

**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 2003**



## ***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 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**

Franco Iorio

#### **Acting Statutory Auditors**

Antonio Aiello

Achille Frattini

#### **Substitute Statutory Auditors**

Francesco A. Giampaolo

Ferdinando Superti Furga



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



## The Mondadori Group's business activities

### *The first quarter of 2003*

The first quarter of 2003 was characterised by the same unfavourable world economic situation that initially began in the second half of 2001.

The economic climate was once again influenced by widespread uncertainty fuelled by the evolution of the international political situation which in the last six months was strongly influenced by fears of a military intervention in Iraq, the duration and nature of which was for a long time very uncertain. In this context the financial markets continued to register consistent losses, which contributed to a further loss in consumer confidence and a subsequent decrease in consumer spending.

In this scenario, the Mondadori Group reacted by searching for innovative ideas in all the sectors where it operates that would allow it to take advantage of new business opportunities, depending on the various economic situations.

Based on the results for the first three months of 2003, we can confirm that this strategy was largely successful, with the magazine sector increasing circulation revenues while awaiting the long-expected recovery in the advertising market and the Book Division confirming its leadership position in a market that once again bucked the trend with notable increases both in terms of copies and value.

**Consolidated revenues** amounted to 360.5 million euros, an increase of 7.9% compared with the figure of 334.1 million euros for the same period in the previous year.

**Gross operating profit** amounted to 42.9 million euros compared with 42.5 million euros as of 31 March 2002, an increase of 0.9%, although as a proportion of revenues this represents a slight fall from 12.7% to 11.9%. It should be noted that the increase in product and management costs and the consequent reduction in gross operating profit was due to the mix of sales revenues and one-off costs sustained as a result of the launch and preparation of *Flair* and *Economy*, two new titles whose costs were entirely booked to the quarter.

The first of these titles is a high-target women's magazine that was launched in February and, after the transfer of *Marie Claire* to Hachette-Rusconi, is intended to complete and broaden the portfolio of Mondadori's fashion system, while the latter is a new weekly economic-financial magazine that will be on the bookstands in the first few weeks of May.

**Operating profit** amounted to 33.7 million euros, which represents a slight increase of 0.9% compared with the figure of 33.4 million euros registered in March 2002. As a proportion of revenues this represents a decrease from 10% to 9.3%.

**Pre-tax profits** for the period increased from 23.1 million euros in March 2002 to 26.3 million euros in 2003, representing an increase of 13.9%. This represented 7.3% of turnover compared with a figure of 6.9% in 2002.

**Gross cash-flow** amounted to 41.1 million euros compared with 37.8 million euros in the same period in 2002.

The overall increase in sales highlighted the diverse performances in the various sectors where the Group operates.

In particular, the **Magazine Division** registered a notable increase in circulation figures (+ 11.4%) thanks to sales of optional DVDs, music CDs and videocassettes.

The decrease in **advertising sales** (-7.7%) continued in a market that was particularly affected by the weak recovery in consumer spending and investments. The drop in sales amounted to 2.6%. If the figures for *Famiglia Cristiana*, which was produced under licence last year, are not taken into consideration.

The **Book Division** registered a decisive increase (+16.5%), with all the Group's imprints benefiting from the positive performance of the market and Mondadori and Einaudi editions registering particularly good results.

In the **Printing Division** the situation that characterised the second half of 2002 was largely confirmed, with strong competition between European printers in the face of weak demand.

In this context the Group's Printing Division was able to increase its sales by 3.2% compared with the same period in the previous year.

The **Direct Division** saw sales in the mail-order sector (Mondolibri) substantially consolidated, while there was a slight decrease in revenues from direct marketing services (Cemit) and a healthy increase in sales from franchising bookshops, directly-owned bookshops and multicenters.

The following table illustrates the information referred to above.

Reclassified income statement	€m		% change
	31 March 2003	31 March 2002	
Income from sales	360.5	334.1	7.9%
Personnel costs	62.4	60.8	2.6%
Production and management costs	255.2	230.8	10.6%
<b>Gross operating profit</b>	<b>42.9</b>	<b>42.5</b>	<b>0.9%</b>
<i>MOL effect on income</i>	<i>11.9%</i>	<i>12.7%</i>	
Depreciations of fixed assets	9.2	9.1	1.1%
<b>Operating profit</b>	<b>33.7</b>	<b>33.4</b>	<b>0.9%</b>
<i>Operating result effect on income</i>	<i>9.3%</i>	<i>10.0%</i>	
Depreciations of intangible assets	5.6	5.6	-
Net financial income (charges)	0	0.5	n.a.
Other income (charges), net	(1.5)	(2.5)	40.0%
Extraordinary income (charges), net	1.0	(1.1)	n.a.
Internet activities	(1.3)	(1.6)	18.8%
<b>Profit before taxation</b>	<b>26.3</b>	<b>23.1</b>	<b>13.9%</b>
<i>Net result effect on income</i>	<i>7.3%</i>	<i>6.9%</i>	
<b>Gross cash flow</b>	<b>41.1</b>	<b>37.8</b>	

The Group's **financial position** at 31 March 2003 showed a surplus of 120.3 million euros.

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

The accounting principles and evaluation criteria adopted for drawing up the financial statements as of 31 March 2003 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.

Some of the data referring to last year has been reclassified in order to make it easier to compare with the data for March 2003, in conformity with the resolution taken by the Shareholders' Meeting with regard to the merger of Mondadori Informatica S.p.A. into the Parent Company that is planned to take place during the second half of this year. Therefore sales registered by the Computer Publishing and New Media Division are entered according to their nature under the Book Division and the Magazine Division.

<b>Business volumes for each business activity</b>	<b>€m</b>		<b>% change</b>
	<b>31 March 2003</b>	<b>31 March 2002</b>	
Books	75.6	64.9	16.5%
Magazines	204.3	195.7	4.4%
Printing	105.4	102.1	3.2%
Direct	35.1	31.0	13.2%
Others	3.5	5.3	(34.0%)
<b>Total revenues</b>	<b>423.9</b>	<b>399.0</b>	<b>6.2%</b>
Intergroup revenues	(63.4)	(64.9)	(2.3%)
<b>Total consolidated revenues</b>	<b>360.5</b>	<b>334.1</b>	<b>7.9%</b>

<b>Business volumes by geographical area</b>	<b>€m</b>		<b>% change</b>
	<b>31 March 2003</b>	<b>31 March 2002</b>	
Italy	335.2	308.6	8.6%
EU countries	20.7	23.3	(11.2%)
USA	2.7	1.3	n.a.
Other countries	1.9	0.9	n.a.
<b>Total consolidated revenues</b>	<b>360.5</b>	<b>334.1</b>	<b>7.9%</b>

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

### ***Book Division***

Figures supplied by Demoskopea indicate that during the first quarter of 2003 the market was livelier than for the same period in 2002, with an increase in sales both in terms of copies and value. However, it is not possible to quantify this difference due to the fact that during 2002 Demoskopea changed the panel survey method it uses, making it impossible to compare the data for 2003 with the data for the same period in 2002.

Net sales in the Group's Book Division for the first three months of the year amounted to 75.6 million euros, an increase of 16.5% compared with the figure of 64.9 million euros for the same period in the previous year.

The results registered by **Edizioni Mondadori** were particularly good compared with the previous period (+17.8%). Apart from the quality of the publishing plan, the results were also influenced by the *Oscar Mondadori* campaign that this year started on 8 March and was supported by strong marketing and communication campaigns.

The beginning of 2003 confirmed the excellent period for humorous books, with successful results registered by new books from Flavio Oreglio (*Bis. Nuovi momenti catartici*), Claudio Bisio (*Che simpatico umorista*, issued together with a videocassette) and Ezio Greggio (*E su e giù e trik e trak*), while the catalogue's traditional heavyweights, such as Ken Follett (*Il volo del calabrone*), were also successful.

During the first three months of 2003 **Einaudi** registered sales of more than 11 million euros with an increase of more than 19% compared with the same period in the previous year.

This excellent result was due both to books already in the catalogue in 2002, in particular Ammaniti (*Io non ho paura*), and to new titles such as Roth (*Animale morente*), Saramago (*Uomo duplicato*), Vinci (*Come prima delle madri*), Auster (*Libro delle illusioni*) and Kunzro (*Imitatore*).

During the period in question, **Mondadori Electa** registered a result that was substantially in line with the previous year even though there was a notable reduction in business in the Great Exhibition sector and in the production of art catalogues.

However, the publishing activities and the management of museum services registered a further increase both in sales and margins.

Of particular note was the excellent success obtained by the *Dizionari d'Arte* series published under the Electa imprint that, with four titles, published 16 editions in Italian and 4 in foreign co-editions.

Also of particular interest is the fact that Electa was entrusted with the organisation of the *Maestà di Roma* exhibition, which opened in three prestigious venues in Rome at the beginning of March.

In the first quarter of 2003, net sales for the **Sperling & Kupfer** Group increased by 5.3% compared with the same period in 2002. This growth in sales was mainly due to an increase in the paperback area, thanks to the publicity campaign centred on Stephen King and Mary Higgins Clark that began at the beginning of the year, and to the increase in new initiatives in the business area with the publication of important books, such as Galdo e Telese (*Cofferati*).

In the first three months of 2003 **Edmond Le Monnier** registered consolidated net revenues of 2.7 million euros, an increase of over 35% compared with the previous year. However, the significance of the sales data for the first quarter of the year is somewhat marginal given the particular season characteristics of this sector.

As usual, the company's business activities in the first quarter of the year were concentrated on the production of new titles for academic year 2003/2004 and on the launch of the set-textbook campaign.

As for production, the company has again produced a wide range of quality titles for all school years and levels for the current year.

For the set-textbook campaign, the most important innovation regards the primary school sector where the campaign currently underway includes the presentation to schools of the first products designed specifically for the school reforms that will be introduced in this age-range in September.

The details of the new structures for lower- and upper-middle schools, however, have still to be finalised. This uncertain situation seems to have particularly influenced the lower-middle school sector which, at least in the initial stage of the set-textbook campaign, has shown itself to be more cautious and prudent than normal when called on to make decisions about changing set textbooks. It is expected, however, that at least a part of this caution will be overcome as the campaign progresses, while the situation in the upper-middle school sector appears to be more normal.

The **distribution** system saw confirmation of the quality of the service that has been offered to clients over recent years. Distribution of third-party titles registered an increase in sales of 36%, amounting to 12.8 million euros, while particular note should be paid to the appearance in bookshops of Harlequin Mondadori.

During the first months of the year the new returned goods warehouse, which boasts automatic sorting equipment that improves efficiency, came into full service.

### ***Magazine Division***

During the first quarter of 2003 the Magazine Division registered sales of 204.3 million euros compared with 195.7 million euros for the same period in 2002.

Magazines	€m	€m	% change
	31 March 2003	31 March 2002	
Circulation	138.2	124.1	11.4%
Advertising	66.1	71.6	(7.7%)
<b>Total magazines</b>	<b>204.3</b>	<b>195.7</b>	<b>4.4%</b>

#### Circulation

Mondadori was in line with the general performance of the market, which was substantially stable as far as circulation figures were concerned. However, net sales revenues registered a notable increase (+11.4%) thanks to the numerous optional products on offer, such as the sale of DVDs and CDs with *Panorama* and music CDs and videocassettes with *Sorrisi & Canzoni TV*.

An important initiative during the first quarter of the year was the launch of the new high-target women's monthly, *Flair*, which was greeted with particular success in a highly competitive market.

At the end of March *Flair Living* was also launched, with the aim of covering the important lifestyle/furnishing segment of the market.

#### Advertising

The first quarter was characterised by the complex, uncertain situation caused by the international geo-political conditions that are a result of the conflict in the middle-east, and by the ongoing precarious economic climate. These factors continued to have a negative influence on investments in almost all forms of communication and products.

During the first three months of the year Mondadori Pubblicità registered a 7.7% decrease in sales compared with the first three months of 2002. However, when revenues from *Famiglia Cristiana*, which was produced under licence last year, are taken into consideration the decrease amounted to a more reasonable 2.6%.

Special mention should be made of the excellent advertising sales registered by the two new titles, *Flair*, the high-target women's monthly launched in February, and *Evo*, the high-level car monthly launched in March, both of which exceeded all expectations.

The general advertising market has still not shown any signs of the long-awaited recovery, which is now expected to arrive in the second half of the year.

#### ***Printing Division***

In the generally uncertain situation in the Printing Division, the first three months of 2003 showed no signs of any significant changes compared with the situation evident in the final period of 2002.

The volume of printing work available in the market was not sufficient (with the exception of some positive signs for consumer products) to make full use of the printing capacity.

In the magazine and catalogue printing sector competition from other European companies remains intense, while the positive moment for hardback-book printing on the Italian market continued, although there was a tendency for smaller print runs than in the past.

The results registered in the first quarter of 2003 were satisfying with overall sales of 105.4 million euros compared with 102.1 million euros in 2002, representing a 3.2% increase.

The decrease in the cost of paper partly influenced overall revenues, therefore the effective production performance is best illustrated by looking at sales net of the cost of paper and shipping, as in the following table:

<b>Printing revenues net of paper and shipping costs</b>	<b>€m</b>		<b>%change</b>
	<b>31 March 2003</b>	<b>31 March 2002</b>	
Magazines	28.4	27.0	5.2
Books	18.3	16.5	11.6
Catalogues and promotional material	6.1	6.0	1.7
Directories	2.0	1.8	11.1
<b>Total printing revenues</b>	<b>54.8</b>	<b>51,3</b>	<b>7.0</b>

The overall increase in revenues amounted to 7% and the performance of the different types of product were in line with the table outlined above.

The level of use of the production equipment in the various printing works was satisfying as a consequence of this increase, conforming to the seasonal nature of the sector and in line with expectations.

### ***Direct Division***

#### Direct marketing

The Mondadori Group maintained its position of market leader with Mondolibri S.p.A. and Cemit Interactive Media S.p.A.

Compared with the same period in 2002, **Mondolibri** registered a slight decrease in sales mainly due to the smaller average number of active members (in particular for *Notizie Letterarie*). However, the excellent recruitment results obtained during the quarter (higher than budget provisions) leads to the belief that this situation will be reversed in the next few months.

During the first quarter of 2003 **Cemit** maintained its position of market leader in the direct marketing services sector, although revenues decreased in comparison with 31 March 2002. This decrease was mainly due to the fact that the overall fall in investments in communication began to spread to direct marketing, even if the effects are less notable than those seen in advertising, and to the delay in the opening of the new offices in Rome.

### Retail

Compared with the first quarter of 2002, **Mondadori Franchising** registered another notable increase in sales mainly thanks to the new affiliations that came into operation in the period in question, when the number of sales outlets increased from 100 to 115.

**Mondadori Retail** registered an appreciable increase in sales thanks to the results achieved both by its existing shops and by the new shops that were opened during the second half of 2002 (Vimercate, Trevi) and in the first quarter of 2003 (Turin), bringing the total number of sales outlets up to 14.

<b>Direct Division</b>	<b>€m</b>	<b>€m</b>	<b>% change</b>
	<b>31 March 2003</b>	<b>31 March 2002</b>	
Mondolibri S.p.A. (proportional)	10.7	10.8	(0.9%)
Cemit Interactive Media S.p.A.	5.0	5.5	(9.1%)
<b>Subtotal direct marketing</b>	<b>15.7</b>	<b>16.3</b>	<b>(3.7%)</b>
Mondadori Franchising S.p.A.	5.2	3.7	40.5%
Mondadori Retail S.r.l.	14.2	11.0	29.1%
<b>Subtotal retail</b>	<b>19.4</b>	<b>14,7</b>	<b>32.0%</b>
<b>Total Direct Division</b>	<b>35.1</b>	<b>31.0</b>	<b>13.2%</b>

### **Internet**

In the first part of 2003 the internet market was mainly characterised by a slow-down in the increase of Italian navigators, after years of uninterrupted growth. According to estimates made by Nielsen, there are approximately 12 million active internet users.

Further development is forecast as a result of greater availability of broadband which, however, has been considerably delayed beyond initial expectations since up to the present time it only accounts for some 9% of total connections.

In this context, the internet strategy of Mondadori.com continues to be based on the development of sites that complement existing printed titles, concentrating on 4 area: news, women, technology and cars.

In particular the re-launch of the *Panorama.it* and *Donnamoderna.com* sites produced good results in the first three months of 2003, with a 4% increase in page views compared with the same period in 2002 and over two million unique visitors.

The rationalisation phase of the Mondadori Group's internet activities continued with special attention paid to costs, projects concerned with developing services connected to the various sites and exploring new business activities with companies in the TLC sector.

## Financial position

The Mondadori Group's financial position as of 31 March 2003 registered a surplus of 120.3 million euros, representing an increase compared with 31 December 2002 as illustrated in the following table.

In order to fully appreciate the current financial situation, it should be remembered that in May 2002 an extraordinary dividend of 100.4 million euros was paid.

<b>Net financial position</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
	<b>31 March 2003</b>	<b>31 Dec. 2002</b>	<b>31 March 2002</b>
Short term bank deposits	34.3	85.5	138.9
Short term borrowing from banks	(37.1)	(21.3)	(48.0)
Financing (short and medium/long term)	(308.5)	(369.5)	(284.1)
	<b>(311.3)</b>	<b>(305.3)</b>	<b>(193.2)</b>
Fixed interest securities	431.4	407.3	361.4
Cash, post office accounts, net receivables from affiliates and third parties and accrued interest income	0.2	7.3	7.9
<b>Net financial receivables (payables)</b>	<b>120.3</b>	<b>109.3</b>	<b>176.1</b>
Leasing debts	-	-	-
<b>Net financial position</b>	<b>120.3</b>	<b>109.3</b>	<b>176.1</b>

In the first three months of the year there were signs of a continuation of the slow-down in the world economy, due to both the effective weakness of the two most important markets (the United States and Europe) and to the current geopolitical crises.

In the USA the GDP increased by 2.3% in the first three months of the year. The slow-down of the monetary policy over the last three years (525 bps of cuts since December 2000, while currently the 3-month Libor USD is around 1.30%), linked to a fiscal packet (that should produce results in the medium term), have ensured that the country is not officially in recession even though the macroeconomic data continues to be very weak and unemployment is at 5.8%. Despite these signs, both the Dow Jones Index and the S&P 500 registered positive performances.

In the euro area the increase for the first quarter amounted to a modest 0.8%, with forecasts of a 1% increase in the GDP for the year. The main European stock exchanges have lost an average of 3% since the beginning of the year. The economic recovery depends to a large extent on the American economy, but it is also affected by the level of inflation that is currently equal to 2.3% and is forecast to continue growing. Meanwhile unemployment is firmly established at more than 8%.

Given the uncertainty of the economic recovery, the Federal Reserve Bank maintained the Federal Fund rates at 1.25% while the European Central Bank introduced a cut of 25 bps (6 March), reducing the minimum rate applied to the main refinancing operations of the Euro system to 2.50%.

In this context the three-month Euribor changed from 2.865% at the end of December 2002 to 2.522% at the end of March 2003 (with an average value of 2.685%). During the same period the average cost of money for the Mondadori Group amounted to 3.053%.

The Group's short-term credit facilities, amounting to 558 million euros, were used for a total of 17% as of 31 March 2003 by means of self-liquidating lines of credit (bank discount bills) and stand-by financing of less than 18 months minus a day.

The medium/long term lines of 418 million euros were almost totally made up (400 million euros) of a revolving multi-currency credit facility with a duration of five years (2000-2005), and medium/long term subsidised loans for publishers (15.7 million euros), in accordance with Law 416/81. As of 31 March approximately 64% of these had been used.

## Technical investments

During the first quarter of 2003 the Group made investments in technical assets for a total of 5.7 million euros, including 3.9 million euros for equipment and machinery by Mondadori Printing S.p.A. while the other investments were mainly concerned with furniture and electronic office machines (1 million euros).

## Personnel

The personnel employed by the consolidated companies of the Group as of 31 March 2003 amounted to 4,753, while during the same period the average number of personnel employed amounted to 4,748. The following table shows the number of personnel employed by the Group during the first quarter of 2003:

<b>Personnel</b>	<b>31 March 2003</b>	<b>31 Dec. 2002</b>	<b>% change</b>
Arnoldo Mondadori Editore S.p.A.:			
- Management, journalists and office staff	1,466	1,459	7
- Manual workers	157	165	(8)
	<b>1,623</b>	<b>1,624</b>	<b>(1)</b>
Italian subsidiaries:			
- Management, journalists and office staff	1,682	1,701	(19)
- Manual workers	1,287	1,307	(20)
	<b>2,969</b>	<b>3,008</b>	<b>(39)</b>
Foreign subsidiaries:			
- Management, journalists and office staff	38	37	1
- Manual workers	123	123	-
	<b>161</b>	<b>160</b>	<b>1</b>
<b>Total</b>	<b>4,753</b>	<b>4,792</b>	<b>(39)</b>

## **Probable evolution of business activities**

In the months immediately following the first quarter of the year, the economic context in which the Group operates was still uncertain.

The forecasts for market growth were once again lowered, confirming fears that the beginning of a new phase of economic expansion would be further delayed until the end of the first half of 2003.

In this scenario the Mondadori Group has fixed its economic objectives for 2003 as substantially confirming the good results achieved in 2002.

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 2003			QUARTER AS AT	YEAR ENDED
	Subtotal	Subtotal	TOTAL	31 MARCH 2002	31 DEC. 2002
	1	2	3		
A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL					
B) NON-CURRENT ASSETS					
I- INTANGIBLE ASSETS					
1 set-up and expansion costs		420		1,943	781
2 research, development and advertising costs					
3 industrial patent rights and use of original works		1,236		853	1,294
4 concessions, licences and trade marks		129,672		140,621	132,272
5 goodwill		10,880		13,899	10,827
6 assets under construction and advances		60		64	1,428
7 others		5,815		8,650	6,131
8 consolidation differences		10,650		14,098	11,423
TOTAL			158,733	180,128	164,156
II- FIXED ASSETS					
1 land and buildings		82,153		85,849	83,142
2 plant and machinery		93,628		89,879	96,298
3 industrial and commercial equipment		2,196		1,732	2,071
4 other assets		18,067		19,310	18,200
5 assets under construction and advances		5,133		13,205	2,946
TOTAL			201,177	209,975	202,657
III- FINANCIAL ASSETS					
1 investments in :					
a) subsidiary companies		280		9,878	186
b) affiliated companies		76,857		57,946	58,432
c) other companies		851		905	851
TOTAL		77,988		68,729	59,469
			<i>within 12 months</i>	<i>over 12 months</i>	
2 current receivables					
a) from subsidiary companies					
b) from affiliated companies					
c) from parent companies					
d) from other companies		3,160	4,030	7,190	8,377
TOTAL		3,160	4,030	7,190	7,395
3 other securities				3	3
4 treasury stock		64,121		56,244	59,472
TOTAL			149,299	133,353	126,339
TOTAL NON-CURRENT ASSETS (B)			509,209	523,456	493,152

## ASSETS

(in thousands of euros)	QUARTER AS AT 31 MARCH 2003			QUARTER AS AT	YEAR ENDED
	Subtotal	Subtotal	TOTAL	31 MARCH 2002	31 DEC. 2002
	1	2	3		
<b>C) CURRENT ASSETS</b>					
<b>I- INVENTORIES</b>					
1 raw materials		12,471		11,848	12,681
2 semi-finished products, work in progress		20,416		17,031	29,230
3 work in progress to order		7,918		8,906	8,680
4 finished products and goods		79,788		83,308	70,535
5 advances					9
<b>TOTAL</b>			120,593	121,093	121,135
	<i>within 12 months over 12 months</i>				
<b>II- RECEIVABLES</b>					
1 trade accounts	291,714	12,961	304,675	334,482	339,295
2 due from subsidiaries	192		192	5,033	36
3 due from affiliated companies	51,031		51,031	39,807	46,948
4 due from parent companies					
5 due from third parties	123,629		123,629	97,742	117,993
<b>TOTAL</b>	466,566	12,961	479,527	477,064	504,272
<b>III- FINANCIAL ASSETS (CURRENT)</b>					
1 investments in subsidiaries					
2 investments in affiliated companies				579	
3 other investments					
4 treasury stock					
5 other securities			431,375	361,412	407,296
<b>TOTAL</b>			431,375	361,991	407,296
<b>IV- CASH AND EQUIVALENTS</b>					
1 cash at banks and PO			35,329	138,917	85,547
2 cheques			8	32	53
3 cash and commercial papers in hand			131	136	136
<b>TOTAL</b>			35,468	139,085	85,736
<b>TOTAL CURRENT ASSETS (C)</b>			1,066,963	1,099,233	1,118,439
<b>D) ACCRUED INCOME AND PREPAYMENTS</b>					
1 accrued income			432	909	336
2 prepayments			3,136	5,230	9,205
3 premium on loans			817	1,180	908
<b>TOTAL ACCRUED INCOME AND PREPAYMENTS (D)</b>			4,385	7,319	10,449
<b>TOTAL ASSETS</b>			1,580,557	1,630,008	1,622,040

# BALANCE SHEET LIABILITIES

(in thousands of euros)

	QUARTER AS AT 31 MARCH 2003			QUARTER AS AT	YEAR ENDED
	Subtotal	Subtotal	TOTAL	31 MARCH 2002	31 DEC. 2002
	1	2	3		
A) SHAREHOLDERS' EQUITY					
I- SHARE CAPITAL			67,452	67,452	67,452
II- SHARE PREMIUM RESERVE			223,144	231,022	227,793
III- REVALUATION RESERVE			16,712	16,712	16,712
IV- LEGAL RESERVE			13,490	13,398	13,490
V- RESERVE FOR TREASURY STOCK			64,121	56,244	59,472
VI- STATUTORY RESERVE					
VII- OTHER RESERVES					
1) Extraordinary reserve				42,311	
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		5,052	5,335
5) Reserve Law 124/93 art. 13		53		38	53
6) Merger reserve		478			478
7) Other reserves		-2,893		7,267	-3,047
VIII- PROFIT (LOSS) CARRIED FORWARD			4,075	55,770	3,921
IX- PROFIT (LOSS) FOR THE YEAR			143,046	176,309	62,017
1) Gross profit for period			26,258	23,107	
2) Profit for year					81,074
CONSOLIDATED GROUP SHAREHOLDERS' EQUITY			558,298	640,014	531,931
MINORITY INTEREST			361	727	357
TOTAL SHAREHOLDERS' EQUITY (A)			558,659	640,741	532,288
B) RESERVE FOR RISKS AND CHARGES					
1 retirement benefits		941		931	938
2 income taxes		23,153		27,397	23,100
3 other		27,952		28,855	27,924
TOTAL RESERVE FOR RISKS AND CHARGES (B)			52,046	57,183	51,962
C) RESERVE FOR SEVERANCE INDEMNITIES			103,396	101,446	101,789
			<i>within 12 months</i>	<i>over 12 months</i>	
D) DEBTS AND OTHER PAYABLES					
1 bonds					
2 convertible bonds					
3 due to banks	331,220	14,372	345,592	332,027	390,795
4 due to third parties					
5 advances	35,917		35,917	36,135	35,247
6 trade accounts	300,570	129	300,699	267,847	319,645
7 debts represented by credit instruments					
8 due to subsidiaries	4		4	719	195
9 due to affiliated companies	44,215		44,215	30,783	48,162
10 due to parent companies					9
11 income taxes payable	12,767		12,767	21,413	17,263
12 due to pension funds and social security entities	13,851		13,851	13,337	16,619
13 other liabilities	94,436	3,750	98,186	114,385	95,411
TOTAL DEBTS AND OTHER PAYABLES (D)	832,980	18,251	851,231	816,646	923,346
E) ACCRUED LIABILITIES AND DEFERRED INCOME					
1 accrued liabilities			7,517	6,309	6,746
2 deferred income			7,708	7,683	5,909
3 discounts on loans					
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)			15,225	13,992	12,655
TOTAL LIABILITIES			1,580,557	1,630,008	1,622,040
MEMORANDUM ACCOUNTS					
1 GUARANTEES AND SURETIES					
a) in favour of subsidiaries					
b) in favour of affiliated companies					1,374
c) in favour of third parties					33,641
2 COMMITMENTS					29,610
3 RISKS					
4 OTHERS					87,375
TOTAL MEMORANDUM ACCOUNTS					152,000

- 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 2003			QUARTER AS AT	YEAR ENDED
	Subtotal	Subtotal	TOTAL	31 MARCH 2002	31 DEC. 2002
	1	2	3		
<b>A) PRODUCTION VALUE</b>					
1 INCOME FROM SALES OF GOODS AND SERVICES		361,111		334,792	1,461,065
2 CHANGES IN INVENTORY OF SEMI-FINISHED GOODS		416		1,913	795
3 CHANGES IN WIP TO ORDER		-762		-171	-396
4 INCREASE IN INTERNAL INVESTMENTS		22		22	158
5 OTHER INCOME AND REVENUES					
a) operating grants	601			11	3,785
b) other income and revenues	7,399			9,495	43,161
		8,000			
<b>TOTAL PRODUCTION VALUE (A)</b>			368,787	346,062	1,508,568
<b>B) PRODUCTION COSTS</b>					
6 RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		117,057		103,851	455,339
7 SERVICES		135,025		130,067	562,037
8 USE OF THIRD PARTY ASSETS		6,315		5,379	21,298
9 PERSONNEL					
a) wages and salaries	44,962			43,929	171,582
b) social contributions	13,823			13,368	52,951
c) severance indemnities	3,735			3,854	15,072
d) retirement benefits	3			50	46
e) other costs	332			287	3,157
<b>TOTAL</b>		62,855		61,488	242,808
10 DEPRECIATIONS, AMORTISATION AND WRITEDOWNS					
a) amortisation of intangible assets	5,677			5,763	23,750
b) depreciation of fixed assets	9,324			9,228	36,523
c) other writedowns of assets					2,748
d) writedowns of doubtful accounts	1,500			1,387	9,696
<b>TOTAL</b>		16,501		16,378	72,717
11 CHANGES IN INVENTORY OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		188		-953	-1,795
12 PROVISIONS FOR RISKS		350		72	5,726
13 OTHER PROVISIONS		7		111	48
14 OTHER OPERATING EXPENSES		3,345		3,327	10,530
<b>TOTAL PRODUCTION COSTS (B)</b>			341,643	319,720	1,368,708
<b>DIFFERENCE BETWEEN PRODUCTION VALE AND PRODUCTION COSTS (A-B)</b>			27,144	26,342	139,860
<b>C) FINANCIAL INCOME AND CHARGES</b>					
15 INCOME FROM INVESTMENTS					
a) Subsidiaries					
b) Affiliated companies					57
c) Other investments					
<b>TOTAL</b>					57
16 OTHER FINANCIAL INCOME					
a) from long term receivables					
* Subsidiaries					
* Affiliated companies					
* Parent companies					
* Other companies	34			40	128
<b>TOTAL</b>	34			40	128
b) from long term securities					60
c) from short term securities	4,748			2,946	11,112
d) Other income					
* Subsidiaries				7	
* Affiliated companies	120			134	525
* Parent companies					
* Other companies	1,544			1,639	8,901
	1,664			1,780	9,426
<b>TOTAL</b>		6,446		4,766	20,726
17 INTEREST AND FINANCIAL CHARGES					
a) Subsidiaries				1	
b) Affiliated companies	130			72	330
c) Parent companies					
d) Other companies	5,638			4,049	25,142
<b>TOTAL</b>		5,768		4,122	25,472
<b>TOTAL FINANCIAL INCOME AND (CHARGES) (C)</b>			678	644	-4,689

**INCOME STATEMENT (contd)**

(in thousands of euros)	QUARTER AS AT 31 MARCH 2002			QUARTER AS AT	YEAR ENDED
	Subtotal	Subtotal	TOTAL	31 MARCH 2002	31 DEC. 2002
	1	2	3		
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS					
18 REVALUATIONS					
a) investments	966			727	5,140
b) other long term financial assets					
c) securities					
TOTAL		966		727	5,140
19 WRITEDOWNS					
a) investments	2,828			3,453	7,882
b) other long term financial assets					
c) securities	665			99	-156
TOTAL		3,493		3,552	7,726
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)			-2,527	-2,825	-2,586
E) EXTRAORDINARY ITEMS					
20 INCOME					
a) Gains on disposals				52	1,652
b) Other long term financial assets	1,004			927	1,998
TOTAL		1,004		979	3,650
21 CHARGES					
a) Losses on disposals					10
b) Taxation relative to prior years					1,737
c) Others	41			2,033	1,342
TOTAL		41		2,033	3,089
TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)			963	-1,054	561
PROFIT BEFORE TAX			26,258	23,107	133,146
22 INCOME TAX FOR THE PERIOD					52,068
23 RESULT FOR THE PERIOD					81,078
NET PROFIT (LOSS) FOR THE PERIOD PERTAINING TO MINORITY INTERESTS					4
NET PROFIT (LOSS) FOR THE PERIOD					81,074

1) Total of items preceded by lowercase letters

2) Total of items preceded by arabic numerals

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

For the Board of Directors

Chairman

Marina Berlusconi