand sale of books in conjunction with newspapers. On the catalogues and magazines front, however, the effect of foreign competition continued to be felt.

The fall in the price of paper, that was seen last year, continued, favouring publishers and the big catalogue producers.

The results for the first quarter of 2004 are more than satisfactory with total sales of €118.5 million compared with €105.4 million in the same period of 2003, an increase of 12.4%.

The fall in the price of paper partly impacted overall revenues, consequently the level of business of the plants is better represented by revenues net of the cost of paper and deliveries as can be seen from the following table:

<b>Printing revenues net of paper and shipping costs</b>	<b>€m 31 March 2004</b>	<b>€m 31 March 2003</b>	<b>% Change</b>
Magazines	29.9	28.4	5.3%
Books	23.3	18.3	27.3%
Catalogues and promotional material	6.3	6.1	3.3%
Directories	2.0	2.0	-
<b>Total printing revenues</b>	<b>61.5</b>	<b>54.8</b>	<b>12.2%</b>

The overall increase in revenues amounted to 12.2% and the performance of the different types of product were in line with the table outlined above.

### ***Direct Division***

In this area of its activities the Mondadori Group recorded a high level of growth, with revenues that grew in the period by 20.2%.

## Direct Marketing

**Mondolibri** recorded a 3.7% increase in revenues compared with the same period of 2003, largely due to the acquisition of Piemme Direct, that took place in the second half of last year. The performance during the period of recruitment in the mailing channel was less brilliant than expected (this is also the result of new privacy legislation that makes it more difficult to gather names) but actions have already been planned aimed at increasing the collection of names through agents that will recover the shortfall.

The performance of Cemit was particularly brilliant in the first three months of the year, with an increase in sales of 44%, consolidating the trend that began in the last months of 2003, thanks to sustained demand for services from key clients.

In the meantime, the company's plans for technological development continue, with particular focus on the databases, which constitute the company's major assets.

It should also be noted that at the end of March the company received quality certification for its processes.

## Retail

Compared with the first quarter of 2003, **Mondadori Franchising** recorded another significant increase in sales, thanks mostly to the new affiliations of the last twelve months, which saw the number of outlets rise from 115 to 132.

**Mondadori Retail** recorded a marked increase in sales (+25.4%) thanks to the performance of already consolidated outlets (+7% on the previous year), the new openings of 2003 and sales to key clients, with a moderate increase in profitability compared with the reference period.

<b>Direct Division</b>	<b>€m</b>	<b>€m</b>	<b>%</b>
	<b>31 March 2004</b>	<b>31 March 2003</b>	<b>change</b>
Mondolibri SpA (proportional)	11.1	10.7	3.7%
Cemit Interactive Media SpA	7.2	5.0	44.0%
<b>Subtotal Direct Marketing</b>	<b>18.3</b>	<b>15.7</b>	<b>16.6%</b>
Mondadori Franchising SpA	6.1	5.2	17.3%
Mondadori Retail Srl	17.8	14.2	25.4%
<b>Subtotal Retail</b>	<b>23.9</b>	<b>19.4</b>	<b>23.2%</b>
<b>Total Direct Division</b>	<b>42.2</b>	<b>35.1</b>	<b>20.2%</b>

## Internet

The management of the sites for the magazine titles confirmed excellent results in terms of traffic with an average of almost 18 million page views, this means a more than 70% increase on 2003, also net of Volftp that was sold at the beginning of the year to Tiscali, and with 1.3 million unique visitors. Two new sites have been launched: *www.per-me.it* and *www.cosmopolitan.it*. Both have already recorded excellent results in terms of traffic. InAuto, the portal dedicated to the world of cars, has been completely re-designed.

## Financial situation

The Mondadori Group's financial situation as of 31 March 2004 registered a surplus of €103.9 million, representing an increase compared with 31 December 2003 as illustrated in the following table.

<b>Net financial position</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
	<b>31 March 2004</b>	<b>31 December 2003</b>	<b>31 March 2003</b>
Short term bank deposits	54.7	42.3	34.3
Short term borrowing from banks	(11.8)	(28.4)	(37.1)
Financing (short and medium/long term)	(78.0)	(123.1)	(308.5)
	<b>(35.1)</b>	<b>(109.2)</b>	<b>(311.3)</b>
Fixed interest securities	541.2	580.3	431.4
Bonds	(296.4)	(296.4)	-
Convertible bonds	(109.9)	(109.9)	-
Debts with other financial institutions	(1.4)	(1.4)	-
Cash, post office accounts, net financial receivables from Group companies, third parties and accrued interest income	5.9	9.9	0.2
<b>Net financial receivables (payables)</b>	<b>104.3</b>	<b>73.3</b>	<b>120.3</b>
Leasing debts	(0.4)	(0.4)	-
<b>Net financial position</b>	<b>103.9</b>	<b>72.9</b>	<b>120.3</b>

2004 is shaping up as a year of sustained economic growth in large areas of the world economy. The USA and China are the main protagonists of such growth while Europe is more moderate. In the first quarter world GDP grew by around 3.7%.

In the USA GDP growth was 5.0%. Macroeconomic data begin to indicate a certain continuity, with positive results deriving mainly from a recovery in consumer spending and orders and improvements in the labour market. Unemployment stands at 5.7% and inflation at 1.7%. all of which points to a recovery in consumer and business confidence.

In the Euro zone, economic growth in the first quarter was a modest 1.7%, with full-year GDP growth forecast at 1.5%. The industrial climate was somewhat hesitant from January, the result of concerns arising from the rise in the value of the euro. Unemployment remained stable at more than 8.0% and inflation was 1.7%.

Given the slow nature of the recovery, Federal Reserve maintained the Federal funds rate at 1.00%. The European Central Bank also left the minimum rate applied to the main re-financing operations in the Euro system unchanged at 2.00%.

In this macroeconomic situation, the US dollar and the British pound both strengthened. In spite of a volatile performance, the dollar gained around 3% against the euro, rising from 1.26 at the beginning of the year to 1.22 at the end of March. The British pound gained almost 6% in the first quarter (rising from 0.705 at the end of December 2003 to 0.665 at the end of March).

On the interest rates front, the Euribor 3 months (Act/360) went down from 2.124% at the end of December 2003 to 1.958% at the end of March 2004 (an average of 2.062%). In the same period, the average cost of money for the Mondadori Group was 3.36%.

The total value of credit lines available to the Group as at 31 March 2004 amounted to more than €1,150 million.

The Group's short-term loans, worth €727 million, were utilised for a total of 9.9% as at 31 March 2004, through self-liquidating credits and stand-by loans with a duration of less than 18 months less one day.

Medium-long-term credit lines with a value of €424.4 million were made up by €296.4 million from a private placement in dollars in the U.S.A., three tranches with expiry in 2013/2015/2018, and for a bonded loan of €109.9 million convertible in Mondadori ordinary shares with expiry in 2008. As at 31 March subsidised medium-long-term loans for publishers amounted to €18.1 million.

## **Technical investments**

During the first quarter of 2004 the Group made investments in technical assets for a total of €5.3 million, including €3.8 for equipment and machinery by Mondadori Printing SpA, not yet operational, while the other investments were mainly concerned with furniture and electronic office machines (€0.9 million).

## Personnel

The personnel employed by the consolidated companies of the Group as of 31 March 2004 amounted to 4,643, while during the same period the average number of personnel employed amounted to 4,637. The following table shows the number of personnel employed by the Group during the first quarter of 2004:

<b>Personnel</b>	<b>31 March 2004</b>	<b>31 December 2003</b>	<b>Change</b>
Arnoldo Mondadori Editore SpA:			
- Management, journalists and office staff	1,512	1,550	(38)
- Manual workers	113	144	(31)
	<b>1,625</b>	<b>1,694</b>	<b>(69)</b>
Italian subsidiaries:			
- Management, journalists and office staff	1,651	1,649	2
- Manual workers	1,221	1,253	(32)
	<b>2,872</b>	<b>2,902</b>	<b>(30)</b>
Foreign subsidiaries:			
- Management, journalists and office staff	38	38	-
- Manual workers	108	117	(9)
	<b>146</b>	<b>155</b>	<b>(9)</b>
<b>Total</b>	<b>4,643</b>	<b>4,751</b>	<b>(108)</b>

## Expectations for the year

In an economic context that remains difficult, Mondadori believes that it can achieve business objectives that will further improve the positive results of 2003.

*For the Board of Directors  
Chairman  
Marina Berlusconi*



***Mondadori Group  
Balance sheet and Income statement***



# BALANCE SHEET

## ASSETS

(in thousands of euros)

	QUARTER AS AT 31 MARCH 2004			QUARTER AS AT	YEAR ENDED
	Subtotal	Subtotal	TOTAL	31 MARCH 2003	31 DEC. 2003
	1	2	3		
A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL					
B) NON-CURRENT ASSETS					
I- INTANGIBLE ASSETS					
1 start-up and expansion costs		447		420	489
2 research, development and advertising costs					
3 industrial patents and intellectual property rights		1,455		1,236	1,120
4 concessions, licences and trade marks		131,563		129,672	134,369
5 goodwill		7,472		10,880	7,919
6 assets under construction and advances				60	319
7 others		5,501		5,815	5,829
8 consolidation differences		7,667		10,650	8,381
<b>TOTAL</b>			154,105	158,733	158,426
II- FIXED ASSETS					
1 land and buildings		81,413		82,153	82,447
2 plant and machinery		86,325		93,628	92,978
3 industrial and commercial equipment		2,273		2,196	2,409
4 other assets		16,301		18,067	16,659
5 assets under construction and advances		8,544		5,133	5,385
<b>TOTAL</b>			194,856	201,177	199,878
III- FINANCIAL ASSETS					
1 investments in :					
a) subsidiary companies		182		280	461
b) associated companies		67,180		76,857	69,281
c) other companies		238		851	238
<b>TOTAL</b>		67,600		77,988	69,980
			<i>within 12 months</i>	<i>over 12 months</i>	
2 current receivables					
a) from subsidiary companies					
b) from associated companies					
c) from parent companies					
d) from other companies		1,223	4,344	5,567	7,190
<b>TOTAL</b>		1,223	4,344	5,567	7,190
3 other securities					
4 treasury stock			116,192	64,121	116,885
<b>TOTAL</b>			189,359	149,299	192,611
<b>TOTAL NON-CURRENT ASSETS (B)</b>			<b>538,320</b>	<b>509,209</b>	<b>550,915</b>

## ASSETS

(in thousands of euros)	QUARTER AS AT 31 MARCH 2004			QUARTER AS AT	YEAR ENDED
	Subtotal	Subtotal	TOTAL	31 MARCH 2003	31 DEC. 2003
	1	2	3		
C) CURRENT ASSETS					
I- INVENTORIES					
1 raw materials		13,497		12,471	13,851
2 semi-finished products, work in progress		20,389		20,416	34,640
3 contract work in progress		8,211		7,918	9,489
4 finished products and goods		82,491		79,788	75,534
5 advances					7
TOTAL			124,588	120,593	133,521
		<i>within 12 months</i>	<i>over 12 months</i>		
II- RECEIVABLES					
1 trade accounts	339,837	12,980	352,817	304,675	355,392
2 due from subsidiaries				192	625
3 due from associated companies	65,599		65,599	51,031	56,404
4 due from parent companies					2
4 bis Tax credits	19,666		19,666	16,794	19,833
4 ter Advance taxes	29,714		29,714	46,350	29,714
5 due from third parties	70,628	342	70,970	60,485	65,321
TOTAL	525,444	13,322	538,766	479,527	527,291
III- FINANCIAL ASSETS (CURRENT)					
1 investments in subsidiaries					
2 investments in associated companies					
3 other investments					
4 treasury stock					
5 other securities			541,241	431,375	580,330
TOTAL			541,241	431,375	580,330
IV- CASH AND EQUIVALENTS					
1 cash, banks and postal accounts			55,394	35,329	42,263
2 cheques				8	261
3 cash and commercial papers in hand			165	131	161
TOTAL			55,559	35,468	42,685
<b>TOTAL CURRENT ASSETS (C)</b>			<b>1,260,154</b>	<b>1,066,963</b>	<b>1,283,827</b>
D) ACCRUED INCOME AND PREPAID EXPENSES					
1 accrued income			585	432	565
2 prepaid expenses			4,463	3,136	8,574
3 premium on loans				817	
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)</b>			<b>5,048</b>	<b>4,385</b>	<b>9,139</b>
TOTAL ASSETS			1,803,522	1,580,557	1,843,881

# BALANCE SHEET LIABILITIES

(in thousands of euros)	QUARTER AS AT 31 MARCH 2004			QUARTER AS AT	YEAR ENDED
	Subtotal	Subtotal	TOTAL	31 MARCH 2003	31 DEC. 2003
	1	2	3		
<b>A) SHAREHOLDERS' EQUITY</b>					
I- SHARE CAPITAL			67,452	67,452	67,452
II- SHARE PREMIUM RESERVE			171,073	223,144	170,380
III- REVALUATION RESERVE			16,712	16,712	16,712
IV- LEGAL RESERVE			13,490	13,490	13,490
V- RESERVE FOR TREASURY STOCK			116,192	64,121	116,885
VI- STATUTORY RESERVE					
VII- OTHER RESERVES					
1) Extraordinary reserve		9,264			9,264
2) Reserve Law 675 of 12/8/1977		351		351	351
3) Conferral reserve Law 904 of 16/12/1977		751		751	751
4) Capital account contribution reserve		5,335		5,335	5,335
5) Reserve Law 124/93 art. 13		73		53	73
6) Merger reserve		478		478	478
7) Other reserves		-3,297		-2,893	-4,223
VIII- PROFIT (LOSS) CARRIED FORWARD			12,955	4,075	12,029
IX- PROFIT (LOSS) FOR THE YEAR			154,930	143,046	72,869
1) Gross profit for period			36,407	26,258	
2) Profit for year					82,101
CONSOLIDATED GROUP SHAREHOLDERS' EQUITY			589,211	558,298	551,918
MINORITY INTEREST			3,414	361	3,282
<b>TOTAL SHAREHOLDERS' EQUITY (A)</b>			<b>592,625</b>	<b>558,659</b>	<b>555,200</b>
<b>B) RESERVE FOR RISKS AND CHARGES</b>					
1 retirement benefits		928		941	966
2 income taxes		14,809		23,153	14,769
3 other		26,666		27,952	26,651
<b>TOTAL RESERVE FOR RISKS AND CHARGES (B)</b>			<b>42,403</b>	<b>52,046</b>	<b>42,386</b>
<b>C) RESERVE FOR SEVERANCE INDEMNITIES</b>			<b>102,109</b>	<b>103,396</b>	<b>100,722</b>
			<i>within 12 months</i>	<i>over 12 months</i>	
<b>D) DEBTS AND OTHER PAYABLES</b>					
1 bonds		296,384	296,384		296,384
2 convertible bonds		109,900	109,900		109,900
3 financing debts with shareholders					
4 due to banks	75,111	14,719	89,830	345,592	151,547
5 due to third parties		1,360	1,360		1,360
6 advances	36,093		36,093	35,917	35,831
7 trade accounts	334,473	302	334,775	300,699	346,552
8 debts represented by credit instruments					
9 due to subsidiaries	255		255	4	689
10 due to associated companies	43,613		43,613	44,215	43,824
11 due to parent companies					
12 income taxes payable	13,909		13,909	12,767	19,537
13 due to pension funds and social security institutions	14,929		14,929	13,851	17,853
14 other liabilities	106,781	2,330	109,111	98,186	110,336
<b>TOTAL DEBTS AND OTHER PAYABLES (D)</b>	<b>625,164</b>	<b>424,995</b>	<b>1,050,159</b>	<b>851,231</b>	<b>1,133,813</b>
<b>E) ACCRUED LIABILITIES AND DEFERRED INCOME</b>					
1 accrued liabilities			10,840	7,517	5,986
2 deferred income			5,386	7,708	5,774
3 discounts on loans					
<b>TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)</b>			<b>16,226</b>	<b>15,225</b>	<b>11,760</b>
<b>TOTAL LIABILITIES</b>			<b>1,803,522</b>	<b>1,580,557</b>	<b>1,843,881</b>
<b>MEMORANDUM ACCOUNTS</b>					
1 GUARANTEES AND SURETIES					
a) in favour of subsidiaries					
b) in favour of associated companies					
c) in favour of third parties					108,459
2 COMMITMENTS					12,448
3 RISKS					
4 OTHERS					95,785
<b>TOTAL MEMORANDUM ACCOUNTS</b>					<b>216,692</b>

- 1) Total of items preceded by lowercase letters and (in certain cases) by arabic numerals.
- 2) Total of items preceded by arabic numerals and (in certain cases) by lowercase letters.
- 3) Total of items preceded by romanic numerals and uppercase letters.

For the Board of Directors  
Chairman  
Marina Berlusconi

# INCOME STATEMENT

(in thousands of euros)	QUARTER AS AT 31 MARCH 2004			QUARTER AS AT	YEAR ENDED
	Subtotal	Subtotal	TOTAL	31 MARCH 2003	31 DEC. 2003
	1	2	3		
A) PRODUCTION VALUE					
1 REVENUES FROM SALES OF GOODS AND SERVICES		411,787		361,111	1,538,144
2 CHANGES IN INVENTORY OF SEMI-FINISHED GOODS		-7,302		416	6,116
3 CHANGES IN CONTRACT WORK IN PROGRESS		-1,278		-762	809
4 INCREASE IN COMPANY-PRODUCED ADDITIONS TO FIXED ASSETS		23		22	143
5 OTHER INCOME AND REVENUES					
a) operating grants	540			601	4,736
b) other income and revenues	9,649			7,399	44,313
		10,189			
<b>TOTAL PRODUCTION VALUE (A)</b>			<b>413,419</b>	<b>368,787</b>	<b>1,594,261</b>
B) PRODUCTION COSTS					
6 RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		127,240		117,057	486,463
7 SERVICES		156,666		135,025	598,537
8 USE OF THIRD PARTY ASSETS		5,992		6,315	22,927
9 PERSONNEL					
a) wages and salaries	45,186			44,962	177,738
b) social contributions	13,928			13,823	55,425
c) severance indemnities	3,939			3,735	15,258
d) retirement benefits	5			3	25
e) other costs	435			332	4,025
TOTAL		63,493		62,855	252,471
10 DEPRECIATIONS, AMORTISATION AND WRITEDOWNS					
a) amortisation of intangible assets	5,109			5,677	23,494
b) depreciation of fixed assets	9,436			9,324	38,813
c) other writedowns of assets					
d) writedowns of doubtful accounts	2,025			1,500	7,975
TOTAL		16,570		16,501	70,282
11 CHANGES IN INVENTORY OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		345		188	-815
12 PROVISIONS FOR RISKS		214		350	4,870
13 OTHER PROVISIONS		6		7	30
14 OTHER OPERATING EXPENSES		3,612		3,345	13,240
<b>TOTAL PRODUCTION COSTS (B)</b>			<b>374,138</b>	<b>341,643</b>	<b>1,448,005</b>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)</b>			<b>39,281</b>	<b>27,144</b>	<b>146,256</b>
C) FINANCIAL INCOME AND CHARGES					
15 INCOME FROM EQUITY INVESTMENTS					
a) Subsidiaries					
b) Associated companies					201
c) Other investments					
TOTAL					201
16 OTHER FINANCIAL INCOME					
a) from long term receivables					
* Subsidiaries					
* Associated companies					
* Parent companies					
* Other companies	20			34	101
TOTAL	20			34	101
b) from long term securities					
c) from short term securities	4,212			4,748	20,512
d) Other income					
* Subsidiaries	1				5
* Associated companies	100			120	426
* Parent companies					
* Other companies	2,445			727	12,692
TOTAL	2,546			847	13,123
TOTAL		6,778		5,629	33,736
17 INTEREST AND FINANCIAL CHARGES					
a) Subsidiaries					29
b) Associated companies	105			130	326
c) Parent companies					
d) Other companies	6,328			5,010	28,973
TOTAL		6,433		5,140	29,328
17 bis EXCHANGE RATE PROFIT (LOSS)			-20	189	-1,725
<b>TOTAL FINANCIAL INCOME AND (CHARGES) (C)</b>			<b>325</b>	<b>678</b>	<b>2,884</b>

**INCOME STATEMENT (contd)**

(in thousands of euros)	QUARTER AS AT 31 MARCH 2004			QUARTER AS AT	YEAR ENDED
	Subtotal	Subtotal	TOTAL	31 MARCH 2003	31 DEC. 2003
	1	2	3		
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS					
18 REVALUATIONS					
a) equity investments	1,127			966	4,997
b) other long term financial assets					
c) securities					
TOTAL		1,127		966	4,997
19 WRITEDOWNS					
a) equity investments	3,093			2,828	8,365
b) other long term financial assets					
c) securities	586			665	3,772
TOTAL		3,679		3,493	12,137
<b>TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)</b>			<b>-2,552</b>	<b>-2,527</b>	<b>-7,140</b>
E) EXTRAORDINARY ITEMS					
20 INCOME					
a) Gains on disposals					3,929
b) Others	265			1,004	6,587
TOTAL		265	265	1,004	10,516
21 CHARGES					
a) Losses on disposals	702				66
b) Taxation relative to prior years					436
c) Others	210			41	1,837
TOTAL		912		41	2,339
<b>TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)</b>			<b>-647</b>	<b>963</b>	<b>8,177</b>
<b>PROFIT BEFORE TAX</b>			<b>36,407</b>	<b>26,258</b>	<b>150,177</b>
22 INCOME TAX FOR THE PERIOD					67,499
23 RESULT FOR THE PERIOD					82,678
NET PROFIT (LOSS) FOR THE PERIOD PERTAINING TO MINORITY INTERESTS					577
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>					<b>82,101</b>

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- 3) Total of items preceded by uppercase letters and (in certain cases) arabic numerals

*For the Board of Directors*  
*Chairman*  
*Marina Berlusconi*