

Classeditori



Report on operations
in the first quarter 2003

CLASS EDITORI S.P.A.

AND SUBSIDIARIES

REGISTERED OFFICE: VIA MARCO BURIGOZZO, 5, MILAN, ITALY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Given Class Editori S.p.A. (the "Company") is required to prepared consolidated financial statements, the quarterly report has been drawn up on a consolidated basis.

ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

The accounting principles and valuation criteria used in the preparation of the consolidated financial statements are consistent with those used for the preparation of the financial statements for the year ending 31 December 2002, to which reference is made. The data presented have not been influenced to any significant extent by the use of certain forecast methods different from those normally adopted for the preparation of the annual and semi-annual consolidated financial statements.

COMMENTS ON THE PROFIT AND LOSS STATEMENT

Following is a summary of the principal factors underlying the Company's earnings performance and the first-quarter operating results for 2003 as reported in the statement below:

The value of production for the period came to EUR 24.5 million, versus EUR 26.9 million for the first quarter of 2002. The decrease of 9.2 percent is mainly attributable to the ongoing difficulties in the advertising market as well as the decrease in circulation revenues from the sale of newspapers and magazines at a national level. Indeed, in the first quarter of 2003, there were no signs of any recovery of the sluggish economy which has taken its toll on the financial markets for months. In facing such difficulties, the Company has undertaken significant actions to curb expenditures, many of which will wield their effects during the course of 2003.

PRINCIPAL EVENTS AFFECTING EARNINGS AND FINANCIAL POSITION IN 2003

Following is a summary of principal events affecting earnings and financial position in the first quarter of 2003:

- 1) *Class* maintained its market leadership, with average circulation of 85,000 copies.

2) *MF/ Milano Finanza* achieved average circulation of 123,000 copies, stabilising its circulation notwithstanding the continuing sluggishness of the financial markets.

The *MF/Milano Finanza* business unit rolled out a new publication, *MF Personal*, which is distributed with *MF* and is dedicated to pinpointing the optimal mix between time and money, advising readers on how to use their capital to improve the quality of their lives and the lives of their families.

The content of *MF Personal* is concentrated on eight principal topics: health and family, personal finance, technology, travel, art, cuisine, automobiles and gadgets. The publication uses a variable format in rotating its focus on the various topics.

3) The positive trend in the results of electronic publishing in 2002 was further affirmed in the first quarter of 2003. The performance is partly attributable to the enhancements to the *MF Trading* service, which serves roughly 40 percent of the Italian banking system in supplying information, data, news and analysis and dedicated software. The consolidation of the supply of financial information via satellite (*MF Sat*) also helped propel results, and is partly attributable to the acquisition of the fourth-ranking company in the market (Fainex). The reputation and prestige of this service were greatly enhanced with the signing of an agreement with Dow Jones Newswires in December 2002, and the creation thereafter of the company, MF-Dow Jones S.r.l., to handle the circulation of financial information.

4) Advertising revenues went from EUR 12.6 million in 2002 to EUR 11.0 million in 2003, decreasing by 12.7 percent. The Company thus continues to feel the effects of a weak advertising market and in particular, of advertising in the financial services sector.

5) Capitalizing on its working accord with CNBC (the global leader in financial news), the television channel *CFN/Cnbc* reached the important objective of enhancing its daily programming with news from around the world. In addition, the channel has also added to the interviews and services from Italy which go into programs broadcast abroad.

During the January-March 2003 period, Class Editori S.p.A. continued to maintain relationships with its subsidiaries and affiliates, all of which are settled on the basis of normal market conditions.

The table below shows a breakdown of revenues for the period:

	31/03/2003	31/03/2002
Newsstand revenues	3,222	3,547
Subscription revenues	8,997	9,084
Advertising revenues	11,016	12,617
Other revenues	1,274	1,735
Total revenues	24,509	26,983

Financial position

As of 31 March 2003, the consolidated net borrowing position amounted to EUR 7,580,000, figured as follows:

(amounts in EUR 000's)

	31/3/2003	31/12/2002
Net medium-/long-term debt	-1,500	-1,548
Short-term (debt) liquidity, net	-6,080	1,620
Including:		
Financial debt	-19,786	-20,526
Cash/cash equivalents and loans receivables	13,706	18,906
Net financial position: (borrowing) liquidity	-7,580	72

Comments on the net financial position

As shown in the table above, the consolidated net financial deficit as of 31 March 2003 totaled EUR 7,580,000, and thus reflected a contraction with respect to the EUR 7,652,000 of net borrowings outstanding as of 31 December 2002. The change reflects the payment of important tranches of investments made at the beginning of the year. The mix of borrowings includes medium-/long-term financial debt of EUR 1,500,000. The medium-/long-term loans include:

- a subsidized loan for EUR 482,887 funded by Mediocredito Centrale and maturing in June 2003;
- a long-term mortgage funded by Centrobanca and maturing in June 2008.

The short-term borrowings are represented exclusively by current exposure to banks.

Staff

	31/03/2003	31/03/2002	31/12/2002
Managers	25	28	25
Journalists	86	108	97
Office employees	128	138	138
TOTAL	239	274	260

Material events relative to the current year

The advertising market continued to be particularly weak during the first few months of 2003, with the situation partially attributable to concerns over the military conflict in Iraq.

Aside from the implementation of the cost-cutting measures mentioned in the quarterly report, the Company also embarked on various business initiatives with the objective of creating value for shareholders in light of a near-term improvement in market conditions.

On 10 January, the Company began to publish *MF Personal*, an insert to *MF*. The publication is dedicated to pinpointing the optimal mix between time and money, and advises readers on how to use their capital to improve the quality of their lives and the lives of their families.

On 29 March, another venture was debuted whereby Class Editori's main publications were sold along with an offer for the first of 24 volumes in a series entitled the "Grand Museums of Italy and Europe in 90 minutes". The series, with volumes will come out regularly through 27 March 2004, is designed to help readers discover the most important museums in Italy, with a guided tour embracing the most important and significant works.

As of 1 March, the editorial staff of *Radio Classica* teamed up with *MF/Milano Finanza* and *Cfn/Cnbc* to produce five daily newscasts and a series of special weekend feature programs dedicated to economic and financial news. The programs are broadcast nationwide with the use of local stations participating in the *Milano Finanza-Classica Circuit*.

According to the Audiradio agency, the station reaches around 1.2 million net contacts per day, and over 4.5 million per week. This translates into an appealing audience for advertisers, when taking into account the programming times and the socio-geographic segmentation of the target market.

In April, the Company launched *Patrimoni*, a publication that is an offshoot of *M*, the Company's first monthly magazine (published by Milano Finanza) dedicated to asset management. The title of the new publication clearly communicates the nature of the content. Features will be dedicated not only to investments in property and equities, but also to the buying and selling of other durable goods such as automobiles and jewellery. The magazine will also highlight travel and other topics which enhance personal growth and cultural knowledge, while also favoring the management and preservation of assets from generation to generation.

Thus, the publication is not only dedicated to experts and to the wealthy, but also to anyone having to make day-to-day decisions about personal finance and who needs high-quality information on such topics as a result.

In another development in April, Class Editori introduced *Cfn/Cnbc Mobile*, the first financial television channel transmitted via mobile telephone. Created by Class Editori, which controls the digital channel, Cfn/Cnbc, and Ustream.it, the services allows subscribers to view videoclips of information produced by Cfn/Cnbc using both GPRS and UMTS technology.

Despite the ongoing weakness and uncertainty of the markets, the current forecasts for 2003 contemplate a slight recovery of productivity and profitability, part of which can be attributed to the continuing attention to expenses and the search for new products.

Paolo Panerai

Vice Chairman and Managing Director

CLASS EDITORI S.P.A. AND SUBSIDIARIES
 QUARTERLY REPORT
 01.01.2003-31.3.2003
 CONSOLIDATED EARNINGS DATA
 (IN EUR 000'S)

PROFIT AND LOSS STATEMENT ***31/03/03*** ***31/03/02***

REVENUES

Value of production 24.509 26.983

Total value of production	24.509	26.983
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EXPENSES

Production expenses 5.987 6.119

Industrial margin	18.522	20.864
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Direct expenses 12.840 14.061

Contribution margin	5.682	6.803
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General expenses 3.282 3.057

Depreciation and amortization 2.149 1.784

Extraordinary (income) charges, net 698 762

Net interest expense 315 303

Pre-tax profit (loss)	(762)	897
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