Annual Report
2002-2003 Financial Year ending 30 September 2003

Cairo Communication SpA
Head office: Via Tucidide 56, Milan, Italy
Share capital: € 4,030,000

Contents

Cairo Communication Group

Corporate Governance

Board of Directors

Urbano Cairo*	Chairman
Uberto Fornara	Vice-Chairman
Roberto Cairo	Director
Marco Janni	Director
Antonio Magnocavallo	Director
Marco Pompignoli **	Director
Roberto Rezzonico	Director

Board of Auditors

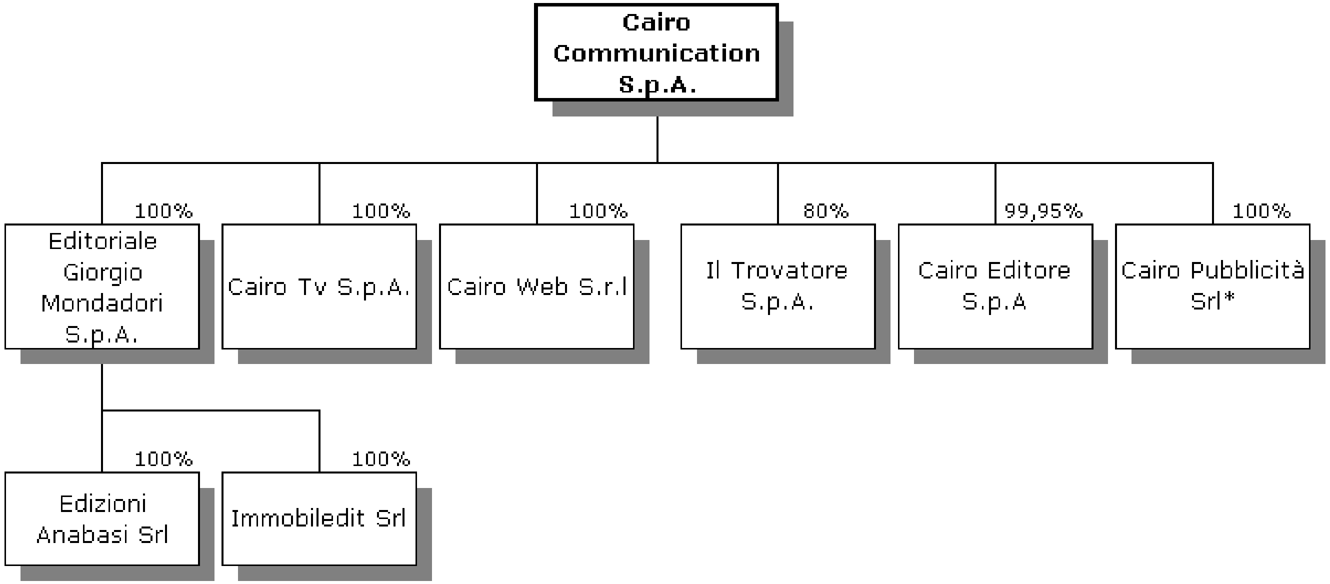
Mauro Sala	Chairman
Marco Baccani	Principal auditor
Enrico P. Muscato	Principal auditor
Maria Silvia Gandolfi	Alternate auditor
Ferdinando Ramponi	Alternate auditor

Statutory Auditors

Deloitte & Touche SpA

* Ordinary and extraordinary executive powers exercised with single signatory, as restricted by limitations set by the Board of Directors.
** Co-opted as a Director on 23 May 2003, following the resignation of Giuliano Cesari as Director on 28 April 2003

Group Structure



CAIRO COMMUNICATION

Cairo Communication SpA

Parent Company Directors' Report

2002-2003 Financial Year ending 30 September 2003

EXECUTIVE SUMMARY

PARENT COMPANY DIRECTORS' REPORT

Cairo Communication SpA

Financial Year ending 30 September 2003

Dear Shareholders,

We hereby present to you for your approval the parent company financial statements of Cairo Communication SpA, henceforth referred to as the "Company", for the financial year ending 30 September 2002, comprising a Balance Sheet, Income Statement and Notes, prepared in accordance with Italian Civil Law and changes arising from Legislative Decree 127/91, reporting a Company net profit of € 10, 249, 280.

During the 2002-2003 financial year, the Cairo Communication Group continued to operate as an advertising broker selling advertising time/space on TV networks, in print media and on Internet sites, and as a publisher of books and magazines (Editoriale Giorgio Mondadori and Cairo Editore publishing houses) and an operator of Internet sites (Il Trovatore search engine).

In particular, the financial year was marked by major publishing initiatives undertaken by the Group subsidiary, Cairo Editore, as well the start-up of the agreement to sell advertising time on the La7 commercial TV network.

Cairo Editore launched two major publishing initiatives in Autumn 2002 that resulted in the launch in March 2003 of the "For Men Magazine" magazine followed in June 2003 by launch in the "Natural Style" magazine (July 2003 edition), a women's lifestyle magazine dedicated to natural living. The first editions of these magazines enjoyed strong sales, with average monthly circulation of 150,000 reported for the "For Men Magazine" magazine and 102,000 for the "Natural Style" magazine

The dynamism of Cairo Editore confirms the soundness of Cairo Group's decision to strongly emphasize the development of its Publishing business, privileging internal growth through the launch of new magazines without excluding growth through acquisitions.

The Group's EGM subsidiary, publisher of the "Bell'Italia", "Bell'Europa", "In Viaggio", "Airone", "Gardenia", "Arte" and "Antiquariato" magazines, also enjoyed strong performances during the financial year, supporting their publications with advertising campaigns and numerous publishing initiatives. EGM's tourism titles, "Bell'Italia", "Bell'Europa" and "In Viaggio" continued to post impressive circulation numbers, with these three titles realising copy sales of 93,500 for the October 2002 - September 2003 12-month period, similar to 1999 levels, with the 7 major competing magazines in this area suffering a 50% drop in their circulation numbers.

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The Group's Advertising business also enjoyed strong sales growth, particularly with regard to the sale of advertising time on behalf of the La7 TV network, confirming the great potential offered by this new agreement, as well as representing an opportunity for Cairo Group to increase sales and profit margins and expand its presence in the television advertising sales market. It also allows the Group to exploit the expertise and know-how that its sales force has developed in this sector over these last years as well as its extensive customer portfolio, which has further been enhanced with the addition of La7.

La7 TV network advertising time sales revenues for the January to September 2003 9-month period jumped by 56.3% to € 43.7 million from € 27.9 million for the same period last year, in line with contracted guaranteed minimum sales figures.

Analogue and digital Pay TV advertising space sales increased by 2% for the 2002-2003 financial year.

Cairo Communication Group 2002-2003 financial year sales increased by 6.8% to € 155.5 million from € 145.6 million for the previous financial year. During this time, EBITDA jumped 42.6% to € 13 million from € 9.1 million and EBIT jumped 52.5% to € 5.2 million from € 3.4 million, both representing outstanding performances. These results were achieved despite an overall 2.5% contraction the advertising market during the October 2002 to September 2003 12-month period (Source: AC Nielsen).

Immobiledit Ltd, a fully owned subsidiary of EGM, was consolidated for the first time during this financial year. As this company is not operational, its consolidation does not affect the comparability of financial results between the 2002-2003 and 2001-2002 financial years.

CAIRO COMMUNICATION SPA - FINANCIAL RESULTS

Cairo Communication SpA - Parent Company Income Statement

(€ thousands)		
Financial year ending 30 September	**2003**	**2002**
Sales	112,560	88,072
Other operating revenues	1,470	2,385
Gross operating revenues	**114,030**	**90,457**
Advertising agency discounts	(12,671)	(11,658)
Operating revenues	**101,359**	**78,799**
Cost of sales	(88,480)	(72,516)
Personnel costs	(3,201)	(2,758)
Gross operating profit (EBITDA)	**9,678**	**3,525**
Depreciation, amortisation and provision charges	(4,640)	(2,655)
Operating profit (EBIT)	**5,038**	**870**
Net finance income	10,048	8,140
Profit from ordinary activities	**14,634**	**8,828**
Net exceptional expenses	(943)	0
Profit before tax	**13,691**	**8,828**
Income tax	(3,441)	(756)
Net profit	**10,250**	**8,072**

Cairo Communication SpA continued to operate during 2002-2003 as a multimedia advertising broker selling advertising time/space on TV networks, in print media and on Internet sites, and as a publisher of books and magazines and to provide centralised services to Group companies.

The Company began selling advertising time on the La7 TV network in 2003. Advertising time sales for Tele+ Group analogue and digital pay TV channels continued until July, after which this service was continued for the benefit of Sky Italia. Sales for other specialty TV channels (Cartoon Network, Discovery Channel, Bloomberg and CNN) continued, through an agreement entered into by the Group subsidiary, Cairo TV SpA.

Cairo sold advertising space for the following magazines: “Airone”, “Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Gardenia”, “Arte” and “Antiquariato” (Editoriale Giorgio Mondadori), “For Men Magazine” and “Natural Style” (Cairo Editore), “Bella” “Pratica”, “Buona Cucina”, “Un mese in Cucina” and “La mia Boutique” (Editoriale Genesis) and “Prima Comunicazione” and “Burda” (Edizioni Raffi).

Advertising space sales for the 1st quarter of 2002-2003, which comprised the 3-month period of October to December 2002, included sales for the RCS “Anna”, “Salve”, “Oggi”, “Novella 2000” and “Visto” titles. The significant drop in print media advertising sales is due to the expiry of the agreement with RCS for these titles, which generated sales of € 12.5 million in for Cairo in 2002.

2003-2004 1st quarter Company gross operating revenues increased by € 23.5 million over the same period last year to € 114 million, reflecting the first year of the advertising time sales agreement with the La7 TV network and an increase in analogue and digital pay TV channels advertising time sales activities that have been outsourced to the Company by Cairo TV.

This sales growth has led to a significant improvement in gross operating profit (EBITDA), which jumped to € 9.7 million from € 3.5 million for 2001-2002, and operating profit (EBIT), which jumped to € 5 million from € 0.9 million during that time.

As previously noted, the € 1.9 million increase in depreciation, amortisation and provision charges related primarily to the expensing of an entrance fee paid at the onset of the advertising sales agreement with the La7.

2002-2003 net finance income included a € 5.1 million dividend and a related tax credit of € 2.6 million, totalling € 7.7 million, from its subsidiary, Cairo TV SpA. Other net finance income amounted to € 2.3 million

Cairo Communication SpA Parent Company Balance Sheet

(€ thousands)	**30 September 2003**	**30 September 2002**
Assets		
Property, furniture and equipment	528	449
Intangible assets	7,804	3,813
Investments	22,047	22,420
Treasury shares	1,195	328
Other current assets	17,696	19,862
Total Assets	**49,270**	**46,872**
Equity and Liabilities		
Shareholders equity	136,275	132,180
Non-current borrowings and provisions for liabilities	708	697
Borrowings from unconsolidated subsidiary	4,985	5,165
Net financial assets	(92,698)	(91,170)
Total Equity and Liabilities	**49,270**	**46,872**

As earlier discussed in the consolidated results section, the increase in intangible assets arises primarily from a non-recurring entrance fee paid to TV Internazionale SpA in order to acquire the exclusive rights for three years to sell advertising time on behalf of the La7 TV network.

Cairo Communication SpA - Parent Company Statement of Net Financial Position

(€ thousands)	**30 Sept. 2003**	**30 Sept. 2002**
Bank and cash	86,616	91,080
Insurance financial product	6,000	0
Marketable securities	82	90
Net Financial Assets	**92,698**	**91.170**
Immobiledit borrowings	(4,985)	(5,165)
Net Financial Position	**87,713**	**86,005**

CAIRO COMMUNICATION GROUP - FINANCIAL RESULTS

Cairo Communication Group Consolidated Income Statement

(€ thousands)		
Financial year ending 30 September	**2003**	**2002**
Sales	152,905	141,114
Other operating revenues	2,526	4,467
Gross operating revenues	**155,431**	**145,581**
Advertising agency discounts	(19,528)	(17,764)
Inventory movements	(322)	(421)
Operating revenues	**135,581**	**127,396**
Cost of sales	(113,213)	(109,941)
Personnel costs	(9,385)	(8,353)
Gross operating profit (EBITDA)	**12,983**	**9,102**
Depreciation and provision charges	(7,795)	(5,700)
Operating profit (EBIT)	**5,188**	**3,402**
Net finance income	3,195	4,319
Profit from ordinary activities	**8,383**	**7,721**
Net exceptional expenses	(1,281)	(254)
Profit before tax	**7,102**	**7,467**
Income tax	(2,088)	(1,736)
Minority interest	27	15
Net profit	**5,041**	**5,746**

2002-2003 Group gross operating revenues increased by 6.8% to € 155.4 million from € 145.6 million, consisting of € 152.9 million in sales and € 2.5 million in other operating revenues.

Both Group EBITDA and EBIT improved significantly during this time, with the EBITDA jumping 42.6% to € 13 million from € 9.1 million and the EBIT jumping 52.5% to € 5.2 million from € 3.4 million. These outstanding results were achieved despite pre-publication and launch costs associated to the launch of a new title, which were incurred during the 1st half of 2002-2003.

The Group incurred € 1 million in costs during 2002-2003 relating to the launch of the first 6 issues of the "For Men Magazine" magazine and € 0.4 million in costs relating to the launch of the first 3 issues of the "Natural Style" magazine. Other advertising costs incurred for these two titles and their subsequent issues amounted € 0.6 million, and were charged to 2002-2003 net profit.

The € 1.9 million increase in depreciation, amortisation and provision charges results from the amortisation of the entrance fee paid to the La7 network for the right to exclusively sell advertising time on its behalf.

Group net finance income included € 0.5 million in dividend tax credits (€ 1.6 million for 2001-2002). Excluding this dividend tax credit, net finance income would have amounted to € 2.7 million, only slightly lower than the previous financial year figure, despite a 22% drop in interest rates during this time.

As explained in Note 24 to the Consolidated Balance Sheet, net exceptional expenses include € 0.6 million in arbitration costs and € 0.5 million in income arising from an income tax agreement, pursuant to Articles 8, 9 and 15 of Law N° 289 of 27 December 2002.

Analysis of Group Sales and Other Operating Revenues by Nature and Business Segment

(€ thousands) Financial year ending 30 September	2003			2002		
	Advertising	Publishing	Total	Advertising	Publishing	Total
TV advertising time sales	97,777	-	**97,777**	53,189	-	**53,189**
Print media advertising space sales	29,080	14,023	**43,103**	63,189	11,718	**74,907**
Stadium signs and electronic billboards advertising space sales	201	-	**201**	2,458	-	**2,458**
Internet advertising time sales	143	-	**143**	562	-	**562**
Magazine over-the-counter sales	-	7,776	**7,776**	-	6,159	**6,159**
Magazine subscription sales	-	3,176	**3,176**	-	3,051	**3,051**
Audiovisual and other sales	-	78	**78**	-	85	**85**
Books and catalogues	-	907	**907**	-	966	**966**
VAT relating to publications	-	(256)	**(256)**	-	(263)	**(263)**
Total - Sales	**127,201**	**25,704**	**152,905**	**119,398**	**21,716**	**141,114**
Other operating revenues	1,931	595	**2,526**	3,528	939	**4,467**
Total - Gross Operating Revenues	**129,132**	**26,299**	**155,431**	**122,926**	**22,655**	**145,581**

Analysis Group Financial Results by Business Segment

(€ thousands)	Advertising		Search Engine (Il Trovatore)		Publishing	
Financial year ending 30 September	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Sales	127,037	119,337	164	61	25,704	21,717
Other operating revenues	1,924	3,517	7	11	595	939
Gross operating revenues	**128,961**	**122,854**	**171**	**72**	**26,299**	**22,656**
Agency discounts	(19,528)	(17,764)	-	-	-	-
Inventory movements	-	-	-	-	(322)	(422)
Operating revenues	**109,433**	**105,090**	**171**	**72**	**25,977**	**22,234**
Cost of sales	(93,617)	(94,466)	(272)	(270)	(19,324)	(15,205)
Personnel costs	(3,949)	(3,496)	-	-	(5,436)	(4,857)
Gross operating profit (EBITDA)	**11,867**	**7,128**	**(101)**	**(198)**	**1,217**	**2,172**
Depreciation and provision charges	(6,227)	(4,160)	(25)	(19)	(1,543)	(1,521)
Operating profit (EBIT)	**5,640**	**2,968**	**(126)**	**(217)**	**(326)**	**651**
Net finance income	2,979	4,318	(1)	(1)	217	2
Profit from ordinary activities	**8,619**	**7,286**	**(127)**	**(218)**	**(109)**	**653**
Net exceptional income/(expenses)	(1,134)	-	(7)	-	(140)	(254)
Profit before tax	**7,485**	**7,286**	**(134)**	**(218)**	**(249)**	**399**
Income tax	(2,182)	(1,857)	-	-	94	121
Minority interest	-	15	27	-	-	-
Net profit	**5,303**	**5,444**	**(107)**	**(218)**	**(155)**	**520**

Advertising business gross operating revenues rose by 5% for 2002-2003 to € 129 million, compared to € 122.8 million for 2001-2002, despite a 2.5% decline in the market (Source: AC Nielsen), while Publishing business gross operating revenues rose by 16.3% to € 26.4 million from € 22.7 million in this time.

As previously noted, the lower Publishing business operating profitability is primarily due to pre-publication and launch costs associated to the launch and publication of the first 6 issues of the "For Men Magazine" magazine (€ 1 million) and the first three issues of the "Natural Style" magazine (€ 0.4 million), as well € 0.6 million in other advertising costs incurred for these titles and their subsequent issues. In addition, Publishing business operating profitability was further affected by the undertaking of advertising campaigns and publishing initiatives in support of existing titles, in order to maintain strong circulation figures.

Cairo Communication Group Consolidated Balance Sheet

(€ thousands)	**30 September 2003**	**30 September 2002**
Assets		
Property, furniture and equipment	3,049	2,977
Intangible assets	19,510	17,432
Investments	209	218
Treasury shares	1,195	328
Marketable securities	-	4,908
Other current assets	11,663	19,243
Total Assets	**35,614**	**45,106**
Equity and Liabilities		
Shareholders equity	133,588	134,365
Minority interest	12	19
Non-current borrowings and provisions for liabilities	6,153	3,914
Borrowings from unconsolidated subsidiary	0	5,165
Net financial assets	(104,127)	(98,357)
Total Equity and Liabilities	**35,626**	**45,106**

The increase in intangible assets arises primarily from the € 7.5 million non-recurring entrance fee paid to TV Internazionale SpA in order to acquire the exclusive rights to sell advertising time on behalf of the La7 network. This amount will be amortised over the duration of this agreement - 36 months from January 2003.

The reduction in marketable securities arises from the consolidation of Immobiledit Ltd. The increase in provisions for liabilities and charges at 30 September 2003 also arises from the first time consolidation of Immobiledit Ltd., which had established a € 1.3 million provision concerning pending litigation. Provisions for deferred taxation of € 0.5 million are also included.

Cairo Communication Group Consolidated Statement of Net Financial Position

(€ thousands)	**30 Sept. 2003**	**30 Sept. 2002**	**Change**
Bank and cash	98,065	98,266	(201)
Marketable securities	83	90	(7)
Insurance financial products	6,000	0	6,000
Bank loans	(21)	0	(21)
Net Financial Assets	**104,127**	**98,356**	**5,771**
Immobiledit borrowings	0	(5,165)	5,165
Net Financial Position	**104,127**	**93,191**	**10,936**

The Group manages its bank and cash very prudently, investing for the most part in interbank deposits.

At 30 September 2003, the Group had net financial assets of € 104.1 million, which included Immobiledit's bank and cash holdings that were not included in the Group's net financial assets at 30 September 2002. The inclusion of these assets would have increased net financial assets at 30 September 2002 by € 1.8 million, reducing the increase for 2002-2003 financial year to € 4 million. More information is provided on the Group's investment activities in the Group's Consolidated Cash Flow Statement.

CAIRO COMMUNICATION PARENT COMPANY AND SUBSDIARIES OPERATING RESULTS

ADVERTISING BUSINESS

TELEVISION DIVISION - CAIRO TV SPA

In January 2003, Cairo TV SpA began selling advertising time on behalf of the La7 TV network, pursuant to an outsourcing agreement with Cairo Communication SpA, in order to fully exploit Group structures and capabilities. Advertising time sales was extremely strong during 2003, confirming the great potential of this commercial TV network and the excellent expertise and know-how of Cairo Communication and Cairo TV's sales force.

The significant increase in TV advertising sales during the 1st quarter of 2003-2004 reflects the strong advertising sales performance at the La7 TV Network, which Cairo has represented since January 2003. This strong sales advertising performance at La7 occurred throughout 2003, confirming the great potential of this commercial TV network and the excellent expertise and know-how of Cairo Communication and Cairo TV's sales force.

During the first nine months of 2003, La7 TV network advertising time sales jumped 56.3% over the same period last year, to € 43.7 million, from € 27.9 million, including € 17 million generated from the recruitment of 175 new advertisers. This performance exceeds the minimum annual performances guaranteed by Cairo and specified in its agreement with the La7 TV network.

Advertising time sales for the Tele+ Group set of analogue and digital pay TV channels continued until July, after which these activities undertaken for on behalf of Sky Italia. Sales for other specialty TV channels (Cartoon Network, Discovery Channel, Bloomberg and CNN) continued, through an agreement entered into by the Group subsidiary, Cairo TV SpA. Advertising sales for these specialty TV channels increased 2%, in an Italian advertising market that was relatively stagnant for the 12-month period from 1 October 2002 to 30 September 2003 period (Source: AC Nielsen).

2003 has been a watershed year for the Italian pay TV market, with the arrival of Sky and the creation of a single satellite pay TV network for Italy from the merger of the Tele+ and Stream satellite TV networks. Channels formerly broadcast on the Tele+ satellite TV network are now broadcast on the Sky Italia satellite TV network, effective from 31 July 2003.

Sky Italia's position as the main operator of Italy's sole satellite TV network has been clearly established. Cairo Communication Group's legal team is reviewing the legal implications of this development and the options that are available to the Group, in order best safeguard its interests.

Since commencing its advertising time sales activity for Sky Italia, Cairo has focused exclusively on the sale of advertising time relating to Italian Premier League Football (Serie A) matches, both live and time delayed broadcasts, as well as the Diretta Gol, Calcio Sky and other sports shows broadcast on Sky Sport 1. Presently, Cairo sells advertising time for matches involving 12 of the 18 Serie A teams: Inter Milan, Juventus, AC Milan, Lazio, Roma, Parma, Bologna, Udinese, Lecce, Siena, Reggina, and Sampdoria).

Cairo does not presently sell advertising time on Sky Italia movie channels.

PRINT MEDIA DIVISION - CAIRO COMMUNICATION SPA

During the 2002-2003 financial year, Cairo continued selling advertising space for the following magazines:

- "Airone", "Bell'Italia", "Bell'Europa", "In Viaggio", "Gardenia", "Arte" and "Antiquariato", pursuant to its agreement with Editoriale Giorgio Mondadori (EGM).
- "For Men Magazine" and "Natural Style", pursuant to its agreement with Cairo Editore.
- ""Bella" "Pratica", "Buona Cucina", "Un mese in Cucina" and "La mia Boutique", pursuant to its agreement with Editoriale Genesis
- "Prima Comunicazione" and "Burda", pursuant to its agreement with Edizioni Raffi

Advertising space sales for 2001-2002 included sales for the RCS "Anna", "Salve", "Oggi", "Novella 2000" and "Visto" titles. Since 2002-2003, the Group has shifted its focus onto developing its advertising space sales for its existing, future high-potential magazines published by EGM and Cairo Editore.

INTERNET DIVISION - IL TROVATORE SPA – CAIRO WEB LTD

Internet sales decreased significantly on the previous financial year, due to the expiry of certain agreements with third parties and the sharp decline in the on-line advertising market.

Development of the search engine Il Trovatore have continued, as it enjoyed high numbers of pages viewed, hits and service subscriber numbers, totalling 9 million, 13.6 million and 451,000 respectively at 30 September 2003. Development activities have focussed on the search for revenue sources complementary to advertising space sales, and technology provision services.

Despite the current market situation, the Cairo Group has decided to maintain its presence in the Internet sector, and continues to monitor developments in this area with great interest, in order to exploit any future opportunities that may arise.

PUBLISHING BUSINESS

Editoriale Giorgio Mondadori SpA (EGM) & Cairo Editore SpA

Having carried out restructuring of EGM earlier in the financial year, editorial investment and advertising projects were undertaken in order to strengthen market presence. Development began in autumn 2002 of new editorial projects, and March 2003 saw the launch of "For Men Magazine" followed in June 2003 by launch in the "Natural Style" magazine, a women's lifestyle magazine dedicated to natural living (first issue July 2003).

The first editions of these magazines enjoyed strong sales, with average monthly circulation of 150,000 reported for the “For Men Magazine” magazine and 102,000 for the “Natural Style” magazine

Despite the launch costs of the above new magazines, the Publishing business enjoyed high operating profitability, as the publication of these new titles is not expected to have a significant impact on the cost structure of Cairo Communication, given that 30% of journalists and office staff will be assigned from existing EGM magazines. EGM has made its company structure available to Cairo Editore, providing assistance with management, administration and sales. Assistance will also be given with administrative and financial controls, distribution, subscription management and control, office space and related services. The pooling of these services with Cairo Editore will allow for better use of existing resources and the review of organisational systems.

As previously noted, the Group incurred in 2002-2003 € 1 million in costs relating to the launch of the first 6 issues of the “For Men Magazine” magazine and € 0.4 million in costs relating to the launch of the first 3 issues of the “Natural Style” magazine. Other advertising costs incurred for these two titles and their subsequent issues amounted € 0.6 million, and were charged to 2002-2003 net profit

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OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITY

The Group did not engage in any significant Research and Development activity during the 2002-2003 financial year.

TRANSACTIONS BETWEEN THE CONTROLLING SHAREHOLDER, GROUP COMPANIES AND RELATED PARTIES

Transactions between non-consolidated Group companies and the controlling shareholder (UT Communications) and its subsidiaries were carried out at cost or fair market value. More information on the Parent Company transactions with the Group is provided in the Notes to the Parent Company Financial Statements.

In order to redefine Cairo Group's investment holdings in accordance with its new Publishing Business development plan, Cairo Communication SpA acquired at book value in March 2003 Editoriale Giorgio Mondadori's entire stake in Cairo Editore.

The Company provides services to Group companies, consisting primarily of accounting software, furnished facilities, and corporate marketing, treasury, finance, receivables and control management services, in order to enable the Group to benefit from economies of scale and more cost-effective management.

SHARES HELD BY DIRECTORS, AUDITORS AND EXECUTIVE MANAGEMENT

Name	Number of shares held at 30 Sept. 2002	Number of shares purchased	Number of shares sold	Number of shares held at 30 Sept. 2003
Directors				
Urbano R. Cairo *	5,720,750	-	(8,000)	5,712,750
Roberto Cairo	10,000	-	-	-
Uberto Fornara	8,003	8,000	(2,203)	13,800
Marco Janni	-	-	-	-
Antonio Magnocavallo	-	-	-	-
Marco Pompignoli	200	-	-	200
Roberto Rezzonico	-	-	-	-
Board of Auditors				
Mauro Sala	-	-	-	-
Marco Baccani	-	-	-	-
Enrico Muscato	-	-	-	-

** Shares held directly and via UT Communications SpA and its subsidiaries*

ITALIAN CIVIL CODE ARTICLE 2428, SECTIONS 3& 4 DISCLOSURES

At 30 September 2003, Cairo Communication SpA held 61,500 € 0.52 par value treasury shares at an average cost per share of € 19.43, against September's reference price of € 24.60 per share.

The Meeting of shareholders of 30 January 2003 approved a proposal authorising the granting of powers to the Board of Directors to buy back Cairo Communication SpA shares in order to stabilise their price, pursuant to Article 2357 of the Italian Civil Code.

This Meeting also revoked the non-executed part of the previous share buyback authorisation that it conferred on 30 October 2001 for a period of 18 months expiring on 30 April 2003, in order to avoid the existence of two share buyback authorisations valid during the same period of time.

The Board of Directors have been authorised to buyback Cairo Communications SpA shares up to the maximum number allowed by law for a period of 18 months from the date of authorisation, availing itself of the Company's distributable net profit for the financial year ending 30 September 2001 after allocation to legal reserve, the Company's retained earnings and the Company's share premium.

The authorisation provides for the buyback of Company shares in one or more instalments through the market. The minimum and maximum purchase prices per share were set at an amount equivalent to the average official price of the shares on the Italian Stock Exchange in the 15 working days prior to the purchase, reduced or increased by 30%.

Between 30 September 2003 and the date of approval of this Report, the Company disposed of 50,200 shares at an average per share price of € 29.80.

CORPORATE GOVERNANCE

With the approval of the financial statements at 30 September 2002, the mandate of the Board of Directors and the Board of Auditors of Cairo Communication expired. The Shareholders' Meeting on 30 January 2003 unanimously approved a proposal to renew the appointments of the seven existing board members for a further two years, until the Meeting approving the financial statements at 30 September 2005.

The Board shall continue to consist of 7 members, three of whom are executive: Urbano Cairo – Chairman of the Board, Uberto Fornara, and Marco Pompignoli (co-opted during 2002-2003 in replacement of Giuliano Cesari, who resigned). The other directors are non-executive, two of who are independent.

Towards the end of the financial year, the law practices of Antonio Magnocavallo, Company Director, and Marco Janni merged to form a new partnership: Janni, Magnocavallo, Fauda, Brescia and Associates, with Marco Janni appointed as executive partner. Pursuant to Article 3.1 of the Code of Self-Governance issued by the Corporate Governance Committee and Article IA.1.4.1 of the Italian New Market Regulations, Marco Janni is henceforth no longer deemed an Independent Director, except for those matters explicitly specified by the Board. The Council, at its meeting of 26 November 2003, decided that the Company, in keeping with its policy of complying with the provisions of the Code of Self-Governance, should maintain the same number of Independent Directors, and invited them to appoint another Independent Director.

The Board of Directors has decided not to proceed with the formation of a Nomination Committee, optional under current legislation, as it was confirmed that the current Board of Directors is in a position to carry out the functions of the Nomination committee.

Instead, the Remuneration Committee and an Audit Committee were set up, consisting of the following members:

- Roberto Rezzonico, independent;
- Marco Janni, independent;
- Antonio Magnocavallo, non-executive.

The Remuneration Committee will have the following functions:

- the formulation of proposals to the Board of Directors regarding remuneration of Managing Directors or those with particular responsibilities pursuant to Art. 2389 Section II of the Italian Civil Code, and the remuneration of senior management of the Company;
- the formulation of proposals to the Board regarding future share option plans.

The Audit Committee will have the following functions:

- the formulation of proposals to the Board of Directors regarding the ongoing prevention of operational and financial risks
- the evaluation of work plans prepared by those responsible for internal controls and submitted in regular reports
- regular collaboration with the auditors, the evaluation of their proposals responsibility and their pre-prepared work plan.
- reporting on a half-yearly basis to the Board of Directors on duties discharged and the appropriateness of the internal control system, when the annual and half-yearly reports are under approval.
- assisting the Chairman in the preparation of a document regarding the proposals for the formation of an internal control system, which must include direct processes to monitor operational efficiency, the reliability of financial information, compliance with legislation and regulations and the safeguarding of assets, and the deliberation of these proposals by the Board.
- assisting the Board of Directors in the setting of guidelines for the above;
- evaluation of the appropriateness of accounting principles used and their standard application within the Group, in collaboration with Company administrative employees and auditors, as part of the preparation of the parent company and consolidated financial statements.

At 4 February 2003, the Board of Directors confirmed to the Council the discretionary powers to purchase, sell or exchange business activities and companies, as well as provide guarantees and performance bonds, which would not be delegated to individual Directors.

Reflecting the size of the Group and its companies, executive and managerial powers are vested in the Chairman, except those closely linked to the Group's advertising business, which are vested in Uberto Fornara. There is no Management Committee.

The Chairman holds ordinary and extraordinary powers, with a single signature, excluding those matters listed above which are reserved for the Board. The Chairman regularly brings to the attention of the Board the actions taken by his delegates during the course of the year. The Chairman is responsible for the functions of the Board and thus calls the meetings, co-ordinates the activities and distributes the relevant information.

In accordance with the new guidelines on insider trading and market disclosures, which came into force on 1 January 2003, covering operations involving financial instruments issued by the Company (or those who assume the right to underwrite, purchase or sell such financial instruments), carried out by "important persons", the Board of Directors has approved an internal code of practice regulating all of the above matters.

SHARE OPTION PLAN

At the Extraordinary Meeting of 19 April 2003, the Board of Directors agreed the increase to the share capital, pursuant to Article 2441, Subsections V and VIII, excluding option rights, for a maximum of 160,000 shares, to be carried out in one or more blocks, to be reserved for certain directors, agents, associates, consultants, managers and employees of the Company or company subsidiaries, for subscription until 31 December 2004.

On 30 January 2002, the Board of Directors of Cairo Communication SpA authorised the allocation of the first block of 60,000 options pursuant to the share option plan approved by the Extraordinary Meeting of 19 April 2000. These options, with an exercise price of € 55.25, remained unexercised at their expiry date of 30 September 2002, and will be added to the second block of the share option plan as outlined below.

SHARE OPTIONS GRANTED AT 30 SEPTEMBER 2003

	30 September 2003		
	Number of options	Exercise price	Average price during 2002-2003 *
Share options held at 1 October 2002	60,000	€ 55.25	-
Share options allocated during 2002-2003	-	-	-
Share options exercised during 2002-2003	-	-	-
Share options expired during 2002-2003	(60,000)	€ 55.25	€ 21.29
Share options held at 30 September 2003	0	-	-

SHARE OPTIONS GRANTED TO DIRECTORS AT 30 SEPTEMBER 2003

		Share options granted during 2002-2003 FY			Share options exercised during 2002-2003 FY			Share options expiring in 2002-2003 FY	Share options owned at 30 September 2002		
(A)	(B)										
Name	Board of Director Position	Number of options	Average exercise price	Expiry date	Number of options	Avg. exercise price	Avg. market price at exercise date	Number of options	Number of options	Avg. exercise price	Average expiry date
Uberto Fornara	Chairman	20,000	55.25	30/09/03	-	-	-	(20,000)	0	-	-
Giuliano Cesari	Member	10,000	55.25	30/09/03	-	-	-	(10,000)	0	-	-
Marco Pompignoli	Member	10,000	55.25	30/09/03	-	-	-	(10,000)	0	-	-

On 14 January 2003, the Board of Directors of Cairo Communication SpA authorised the allocation of the second block of options pursuant to the share option plan approved by the Extraordinary Meeting of 19 April 2000, and approved the regulations governing the allocation of these options on a specific beneficiary basis pursuant to the achievement of individually set objectives.

The second block comprises a further 50,000 options, to which are added any options of the first block that had not been exercised before their 30 September 2003 expiry date, resulting potentially in the maximum issuance of 110,000 shares pursuant to the second block.

The Board of Directors will deliberate the proposal of the Chairman concerning the allocation of second block options to specific beneficiaries, taking into account company, divisional and individual performance achievements relative to set objectives.

The exercise price regarding the above option allocation will be set at the average share closing price for the preceding month on the Italian Stock Exchange New Market, and shall not exceed € 21.72, the Italian Stock Exchange New Market average closing price for the month preceding 14 January 2003.

The options may be exercised beginning from the date of the Meeting convened to approve the Company and Group financial accounts for the 2002-2003 financial year ending 30 September 2003 and ending on 30 September 2004.

At the Meeting convened to approve these accounts, the Board of Directors had not yet decided on the number of options to be assigned to specific beneficiaries as part of the second block.

OUTLOOK

Cairo Communication Group will focus on developing its core businesses during the 2003-2004 financial year. It will focus on the development of its Publishing business operated by its Cairo Editore SpA and Editoriale Giorgio Mondadori (EGM) subsidiaries, as well on its Advertising business, in particular the sale of advertising space in its own magazines and the sale of advertising time on the La7 TV network and selected analogue and digital pay TV specialty channels (Sky Sport 1, Calcio Sky, Cartoon Network, Boomerang, Discovery Channel, Discovery Civilization, Discovery Travel & Adventure, Discovery Science, Bloomberg and CNN).

Cairo Editore's performance during the 1st quarter of 2003-2004 confirmed Cairo Group's strategic decision made to focus on the development of its publishing business. This strategy will encompass both the launch of new titles and growth through acquisitions. The coming months will see further advances under this strategy.

The publication of these new magazines will allow for increased efficiency through better use of existing resources and the revision of organisational processes.

EGM is currently restyling and relaunching "Airone", under the direction of Luigi Grella.

La7 TV network, with an average 2.2% daily share of the Italian TV viewing audience (peaking at 2.4% in July and August 2003), remains popular with advertisers. The appointment of Antonio Campo Dell'Orto as Director of Broadcasting at Palinsesto has generated expectations of further increases in viewing audiences and confirms the broadcaster's intent regarding further investment in La7, in view of his undisputed professionalism.

La7 TV network advertising sales experienced significantly higher growth for the two-month period of October and November 2003, compared with advertising sales growth it experienced during the previous nine months. At 25 November 2003, advertising space order backlog for the three month period comprising October to November 2003 amounted to € 17 million, compared to € 10.3 million for the same period last year.

BOARD OF DIRECTORS' PROPOSALS

Dear Shareholders,

The Board of Directors at its Meeting of 26 November 2003, authorised the submission of Cairo Communication SpA Company financial statements and Cairo Communication Group financial statements for the financial year ending 30 September 2003, to the Shareholders' Meeting for their approval and the distribution of an € 1.60 cash dividend per share.

Shareholders are invited to approve:

- the above financial statements for the financial year ending 30 September 2003;
- the allocation of the Company's 2002-2003 net profit of € 10,249,280 as follows:
    - € 10,100,000 allocated for distribution as € 1.60 pre-tax cash dividend per share, payable on all shares held at coupon date other than treasury shares held by the Company, with any unallocated amount transferred to share premiums;
    - € 149,280 allocated to retained earnings

Following approval by the Shareholders' Meeting, an € 1.60 dividend per share distribution will become payable to coupon holders from 22 December 2003.

Chairman of the Board of Directors

Urbano R. Cairo

CAIROCOMMUNICATION

Cairo Communication SpA
Parent Company Financial Report
2002-2003 Financial Year ending 30 September 2003

Cairo Communication SpA
Parent Company Balance Sheet
at 30 September 2003

(€)	Notes	30 Sept. 2003	30 Sept. 2002
ASSETS			
NON-CURRENT ASSETS			
Intangible Assets	3		
Incorporation and listing costs		1,455,425	2,907,986
TV ad time sales rights and computer software		6,319,446	834,541
Other		29,069	70,593
Total		**7,803,940**	**3,813,120**
Property, Furniture and Equipment	4	**527,602**	**449,030**
Investments			
Equity investments in subsidiaries	5	20,845,870	17,870,819
Financial receivables from subsidiaries		1,191,947	4,389,884
Other		8,995	8,994
Total		**22,046,322**	**22,269,697**
TOTAL NON-CURRENT ASSETS		**30,377,864**	**26,531,847**
CURRENT ASSETS			
Receivables	6		
Trade accounts receivable		43,105,701	44,617,233
Trade receivables from subsidiaries		10,910.647	451,361
Other receivables - current		3,718,469	4,238,770
Other receivables - non-current		45,702	48,479
Total		**57.780,519**	**49,355,843**
Marketable Securities	7		
Treasury shares		1,194,708	328,269
Insurance financial products and non-Group securities		6,082,197	90,018
Total		**7,276,905**	**418,287**
Bank and Cash	8		
Bank		86,615,046	91,036,118
Cash		1,022	43,670
Total		**86,616,068**	**91,079,788**
TOTAL CURRENT ASSETS		**151,673,492**	**140,853,918**
PREPAID EXPENSES/ACCRUED INCOME	9		
Prepaid expenses		157,093	10,967
Accrued income		271,985	543,950
TOTAL PREPAID EXPENSES/ACCRUED INCOME		**429,078**	**554,917**
TOTAL ASSETS		**182,480,434**	**167,940,682**

(€ thousands)	Notes	30 Sept. 2003	30 Sept. 2002
EQUITY AND LIABILITIES			
EQUITY	**10**		
Share capital		4,030,000	4,030,000
Share premium		112,871,055	112,871,055
Legal reserve		806,000	496,376
Treasury share reserve		1,194,708	328,629
Merger reserve		17,043	17,043
Other reserve		927,945	927,945
Retained earnings		6,179,399	5,437,989
Financial period net profit		10,249,280	8,072,180
TOTAL EQUITY AND MINORITY INTEREST		**136,275,430**	**132,180,857**
PROVISIONS FOR LIABILITES & CHARGES	**11**		
Provision for employee retirement benefits		380,222	280,664
Other provisions		327,902	416,414
TOTAL PROVISIONS FOR LIABILITIES & CHARGES		**708,124**	**697,078**
LIABILITIES	**12**		
Borrowings			
Current		0	0
Non-current		0	0
Total		**0**	**0**
Other current liabilities			
Trade payables		32,593,950	24,117,204
Subsidiaries payables		9,342,136	8,795,705
Tax liabilities		473,115	113,558
Social security liabilities		151,312	173,798
Other		2,936,306	1,861,723
Total		**45,496,819**	**35,061,988**
TOTAL LIABILITIES		**45,496,819**	**35,061,988**
ACCRUED EXPENSES	**13**	**60**	**759**
TOTAL EQUITY AND LIABILTIES		**182,480,434**	**167,940,682**
Off-Balance Sheet Guarantees given to Third Parties	**14**		
Guarantees given for the benefit of third parties		*23,072,673*	***74,377***
Guarantees given for the benefit of subsidiaries		*619,748*	***619,748***
Total		***23,692,421***	***694,125***

Cairo Communication SpA
Parent Company Income Statement
for the Financial Year ending at 30 September 2003

(€)	**Notes**	**2002-2003 Full Year**	**2001-2002 Full-Year**
OPERATING REVENUES	**19**		
Sales		**112,559,819**	**88,071,792**
Less: advertising agency discounts		(12,671,003)	(11,657,684)
Net sales		**99,888,816**	**76,414,108**
Other operating revenues		1,470,613	2,385,043
TOTAL OPERATING REVENUES		**101,359,429**	**78,799,151**
OPERATING EXPENSES	**20**		
Advertising space/time fees and other services		(87,827,724)	(71,759,786
Rental expenses		(481,140)	(507,639
Personnel costs			
Wages and salaries		(2,228,364)	(1,921,735)
Social security charges		(809,579)	(568,189)
Employee termination benefits		(152,689)	(130,511)
Other		(10,173)	(137,925)
Total		(3,200,805)	(2,758,360)
Depreciation, amortisation and writedowns			
Amortisation		(3,654,502)	(1,801,621)
Depreciation		(147,897)	(138,049)
Trade receivables writedowns		(800,000)	(670,000)
Total		(4,602,399)	(2,609,670)
Other provisions charges		(37,217)	(45,097)
Other operating expenses		(172,104)	(248,440)
TOTAL OPERATING EXPENSES		**(96,321,389)**	**(77,928,992)**
OPERATING PROFIT/(LOSS)		**5,038,040**	**870,159**
FINANCE INCOME AND EXPENSES	**21**		
FINANCE INCOME			
Subsidiary dividends		7,682,908	5,507,511
Other subsidiary finance income		20,728	0
Marketable securities income		170,329	6,907
Other finance income		2,387,836	3,033,544
Total		**10,261,801**	**8,547,962**
FINANCE EXPENSES			
Subsidiary finance expenses		(78,572)	(186,830)
Other		(135,446)	(221,262)
Total		**(214,018)**	**(408,092)**
NET FINANCE INCOME		**10,047,783**	**8,139,870**
INVESTMENT WRITEDOWNS	**22**	(452,172)	(182,020)
EXCEPTIONAL EXPENSES	**23**	(943,373)	0
PROFIT BEFORE TAX		**13,690,278**	**8,828,009**
INCOME TAX	**24**	(3,440,998)	(755,829)
NET PROFIT		**10,249,280**	**8,072,180**

Cairo Communication SpA
Parent Company Cash Flow Statement
for the Financial Year ending at 30 September 2003

(€ thousands)	**2002-2003 Full Year**	**2001-2002 Full Year**
Parent company net profit	10,249	8,072
Depreciation and amortisation	3,802	1,940
Investments writedowns	452	182
Provision for termination benefits movements	100	117
Other provisions for liabilities and charges movements	(89)	45
Cash generated from operations	**14,515**	**10,356**
Trade receivables movements	(8,426)	(829)
Trade payables movements	10,616	(3,746)
Marketable securities movements (treasury shares)	(859)	(328)
Accrued expenses and deferred income movements	125	(52)
NET CASH FROM OPERATING ACTIVITIES	**15,972**	**5,401**
INVESTING ACTIVITIES		
Intangible and tangible assets acquisitions	(7,872)	(580)
Investments movements		
Subsidiary equity investments net movements	(3,427)	(172)
Financial receivables net movements	(3,198)	(1,343)
Other	0	(5)
NET CASH USED IN INVESTING ACTIVITIES	**(8,101)**	**(2,100)**
FINANCING ACTIVITIES		
Dividend distribution	(6,155)	(3,100)
Istituti di Credito borrowing repayment	0	(1,549)
Share capital and minority interest increases	0	(516)
NET CASH USED IN FINANCING ACTIVITIES	**(6,155)**	**(5,152)**
FINANCIAL PERIOD NET CASH FLOW MOVEMENTS	**1,715**	**(1,864)**
CASH AND CASH EQUIVALENTS - OPENING BALANCE (1)	85,916	87,780
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (1)	**87,361**	**85,916**

(1) Included € 4,985 thousand in bank and cash net of short-term borrowings and subsidiaries' payables (€ 5,165 thousand at 30 September 2002)

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements of the Group's parent company, Cairo Communications SpA, henceforth known as the "Company", relating to the 2002-2003 financial year ending 30 September 2003, of which these notes are an integral part, were prepared from the Company's books of accounts, in accordance with Article 2423, and subsequent amendments, of the Italian Civil Code.

For the purposes of financial transparency, the following appendices are included, and are an integral part of the financial statements and notes:

Appendix 1 - Subsidiaries' Legal Information

Appendix 2 – Subsidiaries' Condensed Financial Statements

1. BASIS OF PREPARATION

The financial statements at 30 September 2002 have been prepared in accordance with the principles prescribed in Articles 2423 and 2425 the accounting principles of the Italian Commission for Accounting Standards of the National Council of Financial Accountants. These notes provide sufficient information in order to provide a fair and accurate representation of the Group's financial and economic position, even where not specifically required by legislation.

2. VALUATION PRINCIPLES

The following general valuation principles were adopted in the preparation of these financial statements:

Assets, liabilities, revenues and expenses were valued taking into account the principles of going concern, prudence and relevance.

The valuation principles applied are unchanged from those applied last year.

Intangible assets

Intangible assets are valued at their acquisition cost, net of related costs. They are amortised to reflect their remaining useful economic lives, generally within five years.

Intangible assets are written down to their market value when it is lower than its book value. This write-down is reversed in subsequent years if the conditions for write-down no longer apply.

Property, Furniture and Equipment

Property, Furniture and Equipment (PFE) assets are valued at their acquisition cost, including direct charges, net of accumulated depreciation.

PFE assets are depreciated at one half of the rates below in order to reflect the half-year period, with these rate reflecting their remaining useful lives and economic factors:

Machinery	30%
Motor vehicles	20%
Office furniture and furnishings	10% to 12%
Communications equipment	25%
Computer hardware	20%
Various fixtures and fittings	15%
Cellular phones	20%

PFE assets are depreciated at 50% of their depreciation rate during their first year of use, as prescribed by law.

PFE assets are written down to their market value to reflect any permanent impairment in values; these write-downs may be subsequently reversed if the conditions for write-down no longer apply.

Maintenance costs are expensed, unless they prolong the life of the asset, in which case they are capitalised and depreciated.

Investments

Equity investments in subsidiaries

Investments are accounted for using the cost method. Investments are recorded at their purchase or subscription cost and are written down in the event of permanent impairment arising from continuing losses. The write-down may be reversed if the conditions of impairment no longer apply.

Financial receivables from subsidiaries

Receivables from subsidiaries are recorded as investment assets and are not treated as an equity item.

Receivables

All receivables are recorded at the estimated net realisable value, with adequate allowances established for doubtful accounts. Specific and general risks are calculated taking into account in determining the allowance for doubtful accounts for trade accounts receivable.

Marketable securities

Marketable securities are valued at the lower of their purchase cost and their estimated net realisable value, according to market performance.

Provision for retirement benefits

The provision for retirement benefits arises from the Group's cumulative liability to employees for services rendered, as prescribed by current legislation and employment contracts.

At 30 September 2003, the Company employed a workforce of 51, consisting of 9 managers, 5 supervisors and 37 employees.

Other provisions for liabilities and charges

Provisions for liabilities and charges are established in order to provide for certain or probable future losses or liabilities whose amount and date of occurrence could not be determined at year-end. Legal proceedings currently under way have also been considered. The provisions reflect the best estimate based on currently available information. Specific accrued provisions and those that remain off-Balance Sheet are disclosed in Note 14 to the Parent Company Financial Statements.

Liabilities

Liabilities arise from the Group's dealing with suppliers, banks and other financial institutions and third parties. They are recorded at their book value.

All liabilities are of short or medium term duration, with none due after five years.

Prepaids, deferrals and accruals

These arise from the payment or receipt of payment for services/goods not yet received/rendered or for services/goods received/rendered for which no invoice has yet been received, in accordance with the matching principle.

Off-Balance Sheet guarantees and commitments

Off-Balance Sheet guarantees given to or received from third parties is valued at their nominal value.

Leased assets are recorded on the financial statements at the value of the remaining payments prescribed in the lease agreement.

Revenue and cost recognition

Revenue and costs are recognised on an accrual basis, resulting in the establishment of accruals and deferrals.

Revenue is recognised at the moment the advertisement is broadcast or published.

Costs are recognised in a similar way, and in keeping with the matching principle and prudence.

Income tax

Income tax is calculated based on a reasonable estimate of the financial year tax liability; it has been calculated taking into account the various exemptions, tax rates and applicable legislation. Liabilities are listed under "Tax Liabilities"

Where applicable, deferred tax assets and liabilities have also been recorded, reflecting the temporary differences between assets and liabilities' accounting values and their corresponding income tax values, in accordance with Principle no. 25 of the Commission for Accounting Standards of the National Council of Financial Accountants.

Temporary differences are reversed when there is reasonable certainty of the realisation of adequate profit during the financial year.

Dividends

Dividends are accounted for in the year in which they are decided. The relative tax credit is accounted for in the year in which the dividends are received.

PARENT COMPANY BALANCE SHEET NOTES

3. INTANGIBLE ASSETS

At 30 September 2003, intangible assets amounted to € 7,803,940, up € 3,990,820 over 30 September 2002 and comprised the following items:

(€)	Gross Book Value	Accumulated Amortization	Net Book Value at 30 Sept. 2002	Net Change	Net Book Value at 30 Sept. 2003
Incorporation costs	51,448	(37,898)	13,550	(5,343)	8,207
Listing costs	7,236,089	(4,341,653)	2,894,436	(1,447,218)	1,447,218
Incorporation and listing costs	**7,287,537**	**(4,379,511)**	**2,907,986**	**(1,452,561)**	**1,455,425**
La7 advertising entrance fee	-	-	-	5,625,000	5,625,000
Computer software	1,238,740	(404,199)	834,541	(140,095)	694,446
Total fees and software	**1,238,740**	**(404,199)**	**834,541**	**5,484,905**	**6,319,446**
Multi-year finance costs	116,203	(116,203)	0	0	0
Sites planning costs	129,114	(85,989)	43,125	(43,125)	0
Leasehold improvements	34,678	(7,210)	27,468	1,601	29,069
Other intangible assets	**279,995**	**(209,402)**	**70,593**	**(41,524)**	**29,069**
Total	**8,806,272**	**(4,993,152)**	**3,813,120**	**3,990,820**	**7,803,940**

The net movements for the 2002-2003 financial year were as follow:

(€)	Net additions	Amortisation	Net Change
Incorporation costs	0	(5,343)	(5,343)
Listing costs	0	(1,447,218)	(1,447,218)
Incorporation and listing costs	**0**	**(1,452,561)**	**(1,452,561)**
La7 advertising entrance fee	7,500,000	(1,875,000)	5,625,000
Computer software	131,326	(271,421)	(140,095)
Total fees and software	**7,631,326**	**(2,146,421)**	**5,484,905**
Site planning costs	0	(43,125)	(43,125)
Leasehold improvements	13,997	(12,396)	1,601
Other intangible assets	**13,997**	**(55,521)**	**(41,524)**

Total	**7,645,323**	**(3,654,502)**	**3,990,820**

Incorporation and listing costs relate almost entirely to the listing on the Milan New Market Stock Exchange, carried out on 19 July 2000. These costs were recorded as intangible assets, in consideration of the future financial and economic benefits to the company, and are amortised on a straight-line basis over five years. Until this amortisation is complete, dividends can only be distributed if reserves exist to cover non-amortised costs.

The increase in advertising fees is due to the € 7.5 million non-recurring entrance fee paid to TV Internazionale SpA in order to acquire the exclusive rights to sell advertising time on behalf of the La7 network. This amount will be amortised over the duration of this advertising time sales contract, that is 36 months from January 2003.

Software cost increases arise from assets cycle management and advertising time sale activities system software development and implementation, with these costs amortisable over a 3 to 5 year period

Other intangible assets include studio costs and the costs of operating the Company's web sites.

4. PROPERTY, FURNITURE AND EQUIPMENT

At 30 September 2003, Property, Furniture and Equipment amounted to € 527,602, up € 78,572 thousand over 30 September 2002 and comprised the following items:

(€)	Gross Book Value	Accumulated Depreciation	Net Book Value at 30 Sept. 2002	Net Change	Net Book Value at 30 Sept. 2003
Motor vehicles	160,697	(88,103)	72,594	109,480	182,074
Machinery	20,260	(20,260)	0	3,930	3,930
Furniture and furnishings	138,343	(43,261)	95,082	(3,744)	91,338
Communications equipment	19,308	(17,723)	1,585	30,816	32,401
Computer hardware	457,914	(199,146)	258,768	(59,893)	198,875
Other	40,562	(20,171)	20,391	(2,230)	18,162
Cellular telephones	7,335	(6,725)	610	213	823
Total	**844,419**	**(395,389)**	**449,030**	**78,572**	**527,602**

The net movements for the 2002-2003 financial year were as follows:

(€)	Net additions	Amortisation	Net Change
Motor vehicles	152,619	(43,139)	109,480
Machinery	4,491	(561)	3,930
Furniture and furnishings	6,000	(9,744)	(3,744)
Communications equipment	36,000	(5,184)	30,816
Computer hardware	24,742	(84,635)	(59,893)
Other		(2,230)	(2,230)
Cellular telephones	567	(354)	213
Immaterial value assets	2,050	(2,050)	0
Total	**226,469**	**(147,897)**	**78,572**

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5. INVESTMENTS

Equity investments in subsidiaries

At 30 September 2003, equity investments in subsidiaries amounted to € 20,845,870, up € 2,975,051 over 30 September 2002, and comprised the following investments:

(€)	30 Sept. 2002	Additions	Disposals	Writedowns	30 Sept. 2003
Cairo TV SpA	9,296,224	-	-	-	9,296,224
Editoriale Giorgio Mondadori SpA	8,112,756	-	-	-	8,112,756
Cairo Sport Srl	10,329	-	(10,296)	-	33
Cairo Web Srl	46,481	300,000	-	(214,000)	132,481
Il Trovatore SpA	405,029	80,000	-	(238,172)	246,857
Cairo Editore SpA	-	3,047,519	-	-	3,047,519
Cairo Pubblicità Srl	0	10,000	-	-	10,000
TOTAL	**17,870,819**	**3,437,519**	**(10,296)**	**(452,172)**	**20,845,870**

During 2002-2003, the following investment transactions were realised:

- In March 2003 Cairo Communication SpA acquired in full from its Editoriale Giorgio Mondodori SpA the latter's 99.95% holding in Cairo Editore SpA. The acquisition reflects the Group's new development plan, which has resulted in a restructuring of the Group's ownership relationships without modifying the Group operations per se. This acquisition is recorded at its historical cost. The Company and its Cairo Editore SpA subsidiary focused on new publishing projects, which resulted in the launch in March 2003 of the men's magazine "For Men Magazine" followed by the launch of the "Natural Style" magazine at the end of June 2003 (July issue).
- On 6 May 2003, Cairo Pubblicità Srl was established with a share capital of € 10,000, and is currently inactive.
- On 3 July 2003, the Company's 99% shareholding in Cairo Sport Srl was transferred at book value to the Group subsidiary Cairo TV SpA.
- During 2002-2003, Cairo Communication SpA wrote-off an € 80 thousand financial receivable for the benefit of Il Trovatore Srl, which is accounted for by the Company using the equity method, and which was revalued accordingly.
- During 2002-2003, Cairo Communication SpA wrote off an € 300 thousand financial receivable for the benefit of Cairo Web Srl, which partially offset this company's financial year net loss. The Company's investment in Cairo Web Srl was revalued to reflect the incurrence of the net loss.

Information required pursuant to subsection 5 of Article 2427 of the Italian Civil Code is included in Appendix 1. Results from directly and indirectly controlled subsidiaries having the same year-end (30 September 2003) as the parent company were previously certified by their respective Board of Directors and approved by their respective Shareholders' Meeting. 30 September 2003 results were also reported for subsidiaries with a 31 December 2002 year-end, in order to provide greater financial transparency.

A comparison is also provided between the Balance Sheet book value and the value derived from the equity method, incorporating adjustments required by Section 4 of Article 2426 of the Italian Civil Code regarding the preparation of the parent company financial statements.

(€ thousands)	Equity 30 Sept. 2003	Net profit/(loss) 30 Sept. 2003	% Owned	Equity Method value	Balance Sheet value	Difference in values
Cairo TV SpA	1,774	973	100%	5,602	9,296	(3,694)
Editoriale Giorgio Mondadori SpA **	9,302	2,319	100%	11,189	8,113	3,076
Cairo Editor *	5,535	(855)	99.95%	508	3,048	(2,540)
Cairo Web Srl	159	(213)	100%	159	132	27
Il Trovatore SpA **	58	(133)	80%	243	247	(4)
Cairo Pubblicità Srl ***	10	0	100%	10	10	0
Total				**17,711**	**20,846**	**(3,135)**

* *Financial results at 30 September 2003, prior to consolidation*

** *Consolidated financial results at 30 September 2003, (includes Immobiledit Srl and Anabasi Srl subsidiary results.).*

*** *Company established in May 2003, which is currently inactive*

The book value of the Company's shareholdings in Cairo TV and Cairo Editore is respectively € 3.7 million and € 2.5 million higher than their value derived from the application of the equity method. In the case of Cairo TV, this difference arises from a distribution from its reserve. These differences do not represent a permanent decline in value for these companies as regards their future profitability prospects.

Consolidated financial statements have been prepared for the Group's parent company and subsidiaries in order to provide comprehensive information on the Group's activities as a single economic entity.

Financial receivables from subsidiaries

Financial receivables from subsidiaries amounted to € 1,191,457, a € 3,198,427 thousand decrease from 30 September 2002

Financial receivables from subsidiaries and associated companies relate to non-interest bearing receivables from Cairo Web Srl, Cairo Sport Srl, Editoriale Giorgio Mondadori SpA and Il Trovatore Srl, which are not treated as equity items.

During the 2002-2003 financial year, the Company was repaid € 3,073,427 on an interest free loan it made to Edioriale Giorgio Mondadori in the previous year.

(€)	30 Sept. 2002	New financing	Repayments	Writeoffs	30 Sept. 2003
Cairo Sport	0	5,000	0	0	5,000
Editoriale Giorgio Mondadori SpA	3,873,427		(3,073,427)	0	800,908
Cairo Web Srl	516,457	170,000		(300,000)	386,457
Il Trovatore Srl		80,000		(80,000)	0
Total	**4,389,884**	**255,000**	**(3,073,519)**	**(380,000)**	**1,191,457**

6. RECEIVABLES

Trade accounts receivable

At 30 September 2003, trade accounts amounted to € 43,105,701, down € 1,511,532 from 30 September 2002 and comprised the following amounts:

(€)	30 Sept. 2003	30 Sept. 2002	Change
Gross book value	46,090,217	46,801,749	(711,532)
Allowance for doubtful accounts	(2,184,516)	(2,184,516)	(800,000)
Total	**43,105,701**	**44,617,233**	**(1,511,532)**

Trade accounts receivable are recorded net of an allowance for doubtful accounts that incorporates estimates of both specific collection risks and general market collection risks. This allowance also takes into account the allocation to the Company's media clients that it represents of a percentage of losses on receivables, equal to the percentage of revenues allocated, pursuant to advertising space sales contracts signed between the two parties.

Trade receivables from subsidiaries

At 30 September 2003, trade receivables from subsidiaries amounted to € 10,910,647, up € 10,448,990 from 30 September 2002, and comprised the following amounts:

(€)	30 Sept. 2003	30 Sept. 2002
Cairo TV SpA	10,721,962	0
Cairo Web Srl	56,400	42,000
Editoriale G. Mondadori SpA	46,481	247,741
Cairo Editore SpA	0	27,889
Il Trovatore SpA	85,804	133,731
Total	**10,910,647**	**451,361**

The Cairo TV SpA trade receivable arises form the subcontracting out of part of the Company's La7 TV network advertising time sale activities by the Company to this subsidiary.

The other receivable amounts relate primarily to corporate services provided to these companies by the Company. These services are carried out based on annual contracts, renewable on a yearly basis.

Other receivables

At 30 September 2003, other receivables amounted to € 3,764,171, up € 523,078 over 30 September 2002 and comprised the following amounts:

(€)	30 Sept. 2003	30 Sept. 2002	Change
Current			
Prepaid income tax credit receivable	658,830	399,984	258,846
Interest withholdings receivable	0	447,391	(447,391)
IRAP receivable	0	17,338	0
Other income tax credit receivable	0	0	(17,338)
VAT receivable	172,014	24,725	147,289
Dividend tax credit receivable	208,420	1,982,704	(1,774,284)
Receivables from Edit Srl and others	2,679,205	1,366,464	1,312,741
Non-Current			
Prepaid income tax credit receivable	45,702	48,643	(2,941)
Total	**3,764,171**	**4,287,249**	**(523,078)**

Direct tax receivables comprise overpayment of current tax liabilities and receivables relating to refunds lodged.

Prepaid tax receivable arises from the temporary differences arising between tax and accounting values on expenses and liabilities at 30 September 2003.

Receivables from Edit Srl and others comprise € 2.4 million in receivables owed to it by the publisher Edit Srl, pursuant to a 2001 licensing agreement. This amount can be broken down into a € 2.1 million receivable amount arising between the amount of commissions paid and earned in 2001 and 2002, which was originally valued at some € 3 million at 31 December 2002, and which will be paid to the Company in 22 monthly repayments beginning in March 2003, with these instalment payments guaranteed by the parent company of Edit Srl, Prima Editoriale Srl, and a € 0.3 million receivables similarly relating to 2003**.**

7. MARKETABLE SECURITIES

Marketable securities at 30 September 2003 comprised € 1,194,708 in treasury shares, € 5,999,925 in insurance financial products and € 82,272 in other securities. At 30 September 2002, the Company had € 328,269 in treasury shares and € 90,018 in other securities.

Treasury shares

At 30 September 2003, the Company held 61,500 of its own shares, with a par value of € 0.52 each, valued at their weighted-average cost of € 19.43 per share, compared to an average September 2003 share price of € 24.60.

These shares were acquired pursuant to the share buyback programme authorised by the Shareholders' Meetings of 30 October 2001 and 30 January 2003, as described in the "Other Information Regarding Italian Civil Code Article 2428 Sections 3 and 4" of the Directors' Report.

Insurance financial products and non-Group marketable securities

The Company has subscribed to a € 6 million insurance financial product, Elios Coupon, offered by Antonveneta Vita. This insurance policy provides a minimum annual return of 3% net of management fees. This policy provides for early reimbursement without penalty before the December 2003 expiry date.

In addition, the Company holds as marketable securities Italian State Treasury Bonds maturing in July 2007 and shares in Dalmine SpA.

8. BANK AND CASH

At 30 September 2003, bank and cash amounted to € 86,616,068 down € 4,463,720 from 30 September 2002, and comprised the following amounts:

(€)	30 Sept. 2003	30 Sept. 2002	Change
Bank	86,615,046	91,036,118	(4,421,072)
Cash	1,022	43,670	(42,648)
Total	**86,616,068**	**91,079,788**	**(4,463,720)**

Evolution of Company Net Financial Position

(€)	30 Sept. 2003	30 Sept. 2002	Change
Bank and cash	86,616,068	91,079,788	(4,463,720)
Insurance financial product	82,272	0	(7,746)
Non-Group marketable securities	5,999,925	90,018	5,999,925
Net Financial Assets	**92,698,265**	**91,169,806**	**1,528,459**
Borrowings from subsidiaries	(4,984,569)	(5,164,569)	180,000
Net Financial Position	**87,713,696**	**86,005,237**	**1,708,459**

9. PREPAID EXPENSES AND ACCRUED INCOME

At 30 September 2003, prepaid expenses and accrued income amounted to € 429,078, down € 125,839 from 30 September 2002, and comprised the following items:

(€)	30 Sept. 2003	30 Sept. 2002	Change
Prepaid expenses	157,093	10,967	146,126
Accrued income	271,985	543,950	(271,965)
Total	**429,078**	**554,917**	**(125,839)**

Accrued income at 30 September 2003 relates primarily to interest earned on the financial insurance product "Elios Coupon" from Antonveneta Vita.

Prepaid expenses consist primarily of costs relating to advertising contracts, insurance costs and general costs, determined using the matching principle.

10. EQUITY

At 30 September 2003, Company equity amounted to € 136,275,430, up € 4,094,573 on 30 September 2002, reflecting the Company's net profit for 2002-2003 financial year of € 10,249,280, net of € 6,154,708 in cash dividends, and comprised the following items:

(€)	Share capital	Share premium	Legal reserve	Treasury share reserve	Merger surplus	Retained earnings and other reserves	Net profit	Total
30 Sept. 2002	**4,030,000**	**112,871,055**	**496,376**	**328,269**	**927,945**	**5,455,032**	**8,072,180**	**132,180,857**
2001-2002 financial year net profit allocation	-	-	309,624	-	-	7,762,556	(8,072,180)	0
Cash dividend distribution	-	-	-	-	-	(6,154,708)	-	(6,154,708)
Treasury share reserve allocation	-	-	-	866,439	-	(866,439)	-	0
2002-2003 financial year net profit	-	-	-	-	-	-	10,249,280	10,249,280
30 Sept. 2003	**4,030,000**	**112,871,055**	**806,000**	**1,194,708**	**927,945**	**6,196,442**	**10,249,280**	**136,275,430**

Shareholders of Cairo Communication SpA approved at their Meeting of 30 January 2003 the payment of € 6,154,708 in cash dividends (€ 0.80 per share), to holders of Company shares (excluding treasury shares) as of 10 February 2003, payable on 13 February 2003.

The Board of Directors of Cairo Communication SpA, at its 14 January 2003 meeting, authorised the allocation of a second block options relating to the share option plan approved by the Extraordinary Meeting of 19 April 2000 and approved the allocation provisions concerning the aforementioned options to specific beneficiaries, as described in the Directors' Report.

11. PROVISIONS FOR LIABILITES AND CHARGES

Provision for retirement benefits

At 30 September 2003, the provision for retirement benefits amounted to € 380,222, up € 99,558 on 30 September 2002, and comprised the following items:

(€)	30 Sept. 2002	Disbursements	Charges	30 Sept. 2003
Employee provisions	167,834	(42,190)	85,629	211,273
Manager provisions	112,830	(10,941)	67,060	168,949
Total	**280,664**	**(52,771)**	**152,689**	**380,222**

Analysis of Company's workforce size by job classification

	30 Sept. 2002	30 Sept. 2003	2002-2003 FY Average
Managers	8	9	9
Supervisors	5	5	5
Employees	40	37	38
Total	**53**	**51**	**52**

Provisions for disputes and other charges

At 30 September 2003, the provision for disputes and other charges amounted to € 327,902, down € 88,512 on 30 September 2002, and comprised the following amounts:

(€)	30 Sept. 2002	Used	Charges	30 Sept. 2003
Various	125,729	(125,729)	0	0
Provision for disputes	290,685	0	37,217	327,902
Total	**416,414**	**(125,729)**	**37,217**	**327,902**

The 30 September 2002 € 125,720 various provisions for liabilities and charges were utilised during 2002-2003, following the payment in cash to a counterpart pursuant to the conclusion of an arbitrage, as described in Note 23 to the Parent Company financial statements.

12.LIABILITIES

For the purpose of transparency, the liabilities of your company can be analysed as follows:

Trade payables

At 30 September 2003, trade payables amounted to € 32,593,950, up € 8,476,746 from 30 September 2002.

Subsidiary payables

At 30 September 2003, subsidiary payables amounted to € 9,342,136, up € 546,431 from 30 September 2002, and arising from services provided by the following subsidiaries to the Company:

(€)	30 Sept. 2003	30 Sept. 2002
Editoriale Giorgio Mondadori SpA	2,171,265	2,956,010
Cairo Editore SpA	2,036,798	136
Cairo TV SpA	0	559,661
Cairo Web Srl	112,000	0
Il Trovatore	10,800	0
Immobiledit Srl	5,011,274	5,279,898
Total	**9,342,136**	**8,795,705**

Subsidiaries commercial payables

Payables to Editoriale Giorgio Mondadori SpA and Cairo Editore relate mainly to fees due to these companies arising from the sale of advertising space on behalf of magazines. Payables to Cairo Web relate to fees paid to the latter for the maintenance of the Company's web site.

Subsidiaries financial liabilities

These consist of € 4,984,569 in funds borrowed at market rates from its newly consolidated subsidiary Immobiledit Srl, in order to optimise the Group's treasury management.

Tax liabilities

At 30 September 2003, tax liabilities amounted to € 473,115, up € 359,557 from 30 September 2002, and comprised the following items:

(€)	30 Sept. 2003	30 Sept. 2002
VAT	352,371	0
Payroll deductions - employees	53,212	36,642
Payroll deductions – contract workers	65,060	73,311
Other	2,472	3,605
Total	**473,115**	**113,558**

Cairo Communication SpA and some of its subsidiaries, after taking into account the diversity and number of tax provisions and their difficulty of application, have elected to comply to the provisions of Law 289 of 27 December 2002 as prescribed in Articles 8 and 9, for direct taxation purposes only. The Group will then continue with the procedures relating to the pending areas of contention regarding direct tax and VAT, pursuant to the procedure of Article 15 of said law.

The full cost of this matter to the Company is about € 366,172 It has been charged as an exceptional expense in the Group's 2002-2003 financial year, with this liability anticipated to be liquidated over the coming years.

Social security liabilities

At 30 September 2003, social security liabilities amounted to € 151,312, all current in nature, down € 22,486 from 30 September 2002.

Other liabilities

At 30 September 2003, other liabilities amounted to € 2,936,306, up € 1,074,583 from 30 September 2002, and comprised the following amounts:

(€)	30 Sept. 2003	30 Sept. 2002
RCS Periodici liability	1,808,583	852,963
Various	1,127,723	1,008,760
Total	**2,936,306**	**1,861,723**

The RCS Periodici liability relates to receivables whose collection is unlikely and whose loss has yet to be recognised.

13. ACCRUED EXPENSES

At 30 September 2003, accrued expenses amounted to € 60, down € 699 from 30 September 2002.

(€)	30 Sept. 2003	30 Sept. 2002	Change
Accrued expenses	**60**	**759**	**699**

Accrued expenses and deferred income are calculated in accordance with the matching principle.

14. OFF-BALANCE SHEET COMMITMENTS AND GUARANTEES

GUARANTEES

Guarantees primarily relate to a € 23 million guarantee given to Banca Antonveneta regarding assurances given by the latter to TV Internationale SpA (Telecom Group) concerning the payment of minimum guaranteed fees specified in its contract with the La7 television network, which grant Cairo the exclusive rights to sell advertising time on this network channels, as described in Note 19 to the Consolidated Financial Statements. This guarantee expires on 15 June 2004 and is renewable annually for an amount not greater than that of the preceding year, with predetermined mechanisms in place for the reduction of the commitment.

Guarantees current At 30 September 2003 were those relating to subsidiary companies in the amount of € 619,748 and to third parties in the amount of € 72,673, relating primarily to rental contracts.

COMMITMENTS

1. On 9 November 2002, Cairo Communication SpA signed a three-year contract (2003-2005) with TV Internazionale SpA (Telecom Group), broadcaster of the La7 TV network, and renewable for another three-year period if certain agreed objectives are met, giving Cairo the exclusive rights to sell advertising space on its channels. The contract provides for average minimum guaranteed fees of € 45.8 million per year over three years, with the first year comprising an entrance fee of € 7.5 million and a minimum guarantee fee of € 37.4 million. La7 has given a commitment to maintain predetermined viewing audience numbers. Cairo International SpA gave a guarantee in 2003 concerning minimum payments it will make to TV International SpA.
2. The Group subsidiary, Cairo TV SpA, signed in 1998 an exclusive ten-year contract with the Tele+ television network. 2003 has been a watershed year for the Italian pay TV market, with the arrival of Sky and the creation of a single satellite pay TV network for Italy from the merger of the Tele+ and Stream satellite TV networks. Channels formerly broadcast on the Tele+ satellite TV network are now broadcast on the Sky Italia satellite TV network, effective from 31 July 2003.

   Sky Italia's position as the main operator of Italy's sole satellite TV network has been clearly established. Cairo Communication Group's legal team is reviewing the legal implications of this development and the options that are available to the Group, in order best safeguard its interests.

   Since commencing its advertising time sales activity for Sky Italia, Cairo has focused exclusively on the sale of advertising time relating to Italian Premier League Football (Serie A) matches, both live and time delayed broadcasts, as well as the Diretta Gol, Calcio Sky and other sports shows broadcast on Sky Sport 1. Presently, Cairo sells advertising time for matches involving 12 of the 18 Serie A teams: Inter Milan, Juventus, AC Milan, Lazio, Roma, Parma, Bologna, Udinese, Lecce, Siena, Reggina, and Sampdoria). Cairo does not presently sell any advertising on Sky Italia's TV channels.

15. CONTINGENCIES

1. Fraternity Network SpA, as reported in the 30 September 2002 Consolidated Financial Statements, was settled in favour of Cairo Group, including the awarding of legal costs, the awarding of remedy and the renunciation of all claims by the other party. The remedy resulted in the signing of a new advertising broker contract with Net Fraternity Network SpA, with the latter guaranteeing Cairo a minimum of € 400 thousand over the duration of the 20-month contract.

2. The Group subsidiary Cairo Web Srl has initiated legal proceedings against Soldionline.it SpA, arising from an advertising space sales contract, which expired on 31 August 2002. Pursuant to the provisions of this contract, Cairo Web Srl is seeking payment of € 377,000 owed to it, which is included in net assets. Soldionline.it SpA appeared in court in November 2002, contesting the claim on grounds of contractual non-fulfilment by Cairo Web Srl, regarding advertising space sales commitments (for which there were no terms or conditions set, other than the payment of a guaranteed minimum fee), and seeking compensation for damages. As this claim has no foundation, no provision has been established.

3. A former shareholder of the Group's subsidiary Il Trovatore SpA, who was not involved in the sale of this firm to the Group, has initiated proceedings against the current minority shareholders, which indirectly involves Cairo Communication SpA, claiming that the contract through which he sold his share in the limited partnership Il Trovatore was null and void, as was the transformation of same into a limited liability company. He is also requesting that the subsequent contract of purchase by Cairo Communication be voided. Based on legal advice received, no provision has been established in light of the unfounded nature of this claim.

4. Immobiledit Srl is in litigation regarding the cancellation of a previous preliminary sale contract of a building with a buyer. The preliminary contracts provided for a € 1 million downpayment, which the Group has provided for in the amount of € 1.3 million.

16. LIABILITES AND RECEIVABLES DUE AFTER FIVE YEARS

At 30 September 2003, the Company had no receivables or liabilities that were due after 5 years.

17. CAPITALISED FINANCIAL EXPENSES

The Group did not capitalise any of its financial expenses.

18. INVESTMENT INCOME OTHER THAN DIVIDENDS

No income of this nature was received during the course of the year.

PARENT COMPANY INCOME STATEMENT NOTES

The following notes detail the major revenues realised and expenses incurred by the Company during its 2002-2003 financial year ending 30 September 2003.

19. OPERATING REVENUES

Company 2002-2003 financial year gross operating revenues amounted to € 101,359,429, up € 22,560,278 over the previous financial year.

Sales and net sales

Company 2002-2003 financial year sales amounted to € 99,888,816, up € 23,474,708 over the same period last year, and comprised the following amounts:

(€)	2002-2003 FY	2001-2002 FY
Stadium advertising space sales	88,082	2,275,012
Print media advertising space sales	42,696,571	71,240,832
TV advertising space sales	67,588,437	11,611,499
Electronic billboard sales	113,114	183,279
Group services	2,073,615	2,761,170
Sales	**112,559,819**	**88,071,792**
Less: advertising agency discounts	(12,671,003)	(11,657,684)
Net sales	**99,888,816**	**76,414,108**

No analysis by geographic region is provided, as all sales are generated in Italy.

Gross operating revenues increased by € 24,6 million to € 112.6 million, primarily as a result of an increase in TV advertising sales resulting from an agreement with the La7 TV network, which yielded € 17 million in 2002-2003, as well as higher advertising time sales for analogue and digital Pay TV channels that the Company represents..

Publishing business revenues related primarily related to magazines published by Editoriale Giorgio Mondadori and Cairo Editore.

Advertising space sales for the 1st quarter of 2002-2003, which comprised the 3-month period of October to December 2002, included sales for the RCS “Anna”, “Salve”, “Oggi”, “Novella 2000” and “Visto” titles. The significant drop in print media advertising sales is due to the expiry of the agreement with RCS for these titles, which generated sales of € 12.5 million in for Cairo in 2002

During 2002-2003, the Company sold advertising space on behalf of just one football stadium, the Liberati stadium at Terni. In 2001-2002, the Group reduced its exposure in this business, given the precarious financial situation of many soccer teams combined with the low, or indeed negative, margins achieved on individual contracts.

Apart from providing advertising services directly to many sectors, due to its structures in the areas of administration, auditing, financial analysis, management, information systems, debt recovery and marketing, the Company also provides services in these areas to other Group companies.

The Company realised sales with the following Group companies:

(€)	2002-2003 FY	2001-2002 FY
Cairo TV SpA	1,860,000	2,460,000
Cairo Web Srl	6,000	42,000
Il Trovatore SpA	21,691	19,589
Cairo Editore SpA	0	46,481
Editoriale Giorgio Mondadori SpA	185,924	193,100
Total	**2,073,615**	**2,761,170**

All inter-Group services are governed by contract, which are renewed yearly.

Other operating revenues

Company 2002-2003 financial year other operating revenues amounted to € 1,470,613, down € 914,430 over the previous financial year, and comprised the following amounts:

(€)	2002-2003 FY	2001-2002 FY
Rebilled agent and employee costs	51,294	59,251
Rebilled stadium material costs	7,881	120,269
Rebilled technical costs	835,514	1,473,604
Rebilled print media technical costs	115,414	
Rebilled print media receivable loss	0	160,471
Other rebillings	76,990	21,446
Gain on asset disposal	383,520	550,002
Total	**1,470,613**	**2,385,043**

20. OPERATING EXPENSES

Company 2002-2003 financial year operating expenses amounted to € 96,321.389, up € 18,392,397 over the same period last year, and comprised the following items:

Advertising time/space fees and other services

These expenses amounted to € 87,827,724 for the 2002-2003 financial year, up € 16,067,938 over the previous financial year, and comprised the following items:

(€)	2002-2003 FY	2001-2002 FY

Ad space fees - print media and billboards	33,839,740	54,048,838
Ad time fees - stadiums	110,176	1,729,509
Ad time fees - TV	25,022,314	-
Ad TV time fees - Cairo TV subcontract	19,861,263	7,547,474
Commissions	112,000	-
Negotiation rights	3,928,325	4,230,824
Consultancy fees	1,208,139	484,053
Other fees	640,642	582,763
Board of Directors' fees	352,183	242,711
Board of Auditors' fees	47,940	47,000
General administrative costs	2,431,981	2,202,062
Olympic Stadium (Rome) material costs	-	188,947
Technical costs	273,021	455,605
Total	**87,827,724**	**71,759,786**

2002-2003 financial year advertising time/space fees and other services included the following expenses:

- € 10.7 million in advertising space fees paid to Editorial Giorgio Mondadori pursuant to its contract to sell advertising space in the "Airone", "Arte" "Bell'Italia"; "Bell'Europa", "In Viaggio", "Gardenia", and "Antiquariato" magazines.
- € 2.8 million in advertising space fees paid to Cairo Editore pursuant to its contract to sell advertising space in "For Men Magazine" and "natural Style" magazines.
- € 19.9 million in advertising TV time fees paid to Cairo TV SpA to which the Group has subcontracted the sale of advertising time on analogue and digital channels, with this significant increase reflecting the significant increase in sales revenues generated from this activity.
- € 72 thousand in rebilled expenses from Editore Giorgio Mondadori SpA stemming from the use of space at its premises at 55 Corso Magenta, Milan, for the half-year.
- € 37 thousand in rebilled expenses from Editore Giorgio Mondadori SpA for the staging of the annual Cairo Communication Awards.
- € 112 in service fees paid to Cairo Web to maintain the Company's web site.

As previously discussed, advertising sales revenues and profit margins realised by Cairo during the 2003 calendar year from its agreement with the La7 TV network were lower than what will be achieved in subsequent years as a result of agreement specificities relating to the first year.

Rental expenses

These expenses amounted to € 481,140, down € 26,499 over the previous financial year.

Other operating expenses

These expenses amounted to € 172,104, down € 76,336 over the previous financial year.

21. FINANCE INCOME AND EXPENSES

Finance Income

Company 2002-2003 financial finance income amounted to € 10,261,801, up € 1,713,839 over the previous financial year, and comprised the following amounts:

(€)	2002-2003 FY	2001-2002 FY
Subsidiaries finance income		
Subsidiaries dividend income	7,682,908	5,507,511
Other financial income from subsidiaries	20,728	-
Total finance income from subsidiaries	**7,703,636**	**5,507,511**
Other finance income		
Bank interest	2,360,192	3,033,191
Marketable securities	196,200	6,907
Various	1,773	353
Total other finance income	**2,558,165**	**3,040,451**
Total finance income	**10,261,801**	**8,547,962**

Subsidiaries dividend income comprised the receipt of two cash dividend amounts, € 3,524,807 and € 1,636,568 relating respectively to 2001-2002 and 2000-2001 financial years net profit, as well as their corresponding tax credits of € 2,106,326 and € 435,352, pursuant to Legislative decree 467/97

Finance expenses

Company 2002-2003 financial year financial expenses amounted to € 214,018, down € 194,074 over the same period last year, and comprised the following amounts:

(€)	2002-2003 FY	2001-2002 FY
Bank interest expenses	338	6,594
Borrowings interest expenses	0	126,856
Other interest expenses	78,234	42,604
Group borrowings interest expenses	135,446	221,262
FOREX losses	0	10,776
Total	**214,018**	**408,092**

All borrowings interest expenses related to a loan from Immobiledit Srl.

22. INVESTMENT WRITEDOWNS

During 2002-2003, the Company realised writedowns of € 238,172 on its investment in Trovatore Srl, and € 214,000 on its investment in Cairo Web, in order to reflect permanent declines in value.

23 EXCEPTIONAL EXPENSES

Cairo Group realised no exceptional income for both the 2001-2002 and 2002-2003 financial years.

Exceptional expenses include an € 0.6 million charge (net of an € 0.1 million provision utilisation) relating to a settlement with an associate of the Vittorio Feltri Editore and C. Srl company following the conclusion of arbitration on the matter of the shortfall in equity infusion in Vittorio Feltri Editore and C. Srl company, publisher of the "Libero Quotidiano". As described in Notes to the 30 September 2000, 2001 and 2002 Consolidated Financial Statements, this operation was not completed in December 2000, in light of the non-satisfaction of essential preliminary conditions. The actual amount was significantly lower than the original estimate provided.

The Group has treated as an exceptional expense the amount of damages arising from the shortfall in projected equity infusion in this publishing company, which arose from the non-satisfaction of essential preliminary conditions that led to the non-completion of this operation.

As described in Note 14 to the Parent Company Financial Statements, exceptional expenses include the € 0.4 million cost of complying with the provisions of Law 289 of 27 December 2002, as set in Articles 8 and 9, for direct taxation purposes and procedures relating to the pending areas of dispute regarding direct tax and VAT, pursuant to the said law's Article 15 procedure.

24. INCOME TAX

Company 2002-2003 financial year income tax amounted to € 3,440,998, up € 2,925,863 over the previous financial year.

In accordance with Italian Accounting Principle no. 25, the Group recognised some prepaid income tax relating to some group companies' deferred tax deductions (write-down provision credits).

(€)	**2002-2003 FY**	**2001-2002 FY**
Current		
- IRPEG	3,316,052	650,837
- IRAP	383,792	204,223
Prepaid income tax	(258,846)	(99,229)
Total	**3,440,998**	**755,829**

OTHER NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

25. BOARD OF DIRECTORS' AND BOARD OF AUDITORS' REMUNERATION

Pursuant to Article 2427, Section 16 of the Italian Civil Code and stipulations by CONSOB (Italian Stock Exchange Supervisory Commission), the Group discloses the following remuneration awarded to the Board of Directors and Board of Auditors of Cairo Communication SpA for services rendered to the parent company and its subsidiaries during the financial year ending 30 September 2003:

Name	**Position**	**Term expiry date**	**Directors fees** (€ thousands)		**Other Remuneration** (€ thousands)		
			Parent Company	Subsidiaries	Non-monetary	Bonuses	Other
Board of Directors							
Urbano R Cairo	Chairman	30 Sept. 2005	150	269	-	-	
Uberto Fornara	Vice-Chairman & CEO	30 Sept. 2005	65	114	-	-	146
Roberto Cairo	Director	30 Sept. 2005	20	4	-	-	
Giuliano Cesari*	Director	28 April 2003*	38	6	-	-	60
Marco Janni	Director	30 Sept. 2005	23	-	-	-	-
Antonio Magnocavallo	Director	30 Sept. 2005	23	5	-	-	-
Marco Pompignoli	Director	30 Sept. 2003	8	53	-	-	99
Roberto Rezzonico	Director	30 Sept. 2005	23	-	-	-	-
Board of Auditors							
Mauro Sala	Chairman	30 Sept. 2005	21	9	-	-	-
Marco Baccani	Principal Auditor	30 Sept. 2005	14	12	-	-	-
Ferraro Antonio	Principal Auditor	30 Sept. 2005	14	8	-	-	-

* *During the 2002-2003 financial year, Giuliano Cesari resigned as a Director of the Board.*

The Annual General Meeting of Shareholders of 30 January 2003 approved the € 150,000 in compensation for the Board of Directors. The Board of Directors meeting on 4 February 2003 approved the allocation of € 140,000 on an equal basis among the seven members of the Board, the allocation on an equal basis of € 7,000 and € 3,000 among the three members of the Audit Committee and the members of the Compensation Committee, respectively.

The Board of Directors of Cairo Communication SpA meeting on 4 February 2003 approved, pursuant to Article 2389 of the Italian Civil Code, compensation of € 130,000 for the Chairman, Urbano Cairo and compensation of € 45,000 each for the current CEO Uberto Forara and the former (now resigned) CEO, Giulianoi Cesari.

26. SHARE CAPITAL COMPOSITION

At 30 September 2003 , Cairo Communication SpA share capital amounted to € 4,030,000, comprising 7.75 million shares with a par value each of € 0.52.

Chairman of the Board of Directors

Urbano R. Cairo

APPENDIX 1: SUBSDIARIES' LEGAL INFORMATION
(Article 2427 of the Italian Civil Code)

SUBSIDIARIES – DIRECTLY CONTROLLED

Name:	**Cairo TV SpA**	
Head Office:	Via Tucidide 56 - Milan - Italy	
Share Capital:		€ 260,000
Equity at 30 September 2002:		€ 3,263,056
2001-2002 Financial Year Net Profit:		€ 824,805
Equity at 30 September 2003:		€ 1,774,416
2002-2003 Financial Year Net Profit:		€ 972,734
Ownership Percentage:		100%

Name:	**Editoriale Giorgio Mondadori SpA**	
Head Office:	Corso Magenta 55 - Milan - Italy	
Share Capital:		€ 6,204,000
Equity at 30 September 2002:		€ 6,991,290
2001-2002 Financial Year Net Profit:		€ 473,619
Equity at 30 September 2003:		€ 8,934,956
2002-2003 Financial Year Net Profit:		€ 1,943,666
Ownership Percentage:		100%

Name:	**Cairo Web Srl**	
Head Office:	Via Tucidide 56 - Milan - Italy	
Share Capital:		€ 46,800
Equity at 30 September 2002:		€ 72,198
2001-2002 Financial Year Net Loss:		€ (252,675)
Equity at 30 September 2003:		€ 159,069
2002-2003 Financial Year Net Loss:		€ (213,129)
Ownership Percentage:		100%

Name:	**Il Trovatore SpA**	
Head Office:	Via Tucidide 56 - Milan - Italy	
Share Capital:		€ 103,200
Equity at 30 September 2002:		€ 49,373
2001-2002 Financial Year Net Loss:		€ (210,901)
Equity at 30 September 2003:		€ 58,475
2002-2003 Financial Year Net Loss:		€ (133,755)
Ownership Percentage:		80%

Name:	**Cairo Sport Srl**

Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 10,400
Equity at 31 December 2002:	€ 10.370
2001-2002 Financial Year Net Loss:	€ (1,834)
Ownership Percentage:	100%

SUBSIDIARIES – INDIRECTLY CONTROLLLED

Name:	**Cairo Editore SpA**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 1,020,000
Equity at 31 December 2002:	€ 5,822,268
2001-2002 Financial Year Net Profit:	€ 5,021,508
Equity at 30 September 2003:	€ 5,535,035
2002-2003 Financial Year Net Loss (9 months):	€ (287,216)
Ownership Percentage:	99.95%

Name:	**Immobiledit Srl**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 5,610,000
Equity at 31 December 2002:	€ 5,259,865
2001-2002 Financial Year Net Profit:	€ 104,928
Equity at 30 September 2003:	€ 393,613
2002-2003 Financial Year Net Profit (9 months):	€ 56,864
Ownership Percentage:	100%

Name:	**Edizioni Anabasi Srl**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 10,200
Equity at 31 December 2002:	€ 5,512
2001-2002 Financial Year Net Loss:	€ (7,178)
Equity at 30 September 2003:	€ 8,426
2002-2003 Financial Year Net Loss (9 months):	€ (3,086)
Ownership Percentage:	100%

Chairman of the Board of Directors
Urbano R. Cairo

APPENDIX 2: SUBSIDARIES' CONDENSED FINANCIAL STATEMENTS

(€)	Cairo TV 30 June 2003 FY	Cairo Web 30 Sept. 2002 FY	Il Trovatore 31 Dec. 2002 FY
BALANCE SHEET			
ASSETS			
Intangible assets	127,449	16,900	6,072
Property, furniture and equipment	110,150	9.917	71,251
Investments	37,603	0	3,873
Total Non-Current Assets	**275,202**	**26,817**	**81,196**
Inventory	0	0	0
Receivables	32,752,657	1,115,270	101,976
Marketable securities	0	0	0
Bank and cash	7,333,284	188,936	770
Total Current Assets	**40,085,941**	**1,304,206**	**102,746**
Prepaid expenses and accrued income	88,392	17,314	14,089
TOTAL ASSETS	**40,449,535**	**1,348,337**	**198,031**
EQUITY AND LIABILTIIES			
Share capital	260,000	46,800	103,200
Reserves	228,212	10,429	91
Parent company contribution	0	0	156,983
Retained earnings	1,950,039	267,644	0
Financial year net profit/(loss)	824,805	(252,675)	(210,901)
Total Equity	**3,263,056**	**72,198**	**49,373**
Provisions for liabilities and charges	263,537	0	0
Liabilities	36,922,942	1,276,139	130,371
Accrued expenses and deferred income	0	0	18,287
TOTAL EQUITY AND LIABILTIES	**40,449,535**	**1,348,337**	**198,031**
INCOME STATEMENT			
Operating revenues	**51,558,244**	**494,110**	**97,150**
Cost of sales	(49,889,424)	(746,794)	309,061
Gross profit/(loss)	**1,668,820**	**(252,684)**	**(211,911)**
Net finance income/(cost)	59,388	9	1,010
Investments writedown	0	0	0
Net exceptional income/(expenses)	(180,128)	0	0
Profit/(loss) before income tax	**1,548,080**	**(252,675)**	**(210,901)**
Income tax	(723,375)	0	0
Net profit/(loss)	**824,805**	**(252,675)**	**(210,901)**

(€)	Immobiledit	Cairo Editore	Editoriale Giorgio Mondadori	Edizioni Anabasi
	31 Dec. 2002 FY	31 Dec. 2002 FY	31 Dec. 2002 FY	31 Dec. 2002 FY
BALANCE SHEET				
ASSETS				
Intangible assets	0	6,084	9,535,464	992
Property, furniture and equipment	0	1,802,742	593,761	0
Investments	0	14,690	8,174,176	0
Total Non-Current Assets	**0**	**1,823,516**	**18,303,401**	**992**
Inventory	0	0	2,342,096	0
Receivables	5,808,164	4,191,136	7,388,543	7,483
Marketable securities	0	0	0	0
Bank and cash	1,871,561	58,045	1,807,490	11,327
Total Current Assets	**7,679,725**	**4,249,181**	**11,538,129**	**18,810**
Prepaid expenses and accrued income	0	460,382	110,647	0
TOTAL ASSETS	**7,679,725**	**6,533,079**	**29,952,177**	**19,802**
EQUITY AND LIABILTIIES				
Share capital	5,610,000	1,020,000	6,204,000	10,200
Reserves	162,556	12,914	35,074	129
Parent company contribution	0	0	0	2,361
Retained earnings	(617,618)	(232,153)	278,598	0
Financial year net profit/(loss)	104,928	5,021,508	473,619	(7,178)
Total Equity	**5,259,865**	**5,822,268**	**6,991,290**	**5,512**
Provisions for liabilities and charges	2,042,750	113,621	624,937	0
Liabilities	377,109	597,191	2,222,697	14,290
Accrued expenses and deferred income	0	0	20,113,253	0
TOTAL EQUITY AND LIABILTIES	**7,679,725**	**6,533,079**	**29,952,177**	**19,802**
INCOME STATEMENT				
Operating revenues	**7,642**	**2,510,636**	**21.169,924**	**0**
Cost of sales	(55,349)	(2,692,452)	(20,157,470)	(3,357)
Gross profit/(loss)	**(47,707)**	**(181,816)**	**1,012,454**	**(3,357)**
Net finance income/(cost)	227,781	7,430	15,503	279
Investments writedown	0	0	0	0
Net exceptional income/(expenses)	(3,324)	5,229,844	(252,000)	(4,100)
Profit/(loss) before income tax	**176,749**	**5,055,458**	**775,957**	**(7,178)**
Income tax	(71,821)	(33,950)	(302,338)	0
Net profit/(loss)	**104,928**	**5,021,508**	**473,619**	**(7,178)**

Chairman of the Board of Directors
Urbano R. Cairo

CAIRO COMMUNICATION

Cairo Communication Group
Group Directors' Report
2002-2003 Financial Year ending 30 September 2003

EXECUTIVE SUMMARY

GROUP DIRECTORS' REPORT

Cairo Communication Group

Financial Year ending 30 September 2003

Dear Shareholders,

We hereby present to you for your approval the consolidated financial statements of Cairo Communication Group for the financial year ending 30 September 2003, comprising a Balance Sheet, Income Statement and Notes, prepared in accordance with Italian Civil Law and changes arising from Legislative Decree 127/91, reporting a consolidated net profit of over € 5.0 million.

During the 2002-2003 financial year, the Cairo Communication Group continued to operate as an advertising broker selling advertising time/space on TV networks, in print media and on Internet sites, and as a publisher of books and magazines (Editoriale Giorgio Mondadori and Cairo Editore publishing houses) and an operator of Internet sites (Il Trovatore search engine).

In particular, 2002-2003 was marked by the start-up of the Group's advertising time sale agreement with the La7 TV network as well as by the launch in Autumn 2002 of two major publishing initiatives by the Group's Cairo Editore subsidiary that resulted in the launch in March 2003 of the "For Men Magazine" magazine followed in June 2003 by launch in the "Natural Style" magazine, a women's lifestyle magazine dedicated to natural living. The first editions of these magazines enjoyed strong advertising sales and circulation numbers, with average monthly circulation of 150,000 reported for the "For Men Magazine" magazine and 102,000 for the "Natural Style" magazine.

Cairo Editore's performance during the 2002-2003 financial year confirmed Cairo Group's strategic decision to focus on the development of its Publishing business. This strategy will encompass both the launch of new titles and growth through acquisitions.

The Group's EGM subsidiary, publisher of the "Bell'Italia", "Bell'Europa", "In Viaggio", "Airone", "Gardenia", "Arte" and "Antiquariato" magazines, also enjoyed strong performances during the financial year, supporting their publications with advertising campaigns and numerous publishing initiatives. EGM's tourism titles, "Bell'Italia", "Bell'Europa" and "In Viaggio" continued to post impressive circulation numbers, with these three titles realising copy sales of 93,500 for the October 2002 - September 2003 12-month period, similar to 1999 levels, while the market contracted by 3% during this time with the 7 major competing titles in this sector suffering a 50% drop in their circulation numbers.

The Group’s Advertising business also enjoyed strong sales growth, particularly with regard to the sale of advertising time on behalf of the La7 TV network, confirming the great potential offered by this new agreement, as well as representing an opportunity for Cairo Group to increase sales and profit margins and expand its presence in the television advertising sales market. It also allows the Group to exploit the expertise and know-how that its sales force has developed in this sector over these last years as well as its extensive customer portfolio, which has further been enhanced with the addition of La7.

La7 TV network advertising time sales revenues for the January to September 2003 9-month period jumped by 56.3% to € 43.7 million from € 27.9 million for the same period last year, in line with contracted guaranteed minimum sales figures.

Analogue and digital Pay TV advertising space sales increased by 2% for the 2002-2003 financial year.

Cairo Communication Group 2002-2003 financial year sales increased by 6.8% to € 155.5 million from € 145.6 million for the previous financial year. During this time, EBITDA jumped 42.6% to € 13 million from € 9.1 million and EBIT jumped 52.5% to € 5.2 million from € 3.4 million, both representing outstanding performances. These results were achieved despite an overall 2.5% contraction the advertising market during the October 2002 to September 2003 12-month period (Source: AC Nielsen).

Immobiledit Ltd, a fully owned subsidiary of EGM, was consolidated for the first time during this financial year. As this company is not operational, its consolidation does not affect the comparability of financial results between the 2002-2003 and 2001-2002 financial years.

CAIRO COMMUNICATION GROUP - FINANCIAL RESULTS

Cairo Communication Group Consolidated Income Statement

(€ thousands)		
Financial year ending 30 September	**2003**	**2002**
Sales	152,905	141,114
Other operating revenues	2,526	4,467
Gross operating revenues	**155,431**	**145,581**
Advertising agency discounts	(19,528)	(17,764)
Inventory movements	(322)	(421)
Operating revenues	**135,581**	**127,396**
Cost of sales	(113,213)	(109,941)
Personnel costs	(9,385)	(8,353)
Gross operating profit (EBITDA)	**12,983**	**9,102**
Depreciation and provision charges	(7,795)	(5,700)
Operating profit (EBIT)	**5,188**	**3,402**
Net finance income	3,195	4,319
Profit from ordinary activities	**8,383**	**7,721**
Net exceptional expenses	(1,281)	(254)
Profit before tax	**7,102**	**7,467**
Income tax	(2,088)	(1,736)
Minority interest	27	15
Net profit	**5,041**	**5,746**

2002-2003 Group gross operating revenues increased by 6.8% to € 155.4 million from € 145.6 million, consisting of € 152.9 million in sales and € 2.5 million in other operating revenues.

Both Group EBITDA and EBIT improved significantly during this time, with the EBITDA jumping 42.6% to € 13 million from € 9.1 million and the EBIT jumping 52.5% to € 5.2 million from € 3.4 million. These outstanding results, both in terms of advertising and circulation numbers, were achieved despite pre-publication and launch costs associated to the launch of new titles, which were incurred during the 1st half of 2002-2003.

The Group incurred € 1 million in costs during 2002-2003 relating to the launch of the first 6 issues of the "For Men Magazine" magazine and € 0.4 million in costs relating to the launch of the first 3 issues of the "Natural Style" magazine. Other advertising costs incurred for these two titles and their subsequent issues amounted € 0.6 million, and were charged to 2002-2003 net profit.

The € 1.9 million increase in depreciation, amortisation and provision charges results from the amortisation of the entrance fee paid to the La7 network for the right to exclusively sell advertising time on its behalf.

Group net finance income included € 0.5 million in dividend tax credits (€ 1.6 million for 2001-2002). Excluding this dividend tax credit, net finance income would have amounted to € 2.7 million, only slightly lower than the previous financial year figure, despite a 22% drop in interest rates during this time.

As explained in Note 23 to the Consolidated Financial Statements, net exceptional expenses include € 0.6 million in arbitration costs and € 0.5 million in income arising from an income tax agreement, pursuant to Articles 8, 9 and 15 of Law N° 289 of 27 December 2002.

Analysis of Group Sales and Other Operating Revenues by Nature and Business Segment

(€ thousands) **Financial year ending 30 September**	**2003**			**2002**		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
TV advertising time sales	97,777	-	**97,777**	53,189	-	**53,189**
Print media advertising space sales	29,080	14,023	**43,103**	63,189	11,718	**74,907**
Stadium signs and electronic billboards advertising space sales	201	-	**201**	2,458	-	**2,458**
Internet advertising time sales	143	-	**143**	562	-	**562**
Magazine over-the-counter sales	-	7,776	**7,776**	-	6,159	**6,159**
Magazine subscription sales	-	3,176	**3,176**	-	3,051	**3,051**
Audiovisual and other sales	-	78	**78**	-	85	**85**
Books and catalogues	-	907	**907**	-	966	**966**
VAT relating to publications	-	(256)	**(256)**	-	(263)	**(263)**
Total - Sales	**127,201**	**25,704**	**152,905**	**119,398**	**21,716**	**141,114**
Other operating revenues	1,931	595	**2,526**	3,528	939	**4,467**
Total - Gross Operating Revenues	**129,132**	**26,299**	**155,431**	**122,926**	**22,655**	**145,581**

Analysis Group Financial Results by Business Segment

(€ thousands)	**Advertising**		**Search Engine (Il Trovatore)**		**Publishing**	
Financial year ending 30 September	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Sales	127,037	119,337	164	61	25,704	21,717
Other operating revenues	1,924	3,517	7	11	595	939
Gross operating revenues	**128,961**	**122,854**	**171**	**72**	**26,299**	**22,656**
Agency discounts	(19,528)	(17,764)	-	-	-	-
Inventory movements	-	-	-	-	(322)	(422)
Operating revenues	**109,433**	**105,090**	**171**	**72**	**25,977**	**22,234**
Cost of sales	(93,617)	(94,466)	(272)	(270)	(19,324)	(15,205)
Personnel costs	(3,949)	(3,496)	-	-	(5,436)	(4,857)
Gross operating profit (EBITDA)	**11,867**	**7,128**	**(101)**	**(198)**	**1,217**	**2,172**
Depreciation and provision charges	(6,227)	(4,160)	(25)	(19)	(1,543)	(1,521)
Operating profit (EBIT)	**5,640**	**2,968**	**(126)**	**(217)**	**(326)**	**651**
Net finance income	2,979	4,318	(1)	(1)	217	2
Profit from ordinary activities	**8,619**	**7,286**	**(127)**	**(218)**	**(109)**	**653**
Net exceptional income/(expenses)	(1,134)	-	(7)	-	(140)	(254)
Profit before tax	**7,485**	**7,286**	**(134)**	**(218)**	**(249)**	**399**
Income tax	(2,182)	(1,857)	-	-	94	121
Minority interest	-	15	27	-	-	-

Net profit	**5,303**	**5,444**	**(107)**	**(218)**	**(155)**	**520**

Advertising business gross operating revenues increased by 5% during 2002-2003 to € 129 million, compared to € 122.8 million for the previous financial year, despite a 2.5% contraction in the overall market (Source: AC Nielsen), while Publishing business gross operating revenues increased by 16.3% to € 26.4 million from € 22.7 million during this time last year.

As previously noted, the lower Publishing business operating profitability is primarily attributable to pre-publication and launch costs associated to the launch and publication of the first 6 issues of the "For Men Magazine" magazine (€ 1 million) and the first three issues of the "Natural Style" magazine (€ 0.4 million), as well € 0.6 million in other advertising costs incurred for these titles and their subsequent issues. In addition, Publishing business operating profitability was further affected by the undertaking of advertising campaigns and publishing initiatives in support of existing titles, in order to maintain strong circulation figures.

Cairo Communication Group Consolidated Balance Sheet

(€ thousands)	**30 September 2003**	**30 September 2002**
Assets		
Property, furniture and equipment	3,049	2,977
Intangible assets	19,510	17,432
Investments	209	218
Treasury shares	1,118	328
Marketable securities	77	4,908
Other current assets	11,663	19,243
Total Assets	**35,626**	**45,106**
Equity and Liabilities		
Shareholders equity	133,588	134,365
Minority interest	12	19
Non-current borrowings and provisions for liabilities	6,153	3,914
Borrowings from unconsolidated subsidiary	0	5,165
Net financial assets	(104,127)	(98,357)
Total Equity and Liabilities	**35,626**	**45,106**

The increase in intangible assets arises primarily from the € 7.5 million non-recurring entrance fee paid to TV Internazionale SpA in order to acquire the exclusive rights to sell advertising time on behalf of the La7 network. This amount will be amortised over the duration of this advertising time sales agreement - 36 months from January 2003.

The reduction in marketable securities arises from the consolidation of Immobiledit Ltd. The increase in provisions for liabilities and charges at 30 September 2003 also arises from the first time consolidation of Immobiledit Ltd., which had established a € 1.3 million provision concerning pending litigation. Provisions for deferred taxation of € 0.5 million are also included.

Cairo Communication Group Consolidated Statement of Net Financial Position

(€ thousands)	**30 Sept. 2003**	**30 Sept. 2002**	**Change**
Bank and cash	98,065	98,266	(201)
Marketable securities	83	90	(7)
Insurance financial products	6,000	0	6,000
Bank loans	(21)	0	(21)
Net Financial Assets	**104,127**	**98,356**	**5,771**
Immobiledit borrowings	0	(5,165)	5,165
Net Financial Position	**104,127**	**93,191**	**10,936**

The Group manages its bank and cash very prudently, investing for the most part in interbank deposits.

At 30 September 2003, the Group had net financial assets of € 104.1 million, which included Immobiledit's bank and cash holdings that were not included in the Group's net financial assets at 30 September 2002. The inclusion of these assets would have increased net financial assets at 30 September 2002 by € 1.8 million, reducing the increase in net financial assets during 2002-2003 to € 4 million.

More information is provided on the Group's investment activities in the Group's Consolidated Cash Flow Statement.

CAIRO COMMUNICATION SPA - FINANCIAL RESULTS

Cairo Communication SpA - Parent Company Income Statement

(€ thousands)

Financial year ending 30 September	2003	2002
Sales	112,560	88,072
Other operating revenues	1,470	2,385
Gross operating revenues	**114,030**	**90,457**
Advertising agency discounts	(12,671)	(11,658)
Operating revenues	**101,359**	**78,799**
Cost of sales	(88,480)	(72,516)
Personnel costs	(3,201)	(2,758)
Gross operating profit (EBITDA)	**9,678**	**3,525**
Depreciation, amortisation and provision charges	(4,640)	(2,655)
Operating profit (EBIT)	**5,038**	**870**
Net finance income	10,048	8,140
Investments writedowns	(452)	(182)
Profit from ordinary activities	**14,634**	**8,828**
Net exceptional expenses	(943)	0
Profit before tax	**13,691**	**8,828**
Income tax	(3,441)	(756)
Net profit	**10,250**	**8,072**

Cairo Communication SpA continued to operate during 2002-2003 as a multimedia advertising broker selling advertising time/space on TV networks, in print media and on Internet sites, and as a publisher of books and magazines and to provide centralised services to Group companies.

The Company began selling advertising time on the La7 TV network in 2003. Advertising time sales for the Tele+ Group analogue and digital pay TV channels continued until July, after which this service was provided for the benefit of Sky Italia. Sales for other specialty TV channels (Cartoon Network, Discovery Channel, Bloomberg and CNN) continued, through an agreement entered into by the Group subsidiary, Cairo TV SpA.

Cairo sold advertising space for the following magazines:

- Airone", "Bell'Italia", "Bell'Europa", "In Viaggio", "Gardenia", "Arte" and "Antiquariato", pursuant to its agreement with Editoriale Giorgio Mondadori.
- "For Men Magazine" and "Natural Style", pursuant to its agreement with Cairo Editore.
- "Bella" "Pratica", "Buona Cucina", "Un mese in Cucina" and "La mia Boutique", pursuant to its agreement with Editoriale Genesis.
- "Prima Comunicazione" and "Burda", pursuant to its agreement with Edizioni Raffi

Advertising space sales for 2001-2002 included sales for the RCS "Anna", "Salve", "Oggi", "Novella 2000" and "Visto" titles. Since 2002-2003, the Group has shifted its focus onto developing its advertising space sales for its existing, future high-potential magazines published by EGM and Cairo Editore.

2003-2004 1st quarter Company gross operating revenues increased by € 23.5 million over the same period last year to € 114 million, reflecting the first year of the advertising time sales agreement with the La& TV network and an increase in analogue and digital pay TV channels advertising time sales activities that have been outsourced to the Company by Cairo TV.

This sales growth has led to a significant improvement in gross operating profit (EBITDA), which jumped to € 9.7 million from € 3.5 million for 2001-2002, and operating profit (EBIT), which jumped to € 5 million from € 0.9 million during that time. As previously noted, the € 1.9 million increase in depreciation, amortisation and provision charges related primarily to the expensing of a € 0.7 million entrance fee paid at the onset of the advertising sales agreement with the La7.

2002-2003 net finance income included a € 5.1 million dividend and a related tax credit of € 2.6 million, totalling € 7.7 million, from its subsidiary, Cairo TV SpA.

Cairo Communication SpA Parent Company Balance Sheet

(€ thousands)	30 September 2003	30 September 2002
Assets		
Property, furniture and equipment	528	449
Intangible assets	7,804	3,813
Investments	22,047	22,420
Treasury shares	1,195	328
Other current assets	17,696	19,862
Total Assets	**49,270**	**46,872**
Equity and Liabilities		
Shareholders equity	136,275	132,180
Non-current borrowings and provisions for liabilities	708	697
Borrowings from unconsolidated subsidiary	4,985	5,165
Net financial assets	(92,698)	(91,170)
Total Equity and Liabilities	**49,270**	**46,872**

As earlier discussed in the consolidated results section, the increase in intangible assets arises primarily from the non-recurring entrance fee paid to TV Internazionale SpA in order to acquire the exclusive rights for three years to sell advertising time on behalf of the La7 TV network.

Cairo Communication SpA - Parent Company Statement of Net Financial Position

(€ thousands)	30 Sept. 2003	30 Sept. 2002
Bank and cash	86,616	91,080
Insurance financial product	6,000	0
Marketable securities	82	90
Net Financial Assets	**92,698**	**91.170**
Immobiledit borrowings	(4,985)	(5,165)
Net Financial Position	**87,713**	**86,005**

CAIRO COMMUNICATION GROUP - OPERATING RESULTS

ADVERTISING BUSINESS

TELEVISION DIVISION - CAIRO TV SPA

The significant increase in TV advertising sales during the 1st quarter of 2003-2004 reflects the strong advertising sales performance at the La7 TV Network, which Cairo has represented since January 2003. This strong sales advertising performance at La7 occurred throughout 2003, confirming the great potential of this commercial TV network and the excellent expertise and know-how of Cairo Communication and Cairo TV's sales force.

In January 2003, Cairo TV SpA began selling advertising time on behalf of the La7 TV network, pursuant to an outsourcing agreement with Cairo Communication SpA, in order to fully exploit Group structures and capabilities. Advertising time sales was extremely strong during 2003, confirming the great potential of this commercial TV network and the excellent expertise and know-how of Cairo Communication and Cairo TV's sales force.

During the first nine months of 2003, La7 TV network advertising time sales jumped 56.3% over the same period last year, to € 43.7 million, from € 27.9 million, including € 17 million generated from the recruitment of 175 new advertisers. This performance exceeds the minimum annual performances guaranteed by Cairo and specified in its agreement with the La7 TV network.

Advertising time sales for the Tele+ Group set of analogue and digital pay TV channels continued until July, after which these activities undertaken for on behalf of Sky Italia. Sales for other specialty TV channels (Cartoon Network, Discovery Channel, Bloomberg and CNN) continued, through an agreement entered into by the Group subsidiary, Cairo TV SpA. Advertising sales for these specialty TV channels increased 2%, despite a stagnant Italian advertising market during the 12-month period from 1 October 2002 to 30 September 2003 period (Source: AC Nielsen).

2003 has been a watershed year for the Italian pay TV market, with the arrival of Sky and the creation of a single satellite pay TV network for Italy from the merger of the Tele+ and Stream satellite TV networks. Channels formerly broadcast on the Tele+ satellite TV network are now broadcast on the Sky Italia satellite TV network, effective from 31 July 2003.

Sky Italia's position as the main operator of Italy's sole satellite TV network has been clearly established. Cairo Communication Group's legal team is reviewing the legal implications of this development and the options that are available to the Group, in order best safeguard its interests.

Since commencing its advertising time sales activity for Sky Italia, Cairo has focused exclusively on the sale of advertising time relating to Italian Premier League Football (Serie A) matches, both live and time delayed broadcasts, as well as the Diretta Gol, Calcio Sky and other sports shows broadcast on Sky Sport 1. Presently, Cairo sells advertising time for matches involving 12 of the 18 Serie A teams: Inter Milan, Juventus, AC Milan, Lazio, Roma, Parma, Bologna, Udinese, Lecce, Siena, Reggina, and Sampdoria).

Cairo does not presently sell advertising time on Sky Italia movie channels.

PRINT MEDIA DIVISION - CAIRO COMMUNICATION SPA

During the 2002-2003 financial year, Cairo continued selling advertising space for the following magazines:

- "Airone", "Bell'Italia", "Bell'Europa", "In Viaggio", "Gardenia", "Arte" and "Antiquariato", pursuant to its agreement with Editoriale Giorgio Mondadori (EGM).
- "For Men Magazine" and "Natural Style", pursuant to its agreement with Cairo Editore.
- ""Bella" "Pratica", "Buona Cucina", "Un mese in Cucina" and "La mia Boutique", pursuant to its agreement with Editoriale Genesis
- "Prima Comunicazione" and "Burda", pursuant to its agreement with Edizioni Raffi

Advertising space sales for the 1st quarter of 2002-2003, which comprised the 3-month period of October to December 2002, included € 12.5 million in sales for the RCS "Anna", "Salve", "Oggi", "Novella 2000" and "Visto" titles. Since 2002-2003, the Group has shifted its focus onto developing its advertising space sales for its existing, future high-potential magazines published by EGM and Cairo Editore.

INTERNET DIVISION - IL TROVATORE SPA – CAIRO WEB LTD

Internet sales decreased significantly on the previous financial year, due to the expiry of certain agreements with third parties and the sharp decline in the on-line advertising market.
Development of the search engine Il Trovatore have continued, as it enjoyed high numbers of pages viewed, hits and service subscriber numbers, totalling 9 million, 13.6 million and 451,000 respectively at 30 September 2003. Development activities have focussed on the search for revenue sources complementary to advertising space sales, and technology provision services.

Despite the current market situation, the Cairo Group has decided to maintain its presence in the Internet sector, and continues to monitor developments in this area with great interest, in order to exploit any future opportunities that may arise.

PUBLISHING BUSINESS

Editoriale Giorgio Mondadori SpA (EGM) & Cairo Editore SpA

Having carried out restructuring of EGM earlier in the financial year, editorial investment and advertising projects were undertaken in order to strengthen market presence. Development began in autumn 2002 of new editorial projects, and March 2003 saw the launch of “For Men Magazine” followed in June 2003 by launch in the “Natural Style” magazine, a women’s lifestyle magazine dedicated to natural living (first issue July 2003). The first editions of these magazines enjoyed strong sales, with average monthly circulation of 150,000 reported for the “For Men Magazine” magazine and 102,000 for the “Natural Style” magazine

Despite the launch costs of the above new magazines, the Publishing business enjoyed high operating profitability, as the publication of these new titles is not expected to have a significant impact on the cost structure of Cairo Communication, given that 30% of journalists and office staff will be assigned from existing EGM magazines. EGM has made its company structure available to Cairo Editore, providing assistance with management, administration and sales. Assistance will also be given with administrative and financial controls, distribution, subscription management and control, office space and related services. The pooling of these services with Cairo Editore will allow for better use of existing resources and the review of organisational systems.

As previously noted, the Group incurred in 2002-2003 € 1 million in costs relating to the launch of the first 6 issues of the “For Men Magazine” magazine and € 0.4 million in costs relating to the launch of the first 3 issues of the “Natural Style” magazine. Other advertising costs incurred for these two titles and their subsequent issues amounted € 0.6 million, and were charged to 2002-2003 net profit

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OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITY

The Group did not engage in any significant Research and Development activity during the 2002-2003 financial year.

TRANSACTIONS BETWEEN THE CONTROLLING SHAREHOLDER, GROUP COMPANIES AND RELATED PARTIES

Transactions between non-consolidated Group companies and the controlling shareholder (UT Communications) and its subsidiaries were carried out at cost or fair market value. More information on the Parent Company transactions with the Group is provided in the Notes to the Parent Company Financial Statements.

In order to redefine Cairo Group's investment holdings in accordance with its new Publishing Business development plan, Cairo Communication SpA acquired at book value in March 2003 Editoriale Giorgio Mondadori's entire stake in Cairo Editore.

SHARES HELD BY DIRECTORS, AUDITORS AND EXECUTIVE MANAGEMENT

Name	Number of shares held at 30 Sept. 2002	Number of shares purchased/	Number of shares sold	Number of shares held at 30 Sept. 2003
Directors				
Urbano R. Cairo *	5,720,750	-	(8,000)	5,712,750
Roberto Cairo	10,000	-	-	-
Uberto Fornara	8,003	8,000	(2,203)	13,800
Marco Janni	-	-	-	-
Antonio Magnocavallo	-	-	-	-
Marco Pompignoli	200	-	-	200
Roberto Rezzonico	-	-	-	-
Board of Auditors				
Mauro Sala	-	-	-	-
Marco Baccani	-	-	-	-
Enrico Muscato	-	-	-	-

** Shares held directly and via UT Communications SpA and its subsidiaries*

ITALIAN CIVIL CODE ARTICLE 2428, SECTIONS 3& 4 DISCLOSURES

At 30 September 2003, Cairo Communication SpA held 61,500 € 0.52 par value treasury shares at an average cost per share of € 19.43, against September's reference price of € 24.60 per share.

The Meeting of shareholders of 30 January 2003 approved a proposal authorising the granting of powers to the Board of Directors to buyback Cairo Communication SpA shares in order to stabilise their price, pursuant to Article 2357 of the Italian Civil Code.

This Meeting also revoked the non-executed part of the previous share buyback authorisation that it conferred on 30 October 2001 for a period of 18 months expiring on 30 April 2003, in order to avoid the existence of two share buyback authorisations valid during the same period of time.

The Board of Directors have been authorised to buyback Cairo Communications SpA shares up to the maximum number allowed by law for a period of 18 months from the date of authorisation, availing itself of the Company's distributable net profit for the financial year ending 30 September 2001 after allocation to legal reserve, the Company's retained earnings and the Company's share premium.

The authorisation provides for the buyback of Company shares in one or more instalments through the market. The minimum and maximum purchase prices per share were set at an amount equivalent to the average official price of the shares on the Italian Stock Exchange in the 15 working days prior to the purchase, reduced or increased by 30%.

Between 30 September 2003 and the date of approval of this Report, the Company disposed of 50,200 shares at an average per share price of € 29.80.

CORPORATE GOVERNANCE

With the approval of the financial statements at 30 September 2002, the mandate of the Board of Directors and the Board of Auditors of Cairo Communication expired. The Shareholders' Meeting on 30 January 2003 unanimously approved a proposal to renew the appointments of the seven existing board members for a further two years, until the Meeting approving the financial statements at 30 September 2005.

The Board shall continue to consist of 7 members, three of whom are executive: Urbano Cairo – Chairman of the Board, Uberto Fornara, and Marco Pompignoli (co-opted during 2002-2003 in replacement of Giuliano Cesari, who resigned). The other directors are non-executive, two of who are independent.

Towards the end of the financial year, the law practices of Antonio Magnocavallo, Company Director, and Marco Janni merged to form a new partnership: Janni, Magnocavallo, Fauda, Brescia and Associates, with Marco Janni appointed as executive partner. Pursuant to Article 3.1 of the Code of Self-Governance issued by the Corporate Governance Committee and Article IA.1.4.1 of the Italian New Market Regulations, Marco Janni is henceforth no longer deemed an Independent Director, except for those matters explicitly specified by the Board. The Council, at its meeting of 26 November 2003, decided that the Company, in keeping with its policy of complying with the provisions of the Code of Self-Governance, should maintain the same number of Independent Directors, and invited them to appoint another Independent Director.

The Board of Directors has decided not to proceed with the formation of a Nomination Committee, optional under current legislation, as it was confirmed that the current Board of Directors is in a position to carry out the functions of the Nomination committee.

Instead, the Remuneration Committee and an Audit Committee were set up, consisting of the following members:
- Roberto Rezzonico, independent;
- Marco Janni, independent;
- Antonio Magnocavallo, non-executive.

The Remuneration Committee will have the following functions:
- the formulation of proposals to the Board of Directors regarding the remuneration of Managing Directors or those with particular responsibilities pursuant to Art. 2389 Section II of the Italian Civil Code, and the remuneration of senior management of the Company;
- the formulation of proposals to the Board regarding future share option plans.

The Audit Committee will have the following functions:

- the formulation of proposals to the Board of Directors regarding the ongoing prevention of operational and financial risks
- the evaluation of work plans prepared by those responsible for internal controls and submitted in regular reports
- regular collaboration with the auditors, the evaluation of their proposals responsibility and their pre-prepared work plan.
- reporting on a half-yearly basis to the Board of Directors on duties discharged and the appropriateness of the internal control system, when the annual and half-yearly reports are under approval.

- assisting the Chairman in the preparation of a document regarding the proposals for the formation of an internal control system, which must include direct processes to monitor operational efficiency, the reliability of financial information, compliance with legislation and regulations and the safeguarding of assets, and the deliberation of these proposals by the Board.
- assisting the Board of Directors in the setting of guidelines for the above;
- evaluation of the appropriateness of accounting principles used and their standard application within the Group, in collaboration with Company administrative employees and auditors, as part of the preparation of the parent company and consolidated financial statements.

At 4 February 2003, the Board of Directors confirmed to the Council the discretionary powers to purchase, sell or exchange business activities and companies, as well as provide guarantees and performance bonds, which would not be delegated to individual Directors.

Reflecting the size of the Group and its companies, executive and managerial powers are vested in the Chairman, except those closely linked to the Group's advertising business, which are vested in Uberto Fornara. There is no Management Committee.

The Chairman holds ordinary and extraordinary powers, with a single signature, excluding those matters listed above which are reserved for the Board. The Chairman regularly brings to the attention of the Board the actions taken by his delegates during the course of the year. The Chairman is responsible for the functions of the Board and thus calls the meetings, co-ordinates the activities and distributes the relevant information.

In accordance with the new guidelines on insider trading and market disclosures, which came into force on 1 January 2003, covering operations involving financial instruments issued by the Company (or those who assume the right to underwrite, purchase or sell such financial instruments), carried out by "important persons", the Board of Directors has approved an internal code of practice regulating all of the above matters.

SHARE OPTION PLAN

At the Extraordinary Meeting of 19 April 2003, the Board of Directors agreed the increase to the share capital, pursuant to Article 2441, Subsections V and VIII, excluding option rights, for a maximum of 160,000 shares, to be carried out in one or more blocks, to be reserved for certain directors, agents, associates, consultants, managers and employees of the Company or company subsidiaries, for subscription until 31 December 2004.

On 30 January 2002, the Board of Directors of Cairo Communication SpA authorised the allocation of the first block of 60,000 options pursuant to the share option plan approved by the Extraordinary Meeting of 19 April 2000. These options, with an exercise price of € 55.25, remained unexercised at their expiry date of 30 September 2002, and will be added to the second block of the share option plan as outlined below.

SHARE OPTIONS GRANTED AT 30 SEPTEMBER 2003

	30 September 2003		
	Number of options	Exercise price	Average price during 2002-2003 *
Share options held at 1 October 2002	60,000	€ 55.25	-
Share options allocated during 2002-2003	-	-	-
Share options exercised during 2002-2003	-	-	-
Share options expired during 2002-2003	(60,000)	€ 55.25	€ 21.29
Share options held at 30 September 2003	0	-	-

SHARE OPTIONS GRANTED TO DIRECTORS AT 30 SEPTEMBER 2003

		Share options granted during 2002-2003 FY			Share options exercised during 2002-2003 FY			Share options expiring in 2002-2003 FY	Share options owned at 30 September 2002		
(A)	(B)										
Name	Board of Director Position	Number of options	Average exercise price	Expiry date	Number of options	Avg. exercise price	Avg. market price at exercise date	Number of options	Number of options	Avg. exercise price	Average expiry date
Uberto Fornara	Chairman	20,000	55.25	30/09/03	-	-	-	(20,000)	0	-	-
Giuliano Cesari	Member	10,000	55.25	30/09/03	-	-	-	(10,000)	0	-	-
Marco Pompignoli	Member	10,000	55.25	30/09/03	-	-	-	(10,000)	0	-	-

On 14 January 2003, the Board of Directors of Cairo Communication SpA authorised the allocation of the second block of options pursuant to the share option plan approved by the Extraordinary Meeting of 19 April 2000, and approved the regulations governing the allocation of these options on a specific beneficiary basis pursuant to the achievement of individually set objectives.

The second block comprises a further 50,000 options, to which are added any options of the first block that had not been exercised before their 30 September 2003 expiry date, resulting potentially in the maximum issuance of 110,000 shares pursuant to the second block.

The Board of Directors will deliberate the proposal of the Chairman concerning the allocation of second block options to specific beneficiaries, taking into account company, divisional and individual performance achievements relative to set objectives.

The exercise price regarding the above option allocation will be set at the average share closing price for the preceding month on the Italian Stock Exchange New Market, and shall not exceed € 21.72, the Italian Stock Exchange New Market average closing price for the month preceding 14 January 2003.

The options may be exercised beginning from the date of the Meeting convened to approve the Company and Group financial accounts for the 2002-2003 financial year ending 30 September 2003 and ending on 30 September 2004.

At the Meeting convened to approve these accounts, the Board of Directors had not yet decided on the number of options to be assigned to specific beneficiaries as part of the second block.

OUTLOOK

Cairo Communication Group will focus on developing its core businesses during the 2003-2004 financial year. It will focus on the development of its Publishing business operated by its Cairo Editore SpA and Editoriale Giorgio Mondadori (EGM) subsidiaries, as well on its Advertising business, in particular the sale of advertising space in its own magazines and the sale of advertising time on the La7 TV network and selected analogue and digital pay TV specialty channels (Sky Sport 1, Calcio Sky, Cartoon Network, Boomerang, Discovery Channel, Discovery Civilization, Discovery Travel & Adventure, Discovery Science, Bloomberg and CNN).

Cairo Editore’s performance during its 2002-2003 financial year confirmed Cairo Group’s strategic decision made to focus on the development of its publishing business. This strategy will encompass both the launch of new titles and growth through acquisitions. The coming months will see further advances under this strategy.

The publication of these new magazines will allow for increased efficiency through better use of existing resources and the revision of organisational processes.
EGM is currently restyling and relaunching “Airone”, under the direction of Luigi Grella.

La7 TV Network, with an average 2.2% daily share of the Italian TV viewing audience (peaking at 2.4% in July and August 2003), remains popular with advertisers. The appointment of Antonio Campo Dell’Orto as Director of Broadcasting at Palinsesto has generated expectations of further increases in viewing audiences and confirms the broadcaster’s intent regarding further investment in La7, in view of his undisputed professionalism.

La7 TV network advertising sales experienced significantly higher growth for the two-month period of October and November 2003, compared with advertising sales growth it experienced during the previous nine months. At 25 November 2003, advertising space order backlog for the three month period comprising October to November 2003 amounted to € 17 million, compared to € 10.3 million for the same period last year.

Chairman of the Board of Directors
Urbano R. Cairo

CAIRO COMMUNICATION

Cairo Communication Group
Group Financial Report
2002-2003 Financial Year ending 30 September 2003

Cairo Communication Group
Consolidated Balance Sheet
at 30 September 2003

(€ thousands)	Notes	30 September 2003	30 September 2002
ASSETS			
NON-CURRENT ASSETS			
Intangible Assets	**4**		
Incorporation and listing costs		1,462	2,919
Publications development		0	34
TV ad time sales rights and computer software		10,394	5,834
Other		229	353
Magazine titles		3,987	4,250
Acquisition goodwill		3,439	4,042
Total		**19,511**	**17,432**
Property, Furniture and Equipment	**5**		
Land and buildings		1,729	1,786
Machinery		43	50
Equipment		5	13
Other		1,272	1,128
Total		**3,049**	**2,977**
Investments			
Shareholdings	**6**	31	21
Financial receivables		178	197
Total		**209**	**218**
TOTAL NON-CURRENT ASSETS		**22,769**	**20,627**
CURRENT ASSETS			
Inventory	**7**		
Materials and supplies		1,663	1,092
Work-in-progress		293	498
Finished products		662	779
Total		**2,618**	**2,369**
Receivables	**8**		
Trade accounts receivable		66,947	60,869
Other receivables		7,566	7,356
Other receivables - non-current portion		51	54
Total		**74,564**	**68,279**
Marketable Securities			
Unconsolidated subsidiary	**9**	0	4,908
Treasury shares		1,195	328
Insurance financial products and non-Group securities		6,082	90
Total		**7,277**	**5,326**
Bank and Cash	**10**		
Bank		98,057	98,212
Cash		9	54
Total		**98,0666**	**98,266**
TOTAL CURRENT ASSETS		**182,525**	**174,240**
PREPAID EXPENSES/ACCRUED INCOME	**11**	**1,129**	**729**
TOTAL ASSETS		**206,423**	**195,596**

(€ thousands)	Notes	30 September 2003	30 September 2002
EQUITY AND LIABILITIES			
EQUITY	**12**		
Share capital		4,030	4,030
Share premium		112,871	112,871
Legal reserve		806	496
Treasury share reserve		1,195	328
Other reserve		17	17
Retained earnings		9,628	10,877
Financial period net profit		5,041	5,746
TOTAL EQUITY		**133,588**	**134,365**
Minority Interest	**13**	12	19
TOTAL EQUITY AND MINORITY INTEREST		**133,600**	**134,384**
PROVISIONS FOR LIABILITES & CHARGES	**14**		
Provision for employee retirement benefits		2,803	2,584
Provision for disputes and other charges		490	422
Provision for deferred taxes		466	0
Other provisions		2,393	908
TOTAL PROVISIONS FOR LIABILITIES & CHARGES		**6,252**	**3,914**
LIABILITIES			
Borrowings	**15**		
Current		21	0
Non-current		0	0
Total		**21**	**0**
Other current liabilities			
Advances		1,971	1,592
Trade payables		55,013	44,179
Unconsolidated subsidiary payables		0	5,280
Tax liabilities		1,858	557
Social security liabilities		364	342
Other		7,401	5,347
Total		**66,607**	**57,297**
TOTAL LIABILITIES		**66,628**	**57,297**
ACCRUED EXPENSES/DEFERRED INCOME	**16**	**43**	**1**
TOTAL EQUITY AND LIABILTIES		**206,423**	**195,596**
Off-Balance Sheet Guarantees and Commitments	**17**	*23,082*	***771***

Cairo Communication Group
Consolidated Income Statement
for the financial year ending 30 September 2003 2003

(€ thousands)	Notes		2002-2003 Financial Year		2001-2002 Financial Year
OPERATING REVENUES	**21**				
Sales			**152,905**		**141,114**
Less: advertising agency discounts			(19,528)		(17,763)
Net sales			**133,377**		**123,351**
Finished products inventory movements			(322)		(422)
Other operating revenues			2,526		4,467
TOTAL OPERATING REVENUES			**135,581**		**127,396**
OPERATING EXPENSES	**22**				
Materials and supplies			(4,891)		(3,427)
Advertising space/time fees and other services			(106,052)		(104,159)
Rental expenses			(1,294)		(1,439)
Personnel costs					
Wages and salaries		(6,826)		(6,006)	
Social security charges		(2,014)		(1,734)	
Employee termination benefits		(496)		(435)	
Other		(49)		(178)	
Total			(9,385)		(8,353)
Depreciation, amortisation and writedowns					
Amortisation		(5,731)		(3,952)	
Depreciation		(358)		(326)	
Trade receivables writedowns		(1,198)		(1,283)	
Total			(7,287)		(5,561)
Materials and supplies inventory movements			570		(15)
Provisions for risks charges			(439)		(88)
Other provisions charges			(68)		(50)
Other operating expenses			(1,546)		(902)
TOTAL OPERATING EXPENSES			**(130,392)**		**(123,994)**
OPERATING PROFIT			**5,189**		**3,402**
FINANCE INCOME AND EXPENSES	**23**				
FINANCE INCOME					
Unconsolidated subsidiary			512		1,597
Other financial income			2,764		3,134
Total			**3,276**		**4,731**
FINANCE EXPENSES					
Unconsolidated subsidiary			0		(175)
Other financial expenses			(82)		(231)
Total			**(82)**		**(406)**
NET FINANCE INCOME			**3,194**		**4,325**
INVESTMENT WRITEDOWNS			0		(6)
NET EXCEPTIONAL EXPENSES	**24**		(1,281)		(254)
PROFIT BEFORE TAX			**7,102**		**7,467**
INCOME TAX	**25**		(2,088)		(1,736)
PROFIT BEFORE MINORITY INTEREST			**5,014**		**5,731**
MINORITY INTEREST			27		15
NET PROFIT			**5,041**		**5,746**

Cairo Communication Group
Consolidated Cash Flow Statement
for the financial year ending 30 September 2003

(€ thousands)	2002-2003 Financial Year	2001-2002 Financial Year
OPERATING ACTIVITIES		
Group net profit	5,041	5,746
Minority interest	(27)	(15)
Depreciation and amortisation	6,089	4,278
Disposal capital gains	0	0
Investments writedowns	0	6
Provision for termination benefits movements	219	239
Other provisions for liabilities and charges movements	210	141
Cash generated from operations	**11,532**	**10,395**
Trade receivables movements	(5.815)	724
Trade payables movements	14,047	(5,878)
Accrued expenses and deferred income movements	(359)	530
Marketable securities movements (treasury shares)	(859)	(328)
Inventory movements	(249)	437
NET CASH FROM OPERATING ACTIVITIES	**18,297**	**5,880**
INVESTING ACTIVITIES		
Intangible and tangible assets acquisitions	(8,240)	(1,038)
Investments acquisitions	9	(3)
Marketable securities movements	0	0
NET CASH USED IN INVESTING ACTIVITIES	**(8,231)**	**(1,041)**
FINANCING ACTIVITIES		
Dividend distribution	(6,155)	(3,100)
Istituti di Credito borrowing repayment	0	(1,549)
Investments financing	0	(516)
Share capital and minority interest increases	20	13
NET CASH USED IN FINANCING ACTIVITIES	**(10,943)**	**(5,152)**
PLUS: NET FINANCIAL ASSETS OF NEWLY CONSOLIDATED SUBSIDIARY (2)	**7,012**	**0**
FINANCIAL PERIOD NET CASH FLOW MOVEMENTS	**6,531**	**(313)**
CASH AND CASH EQUIVALENTS - OPENING BALANCE (1)	93,102	93,415
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (1)	**104,045**	**93,102**

(1) Includes € 1,799 thousand in short-term contracts and € 6,000 thousand in insurance financial products, net of short-term bank loans

(2) Composition of net financial assets of newly consolidated subsidiary

Receivables	(470)
Marketable securities	4,908
Equity	337
Provisions for liabilities and charges	1,809
Payables	428
Net financial assets	**7,012**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cairo Communication Group consolidated financial statements for the 2002-2003 financial year ending 30 September 2003, of which these notes are an integral part, were prepared from the Group's books of account, in accordance with Article 2423 of the Italian Civil Code.

These financial statements report a net profit of €5,041 thousand net of income tax based on current fiscal laws.

1. BASIS OF PREPARATION

The consolidated financial statements of Cairo Communication SpA and subsidiaries at 30 September 2003 have been prepared in accordance with Legislative Decree no. 127/1991 and the accounting principles of the Italian Commission for Accounting Standards of the National Council of Financial Accountants. These financial statements consist of a Balance Sheet, an Income Statement (pursuant to Articles 2424, 2424 bis, 2425 and 2425 bis of the Italian Civil Code and subsequent amendments), and these accompanying notes. Also included is a report on the management performance of the Group. Values expressed are in thousands of Euros.

For the purpose of financial transparency, the following are also attached, as they form part of the Consolidated Financial Statements and Notes:

Appendix 1 - Analysis of Cairo Group Financial Results by Business Segment

Appendix 2 - Subsidiaries' Legal Information

The Notes, an integral part of these financial statements, detail, analyse, and in some cases, integrate the data included in the Balance Sheet and Income Statement, reporting information required under Italian Legal Decree 127/1991 and in accordance with consolidated financial statements accounting principles. These notes provide sufficient information in order to provide a fair and accurate representation of the Group's financial and economic position, even where not specifically required by legislation. Statement of Cairo Communication SpA and of the following directly and indirectly controlled subsidiaries:

Company	Head Office	Share Capital at 30 Sept. 2002 (€ thousands)	% Ownership	Financial Year-End	Business	Consolidation Method
Cairo Communication SpA	Milan	4,030	Parent company	Sept. 30	Advertising	Full consolidation
Cairo TV SpA	Milan	260	100	Sept. 30	Advertising	Full consolidation
Cairo WEB Srl	Milan	47	100	Sept. 30	Advertising	Full consolidation
Editoriale Giorgio Mondadori SpA	Milan	6,204	100	Dec. 31	Publishing	Full consolidation
Cairo Editore SpA	Milan	1,020	99.95	Dec. 31	Publishing	Full consolidation
Il Trovatore SpA	Milan	103	80	Dec. 31	Internet	Full consolidation
Immobiledit Srl	Milan	5,610	100	Dec. 31	Property	Full consolidation
Edizioni Anabasi Srl	Milan	10	100	Dec. 31	Publishing	Full consolidation

During the 2002-2003 1st half-year, Immobiledit Srl, a fully owned subsidiary of Editoriale Giorgio Mondadori SpA, was added to the Group's consolidation scope.

Immobiledit Srl, which in the past held inactive assets, was not consolidated as it was Group's intent to sell or liquidate its ownership interest in this company. Immobiledit Srl solely exists to manage the proceeds arising from the sale of its property assets in 2001. As the sale of this subsidiary is no longer imminent, the Board of Directors of Cairo Communications authorised the consolidation of the Immobiledit Srl subsidiary results from 1 October 2002 in the interest of more complete financial transparency regarding this company's net assets and its exposure to liability and charges.

As Immobiledit Srl is not in an active operational state, its consolidation does not impact on the comparability of Group results with those of the 2001-2002 financial year, other than with regard marketable securities, bank and cash holdings, borrowings with the parent company and provision for liabilities.

On 6 May 2003 Cairo Pubblicita Srl was established. This company is not consolidated and is accounted for on a cost basis, given that it is presently inactive and that its assets, liabilities, revenues and expenses are immaterial.

Cairo Sport Srl, a 100% owned subsidiary of Cairo Communication SpA, is also accounted for on a cost basis instead of consolidated, as at 30 September 2002, given that it too is presently inactive, and accordingly, its assets, liabilities, revenues and expenses are immaterial.

The Group's consolidated financial statements have adopted the same year-end as the Group's Parent Company, Cairo Communication SpA - 30 September 2002. All of the subsidiaries' financial statements incorporated in the consolidated accounts were prepared using this year-end, and were certified by their respective Board of Directors and approved by their respective Shareholders' Meeting.

These financial statements were prepared in accordance with Articles 2424, 2424 bis, 2425 and 2425 bis of the Italian Civil Code and subsequent amendments, adopting the valuation principles prescribed by Article 2426 of the Italian Civil Code, and modified where necessary by Group accounting standards in order to preclude any tax induced accounting.

For subsidiaries with legal financial year-ends different from that of the Group, special interim financial statements were prepared at 30 September 2002 using the consolidated financial statements accounting principles, as prescribed by current legislation.

2. CONSOLIDATION PRINCIPLES AND METHODS

The consolidated financial statements were prepared using the full consolidation method, whose major rules are summarized as follow:

- The parent company's equity stake in the subsidiary is replaced by the subsidiary's assets, liabilities, revenues and expenses on consolidation.
- The value of the parent company's equity stake in the subsidiary is based on the purchase price it paid to acquire its holding in the subsidiary. Any excess between the purchase price paid and the net book value of the net assets of the subsidiary acquired are first allocated to those specific assets whose fair market values exceed their net book values, with the remainder allocated to Acquisition Goodwill, which is amortised over a ten-year period.
- Unconsolidated subsidiary investments and results are separately disclosed in the financial statements.
- Intra-Group receivables and liabilities, revenues, expenses and dividends, and, unrealised profits and losses are eliminated.
- Asset value adjustments and related provisions recorded in company financial statements are also eliminated in accordance with Italian tax regulations.

3. VALUATION PRINCIPLES AND METHODS

The Group adopted the following general valuation principles in the preparation of the consolidated financial statements:

Assets, liabilities, revenues and expenses were valued taking into account the principles of going concern, prudence and relevance

Valuation methods must conform with those prescribed in Article 2426 of the Italian Civil Code and be consistent with those used in the preparation of the previous year's financial statements, unless otherwise justified in the Notes, as in the case of inventory.

The consolidated financial statements list comparative data from the previous financial year.

The Group has adopted the following specific valuation methods of significance:

Intangible assets

Intangible assets are valued at their acquisition price, net of related costs. They are amortised to reflect their remaining useful economic lives.

Intangible assets are written down to their market value when it is lower than its book value. This writedown is reversed in subsequent years if the conditions for writedown no longer apply.

Incorporation and listing costs

Incorporation and listing costs include those costs incurred by the Group in the establishment of companies and those relating to the listing of the Parent Company Cairo Communication SpA on the Milan New Market Stock Exchange. These costs are amortised on a straight-line basis over five years.

Publications development

These costs relate to the launch, pre-publication and re-styling, and the cost of subscription campaigns, of magazines published by the Editoriale Giorgio Mondadori Group. Most of these costs relate to the "Bell'Europa" magazine and are amortised on a straight-line basis varying from five to ten years.

From the beginning of the financial year, new magazine pre-publishing and launch costs are expensed directly to net profit as discussed in Note 3 to the Consolidated Financial Statements. The impact of this change in accounting principle was not significant, with costs expensed amounting to € 34 million.

TV advertising space sales rights and computer software

These items are amortised based on the duration of their economic lives, which are listed in Note 4 to the Consolidated Financial Statements.

Publications titles

Publications titles are amortised over their remaining useful lives, not exceeding a period of twenty years. This amortisation period is regularly reviewed to take into account the economic performance of the company publishing the magazines.

Acquisition goodwill

Acquisition goodwill corresponds to that portion of the purchase price paid by the parent company that exceeds the net book value of the net assets of a subsidiary that it has acquired, which was not allocated to specific assets of the subsidiary. Acquisition goodwill is amortised over its remaining useful life, not exceeding ten years from the date of the subsidiary's acquisition.

Property, furniture and equipment

Property, Furniture and Equipment (PFE) assets are valued at their acquisition price, including direct charges, net of accumulated depreciation.

These assets are depreciated using the rates below, which reflect their remaining useful lives and economic factors:

General equipment	20%
Motor vehicles	20%-25%
Machinery	10%
Office equipment and furniture	10%-12%
Computer hardware	20%
Immaterial value assets	100%

PFE assets are depreciated at 50% of their depreciation rate during their first year of use, as prescribed by law. PFE assets are written down to their market value to reflect any permanent impairment in values; these writedowns may be subsequently reversed if the conditions for writedown no longer apply.

Maintenance costs are expensed, unless they prolong the life of the asset, in which case they are capitalised and depreciated.

Investments

Unconsolidated subsidiary

The Group's unconsolidated subsidiary is accounted for using the cost method, whose impact does not significantly differ from the equity method. Investments are recorded at their purchase or subscription acquisition cost and are written down in the event of permanent impairment arising from continuing losses. The writedown may be reversed if the conditions of impairment no longer apply.

Inventory

Inventory is valued at the lower of the purchase or production cost and its estimated net realisable value, which takes into account potential future production and direct sales costs.

Inventory cost is determined using the weighted-average-cost method.

Obsolete and slow turnover inventory is written down to reflect its net realisable value.

Receivables

All receivables are recorded at estimated net realisable value, with adequate allowances established for doubtful accounts. Specific and general risks are taken into account in determining the allowance for doubtful accounts for trade accounts receivable.

Marketable securities

Marketable securities are valued at the lower of their purchase cost and estimated net realisable value. Estimated net realisable value is derived from the average monthly price for September, with other market information used to determine market value for securities that are not publicly quoted.

Marketable securities also include treasury shares acquired pursuant to the Shareholders' Meeting of 30 October 2001and 30 January 2003, with their unit cost determined using the weighted-average method.

Provision for employee retirement benefits

The provision for retirement benefits arises from the Group's cumulative liability to employees for services rendered, as prescribed by current legislation and employment contracts.

Other provisions for liabilities and charges

Provisions for liabilities and charges are established in order to provide for certain or probable future losses or liabilities whose amount and date of occurrence could not be determined at year-end. Legal proceedings currently under way have also been considered. The provisions reflect the best estimate based on currently available information. Specific accrued provisions and those that remain off-Balance Sheet are disclosed in Notes 14 and 17 to the Consolidated Financial Statements.

Liabilities

Liabilities arise from the Group's dealings with suppliers, banks and other financial institutions and third parties. They are recorded at their book value.

All liabilities are of short or medium term duration, with none due after five years.

Prepaids, deferrals and accruals

These arise from the payment or receipt of payment for services/goods not yet received/rendered or for services/goods that have been received/rendered but for which no invoice has yet been received/issued, in accordance with the matching principle.

Revenue and cost recognition

Revenue and costs are recognised on an accrual basis, resulting in the establishment of accruals and deferrals.

Advertising space sales revenue is recognised at the moment the advertisement is broadcast or published.

Magazine newsstands sales revenue is recognised at the moment the magazines are shipped, net of any returns.

Magazine subscription sales revenue is recognised when the related magazines are shipped.

Costs are expensed when revenue is recognised, notwithstanding the application of the prudence and accrual principles.

In particular, new titles pre-publishing and launch costs are expensed directly to net profit in the half-year the first issue of these titles are published, in order that they be matched to the costs of launching these titles and as a matter of prudence.

Income tax

Income tax is calculated based on a reasonable estimate of the financial year tax liability; it has been calculated for each consolidated company, taking into account the various exemptions, tax rates and applicable legislation.

Where applicable, deferred tax assets and liabilities have also been recorded, reflecting the temporary differences between assets and liabilities' accounting book values and their corresponding income tax values.

Benefits arising from tax losses carried forward by certain subsidiaries, particularly in the Publishing business, are recognised only when realised, consistent with the practice followed in the previous two financial years and based on the principle of prudence, taking into account the uncertainty that exists regarding their recovery.

Off-Balance sheet guarantees and commitments

Off-Balance Sheet guarantees and surety bonds given to or received from third parties are valued at their nominal value.

Leased assets are recorded in the financial statements at the value of the remaining payments prescribed in the lease agreement.

CONSOLIDATED BALANCE SHEET NOTES

4. INTANGIBLE ASSETS

(€ thousands)	Incorporation and listing costs	Publications development	TV ad sales rights and software	Acquisition goodwill	Publications titles	Other	In-progress	Total
30 Sept. 2002	**2,919**	**34**	**5,834**	**4,042**	**4,250**	**353**	**0**	**17,432**
Additions	4	0	7,792	0	0	14	0	7,810
Disposals	-	-	-	-	-	-	-	0
Reclassification	-	-	-	-	-	-	-	0
Amortisation	(1,461)	(34)	(3,232)	(603)	(263)	(138)		(5,731)
30 Sept. 2003	**1,462**	**0**	**10,394**	**3,439**	**3,987**	**229**	**0**	**19,511**

Incorporation and listing costs

Incorporation and listing costs relate primarily to the costs incurred listing the parent company's shares on the New Market of the Italian Stock Exchange (€ 1.4 million net of accumulated amortisation of € 5.6 million).

These costs were capitalised as intangible assets in light of the long-term benefits arising to the Group of the parent company's share listing on the share exchange.

The remaining balance relates to incorporation costs incurred by other Group companies.

Until these assets are fully amortised, dividends may be distributed only if sufficient reserves are available for the amortisation of the remaining non-amortised costs.

Publications development

Publications development to costs at 30 September 2002 related to the previously launch of the Bell'Europa magazine, which were amortised in full duirng the 2002-2003 financial year.

TV advertising space sales rights and computer software

The net cost of these intangibles at 30 September 2003 amounted to € 3.8 million, after accumulated amortisation of € 5.2 million. TV advertising space sales rights relate mainly to the purchase cost of Cairo TV SpA, which was purchased for € 9.3 million during May 1998, representing the net assets acquired at the time of the purchase, consisting of a ten-year contract with the Tele+ television network giving the Group the exclusive rights to sell advertising space on Tele+ analogue and digital TV channels. These rights are being amortised over ten years from May 1998, in line with the terms of the contract.

The increase in these costs is due to the € 7.5 million non-recurring entrance fee paid to TV Internazionale SpA in order to acquire the exclusive rights to sell advertising time on behalf of the La7 network. This amount will be amortised over the duration of this advertising time sales contract, that is 36 months from January 2003.

Software costs increased during the year, primarily as a result of the capitalisation of software development costs for the management of the assets cycle and advertising space sale activities. These costs are amortisable over a period of between one to five years.

Acquisition goodwill

The Group's major acquisition goodwill asset relates to the unallocated excess purchase price paid for its acquisition of Editoriale Giorgio Mondadori SpA (€ 1.9 million net of accumulated amortisation of € 2.0 million).

Other acquisition goodwill relate to the acquisition of the Airone Company from Giorgio Mondadori & Associati SpA in 2000 (€ 0.8 million net of accumulated amortisation of €0.6 million), the acquisition of Cairo Pubblicità SpA (€ 0.4 million net of accumulated amortisation of €0.3 million), the acquisition of Il Trovatore SpA (€ 0.2 million net of accumulated amortisation of € 0.1 million) and the acquisition of Edizioni Anabasi Srl (€ 0.1 million).

Acquisition goodwill is amortised over ten years.

Other intangible assets

This item relates primarily to the costs incurred in the research and planning of Group web sites, which are amortised over three years, and the cost of leasehold improvements.

Publications titles

This item is comprised as follows:

(€ thousands)	30 September 2001	Additions	Amortisation	30 September 2002
Bell'Italia	2,679	0	(167)	2,512
Bell'Europa	1,443	0	(88)	1,355
Other	128	0	(8)	120
Total	**4,250**	**0**	**(263)**	**3,987**

The "Bell'Italia", "Bell'Europa", "magazine titles are amortised over a twenty-year time period, as are other publication titles, which primarily consist of the "Arte" and "Antiquariato" titles.

5. PROPERTY, FURNITURE AND EQUIPMENT

(€ thousands)	Land and Buildings	Machinery	Equipment	Other	In progress	Total
30 September 2002	**1,786**	**50**	**13**	**1,128**	**0**	**2,977**
Additions	-	-	2	428	-	430
Reclassifications	-	-	-	-	-	0
Disposals	-	-	-	-	-	0
Depreciation	(57)	(7)	(10)	(284)	-	(358)
30 September 2003	**1,729**	**43**	**5**	**1,272**	**0**	**3,049**

6. INVESTMENTS

Shareholdings

(€ thousands)	30 Sept. 2002	Additions	Disposals	Writedowns	30 Sept. 2003
Subsidiaries					
Cairo Sport Srl	10	-	-	-	10
Cairo Pubblicità Srl	0	10	-	-	10
Other					
Constructa Srl	0	-	-	-	0
Nuova Canottieri Olona Srl	11	-	-	-	11
Consedit Srl	0	-	-	-	0
Total	**21**	**0**	**0**	**0**	**31**

As these Group’s unconsolidated subsidiaries are accounted for using the cost method, given that one company is inactive and the other recently established. The use of this method does not provide results that are significantly different from the use of the equity method.

Financial receivables

Financial receivables comprise an interest free loan to the unconsolidated subsidiary, Cairo Sport Srl and deposits and prepaid pension benefits for employees taxes, calculated pursuant to Article 104/97 of the Italian Civil Code and reassessed in accordance with regulations currently in force.

7. INVENTORY

The Group's inventory assets arise solely from its Publishing business (Editoriale Giorgio Mondadori Group and Cairo Editor SpA) and can be detailed as follows:

(€ thousands)	30 Sept. 2003	30 Sept. 2002	Change
Materials and supplies	1,663	1,092	571
Work-in-progress	293	498	(205)
Finished products and merchandise	130	207	(77)
Books	532	572	(40)
Total	**2,618**	**2,369**	**249**

Materials and supplies

Materials and supplies are valued at the lower of purchase or production cost and their estimated net realisable value, based on market performance at year-end.

Work-in-progress

Work-in-progress comprises purchase or production costs incurred for publications not yet issued by Editoriale Giorgio Mondadori, as well as editorial statements not yet used which are available for future publications, and work in progress on forthcoming editions.

Finished products

Finished products include Editoriale Giorgio Mondadori SpA inventory, videocassettes, monographic issues and books in store, valued at the lower of cost and net realisable value.

8. RECEIVABLES

Trade accounts receivable

(€ thousands)	30 Sept. 2003	30 Sept. 2002	Change
Gross book value	71,607	64,791	6,816
Allowance for doubtful accounts	(4,660)	(3,922)	(738)
Total	**66,947**	**60,869**	**6,078**

Trade accounts receivable are recorded net of an allowance for doubtful accounts that incorporates estimates of both specific collection risks and general market collection risks. This allowance also takes into account the allocation to the Group's media clients of a percentage of losses on receivables, equal to the percentage of sales revenue allocated, pursuant to advertising space sales contracts signed between the two parties.

Other receivables

(€ thousands)	30 Sept. 2003	30 Sept. 2002	Change
Interest withholdings receivable from State	10	446	(436)
IRPEG receivables from State	0	2	(2)
IRAP receivables from State	202	31	171
Direct tax receivable	136	557	(421)
Prepaid tax receivable	2,382	1,068	1,314
Tax receivable	51	54	(3)
VAT receivable	784	350	434
Dividend tax refund receivable	207	1,983	(1,776)
Receivables from Edit Srl and Soldionline	2,756	1,477	1,279
Shipping receivables	84	153	(69)
Credit card overpayments	58	55	3
Various other receivables	947	1,234	(287)
Total	**7,617**	**7,410**	**207**

Current income tax receivables from the State (interest withholdings, and IRPEG and IRAP receivables) were netted against related tax liabilities were possible.

In order to facilitate better analysis of these receivables, the following should be considered:

- Direct tax receivables comprise overpayment of current tax liabilities and receivables relating to refunds lodged.
- Prepaid tax receivable arises from the recognition at 30 September 2003 of the prepayment of deferred deducible costs, of which € 470 thousand relates to Immobiledit Srl, which has been consolidated for its first time.
- Receivables from Edit Srl and Soldionline comprise € 2.4 million in receivables owed to it by the publisher Edit Srl, pursuant to a 2001 licensing agreement. This amount can be broken down into a € 2.1 million receivable amount arising between the amount of commissions paid and earned in 2001 and 2002, which was originally valued at some € 3 million at 31 December 2002, and which will be paid to the Company in 22 monthly repayments beginning in March 2003, with these instalment payments guaranteed by the parent company of Edit Srl, Prima Editoriale Srl, and a € 0.3 million receivables similarly relating to 2003. The Soldionline receivable amounts to € 0.4 million and is discussed in more detail in Note 18 to the Consolidated Financial Statements.
- Various other receivables relate to overpayments made to the Social Security Authority and loans made to partners and employees.

9. MARKETABLE SECURITIES

Marketable securities at 30 September 2003 comprised € 1.2 million in treasury shares (€ 0.3 million at 30 September 2002), € 6 million in insurance financial products (€ 0 million at 30 September 2002) and € 82 thousand in other marketable securities (€ 90 thousand at 30 September 2002).

Treasury shares

At 30 September 2003, the Group held 61,500 of the parent company's (Cairo Communication SpA) shares, with a par value of € 0.52 each, valued at their weighted-average cost of € 19.43 per share, compared to an average September 2003 share price of € 24.60.

These shares were acquired pursuant to the share buyback programme authorised by the Shareholders' Meetings of 30 October 2001 and 30 January 2003, as described in Directors' Report Section – Italian Civil Code Article 2428 Sections 3 & 4 Disclosures.

Insurance financial products and non-Group marketable securities

The Group has subscribed to a € 6 million insurance financial product, Elios Coupon, offered by Antonveneta Vita. This insurance policy provides a minimum annual return of 3% net of management fees. This policy provides for early reimbursement without penalty before the December 2003 expiry date.

In addition the Group holds Italian Treasury Bonds maturing in July 2007 and shares in Dalmine SpA.

10. BANK AND CASH

Bank and cash comprises bank account balances and cash on hand at year-end.

(€ thousands)	**30 Sept. 2003**	**30 Sept. 2002**	**Change**
Bank	98,057	98,212	(155)
Cash	9	54	(45)
Total	**98,066**	**98,266**	**(200)**

Evolution of Consolidated Net Financial Position

(€ thousands)	**30 Sept. 2003**	**30 Sept. 2002**	**Change**
Bank and cash	98,065	98,266	(201)
Non-Group marketable securities	82	90	(8)
Insurance financial products	6,000	0	6,000
Bank loans	(21)	0	(21)
Net Financial Assets	**104,127**	**98,356**	**5,771**
Immobiledit borrowings	0	(5,165)	5,165
Net Financial Position	**104,127**	**93,191**	**10,936**

The Group manages its cash and bank assets very prudently, investing for the most part in interbank deposits.

As a result of the first time consolidation of Immobiledit Srl at 30 September 2003, the Group no longer reports the € 5.2 million borrowing at market interest rates by the Group's parent company, Cairo Communication SpA, which was received from this newly-consolidated subsidiary, in order to optimise the Group's treasury management. In addition, € 1.8 million in repurchase agreements directly held by Immobiledit Srl are for the first time included as Group financial assets. Their inclusion at 30 September 2002 would have increased the Group's bank and cash holdings to some € 100.2 million.

As disclosed in the Consolidated Cash Flow Statement, the net decrease in Group cash and cash equivalents during the 2002-2003 arises from the payment of an € 6.2 million cash dividend, which was financed by operating cash flows.

11. PREPAID EXPENSES AND ACCRUED INCOME

(€ thousands)	**30 Sept. 2003**	**30 Sept. 2002**	**Change**
Prepaid expenses	157	11	146
Accrued income	972	718	254
Total	**1,129**	**729**	**400**

Accrued income at 30 September 2003 relates primarily to interest earned on the financial insurance product “Elios Coupon” from Antonveneta Vita.

Prepaid expenses primarily comprise insurance expenses and other expenses paid in advance whose benefits will be enjoyed during the 2003-2004 financial year.

Accrued expenses include € 432 thousand in “Natural Style” magazine pre-publishing and launch costs, which were allocated over its first six issues, three of which were released during the 2002-2003 financial year.

12. EQUITY

At 30 September 2003, Group equity amounted to € 133.6 million, analysed as follows:

(€ thousands)	Share capital	Share premium	Legal reserve	Treasury share reserve	Retained earnings	Financial year net profit	Total
30 September 2002	**4,030**	**112,871**	**496**	**328**	**10,894**	**5,746**	**134,365**
2001-2002 net profit allocation	-	-	310	-	5,436	(5,746)	-
Dividend distribution	-	-	-	-	(6,155)	-	(6,155)
Allocation to treasury share reserve	-	-	-	867	(867)	-	-
Immobiledit consolidation premium	-	-	-	-	337	-	337
2002-2003 net profit	-	-	-	-	-	5,041	5,041
30 September 2003	**4,030**	**112,871**	**806**	**1,195**	**9,646**	**5,041**	**133,588**

Shareholders of Cairo Communication SpA approved at their Meeting of 30 January 2003 the payment of € 6.2 million in cash dividends (€ 0.80 per share), to holders of Company shares (excluding treasury shares) as of 10 February 2003, payable on 13 February 2003.

The Board of Directors of Cairo Communication SpA, at its 14 January 2003 meeting, authorised the allocation of a second block options of relating to the share option plan approved by the Extraordinary Meeting of 19 April 2000 and approved the allocation provisions concerning the aforementioned options to specific beneficiaries, as described in the Directors’ Report.

Reconciliation of Parent Company and Group Equity and Net Profit Balances

(€ thousands)	Equity	Net Profit
Cairo Communication SpA balances at 30 September 2002	**134,365**	**10,245**
Eliminations:		
Difference between investment book value and subsidiary equity value	(4,079)	-
Adjustment for subsidiary's investment book value write-down	0	2,578
Allocations of excess consideration paid over net book values of net assets acquired:		
Acquisition goodwill	3,440	(604)
Excess fair market values	3,828	(900)
Elimination of inter-Group profits, net of income tax	(4,286)	458
Dividend distribution	-	(5,142)
Other adjustments	(1,590)	(1,598)
Cairo Communication Group balances at 30 September 2003	**133,588**	**5,041**

13. MINORITY INTEREST

(€ thousands)	30 Sept. 2003	30 Sept. 2002	Change
Total	**12**	**19**	**(7)**

Minority interest at 30 September 2002 relates entirely to third party shareholdings in the Group's Il Trovatore SpA subsidiary.

14. PROVISIONS FOR LIABILITES AND CHARGES

Provision for employee retirement benefits

This provision was established for all personnel, as prescribed by law.

(€ thousands)	
Opening balance - 30 September 2002	**1,330**
Increase arising from change in Group structure	1,810
Charges	507
Reversals	(298)
Closing balance - 30 September 2003	**3,349**

Analysis of workforce size by job classification

	30 Sept. 2003	30 Sept. 2002	2002-2003 Average
Executive managers	12	11	12
Other managers	15	11	13
Employees	100	104	102
Journalists	40	28	34
Freelance journalists	6	6	6
Trainees	4	5	5
Total	**177**	**165**	**172**

All other provisions

(€ thousands)	31 March 2003	30 Sept. 2002	Change
Provision for disputes and charges	490	422	68
Provision for deferred tax	466	0	466
Provision for publishing inventory	115	55	60
Other provisions	2,278	853	1,425
Total	**3,349**	**1,330**	**2,019**

The increase in provisions for liabilities and charges arises from the first time consolidation of Immobiledit Srl, which had established a € 1.3 million provision at 30 September 2003 concerning pending litigation, as described in Note 18 to the Consolidated Financial Statements.

The establishment of a deferred tax provision results from a property capital gain tax deferral relating to Immobiledit Srl.

A provision for disputes was established by Cairo TV SpA and Cairo Communication SpA, in order to reflect potential disputes with media clients.

Other provisions were established to provide for charges that may arise from current legal proceedings and contractual disputes that remain unsettled.

15. LIABILITIES

Borrowings

The Group had no borrowings at 30 September 2002.

(€ thousands)	30 Sept. 2003	30 Sept. 2002	Change
Borrowings from banks – due within 1 year	21	0	21

Total	21	0	21

Advances

(€ thousands)	30 Sept. 2003	30 Sept. 2002	Change
Total	**1,971**	**1,592**	**(379)**

Advances relate to that portion of subscription payments received from customers for whom no magazines have yet been issued, as well as prepayments for specially commissioned future editions.

Trade payables

Trade payables amounted to € 55,013 thousand, up € 10,834 thousand on the previous year-end.

Social security liabilities

Social security liabilities amounted to € 364 thousand, up € 22 thousand over the previous year-end. The Group has provided for the settlement of legal obligations with regard to the payment of social security liabilities and the deductions made in substitution of taxes.

Tax liabilities

(€ thousands)	30 Sept. 2003	30 Sept. 2002	Change
Payroll deductions - employees	147	109	38
Payroll deductions – contract workers	172	127	45
IRPEG payables	546	200	346
IRAP payables	525	0	525
VAT	457	116	341
Other	11	5	6
Total	**1,858**	**557**	**1,301**

Current income tax receivables from the State (interest withholdings, and IRPEG and IRAP receivables) were netted against related tax liabilities where possible.

Cairo Communication SpA and some of its subsidiaries, after taking into account the diversity and number of tax provisions and their difficulty of application, have elected to comply to the provisions of Law 289 of 27 December 2002 as prescribed in Articles 8 and 9, for direct taxation purposes only. The Group will then continue with the procedures relating to the pending areas of contention regarding direct tax and VAT, pursuant to the procedure of Article 15 of said law. All expenses arising form this matter will be liquidated over the coming years.

Other liabilities

(€ thousands)	30 Sept. 2003	30 Sept. 2002	Change
Personnel liabilities (holiday pay, incentives)	1,345	1,623	(278)
Distributor payables	3,456	2,382	1,074
Various	2,600	1,342	1,258
Total	**7,401**	**5,347**	**2,054**

Various includes some € 2.2 million (€ 1.8 million at 30 September 2002) relating to Publishing business receivables whose collection is unlikely and whose loss has yet to be recognised

Distributor payables relate to fees owed to distributors of Cairo Editore and Editoriale Giorgio Mondadori SpA (EGM) magazines.

16. ACCRUED EXPENSES AND DEFERRED INCOME

(€ thousands)	30 Sept. 2003	30 Sept. 2002	Change
Accrued expenses	0	1	(1)
Deferred income	43	0	43
Total	**43**	**1**	**42**

Like liabilities, these items are recognised in accordance with the matching principle.

17. OFF-BALANCE SHEET GUARANTEES AND COMMITMENTS

Guarantees

Guarantees primarily relate to a € 23 million guarantee given to Banca Antonveneta regarding assurances given by the latter to TV Internationale SpA (Telecom Group) concerning the payment of minimum guaranteed fees specified in its contract with the La7 television network, which grant Cairo the exclusive rights to sell advertising time on this network channels, as described in Note 17 to the Consolidated Financial Statements. This guarantee expires on 15 June 2004 and is renewable annually for an amount not greater than that of the preceding year, with predetermined mechanisms in place for the reduction of the commitment.

Commitments

Regarding media advertising space sales rights, Cairo Group is party to various agreements with third party media companies. The principal agreements and related commitments are summarised as follows:

1. On 9 November 2002, Cairo Communication SpA signed a three-year contract (2003-2005) with TV Internazionale SpA (Telecom Group), broadcaster of the La7 TV network, and renewable for another three-year period if certain agreed objectives are met, giving Cairo the exclusive rights to sell advertising space on its channels. The contract provides for average minimum guaranteed fees of € 45.8 million per year over three years, with the first year comprising an entrance fee of € 7.5 million and a minimum guarantee fee of € 37.4 million. La7 has given a commitment to maintain predetermined viewing audience numbers.

   Cairo Communication issued a surety bond in 2003 in guarantee of the above minimum annual fees.
2. The Group subsidiary, Cairo TV SpA, signed in 1998 an exclusive ten-year contract with the Tele+ television network. 2003 has been a watershed year for the Italian pay TV market, with the arrival of Sky and the creation of a single satellite pay TV network for Italy from the merger of the Tele+ and Stream satellite TV networks. Channels formerly broadcast on the Tele+ satellite TV network are now broadcast on the Sky Italia satellite TV network, effective from 31 July 2003.

   Sky Italia's position as the main operator of Italy's sole satellite TV network has been clearly established. Cairo Communication Group's legal team is reviewing the legal implications of this development and the options that are available to the Group, in order best safeguard its interests.

   Since commencing its advertising time sales activity for Sky Italia, Cairo has focused exclusively on the sale of advertising time relating to Italian Premier League Football (Serie A) matches, both live and time delayed broadcasts, as well as the Diretta Gol, Calcio Sky and other sports shows broadcast on Sky Sport 1. Presently, Cairo sells advertising time for matches involving 12 of the 18 Serie A teams: Inter Milan, Juventus, AC Milan, Lazio, Roma, Parma, Bologna, Udinese, Lecce, Siena, Reggina, and Sampdoria).

   Cairo does not presently sell advertising time on Sky Italia movie channels.

18. CONTINGENCIES

1. Fraternity Network SpA, as reported in the 30 September 2002 Consolidated Financial Statements, was settled in favour of Cairo Group, including the awarding of legal costs, the awarding of remedy and the renunciation of all claims by the other party. The remedy resulted in the signing of a new advertising broker contract with Net Fraternity Network SpA, with the latter guaranteeing Cairo a minimum of € 400 thousand over the duration of the 20-month contract.

2. The Group subsidiary Cairo Web Srl has initiated legal proceedings against Soldionline.it SpA, arising from an advertising space sales contract, which expired on 31 August 2002. Pursuant to the provisions of this contract, Cairo Web Srl is seeking payment of € 377 thousand owed to it, which is included in net assets. Soldionline.it SpA appeared in court in November 2002, contesting the claim on grounds of contractual non-fulfilment by Cairo Web Srl, regarding advertising space sales commitments (for which there were no terms or conditions set, other than the payment of a guaranteed minimum fee), and seeking compensation for damages. As this claim has no foundation, no provision has been established.

3. A former shareholder of the Group's subsidiary Il Trovatore SpA, who was not involved in the sale of this firm to the Group, has initiated proceedings against the current minority shareholders, which indirectly involves Cairo Communication SpA, claiming that the contract through which he sold his share in the limited partnership Il Trovatore was null and void, as was the transformation of same into a limited liability company. He is also requesting that the subsequent contract of purchase by Cairo Communication be voided. Based on legal advice received, no provision has been established in light of the unfounded nature of this claim.

4. Immobiledit Srl is in litigation regarding the cancellation of a previous preliminary sale contract of a building with a buyer. The preliminary contracts provided for a € 1 million downpayment, which the Group has provided for in the amount of € 1.3 million.

19. LIABILITIES AND RECEIVABLES DUE AFTER FIVE YEARS

The Group had no receivables or liabilities that were due after five years at 30 September 2003.

20. CAPITALISED FINANCE EXPENSES

The Group did not capitalise any of its finance expenses.

CONSOLIDATED INCOME STATEMENT NOTES

The following notes detail the major revenues realised and expenses incurred by the Group during its 2002-2003 financial year ending 30 September 2003.

21. OPERATING REVENUES

Operating revenue components (sales, advertising agency discounts, inventory movements and other operating revenues) are analysed by nature and by major Group business segments, of which there are two, **Advertising** Space Selling and Magazine **Publishing** (with the latter business comprising the Editoriale Giorgio Mondadori Group of companies), in order to provide the reader with relevant and transparent information on the Group's operating performances.

Operating revenues are not analysed by geographic region as all of the Group's operating revenues are realised in Italy.

Analysis of Group Sales and Other Operating Revenues by Nature and Business Segment

(€ thousands) **Financial year ending 30 September**	**2003**			**2002**		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
TV advertising time sales	97,777	-	**97,777**	53,189	-	**53,189**
Print media advertising space sales	29,080	14,023	**43,103**	63,189	11,718	**74,907**
Stadium signs and electronic billboards advertising space sales	201	-	**201**	2,458	-	**2,458**
Internet advertising time sales	143	-	**143**	562	-	**562**
Magazine over-the-counter sales	-	7,776	**7,776**	-	6,159	**6,159**
Magazine subscription sales	-	3,176	**3,176**	-	3,051	**3,051**
Audiovisual and other sales	-	78	**78**	-	85	**85**
Books and catalogues	-	907	**907**	-	966	**966**
VAT relating to publications	-	(256)	**(256)**	-	(263)	**(263)**
Total - Sales	**127,201**	**25,704**	**152,905**	**119,398**	**21,716**	**141,114**
Other operating revenues	1,931	595	**2,526**	3,528	939	**4,467**
Total - Gross Operating Revenues	**129,132**	**26,299**	**155,431**	**122,926**	**22,655**	**145,581**

Finished products inventory movements

These movements arise from the ordinary activities of the magazine publishing companies Società Editoriale Giorgio Mondadori SpA and Cairo Editore SpA (formerly Airone di Giorgio Mondadori & Associati SpA).

Other operating revenues

(thousands)	2002-2003 FY			2001-2002 FY		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
Rebilled costs to ad agencies	69	0	**69**	82	0	**82**
Rebilled technical costs	968	0	**968**	1,640	0	**1,640**
Credit card sales	0	57	**57**	0	78	**78**
Various	854	538	**1,482**	1,806	861	**2,667**
Total	**1,931**	**595**	**2,526**	**3,528**	**939**	**4,467**

Various revenues primarily comprise contributions from third parties for promotional activities, revenues from the recycling of obsolete inventory and capital gains.

22. OPERATING EXPENSES

Materials and supplies

Materials and supplies expenses arise from the ordinary activities of the Editoriale Giorgio Mondadori Group:

(€ thousands)	2002-2003 FY	2001-2002 FY
Paper	4,843	2,812
Other	48	615
Total	**4,891**	**3,427**

Advertising space fees and other services

(€ thousands)	2002-2003 FY			2001-2002 FY		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
Advertising space fees	80,303	-	**80,303**	81,750	-	**81,750**
Intermediary remuneration	2,181	-	**2,181**	1,125	-	**1,125**
Agents commissions	5,147	-	**5,147**	5,364	-	**5,364**
Technical costs	386	-	**386**	746	-	**746**
Administrative costs	1,503	1,389	**2,892**	1,759	1,506	**3,265**
Consultants	364	3,780	**4,144**	653	3,468	**4,121**
Subcontractors fees	-	4,266	**4,266**	-	3,594	**3,594**
Advertising and promotion	163	1,715	**1,878**	834	1,161	**1,995**
Titles pre-publishing and launch	-	1,464	**1,464**	-	-	**0**
Organizational and general costs	2,531	-	**2,531**	1,439	-	**1,439**
Other	-	860	**860**	173	587	**760**
Total	**92,578**	**13,474**	**106,053**	**93,843**	**10,316**	**104,159**

As previously discussed, advertising sales revenues and profit margins realised by Cairo during the 2003 calendar year from its agreement with the La7 TV network were lower than what will be achieved in subsequent years as a result of agreement specificities relating to the first year.

Materials and supplies inventory movements

These movements arise from the ordinary activities of the magazine publishing companies Società Editoriale Giorgio Mondadori SpA and Cairo Editore SpA.

Other operating expenses

(€ thousands)	2002-2003 FY			2001-2002 FY		
	Advertising	Publishing	Total	Advertising	Publishing	Total
Deductible taxes	35	57	**92**	46	33	**79**
Receivables writeoffs	285		**285**	160	0	**160**
Writedowns	272	302	**574**	47	214	**261**
Other	152	443	**595**	39	363	**402**
Total	**744**	**802**	**1546**	**292**	**610**	**902**

23 FINANCE INCOME AND EXPENSES

Financial Income

Group companies did not collect dividends from non-Group companies during the financial year.

(€ thousands)	2002-2003 FY			2001-2002 FY		
	Advertising	Publishing	Total	Advertising	Publishing	Total
Unconsolidated subsidiary income	**512**	**-**	**512**	**1,597**	**0**	**1,597**
Other finance income						
Bank interest income	2,493	77	**2,570**	3,103	15	**3,118**
Marketable securities interest income	-	-	**0**	-	-	**0**
Marketable securities other income	11	-	**11**	7	-	**7**
FOREX gains	-	4	**4**	-	-	**0**
Miscellaneous	179	-	**179**	-	9	**9**
Other finance income subtotal	**2,683**	**81**	**2,764**	**3,110**	**24**	**3,134**
Total	**3,194**	**81**	**3,276**	**4,707**	**24**	**4,731**

Unconsolidated subsidiary finance income relates to the dividend tax credit earned on cash dividends received.

Interest income was earned on short-term demand deposits, on current accounts and on marketable securities as a result of the investment of funds arising from the flotation of the parent company.

Finance expenses

(€ thousands)	2002-2003 FY			2001-2002 FY		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
Bank interest expenses	4	-	**4**	14	21	**35**
Borrowings interest expenses	-	-	**0**	127	0	**127**
Other interest expenses	-	-	**0**	14	0	**14**
Group borrowings interest expenses	-	-	**0**	175	0	**175**
FOREX losses	-	-	**0**	11	0	**11**
Various	78	-	**78**	43	1	**44**
Other	82	0	**82**	384	22	**406**

24. EXCEPTIONAL INCOME AND EXPENSES

Exceptional expenses

(€ thousands)	2002-2003 FY			2001-2002 FY		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
Previous financial year income tax	4	-	**4**	-1	-	**0**
Writedowns	563	-	**563**	-	-	**0**
Arbitrage costs	573	-	**573**	-	-	**0**
Other	-	141	**141**	-	254	**254**
Total	1,140	141	**1,281**	0	254	**254**

Cairo Communication SpA and some of its subsidiaries, after taking into account the diversity and number of tax provisions and their difficulty of application, have elected to comply to the provisions of Law 289 of 27 December 2002 as prescribed in Articles 8 and 9, for direct taxation purposes only. The Group will then continue with the procedures relating to the pending areas of contention regarding direct tax and VAT, pursuant to the procedure of Article 15 of the said law.

The full cost of this matter to the Group is approximately € 0.6 million. It has been charged as an exceptional expense in the Group's 2002-2003 1st half-year, with this liability anticipated to be liquidated over the coming years.

Exceptional expenses include an € 0.6 million charge (net of an € 0.1 million provision utilisation) relating to a settlement with an associate of the Vittorio Feltri Editore and C. Srl company following the conclusion of arbitration on the matter of the shortfall in equity infusion in Vittorio Feltri Editore and C.

Srl company, publisher of the "Libero Quotidiano". As described on Notes to the 30 September 2000, 2001 and 2002 Consolidated Financial Statements, this operation was not completed in December 2000, in light of the non-satisfaction of essential preliminary conditions. The actual amount was significantly lower than the original estimate provided.

The Group has treated as an exceptional expense the amount of damages arising from the shortfall in equity infusion against plan in this publishing company, which arose from the non-satisfaction of essential preliminary conditions that led to the non-completion of this operation.

The previous financial year income tax relates to a prior to the acquisition of the Editoriale Giorgio Mondadori by Cairo Group.

25. INCOME TAX

(€ thousands)	2001-2002 FY	2002-2003 FY
IRPEG – current financial year	4,032	1,975
IRAP - current financial year	1,219	777
Prepaid income tax	(1,133)	(631)
Cairo TV dividend tax credit	(2,030)	(385)
Total	**2,088**	**1,736**

In accordance with Italian Accounting Principle 25, the Group recognised some prepaid income tax that related to some Group companies' deferred tax deductions (writedown provision credits).

The Group had the following tax loss benefit carry forwards at 30 September 2002, which primarily relate to its Publishing business operations, and which are recognised when realised:

Tax Loss Carry forwards - Expiry Date	Tax Loss	Tax Loss Benefits
Financial Year ending 30 Sept. 2003	4,209	1,473
Financial Year ending 30 Sept. 2004	2,593	907
Financial Year ending 30 Sept. 2005	0	0
Financial Year ending 30 Sept. 2006	2	1
Total	**6,804**	**2,381**

The related tax benefit will recorded in the book of accounts when realised.

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. BOARD OF DIRECTORS' AND BOARD OF AUDITORS' REMUNERATION

Pursuant to Article 2427, Section 16 of the Italian Civil Code and stipulations by CONSOB (Italian Stock Exchange Supervisory Commission), the Group discloses the following remuneration awarded to the Board of Directors and Board of Auditors of Cairo Communication SpA for services rendered to the parent company and its subsidiaries during the financial year ending 30 September 2003:

Name	**Position**	**Term expiry date**	**Directors fees** (€ thousands)		**Other Remuneration** (€ thousands)		
			Parent Company	Subsidiaries	Non-monetary	Bonuses	Othe r
Board of Directors							
Urbano R Cairo	Chairman	30 Sept. 2005	150	269	-	-	
Uberto Fornara	Vice-Chairman & CEO	30 Sept. 2005	65	114	-	-	146
Roberto Cairo	Director	30 Sept. 2005	20	4	-	-	
Giuliano Cesari*	Director	28 April 2003*	38	6	-	-	60
Marco Janni	Director	30 Sept. 2005	23	-	-	-	-
Antonio Magnocavallo	Director	30 Sept. 2005	23	5	-	-	-
Marco Pompignoli	Director	30 Sept. 2003	8	53	-	-	99
Roberto Rezzonico	Director	30 Sept. 2005	23	-	-	-	-
Board of Auditors							
Mauro Sala	Chairman	30 Sept. 2005	21	9	-	-	-
Marco Baccani	Principal Auditor	30 Sept. 2005	14	12	-	-	-
Ferraro Antonio	Principal Auditor	30 Sept. 2005	14	8	-	-	-

* *During the 2002-2003 financial year, Giuliano Cesari resigned as a Director of the Board.*

The Annual General Meeting of Shareholders of 30 January 2003 approved the € 150,000 in compensation for the Board of Directors. The Board of Directors meeting on 4 February 2003 approved the allocation of € 140,000 on an equal basis among the seven members of the Board, the allocation on an equal basis of € 7,000 and € 3,000 among the three members of the Audit Committee and the members of the Compensation Committee, respectively.

The Board of Directors of Cairo Communication SpA meeting on 4 February 2003 approved, pursuant to Article 2389 of the Italian Civil Code, compensation of € 130,000 for the Chairman, Urbano Cairo and compensation of € 45,000 each for the current CEO Uberto Forara and the former (now resigned) CEO, Giulianoi Cesari.

27. SHARE CAPITAL COMPOSITION

At 30 September 2003 , Cairo Communication SpA share capital amounted to € 4.03 million, comprising 7.75 million shares with a par value each of € 0.52.

Chairman of the Board of Directors

Urbano R. Cairo

APPENDIX 1: ANALYSIS OF GROUP FINANCIAL RESULTS BY BUSINESS SEGMENT

(€ thousands)	ADVERTISING		Search Engine (Il Trovatore)		Publishing	
Financial year ending 30 September	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Sales	127,037	119,337	164	61	25,704	21,717
Other operating revenues	1,924	3,517	7	11	595	939
Gross operating revenues	**128,961**	**122,854**	**171**	**72**	**26,299**	**22,656**
Agency discounts	(19,528)	(17,764)	-	-	-	-
Inventory movements	-	-	-	-	(322)	(422)
Operating revenues	**109,433**	**105,090**	**171**	**72**	**25,977**	**22,234**
Cost of sales	(93,617)	(94,466)	(272)	(270)	(19,324)	(15,205)
Personnel costs	(3,949)	(3,496)	-	-	(5,436)	(4,857)
Gross operating profit (EBITDA)	**11,867**	**7,128**	**(101)**	**(198)**	**1,217**	**2,172**
Depreciation and provision charges	(6,227)	(4,160)	(25)	(19)	(1,543)	(1,521)
Operating profit (EBIT)	**5,640**	**2,968**	**(126)**	**(217)**	**(326)**	**651**
Net finance income	2,979	4,318	(1)	(1)	217	2
Profit from ordinary activities	**8,619**	**7,286**	**(127)**	**(218)**	**(109)**	**653**
Net exceptional income/(expenses)	(1,134)	-	(7)	-	(140)	(254)
Profit before tax	**7,485**	**7,286**	**(134)**	**(218)**	**(249)**	**399**
Income tax	(2,182)	(1,857)	-	-	94	121
Minority interest	-	15	27	-	-	-
Net profit	**5,303**	**5,444**	**(107)**	**(218)**	**(155)**	**520**

Chairman of the Board of Directors
Urbano R. Cairo

APPENDIX 2: SUBSDIARIES' LEGAL INFORMATION
(Article 2427 of the Italian Civil Code)

SUBSIDIARIES – DIRECTLY CONTROLLED

Name:	**Cairo TV SpA**
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 260,000
Equity at 30 September 2002:	€ 3,263,056
2001-2002 Financial Year Net Profit:	€ 824,805
Equity at 30 September 2003:	€ 1,774,416
2002-2003 Financial Year Net Profit:	€ 972,734
Ownership Percentage:	100%

Name:	Editoriale Giorgio Mondadori SpA
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 6,204,000
Equity at 30 September 2002:	€ 6,991,290
2001-2002 Financial Year Net Profit:	€ 473,619
Equity at 30 September 2003:	€ 8,934,956
2002-2003 Financial Year Net Profit:	€ 1,943,666
Ownership Percentage:	100%

Name:	Cairo Web Srl
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 46,800
Equity at 30 September 2002:	€ 72,198
2001-2002 Financial Year Net Loss:	€ (252,675)
Equity at 30 September 2003:	€ 159,069
2002-2003 Financial Year Net Loss:	€ (213,129)
Ownership Percentage:	100%

Name:	Il Trovatore SpA
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 103,200
Equity at 30 September 2002:	€ 49,373
2001-2002 Financial Year Net Loss:	€ (210,901)
Equity at 30 September 2003:	€ 58,475
2002-2003 Financial Year Net Loss:	€ (133,755)
Ownership Percentage:	80%

Name:	**Cairo Sport Srl**
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 10,400
Equity at 31 December 2002:	€ 10.370
2001-2002 Financial Year Net Loss:	€ (1,834)
Ownership Percentage:	100%

SUBSIDIARIES – INDIRECTLY CONTROLLLED

Name:	Cairo Editore SpA
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 1,020,000
Equity at 31 December 2002:	€ 5,822,268
2001-2002 Financial Year Net Profit:	€ 5,021,508
Equity at 30 September 2003:	€ 5,535,035
2002-2003 Financial Year Net Loss (9 months):	€ (287,216)
Ownership Percentage:	99.95%

Name:	Immobiledit Srl
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 5,610,000
Equity at 31 December 2002:	€ 5,259,865
2001-2002 Financial Year Net Profit:	€ 104,928
Equity at 30 September 2003:	€ 393,613
2002-2003 Financial Year Net Profit (9 months):	€ 56,864
Ownership Percentage:	100%

Name:	Edizioni Anabasi Srl
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 10,200
Equity at 31 December 2002:	€ 5,512
2001-2002 Financial Year Net Loss:	€ (7,178)
Equity at 30 September 2003:	€ 8,426
2002-2003 Financial Year Net Loss (9 months):	€ (3,086)
Ownership Percentage:	100%

Chairman of the Board of Directors
Urbano R. Cairo