

# *Classeditori*



Report on operations  
in the first nine months 2003

CLASS EDITORI S.P.A. AND SUBSIDIARIES  
WITH REGISTERED OFFICES IN MILAN, VIA MARCO BURIGOZZO, 5  
NOTES CONCERNING THE CONSOLIDATED STATEMENT OF  
ACCOUNTS

The quarterly account is drafted on a consolidated basis as the Company is required to produce consolidated accounts.

**ACCOUNTING PRINCIPLES AND EVALUATION CRITERIA**

The accounting principles and evaluation criteria adopted for drafting the consolidated statement of accounts are the same as those used for drawing up the end of year accounts as of 31.12.2002, to which the reader is referred; the information presented herein is not significantly influenced by the use of some estimative procedures different to those normally adopted in drafting consolidated annual and semestral accounts.

**NOTES ON THE FINANCIAL FIGURES**

Earnings in the first nine months of 2003 amounted to euro 67.1 million (euro 73.84 million in the same period of 2002). The progress of these earnings has been conditioned both by the drop in advertising revenues, totalling euro 33.03 million (euro 36.09 million in 2002), by a slight fall in copy sales, and by reduced revenues from electronic publishing, especially from the Trading on Line.

The result before taxes amounts to euro -1.63 million (+3.2 million in 2002); costs in the first nine months of the year amounted to euro 62.47 million, down 5% on the same period of 2002 (euro 65.69 million), while the gross operating margin (Ebitda) came to euro 4.63 million (euro 8.15 million in 2002).

Still in the first nine months of the year, the average sales of *MF/Milano Finanza* stabilised at 110,000 copies (Ads data), as against the 132,000 (Ads) copies on average sold in the first nine months of 2002. Sales of the monthly

Class amounted to 84,000 copies on average (Ads data), as against the 85,900 in 2002.

The reduction in costs especially affected the staff sector, thanks to the constant rationalisation of resources and the progressive savings in the production area.

Passing to an examination of the data for the quarter, we note a considerable slowing of the negative trend, sufficient to determine an inversion of said trend. Indeed, during the period, earnings for the publishing house amounted to euro 20.14 million (euro 20.50 million in the same period of 2002), whilst costs (totalling euro 18.84 million) were down 6% on the same quarter of 2002 (euro 19.91 million) and 12.5% down on the preceding quarter of 2003. The gross operating margin totalled euro 1.3 million (euro 0.59 million in 2002) and the result before taxes in the red for euro 0.65 million (euro 0.32 million in 2002). The result before taxes in the same period of 2002 had benefited from extraordinary proceeds to the extent of about euro 1 million.

During the course of July/September 2003, the current contracts between Class Editori S.p.A. and its subsidiaries and associate companies continued. All dealings have been regulated by normal market conditions.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

*(sums in millions of euro)*

	30.09.03	30.09.02	Change %
Total sales	67.10	73.84	(9.2)
Operating costs	62.47	65.69	(5.0)
Gross margin (EBITDA)	4.63	8.15	(43.2)
% impact on earnings	6,90	11,03	
Depreciation	5.93	5.81	1.02
Operating result (EBIT)	(1.30)	2.34	
% impact on earnings		3,16	
Net fin.l charges/(proceeds)	0.59	0.13	n.n.
Extraordinary charges/(proceeds)	(0.26)	(0.81)	n.n.
Profits before tax	(1.63)	3.02	
% impact on earnings		4.08	

The **earnings** break down as follows:

*(sums in millions of euro)*

	30.09.03	30.09.02	Change %
Newsstand revenues	7.68	8.47	(9.4)
Subscriptions revenues	23.44	26.15	(10.4)
Advertising revenues	33.03	36.09	(8.5)
Other revenues	2.95	3.13	(5.8)
<b>Total revenues</b>	<b>67.10</b>	<b>73.84</b>	<b>(9.2)</b>

## FINANCIAL SITUATION

The financial situation as of 30/9/2003 reveals a new debt at consolidated level of Euro 258,000, divided as follows:

*(sums in millions of euro)*

	30.9.2003	31.12.2002
Medium/long-term new financial debt	-1.453	-1,548
<b>Short-term net financial debt / short-term net funds</b>	<b>1.195</b>	<b>1.620</b>
Of which:		
<b>Financial debts</b>	<b>-10.949</b>	<b>-20.526</b>
<b>Funds on hand and financial credits</b>	<b>12.144</b>	<b>18.906</b>
Net financial position: Net debt / net funds on hand	-258	72

The medium and long-term financial debts item includes two soft loans from Centrobanca for a total of euro 2.018 million, expiring in June 2008 (euro 478,239) and December 2011 (euro 1,540,000).

## PERSONNEL

Average figures for the period

	30.09.2003	31.12.2002	30.09.2002
Directors	25	25	26
Journalists	85	97	97
Clerical	126	138	132
<b>TOTAL</b>	<b>236</b>	<b>260</b>	<b>255</b>

## SIGNIFICANT EVENTS DURING THE CURRENT TRADING PERIOD

The period (and especially the first seven months) was characterised by the continuing economic crisis and the contraction of investments, especially in advertising, as well as by uncertain progress in the international stock markets because of the scant faith in the economy shown by investors.

The publishing house has continued with its strategy of consolidation in the referential markets (daily newspapers, periodicals, electronic publishing, professional services and conferences, radio and TV), creating new activities, new products and new publishing initiatives to respond to the changed requirements.

At the same time, the rationalisation and containment of resources and costs has also continued, in order to offset the fall in earnings at least partially.

In the first nine months of the year, the company, either directly or through its subsidiaries, realised some significant operations. In particular, it is worth noting:

✓ The launch of the “*Milano Finanza–Classica Circuito*” which, thanks to an agreement with some leading local radios, produces five news programmes a day dedicated to financial and economic information, and so completes the Radio Classica-Milano Finanza project.

The radio news programmes produced by Radio Classica reach not only the direct audience of the broadcaster, but also an audience certified by Audiradio as totalling 1.2 million net contacts per day and over 4.5 million net contacts per week, thus offering an attractive public for advertisers, bearing in mind the hours of transmission and the socio-geographical breakdown of the reference target.

✓ The creation of *Cfn/Cnbc Mobile*, the first financial TV channel for mobile telephones enabling subscribers to see videoclips of financial information using either Gprs or Umts technology.

✓ Since 31<sup>st</sup> July, *Cfn/Cnbc* has been broadcast on the SKY digital TV platform, arising from the merger between Stream and Tele+, reaching an audience of over 2 million subscribers, compared to the earlier 800,000.

Its presence in the basic package offered by the satellite TV broadcaster ensures *Cfn/Cnbc* has tripled the visibility it already achieved in recent years, and this reinforces its premier position in the market for financial information on Italian-language television.

✓ The creation of *Real Estate News*, the first television news programme to be entirely dedicated to the property market, and transmitted by *Cfn/Cnbc*.

✓ At the start of the year, *MF/Dow Jones News*, the news agency set up as a joint venture with Dow Jones Newswires, became fully operational. This is the first global Italian-language agency of its type.

✓ Since September, *Gentleman* has been published in Spain thanks to the agreement between Class Editori and Progres, the periodicals division of Prisa, itself the most important publishing group in Spain and publisher of El Pais.

The licence granted by Class Editori to Progres includes the use of the title, the publication's concept, and the possibility of using the articles and features. This is therefore a far-reaching collaboration which will give the publication an international feel. It is present in Spanish kiosks with a large format which has won it success in Italy in terms of sales to the public and advertising.

As far as shareholdings are concerned, no changes have occurred since 31/12/2001.

On behalf of the Board of Directors  
The Vice President and Delegated Member

**Paolo Panerai**

**CLASS EDITORI S.p.A. and  
subsidiary companies  
Quarterly report  
01.01.2003- 30.9.2003  
Consolidated financial data  
(in thousands of euro)**

<b>PROFIT AND LOSS ACCOUNT</b>	<b>30/09/03</b>	<b>30/09/02</b>
<b>EARNINGS</b>		
Value of production	67.10	73.84
<b>Total value of production</b>	<b>67.10</b>	<b>73.84</b>
<b>COSTS</b>		
Industrial costs	15.88	16.51
<b>Industrial margin</b>	<b>51.22</b>	<b>57.33</b>
Direct costs	38.47	40.33
<b>Contribution margin</b>	<b>12.75</b>	<b>17.00</b>
General costs	8.12	8.85
<b>Ebitda</b>	<b>4.63</b>	<b>8.15</b>
Depreciation	5.93	5.81
<b>Ebit</b>	<b>(1.3)</b>	<b>2.34</b>
Extraordinary Charges/(Proceeds)	(0.26)	(0.81)
Financial Charges/(Proceeds)	0.59	0.13
<b>Result before tax</b>	<b>(1.63)</b>	<b>3.02</b>

