

# **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 30 September 2002**

Segrate, 13 November 2002



## ***Corporate Boards***

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

#### **Chairman**

Leonardo Mondadori (\*)

#### **Deputy Vice Chairman**

Luca Formenton

#### **Chief Executive**

Maurizio Costa (\*)

#### **Directors**

Francesco Barbaro

Marina Elvira Berlusconi (\*)

Pier Silvio Berlusconi

Fedele Confalonieri (\*)

Roberto Poli

Giovanni Puerari

Mario Resca

Claudio Sposito (\*)

(\*) Members of the Executive Committee

#### **Powers**

Chairman: powers of legal representation in dealings with third parties and legal proceedings.

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

Gianfranco Polerani



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





## **The Mondadori Group's business activities**

The results for the first nine months of 2002, achieved in an unfavourable economic climate, confirmed the capacity of the Mondadori Group to react to a fall in sales by continuing with its strategy of containing costs and improving profitability.

While revenues decreased, gross operating profit and operating profit both registered slight increases compared with the previous year, and this represented a substantial improvement when expressed as a proportion of revenues.

The positive results obtained for the first nine months of the year were achieved thanks in part to an excellent third quarter. In the three summer months (July-September), gross operating profit registered a 9.5% increase to €54.3 million (representing 15% of turnover compared with a figure of 13.4% for the third quarter of the previous year), while operating profit increased by 11.9% to €45 million (12.4% of turnover).

**Consolidated revenues** for the first nine months of the year amounted to €1,083.5 million, a decrease of 6.8% compared with the figure of €1,163 million for the previous year. However, this decrease amounts to just 2.7% when revenues for the distribution of magazine titles belonging to the Gruppo Editoriale L'Espresso, the contract for which expired in January 2002, are deleted from the data relating to 2001.

Despite the decrease in revenues, **Gross operating profit** amounted to €148.5 million, a slight increase (+ 0.3%) compared with the figure of €148.1 million as of 30 September 2001. As a proportion of revenues this represents an increase from the 12.7% of 2001 to 13.7%.

**Operating profit** amounted to €121.7 million, in line with the figures for the same period in the previous year (+0.1%), and represented 11.2% of turnover compared with 10.5% in 2001.

**Pre-tax profits** amounted to €91.2 million, a decrease of 7.2% compared with the figure of €98.3 million in September 2001. The result for the period was significantly influenced by the turbulent nature of financial markets during 2002 which produced a notable decrease in financial income compared with previous years, when the Group recorded very positive performances.

The Group's **financial position** as of 30 September 2002 showed a surplus of €57.3 million. In order to have a correct interpretation of this result it should be remembered that in May 2002 shareholders were paid an extraordinary dividend of €100.4 million. If this operation were excluded the overall net financial position would amount to €157.7 million, representing an increase of €65.5 million compared with September 2001.

While all the Mondadori Group's main business divisions were negatively influenced by the difficulties in the various markets, the **Book Division** registered positive sales results thanks mainly to the excellent performances of Edizioni Mondadori (+ 11%) and Einaudi (+ 6.7%).

The **Magazine Division**, however, registered an overall decrease of 3.1%, as a result of a 0.9% decrease in circulation figures and a 5.9% decrease in advertising sales.

Group advertising sales were substantially better than the figures for the reference market where in the period January – September there was an 8.5% decrease (source: Osservatorio Fcp-Fieg).

The following table illustrates the information referred to above:

Reclassified income statement €m	Third quarter			As of 30 September		
	2002	2001	% change	2002	2001	% change
Income from sales	363.2	(*) 370.2	(1.9%)	1,083.5	(*) 1,163.0	(6.8%)
Personnel costs	55.6	55.8	(0.4%)	178.1	178.4	(0.2%)
<b>Product and management costs</b>	253.3	264.8	(4.3%)	756.9	836.5	(9.5%)
<b>Gross operating profit</b>	<b>54.3</b>	<b>49.6</b>	<b>9.5%</b>	<b>148.5</b>	<b>148.1</b>	<b>0.3%</b>
<i>MOL effect on income</i>	<i>15.0%</i>	<i>13.4%</i>		<i>13.7%</i>	<i>12.7%</i>	
Depreciations of fixed assets	9.3	9.4	(1.1%)	26.8	26.5	1.1%
<b>Operating profit</b>	<b>45.0</b>	<b>40.2</b>	<b>11.9%</b>	<b>121.7</b>	<b>121.6</b>	<b>0.1%</b>
<i>Operating result effect on income</i>	<i>12.4%</i>	<i>10.9%</i>		<i>11.2%</i>	<i>10.5%</i>	
Depreciations of intangible assets	5.9	5.9	-	17.1	17.5	(2.3%)
Net financial income (charges)	(3.2)	(3.7)	(13.5%)	(6.9)	(1.4)	n.a.
Other income (charges), net	1.1	1.3	(15.4%)	(1.5)	1.2	n.a.
Extraordinary income (charges), net	(0.3)	2.8	n.a.	(0.1)	3.0	n.a.
Internet activities	(1.7)	(2.0)	(15.0%)	(4.9)	(8.6)	(43.0%)
<b>Profit before taxation</b>	<b>35.0</b>	<b>32.7</b>	<b>7.0%</b>	<b>91.2</b>	<b>98.3</b>	<b>(7.2%)</b>
<i>Net result effect on income</i>	<i>9.6%</i>	<i>8.8%</i>		<i>8.4%</i>	<i>8.5%</i>	
<b>Gross cash flow</b>	<b>50.2</b>	<b>48.0</b>		<b>135.1</b>	<b>142.3</b>	

(\*) Income from sales for the period up to 30 September 2001 includes circulation revenues from the distribution of magazine titles for the Gruppo Editoriale L'Espresso.

The table, "Business volumes for each business activity", shows revenues on a comparable basis.

### *Accounting principles and evaluation criteria adopted*

The accounting principles and evaluation criteria adopted for drawing up the financial statements as of 30 September 2002 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 geographical and business area*

The following tables gives details of sales for each business activity and geographical area. Some of the data referring to 30 September 2001 has been reclassified in order to provide a clearer comparison.

<b>Business volumes for each business activity</b>	<b>€m</b>	<b>€m</b>	<b>% change</b>
	<b>30 September 02</b>	<b>30 September 01</b>	
Books	245.4	243.4	0.8%
Magazines	597.6	616.7	(3.1%)
Printing	319.4	348.8	(8.4%)
Direct	96.6	100.6	(4.0%)
Computer publishing and new media	11.8	15.5	(23.9%)
Others	15.6	12.8	21.9%
<b>Total sales</b>	<b>1,286.4</b>	<b>1,337.8</b>	<b>(3.8%)</b>
Intergroup sales	(202.9)	(224.8)	(9.7%)
<b>Total consolidated sales</b>	<b>1,083.5</b>	<b>1,113.0</b>	<b>(2.7%)</b>

<b>Business volumes by geographical area</b>	<b>€m</b>	<b>€m</b>	<b>% change</b>
	<b>30 September 02</b>	<b>30 September 01</b>	
Italy	979.1	1,013.0	(3.3%)
EEC countries	86.7	77.1	12.5%
USA	10.4	13.4	(22.4%)
Other countries	7.3	9.5	(23.2%)
<b>Total consolidated revenues</b>	<b>1,083.5</b>	<b>1,113.0</b>	<b>(2.7%)</b>

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

## ***Book Division***

In the first nine months of 2002 the **Book Division** registered an increase in sales of 0.8% for a total of €245.4 million.

The results registered by **Edizioni Mondadori** were particularly good, with an increase in sales of 11% for a total of €76.5 million.

In a difficult year for Italian publishers, Edizioni Mondadori registered a substantial increase in the hardcover segment both for established authors and authors new to the publishing house. In particular, *Non ti Muovere* by Margaret Mazzantini, which was awarded the Strega prize, achieved excellent sales with estimates of 300,000 copies at year's end (a result that is even more extraordinary for a literary work) and Stephen L. Carter who, with his *L'imperatore di Ocean Park*, was very successful both with the public and critics (just under 70,000 copies sold in one month).

Excellent results were also obtained by *Economia all'idrogeno* by Jeremy Rifkin, *Oltre la Paura* by Massimo D'Alema and *La Mente Colorata* by Pietro Citati.

Other important results were registered, particularly in large-scale distribution outlets, by the joint summer campaign for Oscar Bestsellers and Miti, a new initiative based on a fixed cover price of €6 and €3 respectively.

During the first nine months of 2002 **Einaudi** registered an increase in sales of 6.7%, for a total of €25.6 million. This excellent result was obtained thanks to the success of bookshop sales, while instalment sales fell compared with figures for the previous year.

Among the most successful titles published during the period were *Espiazione* by McEwan, *Le Correzioni* by Franzen, *54* by Wu Ming, three titles in the Tascabili series (Salinger, Calvino and Gnocchi), *Parole e Canzoni* (book + video) by Gaber, *Educazione di una Canaglia* by Bunker and the first volume of the new Grande Opera: *Arti e Storia nel Medioevo*.

The **art books and exhibition organisation** sector registered sales of €27.8 million, a fall of 7.3% compared with the figure of €30.0 million for the previous year. This decrease was due to less activity in the Great Exhibition sector. The result for the period confirmed the improvement, compared with 2001, on the operational side in all business areas, particularly in the Cultural Assets and Illustrated Books areas.

Among the most significant events during the period was the excellent sales figures registered by the bookshops at the Venice Architectural Biennial Exhibition and in Palazzo Te in Mantua for the exhibition dedicated to the Gonzaga collections.

Net sales for the **Sperling & Kupfer** Group amounted to €18.7 million, an increase of 1.1% compared with 2001, which represents a significant recovery from the result for the previous quarter.

In particular, there were good sales performances in the Frassinelli area, thanks to Sparks' books, and the Economy area, thanks to the positive results of the summer campaign.

Among the most successful titles were *Come un Uragano* by Nicholas Sparks (Frassinelli), *Tutto è Fatidico* by Stephen King and *La Casa di Hope Street* by Danielle Steel (Sperling & Kupfer).

The beginning of the sales campaign saw good results for the **educational sector** of the Mondadori Group which in the first nine months of 2002 registered a 3.2% increase in sales for a total of €70.7 million.

Sales of school textbooks for upper-middle schools were particularly encouraging, confirming the good results produced by the spring campaign, while sales for textbooks for infant and elementary schools were in line with the previous year.

When compared with the results for 2001, the performance is encouraging in view of the difficult economic climate. Apart from the good results in terms of sales, it should also be noted that the company improved the efficiency of production and product distribution while successfully reducing internal administrative procedures, as a direct consequence of the merger of Edumond S.p.A. and the Le Monnier Group.

The first nine months of the year saw a continued improvement in the efficiency of the **distribution system**, with a substantial increase in volume/hours (+7% compared with the same period in the previous year). This rationalisation makes it possible to despatch a larger number of copies in a smaller number of consignments, with the result that costs per volume decrease and service levels are maintained.

The overall result for the Division in terms of sales (+0.8%) was significantly influenced by the decrease in sales for third-party publishers, which resulted in a 18.3% reduction in sales for the Group's Distribution division.

### ***Magazine Division***

In the first nine months of the year the Magazine Division registered overall sales of €597.6 million, a decrease of 3.1% compared with the figure of €616.7 million for the same period in 2001 if sales figures (€50 million) for the distribution of the Espresso, the contract for which was not renewed in 2002, are not taken into account.

<b>Magazines</b>	<b>€m</b>		<b>% change</b>
	<b>30 September 02</b>	<b>30 September 01</b>	
Circulation	345.1	348.3	(0.9%)
Advertising	252.5	268.4	(5.9%)
<b>Total magazines</b>	<b>597.6</b>	<b>616.7</b>	<b>(3.1%)</b>

### Circulation

In the face of a rather negative circulation market (in the first nine months of the year the number of copies sold fell by 5.8%), Mondadori was able to limit the decrease in sales to just 0.9%, for a total amount of €345.1 million. This recovery was mainly due to the success of sales of optional products.

In particular, in the first nine months of 2002 Mondadori demonstrated an excellent marketing strategy by introducing onto the market, especially the women's magazine market, special products linked to the main titles. These initiatives resulted in the majority of cases in the products in question being sold out on newsstands, thereby generating a healthy increase in sales and profitability.

During the period Mondadori launched two new publishing initiatives, challenging the negative market trend.

*Controcampo*, a weekly football magazine, represents Mondadori's entry into a new segment and is also the most innovatory title currently available both in terms of formula and marketing mix. The new magazine, produced in conjunction with RTI, is linked to the television programme of the same name broadcast on Sunday nights.

*Cucina no Problem*, a monthly cookery magazine, reinforces Mondadori's range of titles in a segment where the Group already has two titles, *Sale & Pepe* and *Cucina Moderna*.

In September Mondadori also launched "**La videoteca del secolo**", an important marketing operation involving linking two films issued every week on video to the publishing house's three most important magazine titles - *Panorama*, *Donna Moderna* and *Tv Sorrisi e Canzoni* – and to the monthly cinema magazine, *Ciak*. The films issued in September sold over 2 million copies.

### Advertising

The economic situation that prevailed in the third quarter of the year was very similar to the previous quarter.

In the first nine months of the year the Mondadori Group registered a 5.9% decrease in advertising sales compared with the same period in 2001, a result of the positive performance of women's titles and the negative performance of men's titles and newspapers. However, advertising revenues improved compared with the decrease of 9.3% registered in the first quarter of the year and the figure of 6.4% for the first six months.

This performance was better in comparison to the rest of the advertising sales market for printed media which in the first nine months of 2002 registered a decrease of 8.5%.

The drop in investments was mainly felt in the telecommunications, computer and finance/insurance markets, which were already badly affected in 2001.

### ***Printing Division***

In the third quarter of 2002 the Printing Division continued to be negatively affected by the general economic situation.

As of 30 September sales for the Division amounted to €319.4 million, an 8.4% decrease compared with 2001.

Printing companies found themselves, both in Italy and the rest of Europe, faced with strong competition and consequent repercussions on prices and margins. However, thanks to the flexibility of the production organisation in its plants, Mondadori Printing was able to limit the consequences of the drop in demand on the levels of internal activities.

In this context the cost of paper continued to fall.

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 costs</b>	<b>€m</b>	<b>€m</b>	<b>% change</b>
	<b>30 September 02</b>	<b>30 September 01</b>	
Magazines	84.2	90.3	(6.8%)
Books	52.7	52.0	1.3%
Catalogues and promotional material	20.8	24.8	(16.1%)
Directories	4.0	4.6	(13.0%)
<b>Total printing sales</b>	<b>161.7</b>	<b>171.7</b>	<b>(5.8%)</b>

Foreign sales amounted to €82.6 million, in line with the result for 2001, with sales in European countries (despite the crisis in the German market) compensating for the difficulties in the American market in the first part of the year.

### ***Direct Division***

#### Direct marketing

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

**Mondolibri** registered good sales results with an increase of 3.3% compared with the same period in 2001, thanks mainly to an increase in sales of *Euroclub*.

In the first nine months of the year **Cemit** maintained its position of market leader in the direct marketing services sector, even though it began to feel the effects of a general decrease in investments in the communications market. Sales fell by 20.8% compared with 2001, although it should be remembered that the results for 2001 benefited from non-recurring revenues. However, the positive effects of cost rationalisation initiatives made it possible to contain the impact of the decrease in sales on the results for the period.

#### Retail

**Mondadori Franchising** registered an important increase in sales (+15.9%) compared with the same period in 2001, mainly thanks to the new affiliations that came into operation in the period in question (with the number of sales outlets increasing from 96 to 114).

As a consequence of this sales are expected to continue to increase in the coming months compared with the previous year.

**Mondadori Retail** registered an appreciable decrease in sales in line with the first half of the year, as a result of the general difficulties of the sector (in particular for computer products). The decrease in sales was partly compensated for by the opening of a new sales outlet in the Torri Bianche commercial centre in Vimercate (Milan), which has been very successful thanks to its ability to attract clients and to the particular emphasis it places on books.

As a result of this success the same formula will be used for new shops that are planned for Rome Trevi (at the end of 2002) and Turin (in the first few months of 2003).

Direct Division	€m	€m	%
	30 September 02	30 September 01	change
Mondolibri SpA (proportional)	30.9	29.9	3.3%
Cemit Interactive Media SpA	16.4	20.7	(20.8%)
<b>Total direct marketing</b>	<b>47.3</b>	<b>50.6</b>	<b>(6.5%)</b>
Mondadori Franchising SpA	12.4	10.7	15.9%
Mondadori Retail Srl	36.9	39.3	(6.1%)
<b>Total retail</b>	<b>49.3</b>	<b>50.0</b>	<b>(1.4%)</b>
<b>Total Direct Division</b>	<b>96.6</b>	<b>100.6</b>	<b>(4.0%)</b>

#### *Computer publishing and new media*

Mondadori Informatica suffered more than any other sector of the Group from the general decrease in investments in communications and training courses, a decrease that was particularly felt in the education and book sectors.

Sales amounted to €11.8 million, a 23.9% fall compared with the figure of €15.5 million for the same period in 2001.



A more precise definition of Mondadori Informatica's mission and business activities is currently under way, with the objective of making more efficient use of resources and improving profitability. In this context the *e-business trade* title, which had a controlled circulation, was closed down in July.

## Financial situation

The Mondadori Group's financial situation as of 30 September 2002 registered a net improvement with a profit of €57.3 million, as illustrated in the following table:

<b>Net financial position in €m</b>	<b>30-09-2002</b>	<b>30-06-2002</b>	<b>31-12-2001</b>	<b>30-09-2001</b>
Short term bank deposits	187.1	216.3	184.8	178.6
Short term borrowing from banks	(19.8)	(42.5)	(50.0)	(56.3)
Financing (short and medium/long term)	(428.6)	(485.4)	(323.8)	(385.0)
	<b>(261.3)</b>	<b>(311.6)</b>	<b>(189.0)</b>	<b>(262.7)</b>
Fixed interest securities	300.2	287.1	364.5	358.7
Cash, post office accounts, net receivables from affiliates and third parties and accrued interest income	18.4	13.8	13.0	(3.8)
<b>Net financial receivables (payables)</b>	<b>57.3</b>	<b>(10.7)</b>	<b>188.5</b>	<b>92.2</b>
Leasing debts	-	-	-	-
<b>Net financial position</b>	<b>57.3</b>	<b>(10.7)</b>	<b>188.5</b>	<b>92.2</b>

In the last three months the macroeconomic data has highlighted the weak state of world economy with many stock markets in free-fall, low interest rates and the risk of further decreases, low levels of confidence of both consumers and manufacturers, expectations of a recovery in the third quarter that have proved to be unfounded and worsening national deficits, together with the high levels of tension in the Middle East. Forecasts now concentrate on a slow, progressive recovery in 2003.

The ECB is talking of "a weakening in expectations of a recovery" of the economy while estimating an increase in the GDP in Euroland for the third quarter of the year of 0.4% (equal to the levels registered two quarters ago) and forecasting a future scenario characterised by a good deal of uncertainty (growth rates will probably only return in line with their potential of 2/2.5% in 2003).

Inflation levels, which reached 2.1% in September, continue to be in line with previous months and are expected to average around 2% for the rest of the year (although the cost of petrol and the increase of money and salaries need monitoring). However, aggregate demand and exchange rates should have a positive effect on inflation.

During the three-month period the Federal Reserve did not implement any expansive monetary policies and the Fed Fund rate remained at 1.75%, despite the negative macroeconomic scenario. The European Central Bank also maintained the same minimum rate of 3.25% applied to the main refinancing operations of the Euro system. After the end of the third quarter the Federal Reserve (on 6 November) introduced a cut of 50 bps, reducing the Fed Fund to 1.25% and modifying the bias from “weak” to “neutral”. However, so far the ECB has not made any expansive intervention and neither has the Bank of England.

In the context of the macroeconomic situation that prevailed during the third quarter of the year, the dollar maintained the same exchange rate of 0.99 against the Euro (after the Euro had achieved parity in July). Since the beginning of the year the dollar has depreciated by 9%, falling from 0.9032 at the beginning of January to 0.9865 at the end of September (a demonstration of the weak state of the USA economy). During the third quarter of the year sterling gained 3%, depreciating by 0.5% since the beginning of the year (having registered the minimum of 0.648 in June), pending the definitive decision by the Government on joining the EMU.

As far as market interest rates are concerned, the three-month Euribor changed from 3.441% at the end of June 2002 to 3.297% at the end of September (with an average value of 3.359%). During the same period the average cost of money for the Mondadori Group (including the risk cover structure for interest rates and government-supported loans) amounted to 3.269%.

As of 30 September 2002 overall credit facilities available to the Group amounted to approximately a billion euros.

The Group’s short-term credit facilities, amounting to €605 million, were used by means of self-liquidating lines of credit (bank discount bills) and stand-by financing of less than eighteen months minus a day. As of 30 September 2002, 17% of these had been used.

The medium/long term lines of €419 million were almost totally made up (€400 million) of a revolving multi-currency credit facility with a duration of five years (2000-2005) and medium/long term subsidised loans for publishers (€19 million), in accordance with Law 416/81. As of 30 September 2002 approximately 83% of these had been used.

## **Personnel**

The following table shows details of Group personnel covering the last twelve months. There has been a significant decrease in numbers since the beginning of the year, mainly in the manual workers category, as a result of the reorganisation programme implemented in some of the Group’s establishments in the first quarter of 2002.

<b>Personnel</b>	<b>30-09-2002</b>	<b>30-06-2002</b>	<b>31-12-2001</b>	<b>30-09-2001</b>
Arnoldo Mondadori Editore SpA:				
- Management, journalists and office staff	1,421	1,430	1,427	1,430
- Manual workers	167	168	176	176
	<b>1,588</b>	<b>1,598</b>	<b>1,603</b>	<b>1,606</b>
Italian subsidiaries:				
- Management, journalists and office staff	1,657	1,654	1,676	1,662
- Manual workers	1,279	1,299	1,335	1,325
	<b>2,936</b>	<b>2,953</b>	<b>3,011</b>	<b>2,987</b>
Foreign subsidiaries:				
- Management, journalists and office staff	37	37	38	39
- Manual workers	125	127	130	130
	<b>162</b>	<b>164</b>	<b>168</b>	<b>169</b>
<b>Total</b>	<b>4,686</b>	<b>4,715</b>	<b>4,782</b>	<b>4,762</b>

## **Investments**

As of 30 September 2002 the Group had made investments in technical assets for a total of €26.5 million, including €21.0 million by Mondadori Printing SpA. Disinvestments during the period amounted to €6.7 million and were mainly concerned with the replacement of obsolete plant and machinery and other assets, as part of normal turnover.

## **Probable evolution of business activities**

The performance of the Group's various business activities in October leads to the supposition that the final result for 2002 will see an overall decrease in revenues, although substantially in line from the point of view of profitability.

For the Board of Directors

Chairman

Leonardo Mondadori



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

# BALANCE SHEET

## ASSETS

(in thousands of euros)	AS OF 30 SEPTEMBER 2002			AS OF	AS OF
	Sub Total	Sub Total	TOTAL	30 SEPTEMBER 2001	31 DECEMBER 2001
	1	2	3		
A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL					
B) NON-CURRENT ASSETS					
I- INTANGIBLE ASSETS					
1 set-up and expansion costs		1,161		2,720	2,335
2 research, development and advertising costs					
3 industrial patent rights and use of original works		1,078		1,377	948
4 concessions, licences and trade marks		135,407		146,278	143,225
5 goodwill		13,007		15,628	14,897
6 assets under construction and advances		165		73	165
7 others		6,433		8,805	9,108
8 consolidation differences		12,385		15,975	14,955
TOTAL			169,636	190,856	185,633
II- FIXED ASSETS					
1 land and buildings		85,899		85,611	86,851
2 plant and machinery		94,140		71,846	94,193
3 industrial and commercial equipment		2,046		2,682	1,585
4 other assets		18,728		18,976	19,554
5 assets under construction and advances		7,707		14,916	8,681
TOTAL			208,520	194,031	210,864
III- FINANCIAL ASSETS					
1 investments in :					
a) subsidiary companies		1,512		10,347	10,054
b) affiliated companies		55,916		68,934	62,491
c) other companies		849		929	903
TOTAL		58,277		80,210	73,448
			<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	1,250	6,664	7,914	9,230	8,516
TOTAL	1,250	6,664	7,914	9,230	8,516
3 other securities			3	3	3
4 treasury stock			57,930	67,466	56,150
TOTAL			124,124	156,909	138,117
TOTAL NON-CURRENT ASSETS (B)			502,280	541,796	534,614

## ASSETS

(in thousands of euros)	AS OF 30 SEPTEMBER 2002			AS OF	AS OF	
	Sub Total		Sub Total	TOTAL	30 SEPTEMBER 2001	31 DECEMBER 2001
	1		2	3		
C) CURRENT ASSETS						
I- INVENTORIES						
1 raw materials			12,043		10,542	10,885
2 semi-finished products, work in progress			21,456		19,327	26,726
3 work in progress to order			9,749		13,401	9,077
4 finished products and goods			72,947		75,552	71,733
5 advances						13
TOTAL				116,195	118,822	118,434
		<i>within 12 months</i>	<i>over 12 months</i>			
II- RECEIVABLES						
1 trade accounts	363,521	11,324	374,845		391,215	344,197
2 due from subsidiaries	555		555		4,071	3,994
3 due from affiliated companies	39,924		39,924		30,807	44,162
4 due from parent companies	2		2		151	19
5 due from third parties	118,562	1,993	120,555		111,598	96,522
TOTAL	522,564	13,317		535,881	537,842	488,894
III- FINANCIAL ASSETS (CURRENT)						
1 investments in subsidiaries						
2 investments in affiliated companies						
3 other investments						
4 treasury stock						
5 other securities			300,192		358,712	364,478
TOTAL				300,192	358,712	364,478
IV- CASH AND EQUIVALENTS						
1 cash at banks and PO			187,760		179,000	184,807
2 cheques					1	196
3 cash and commercial papers in hand			177		140	93
TOTAL				187,937	179,141	185,096
TOTAL CURRENT ASSETS (C)				1,140,205	1,194,517	1,156,902
D) ACCRUED INCOME AND PREPAYMENTS						
1 accrued income			1,857		1,399	787
2 prepayments			3,444		4,384	8,457
3 premium on loans			999		1,362	1,271
TOTAL ACCRUED INCOME AND PREPAYMENTS (D)				6,300	7,145	10,515
TOTAL ASSETS				1,648,785	1,743,458	1,702,031

# BALANCE SHEET LIABILITIES

(in thousands of euros)	AS OF 30 SEPTEMBER 2002			AS OF	AS OF
	Sub Total	Sub Total	TOTAL	30 SEPTEMBER 2001	31 DECEMBER 2001
	1	2	3		
A) SHAREHOLDERS' EQUITY					
I- SHARE CAPITAL			67,452	67,452	67,452
II- SHARE PREMIUM RESERVE			229,335	219,799	231,116
III- REVALUATION RESERVE			16,712	16,712	16,712
IV- LEGAL RESERVE			13,490	13,398	13,398
V- RESERVE FOR TREASURY STOCK			57,930	67,466	56,150
VI- STATUTORY RESERVE					
VII- OTHER RESERVES					
1) Extraordinary reserve				42,311	42,311
2) Reserve Law 675 of 12/8/1997		351		351	351
3) Conferral reserve Law 904 of 16/12/1997		751		751	751
4) Capital account contribution reserve		5,052		5,052	5,052
5) Reserve Law 124/93 art. 13		53		38	38
6) Other reserves		-2,249		7,267	7,267
			3,958	55,770	55,770
VIII- PROFIT (LOSS) CARRIED FORWARD			62,847	95,146	102,312
IX- PROFIT (LOSS) FOR THE PERIOD					
1) gross profit for the period			91,192	98,290	
2) profit for the year					73,882
CONSOLIDATED GROUPSHAREHOLDERS' EQUITY			542,916	634,033	616,792
MINORITY INTEREST			350	8,024	522
TOTAL SHAREHOLDERS' EQUITY (A)			543,266	642,057	617,314
B) RESERVE FOR RISKS AND CHARGES					
1 retirement benefits		934		1,031	959
2 income taxes		19,274		15,772	27,563
3 other		27,308		30,682	28,748
TOTAL RESERVE FOR RISKS AND CHARGES (B)			47,516	47,485	57,270
C) RESERVE FOR SEVERANCE INDEMNITIES			101,995	100,666	99,643
		<i>within 12 months</i>	<i>over 12 months</i>		
D) DEBTS AND OTHER PAYABLES					
1 bonds					
2 convertible bonds					
3 due to banks	432,411	15,997	448,408	441,291	373,779
4 due to third parties					
5 advances	30,349		30,349	30,672	31,109
6 trade accounts	324,814		324,814	308,677	331,339
7 debts represented by credit instruments					
8 due to subsidiaries	294		294	457	672
9 due to affiliated companies	30,948		30,948	38,331	41,414
10 due to parent companies	6		6	98	
11 income taxes payable	6,205		6,205	7,694	26,012
12 due to pension funds and social security entities	13,620		13,620	14,427	15,411
13 other liabilities	85,553	1,503	87,056	96,695	96,636
TOTAL DEBTS AND OTHER PAYABLES (D)	924,200	17,500	941,700	938,342	916,372
E) ACCRUED LIABILITIES AND DEFERRED INCOME					
1 accrued liabilities			5,485	6,281	5,902
2 deferred income			8,823	8,627	5,530
3 discounts on loans					
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)			14,308	14,908	11,432
TOTAL LIABILITIES			1,648,785	1,743,458	1,702,031
MEMORANDUM ACCOUNTS					
1 GUARANTEES AND SURETIES					
a) in favour of subsidiaries					
b) in favour of affiliated companies					2,673
c) in favour of third parties					26,000
2 COMMITMENTS					51,751
3 RISKS					
4 OTHERS					84,233
TOTAL MEMORANDUM ACCOUNTS					164,657
1) Total of items preceeded by lowercase letters and (in certain cases) by arabic numerals.				For the Board of Directors	
2) Total of items preceeded by arabic numerals and (in certain cases) by lowercase letters.				Chairman	
3) Total of items preceeded by romanic numerals and uppercase letters.				Leonardo Mondadori	



# INCOME STATEMENT

(in thousands of euros)	AS OF 30-Sep-2002	AS OF 30-Sep-2001	QUARTER FROM 1/7-30/9/2002	QUARTER FROM 1/7-30/9/2001
<b>A) PRODUCTION VALUE</b>				
1 INCOME FROM SALES OF GOODS AND SERVICES	1,084,309	1,165,052	363,304	372,346
2 CHANGES IN INVENTORY OF SEMI-FINISHED GOODS	-4,421	-1,502	-3,896	-2,564
3 CHANGES IN WIP TO ORDER	-79	4,906	-62	1,247
4 INCREASE IN INTERNAL INVESTMENTS	107	234	14	131
5 OTHER INCOME AND REVENUES				
a) operating grants	652	149	617	120
b) other income and revenues	34,307	33,361	11,585	10,521
<b>TOTAL PRODUCTION VALUE (A)</b>	<b>1,114,875</b>	<b>1,202,200</b>	<b>371,562</b>	<b>381,801</b>
<b>B) PRODUCTION COSTS</b>				
6 RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS	329,991	394,314	105,684	127,018
7 SERVICES	428,303	441,432	145,501	135,761
8 USE OF THIRD PARTY ASSETS	16,372	17,233	5,488	5,931
9 PERSONNEL				
a) wages and salaries	127,908	127,966	39,211	39,901
b) social contributions	38,850	39,716	12,154	12,619
c) severance indemnities	11,197	10,655	3,523	3,213
d) retirement benefits	45	26	2	
e) other costs	1,857	2,602	1,271	904
<b>TOTAL</b>	<b>179,857</b>	<b>180,965</b>	<b>56,161</b>	<b>56,637</b>
10 DEPRECIATIONS, AMORTISATION AND WRITEDOWNS				
a) amortisation of intangible assets	17,624	17,987	6,075	6,227
b) depreciation of fixed assets	27,065	26,781	9,360	9,665
c) other writedowns of assets		154		154
d) writedowns of doubtful accounts	5,966	7,278	2,014	2,135
<b>TOTAL</b>	<b>50,655</b>	<b>52,200</b>	<b>17,449</b>	<b>18,181</b>
11 CHANGES IN INVENTORY OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS	-2,281	4,611	-1,133	-353
12 PROVISIONS FOR RISKS	1,962	5,830	1,032	2,350
13 OTHER PROVISIONS	308	42	284	16
14 OTHER OPERATING EXPENSES	8,696	8,909	2,252	3,468
<b>TOTAL PRODUCTION COSTS (B)</b>	<b>1,013,863</b>	<b>1,105,536</b>	<b>332,718</b>	<b>349,009</b>
<b>DIFFERENCE BETWEEN PRODUCTION VALE AND PRODUCTION COSTS (A-B)</b>	<b>101,012</b>	<b>96,664</b>	<b>38,844</b>	<b>32,792</b>
<b>C) FINANCIAL INCOME AND CHARGES</b>				
15 INCOME FROM INVESTMENTS				
a) Subsidiaries				
b) Affiliated companies	57	109	57	109
c) Other investments		37		
<b>TOTAL</b>	<b>57</b>	<b>146</b>	<b>57</b>	<b>109</b>
16 OTHER FINANCIAL INCOME				
a) from long term receivables				
* Subsidiaries				
* Affiliated companies				
* Parent companies				
* Other companies	91	97	19	17
<b>TOTAL</b>	<b>91</b>	<b>97</b>	<b>19</b>	<b>17</b>
b) from long term securities				
c) from short term securities	7,645	13,198	3,493	1,894
d) Other income				
* Subsidiaries	16	19	5	-88
* Affiliated companies	399	203	136	157
* Parent companies				
* Other companies	7,307	6,325	2,577	1,721
<b>TOTAL</b>	<b>7,722</b>	<b>6,547</b>	<b>2,718</b>	<b>1,790</b>
<b>TOTAL</b>	<b>15,458</b>	<b>19,842</b>	<b>6,230</b>	<b>3,701</b>
17 INTEREST AND FINANCIAL CHARGES				
a) Subsidiaries	4	5	1	1
b) Affiliated companies	271	292	81	108
c) Parent companies				
d) Other companies	14,409	17,120	5,849	6,111
<b>TOTAL</b>	<b>14,684</b>	<b>17,417</b>	<b>5,931</b>	<b>6,220</b>
<b>TOTAL FINANCIAL INCOME AND (CHARGES) (C)</b>	<b>831</b>	<b>2,571</b>	<b>356</b>	<b>-2,410</b>

## INCOME STATEMENT (contd.)

(in thousands of euros)	AS OF 30-Sep-2002	AS OF 30-Sep-2001	QUARTER FROM 1/7-30/9/2002	QUARTER FROM 1/7-30/9/2001
<b>D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS</b>				
18 REVALUATIONS				
a) investments	3,350	3,572	1,289	1,088
b) other long term financial assets				
c) securities		3,481		3,481
<b>TOTAL</b>	<b>3,350</b>	<b>7,053</b>	<b>1,289</b>	<b>4,569</b>
19 WRITEDOWNS				
a) investments	8,508	5,559	2,497	839
b) other long term financial assets				
c) securities	7,663	7,406	3,402	4,738
<b>TOTAL</b>	<b>16,171</b>	<b>12,965</b>	<b>5,899</b>	<b>5,577</b>
<b>TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)</b>	<b>-12,821</b>	<b>-5,912</b>	<b>-4,610</b>	<b>-1,008</b>
<b>E) EXTRAORDINARY ITEMS</b>				
20 INCOME				
a) Gains on disposals	1,636	894		77
b) Other long term financial assets	1,427	4,170	457	3,294
<b>TOTAL</b>	<b>3,063</b>	<b>5,064</b>	<b>457</b>	<b>3,371</b>
21 CHARGES				
a) Losses on disposals				
b) Taxation relative to prior years	77	35	7	
c) Others	816	62		47
<b>TOTAL</b>	<b>893</b>	<b>97</b>	<b>7</b>	<b>47</b>
<b>TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)</b>	<b>2,170</b>	<b>4,967</b>	<b>450</b>	<b>3,324</b>
<b>PROFIT BEFORE TAX</b>	<b>91,192</b>	<b>98,290</b>	<b>35,040</b>	<b>32,698</b>
<b>22 INCOME TAX FOR THE PERIOD</b>				
<b>23 RESULT FOR THE PERIOD</b>				
<b>NET PROFIT (LOSS) FOR THE PERIOD PERTAINING TO MINORITY INTERESTS</b>				
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>				

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

Leonardo Mondadori