Quarterly Report

for the

Quarter Ending on September 30th 2003

Table of Contents

Key consolidated P&L, balance sheet and financial highlights of RCS MediaGroup

	3rd Quarter		First 9 Months	
(€ millions)	**2003**	**2002**	**30.09.03**	**30.09.02**
PROFIT & LOSS HIGHLIGHTS				
Net revenues:				
Circulation	*357.6*	*356.0*	*945.8*	*892.8*
Advertising	*152.0*	*137.0*	*547.0*	*536.2*
Other	*27.4*	*290.8*	*131.1*	*908.5*
Total net revenues	537.0	783.8	1,623.9	2,337.5
EBITDA	37.6	33.3	95.4	92.7
Depreciation, amortisation, write-downs and provisions	(19.2)	(23.1)	(69.4)	(82.1)
EBIT	18.4	10.2	26.0	10.6
Net financial income/(charges)	(2.7)	(11.7)	(5.1)	(45.9)
Net income/(charges) on equity interests and write-ups/(downs) of financial assets	(1.5)	1.2	24.2	4.2
Net extraordinary income/(charges)	5.6	33.0	3.3	18.5
EBT and before minorities	19.8	32.7	48.4	(12.6)

BALANCE SHEET HIGHLIGHTS	**30.09.03**	**30.06.03**	**31.12.2002**
Net capital employed	1,384.4	1,430.9	1,219.2
Net financial debnt	214.0	270.1	83.1
Group and minority net equity	1,061.3	1,052.4	1,024.7
Employees (average headcount)	6,218.0	6,413.0	6,417.0

Unless otherwise indicated, all business and financial figures are shown in € millions.

Group performance in 3rd quarter

The third quarter's (3Q03) results confirmed the significant improvement already reported in the first half (1H03) and involved all group business areas.
For clearer interpretation of data, it has to be pointed out that, as a consequence of the seasonality typical of the sector, revenues are heavily concentrated in the fourth quarter.
We also point out that, following sale of Fila's operating businesses in June this year, the current and previous years' results are not comparable on a like-for-like basis.

Consolidated net revenues in the quarter totalled € 537 mn vs. € 783.8 mn in 3Q02). The decrease was due exclusively to sale of the Fila group's operating companies (€ 236.6 mn) and steady divestiture of fashion-related assets (GFT NET). Advertising revenues showed recovery, growing vs. 3Q02 (by € 15 mn). There was also growth in circulation revenues for Italian periodicals, headed by women's and family magazines, reflecting not only positive summer seasonality, but also add-on products' success. Last but not least, circulation revenues for the newspaper segment also showed an increase, primarily thanks to the trend in add-on products.

EBITDA (€ 37.6 mn), grew by € 4.3 mn over 3Q02, with a margin on revenues rising from 4.2% to 7%.

EBIT improved by € 8.2 mn, growing from € 10.2 mn to € 18.4 mn with an increase of +80% YoY. The improvement in results is even greater if one considers that, in 3Q02, EBIT from the Fila group, now divested, contributed € 17.5 mn.

The quarter's EBT and before minorities totalled € 19.8 mn vs. € 32.7 mn in 3Q02, which had benefited from extraordinary proceeds from the sale of the leasing contract for the Via Turati building in Milan.

Net financial debt as at the end of the quarter improved by € 56.1 mn thanks to positive cash flow generated by operations and to cash-in from the sale of RCS International Communications NV's sale of the equity interest in Pegasus Publishing & Printing SA.

Group performance in first 9 months

(€ millions)	Net Revenues			
	First 9 Months			
Company	**30.09.03**	**30.09.02**		**Outright change**
RCS Quotidiani (newspapers)	665.1	547.8	(*)	117.3
RCS Periodici (magazines)	270.2	275.1	(*)	(4.9)
RCS Diffusione (press distribution)	403.1	373.3		29.8
RCS Pubblicità (advertising)	421.7	403.0	(*)	18.7
RCS Libri (books)	466.5	475.4		(8.9)
RCS Broadcast (radio and press servies)	17.6	16.7		0.9
Fila	1.7	732.0		(730.3)
GFT NET	62.0	121.4		(59.4)
Other companies	4.9	4.8		0.1
RCS MediaGroup (parent company)	16.3	8.8		7.5
Sundry items and intercompany adjustments	(705.2)	(620.8)		(84.4)
Total Group	**1,623.9**	**2,337.5**		**(713.6)**

(*) Pro-forma 2002 figures to permit comparison in presence of different legal-entity structure.

Net revenues totalled € 1,6239 mn, down vs. September 30th 2002 (€ 2,337.5 mn) solely following sale of the Fila Group's operating businesses (€ 732.0 mn in 9M02) and ongoing reduction of the GFT NET Group's activities (€ 121.4 mn).

Net revenues in the publishing sector increased mainly by virtue of the change in consolidation (from proportional to line-by-line) of the Unedisa Group. RCS Diffusione showed a growing trend over the same period in the previous year thanks to higher volume distributed for all products, and in particular for add-on products.

RCS Pubblicità featured an increase of € 18.7 mn, mainly ascribable to the acquisition of the advertising concession for new publications. The Books sector showed a decrease of € -8.9 mn, mainly due to sale of the NIB business division.

Net revenues by business and geographical area are shown in the following table:

(€ millions)

Company	**Italy**	**France**	**Spain**	**Rest of EU**	**Rest of World**	**Total**
RCS Quotidiani	479.7		185.4			665.1
RCS Periodici Italia e Estero	203.3		6.3	58.1	2.5	270.2
RCS Diffusione	403.1					403.1
RCS Pubblicità	421.7					421.7
RCS Libri	247.2	154.6	7.4	45.1	12.2	466.5
RCS Broadcast	17.6					17.6
Fila	1.7					1.7
GFT NET	2.2				59.8	62.0
Other companies	4.9					4.9
RCS MediaGroup (parent company)	16.3					16.3
Sundry items & intercompany adj.	(702.4)			(0.8)	(2.0)	(705.2)
Group total	**1,095.3**	**154.6**	**199.1**	**102.4**	**72.5**	**1,623.9**

- EBITDA increased by € 2.7 mn vs. September 30th 2002, taking the percent margin on net revenues up from 4.0% to 5.9%. Excluding Fila, which contributed € 39.8 mn, EBITDA increased by € 42.5 mn. This result was basically driven by publishing initiatives concerning printed and other products, plus the decrease in paper prices and the significant reduction in operating costs.

- EBIT amounted to € 26.0 mn, vs. € 10.6 mn in 9M02, and reflected the significant growth highlighted above in the media sector's EBITDA, which fully offset the absence of EBIT from Fila's divested businesses (€ 15.3 mn)

- Net financial charges amounted to € 5.1 mn (vs. € 45.9 mn – which also included significant exchange-rate losses made by Fila in Argentina).

- Income from equity investments amounted to € 24.2 mn (vs. € 4.2 mn in 9M02). This item mainly referred to dividends and related tax credits paid by unconsolidated investee companies, tax credits on dividends distributed by subsidiaries, and income from the bonus allocation of Banca Intesa shares, net of write-downs of some equity interests.

- Net extraordinary income amounted to € 3.3 mn (€ 18.5 mn).

- EBT and before minorities totalled 48.4 mn vs. a loss of € -12.6 mn in 9M02, with YoY improvement of € 61 mn.

The significant improvement of all operating margins and of the pre-tax result stems from the group's focus on business in the media sector, pursued with determination during the year, together with an attentive cost control and rationalisation policy implemented in all business areas, as well as in the parent company.

Net capital employed increased by € 165.2 mn vs. December 31st 2002, mainly because of line-by-line consolidation of Unedisa SA.

Overall, net fixed assets remained stable. The increase in intangible non-current assets mainly stemmed from the increase in consolidation difference following purchase of 36.17% of the Unedisa Group. Tangible fixed assets increased following new investments – mainly concerning refurbishment of the Via Solferino building in Milan, upgrading of the newspapers' rotogravure printing presses - and line-by-line consolidation of the Unedisa Group. Non-current financial assets decreased mainly because in the change in consolidation treatment of Fila Holding – consolidated line by the line in the present quality report for its remaining holding assets, whereas in year-end financial statements for the previous year the Fila Group was booked at equity. The decrease was partly offset by subscription of Pirelli & C. SpA's capital increase and by a further investment in RCS MediaGroup SpA treasury stock.

Working capital increased by € 75.5 mn, mainly due to the increase in net tax receivables and in inventories, caused, in particular, by the seasonality typical of the books business. Provisions for risks and charges, which amounted to € 177.4 mn (vs. € 265.0 mn last December) decreased mainly because of utilisation in the period, mainly against direct write-down of the value of the Fila Holding equity interest following sale of the latter's operating companies.

Net financial debt totalled € -214 mn (vs. € -83.1 mn in the previous year). The change in NFP was mainly caused by acquisition of a further 36.17% equity interest in Unedisa; subscription of the Pirelli & C SpA capital increase, and of that of Burda RCS International Holding, with the latter being for the purpose of acquisition of 37.5% of Catherine Nemo, as well as for purchase of treasury stock and of Fila Holding ADS.

Accounting policies and methods

The quarterly report has been prepared in accordance with Art. 82 of "Regulation comprising rules for implementation of Legislative Decree no. 58 dated February 24th concerning issuers" (resolution no. 11971 passed by CONSOB – the Italian listed company and stock-market surveillance commission - on May 14th 1999 and subsequent amendments).
The quarterly report and accounts have been prepared applying the same accounting standards and policies used to prepare year-end financial statements and are not subject to independent auditing.

As per the faculty envisaged in Article 81, paragraph 7 of the Regulation approved by CONSOB with its resolution no. 11971 dated May 14th 1999 and subsequent amendments, the quarterly results are shown before tax and therefore deferred taxes receivable and payable stemming from application of current accounting standards have not been calculated

Changes in consolidation area

The structure of the parent company RCS MediaGroup has changed significantly following corporate reorganisation becoming effective as from January 1st 2003. The process in question also involved transfer to the parent company of ownership of operating equity interests not relating to the newspaper business.

In order to permit proper comparison between September 30th 2003 and September 30th 2002, we recall the main changes in consolidation area occurring in this period:

- Sale of the equity interests in operating companies owned by Fila Holding caused, as regards the group's consolidated financial statements, exit from the consolidation of the assets sold and line-by-line consolidation of Fila Holding. In the quarterly report as at September 30th 2002 the Fila Group was consolidated line-by-line, whilst in the year-end report for the same year it was booked at equity. Consequently, P&L and financial changes between September 30th 2002, December 31st 2002 and September 30th 2003 are not comparable

- Line-by-line consolidation in this report of the Unedisa group, percent ownership of which further increased over the same period in the previous year by a 36.17% stake. Previously, figures for the Unedisa group were consolidated on a proportional basis

- Proportional consolidation of the quarterly figures of RCS Diffusione SpA and Milano Press Srl following sale of 55% of their shares on June 30th this year. This means that the 2003 first-half results of RCS Diffusione and Milano Press are fully incorporated in RCS MediaGroup's consolidated financial statements

  The transaction is part of the agreement for creation of a joint venture in distribution to newsstands, following which Hachette Rusconi and De Agostini acquired stakes in RCS Diffusione SpA. The acquisition was completed via subscription of a capital increase with conferment of the company DeADis Srl, owned by the two parties concerned, and acquisition of RCS MediaGroup shares

- Entry into the consolidation area of the following companies: RCS Editoriale Veneto Srl, RCS Dada Advertising SpA, Ser.Com SpA, ADR Advertising SpA, Burda Rizzoli France

Sas, which owns Catherine Nemo Holding SA, now merged in Editions Nuit et Jour Sarl, Pubblicitè Nuit et Jour Sarl, and DADA SpA

- Deconsolidation of Pegasus Publishing & Printing SA and of HdPnet SpA, conferred on DADA SpA

- Net equity valuation of the following companies: GFT Australia Pty. Ltd, GFT Hong Kong Ltd., GFT Iberica SA, GFT Germany Gmbh, GFT Mode Canada Inc., Sahzà SpA, New Lab Europe SpA, and GFT International BV. The change in the valuation criterion applied to these companies, previously consolidated on a line-by-line basis, is due to the fact that they are now substantially being wound up, also because they have ceased to do business.

Report on performance of parent company and subsidiaries

RCS MediaGroup (parent company)

The structure of the parent company RCS MediaGroup has undergone profound change following corporate reorganisation taking effect as from January 1st this year.
This change is reflected in accounts for the current year significantly different to those for the same period in the previous year.

Key cumulative figures for the period up to September 30th are shown below:

PROFIT & LOSS HIGHLIGHTS (€ millions)	**First 9 Months** **30.09.2003**	 **30.09.2002**	**Outright** **change**
Dividends and related tax credits	57.5	8.7	48.8
Net financial income/(charges)	7.9	13.9	(6.0)
Revenues from sales and services and other income	16.3	8.8	7.5
Depreciation, amortisation, and write-downs	(0.4)	(0.6)	0.2
Operating expenses and other operating costs	(28.9)	(26.9)	(2.0)
Write-downs of financial assets	(4.5)	(73.3)	68.8
Net extraordinary income/(charges)	2.4	6.2	(3.8)
Pre-tax profit for period	50.3	(63.2)	113.5

BALANCE SHEET HIGHLIGHTS (€ millions)	**30.09.2003**	**30.06.2003**	**31.12.2002**
Net equity	1,120.5	1,118.7	954.4
Net financial surplus	75.3	93.4	246.1

The first nine months of the year (9M03) showed pre-tax profit of € 50.3 mn (vs. a loss of € -63.2 mn in 9M02). The main contributors to this result, compared with those in 9M02, can be summarised as follows:

- Income from equity investments amounted to € 48.8 mn as a result of the higher amount, together with related tax credits, received from subsidiaries, of which, in particular: RCS Quotidiani € 23.8 mn, RCS Periodici € 22.5 mn, and RCS Factor € 2.2 mn, and also from other investee companies, i.e. Pirelli & C. € 4.6 mn and Banca Intesa € 4.2 mn

- Net financial income decreased from € 13.9 mn to € 7.9 mn, mainly because of less average surplus cash invested in 9M03 vs. 9M02 (€ 256.6 mn vs. € 473.9 mn)

- Operating expenses and other operating costs totalled € 28.9 mn, with an increase of € 2.0 mn vs. September 30th 2002 (€ 26.9 mn), mainly as a consequence of the change in corporate organisation

- Charge-backs to group companies for services rendered and rents, totalling € 16.3 mn, increased by € 7.5 mn vs. 9M02 (8.8 mn) as a consequence of the group's different legal-entity structure

- Write-downs of financial assets amounted to € 4.5 mn (vs. € 73.3 mn in 9M02) and related to write-downs of equity interests in associated companies, of which € 3.5 mn for Dada and € 1.1 mn for RCS Burda International Holding GmbH

- Net extraordinary income totalled € 2.4 mn, vs. € 6.2 mn as at the end of 3Q02. This item included extraordinary income and capital gains from divestitures of equity interests, of which € 0.9 mn relating to RCS Periodici and € 1.4 mn to RCS Diffusione, whilst the same period in the previous year included proceeds from sale of the leasing contract for the building in Via Turati in Milan.

As at September 30th 2003 net equity amounted to € 1120.5 mn (€ 1,118.7 mn as at June 30th 2003 and € 954.4 mn as at 2002 year-end).

Net financial resources (cash and cash equivalents) decreased from € 246.1 mn as at December 31st 2002 to € 75.3 mn. The € 170.8-mn decrease was mainly due to: subscription of the capital increase of Pirelli & C. SpA (€ 57.3 mn); investments made in treasury stock/ADS of Fila Holding SpA (€ 6.7 mn), accounting for 7.11% of share capital; cash equalisation paid to the RCS Quotidiani subsidiary for adjustment of value of the demerged division (€ 26.2 mn); payment into capital of the associated company Burda Rizzoli International Holding GmbH (€ 9.0 mn) for the Catherine Nemo acquisition; and to the increase in capitalised receivables concerning loans granted to subsidiaries largely used for acquisition of the 36.17% Unedisa stake..

Exact employee headcount at the end of period totalled 102 heads, with an increase of 47 heads versus December 31st 2002, due to absorption of staff formerly forming part of the RCS Editori subholding company. Average employee headcount at the end of the third quarter totalled 107 heads vs. 53 in the same period in the previous year.

RCS Quotidiani (newspapers)

RCS Quotidiani comprises the publishing business of RCS newspapers in Italy and Spain (*Corriere della Sera, Gazzetta dello Sport,* and *City* publications in Italy; *El Mundo del Siglo Veintiuno* in Spain, via the subsidiary Unidad Editorial SA – Unedisa), the activities of RCS Sport (the company organising the "Giro d'Italia" [Round-Italy] cycling race), and service activities for other group companies in RCS MediaGroup.

Market trends

The Italian and Spanish newspaper markets were stable in terms of copies sold. The three free-press publications active in the Italian market (besides City - published by our subsidiary City Italia – Leggo and Metro are also present) distributed an average daily total of some 1.5 mn copies free of charge in the first nine months of the current year. The Spanish market features two free-press publications with a total average daily circulation of 600 thousand copies.

The Italian advertising market was still affected by the negative cycle underway for two years now. In the summer months this showed the first faint signs of stabilisation (growth of 4.7% and 3.4% YoY in July and August respectively). As from May, Spanish advertising collections benefited from a more marked positive reversal of trend versus the previous months' adverse tendency.

Operating performance

Revenues as up to September 30th:

(€ millions)	9 Months 30.09.03	%	9 Months 30.09.02 (1)	%	% Change	FY2002 (1)	%
Circulation and other* revenues	409.2	62%	313.1	57%	30.7%	434.4	57%
Advertising revenues	255.9	38%	234.7	43%	9.0%	331.7	43%
Total revenues	**665.1**	**100%**	**547.8**	**100%**	**21.4%**	**766.1**	**100%**
* Of which Corriere and Gazzetta add-on products	62.3		33.6			57.8	

(1) Pro-forma data

Revenues in 9M03 showed a significant YoY increase, partly driven by the change, already mentioned, in consolidation of Unedisa (publisher of El Mundo), which contributed some € 80 mn.

Circulation revenues in Italy grew driven by the add-on products of Corriere della Sera and Gazzetta dello Sport. As regards average daily circulation, Corriere della Sera remained substantially stable at 686,000 average copies whilst Gazzetta dello Sport went down from average daily circulation of 445,000 in the previous year to 430,000 copies. There was a decrease mainly in the summer period, also because of the lack of major events compared with 2002 (world soccer championship in 2002).

Corriere and Gazzetta advertising revenues decreased tangibly, following the negative trend in the Italian advertising market, which involved nearly all general and sports newspapers.

As regards the Spanish subsidiary, circulation revenues showed clear improvement thanks to the effect of add-on products. With an average of 284,000 copies/day, El Mundo confirmed its position as the second leading Spanish national daily after El Pais. Another point to note was the good performance of the books published by the La Esfera de los Libros publishing company. The Web site elmundo.es maintained its leadership, achieving 2.5 million unique visitors in September, and increased both advertising revenues and sales of contents and news services.

Unedisa's advertising revenues increased slightly over those of the previous year thanks to slight recovery of the market in the last few months.

* * *

3Q03 revenues growth vs. 3Q02 as regards both the circulation and advertising components, largely due to the different percentage of consolidation of the Spanish subsidiary Unedisa (for about € 25 mn).

Italian circulation revenues grew by some 3% in the quarter, benefiting once again this year from the excellent performance of add-on products sold attached to the main publication (at a higher price). A key highlight was the launch in September of the "I Classici dell'Arte" [Art Classics] series, which is achieving excellent results, but we call also recall the VHS series "I Grandi Film del Corriere" [The Corriere's Great Films] (launched in September last year) and the Gazzetta's "I Memorabili" [The Memorable Ones] collection.
Italian publications' advertising revenues increased by 1% in the period, thanks to slight recovery of the market in summer months.

As regards the Spanish subsidiary, circulation revenues in 3Q03 increased by some 5% YoY, once again in this case benefiting from the higher sales volume of add-on products.
Advertising revenues increased by 6% thanks to recovery for the national daily and its supplements and on Internet.

RCS Periodici (magazines)

Market trends

In 9M03 the magazine market in Italy featured circulation growth of 4.2% YoY thanks to new launches – primarily in the women's magazine segment. Based on like-for-like publications, the market was down by –2.6%.
As regards advertising, in the 2-month period July-August the sector showed a significant increase (of 20% and 7.5% YoY respectively) – the interrupting the long series of downward months.

As regards the foreign segment, in September the advertising market for German magazines showed a –5.3% decrease vs. the same period in the previous year.
There was also an across-the-board decrease in circulation, due to the climate of economic uncertainty and consequently lower consumer-spending propensity of the German market.

Operating performance

Revenues as up to September 30th:

(€ millions)	9 Months 30.09.03	%	9 Months 30.09.02 (1)	%	% Change	FY2002 (1)	%
Circulation & other revenues	135.5	50%	132.5	48%	2.3%	184.0	47%
Advertising revenues	134.7	50%	142.6	52%	-5.6%	208.2	53%
Total revenues	**270.2**	**100%**	**275.1**	**100%**	**-1.8%**	**392.2**	**100%**

(1) Pro-forma figures

Italy

Despite the decrease in advertising revenues, revenues in 9M03 were substantially stable YoY thanks to (a) the circulation trend and (b) the good reception given by the public to add-on products launched by our main publications. Contributors to growing in circulation revenues were also the successes of the Amica and Vie del Gusto launches. Amica, in particular, achieved circulation leadership in the premium women's magazine segment, reaching sales volume well above that of other competitors.

We also highlight the growth in circulation and revenues of the weekly magazine Oggi. Among monthly magazines, the excellent performance of Max in terms of copies sold stood out, also aided by the revamped graphics and editorial approach introduced in the spring.

On the advertising front, revenues decreased, in line with the trend featured by the national magazine sector. A point to note is the way in which Amica is steadily establishing its leadership also in the advertising market.

* * *

3Q03 revenues in Italy grew vs. 3Q02 in terms of both circulation and advertising.

As regards circulation revenues, we note the positive trend in circulation of those weekly magazines – i.e. family and women's publications – that typically increase their sales during the summer season. Besides publications' good performance, there was also growth in the sales volume of add-on products, which are very much appreciated by the public.

Advertising revenues, after many months of decline, grew in the quarter.

Abroad

Although showing slight improvement over the first half, the trend in group publications' advertising revenues remained negative YoY. TVSpielfilm has been particularly hard-hit – in common with its main competitors – by the across-the-board decrease in investments by companies in the automobile, telecommunications and finance/insurance sectors.

TVSpielfilm limited its YoY sales decrease to –4% thanks to the increase in subscription copies. There was a more significant decrease in the circulation of the publications Amica and Fit For Fun, for both of which revamping of layout and editorial content is now underway.

Max magazine, repositioned in the lifestyle segment, featured sales recovery and positive effects on P&L results.

RCS Diffusione (distribution)

RCS Diffusione comprises newsstand distribution of the publishing products (newspapers, magazines and partworks) of the group and of some third-party publishers.

On June 30th RCS, leader of newsstand distribution in terms of turnover and volume handled, set up a joint venture with De Agostini and Hachette Rusconi for concentration in just one company of the three group's national newsstand distribution activities (RCS, De Agostini, and Hachette Rusconi). Consequently, as from the start of the second half of this year RCS Diffusione contributes proportionally to the group's results.

Operating performance

Revenues as up to September 30th:

(€ millions)	9 Months 30.09.03	9 Months 30.09.02	% Change	FY2002
Total revenues	**403.1**	**373.3**	**29.8**	**504.3**

Revenues as up to September showed a tangible increase over 9M02, thanks to higher quantities distributed for all products – headed by newspapers, sales of which, fuelled by add-on products, grew by over € 21.0 mn. Partwork revenues increased by € 9.0 mn, whilst revenues of products published by RCS Periodici and affiliate companies increased by € 5.6 mn (remembering that, in 9M02, RCS Diffusione started to distribute Editoriale Sfera's products). Comparison with the previous year is affected by conclusion of the distribution contract for Il Giornale newspaper.

Following closing of the joint-venture deal with the De Agostini and Hachette Rusconi groups on June 30th this year, 3Q03 marked the start of actions designed to aid operating integration between RCS Diffusione and DeADis. More specifically, we note the start, in September, of the two projects designed to achieve organisational unification and integration of information systems.

RCS Pubblicità (advertising)

RCS Pubblicità, which started operation on January 1st this year, comprises all the group's advertising activities. It is concessionaire for the group's publications and controls IGPDecaux (outdoor advertising), Blei (a concessionaire for foreign media), and RCS Dada Advertising (a concessionaire active in the on-line market).

Market trends

In August the advertising market grew by +7.7%, taking YoY change in the first 8 months to –0.8%. As regards the press, we highlight the fact that in August, for the second consecutive month there was a YoY increase for both newspapers and magazines, i.e. +3.4% and +7.5% respectively. The YoY decrease in the first 8 months thus narrowed to –3.6% for newspapers and –0.6% for magazines. Radio and outdoor advertising featured increases of +6.2% and +4.2% respectively.

Operating performance

Revenues as up to September 30th:

(€ millions)	9 Months 30.09.03	%	9 Months 30.09.02 (1)	%	% Change	FY2002 (1)	%
RCS Pubblicità	332.3	78.8	319.1	79.2	4.1	457.3	79.2
IGPDecaux (outdoor advertising)	70.3	16.7	57.7	14.3	21.9	86.3	14.9
BLEI (concessionaire for foreign media)	19.1	4.5	26.2	6.5	-27.1	33.6	5.8
Total revenues	**421.7**	**100**	**403.0**	**100**	**4.6**	**577.3**	**100.0**

(1) Pro-forma data

Total revenues in the area for 9M03 increased by +4.1% over 9M02. In the case of RCS Pubblicità the increase was 3.3%. This reflected changes in the business portfolio, i.e.

- As from January 1st this year the RCS concessionaire took on the L'Unione Sarda and a number of magazines that were previously managed under concession by Cairo Pubblicità
- Other publications left the business portfolio
- The advertising concession was acquired for RCS Broadcast radio stations (CNR Radio and RIN).

Very positive performance came from IGPDecaux, which achieved an increase of +21.9%, partly due to consolidation of ADR Advertising – a company founded in January and operational as from March this year in the management of advertising collection for Rome's Fiumicino and Ciampino airports. Like-for-like growth was +11.0% YoY.

The significant decrease reported by Blei (-27%) was due to continuation of the adverse economic scenario of the countries where the company is active, headed by Germany, and by the reduction in advertising spending by consumer-goods and fashion companies.

RCS Libri (books & partworks)

RCS Libri comprises the RCS Group's business in the books sector in Italy, in France, and in the USA – and in schoolbooks, in university & professional publishing, and in partworks.

Operating performance

Revenues as up to September 30th:

(€ millions)	9 Months 30.09.03	9 Months 30.09.03	% Change	FY2002
Total revenues	**466.5**	**475.4**	**-1.9**	**682.3**

The sales trend in 9M03 featured a downturn mainly caused by sale of the NIB business division. Based on comparable consolidation, the YoY decrease of € -1.8 mn was mainly caused by lower sales of partworks abroad and in the French book market (in line with the general book market trend in France) and by euro appreciation vs. the USD and GBP (about € 6 mn). Conversely, Italian partwork launches featured an improved trend.

Group sales achieved in the General segment, i.e. € 67.9 mn, were stable vs. 9M02 thanks to the good performance of new Italian and foreign fiction titles and of Italian non-fiction titles. Among the greatest successes we particularly highlight: *Undici Minuti* [Eleven Minutes] by Paolo Coelho (Bompiani imprint), *L'Uomo Scomparso* [The Vanished Man] by Jeffrey Deaver (Sonzogno imprint) and *Vita* [Vita – A Life] (Rizzoli imprint).

Flammarion, which has a 4% market share in France, reported sales of € 150.8 mn, down by € -3.1 mn YoY, mainly due to a lower contribution from the new titles of third-party publishers distributed.

In the partworks segment, RCS achieved a significant revenue increase in Italy, with growth – driven by the success of new launches – of 16.9%. Among the most successful launches we highlight *Il Grande Teatro di Eduardo de Filippo* [The Great Theatre of Eduardo de Filippo].

Sales of the foreign subsidiaries Editions Fabbri (France and French-speaking countries), Ediciones Orbis (Spain and Spanish- and Portuguese-speaking countries), and GE Fabbri (UK, English-speaking countries and initiatives in the German, Hungarian and Polish markets) decreased due to fewer launches in France and to shrinkage of UK revenues.

Sales in the schoolbook publishing market, amounting to € 65.2 mn, grew by € 1.1 mn YoY despite a slightly lower approved/sold ratio than in the previous year, mainly in Southern Italy and in technical/professional colleges.

In the university & professional publishing segment, net of sale of the NIB business division, revenues featured a slight decrease.

Lastly, we note acquisition, completed in June, of 50% of Garamond, a company active in the e-learning segment.

RCS Broadcast (radio broadcasting and press services)

The company controls Finwork Finanziaria Italia (the company heading the national broadcaster RIN – Radio Italia Network), CNR (the company managing the national syndication CNRplus), and AGR – Agenzia Giornalistica Radiotelevisiva – one of the main Italian press and radio news agencies.
AGR was acquired in FY2002 by the ultimate parent company RCS MediaGroup and then sold to RCS Broadcast on November 6th. Consistently with the logic of operating and business links, we have considered it appropriate, in this Management Report, to comment on consolidated 9M03 results in comparison with pro-forma consolidated 9M02 results.

Operating performance

Revenues as up to September 30th:

(€ millions)	9 Months 30.09.03	%	9 Months 30.09.02 (1)	%	% Change	FY2002 (1)	%
Broadcasting/other revenues	3.8	21.6	2.2	13.2	72.7	4.2	18.0
Advertising revenues	13.8	78.4	14.5	86.8	-4.8	19.1	82.0
Total revenues	**17.6**	**100.0**	**16.7**	**100.0**	**5.4**	**23.3**	**100.0**

(1) Pro-forma data

Net revenues, totalling € 17.6 mn, grew by 5.4% vs. € 16.7 mn in 9M02. The decrease in advertising revenues was due to transfer of management of advertising collection to RCS Pubblicità. On a like-for-like basis, there was growth of about 20% for RIN and 19% for CNR. We point out that the current year's revenues refer solely to the broadcaster's portion, in contrast with those of the previous year, which also included the portion pertaining to the concessionaire. In 2002 our radio business in fact sold its advertising time directly.

Broadcasting & other revenues particularly benefited from the increase in sales of press services by AGR. The latter, following consolidation of provision of services to other radio stations and to group companies, has started to produce and market new services on a regional basis and for new market, thus expanding its customer base.

During the period work – already started at the end of 2002 – continued on reduction of overhead costs, modification of RIN's radio programming – designed to make the radio more attractive for advertisers – and on development of the AGR press agency's business.

GFT Net (clothing)

During 9M03 initiatives concerning group withdrawal from the clothing business were virtually completed – with exception of the US business relating to the Joseph brand, which thus accounted for all results in the period in question.

Operating performance

Revenues as up to September 30th:

(€ millions)	9 Months 30.09.03	9 Months 30.09.02	% Change	FY2002
Total revenues	**62.0**	**121.4**	**-48.9%**	**134.9**

During 9M03 sales totalled € 62.0 mn vs. € 121.4 mn in 9M02, mainly because of total withdrawal from the business in Italy.

Joseph Abboud featured a downturn in the first part of the year due to market difficulties, which were also caused by the war in Iraq. The brand in any case reacted well, increasing its market share and recouping part of lower initial sales with collections coming out in the second part of the year. Operating results were positive and improved vs. 9M02, albeit feeling the adverse exchange-rate effect caused by USD depreciation vs. the euro.

Fila

On June 10th Fila Holding executed the agreement to sell its operating companies - Fila Nederland, Fila Sport, Ciesse Piumini and Fila USA – to Sports Brand International (SBI), a subsidiary of the Cerberus investment fund.

On July 28th a PTO was launched on the company's ADS (American Depositary Shares) listed on the New York Stock Exchange at a unitary price of USD 1.12. The offer to buy the Fila Holding SpA's ordinary shares/ADS, which ended on October 3rd this year, received take-up for a total of 6,867,194 ADS, accounting for 7.11% of capital, thus taking RCS MediaGroup's total equity interest up to 98.20%. On October 24th the Fila Holding shareholders' meeting decided to delist ADS representing the company's ordinary stock from the New York Stock Exchange and to cancel their registration pursuant to the 1934 Securities & Exchange Act and its subsequent additions.

Sale of the companies caused major differences in financial statements as up to September 30th 2003 vs. the same period in 2002 and vs. FY2002.

Due to sale of operating companies, at the end of 3Q03 Fila Holding showed a 9-month loss of € -77.1 mn, almost exclusively due to the capital loss caused by sale of its equity interests. The effects of sale of Fila assets have been neutralised in RCS MediaGroup's consolidated financial statements via use of specific risk provisions made in previous years' accounts.

The disposal deal enabled Fila Holding to discharge financial debt amounting to some € -295 mn as at December 31st 2002. € 32.9 mn of liquidity existing as at September 30th 2003 has been invested in a loan to the parent company.

Financial schedules

Consolidated Profit & Loss Account

(€ millions)	**3rd Quarter 2003** Amount	%	**3rd Quarter 2002** Amount	%	**Outright change**
Net revenues:					
Circulation	357.6	66.6%	356.0	45.4%	1.6
Advertising	152.0	28.3%	137.0	17.5%	15.0
Other	27.4	5.1%	290.8	37.1%	(263.4)
Total net revenues	**537.0**	**100.0%**	**783.8**	**100.0%**	**(246.8)**
Goods and services	(399.4)	(74.4%)	(613.1)	(78.2%)	213.7
Changes of inventories of work in process, semiprocessed and finished goods	(4.9)	0.0%	(25.5)	(3.3%)	25.5
Payroll	(95.1)	(17.7%)	(111.9)	(14.3%)	16.8
EBITDA	**37.6**	**7.0%**	**33.3**	**4.2%**	**4.3**
Depreciation, amortisation, write-downs & provisions	(19.2)	(3.6%)	(23.1)	(2.9%)	3.9
EBIT	**18.4**	**3.4%**	**10.2**	**1.3%**	**8.2**
Net financial income/(charges)	(2.7)	(0.5%)	(11.7)	(1.5%)	9.0
Net income/(charges) on equity interests and write-ups/(write-downs of financial assets	(1.5)	(0.3%)	1.2	0.2%	(2.7)
EBT and before extraordinary items	**14.2**	**2.6%**	**(0.3)**	**(0.0%)**	**14.5**
Net extraordinary income/(charges)	5.6	1.0%	33.0	4.2%	(27.4)
EBT and minorities	**19.8**	**3.7%**	**32.7**	**4.2%**	**(12.9)**

(€ millions)	**9M03** Amount	%	**9M02** Amount	%	**Outright change**
Net revenues:					
Circulation	945.8	58.2%	892.8	38.2%	53.0
Advertising	547	33.7%	536.2	22.9%	10.8
Other	131.1	8.1%	908.5	38.9%	(777.4)
Total net revenues	**1,623.9**	**100%**	**2,337.5**	**100%**	**(713.6)**
Goods and services	(1,224.8)	(75.4%)	(1,818.2)	(77.8%)	593.4
Changes of inventories of work in process, semiprocessed and finished goods	10.9	0.7%	(43.3)	(1.9%)	54.2
Payroll	(314.6)	(19.4%)	(383.3)	(16.4%)	68.7
EBITDA	**95.4**	**5.9%**	**92.7**	**4.0%**	**2.7**
Depreciation, amortisation, write-downs & provisions	(69.4)	(4.3%)	(82.1)	(3.5%)	12.7
EBIT	**26.0**	**1.6%**	**10.6**	**0.5%**	**15.4**
Net financial income/(charges)	(5.1)	(0.3%)	(45.9)	(2.0%)	40.8
Net income/(charges) on equity interests and write-ups/(write-downs of financial assets	24.2	1.5%	4.2	0.2%	20.0
EBT and before extraordinary items	**45.1**	**2.8%**	**(31.1)**	**(1.3%)**	**76.2**
Net extraordinary income/(charges)	3.3	0.2%	18.5	0.8%	(15.2)
EBT and minorities	**48.4**	**3.0%**	**(12.6)**	**(0.5%)**	**61.0**

Consolidated Balance Sheet

(€ millions)	**30.09.03**	**30.06.2003**	**Outright change**	**31.12.02**	**Outright change**
Intangible non-current assets	392.0	403.7	(11.7)	353.0	39.0
Tangible fixed assets	175.6	179.9	(4.3)	154.6	21.0
Non-current financial assets	487.6	489.6	(2.0)	545.5	(57.9)
Net non-current and financial assets	**1,055.2**	**1,073.2**	**(18.0)**	**1,053.1**	**2.1**
Inventories	178.6	184.5	(5.9)	167.7	10.9
Trade receivables	621.5	656.2	(34.7)	656.9	(35.4)
Trade payables	(504.0)	(513.3)	9.3	(539.6)	35.6
Other assets/liabilities	210.5	213.8	(3.3)	146.1	64.4
Working capital	**506.6**	**541.2**	**(34.6)**	**431.1**	**75.5**
Provisions for risks and charges	(177.4)	(183.5)	6.1	(265.0)	87.6
NET CAPITAL EMPLOYED	**1,384.4**	**1,430.9**	**(46.5)**	**1,219.2**	**165.2**
Group and minority net equity	1,061.3	1,052.4	8.9	1,024.7	36.6
Accrued employee severance indemnity provision	109.1	108.4	0.7	111.4	(2.3)
Medium-/long-term financial debt	225.7	224.7	1.0	277.1	(51.4)
Short-term financial debt	166.1	191.4	(25.3)	118.0	48.1
Short-term liquidity and financial receivables (-)	(177.8)	(146.0)	(31.8)	(312.0)	134.2
Net financial debt/(surplus)	**214.0**	**270.1**	**(56.1)**	**83.1**	**130.9**
LIABILITIES & NET EQUITY	**1,384.4**	**1,430.9**	**(46.5)**	**1,219.2**	**165.2**

Cash flow summary

	(As per IASC standards) - € millions	30/09/2003	31/12/2002	30/09/2002
A.	**Cash flow from operations**			
	Net profit/(loss) for year		(152.3)	
	Net profit/(loss) for accounting period	48.4		(12.6)
	Adjustments for:			
	Depreciation & amortisation	53.4	68.5	82.1
	Income from equity interests	(7.3)	(14.1)	(5.9)
	Write-downs/(write-ups) of fixed assets	4.9	174.1	10.3
	Capital (gains)/losses on fixed-asset disposals	(5.4)	(83.8)	(68.8)
	Increase/(decrease) of provisions for risks and charges	(29.8)	(18.3)	20.4
	Increase/(decrease) of accrued employee severance indemnity provision	(1.9)	(7.5)	(6.3)
	Other changes (including translation reserve)		(14.5)	(12.2)
	Operating profit/(loss) before change in working capital	**62.3**	**(47.9)**	**7.0**
	(Increase)/decrease in inventories	(6.8)	33.9	90.3
	(Increase)/decrease in trade receivables	48.3	65.9	70.2
	Increase/(decrease) in trade payables	(23.9)	17.6	(14.3)
	(Increase)/decrease of other assets/liabilities	(76.2)	43.7	(69.2)
	Change in working capital	**(58.6)**	**161.1**	**77.0**
	Total net cash generated by operations (A)	**3.7**	**113.2**	**84.0**
B.	**Cash flow from investment activities**			
	Acquisitions, capital increases, and coverage of losses of equity interests	(161.0)	(201.4)	(91.5)
	Acquisition of other non-current financial assets	(9.5)	(17.8)	(17.8)
	Purchase of intangible and tangible non-current and fixed assets	(27.3)	(71.5)	(72.0)
	Cash-in from sale of equity interests	19.4	282.7	269.4
	Cash-in from sale of intangible and tangible non-current and fixed assets	2.0	78.0	115.0
	Dividends received	7.3	14.1	5.9
	Other changes	48.1	1.0	(28.7)
	Net cash absorbed by investment activities (B)	**(121.0)**	**85.1**	**180.3**
	Free cash flow (A+B)	*(117.3)*	*198.3*	*264.3*
C.	**Cash flow from financial activities**			
	Net change in medium-/long-term debt	(51.5)	(27.0)	(35.0)
	Net change in current financial debt	48.2	(257.5)	(244.0)
	Net change in current financial assets	129.6	0.3	135.7
	Dividends paid			
	Change in minorities' net equity	(10.8)	10.7	(10.1)
	Change in translation reserve	(2.9)		
	Net cash generated by financial activities (C)	**112.6**	**(273.5)**	**(153.4)**
	Net increase/(decrease) in cash & cash equivalents (A+B+C)	**(4.7)**	**(75.2)**	**110.9**
	Net cash at beginning of accounting period	68.4	**143.6**	143.6
	Net cash at end of accounting period	63.7	**68.4**	254.5
	Increase/(decrease) of net cash in accounting period	**(4.7)**	**(75.2)**	**110.9**

Events after September 30th

The public tender offer, concluded on October 3rd this year, for Ordinary Shares/ADS (American Depositary Shares) of the subsidiary Fila Holding SpA received take-ups totalling 6,867,194 ADS, accounting for 7.11% and taking RCS MediaGroup's total stake up to 98.20%.

The New York Stock Exchange, in view of the fact that Fila Holding is not an operating company and taking into account the conclusion and results of the public offer, decided to suspend trading of the ADS as from October 14th and subsequently delisted them. The subsidiary thus intends to terminate agreements designed to maintain the ADS issue and circulation programme and to cancel the registration of Fila Holding stocks with the Securities and Exchange Commission.
In addition, following a shareholder resolution passed on October 24th and effective as from the beginning of 2004, Fila Holding will change its name to RCS Investimenti SpA and will transfer its registered offices to Milan, at the address of Via Angelo Rizzoli 2.

On October 28th RCS Libri concluded a new agreement for collaboration with RBA Holding Editorial SA in relation to management and development of activities already existing in Spain, France and Italy.
As part of this agreement, in order to simplify the legal-entity structure, it has been established that common shareholdings will be eliminated, i.e. sale to RBA Holding Editorial SA of the 20% interest in RBA Colleccionables SA, purchase – subject to approval by the Antitrust Authority – of the entire share capital of RBA Fabbri Italia Srl from Ediciones Orbis, and sale of 50% of the share capital of Ediciones Orbis SA by RCS International Books BV (an RCS Libri subsidiary) to RBA Holding Editorial SA.

In the last few days of October, the Boards of Directors of RCS Libri SpA and of the companies RCS Scuola SpA, RCS Collezionabili SpA, and Casa Editrice La Tribuna SpA (already all 100% owned by RCS Libri), Ratealfactor SpA (now 24.5% owned by RCS Libri with the remainder owned by our subsidiary RCS Quotidiani) and RBA Fabbri Srl approved, for their respective spheres of responsibility, projects for merger by incorporation of all the latter companies into the former. As regards RBA Fabbri Italia and Ratealfactor, the mergers are subject to RCS Libri achieving ownership of 100% of their share capital. Mergers are expected to be completed by the end of the current year, taking effect, in tax and accounting terms, as from the beginning of the current accounting period.

Expected business progress in FY2003

The current economic picture, albeit in a still uncertain scenario, shows signs of modest recovery that should be the precursor of a positive reversal in the advertising market's trend. In this context, the actions implemented to improve overhead costs and revenue quality enable us to confirm that the year will show a positive consolidated net result.

As regards the parent company, we confirm the forecast of a positive result already made in the first-half interim report. We also confirm the consequent possibility of remuneration of capital.

Milan, November 13th 2003

On Behalf of the Board of Directors:

The Chairman
Guido Roberto Vitale

The Managing Director
Maurizio Romiti

Attachment : Comparative quarterly P&L account

Consolidated Profit & Loss Account – RCS MediaGroup

(€ millions)	1st Quarter		2nd Quarter		3rd Quarter		First 9 Months	
	2003	2002	2003	2002	2003	2002	2003	2002
Net revenues:								
Circulation	301.4	268.0	286.9	268.8	357.6	356.0	945.8	892.8
Advertising	167.6	165.5	227.4	233.7	152.0	137.0	547.0	536.2
Other	34.4	336.7	69.2	281.0	27.4	290.8	131.1	908.5
Total net revenues	**503.4**	**770.2**	**583.5**	**783.5**	**537.0**	**783.8**	**1,623.9**	**2,337.5**
Goods and services	(404.7)	(605.0)	(420.7)	(600.1)	(399.4)	(613.1)	(1,224.8)	(1,818.2)
Changes of inventories of work in process, semiprocessed and finished goods	(0.9)	(37.7)	16.7	19.9	(4.9)	(25.5)	10.9	(43.3)
Payroll	(106.2)	(136.1)	(113.3)	(135.3)	(95.1)	(111.9)	(314.6)	(383.3)
EBITDA	**(8.4)**	**(8.6)**	**66.2**	**68.0**	**37.6**	**33.3**	**95.4**	**92.7**
Depreciation, amortisation, write-downs & provs	(22.1)	(30.7)	(28.1)	(28.3)	(19.2)	(23.1)	(69.4)	(82.1)
EBIT	**(30.5)**	**(39.3)**	**38.1**	**39.7**	**18.4**	**10.2**	**26.0**	**10.6**
Net financial income/(charges)	(1.2)	(24.9)	(1.2)	(9.3)	(2.7)	(11.7)	(5.1)	(45.9)
Net income/(charges) on equity interests and write-ups/(write-downs of financial assets	(1.7)	(1.8)	27.4	4.8	(1.5)	1.2	24.2	4.2
EBT and before extraordinary items	**(33.4)**	**(66.0)**	**64.3**	**35.2**	**14.2**	**(0.3)**	**45.1**	**(31.1)**
Net extraordinary income/(charges)	(0.1)	15.3	(2.2)	(29.8)	5.6	33.0	3.3	18.5
EBT and minorities	**(33.5)**	**(50.7)**	**62.1**	**5.4**	**19.8**	**32.7**	**48.4**	**(12.6)**

RCS MediaGroup SpA
Via A. Rizzoli 2
20132 Milan, Italy
www.rcsmediagroup.it