

ARNOLDO MONDADORI EDITORE S.p.A.

Share capital €67,451,756.32

Head Offices in Milan

Administrative Offices in Segrate (MI)

Quarterly report as of 30 September 2003

Segrate, 13 November 2003

Corporate Boards

Board of Directors

Chairman

Marina Berlusconi

Vice Chairman and Chief Executive

Maurizio Costa

Directors

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Pier Silvio Berlusconi

Pasquale Cannatelli

Fedele Confalonieri

Bruno Ermolli

Martina Forneron Mondadori

Roberto Poli

Giovanni Puerari

Mario Resca

Marco Spadacini

(*) Secretary

Board of Statutory Auditors

Chairman

Achille Frattini

Acting Statutory Auditors

Antonio Aiello

Ferdinando Superti Furga

Substitute Statutory Auditors

Francesco A. Giampaolo

Francesco Vittadini

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

The Mondadori Group's business activities

Mondadori has again recorded brilliant results in the third quarter of the current year, both in terms of sales and profitability, confirming the positive performance recorded in the first six months of 2003.

In fact in the third quarter, July-September, gross operating profit increased by 5.5% compared with the same period of 2002 (15.7% as a proportion of revenues, compared with the 15% of the third quarter of last year). In the same period there was also a 4.2% increase in operating profit (12.8% as a proportion of revenues, compared with 12.4% the previous year).

In the first nine months of 2003 **consolidated revenues** reached €1,119.6 million, an increase of 3.3% on the €1,083.5 million of the same period of last year.

Gross operating profit for the period came to €151 million, up 1.7% on the €148.5 million at 30 September 2002. As a proportion of revenues this represents a move from 13.7% in 2002 to 13.5% for 2003. It should be noted that for a correct interpretation of these figures it is necessary to take account of significant non-recurring expenses – entirely booked for the current year – relative to the launch of the new magazine titles *Flair*, *Flair Living* and *Economy*.

Operating profit came to €122.1 million, a figure that is essentially in line with that of the same period of the previous year (+0.3%); 10.9% as a proportion of revenues compared with the 11.2% of 2002. This result was partly due to a 7.8% growth in depreciations, which increased from €26.8 million to €28.9 million.

Pre-tax profit for the period came to €101.5 million, compared with €91.2 in the previous year, an increase of 11.3%. A number of factors had a positive effect on these results, including: better financial management, improved performances by joint ventures valued at equity and extraordinary income linked to marginal non-strategic activities.

The Group's **net financial position** as of 30 September 2003 showed a surplus of €25.5 million, a reduction on the €57.3 million figure in the same period of last year. This is the result of investments in share buy-backs made in the last 12 months, which amounted to €40.3 million, the acquisition of a 20% stake in the Greek publishing group Attica Publications for approximately €18 million and the acquisition for €4.4 million of the brand *PC Professionale*, published by Mondadori since 1991 under licence from Ziff Davis Publishing Holdings.

The **Book Division** confirmed the excellent results of all the companies of the group with an overall increase of 5.4% compared with the same period of the previous year. In particular, Mondadori and Einaudi performed particularly well, with increases in sales of 6.1% and 15.0% respectively.

Electa registered a positive performance in the printing and museum services sectors, which also saw a decrease in low-profit business activities linked to the organisation of Important Exhibitions. The Sperling & Kupfer Group also increased sales, particularly in the non-fiction sector.

The educational publishing division registered excellent results in the lower-middle and upper-middle school sectors, while the infant and elementary school sectors registered sluggish sales compared with the results of the book adoption campaign.

During the period the **Magazine Division** recorded a growth in circulation figures, which increased by 7.9% compared with the same period of last year. This result was partly due to the contribution of optional add-on sales of DVDs, music CDs and videocassettes and the positive performances of new titles.

In **advertising revenues**, though the 5.8% decrease compared with the first nine months of 2002, the slow improvement compared with the first six months of the year continued. However, if the sales for *Famiglia Cristiana* (the contract which was not renewed in 2003) are excluded, the shortfall is 1.3%

In the third quarter of the year the advertising market for all printed media showed some signs of recovery compared with the same period of the previous year, inverting the negative performance registered in the last two years. In this context, the recovery is expected to be confirmed in the last quarter of the year.

The **Printing Division**, in spite of the unfavourable economic scenario, registered a 1.3% increase in revenues. A weakness in demand for printing continues to characterise the market, with a strong impact on prices and competition.

In the **Direct Division** the Group registered a 15.8% increase in sales. While the market for mail order books remained essentially stable and Mondadori maintained its leadership position, in the direct marketing services sector Cemit Interactive Media recorded a significant increase in revenues. In the retail area Mondadori Franchising and Mondadori Retail recorded an overall increase of 22.1%, thanks to new affiliations and the opening of new sales outlets, as well as to an increase in sales through existing outlets.

A more detailed analysis of the Group's various business activities is provided in the following pages.

The following table illustrates the information referred to above.

Reclassified income statement in millions of euros	Third quarter			As of 30 September		
	2003	2002	% change	2003	2002	% change
Sales revenues	365.7	363.2	0.7%	1,119.6	1,083.5	3.3%
Personnel costs	56.0	55.6	0.7%	181.4	178.1	1.9%
Cost of sales and operating costs	252.4	253.3	(0.4%)	787.2	756.9	4.0%
Gross operating profit	57.3	54.3	5.5%	151.0	148.5	1.7%
<i>As a proportion of revenues</i>	<i>15.7%</i>	<i>15.0%</i>		<i>13.5%</i>	<i>13.7%</i>	
Technical depreciations	10.4	9.3	11.8%	28.9	26.8	7.8%
Operating profit	46.9	45.0	4.2%	122.1	121.7	0.3%
<i>As a proportion of revenues</i>	<i>12.8%</i>	<i>12.4%</i>		<i>10.9%</i>	<i>11.2%</i>	
Depreciations of intangible assets	5.8	5.9	(1.7%)	17.0	17.1	(0.6%)
Net financial income (charges)	(3.9)	(3.2)	21.9%	(3.4)	(6.9)	(50.7%)
Other income (charges), net	1.1	1.1	-	1.9	(1.5)	n.a.
Extraordinary income (charges), net	0.1	(0.3)	n.a.	1.4	(0.1)	n.a.
Internet activities	(1.0)	(1.7)	(41.2%)	(3.5)	(4.9)	(28.6%)
Pre-tax profit	37.4	35.0	6.9%	101.5	91.2	11.3%
<i>As a proportion of revenues</i>	<i>10.2%</i>	<i>9.6%</i>		<i>9.1%</i>	<i>8.4%</i>	
Gross cash flow	53.6	50.2		147.4	135.1	

Accounting principles and evaluation criteria adopted

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

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

Some of the data referring to last year have been reclassified in order to make it easier to compare with the data for this year.

Business volumes for each business activity	Millions of euros 30 September 2003	Millions of euros 30 September 2002	% change
Books	258.6	245.3	5.4%
Magazines	609.6	597.2	2.1%
Printing	323.7	319.4	1.3%
Direct	111.9	96.6	15.8%
Others	10.9	16.0	(31.9%)
Total revenues	1,314.7	1,274.5	3.2%
Intergroup revenues	(195.1)	(191.0)	2.1%
Total consolidated revenues	1,119.6	1,083.5	3.3%

Business volumes by geographical area	Millions of euros 30 September 2003	Millions of euros 30 September 2002	% change
Italy	1,025.8	979.1	4.8%
EU countries	77.3	86.7	(10.8%)
USA	8.4	10.4	(19.2%)
Other countries	8.1	7.3	11.0%
Total consolidated revenues	1,119.6	1,083.5	3.3%

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

Book Division

Sales in the **Book Division** for the first nine months of 2003 amounted to €258.6 million, an increase of 5.4%.

As of 30 September 2003 **Edizioni Mondadori** increased sales by 6.1% (from €79.3 million in 2002 to €84.1 in 2003). In the third quarter of the year the publishing house also reinforced and increased its market share, thanks to the success of the titles it published.

Among these particular mention must be made of the Totti phenomenon (*Tutte le barzellette su Totti*), a marketing operation for charitable purposes invented by Mondadori that is about to register sales of 800,000 copies.

While awaiting the film that is due out in March, Margaret Mazzantini continued her triumphant success thanks to the re-launch of *Non ti muovere* in the *Mito* paperback version, which has already sold a total of close to one million copies.

Excellent results were also registered by new authors such as Sophie Kinsella and Chuck Palahniuk, and more established authors of the calibre of David Grossman.

During the period *Oscar* increased its already notable market share by half a percent, moving from 10.6% of copies in 2002 to the current figure of 11.1%.

In the first nine months of 2003, **Einaudi** registered a significant increase in sales (+15.2%), thanks to an improvement in all the areas it is involved in: sales in bookshop and large-scale retail outlets increased by 8.3%, instalment sales increased by 3% and sales from the disposal of rights quadrupled.

During the period some of the most successful titles were *Il lato sinistro del cuore* by Lucarelli, *L'animale morente* by Roth, *L'uomo duplicato* by Saramago, *Little Boy Blue* by Bunker, *Come prima delle madri* by Simona Vinci, *Il libro delle illusioni* by Auster and *Il fiore del desiderio* by Divakaruni, while *Lo strano caso del cane ucciso a mezzanotte* by Haddon and *Il tuo volto domani* by Marias were two of the most successful titles published in September.

The **art books and exhibition organisation** division registered a 10.5% decrease compared with the figure at September 2002, as a result of less activity in the Important Exhibitions sector. However this figure represents an improvement when compared with the -15.2% decrease registered at June 2003.

An analysis of the overall results confirms the positive performance of the book and Cultural Assets sectors, thanks to the results obtained in running museum services and in organising Important Exhibitions (the *Nike* exhibition at the Colosseum and the catalogue for the *Metafisica* exhibition at the Scuderie del Quirinale in Rome).

Net sales for the **Sperling & Kupfer** Group for the first nine months of 2003 amounted to €19.3 million, an increase of 3.2% compared with the previous year.

The increase in sales was mainly due to the non-fiction sector where Hillary Rodham Clinton's book registered excellent sales, with 6 reprints.

Good results were also obtained from the disposal of rights, particularly abroad, and from the new low-price hardcover books on sale at newsstands.

The **educational publishing** sector registered sales in line with the previous year, with the customary controversy about "expensive books" that takes place every summer being even more heated than in recent years.

Good results were obtained for sales of lower-middle school (+8.0% compared with 2002) and upper-middle school textbooks (+5.1%), confirming the positive trend for set books in these two areas of the market.

The excellent results of the 2003 adoption campaign for set books for infant and elementary schools have not yet been reflected in a corresponding increase in net sales, which as of September actually registered a decrease compared with the same period in 2002.

The period January-September 2003 saw confirmation of the reliability and efficiency of Mondadori's **distribution** system both in terms of the number of copies handled, which increased by over 10% compared with the previous year, and delivery.

The increase in sales was largely due the performance Baldini & Castoldi titles.

Magazine Division

In the first nine months of 2003 the Magazine Division registered total sales of €609.6 million, an increase of 2.1% compared with the figure of €597.2 million in 2002.

Magazines	Millions of euros 30 September 2003	Millions of euros 30 September 2002	% change
Circulation	372.2	345.1	7.9%
Advertising	237.4	252.1	(5.8%)
Total magazines	609.6	597.2	2.1%

Circulation

Very positive sales results were obtained in the third quarter of the year, with circulation figures increasing at the same levels as the reference market (+0.6%).

Optional add-on products continued to register excellent results particularly for those linked to women's titles, which fully exploited the favourable summer period.

Mondadori was the first publishing company to use newsstands to exploit this type of product, an initiative which has since been copied by the company's direct competitors.

During the quarter *TV Sorrisi e Canzoni* launched an important new initiative, co-producing an "original" music CD with a record company. The CD was launched simultaneously on newsstands and in record shops, as a result of which it topped the hit parade for many weeks. The new titles launched during 2003 have confirmed forecasted results both in terms of marketing position and sales.

In particular, *Flair* became the market leader in the newsstand sector, overtaking its traditional competitors, while *Economy* consolidated its authoritative position both with advertising clients and consumers.

Among all the initiatives special mention should be made of the approval demonstrated by readers for the restyling of *Grazia*, which increased its circulation figures (+7.2%) and bucked the market trend, and the extra issue of *Chi* published in August, which was designed to satisfy the high summer demand from both readers and advertising clients.

Advertising

During the third quarter of the year advertising investments increased for the first time in some years, with good results registered during the summer months resulting in an increase compared with last year.

The results for the first nine months of the year for Mondadori advertising revenues registered an overall decrease of -5.8% compared with 2002 (-1.3% on a comparable basis, after taking away the advertising revenues for *Famiglia Cristiana* from the total for 2002), an improvement on the figure of -7.7% (-2.6% on a comparable basis) for the first quarter and of -6.9% (-2.0% on a comparable basis) for the first six months, which was largely due to the excellent results obtained by the new titles *Flair*, *Flair Living*, *Economy* and *Evo* and to the good performances of *TV Sorrisi e Canzoni*, *Donna Moderna*, *Chi*, *Tu* and *Cosmopolitan*.

The recovery seen in the advertising market increases the expectation that the last quarter of the year will also produce positive results.

Printing Division

In the third quarter of 2003 the GDP and consumer spending in European countries continued to suffer from the negative economic climate, a situation that was reflected in production performances in general and in the printing industry in particular.

As a result of this competition in the sector continued to be very strong, even if printing demand, particularly during the second half of the quarter, benefited from the favourable time of the year.

At the same time, international markets for illustrated books continued to be very difficult for European printers due to the weak exchange rates of the dollar and sterling.

However, the Italian market showed some signs of recovery and it was supported by a strong demand for both monochrome and illustrated hardback books sold as optional add-on products with newspapers at newsstands.

During the third quarter of the year the cost of paper fell slightly, favouring those publishers and companies involved in catalogue sales.

During the period, the Printing Division registered an increase in sales compared with the same period in 2002, with a reduction in the amount of foreign business (sterling and dollar areas) and an increase in sales in Italy (hardback books and magazines).

As of 30 September 2003 total sales amounted to €323.7 million, representing a slight increase compared with 2002.

Sales to Foreign Clients, however, amounted to €76.8 million, a decrease compared with 2002 that was in line with the division's commercial policy and the consequences of the strong Euro.

The following table illustrates the sales figures for the different types of printed products, net of the cost of paper and shipping:

Printing revenues net of paper costs	Millions of euros 30 September 2003	Millions of euros 30 September 2002	% change
Magazines	91.2	84.2	8.3%
Books	54.6	52.7	3.6%
Catalogues and promotional material	19.5	20.8	(6.2%)
Directories	3.7	4.0	(7.5%)
Total printing sales	169.0	161.7	4.5%

The performances achieved were in line with market trends, while the division's production capacity was satisfactorily utilised.

Direct Division

In this area the Mondadori Group maintained a high level of growth, recording an increase in sales of 15.8% since the beginning of the year.

With its 6 clubs and 1.5 million members, **Mondolibri** registered sales and membership figures that were in line with the previous year.

In July the company finalised the purchase of “Piemme Direct”, which specialises mainly in mail-order sales of religious books. Overall sales were only marginally affected by this operation, since the integration process will only be fully completed during the last part of the year.

During the first nine months of 2003, despite the continuing slump in investments in the communication market, **Cemit Interactive Media** registered a further increase in turnover, partly as a result of the decision to anticipate some activities that were originally planned for the last part of the year.

Mondadori Franchising registered a notable increase in sales thanks to the opening of new affiliations (which increased from 114 to 126), and to an increase in sales from existing bookshops as a result of successful promotional campaigns.

Consequently, sales are expected to increase over the next few months in comparison with the previous year.

Mondadori Retail registered an appreciable increase in sales (+16.0%) thanks to the consolidated presence of its shops throughout the country (+2.5% compared with the previous year) and to the opening of new sales outlets.

In October a new shop was opened in Casalecchio di Reno (Bologna), dedicated to book products.

Direct	Millions of euros 30 September 2003	Millions of euros 30 September 2002	% change
Mondolibri SpA (proportional)	31.1	30.9	0.6%
Cemit Interactive Media SpA	20.6	16.4	25.6%
Total direct marketing	51.7	47.3	9.3%
Mondadori Franchising SpA	17.4	12.4	40.3%
Mondadori Retail Srl	42.8	36.9	16,0%
Total retail	60.2	49.3	22.1%
Total direct	111.9	96.6	15.8%

Financial situation

The Mondadori Group's financial situation as of 30 September 2003 showed a profit of €25.5 million, as illustrated in the following table:

Net financial position in millions of euros	30-09-2003	30-06-2003	31-12-2002	30-09-2002
Short term bank deposits	33.8	24.7	85.5	187.1
Short term borrowing from banks	(13.3)	(29.3)	(21.3)	(19.8)
Financing (short and medium/long term)	(471.5)	(468.0)	(369.5)	(428.6)
	(451.0)	(472.6)	(305.3)	(261.3)
Fixed interest securities	469.1	464.7	407.3	300.2
Cash, post office accounts, net receivables from affiliates and third parties and accrued interest income	7.4	14.2	7.3	18.4
Net financial position	25.5	6.3	109.3	57.3

The third quarter of the year was characterised by an economic recovery in America that resulted in a 7.2% increase (the biggest increase in the last twenty years) and the increasingly important presence of China (the driving force behind the Asian recovery with an increase of 8%).

In the euro area the increase in the third quarter of the year amounted to around 1.0%, with unemployment at just under 9% and inflation at 2.0%.

In this macroeconomic context, during the third quarter of the year the dollar initially increased from 1.16 to 1.08 before falling to 1.17 against the euro. Since the beginning of the year the dollar has decreased by 12%, falling from 1.04 at the beginning of January to 1.17 at the end of September. Sterling maintained its level of 0.70 during the three-month period, varying between 0.69 and 0.71, although it has decreased by 8% since the beginning of the year in falling from 0.65 at the beginning of January to 0.70 at the end of September.

As far as the three-month Euribor rate is concerned, it changed from 2.147% at the end of June 2003 to 2.128% at the end of September 2003 (with an average value of 2.139%). Since the beginning of the year the average cost of money for the Mondadori Group (including the risk cover structure for interest rates and government-supported loans) amounted to 3.127%.

As of 30 September 2003, credit facilities available to the Group amounted to approximately €985 million.

As of 30 September 2003 18% of the Group's short-term credit facilities, amounting to a total of €565 million, were used 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 €420 million were almost totally made up (€400 million) of a revolving multi-currency credit facility with a duration of five years (2000-2005) and subsidised loans for publishers (€19 million), in accordance with Law 416/81. As of 30 September 2003 approximately 93% of these had been used.

In September Mondadori Finance, which is controlled by Mondadori International, issued a debenture loan convertible in ordinary shares already issued by Arnoldo Mondadori Editore SpA, for a value of €109.9 million with a 2% annual coupon that expires in October 2008.

Personnel

The following table shows details of changes in Group personnel over the last twelve months. Since the beginning of the year there has been a significant decrease in personnel, which mainly concerns the number of manual workers employed.

Personnel	30-09-2003	30-06-2003	31-12-2002	30-09-2002
Arnoldo Mondadori Editore SpA:				
- Managers, journalists and office staff	1,542	1,461	1,459	1,461
- Manual workers	145	146	165	167
	1,687	1,607	1,624	1,628
Italian subsidiaries:				
- Managers, journalists and office staff	1,582	1,675	1,701	1,686
- Manual workers	1,269	1,301	1,307	1,317
	2,851	2,976	3,008	3,003
Foreign subsidiaries:				
- Managers, journalists and office staff	38	38	37	37
- Manual workers	121	122	123	125
	159	160	160	162
Total	4,697	4,743	4,792	4,793

Capital expenditures

As of 30 September 2003 the Group made investments in technical assets of €24.3 million, €18.1 million of which was for printing machinery, while the majority of disposals were also concerned with the Printing Division (€4.6 million out of a total of €7.2 million).

Significant events during the current three-month period

On 14 October, after obtaining legal authorisation and following the positive results of due diligence, Arnoldo Mondadori Editore SpA completed the purchase of 70% of the share capital of Edizioni Piemme SpA.

At the end of October Mondadori completed the successful bond issue reserved exclusively for American professional investors, for a total of \$350 millions.

The bonds were issued by the subsidiary company Mondadori International SA, at competitive rates and with *tranches* with expiry dates of 10, 12 and 15 years.

These long-term loans are designed to replace the revolving loan that expires at the end of 2004.

Probable development of business activities

The performance of various Group sectors in the first nine months of the year would suggest that income for 2003 will be substantially in line with the result registered for the previous year.

For the Board of Directors

Chairman

Marina Berlusconi

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

BALANCE SHEET

ASSETS

(in thousands of euros)	PERIOD UP TO 30 SEPTEMBER 2003		PERIOD UP TO		YEAR ENDED
	Sub total		TOTAL	30 SEPTEMBER 2002	31 DECEMBER 2002
	1	2	3		
A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL					
B) NON-CURRENT ASSETS					
I- INTANGIBLE ASSETS					
1 start-up and expansion costs		152		1,161	781
2 research, development and advertising costs					
3 industrial patents and intellectual property rights		1,008		1,078	1,294
4 concessions, licences and trade marks		128,644		135,407	132,272
5 goodwill		9,226		13,007	10,827
6 assets under construction and advances		5		165	1,428
7 others		4,809		6,433	6,131
8 consolidation differences		9,103		12,385	11,423
TOTAL			152,947	169,636	164,156
II- FIXED ASSETS					
1 land and buildings		80,346		85,899	83,142
2 plant and machinery		91,074		94,140	96,298
3 industrial and commercial equipment		2,311		2,046	2,071
4 other assets		16,738		18,728	18,200
5 assets under construction and advances		6,151		7,707	2,946
TOTAL			196,620	208,520	202,657
III- FINANCIAL ASSETS					
1 investments in :					
a) subsidiary companies		746		1,512	186
b) associated companies		70,505		55,916	58,432
c) other companies		213		849	851
TOTAL		71,464		58,277	59,469
2 current receivables					
a) from subsidiary companies					
b) from associated companies					
c) from parent companies					
d) from other companies	1,275	5,531	6,806	7,914	7,395
TOTAL	1,275	5,531	6,806	7,914	7,395
3 other securities				3	3
4 treasury stock			98,203	57,930	59,472
TOTAL			176,473	124,124	126,339
TOTAL NON-CURRENT ASSETS (B)			526,040	502,280	493,152

ASSETS

(in thousands of euros)	PERIOD UP TO 30 SEPTEMBER 2003		TOTAL	PERIOD UP TO	YEAR ENDED
	Sub total	Sub total		30 SEPTEMBER 2002	31 DECEMBER 2002
	1	2		3	
C) CURRENT ASSETS					
I- INVENTORIES					
1 raw materials		12,148		12,043	12,681
2 semi-finished products, work in progress		22,907		21,456	29,230
3 contract work in progress		8,000		9,749	8,680
4 finished products and goods		74,010		72,947	70,535
5 advances					9
TOTAL			117,065	116,195	121,135
		within 12 months	over 12 months		
II- RECEIVABLES					
1 trade accounts	350,228	14,643	364,871	374,845	339,295
2 due from subsidiaries	255		255	555	36
3 due from associated companies	44,575		44,575	39,924	46,948
4 due from parent companies				2	
5 due from third parties	148,237	356	148,593	120,555	117,993
TOTAL	543,295	14,999	558,294	535,881	504,272
III- FINANCIAL ASSETS (CURRENT)					
1 investments in subsidiaries					
2 investments in associated companies					
3 other investments					
4 treasury stock					
5 other securities			469,116	300,192	407,296
TOTAL			469,116	300,192	407,296
IV- CASH AND EQUIVALENTS					
1 cash, banks and postal accounts			34,581	187,760	85,547
2 cheques					53
3 cash and commercial papers in hand			103	177	136
TOTAL			34,684	187,937	85,736
TOTAL CURRENT ASSETS (C)			1,179,159	1,140,205	1,118,439
D) ACCRUED INCOME AND PREPAYMENTS					
1 accrued income			831	1,857	336
2 prepaid expenses			3,135	3,444	9,205
3 premium on loans			636	999	908
TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)			4,602	6,300	10,449
TOTAL ASSETS			1,709,801	1,648,785	1,622,040

BALANCE SHEET LIABILITIES

(in thousands of euros)	PERIOD UP TO 30 SEPTEMBER 2003		TOTAL	PERIOD UP TO	YEAR ENDED
	Sub total	Sub total		30 SEPTEMBER 2002	31 DECEMBER 2002
	1	2		3	
A) SHAREHOLDERS' EQUITY					
I- SHARE CAPITAL			67,452	67,452	67,452
II- SHARE PREMIUM RESERVE			189,021	229,335	227,793
III- REVALUATION RESERVE			16,712	16,712	16,712
IV- LEGAL RESERVE			13,490	13,490	13,490
V- RESERVE FOR TREASURY STOCK			98,244	57,930	59,472
VI- STATUTORY RESERVE					
VII- OTHER RESERVES					
1) Extraordinary reserve		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		5,052	5,335
5) Reserve Law 124/93 art. 13		73		53	53
6) Merger reserve		478			478
7) Other reserves		-3,675		-2,249	-3,047
			12,577	3,958	3,921
VIII- PROFIT (LOSS) CARRIED FORWARD			72,342	62,847	62,017
IX- PROFIT (LOSS) FOR THE PERIOD					
1) gross profit for the period			101,522	91,192	
2) profit for the year					81,074
CONSOLIDATED GROUP SHAREHOLDERS' EQUITY			571,360	542,916	531,931
MINORITY INTEREST			357	350	357
TOTAL SHAREHOLDERS' EQUITY (A)			571,717	543,266	532,288
B) RESERVE FOR RISKS AND CHARGES					
1 retirement benefits		964		934	938
2 income taxes		14,919		19,274	23,100
3 other		26,503		27,308	27,924
TOTAL RESERVE FOR RISKS AND CHARGES (B)			42,386	47,516	51,962
C) RESERVE FOR SEVERANCE INDEMNITIES			103,837	101,995	101,789
D) DEBTS AND OTHER PAYABLES					
1 bonds					
2 convertible bonds					
3 due to banks	468,582	16,282	484,864	448,408	390,795
4 due to third parties					
5 advances	30,048		30,048	30,349	35,247
6 trade accounts	299,973	96	300,069	324,814	319,645
7 debts represented by credit instruments					
8 due to subsidiaries	61		61	294	195
9 due to associated companies	39,668		39,668	30,948	48,162
10 due to parent companies				6	9
11 income taxes payable	6,601		6,601	6,205	17,263
12 due to pension funds and social security institutions	14,055		14,055	13,620	16,619
13 other liabilities	102,273	3,876	106,149	87,056	95,411
TOTAL DEBTS AND OTHER PAYABLES (D)	961,261	20,254	981,515	941,700	923,346
E) ACCRUED LIABILITIES AND DEFERRED INCOME					
1 accrued liabilities		5,296		5,485	6,746
2 deferred income		5,050		8,823	5,909
3 discounts on loans					
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)			10,346	14,308	12,655
TOTAL LIABILITIES			1,709,801	1,648,785	1,622,040
MEMORANDUM ACCOUNTS					
1 GUARANTEES AND SURETIES					
a) in favour of subsidiaries					
b) in favour of associated 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.

For the Board of Directors

2) Total of items preceded by arabic numerals and (in certain cases) by lowercase letters.

Chairman

3) Total of items preceded by romanic numerals and uppercase letters.

Marina Berlusconi

INCOME STATEMENT

(in thousands of euros)

	PERIOD UP TO 30 SEPTEMBER 2003	PERIOD UP TO 30 SEPTEMBER 2002	THREE-MONTH PERIOD 1/7-30/9/2003	THREE-MONTH PERIOD 1/7-30/9/2002
A) PRODUCTION VALUE				
1 REVENUES FROM SALES OF GOODS AND SERVICES	1,121,226	1,084,309	366,290	363,304
2 CHANGES IN INVENTORY OF SEMI-FINISHED GOODS	-2,937	-4,421	-2,881	-3,896
3 CHANGES IN CONTRACT WORK IN PROGRESS	-680	-79	338	-62
4 INCREASE IN COMPANY-PRODUCED ADDITIONS TO FIXED ASSETS	118	107	29	14
5 OTHER INCOME AND REVENUES				
a) operating grants	1,341	652	119	617
b) other income and revenues	27,590	34,307	8,803	11,585
TOTAL PRODUCTION VALUE (A)	1,146,658	1,114,875	372,698	371,562
B) PRODUCTION COSTS				
6 RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS	346,398	329,991	109,844	105,684
7 SERVICES	434,168	428,303	137,012	145,501
8 USE OF THIRD PARTY ASSETS	16,877	16,372	5,496	5,488
9 PERSONNEL				
a) wages and salaries	128,985	127,908	39,323	39,211
b) social contributions	40,277	38,850	12,456	12,154
c) severance indemnities	11,253	11,197	3,890	3,523
d) retirement benefits	26	45	17	2
e) other costs	2,317	1,857	877	1,271
TOTAL	182,858	179,857	56,563	56,161
10 DEPRECIATIONS, AMORTISATION AND WRITEDOWNS				
a) amortisation of intangible assets	17,108	17,624	5,814	6,075
b) depreciation of fixed assets	29,276	27,065	10,550	9,360
c) other writedowns of assets				
d) writedowns of doubtful accounts	6,425	5,966	1,703	2,014
TOTAL	52,809	50,655	18,067	17,449
11 CHANGES IN INVENTORY OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS	412	-2,281	1,530	-1,133
12 PROVISIONS FOR RISKS	2,227	1,962	1,079	1,032
13 OTHER PROVISIONS	23	308	8	284
14 OTHER OPERATING EXPENSES	8,650	8,696	2,362	2,252
TOTAL PRODUCTION COSTS (B)	1,044,422	1,013,863	331,961	332,718
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)	102,236	101,012	40,737	38,844
C) FINANCIAL INCOME AND CHARGES				
15 INCOME FROM EQUITY INVESTMENTS				
a) Subsidiaries				
b) Associated companies		57		57
c) Other investments				
TOTAL		57		57
16 OTHER FINANCIAL INCOME				
a) from long term receivables				
* Subsidiaries				
* Associated companies				
* Parent companies				
* Other companies	79	91	22	19
TOTAL	79	91	22	19
b) from long term securities				
c) from short term securities	11,217	11,289	1,616	5,176
d) Other income				
* Subsidiaries		16		5
* Associated companies	323	399	109	136
* Parent companies				
* Other companies	10,987	7,307	1,761	2,577
TOTAL	11,310	7,722	1,870	2,718
TOTAL	22,606	19,102	3,508	7,913
17 INTEREST AND FINANCIAL CHARGES				
a) Subsidiaries	26	4	-1	1
b) Associated companies	254	271	53	81
c) Parent companies				
d) Other companies	24,359	16,936	6,565	7,885
TOTAL	24,639	17,211	6,617	7,967
TOTAL FINANCIAL INCOME AND (CHARGES) (C)	-2,033	1,948	-3,109	3

INCOME STATEMENT (continued)

(in thousands of euros)

	PERIOD UP TO 30 SEPTEMBER 2003	PERIOD UP TO 30 SEPTEMBER 2002	THREE-MONTH PERIOD 1/7-30/9/2003	THREE-MONTH PERIOD 1/7-30/9/2002
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS				
18 REVALUATIONS				
a) equity investments	3,766	3,350	1,244	1,289
b) other long term financial assets				
c) securities				
TOTAL	3,766	3,350	1,244	1,289
19 WRITEDOWNS				
a) equity investments	7,008	8,508	2,110	2,497
b) other long term financial assets				
c) securities	766	8,780	766	3,049
TOTAL	7,774	17,288	2,876	5,546
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	-4,008	-13,938	-1,632	-4,257
E) EXTRAORDINARY ITEMS				
20 INCOME				
a) Gains on disposals	3,381	1,636	1,200	
b) Other	2,136	1,427	260	457
TOTAL	5,517	3,063	1,460	457
21 CHARGES				
a) Losses on disposals				
b) Taxation relative to prior years	22	77		7
c) Others	168	816	-2	
TOTAL	190	893	-2	7
TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)	5,327	2,170	1,462	450
PROFIT BEFORE TAX	101,522	91,192	37,458	35,040
22 INCOME TAX FOR THE PERIOD				
23 RESULT FOR THE PERIOD				
NET PROFIT (LOSS) FOR THE PERIOD PERTAINING TO MINORITY INTERESTS				
NET PROFIT (LOSS) FOR THE PERIOD				

- 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