



**THIRD QUARTER 2004**

**FINANCIAL REPORT**

## Board of Directors report on group operations for the third quarter ended September 30<sup>th</sup> 2004

In the first nine months of 2004 Group Ebitda was up by 15.9% to € 44,99 m (€ 38,83 m in the third quarter 2003). Group Ebit increased by 14.8% to € 24,0 m from € 20,91 m of the same period of last year. Group net sales increased by +6.7% to € 192,84 m from €180,75 m in the third quarter of last year . Ebitda margin increased to 23.3% from 21.5% in Q3 2003..

### 9 months 2004 highlights

<i>Euro 000</i>	<b>Jan-Sept 2004</b>	<b>Jan-Sept 2003</b>	<b>Δ %</b>
<b>Net Sales</b>	<b>192.844</b>	180.747	6,7%
of which:			
• Circulation	61.576	58.809	4,7%
• Advertising	124.310	116.845	6,4%
• Other revenues	6.958	5.093	36,6%
<b>Ebitda</b>	<b>44.993</b>	38.831	15,9%
<b>Ebit</b>	<b>24.002</b>	20.907	14,8%

<i>Euro 000</i>	<b>30/09/04</b>	<b>31/12/03</b>	<b>30/06/04</b>
Marketable securities	<b>14</b>	9	14
Cash/deposits	<b>485.976</b>	545.509	484.782
Long term borrowings	<b>(80.541)</b>	(82.358)	(80.541)
Short term borrowings	<b>(15.966)</b>	(21.187)	(28.244)
<b>Net Financial Position</b>	<b>389.483</b>	<b>441.973</b>	<b>376.011</b>

Group Net Financial Position on September 30<sup>th</sup> 2004 reached € 389,48 m (lower than € 441,97m reached on December 31<sup>th</sup> 2003 but higher than June 2004, when it was € 376,01). The decline from December year end was due to the following: a/ € 25 m dividend payout; b/, € 24 m acquisition of Società Editoriale Adriatica S.p.A. (editing "Il Corriere Adriatico"); c/ € 44m financial investments, net of operating cash inflow. The increase from June 30<sup>th</sup> 2004 is due to good trading conditions.

## Results for the third quarter of 2004

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Third quarter results increased compared to the same period of 2003: Group Ebitda increased by 11.7% to €9,65 m (€8,63 m in Q3-2003); Group net sales increased by 6.3% to €57,51 m (€54,10 m in Q3-2003).

### Q3- 2004 highlights

<i>Euro 000</i>	<b>Jul-Sept 2004</b>	<b>Jul-Sept 2003</b>	<b>Δ %</b>
<b>Net Sales</b>	<b>57.508</b>	54.100	6,3%
of which:			
• Circulation	20.548	19.522	5,3%
• Advertising	34.174	33.001	3,6%
• Other revenues	2.786	1.577	76,7%
<b>Ebitda</b>	<b>9.648</b>	8.635	11,7%
<b>Ebit</b>	<b>2.196</b>	1.008	117,9%

## Report on group operations

### Newspapers

#### Circulation

<i>Euro 000</i>	<b>Jan-Sept 2004</b>	<b>Jan-Sept 2003</b>	<b>Δ %</b>	<b>Jul-Sept 2004</b>	<b>Jul-Sept 2003</b>	<b>Δ %</b>
<b>Circulation</b>	<b>51.612</b>	50.767	1,7%	<b>19.149</b>	18.371	4,2%
<b>“Add-on” sales</b>	<b>9.964</b>	8.042	23,9%	<b>1.399</b>	1.151	21,5%
of which:						
• Il Messaggero	6.007	5.694	5,5%	1.030	697	47,8%
• Il Mattino	3.957	2.348	68,5%	369	454	-18,7%
<b>Total</b>	<b>61.576</b>	58.809	4,7%	<b>20.548</b>	19.522	5,3%

*Il Messaggero* ed *Il Mattino* maintained their market leadership. The Group continued to undertake selective price initiatives as well as combined sales with other local newspapers. Circulation revenues increased by 1.7% due to the first time consolidation of *Il Corriere Adriatico* from July 1<sup>st</sup> 2004. In the first nine months of 2004 “add-on” sales promotions contributed €1,84 m to Ebitda, with an Ebitda margin of around 18.5%. Amongst the most successful “add-ons” are: “La Lira e la sua storia”, “I Classici dell’Ottocento”, “Le più belle fiabe del mondo”, “I Maestri del Giallo” e “L’Atlante Universale”. Also “emergency driving jackets”, recently made compulsory in Italy have been particularly popular at the news-stand.

## Advertising

<i>Euro 000</i>	<b>Jan-Sept 2004</b>	<b>Jan-Sept 2003</b>	<b>Δ %</b>	<b>Jul-Sept 2004</b>	<b>Jul-Sept 2003</b>	<b>Δ %</b>
<b>Advertising</b>						
• Il Messaggero	75.054	72.444	3,6%	20.315	20.173	0,7%
• Il Mattino	27.551	26.852	2,6%	7.561	7.704	-1,9%
• Leggo	13.755	11.710	17,5%	3.194	3.113	2,6%
• Corriere Adriatico (*)	915	-	n.a.	915	-	n.a.
• others	7.035	5.839	20,5%	2.189	2.011	8,8%
<b>Total</b>	<b>124.310</b>	116.845	6,4%	<b>34.174</b>	33.001	3,6%

(\*) sales referring to the period: 01/07/2004 – 30/09/2004

In the first nine months of 2004 advertising revenues increased by 6.4% from last year. Quarterly advertising revenue growth on a like-for-like basis was: +4.3% in Q1, +10.3% in Q2, +3.5% in Q3 (Q3 includes summer holidays).

In the first nine months, advertising increase is due positive trading in local advertising compared to national advertising.

In particular, advertising revenues of free-press newspaper “*Leggo*” increased by 17.5% confirming its growth potential and innovative format.

Leggo is distributed in Rome, Milan, Naples, Bologna, Venice, Verona, Padova, Turin, Florence with daily circulation of around 800,000 copies.

Other revenues are due to “*Il Nuovo Quotidiano di Puglia*” and to Radio operations.

## Other activities

<i>Euro 000</i>	<b>Jan-Sept 2004</b>	<b>Jan-Sept 2003</b>	<b>Δ %</b>	<b>Jul-Sept 2004</b>	<b>Jul-Sept 2003</b>	<b>Δ %</b>
Internet & Services	2.522	1.703	48,1%	1.136	507	124,1%
Other revenues	4.436	3.390	30,9%	1.650	1.070	54,2%
	<b>6.958</b>	5.093	36,6%	<b>2.786</b>	1.577	76,7%

In the first nine months of 2004 B2Win S.p.A., which operates call centers and provides IT services, registered a strong net sales increase to € 2,1 millions from € 1,06 millions in the first nine months of 2003 and has now reached break-even.

Caltanet S.p.A., which provides web-related services kept tight control on operating cost.

## Report for the nine months of 2004

<i>Euro 000</i>	<b>Jan-Sept 2004</b>	<b>Jan-Sept 2003</b>	<b>Δ %</b>
Circulation	61.576	58.809	4,7%
Advertising	124.310	116.845	6,4%
Other revenues	6.958	5.093	36,6%
<b>Total</b>	<b>192.844</b>	180.747	6,7%
Raw materials	(18.927)	(21.090)	-10,3%
Services	(64.350)	(58.070)	10,8%
Rents, lease and similar costs	(5.034)	(3.557)	41,5%
Personnel	(57.898)	(57.904)	0,0%
Other costs	(1.642)	(1.295)	26,8%
<b>Total</b>	<b>(147.851)</b>	(141.916)	4,2%
<b>Ebitda</b>	<b>44.993</b>	38.831	15,9%
D&A	(18.001)	(16.754)	7,4%
Other (costs) revenues	(2.990)	(1.170)	155,6%
<b>Ebit</b>	<b>24.002</b>	20.907	14,8%
Financial income	11.080	11.006	0,6%
Financial costs	(3.953)	(2.401)	64,6%
<b>Financial result</b>	<b>7.127</b>	8.605	-17,2%
<b>Net exceptional (loss) income</b>	<b>(2.084)</b>	(7.042)	-70,4%
<b>Profit before taxes</b>	<b>29.045</b>	22.470	29,3%
Taxes	(12.155)	(7.217)	68,4%
<b>Profit before minorities</b>	<b>16.890</b>	15.253	10,7%
Minorities	(1.777)	(1.072)	65,8%
<b>Net profit</b>	<b>15.113</b>	14.181	6,6%

Circulation and advertising revenue increased because of “add-on” promotions and positive advertising trend, respectively.

Raw materials cost declined by around 10.3% mainly due to the decrease in paper cost and paper savings from Il Messaggero new printing plant.

Group Service cost increased because of : a/ new “add-on” promotions; b/ different agreement between “Il Messaggero” and “Il Nuovo Quotidiano di Puglia” on combined distribution whereby Il Messaggero S.p.A. bears the costs related to Alfa Editoriale S.p.A.(which edits *Il Nuovo Quotidiano di Puglia*) share of revenue. This agreement started from the second half of 2003; c/ higher maintenance and outsourcing costs.

Financial Income was unchanged whereas Financial costs increased slightly due to a financial stake writedown.

Group Extraordinary result increased significantly because 2003 comparable figures were distorted by the effect of the tax amnesty introduced by DL 282/2002.

Taxes include: current taxes (€7,1m), deferred tax liabilities (€9,2m), tax advances (€4,2m). Tax increase for the period is due to DIT termination and to a different impact of deferred taxation compared to last year. In order to provide a like for like comparison, tax figures have been adjusted for tax advances relating to DIT.

Q3 results include first time consolidation of Società Editoriale Adriatica S.p.A. (editing “*Il Corriere Adriatico*”), acquired on June 21st 2004. Balance Sheets have been fully consolidated whereas Profit & Loss account was included only for three months after the acquisition.

### **Outlook for the remainder of the year**

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We expect the performance of the first nine months of 2004 to be repeated for the remainder of the year.