

Annual Report

December 31, 2003



Annual General Meeting

The shareholders are called to the ordinary and extraordinary a general meeting at 11.00 on April 28, 2004, in a first calling, and if necessary, at 15.00 on April 29, 2004 in second calling, at the IBM Forum, Via Siusi 2/1, Milan to vote on the following:

Agenda

Ordinary Part

1. Financial statements at December 31, 2003; Directors' report on operations; Report by the Board of Statutory Auditors. Allocation of net income for the year, having covered accumulated losses, and distribution of unrestricted reserves. Related resolutions.
2. New appointments to the Board of Directors or reduction in the number of its members.
3. Proposed authorization for buyback and disposal of treasury shares; consequent revocation of the shareholders' resolution dated April 15, 2003 relating to the buyback and disposal of treasury shares, for the part not used.

Extraordinary Part

1. Approval of the proposed merger of AGR - Agenzia Giornalistica Radiotelevisiva S.r.l., CNR Channel News Radio S.r.l., RCS Radio e TV S.p.A., Immobiliare Solferino 28 S.r.l., HdP Sviluppo Immobiliare S.r.l. and RCS Internal Auditing S.r.l. into RCS MediaGroup S.p.A.: related resolutions.
2. Revocation of the unexercised authority to increase share capital pursuant to articles 2443 and 2441 (last paragraph) of the Italian Civil Code, plus articles 134.2 and 134.3 of Legislative Decree n. 58 dated February 24, 1998, granted to the Board of Directors in a resolution passed by the Extraordinary General Meeting (EGM) held on June 1, 1999 as amended under the EGM resolution dated May 9, 2000, and consequent amendment of article 5 of the company's by-laws: related resolutions.
3. Proposed amendment of articles 3, 5 (and its heading), 6, 7, 8, 10, 11, 13, 16, 19 and 20 of the company's by-laws and inclusion of the new articles no. 7 (withdrawal) and no. 21 (independent auditors), along with a new heading for the article preceding the latter, with a consequent renumbering of the subsequent articles: related resolutions.

The holders of ordinary shares in possession of the appropriate legal certificate issued by the respective intermediaries are entitled to take part in the Annual General Meeting.

The documentation relating to the matters on the agenda and required by prevailing law has been filed within the prescribed deadlines at the company's registered office and at Borsa Italiana, for viewing by the shareholders and the general public. Shareholders are entitled to obtain a copy of all such documentation.

on behalf of the Board of Directors

Guido Roberto Vitale
(Chairman)

Corporate officers

> Board of Directors

(*) Guido Roberto Vitale	<i>Chairman</i>
Paolo Mieli	<i>Deputy Chairman</i>
(*) Maurizio Romiti	<i>Chief Executive Officer</i>
Raffaele Agrusti	<i>Director</i>
Roberto Bertazzoni	<i>Director</i>
Carlo Buora	<i>Director</i>
Enrico Giliberti	<i>Director And Secretary To The Board</i>
(*) Franzo Grande Stevens	<i>Director</i>
Natalino Irti	<i>Director</i>
Giuseppe Lucchini	<i>Director</i>
Giangiacomo Nardozzi Tonielli	<i>Director</i>
(*) Nicolò Nefri	<i>Director</i>
(*) Renato Pagliaro	<i>Director</i>
Corrado Passera	<i>Director</i>
Alessandro Pedersoli	<i>Director</i>
Carlo Pesenti	<i>Director</i>
Umberto Quadrino	<i>Director</i>
(*) Paolo Savona	<i>Director</i>
Francesco Tatò ⁽¹⁾	<i>Director</i>

(*) Member of the Executive Committee

(1) Resigned from December 31, 2003

> Powers

The Board of Directors has set up the Executive Committee to which it has delegated powers of ordinary and extraordinary administration except for those relating to definition of the group's strategies, the purchase and sale of majority-owned equity investments, plus those reserved in law for the Board itself. The Board has granted the Chairman and Chief Executive Officer, separately with individual signature power, powers of ordinary and extraordinary administration, except those reserved in law for the Board. The Deputy Chairman takes the place of the Chairman in the circumstances described in the by-laws and has powers for entering into certain contracts relating to the conduct of publishing activities and projects, and general powers of representation in relation to committees organizing competitions, literary prizes and events in general, with a limit in terms of financial commitments and/or risks of Euro 200,000 per individual transaction.

For additional information, reference should be made to the section of the report on "Corporate governance".

> Board of Statutory Auditors

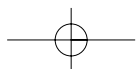
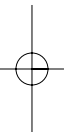
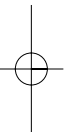
Gianrenzo Cova	Chairman
Flavio Arcidiacono	Acting auditor
Clemente Rebecchini	Acting auditor
Maurizio Bozzato	Alternate auditor
Cesare Gerla	Alternate auditor
Agostino Giorgi	Alternate auditor

The Annual General Meeting held on April 15, 2003 confirmed the Board of Statutory Auditors in office for the three-year term 2003/2005.

> Independent auditors

RECONTA ERNST & YOUNG S.p.A.

The Annual General Meeting held on April 15, 2003 confirmed the appointment of Reconta Ernst & Young for the three-year term 2003/2005.



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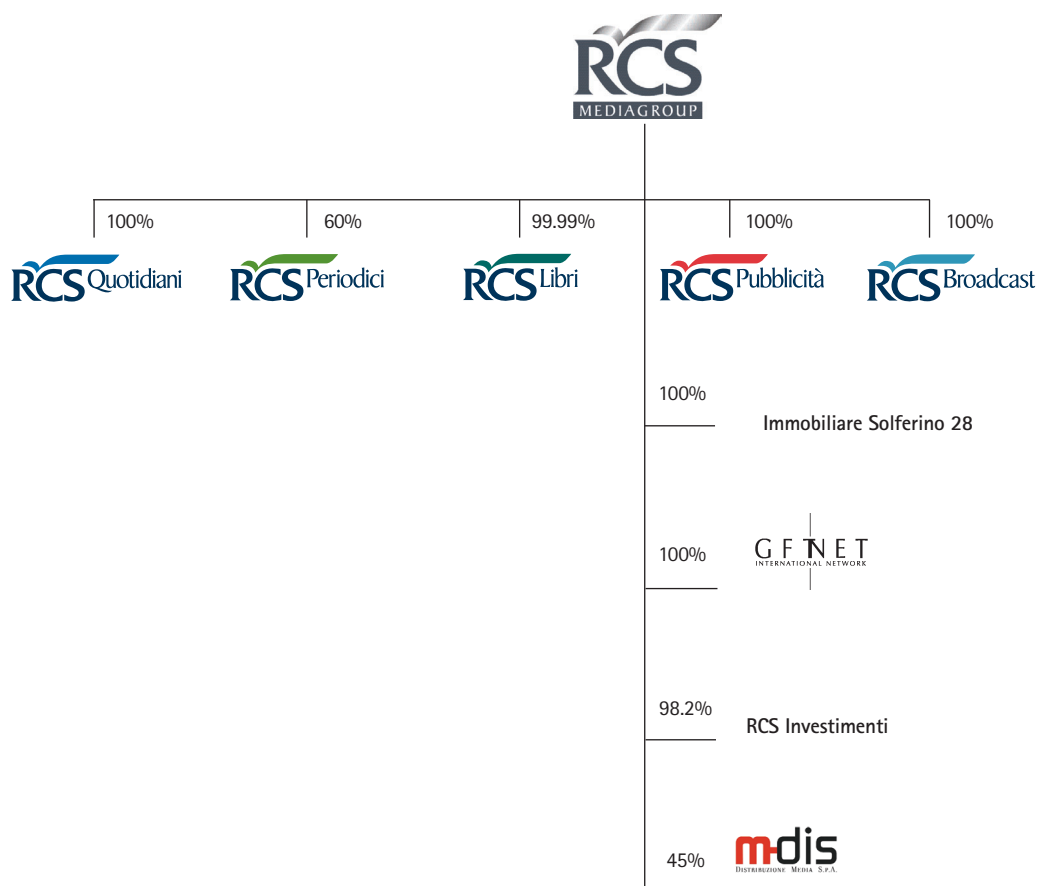
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New group structure of RCS MediaGroup

New group structure of RCS MediaGroup

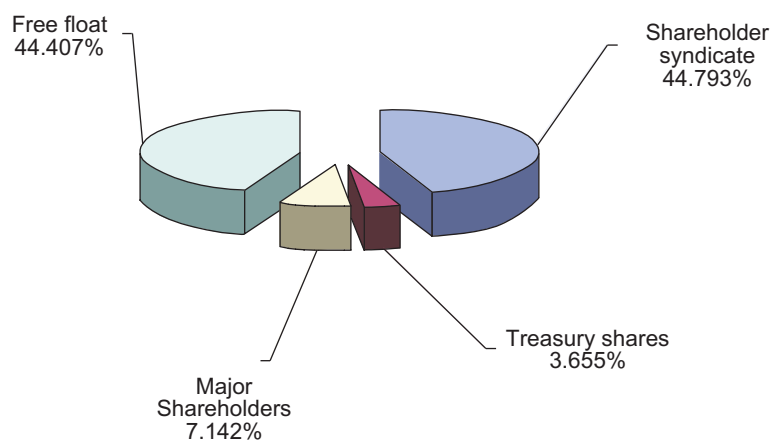


Information regarding shareholders

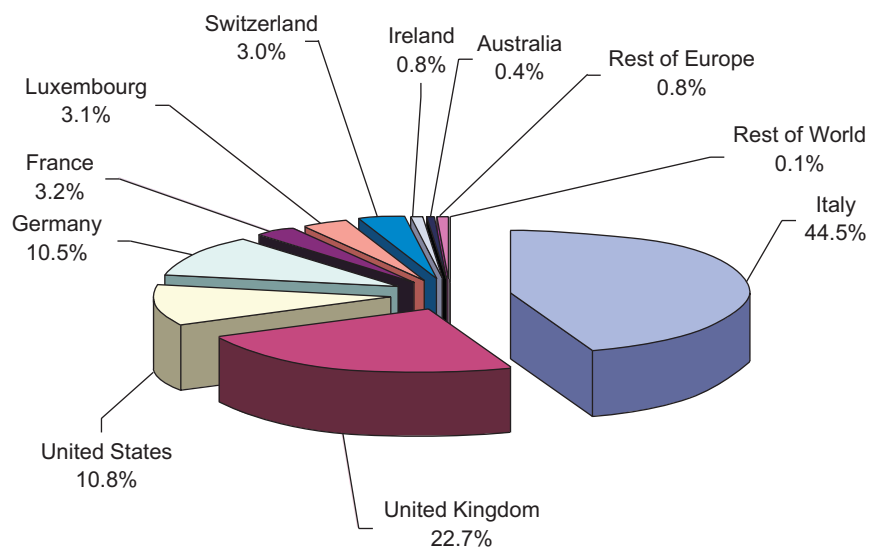
Shares

Share capital	762,019,050
No. ordinary shares	732,669,457
No. savings shares	29,349,593
Average stockmarket capitalization (using average price in December 2003)	1,821,225,529.5

Shareholders



Geographical breakdown of free float – institutional investors (estimate)



Financial highlights of the group and RCS MediaGroup S.p.A.

RCS MediaGroup - Group

Income statement (Euro/million)	2003	2002
Net revenues	2,236.9	2,214.0
EBITDA	183.8	158.5
Amortization, depreciation, writedowns and provisions (*)	(97.7)	(97.7)
EBIT	86.1	60.8
Net financial income (charges)	(8.5)	(0.7)
Income (charges) from equity investments and value adjustments to financial assets	52.1	(159.0)
Net extraordinary income (charges)	(53.0)	14.0
Earnings before tax and minority interests	76.7	(84.9)
Net income pertaining to the group	46.1	(152.3)

(*) Includes provisions for risks and charges of Euro 10.7 million and Euro 13.8 million in 2003 and 2002 respectively

Balance sheet	12.31.2003	12.31.2002
Net capital employed	1,357.5	1,219.2
Net debt	191.6	83.1
Shareholders' equity	1,056.4	1,024.7
Shareholders' equity pertaining to the group	1,006.9	971.9
Employees (average number)	5,580	6,417

RCS MediaGroup S.p.A.

Income statement	2003	2002
Dividends and related tax credits	61.5	8.7
Net financial income (charges)	10.4	18.0
Value adjustments to financial assets	30.8	(195.6)
Net extraordinary income (charges)	(27.4)	(1.1)
Net income	51.5	(194.4)

Balance sheet	12.31.2003	12.31.2002
Shareholders' equity	1,125.7	954.4
Net cash	145.4	246.1

RCS MediaGroup S.p.A.	2003
<i>(in euro)</i>	
Stock price (December average)	
Ordinary shares	2.87
Savings shares	2.08
Dividend per share	
Ordinary shares	0.07 (*)
Savings shares	0.19 (*)
(*) Subject to AGM approval	
RCS MediaGroup	2003
Earnings per share	0.06

RCS MediaGroup S.p.A. stock performance

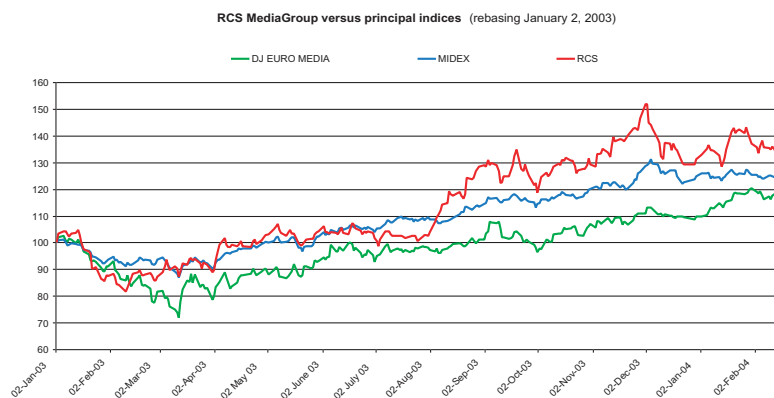
> Financial markets and performance of RCS MediaGroup stock in 2003

The year just ended saw European and US financial markets recover some of the value lost in the previous three years. The Nasdaq gained almost 50 %, while European indexes - S&P Euro and DJ Euro Stoxx - recovered 12.5% and 13.8% respectively.

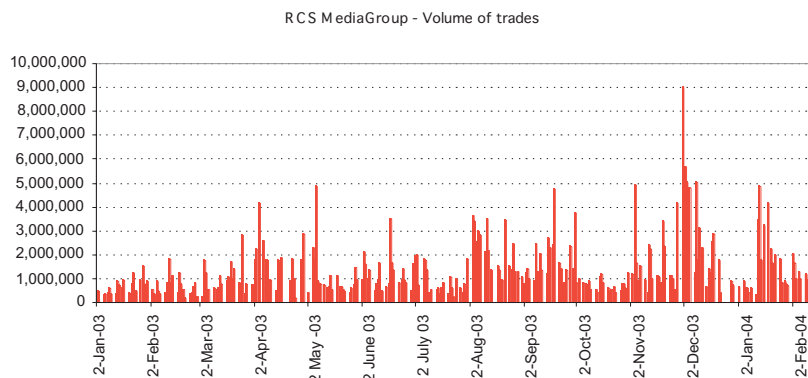
Italy's Mibtel index closed the year 10% higher than the year before, while the Midex climbed to 25,881 end the year, an increase of 25.0%.

In this context, the RCS MediaGroup stock managed to outperform both the domestic market index and the European index for media stocks (DJ Stoxx Media), posting an annual increase of over 30%.

In fact, the DJ Stoxx Media index increased by slightly more than 10% in 2003.



Low (February 10): Euro 1.67; High (December 1): Euro 3.20; Average price: Euro 2.39



Low (February 21): 177,676; High (December 1): 8,983,296; Average trades: 1,327,600

> Directors' report on RCS MediaGroup's operations

Director's report on RCS MediaGroup's operations

Director's report on RCS MediaGroup's operations

The European and Italian economic environment in 2003 was marked not only by the appreciation of the single currency, with a resulting impact on trade, but also by the weak state of the international economy.

Stagnation and failing consumer confidence affected corporate advertising expenditure, which continued to fall throughout the first half of the year; only in the second half did this trend start to reverse, mostly due to television advertising.

The group reacted to the downturn in advertising revenue by launching a number of new and successful publishing initiatives, especially involving daily newspapers in Italy and Spain. The phenomenon of so-called "associated products" (mostly books and videos/DVDs/CDs), sold in conjunction with newspapers and magazines, enjoyed further growth on top of the prior year's already significant volumes, buoyed up by the new initiatives launched by Italy's top publishers. The quality and originality of the products offered by the RCS group were a winning card. Being able to draw on the wide, prestigious range of the group's catalogues and the synergies between the various businesses, RCS's initiatives in this area met with a resounding success. We particularly recall the "I classici dell'arte" (art classics) collection, in cooperation with our affiliate Skirà, "La storia d'Italia" (History of Italy) by Indro Montanelli and the Book and Film Collections offered by *Corriere della Sera*. Extremely encouraging results were enjoyed by the initiatives launched by RCS Periodici ("Il Cucchiaino d'argento" (silver spoon) to name one of the many) and by *El Mundo* in Spain, in a highly competitive, fast-moving market, where such activities by newspapers started ahead of Italy.

While the *Corriere della Sera* enhanced its position in the Italian newspaper market in terms of circulation and contents, it was a year of major restyling for the group's magazines, a consolidation of certain leadership positions and the completion of the launch of *Amica*, which established itself as a benchmark publication in the field of women's monthly fashion magazines.

As for RCS Libri, in addition to the large number of important operations carried out in partnership with the group's newspapers, we recall the major success of "Undici minuti", the latest novel by Coelho which sold almost 700,000 copies. Excellent results were also reported by the collector's series in Italy, due to the larger number of releases and higher sales which helped boost RCS's market share.

The group's radio stations (Radio Italia Network and CNR) posted a big increase in advertising revenue, outperforming the commercial radio station sector as a whole, in itself doing extremely well.

Lastly, it is recalled that RCS MediaGroup, the De Agostini group and Rusconi/Hachette joined together in partnership (RCS and De Agostini with 45% apiece and Rusconi with 10%) to create m-dis, a new distribution company that will take up around 25% of the newspaper and magazine distribution market. The goal is to improve the quality of service to publishers, making use of a sophisticated information system, allowing much more precise and detailed planning and processing than in the past.

All the improvements described above, combined with strict control over operating costs, allowed the group, now focused solely on the publishing sector, to report a major improvement in its results in a still uncertain market.

Director's report on RCS MediaGroup's operations

The main differences in the scope of consolidation compared with the prior year are:

- > the line-by-line consolidation of the investment in Unedisa, following the purchase of an additional 35% interest, taking the group's total holding to 89.1%;
- > the departure of the Joseph Abboud group from the consolidation;
- > the formation of m-dis, as mentioned above.

The group's reclassified results together with prior year comparatives are as follows:

Reclassified consolidated income statement

(Euro/million)	2003	%	2002	%
A. Net revenues	2,236.9	100.0	2,214.0	100.0
Raw materials and services	(1,660.0)	74.2	(1,639.6)	74.1
Change in inventories of work in process, semifinished and finished products	9.8	0.4	(5.2)	0.2
Payroll costs	(402.9)	18.0	(410.7)	18.6
B. EBITDA	183.8	8.2	158.5	7.2
Amortization, depreciation, writedowns and provisions (*)	(97.7)	4.4	(97.7)	4.4
C. EBIT	86.1	3.8	60.8	2.7
Net financial income (charges)	(8.5)	0.4	(0.7)	0.0
Income (charges) from equity investments and adjustments to value of financial assets	52.1	2.3	(159.0)	7.2
D. Earnings before tax and extraordinary items	129.7	5.8	(98.9)	4.5
Net extraordinary income (charges)	(53.0)	2.4	14.0	0.6
E. Earnings before tax and minority interests	76.7	3.4	(84.9)	3.8
Income taxes	(22.3)	1.0	(56.7)	2.6
F. Net income (loss) before minority interests	54.4	2.4	(141.6)	6.4
(Net income) loss pertaining to minority interests	(8.3)	0.4	(10.7)	0.5
G. Net income (loss) pertaining to the group	46.1	2.1	(152.3)	6.9

(*) Includes Euro 10.7 million in provisions to the reserves for risks and charges (Euro 13.8 million in 2002)

Consolidated net revenues amounted to Euro 2,236.9 million, an increase of Euro 23 million over the prior year. This was due to a general improvement across nearly all the group's companies, along with the change in the scope of consolidation following the admission of the Unedisa group, offset by the departure of Joseph Abboud and the resulting valuation of GFT USA at net equity.

EBITDA was 16% higher than the year before at Euro 183.8 million (8% of revenues). This was due to the success of the initiatives combining associated products with sales of the group's principal Italian and foreign newspapers, the efficiencies achieved in overhead costs and the 5-10% drop in the price of paper.

Amortization, depreciation, writedowns and provisions amounted to Euro 97.7 million, in line with the year before.

EBIT improved by 42% to Euro 86.1 million.

Director's report on RCS MediaGroup's operations

The following table presents the key results by area of business; the group's different structure in 2002 means that it is not possible to compare the results by sector.

(Euro/million)	Revenues	Ebit	% of revenues
Newspapers – Italy	634.9	75.9	12.0%
Newspapers – Spain	257.7	13.3	5.2%
Services/other	50.4	(29.1)	
Newspapers – Italy + Spain	943.0	60.1	
Magazines – Italy	301.3	13.6	4.5%
Magazines – abroad	90.8	0.4	0.4%
Magazines – Italy + abroad	392.1	14.0	
Broadcast	26.7	(1.3)	-4.9%
Advertising	621.2	0.0	0.0%
Books	659.8	31.7 (*)	4.8%
Distribution	464.5	4.3	
RCS MediaGroup	21.9	(20.5)	
Eliminations/adjustments/other	(892.3)	(2.1)	
Consolidated RCS MediaGroup	2,236.9	86.1	3.8%

(1) Calculated on revenues net of Euro 22.7 million in recharges

Net financial charges came to Euro 8.5 million compared with Euro 0.7 million in 2002. The net charge is the result of Euro 20.4 million in income and Euro 28.9 million in charges. The lower amount of both financial income and charges was mostly as a result of GFT USA's departure from the consolidation. The parent company also reported lower financial income due to the smaller amount of average liquidity invested and lower rates of return than the year before.

Income from equity investments and adjustments to financial assets totaled a positive figure of Euro 52.1 million, having been a negative amount of Euro 159 million in 2002. Most of this amount was attributable to Euro 45.4 million for partially writing back the carrying value of the equity investment in Banca Intesa, based on its average stock price in the second half of the year, along with Euro 10 million in dividends and other income from equity investments. The net balance also included writedowns of Euro 6.8 million.

Net extraordinary charges amounted to Euro 53.0 million (compared with net income of Euro 14.0 million in 2002) comprised as follows:

- > provisions for non-recurring charges relating to the plan regarding subsidiaries (Euro 31.0 million) and the risks of loss in value by minority equity interests (Euro 15.0 million);
- > non-recurring charges relating to the early termination of the agreement with the founding shareholders of Unedisa and other charges relating to the Spanish company (Euro 8.6 million);
- > gains on the disposal of 10% of RCS Periodici (Euro 12.8 million);
- > other net extraordinary charges, mostly arising from provisions to reserves, out-of-period expenses and sundry costs, of which around Euro 10 million relating to RCS Libri.

Income taxes amounted to Euro 22.3 million (Euro 56.7 million in 2002) and included Euro 17.3 million in IRAP (Italian regional business tax), Euro 23.7 million in IRPEG (Italian corporate income tax) or similar foreign taxes and Euro 18.8 million in tax credits and net deferred tax items.

Director's report on RCS MediaGroup's operations

As a result of all these changes, the overall result was a net income of Euro 46.1 million, representing a considerable improvement over the prior year loss of Euro 152.3 million.

The following tables provide a geographical breakdown of revenues and employees:

Breakdown of revenues by geographical area

	Italy	Spain	France	Germany	Rest of EU	Rest of world	Total
RCS Quotidiani	685.3	257.7					943.0
RCS Periodici	301.3			90.8			392.1
RCS Broadcast	26.7						26.7
RCS Pubblicità	621.2						621.2
RCS Libri	335.3		213.5		78.3	32.8	659.8
RCS Diffusione	464.5						464.5
Other companies	12.1						12.1
RCS MediaGroup	21.9						21.9
Adjustments	(904.4)						(904.4)
Group	1,563.9	257.7	213.5	90.8	78.3	32.8	2,236.9

Breakdown of average number of employees by geographical area

In 2003 (average number)	Italy	Rest of U.E.	USA	Total
RCS Quotidiani	1,825	900		2,725
RCS Periodici (Italy and Abroad)	602	335		937
RCS Broadcast	65			65
RCS Pubblicità	444			444
RCS Libri	437	736	63	1,236
RCS Diffusione	63			63
RCS MediaGroup	105			105
Other companies	5			5
Total	3,546	1,971	63	5,580

As a result of the different scope of consolidation, the figures for 2002 are not comparable with those for 2003.

Director's report on RCS MediaGroup's operations

The balance sheet highlights from are summarized in the following table:

Reclassified consolidated balance sheet

(Euro/million)	12.31.2003	%	12.31.2002	%
Intangible fixed assets	341.4		353.0	
Tangible fixed assets	185.0		154.6	
Financial fixed assets	578.6		545.5	
A. Net fixed assets	1,105.0	81.4	1,053.1	86.4
Inventories	151.5		167.7	
Trade receivables	710.4		656.9	
Trade payables	(573.9)		(539.6)	
Other assets/liabilities	159.2		146.1	
B. Net working capital	447.2	32.9	431.1	35.4
Provision for risks and charges	(194.7)	14.3	(265.0)	21.6
C. Net capital employed	1,357.5	100.0	1,219.2	100.0
<i>Funded by:</i>				
Shareholders' equity pertaining to the group	1,006.9	74.1	971.9	79.7
Shareholders' equity pertaining to minority interests	49.5	3.7	52.8	4.4
Provision for employee termination indemnities	109.4	8.1	111.4	9.1
Medium/long-term financial payables	197.0		277.1	
Short-term financial payables	159.4		118.0	
Cash and banks and short-term financial receivables	(164.7)		(312.0)	
D. Net debt (cash)	191.6	14.1	83.1	6.8
E. Total sources of financing	1,357.5	100.0	1,219.2	100.0

Intangible fixed assets amounted to Euro 341.4 million at the end of 2003 (Euro 353.0 million in 2002). The changes are explained by differences in the scope of consolidation, following the disposal of Joseph Abboud and the purchase of an additional interest in Unedisa, now consolidated on a line-by-line basis.

Tangible fixed assets increased from Euro 154.6 to 185.0 million, as a result of consolidating Unedisa (which also purchased industrial buildings during the year), and additions mostly consisting of advances for the purchase of presses for "full color" printing, under leasing arrangements.

Financial fixed assets increased by Euro 33.1 million. This rise mostly relates to the subscription to the capital increase in Pirelli & C., the valuation at equity of the GFT USA group, formerly consolidated on a line-by-line basis, the partial reinstatement of the carrying value of Banca Intesa, the purchase of treasury shares during the year, along with the decrease in the value of Fila Holding following the disposal of its business activities.

As a result of the changes described above, net fixed assets, amounting to Euro 1,105.0 million, increased of Euro 51.9 million (Euro 1,053.1 million at the end of December 2002).

Net working capital rose from Euro 447.2 to 431.1 million. The change was attributable to the different scope of consolidation.

Director's report on RCS MediaGroup's operations

The reserves for risks and charges decreased to Euro 194.7 million from Euro 265.0 million at the end of the previous year. These reserves were mostly utilized as a result of selling the business activities of Fila Holding and GFTNet.

Net capital employed amounted to Euro 1,357.5 million, an increase of Euro 138.3 million on the 2002 figure of Euro 1,219.2 million, basically as a result of consolidating Unedisa on a line-by-line basis.

Net debt came to Euro 191.6 million (Euro 83.1 million at the end of 2002). The increase is mostly explained by the investment in tangible fixed assets (Euro 35.3 million) and financial fixed assets, amongst which the acquisition of an additional 35% interest in UNEDISA for Euro 93.3 million, the subscription to the capital increase by Pirelli & C. SpA for Euro 57.3 million, by Burda RCS International for Euro 8.0 million to purchase 37.5% of Catherine Nemo, the purchase of treasury shares for Euro 9.5 million, the purchase of 49% of Immobiliare Solferino 28 for Euro 15.5 million, as well as the impact of consolidating Unedisa line on a by-line basis. These investments helped boost cash flow, with total cash in flows from operations of Euro 46.2 million, while the disposal of Fila and 10% of RCS Periodici generated inflows of Euro 42.2 million and Euro 12.4 million respectively.

Statement of cash flows

	December 2003	December 2002
A. Opening net (debt) cash	(83.1)	(594.4)
B. Cash flow from operations	46.2	155.2
Net income (loss) for the year	46.1	(152.3)
Net income (loss) pertaining to minority interests	8.3	
Amortization, depreciation and writedowns	70.3	83.8
of which:		
- amortization and depreciation	70.3	68.5
- writedowns		15.3
Capital (gains) losses on disposal of fixed assets	(17.1)	(83.8)
Writedowns and (writebacks) of equity investments	(13.7)	172.2
Net change in reserves for risks and charges and employee termination	(19.9)	(25.8)
Net change in current receivables and payables	(27.8)	161.1
of wich:		
- inventories	20.2	33.9
- trade receivables	(71.1)	65.9
- trade payables	51.9	17.6
- other assets/liabilities	(28.8)	43.7
Other changes		
C. Cash flow from investment in fixed assets	(154.0)	71.0
Investment in fixed assets:		
- equity investments	(164.0)	(201.4)
> Unedisa	(93.3)	
> Pirelli	(57.3)	
> Burda RCS International Holding	(8.0)	
> Garamond	(0.7)	

Director's report on RCS MediaGroup's operations

	December 2003	December 2002
> Istituto Europeo di Oncologia	(1.5)	
> Omniprint	(1.1)	
> Fila (subscription to capital increase)		(105.5)
> Sper		(44.6)
> Poligrafici Editoriale		(28.6)
> Edition d'Art Albert Skira		(5.2)
> RBA Colleccionables		(5.7)
> Other minor equity investments	(2.1)	(11.8)
- Other fixed assets	(82.4)	(89.3)
> tangible fixed assets	(50.8)	(32.5)
- Capitalization of advance for new presses	(10.1)	
- Extraordinary maintenance by Solferino	(9.2)	
- Purchase of 49% Solferino allocated to property	(15.5)	
- Other tangible fixed assets	(16.0)	
> intangible fixed assets	(22.1)	(39.0)
> treasury shares	(9.5)	(17.8)
Proceeds, or reimbursement value, from sale of fixed assets	16.1	360.7
- of which relating to the disposal of:		
> RCS Diffusione	3.9	
> RCS Periodici	12.4	
> Fila takeover bid	(6.7)	
> Valentino		236.4
> property in Via Turati (Milan)		63.5
> Edif		28.3
> property in Corso Emilia (Turin)		14.5
> Facis e Svik		6.2
> Revedi		3.2
Reduction of Fila long-term financial receivables		
Other changes	76.3	1.0
D. Capital increase	3.9	-
E. Increase (decrease) in foreign exchange reserve	(14.4)	(29.3)
F. Change in shareholders' equity pertaining to minority interests	(1.8)	(24.2)
G. Effect of deconsolidating Fila	42.2	282.4
H. Effect of deconsolidating RCS Diffusione	(12.6)	
I. Effect of consolidating Unedisa	(18.0)	
L. Effect of change in method of consolidating GFT NET and other changes		56.2
M. Net cash flow in the period (B + C + D + E + F + G + H)	(108.5)	511.3
N. Closing net (debt) cash (A + I)	(191.6)	(83.1)
Analysis of net debt	(191.6)	(83.1)
Liquid funds and short-term financial receivables	164.7	312.0
Medium-term financial payables	(197.0)	(277.1)
Short-term financial payables	(159.3)	(118.0)

RCS MediaGroup SpA (parent company)

Report on operations

The year closed with net income of Euro 51.5 million, compared with a loss of Euro 194.4 million in 2002. The return to profit was due to the receipt of significant dividends from subsidiaries and Euro 30.8 million in writebacks to the value of financial assets.

Apart from the changes in the group's structure from the start of this year in the wake of the partial spin-off from RCS Editori, the main events affecting the income statement were as follows:

- > in December, RCS MediaGroup paid Euro 15.5 million to the joint venture between Pirelli & C. Real Estate and The Morgan Stanley Real Estate Funds to buy the remaining 49% of share capital in Immobiliare Solferino 28, thereby regaining ownership of the entire premises located in Via Solferino, the group's historic headquarters and symbol of Italian newspaper publishing;
- > October saw the close of the offer to purchase ordinary shares and American Depositary Shares (ADS) in the subsidiary Fila Holding; RCS MediaGroup received applications for a total of 6,867,194 ADS (7.11% of share capital), taking its interest in Fila Holding to 98.20%. In December Fila Holding changed its name to RCS Investimenti;
- > In June, RCS MediaGroup, De Agostini and Hachette Rusconi executed the agreement made on December 5, 2002 to create a joint venture for the distribution of their own and third-party publishing and other products through the newsagent channel. RCS MediaGroup and Istituto Geografico De Agostini each hold a 45% interest in the joint venture, while Hachette Rusconi has 10%;
- > still in June, Fila Holding sold its interests in Fila Nederland, Fila Sport, Ciesse Piumini and Fila USA to Sport Brands International LLC (controlled by Cerberus, a US private investment fund). The sale price was USD 351 million, gross of Euro 295 million in net debt at December 31, 2002. This marked the conclusion to the group's disposal of its investments in the fashion sector, which started last year.

Director's report on RCS MediaGroup's operations

> Financial highlights

The company's reclassified income statement, together with prior year comparatives, is presented below:

(Euro/million)	2003	2002	Changes
Dividends and tax credits	61.5	8.7	52.8
Net financial income	10.4	18.0	(7.6)
Revenues from sales and services and other income	21.9	10.1	11.8
Amortization, depreciation and writedowns	(0.4)	(0.8)	0.4
Operating costs	(40.6)	(30.7)	(9.9)
Other overheads	(1.4)	(1.7)	0.3
Value adjustments to financial assets	30.8	(195.6)	226.4
Earnings before tax and extraordinary items	82.2	(192.0)	274.2
Net extraordinary income (charges)	(27.4)	(1.1)	(26.3)
Earnings before tax	54.8	(193.1)	247.9
Income taxes	(3.3)	(1.3)	(2.0)
Net income (loss)	51.5	(194.4)	245.9

Dividends, including the related tax credits, amounted to Euro 61.5 million, an increase of over Euro 52 million on the prior year. The most significant changes compared with the prior year related to RCS Quotidiani (Euro 19.2 million) and RCS Periodici (Euro 14.4 million), plus related tax credits.

Net financial income (Euro 10.4 million) was Euro 7.6 million lower than in 2002, mostly due to the smaller amount of average liquidity invested in the year and lower interest rates.

Revenues from sales and services, earned from services provided to subsidiaries, more than doubled to Euro 21.9 million, up from Euro 10.1 million the year before.

At the same time, operating costs increased from Euro 30.7 to 40.6 million.

Value adjustments to financial assets consisted of net writebacks of Euro 30.8 million, compared with net writedowns of Euro 195.6 million in 2002. The most significant change related to Euro 45.4 million for partially reinstating the value of the equity investment in Banca Intesa, based on its average stock price in the second half of the year (having been written down by Euro 66.1 million in 2002 based on the average stock price in the second half of that year). This was offset by the writedowns to DADA and Poligrafici Editoriale for Euro 2.9 million and Euro 3.9 million respectively to align their carrying values with average market price in the second half of 2003, and other minor writedowns of Euro 8.1 million.

Net extraordinary charges came to Euro 27.4 million compared with Euro 1.1 million in 2002. The net balance derives from capital gains on the sale of 10% of RCS Periodici to the Burda group under agreements made in 1995 and the writedown of GFTNet, whose carrying value was completely written off following the sale of its operating companies. In addition, an extraordinary provision was booked against risks associated with minority equity investments.

Earnings before tax were a profit of Euro 54.8 million compared with a loss of Euro 193.1 million the year before.

Director's report on RCS MediaGroup's operations

The tax charge amounted to Euro 3.3 million and included Euro 0.4 million in IRAP (Italian regional business tax) and Euro 2.9 million in net deferred tax charges.

Net income for the year came to Euro 51.5 million.

The balance sheet highlights are summarized in the following table:

(Euro/million)	12.31.2003	12.31.2002	Changes
Fixed assets	934.7	733.8	200.9
Net working capital	94.3	74.5	19.8
Reserves for risks and charges	(44.7)	(97.0)	52.3
Net cash and banks	145.4	246.1	(100.7)
Net capital employed	1,129.7	957.4	172.3
Funded by:			
Shareholders' equity	1,125.7	954.4	171.3
Other liabilities	4.0	3.0	1.0

Fixed assets amounted to Euro 934.7 million, up from Euro 733.8 million at the end of 2002. The increase was mostly due to investments in financial fixed assets.

The net increase of Euro 200.9 million was attributable to Euro 234.6 million in equity investments transferred to the parent company under the partial spin-off from RCS Editori; Euro 15.5 million for the 49% interest in the share capital of Immobiliare Solferino 28 to regain full ownership of the premises housing "Corriere della Sera" and "Gazzetta dello Sport"; Euro 66.9 million primarily for the subscription of the capital increase in Pirelli & C. S.p.A. (Euro 57.3 million) and Burda RCS International Holding GmbH (Euro 8.0 million), the latter for funding the purchase of Catherine Nemo; and Euro 6.8 million for purchasing Fila's American Depositary Shares following the takeover bid for the purposes of delisting the company. Financial fixed assets also benefited to the tune of Euro 45.4 million from the partial reinstatement of the value of the investment in Banca Intesa S.p.A.

The changes going in the opposite direction mostly referred to writedowns (Euro 107.0 million) and decreases associated with spin-offs (Euro 110.0 million). The equity investment in Fila Holding was written down to align its value with the interest in its net equity at December 31, 2003, while the investment in GFT NET was written down following the sale of Joseph Abboud and the virtual termination of the group's operations. The decreases associated with spin-offs referred exclusively to the cancellation of the 110,000,000 shares of par value Euro 1 each in RCS Quotidiani.

Net working capital amounted to Euro 94.3 million compared with Euro 74.5 million at December 31, 2002, mostly as a result of the higher amount of tax credits on dividends received during the year.

The reserves for risks and charges went down from Euro 97.0 to 44.7 million. Utilizations for the period were mostly associated with the disposal of the operating activities of Fila Holding and GFTNet. New provisions totaling Euro 29.5 million were made against risks of potential disputes, restructuring and the loss in value of minority equity investments.

Net cash and banks amounted to Euro 145.4 million compared with Euro 246.1 million at the end of the prior year. The decrease was most attributable to the investments made, such as the

Director's report on RCS MediaGroup's operations

subscription to the capital increase in Pirelli & C. for Euro 57.3 million, the purchase of the 49% of the share capital in Immobiliare Solferino 28 for Euro 15.5 million, the purchase of treasury shares for Euro 9.5 million and of Fila American Depositary Shares for Euro 6.8 million, and the capital increase by the Burda RCS International Holding group for Euro 8 million, as well as new loans given to subsidiaries as part of intercompany current account transactions.

This expenditure was mostly funded by reducing financial investments in deposits and securities, by borrowings from subsidiary and associated companies as part of intercompany current account transactions, and by a modest increase in bank debt.

Shareholders' equity increased from Euro 954.4 to 1,125.7 million as the combined result of booking Euro 115.8 million to the reserve for spin-off surpluses, of recording net income for the period and of exercise of existing stock options, which occurred at year end.





Director's report on RCS MediaGroup's operations

Newspapers

Sector profile

RCS Quotidiani runs the group's newspaper publishing activities in Italy and Spain, represented by the titles *Corriere della Sera*, *La Gazzetta dello Sport*, *City* and *El Mundo del Siglo XXI*. It also organizes initiatives to develop the brands of its various newspapers, through associated products and events. The RCS Quotidiani group also runs certain services on its own account and for other RCS group companies.

Income statement highlights

(Euro/million)	2003	%	2002	%	% change
Circulation/other revenues ⁽¹⁾					
- Newspapers Italy	366.0		320.2		14.3
- Newspapers Spain	157.2		78.5		100.3
Advertising revenues					
- Italy	268.9		279.4		(3.8)
- Spain	100.5		52.3		92.2
Other revenues, income and adjustments	50.4		35.7		41.2
Total net revenues	943.0		766.1		23.1
(1) Of which associated product sales by Corriere and Gazzetta	110.8		57.8		
(Euro/million)	2003	%			
- Newspapers Italy	75.9	11.9			
- Newspapers Spain	13.3	5.2			
- Services/other	(29.1)				
EBIT	60.1				

Net revenues were Euro 176.9 million higher than the year before, reflecting the higher equity interest in the Unedisa group and its resulting line-by-line consolidation. Excluding the impact of Unedisa's first-time consolidation, the increase in net revenues was around Euro 68 million. This was mostly due to associated product sales in both Italy and Spain, which more than offset the decline in Italian advertising revenues.

EBIT for the sector came to Euro 60.1 million.

> Newspapers - Italy

Market trend

The market was stable in terms of the number of copies sold, although circulation revenues were higher due to the sale of associated products – books, videocassettes, DVDs, CDs – in conjunction with newspapers. This vogue extended to nearly every newspaper publisher, but was particularly driven by the market leaders, who managed to strengthen their leadership using this tactic.

Director's report on RCS MediaGroup's operations

The crisis affecting the Italian advertising market since 2001 continued throughout the first six months of the year; only in the second half were there the first signs of an upturn, also benefiting the newspaper segment but to a lesser extent than for other media.

The so-called "free press" market, where RCS operates through its subsidiary City Italia, also experienced a certain consolidation. The three titles serving this market (*City*, *Leggo* and *Metro*) distributed around 1.5 million free copies per day.

Lastly, the price of paper reported yet another decrease; average prices in 2003 were around 10% lower than in 2002.



Operating performance

Despite the generally uncertain backdrop, the group's two historic titles, *Corriere della Sera* and *La Gazzetta dello Sport*, posted solid results in terms of the number of copies sold: *Corriere* 681,000 copies on average per day, in line with 2002, and *Gazzetta* 425,000 copies per day, slightly down on the prior due to the absence of major sporting events.

Both *Corriere* and *Gazzetta* reported about a 5% decline in advertising revenues compared with the previous year. This was mostly due to nationwide commercial advertising, which was about 6% lower than the year before, in line with the market trend.

The results benefited from a strong contribution, both in terms of revenue and earnings, by associated product sales, partly the fruit of the close collaboration between RCS Quotidiani and RCS Libri. A particular mention should go to the "I Classici dell'Arte" (Art Classics) series (with average sales of over 350,000 copies for the 17 editions published in the year) and Montanelli's "La Storia d'Italia" (History of Italy), selling an average of 370,000 copies for the 7 editions published during the year.

EBIT also benefited from a general reduction in costs and the Free Press sector's gradual progress towards breakeven.

Principal corporate changes and significant events

- > The *Corriere della Sera* continued its plans for development along regional lines. After the edition for the Veneto region, which joined those for Milan, Rome, Naples and Bari at the end of 2002, the Trentino Alto Adige edition was launched in November, produced by the company Editoriale T.A.A. in partnership with the publisher of the newspaper "L'Adige". The initial results of this new venture have been very satisfying.
- > The project regarding plant equipment that will enable *Corriere* to be printed in "full color" starting from next year is at an advanced stage of progress. The project will make it possible to increase the number of pages and enhance the overall systems for producing and distributing *Corriere* and *Gazzetta*.
- > After six years as editor-in-chief of *Corriere della Sera*, Ferruccio de Bortoli left the paper for another important assignment within the group. Stefano Folli was appointed as the paper's new editor.
- > A number of projects were commenced in the second half of the year aimed at identifying new programs of development and various measures for achieving greater efficiency.



> Newspapers – Abroad

Market trend

The Spanish newspaper market reported stable circulation figures, but higher revenues due to the sale, at a premium, of associated products. The vogue for associated products has existed in Spain for a number of years. Given these circumstances, our Unedisa subsidiary managed to obtain extremely good results.

As for advertising investment, the Spanish market benefited from a reversal in the trend in the second half of the year, although with differences between the various types of media. Print media advertising, nonetheless, suffered a slight fall compared with the prior year, mostly relating to daily newspapers.

Director's report on RCS MediaGroup's operations

Operating performance

The Unedisa group's revenues amounted to Euro 257.7 million, representing an increase of over 7% on a consistent comparative basis, mostly attributable to associated product sales.

Sales of these products also helped sustain the circulation of *El Mundo* which closed the year with average sales of 285,000 copies per day, confirming its number two ranking after *El País*.

El Mundo also reported a slight increase in advertising revenues, an encouraging result when compared with the rest of the national newspaper market, whose revenues from this source were 2% lower.

Having purchased an additional 35% of Unedisa's capital from the Recoletos group, RCS Quotidiani increased its interest to 89.1%, contributing to the strong recovery in the company's results.

EBIT not only benefited from the margin arising on higher revenues but also from lower operating costs thanks to a decrease in the price of paper and the measures for rationalizing various areas of the business.







Director's report on RCS MediaGroup's operations

Magazines

Sector profile

RCS Periodici comprises a total of 7 weekly and 23 monthly magazines in Italy, published by RCS Periodici and the subsidiaries Darp (a joint venture with the De Agostini group) and Sfera Editore.

The division has over 130 titles abroad, operating in partnership with the German publisher Burda in Germany, Eastern Europe, Turkey, France, Greece and Southeast Asia and with various other publishers in different countries. The results presented below refer solely to the German businesses run by Verlagsgruppe Milchstrasse (publisher of *TVSpielfilm*, *Amica*, *Cinema*, *Fit For Fun*) and to Max Verlag (publisher of *Max*), while the other businesses are consolidated at equity.

Income statement highlights

(Euro/million)	2003	%	2002	%	% change
Circulation revenues					
- Magazines Italy	127.5		125.0		2.0
- Magazines Abroad	33.6		33.7		(0.3)
Advertising revenues					
- Italy	153.7		153.9		(0.1)
- Abroad	49.5		53.1		(6.8)
Other revenues	27.8		26.5		4.9
Total net revenues	392.1		392.2		(0.0)
(Euro/million)	2003	%			
- Magazines Italy	13.6	4.5			
- Magazines Abroad	0.4	0.4			
EBIT	14.0	3.6			

Net revenues came to Euro 392.1 million. This was broadly in line with the year before, despite the drop in advertising revenues by the German titles.

EBIT, totaling Euro 14.0 million, reflected the combined effects of the strong performance by the publishing initiatives in Italy and the large drop in magazine advertising revenues earned abroad.

> Magazines - Italy

Market trend

The market was basically stable in terms of the number of copies sold, despite the launch of new titles and the consolidation of products launched in 2002. Women's weekly, TV and other monthly magazines (men's fashion, internet, tourism and health) were the market segments whose sales volumes suffered most.

Director's report on RCS MediaGroup's operations

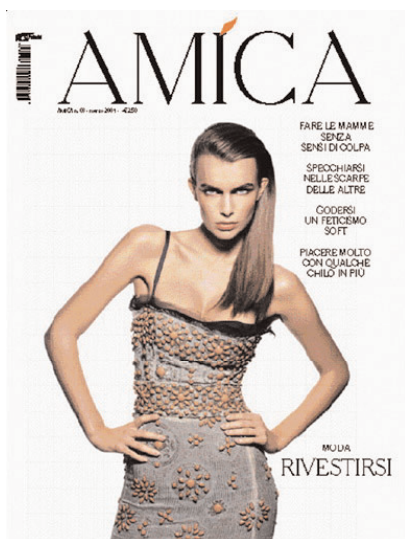
Magazine advertising revenues increased by 1.0%. Among the various advertisers, the sectors of consumer goods (especially food), distribution, motoring and soft/alcoholic beverages all reported higher expenditure. Instead, advertising investment by the fashion and cosmetics sectors was flat.

Operating performance

Magazine circulation revenues were 2.0% higher thanks to the growth in sales of associated products.

Advertising revenues were basically unchanged. At the start of the year RCS Pubblicità took over management of the advertising space for several important weekly publications, previously handled by Cairo Pubblicità. Although advertising rates fell, there was an overall increase in the number of advertising pages.

There were continued efforts during the year to strengthen our presence in the women's segment, where RCS Periodici is market leader with its publications of *Io Donna*, *Anna* and *Amica*. The layout and contents of *Anna* and *Io Donna* were restyled over the summer to reflect a new positioning on the advertising market. *Amica* confirmed itself as the market leader in the monthly fashion magazines segment.



The family segment reported higher circulation for its publications, helping boost market share for *Oggi*, *Visto* and *Novella*. Sales of associated products went very well, contributing to a major increase in revenues. The range of such products was also expanded, with excellent responses reported to offers such as "Il Cucchiaino d'Argento" (cookery), pop music CDs by Carlo Conti and the "Guide rapide d'Italia" (Quick guides to Italy) by Touring Club Italiano, all sold in conjunction with the weekly magazine of *Oggi*. Advertising revenues in this segment started to pick up in the second half of the year, reporting rates of growth well above the market as a whole.

The furnishings segment, with the monthly magazines *Casamica* and *Brava Casa*, consolidated its circulation figures, with a modest decrease in advertising revenues, in line with this sector as a whole.

The childcare segment, with its important market shares thanks to the magazine *Insieme* and the publications and services of the *Sfera* group, maintained its circulation figures and advertising revenues at the same level as the previous year. It expanded the range of products offered to consumers via its mail order service and the range of services provided to advertising customers. Revenues and earnings were both higher.

The men's segment was particularly hard hit by the drop in advertising revenues from the financial and insurance sectors. The layout and contents of *Max* were restyled in the spring, obtaining a high approval rating from its public. This monthly magazine increased its market share and achieved higher advertising revenues. *Capital* and *Il Mondo* maintained their respective leadership positions in terms of the number of copies sold.

Among the specialist titles, both *Astra* (astrology) and *Europeo* performed well. The layout of *Newton* was completely restyled in October with a view to targeting a more sophisticated readership than that of its competitors.

The spring launch of *Le Vie del Gusto*, the new monthly gastronomic tourism magazine responding to new consumer and tourism trends, met with encouraging results.

EBIT climbed to Euro 13.6 million, despite the major promotional costs incurred for the launch of the new monthly magazines *Amica* and *Vie del Gusto*. Transport costs increased mostly as a result of higher postage rates, while cost-saving measures helped reduce production costs.

> Magazines – Abroad

Market trend

Germany's difficult economic situation affected the communication market, where a general decline in magazine circulation was caused by the lower consumer spending.

Magazine advertising revenues were 2.0% lower since advertising budgets tended to allocate investments to other media, notably newspapers.

Operating performance

The uncertain economic climate and consequent decline in circulation affected the publications of the Verlagsgruppe Milchstrasse group.

TVSpielfilm managed to counter the decline in copies sold only due to a special campaign to increase subscription copies. A more significant decline in sales was reported by *Amica*, *Fit For Fun* and *Cinema*, whose layouts and contents have been or are being face lifted.

The 6.8% decrease in advertising revenues reflected a general reduction in volumes. *TVSpielfilm* was particularly hard hit and, like its main competitors, was affected by the cutback in investment by the motoring, telecommunications and financial/insurance sectors.

Operating costs were generally lower due to specific cost-saving measures, the reduction in headcount, the fall in the price of paper and the renegotiation of certain printing contracts.

Yet another plan for corporate restructuring was commenced that should generate cost savings partly as a result of giving notice on a number of property leases.

Director's report on RCS MediaGroup's operations

Principal corporate changes and significant events

Burda Rizzoli Verlag (jointly controlled by RCS and Burda) purchased the entire share capital of Amica Verlag and Kino Verlag Holding in January 2002.

RCS International Magazines BV purchased 75% of Max Verlag in January.





Director's report on RCS MediaGroup's operations

Radio broadcasting and press services

Sector profile

The RCS Broadcast group (formerly the Sper group) operates in the radio broadcasting sector and, at 31 December 2003 comprised of the following companies:

- > RCS Broadcast (now RCS Radio and TV), the parent company;
- > Finwork Finanziaria Italia (now RCS Broadcast), the company which controls the national radio station of RIN - Radio Italia Network;
- > CNR, the company that manages the local radio syndication of *CNRplus*;
- > AGR - Agenzia Giornalistica Radiotelevisiva - is one of the main Italian press and radio news agencies.

Income statement highlights

(Euro/million)	2003	%	2002	%	% change
Broadcasting/other revenues (*)	6.7	25.1	4.2	13.7	59.5
Advertising revenues	20.0	74.9	19.1	86.3	4.7
Total net revenues	26.7	100.0	23.3	100.0	14.6

(*) Includes revenues from press services

(Euro/million)	2003	%
EBIT	(1.3)	(4.9)

RCS Broadcast subcontracted its media advertising sales to RCS Pubblicità effective from January 1, 2003, having been previously handled directly by its own sales network. This means that advertising revenues are not comparable with those in the prior year. On a consistent comparative basis, CNR and RIN both outperformed the market, with growth of 25% and 28% respectively. AGR also turned in a strong performance, with a 50% increase in revenues. Income from meetings and events grew by 60%.

There was a major improvement in EBIT, reflecting higher advertising revenues, the renegotiation of advertising space buying contracts with the radio stations affiliated to CNR, lower payroll costs (Euro 0.4 million) and lower marketing costs (around Euro 1 million).

Market trend

The average number of listeners (around 35 million individuals on the "average day before") was in line with the prior year. The public networks reported a major decrease (750,000 and 400,000 listeners for Rai1 and Rai2 respectively), while private radio stations increased their listener numbers.

Good results were also reported in terms of advertising revenues: radio advertising grew by 15.9% compared with the prior year (Nielsen Media Research figures), representing the largest increase of all the various types of media. The RAI's stations lost ground in this area as well, posting a 2.9% decrease compared with a 24.0% increase by the private broadcasters. These percentages were the result of a considerable growth in the number of slots sold (+16.4% on 2002), in turn due to lower average prices.

Director's report on RCS MediaGroup's operations

Operating performance

The increase in advertising revenues and the measures to cut costs both contributed to the significant improvement in EBIT. In addition to this, we recall the investments made in frequencies designed to increase territorial coverage and the quality of transmission by Radio Italia Network. These investments were concentrated in the areas of Florence, Alessandria and the North East.

The process of changing program content, started towards the end of 2002, continued throughout the year with the aim of reaching new categories of listener.

Principal corporate changes and significant events

Plans for a corporate reorganization were initiated in the last few months of the year with the goal of concentrating all the RCS Broadcast group's operating activities under a single company, namely Finwork Finanziaria Italia (now called RCS Broadcast). The creation of this new structure, effective from January 1, involved purchasing CNR and AGR and part of RCS Broadcast (now called RCS Radio e TV).

As regards the development of digital broadcasting technology, Consorzio Club DAB Italia (one of whose founders is RCS Broadcast) obtained authorization from the Ministry of Communications to set up an initial nucleus of 30 stations in Italy, equipped for the experimental transmission of digital radio signals. The Consorzio therefore drew up a plan for developing the transmission network over the period 2004-2008, which its shareholders duly approved. This plan showed the investment required from each individual shareholder, ranging from Euro 80-100,000 per year, to build and run the DAB transmission network.







Director's report on RCS MediaGroup's operations

Advertising

Sector profile

As from January 1, 2003 RCS Pubblicità is responsible for all the group's advertising activities. It manages advertising space for the group's publications and controls IGPDecaux (leader in the outdoor advertising sector) and Blei (advertising broker for foreign media); as well as RCS Dada Advertising (internet advertising).

(Euro/million)	2003		2002 (1)		changes	
	Valore	%	Valore	%	Valore	%
RCS Pubblicità	490.9	79.1	457.3	79.2	33.6	7.3
IGPDecaux group (outdoor advertising)	101.5	16.3	86.3	15.0	15.2	17.6
Blei (foreign media advertising broker)	27.3	4.4	33.6	5.8	(6.3)	(18.7)
RCS Dada Adv. (internet advertising broker)	1.5	0.2			1.5	n.s.
Total revenues	621.2	100.0	577.3	100.0	43.9	7.6
(1) Pro-forma figures.						
EBIT	0.0					

Advertising revenues increased by 7.6% compared with the prior year due to a number of differences in the basis of comparison; conversely, national advertising revenues relating to *Corriere* and *Gazzetta* were lower, in line with the market trend. The IGPDecaux group reported a major increase in revenues partly due to the consolidation of ADR Advertising, but chiefly thanks to the growth in income in the "subway" and "transport" advertising sectors. Blei closed the year with lower revenues than the year before as a result of the international crisis affecting its main markets of operation.

EBIT was a breakeven, after charging around Euro 6 million in goodwill amortization relating to IGP Decaux and Blei.

Market trend

The advertising market grew by 3.3% over the year due to a good second-half performance, which more than offset the downturn still affecting the first half. The second-half recovery was driven by TV, whose advertising revenues grew 4.9% year-on-year (compared with a 3.2% contraction for the RAI's channels). In contrast, print media advertising closed 0.4% lower, mostly attributable to the newspaper segment (down 1.3%) which was hit by the downturn in nationwide commercial advertising (down 5.9%), while magazines managed a 1.0% increase. Radio advertising enjoyed a good year, up 15.9 %, combining the excellent performance by private broadcasters (24.0%) and the poor results posted by the RAI networks (-2.9%). Billboard advertising also did well, climbing 3.2%.

Advertising expenditure in the food, motoring and distribution sectors grew by 5.1%, 3% and 16.5% respectively. Towards year end there were also signs of a recovery in the

Director's report on RCS MediaGroup's operations

financial/insurance sector. Expenditure on print media advertising was buoyed by the telecommunications (+6.8%) and distribution (+17.6%) sectors, making up for the decline in the motoring and financial/insurance sectors.

Operating performance

RCS Pubblicità: As from January 1, 2003 *Anna, Oggi, Visto, Novella 2000* and *Salve* all entered the company's portfolio, having been previously handled by Cairo Pubblicità, whose contract renewals for 2003 corresponded to around 30% of the overall portfolio.

Contracts were acquired for managing the advertising slots of the radio stations CNR Plus, RIN and One-o-one and for *L'Unione Sarda*.

RCS ceased to manage advertising space for *Elle* and *Elle Decor* from April 30, 2002 and for *Fit For Fun, Yacht Capital, Happy Web* and *Cipria* from January 1, 2003.

These differences in the basis of comparison explain the steep increase in revenues, which were partly offset by the downturn for newspapers. The latter was attributable to commercial advertising, whose decrease in the case of *Corriere della Sera* and *Gazzetta dello Sport*, was in line with the market's. Recruitment advertising also experienced a downturn although this trend appeared to halt towards the end of the year. Legal advertising and Milan local advertising performed well (+3.9%).

As for RCS's magazines, *Amica* performed well, confirming itself as the leading magazine for fashion advertising, as did *Max*, whose design and contents were restyled, to great public acclaim, as reflected in the increase in its market share and advertising revenues. *Oggi* also enjoyed good results, increasing its readership. *Io Donna, Brava* and *Casamica* all reported a slight drop in advertising, although the largest fall was seen by *Il Mondo*, which was hit by lower spending by its target customers, namely the business and computing sectors.

As for the advertising slots handled for RCS Broadcast's radio stations, comparison with the prior year, when this activity was managed directly by RCS Broadcast, reveals significant growth both for RIN and CNR, which beat the already impressive performance by the commercial radio station market as a whole.

IGPDcaux Group: Revenues increased by 8.9% on a consistent comparative basis, partly due to the strong demand for "subway" and "transport" advertising and partly due to the modest recovery in the billboards market. The first-time consolidation of ADR Advertising, the outdoor advertising broker at Rome's airports, gave an additional boost to revenues.

The first contract for "street furniture" was performed during the year in the city of Naples.

The major increase in revenues caused EBIT to improve by Euro 2.5 million.

Blei: the 18.7% decrease in revenues was caused by the large reduction in expenditure by important advertisers in the consumer goods and fashion sectors and by the international crisis that particularly affected the broker's main countries of operation, especially Germany.

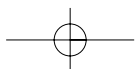
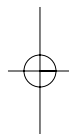
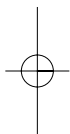
Principal corporate changes and significant events

RCS Dada Advertising was formed on July 1, 2003 as the result of combining the internet advertising sectors of the RCS and Dada groups. The company handles the bookings of on-line advertising for websites belonging to RCS and Dada (Supereva and Clarence). On-line advertising increased by an overall rate of 3.3%.

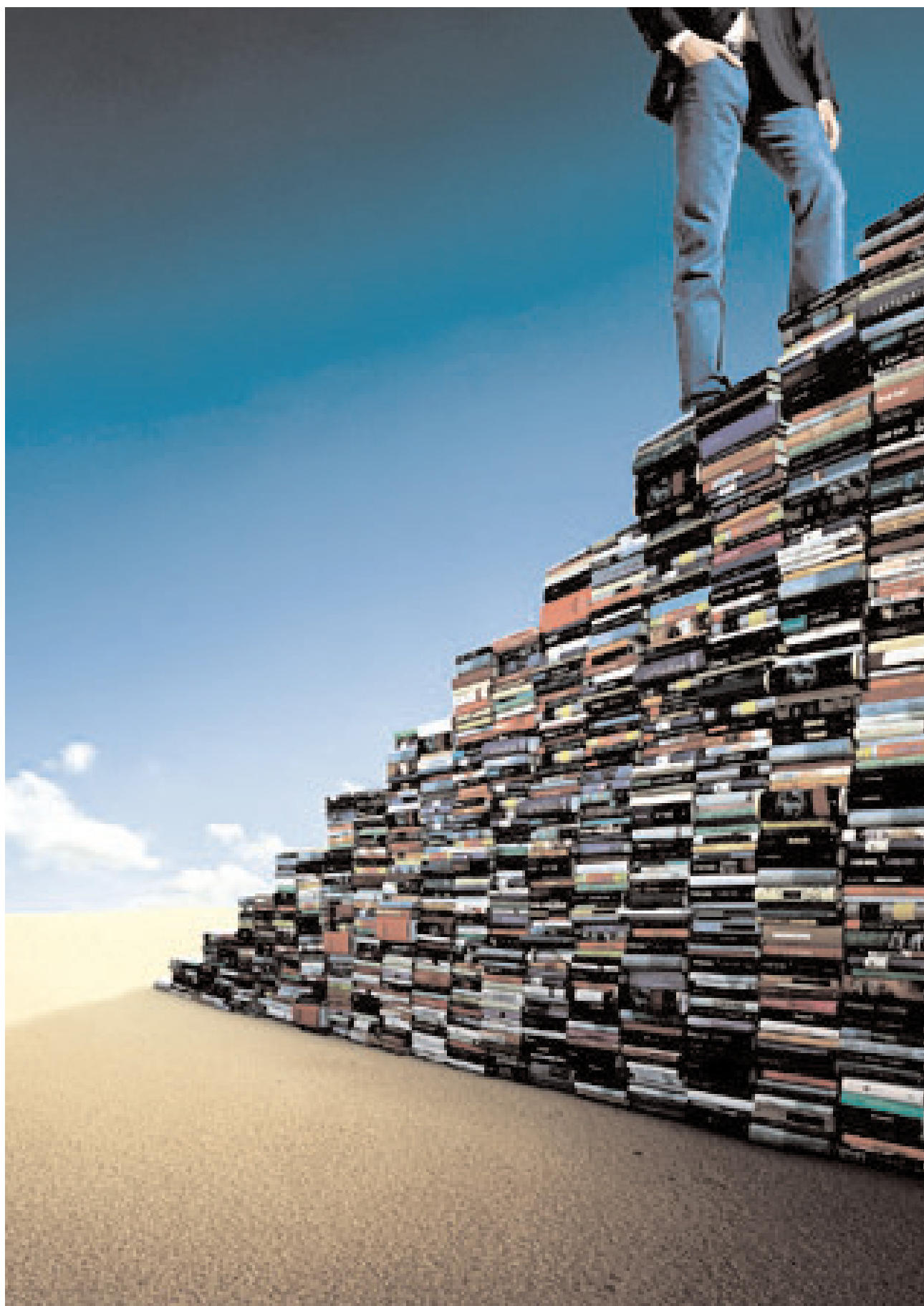
Director's report on RCS MediaGroup's operations

IGPDcaux started working in the sector of "street furniture" with a contract in Naples, where it erected 50% of the bus/tram shelters. It also completed installation of the new lighting systems on the Milan subway.

IGP also won the tender called by SEA (which runs the airports of Milan Linate, Milan Malpensa and Orio di Serio in Bergamo), obtaining an extension of the concession for another 5 years. Lastly, a joint venture was formed with GTT (in charge of Turin's public transport) to handle advertising on bus/tram shelters and other types of "street furniture".







Director's report on RCS MediaGroup's operations

Books

Sector profile

RCS Libri is in charge of the RCS group's activities in the book publishing sector in Italy (Fabbri, Bompiani, Rizzoli, BUR, Sonzogno, Marsilio, Coccinella, Adelphi of which it owns 48%, R.L., etc.), in France (Flammarion group including Edition Flammarion, J'ai lu, Casterman) and the United States (Rizzoli and Universe); in the schoolbook and professional publishing sector (Fabbri, Etas, La Nuova Italia, Sansoni, Tramontana, Oxford, Calderini, Edagricola, Markes, Educazione & Scuola, Edizioni del Quadrifoglio, Garamond); in the legal, university and professional publishing sector (La Tribuna); in the reference sector " (Rizzoli-Larousse joint venture); and in the partworks sector (in Italy and abroad, mainly via Fabbri).

Consolidated income statement highlights

(Euro/million)	2003	%	2002	%	% change
Revenues					
General - Italy	110.2		112.3		(1.9)
Education (Schoolbooks/Professional)	92.3		99.8		(7.5)
Partworks	194.2		203.4		(4.5)
General - France	226.1		227.3		(0.5)
Other revenues and income (*)	37.0		39.5		(6.3)
Total net revenues	659.8		682.3		(3.3)

(*) Includes RCS Corporation USA

(Euro/million)	2003	%
EBIT	31.7	5.0 (*)

(*) Calculated on revenues net of Euro 22.7 million in recharges

The sector's total revenues of Euro 659.8 million were Euro 22.5 million lower than the year before. If we exclude the Nuova Italia Bibliografica business (professional segment) sold in July 2002 (Euro 7.1 million), the smaller number of bookshops managed in Italy, France and the United States (Euro 1.9 million), the different composition of companies in Spain's and RBA Italia's partworks divisions (Euro 4.3 million) and the impact of translating sales in markets outside the euro area into euro (Euro 8.4 million), then revenues were basically the same as the previous year.

EBIT reported a considerable improvement over the prior year.

This was due to:

- > the higher margins on the partworks launched in the year by Collezioneabili Italia;
- > the success of associated products sold in conjunction with the group's newspapers (Biblioteca del Corriere, Classici dell'Arte and Montanelli's Storia d'Italia);
- > lower overheads as a result of reorganizing and revising processes.

Director's report on RCS MediaGroup's operations

> General - Italy

Market trend

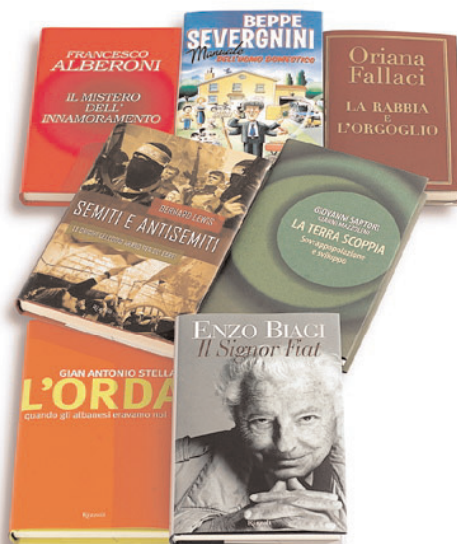
The "adult" fiction market increased by 3.3% in value and 2.1% in volume.

Sales via the mass retail market grew by 5% (2% as a result of opening new sales outlets).

Sales via the newsagent channel of competitively priced book collections in conjunction with newspapers continued to enjoy excellent results.

In terms of the types of books, there was a 5.7% increase in sales of Italian fiction, while non-fiction grew by 3.4%.

According to Demoskoepea (which has enlarged the market of reference, affecting the market shares of the principal competitors by around 4-5 percentage points), RCS's publishing houses account for 12.9% of the market. This is slightly lower than last year's figure of 13.8%, which had benefited from the exceptional sales of Oriana Fallaci's "La Rabbia e l'Orgoglio" (The Pride and the Rage) and various publications associated with the Lord of the Rings.



Operating performance

Ignoring the difference represented by the bookshops' sale and the drop in sales by Coccinella's publications, the division posted higher sales than the year before due to the increase in third-party publisher products distributed by the group, mostly as a result of new acquisitions (Ancora and Proedi).

Of particular note was Bompiani's bestselling success with Paulo Coelho's "Undici minuti" (Eleven Minutes) which has sold almost 700,000 copies to date. Melania Mazzucco's "Vita" (A Life) met with great public and critical acclaim, winning the 2003 Strega prize and selling over 170,000 copies. Other new books included "I miei giorni a Baghdad" (My days in Baghdad) by Lilli Gruber (published by Rizzoli), selling 91,000 copies, while in the foreign fiction sector Jeffery Deaver continued his run of success with "L'uomo scomparso" (The Vanished Man), published by Sonzogno and selling 94,000 copies.

> Education

Market trend

Last year's domestic economic climate, featuring clear signs of lower consumption, also influenced the propensity to spend on textbooks.

The school population was basically stable, with a slight increase in primary school pupils and a minor decrease in secondary school students; at the same time price lists were increased by an average of 2%. These factors contributed to an overall decline, at current prices, in this market.

People have turned more and more to the parallel market for secondhand books and to illegal photocopies. Similarly, it would appear that for certain secondary school subjects and in certain geographical areas people have stopped buying textbooks all together.



Coming on top of these factors has been the considerable turmoil accompanying the enactment of educational system reform and the proposed new curriculum. The resulting uncertainty for families, teachers and school administrators has not helped demand to recover.

The process of market concentration, observed in the last few years, came to a halt last year. It is estimated that the sector's top five players account for 65% of this market.

The results achieved have consolidated RCS's competitive position on the schoolbooks market, where its share is basically stable at 19.4%.

Operating performance

Total revenues from activities in the education sector (schoolbooks, legal, professional and reference books) amounted to Euro 92.3 million. Ignoring the impact of selling NIB in July 2002, revenues would have been Euro 0.4 million lower.

The results for the year confirmed Fabbri-Bompiani's absolute leadership in the middle-school segment (over 7% growth in texts used), the preeminent position of the Oxford University Press in its market, the leadership of Tramontana in the economics and law segment and a stronger position in the secondary schools segment, especially in technical and professional institutes.

Director's report on RCS MediaGroup's operations

As regards the legal and professional division, sales fell by Euro 1.2 million on a consistent comparative basis relative to the year before; good performance in the legal, economics and management sectors was offset by decline in the university segment (Nuova Italia and Sansoni).

The reference books segments saw the commercial launch of the joint venture formed with Larousse in 2002, with the publication of 28 new titles (including the Sabatini-Coletti dictionary).

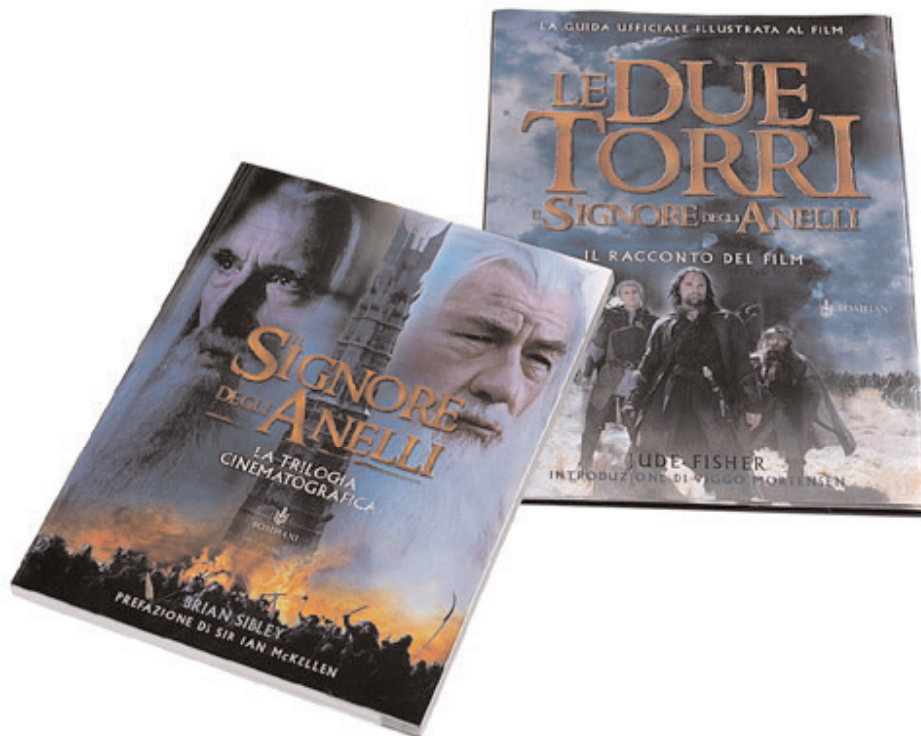
> Partworks

Market trend

The Italian partworks market reversed its past trend, posting growth of around 10%.

This consisted of a 24.7% increase for new launches, which were also more profitable, but an 11% drop in follow-on sales. Overall performance was explained by higher average prices, with volumes broadly the same.

As for the market's different segments, collector's series continued to be successful, while demand for DVDs increased as did that in the "women's hobby" segment. Book and video collections reported generally lower sales than in the past, although there were some exceptions.



RCS's Collezionabili (partworks) division confirmed its number two position on this market, with a share of 34.8% (up 1.7%).

The French market grew by another 2.9% since 2002. Results of particular note were mostly obtained in the DVD fiction segment, although non-fiction recently started to pick up as well. RCS, which operates through Fabbri and RBA Fabbri, confirmed its place as the number three player in this market, with a share of 16.5%.

RCS confirmed itself as the number four operator in the United Kingdom, with a market share of 20%.

Operating performance

In order to have an overall picture of RCS Libri's operations in the partbooks market, it is necessary to aggregate the results of the subsidiaries Editions Fabbri Sarl (France and French-speaking countries), GE Fabbri Ltd (United Kingdom, English-speaking countries, USA, Poland, Germany and Hungary) and Spain (from 2003 via co-publishing and no longer by virtue of its equity interest in Orbis, following the change in the partnership arrangements with the Rba group of Spain - see the section on principal corporate changes - which should be considered when comparing the 2002 and 2003 results).

Publishing activities on the Italian market generated a 17.1% increase in sales, due to the higher number of new launches, the change in the scope of consolidation involving RBA Fabbri Italia (now consolidated line-by-line, having been 50% owned in 2002) and, above all, the improved sales performance. Conversely, there was an overall decline of 15% in sales of follow-on books.

Activities on foreign markets saw sales drop by around Euro 24 million, mostly due to the change in the scope of consolidation involving Orbis and the steep reduction in sales in the United Kingdom.

> General - France

Market trend

Book sales were stable in terms of volumes and slightly higher in value (around 1%) thanks to comic books and children's books.

The Flammarion group had 4.1% of the market at the end of 2003.

Operating performance

The Flammarion group had total sales of Euro 226.1 million, a decrease of 0.5% due to the contraction in bookshop sales (attributable to the non-renewal of the license to run the National Library in Paris) and to the drop in the General sector, partially offset by a small increase in the schoolbooks segment.

Among the most successful books were "Et vous, chat va?", a comic book published by Editions Casterman (290,000 copies sold), "Les hommes viennent de Mars, les femmes viennent de Venus" (Men are from Mars, Women from Venus) by John Gray, published by J'Ai Lu (173,000 copies) and "Le temps des avants" by Charles Aznavour (120,000 copies), published by Editions Flammarion.

Director's report on RCS MediaGroup's operations

Principal corporate changes and significant events

The more important operations in the books sector were as follows:

- > the merger into RCS Libri of the subsidiaries RCS Collezionabili, RCS Scuola, Casa Editrice La Tribuna, RBA Fabbri Italia and Ratealfactor, which took place, at book values, on January 1, 2003 for tax and accounting purposes;
- > an ever increasing focus on the core publishing business, combined with the implementation of development plans designed to undertake new ventures and strengthen traditional activities. In this regard we recall:
 - the purchase in June of 50% of Garamond s.r.l, a company operating in the e-learning segment. This acquisition forms part of plans to expand Education sector activities, permitting entry into a segment with attractive growth potential;
 - the revision of the strategies and agreements governing the relationship with RBA's Spanish partners in November, by terminating the reciprocal equity holdings with the Spanish publisher and replacing them with commercial co-publishing agreements for Spain and Italy. Our 50% interest in the Spanish subsidiary Ediciones Orbis S.A. was sold to RBA. As for the wholly-owned subsidiaries of Ediciones Orbis, we reacquired 100% of RBA Fabbri Italia s.r.l., while 50% of RBA Fabbri France sarl was sold by Orbis to RBA Holding Editorial with the other 50% going to Editions Fabbri;
- > the continuation of the program to integrate Flammarion into the RCS group; this resulted in numerous, important synergies on the industrial front, the commencement of a project to reduce the number of companies and the completion of the project to revise the organizational structure by centralizing certain functions;
- > the formation of the Education sector, involved grouping together into a single division the schoolbooks, legal and professional and reference books segments with the goal of optimizing know-how and achieving potential synergies between sectors viewed as complementary;
- > the introduction on June 2 of RCS Libri's new SAP-based information system for the integrated management of all the company's processes, from product work flow to commercial and administrative management.





Director's report on RCS MediaGroup's operations

Distribution

Sector profile

Following the preliminary agreement signed in December 2002, the deal was closed on June 30, 2003 to form a joint venture between the De Agostini and Hachette Rusconi groups to concentrate under just one company their respective distribution activities. This resulted in the transfer of DeADis S.r.l. (the joint venture between De Agostini and Rusconi handling the two group's distribution) to RCS Diffusione S.p.A.

Following this transfer and a subsequent share purchase, the RCS and De Agostini groups each own a 45% interest in RCS Diffusione, while the remaining 10% is held by the Hachette Rusconi group.

As regards changes in corporate structure, the RCS group's results at December 31, 2003 consolidate 100% of the income generated in the first six months of the year by RCS Diffusione and Milano Press, but only 45% of the consolidated results of RCS Diffusione, DeADis and Milano Press for the second half of the year.

Consolidated income statement highlights

(Euro/million)	2003	%	2002	%	Variaz, %
Net revenues	464.5		504.3		(7.9)
(Euro/million)	2003	%			
EBIT	3.3	0.7			

The 2003 revenues of Euro 464.5 million are not comparable with the year before because of differences in the scope of consolidation and the different method of accounting.

Results from ordinary operations were in line with expectations, benefiting from the good performance by associated products sold in conjunction with both newspapers and magazines. Work started in the second half of the year on integrating the operations of RCS Diffusione and DeAdis. In September, two projects were undertaken for unifying their organizational structures and integrating their information systems.

Director's report on RCS MediaGroup's operations

Other subsidiaries

Immobiliare Solferino 28

RCS MediaGroup paid Euro 15.5 million during the year to the joint venture between Pirelli & C. Real Estate and The Morgan Stanley Real Estate Funds to buy 49% of the share capital in Immobiliare Solferino 28.

This agreement allowed RCS MediaGroup to regain full ownership of the premises in Via Solferino, the historic headquarters of "Corriere della Sera" and "La Gazzetta dello Sport".

This property is undergoing a major refurbishment and renovation, at RCS Quotidiani's expense, on the basis of a project that involves spending a total of Euro 36 million over three years.

The year ended December 31, 2003 closed with a loss of Euro 1.3 million, mostly due to an extraordinary charge of Euro 1.4 million, associated with the early termination of a service contract under an withdrawal agreement made between the parties.

Fila

Fila Holding executed an agreement on June 10, 2003 to sell its operating companies - Fila Nederland, Fila Sport, Ciesse Piumini and Fila USA - to Sport Brands International (SBI), controlled by the Cerberus investment fund.

A takeover bid was launched on July 28, 2003 for the company's American Depositary Shares (ADS), listed on the New York Stock Exchange, at a price of USD 1.12 each. The bid, which closed on October 3, having received applications for a total of 6,867,194 ADS, corresponding to 7.11% of share capital, taking RCS MediaGroup's interest to 98.20%.

The subsidiary, which changed its name to RCS Investimenti in December, manages its liquidity, which amounted to Euro 27.5 million at December 31, 2003 after having repaid all its bank debt.

RCS Investimenti has now been consolidated, on a line-by-line basis, having been carried on an equity basis at the end of 2002.

The company's net capital employed at the end of December is basically represented by receivables from the tax authorities for IRPEG (Italian corporation tax).

As a result of selling the operating companies, RCS Investimenti (formerly FILA Holding) reported a loss for the year of around Euro 78 million, consisting of Euro 89 million in capital losses on the disposal of its equity investments that was partially offset by Euro 16 million in exchange gains earned on the hedges put in place to protect against exchange risks associated with the sale.

GFT NET

The group more or less completed its withdrawal from the apparel/fashion segment during the year; all the companies due for liquidation were wound up as planned, with their closure remaining to be formalized. Joesph Abboud Apparel Corporation, the only remaining operating company in the USA, was put up for sale. An agreement was reached at the start of 2004 to sell

Director's report on RCS MediaGroup's operations

this company for the sum of USD 73 million (net of an estimated USD 5 million in debt) to J.W. Childs Associates, a US private equity fund. The deal is expected to close by the end of the first quarter of 2004.

As a result, the activities of the Joseph Abboud group were excluded from the scope of consolidation of the GFTNet group at the end of 2003. This means that the group's consolidated results refer exclusively to GFT Italy and its subsidiaries, all of which are in liquidation.

The Italian business reported negative EBIT of Euro 3.0 million, mostly due to residual operating expenses and payroll costs for staff still employed at December 31 (basically in the administration and general services departments) plus the costs of renting the premises in Turin.

Director's report on RCS MediaGroup's operations

Significant subsequent events

RCS MediaGroup reached an agreement on February 11, 2004 with JW Childs Associates, L.P., a US private equity fund, for the sale of Joseph Abboud Apparel Corp., Riverside Manufacturing Corp. and Nashawena Mills Corp., belonging to the Joseph Abboud group, for a figure of USD 73 million, net of debt. The agreement needs to be authorized by the US antitrust authorities and will have no significant impact on RCS MediaGroup's results thanks to provisions already made against the cost of divesting the apparel sector. The sale of Joseph Abboud's operating companies completes RCS MediaGroup's departure from the apparel sector.

New agreements were reached in the early part of 2004 with the Promotores (founding shareholders) of Unedisa. These will last for seven years and replace the existing shareholder agreements, which were due to expire in 2005 and gave the founding shareholders certain rights of veto over the conduct of the business.

As part of this deal, RCS MediaGroup purchased additional shares in Unedisa from both the founding and other shareholders, taking its total interest to 95% of the share capital. The shares were purchased at the same price previously paid to Recoletos. This transaction was accompanied by amendments to the by-laws and the appointment of a new Board of Directors.

Following its reorganization, it was necessary for Finwork to change its name to that of its direct parent company, namely RCS Broadcast. On February 19, 2004 the extraordinary meeting of RCS Broadcast's shareholders therefore voted to change its name to RCS Radio e TV. The subsequent extraordinary meeting of Finwork Finanziaria Italia's shareholders, held on March 2, voted to change its name to RCS Broadcast.

RCS Diffusione changed its name on February 1, 2004 to "m-dis" Distribuzione Media.

Business outlook

Outlook for the Group

The new year has confirmed the signs of recovery in advertising expenditure, already emerging in the fourth quarter of last year mostly in the radio and television sectors.

The group's advertising revenues have benefited, although mostly in the radio segment, while newspaper and magazine advertising, although better, is still not showing a definite upturn.

In fact, the market does not appear to have yet regained a genuinely stable upward trend.

As a result, we believe we can confirm the scenario for the group's media, illustrated in the three-year plan.

In terms of circulation revenues, the start of the year has confirmed the success of associated products launched in the second half of last year ("Storia d'Italia" (History of Italy) by Montanelli and "Classici dell'Arte" (Art Classics)). These have been joined by the good reception accorded to the new initiatives of "Biblioteca del Sapere" (Library of Knowledge), "I grandi film in DVD" (Film Greats on DVD) and "La grande poesia del Corriere" (Great Poetry of the Corriere). The Encyclopedia sold in conjunction with *El Mundo* in Spain has achieved strong results. New initiatives will follow in the year, partly due to synergies between the group's various media and other sectors.

Based on the above, and in the absence of currently unforeseeable events, the performance of revenues together with the effect of measures already and still being undertaken to control costs, mean that we can expect EBIT to improve on the prior year, in keeping with the targets contained in the three-year plan, presented to the financial community last December.

Outlook for RCS MediaGroup SpA

Positive performance by the subsidiaries and the resulting generation of dividends mean that we can expect a net positive result for the year, barring currently unforeseeable events.

Director's report on RCS MediaGroup's operations

Moving towards corporate social responsibility

RCS MediaGroup has decided to supplement its Annual Report with a series of information contained in a section entitled "*Moving towards corporate social responsibility*".

The decision to gather, organize and disclose such information is a precursor to the future preparation of a Social Report, which provides an account of how wealth is created by the business and distributed between its various stakeholders. This decision reflects the Group's growing awareness of its role and social responsibility within the community.

The emphasis has been placed on social accounting which, means, providing information on the company's involvement in campaigns, initiatives and events with a strong social connotation and on the services benefiting and stimulating the development of those involved and society in general.

Corporate Social Responsibility

RCS MediaGroup has expressed its commitment to the community by supporting both public and private institutions (including: San Patrignano, *Un Aiuto Subito* (An Immediate Hand) in favor of the earthquake victims in the Molise region and the victims of Nassiriya, the Special Olympics, the Community of Capodarco di Fermo, La Scala theatre) combining direct solidarity with financial aid for the staging of important social and cultural events.

The overall contribution came to around Euro 784,459.00, in addition to the donations made by the individual publications with direct contributions or indirect ones (from readers), the activities of Corriere della Sera Foundation and the free advertising space provided by RCS Pubblicità.

RCS MediaGroup's actions have not been limited to socially responsible engagement reflecting its sensitivity and commitment to social matters, but have had their most important, visible and quantitatively relevant manifestation in the specific causes supported by the group's individual publishing businesses.

Without presuming to provide a detailed report, but wishing to document this precious, influential social activity, we disclose below the principle causes adopted by the group's different media, thereby transforming their awareness of and attention to social matters into affirmative action.

- > **RCS Broadcast** in favor of: Parent Project, parents against Duchenne muscular dystrophy; San Patrignano, in support of the community's activities; Telethon, with various initiatives in support of research; and through RIN - Radio Italia Network, official partner of the day against drugs.
- > **il Mondo** with Music Festival, a musical challenge between financial managers and businessmen in favor of the Filo d'Oro League. Donations topped Euro 25,000.00.
- > **Corriere della Sera and Gazzetta dello Sport** for Telethon, with the publication of information on genetic research and the raising of funds by increasing the cover price to Euro 1, plus another 10 cents donated by the publisher for every copy sold. Funds raised totaled Euro 143,262.00.
Free publication of advertising campaign.

- > **La Gazzetta dello Sport** with the "Ricominciamo dallo sport" (Beginning again with sport), a campaign in favor of the Afghan Olympic team, to collect clothes, equipment and technical material; in favor of Emergency; through the "Cuore d'atleta" (Athlete's heart) campaign, with the offer of 100 prizes and free publication of an advertising campaign.
- > **Sportweek** with the distribution of the 2004 Luventus calendar to raise reader awareness of the project to restructure the neonatal unit at St. Anna's Hospital in Turin.
- > **Corriere della Sera** through the "Un Aiuto Subito" (An Immediate Hand) campaign, which since 1997, in partnership with TG5 television news, raises reader and viewer awareness in order to raise funds for populations affected by natural disasters: the earthquake in Umbria and the Marches, the flood in Sarno, the earthquake in Molise and Sicily and the flood in the North.
A total of Euro 24 million was disbursed in the year to the Molise earthquake victims and Euro 775,000.00 raised for the victims of Nassiriya.
- > **Io Donna** with the free distribution of the extraordinary calendar "che dà vita alla vita" (giving life to life), dedicated to Italian research by the Neurothon Foundation.
- > **RCS Sport/RCS Sport Events**, together with AidWeb.org Onlus and La Gazzetta dello Sport, created a winning partnership between the worlds of sport and non profit for the fight against rare diseases.
During the last stage of the Giro d'Italia (cycle race), the Avis Association (blood donors) of Milan and its province were given a stand at the starting line in the Idroscalo area of Milan and at the finishing line in Milan.
Again during the Giro d'Italia, the Ciclo&Riciclo competition finished during the race's concluding stage, as did the Pedalata Rosa, a non-competitive event for families with as many as 4,023 participants.
During the third Milan City Marathon, since it was the European Year of Disability it was decided to allocate all the funds raised, in partnership with Lastminute.com, from the "Run for good" campaign to AISM (the Italian Multiple Sclerosis Association).
- > **RCS Pubblicità** created a special unit (unique in its kind within the Italian media industry) for promoting Corporate Social Responsibility and Cause Related Marketing.

This combines the values of solidarity and support with the service culture, with being a communications partner and a vehicle for raising awareness of causes, making an important contribution to their success.

Some of the more significant initiatives were as follows:

- Over 60 non-profit associations were given free advertising space during the year
 - RCS newspapers donated space worth around Euro 5 million (at list price)
 - RCS magazines donated free space worth around Euro 5 million (at list price)
 - RCS Pubblicità accounted for around 1/6 of all the social free advertising published in print media.
- > **Corriere della Sera Foundation:** is socially engaged insofar as its activities involve providing free cultural and entertainment activities.
Practically speaking, the Foundation's activities are split into two broad areas: utilization of the newspaper's enormous heritage (by recovering and reorganizing its historic archives) and development of conferences and exhibitions. It also handles all the newspaper's cultural sponsorships.
This means that the Foundation is a cultural institution, caring about and promoting culture, starting with the protection and exploitation of its own heritage. At the same time, it is an institution involved in sponsoring and creating cultural events.

Director's report on RCS MediaGroup's operations

Among the events organized by the Foundation in 2003 were:

- Comunicazione per la cultura (Communication for culture), Florence February 27.
- A Sud del Lavoro (South of Employment), Naples March 28.
- L'Umanità e il Boia (Humankind and the Executioner), Milan April 4.
- Milano tra le righe, itinerari per la città (Milan between the lines, city itineraries).
- Il Corriere degli italiani: 125 anni di storia per immagini del Corriere della Sera (Italian chronicle: 125 years of history through images from Corriere della Sera).
- Democracy and Information. Truth, Politics and the Press, New York December 4.
- 37th annual Censis report on the nation's social situation (2003 edition), Milan December 10.

RCS MediaGroup's intellectual capital

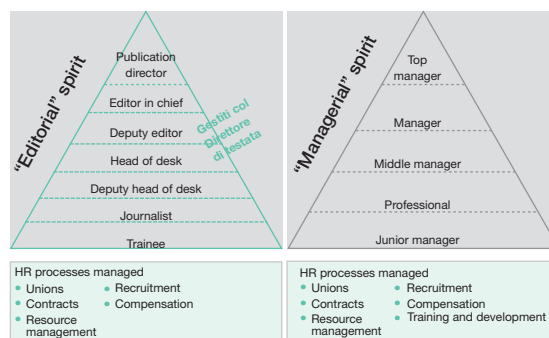
"intellectual capital is all that intellectual material – knowledge, information, intellectual property, experience – that can be used to create wealth. It is collective brainpower". (T. Stewart)

This quotation from Thomas Stewart, the "Fortune" journalist, introduces us to the world of intangibles. This is a complex concept in which the value and quality of people, their knowledge, talents and skills, the value of innovation and competing cultures, the value and quality of interpersonal networks and the value of one's image/reputation/credibility are the fundamental components of this original and unique resource.

To create wealth in the contemporary world, which has gone rapidly from atoms to bytes and from matter to information, it is necessary to base oneself on know-how, on knowledge, on information, on service: in summary you could say that in the sphere of corporate competition what "matters least, matters more and more".

The hallmarks of a company like RCS MediaGroup, seeking to be recognized as a qualified, innovative and highly competitive player in the world of culture and information, are its constant attention to and enhancement of its intellectual resources: it is keenly and widely aware that the only thing that counts is the creation of value (which is rewarded accordingly by the market), with those failing to create it suffering or ignored.

RCS MediaGroup's particular business environment has involved combining what can be termed as its twin inner "spirits": on the one hand, there is what is commonly known as the "editorial spirit" meaning the organizational and management processes behind the various media; on the other hand, there is the "managerial spirit" of the Group's overall management structure.



Transactions with related parties and other group companies

In compliance with the CONSOB notifications of February 20, 1997 and February 27, 1998, it is disclosed that there are no transactions with "related parties" that are atypical or unusual or fall outside the normal course of business or such that have a significant impact on the group's income statement, balance sheet and financial situation.

Transactions with related parties fall within the normal course of business of each party concerned, and are conducted on an arm's length basis.

Dealings of a commercial nature include:

- > The mandate to Mediobanca, a member of the shareholder syndicate, from RCS MediaGroup to sell the operating activities of Fila Holding (now called RCS Investimenti). This mandate has generated fees totaling around Euro 2.5 million.
- > The mandate to Creditech, a Mediobanca group company, to recover receivables involving turnover of around Euro 1.2 million.
- > The contract, worth around Euro 1.8 million, with Pirelli Real Estate, belonging to the Pirelli & C. group, a member of the shareholders' syndicate, providing ordinary and extraordinary management services involving the premises in Via Solferino, the historic headquarters of Corriere della Sera and Gazzetta dello Sport.
- > The corporate and legal advisory services provided by Giliberti & Associati, in which Enrico Giliberti – a director of RCS MediaGroup – is a partner. The related fees came to around Euro 1.6 million.
- > Computing services worth Euro 5.4 million from Global Value, a joint venture between IBM Italy and Business Solutions, the Fiat group company dedicated to corporate services.

Dealings of a financial nature included the subscription of Euro 57.3 million by RCS MediaGroup to the capital increase in Pirelli & C. S.p.A., taking its total investment to Euro 111.9 million.

As already reported in the section on significant events, RCS MediaGroup and the joint venture between Pirelli & C. Real Estate and The Morgan Stanley Real Estate Funds reached an agreement for the purchase of 49% of the share capital in Immobiliare Solferino 28.

There are also financial dealings with the banks related to the Group, with whom the net payable and receivable positions are summarized below:

- > a net payable balance with the Banca Intesa group of Euro 47.2 million, which also includes leasing payables recorded in the consolidated financial statements;
- > a net receivable balance with the Mediobanca group of Euro 65.3 million, comprising debts of Euro 7.8 million with Mediobanca and offset by cash of Euro 7.6 million with Banca Esperia and funds under management of Euro 65.5 million held with Duemme.

Intercompany transactions

Transactions by the parent company with subsidiary and associated companies mostly refer to the exchange of goods, providing of services, providing and obtaining funding, as well as tax-related operations. All such transactions are conducted on an arm's length basis, according to the standard of the goods and services provided.

More specifically, RCS MediaGroup provides services relating to communication, corporate affairs and planning and leases office space and working areas to its subsidiaries.

Director's report on RCS MediaGroup's operations

In the area of financial dealings, RCS MediaGroup runs a centralized treasury service for most of the Italian group companies.

During the year, the company made use of current tax rules to file group VAT returns, reporting a payable balance of Euro 3.7 million at year end. The company transferred its own credits totaling around Euro 1 million to the group VAT position.

As part of measures to optimize financial resources, the company took advantage of the option to transfer IRPEG (corporation tax) credits to other group companies. The company transferred to subsidiaries the sum of Euro 12.8 million in tax credits, reported in its own income tax return.

Director's report on RCS MediaGroup's operations

Capital increase and stock option plans

The Extraordinary Shareholders' Meeting of RCS MediaGroup (formerly HdP) held on June 1, 1999 delegated the Board of Directors the powers, under article 2433 of the Italian Civil Code, to increase share capital for cash payment in one or more allotments, up to a maximum of Lire 14,626,150,000 (Euro 7,553,776 as amended by resolution of the Extraordinary Shareholders' Meeting held on May 9, 2000) to be offered for subscription to managers of HdP SpA and its group, in accordance with the procedures and policies decided by the Board of Directors. The Board partially exercised this power on September 10, 2002 to service the existing stock option plan, by voting to increase share capital by a maximum amount of Euro 2,009,800 at par, through the issue of an equivalent number of ordinary shares to be subscribed to by December 31, 2002. Following the partial exercise of the outstanding options, at the end of 2003 share capital has increased by Euro 1,459,250 following the issue of an equivalent number of ordinary shares of par value Euro 1 each, all of which subscribed to in full.

The stock option plan for certain managers and its related regulations were approved by the Board of Directors in its meetings of September 24, 1999 and December 16, 1999.

The outstanding options, valid until the end of 2003 have been mostly exercised.

The following is a summary of changes in the stock option plan, which reached its term at the end of 2003:

	2003			2002			2001		
	No. shares	Average strike price (*) (Euro)	Market price (Euro)	No. shares	Average strike price (Euro)	Market price (Euro)	No. shares	Average strike price (Euro)	Market price (Euro)
Outstanding options at 01/01	1,929,200	2.692	3.375	3,900,000	2.692	3.375	4,004,000	2.692	5.115
New options granted in period	-	-	-	-	-	-	-	-	-
- Options exercised in period	1,459,250	2.692	-	-	-	-	-	-	-
- Options expiring in period	-	-	-	-	-	-	-	-	-
- Options lapsing in period	469,950	2.692	-	1,970,800	2.692	-	104,000	2.692	-
Outstanding options at 12/31	-	-	-	1,929,200	2.692	2.010	3,900,000	2.692	3.375
- of which vesting at 12/31	-	-	-	-	-	-	-	-	-

(*) Arithmetic average of prices reported in 30 days prior to the date of the resolution making the grant. These amounts reflect the reverse split of shares on translating share capital into euro.

Director's report on RCS MediaGroup's operations

Equity investments held by directors and statutory auditors

(Art. 79 of CONSOB Resolution 11971 dated May 14, 1999)

Name	Investment held in	Number of shares held at end of 2002	Number of shares purchased	Number of shares sold	Number of shares held at end of 2003
Franco Tatò	-	-	-	-	-
Maurizio Romiti (*)	-	-	-	-	-
Paolo Mieli (**)	RCS MediaGroup S.p.A.	-	91,000 ordinary shares	91,000 ordinary shares	-
Raffaele Agrusti	-	-	-	-	-
Guido Roberto Vitale	-	-	-	-	-
Carlo Buora	-	-	-	-	-
Franzo Grande Stevens	-	-	-	-	-
Giangiaco Nardozi	-	-	-	-	-
Giuseppe Lucchini	RCS MediaGroup S.p.A.	2,600 ordinary shares	-	2,600 ordinary shares	-
Nicolò Nefri	-	-	-	-	-
Renato Pagliaro	-	-	-	-	-
Carlo Pesenti	-	-	-	-	-
Umberto Quadrino	-	-	-	-	-
Paolo Savona	-	-	-	-	-
Gianrenzo Cova	-	-	-	-	-
Flavio Arcidiacono	-	-	-	-	-
Clemente Rebecchini	-	-	-	-	-
Enrico Giliberti	RCS MediaGroup S.p.A.	1400 ordinary shares	-	-	1400 ordinary shares
		10 savings shares	-	-	10 savings shares
Corrado Passera	-	-	-	-	-
Gaetano Mele (***)	RCS MediaGroup S.p.A.	104,000 ordinary shares	-	104,000 ordinary shares	-

(*) Has waived 650,000 options due as Chief Operating Officer of HdP;

(**) Has exercised the 91,000 options entitling him to purchase an equivalent number of ordinary shares at a unit price of Euro 2.692 due to him as Deputy Chairman of RCS MediaGroup;

(***) Has exercised the 104,000 options entitling him to purchase an equivalent number of ordinary shares at a unit price of Euro 2.692 due to him as Chief Operating Officer of RCS MediaGroup.

Treasury shares

A total of 4,425,722 ordinary treasury shares were purchased in the year, worth Euro 9.5 million. At December 31, 2003 the company owned 26,782,590 ordinary treasury shares, worth Euro 85.0 million, corresponding to an average carrying value of Euro 3.17 each.

Application of the new international accounting standards

In compliance with the Regulations issued by the European Union, all companies with shares listed on European markets must prepare their consolidated financial statements in accordance with international accounting standards (IAS) by January 1, 2005. Legislative Decree 306/2003 requires IAS (and International Financial Reporting Standards) to be adopted not only in consolidated financial statements but also in the statutory financial statements of listed companies, in accordance with the option given under the EU Regulations.

In view of the considerable impact on the financial statements, not only in terms of accounting and valuations but also the company's organization, RCS MediaGroup has formed a team of staff with the assistance of Reconta Ernst & Young, that must plan for the introduction of IAS, in order to comply with the compulsory preparation of consolidated financial statements at December 31, 2005 and comparative figures at December 31, 2004, as well as interim reports for these same periods, in accordance with the new standards.

The objective of this team is to identify the major issues that the RCS MediaGroup will have to face when adopting IAS.

The analysis will:

- > identify the most significant differences between national accounting principles and IAS and define the latter's impact on annual and interim financial statements;
- > organize the information database to allow the introduction of IAS;
- > raise awareness of IAS within RCS MediaGroup and focus the attention of the accounting departments within all group companies on the IAS project;
- > identify significant reporting issues to the market;
- > identify the potential impact on accounting systems and plan any necessary changes;
- > indicate the major sources of impact of IAS on the various business sectors, in terms of their income statements and balance sheets;
- > define the group accounting policies and prepare the group's accounting and reporting manual;
- > provide suggestions on the project's overall structure and approach.

The first stage of the project, being a diagnostic one, took place in 2003. The work performed so far has revealed that the areas within the consolidated financial statements most affected by differences in accounting policy between those currently used by RCS MediaGroup and those required by IAS are related to intangible fixed assets, financial fixed assets, current financial assets and the reserve for employee termination indemnities, as well as the treatment of extraordinary operations (Business combinations). However, the initial review does not appear to have highlighted any particularly critical areas.

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Corporate governance (*)

The company's system of corporate governance currently adopted is broadly based on the recommendations contained in the Code of Conduct drawn up by the Committee for the Corporate Governance of Listed Companies (subsequently referred to as the "Code of Conduct").

Role of the Board of Directors

The Board of Directors is responsible for the company's administration and its powers derive from extant regulations and the company's by-laws. It organizes itself and operates in such a way as to ensure that its duties are conducted both effectively and efficiently. The directors behave and pass resolutions with full cognizance and autonomy, in pursuit of the goal of creating value for the shareholders. The Board of Directors meets regularly, usually at least six times a year (twelve times in 2003):

- > to examine and approve the company's strategic, business and financial plans, and to review the plans of its direct subsidiaries;
- > to monitor and assess the company's performance and that of its subsidiaries, with particular attention to conflicts of interest, periodically comparing the results achieved with the budget, and to examine the principal matters pertaining to the business and any investments/divestments;
- > to examine and approve: (i) in accordance with the specific Guidelines approved by the Board itself, both the transactions generally defined as significant in relation to their impact on the income statement, balance sheet and financial position, and those defined as significant with related parties or those that are atypical, unusual or at non-standard conditions, except for smaller transactions and (ii) the acquisition and disposal of majority equity interests as well as the review of investments, acquisitions and disposals by the company's direct subsidiaries;
- > to verify the adequacy of the company and group's organizational, administrative and accounting structure, with particular regard to the internal control system, whose guidelines it must establish;
- > to appoint the chief executive officers of direct subsidiaries;
- > to deal with the other matters specifically reserved for the Board of Directors by current regulations and the company's by-laws, amongst which to grant and revoke the powers of directors and the Executive Committee.

Executive Committee and Directors

For the sake of efficient, flexible business management, especially regarding the company's representation before third parties, the Board of Directors has granted Guido Roberto Vitale, its Chairman, and Maurizio Romiti, the Chief Executive Officer (CEO), separate signing authority to carry out all the tasks of ordinary and extraordinary administration forming part of the company's business purpose, except for those expressly reserved by law for the Board of Directors. The Board has also appointed a Deputy Chairman in the person of Paolo Mieli, who takes the Chairman's place in the circumstances described in the by-laws, and who has been

(*) This information forms the contents of the directors' report pursuant to Section IA.2.13 of the Instructions accompanying the Regulations for markets organized and run by Borsa Italiana S.p.A. for presentation to the shareholders' meeting, called to approve the financial statements for 2003.

appointed to coordinate and supervise, together with the CEO, the group's publishing activities, in accordance with the editorial guidelines laid down by the company's board and that of its subsidiaries. The Deputy Chairman has been granted the related powers to manage and represent the company for this purpose with a limit of Euro 200,000 per individual transaction in respect of any financial commitments and/or risks involving the company. As indicated earlier and in keeping with established practice, the Board of Directors has adopted a set of internal Guidelines that require the following transactions to be previously examined and approved by the Board of Directors: (i) those generally defined as having a significant impact on the company's income statement, balance sheet and financial position, (ii) significant transactions with related parties, or (iii) those that are atypical, unusual or at non-standard conditions, except for transactions of limited value.

The Chairman calls board meetings, decides their agenda and directs and coordinates their conduct. Together with the CEO he ensures that board members usually receive in advance, barring urgency, the documentation and necessary information to allow them to express an informed opinion on the matters submitted for their examination and that complies with the related internal procedures in the case of significant transactions or those with related parties.

Again for the sake of efficient, flexible business management, the Board of Directors has also appointed an Executive Committee, upon which it has bestowed all the powers of ordinary and extraordinary administration, except those relating to the purchase and sale of majority equity investments and the definition of the group's strategies, as well as those reserved for the Board itself. The Executive Committee met three times in 2003. During its meetings, it analyzes matters pertaining to the business, as well as preparing certain issues for subsequent submission to the Board of Directors. Current members of this committee are the Chairman, the CEO, and the directors Franço Grande Stevens, Nicolò Nefri, Renato Pagliaro and Paolo Savona. The Executive Committee must refer decisions reserved for the Board of Directors to this body, in compliance with related internal procedures and established practice.

Reporting to the Board of Directors

Persons upon whom powers have been bestowed report back on the exercise of these powers to the Board of Directors and Board of Statutory Auditors at every meeting.

The Board of Directors and Board of Statutory Auditors receive a report at least once every quarter on the company's general operating performance and outlook and on the transactions, including those by its subsidiaries, that, although not subject to board approval, are nonetheless treated as significant, because of their size or unusual or atypical characteristics or those with related parties or in potential conflict of interest, or which are influenced by a party with managerial and controllership functions.

Composition of the Board of Directors

Under the by-laws the Board of Directors can consist of between three and twenty-one members, who stay in office for three years (currently until the approval of the financial statements for the year ended December 31, 2005) and may be re-elected. Based on the resolutions passed by the shareholders on April 15, 2003, the Board of Directors currently consists of nineteen members, with one vacant position as from December 31, 2003 following the resignation of Francesco Tatò. The current members are:

Guido Roberto Vitale, Paolo Mieli, Maurizio Romiti, Raffaele Agrusti, Roberto Bertazzoni, Carlo Buora, Franço Grande Stevens, Enrico Giliberti (Secretary to the Board), Natalino Irti, Giuseppe

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Lucchini, Giangiacomo Nardozzi Tonielli, Nicolò Nefri, Umberto Quadrino, Corrado Passera, Renato Pagliaro, Alessandro Pedersoli, Carlo Pesenti and Paolo Savona.

The executive directors are Guido Roberto Vitale, the board's Chairman, Paolo Mieli, the Deputy Chairman, and Maurizio Romiti, the CEO, who also holds the office of Chief Operating Officer (COO).

The number and standing of the non-executive directors is such as to ensure that their opinions will carry significant weight in the Board's decision-making process. The company believes that the Board of Directors should, in any case, contain a sufficient number of independent directors. The Board should regularly review their independence, usually once a year, on the basis of the information provided by such directors. The results of this review are subsequently disclosed to the market. The non-executive directors Natalino Irti, Alessandro Pedersoli and Giangiacomo Nardozzi Tonielli provided declarations at the time of their appointment that they satisfied the criteria for being classified as independent of the company, in accordance with the definition contained in the Code of Conduct. The Board of Directors has recently checked that these directors can still be classified as independent, on the basis of information provided by these directors themselves. Guido Roberto Vitale, the board's Chairman, who also declared upon his appointment as a director that he satisfied the criteria for being classified as independent, can no longer be considered as such under the Code of Conduct's definition, having become an executive director.

Appointment of Directors

Although we do not intend introducing a specific by-law on this matter, in the interests of maintaining greater flexibility, shareholders are invited to lodge at the company's registered office, at least ten days before the date scheduled for the shareholders' meeting in first call for the appointment of directors, their proposals for the appointment of directors, accompanied by comprehensive personal and professional information about the candidates, and any declarations of their independence from the company, bearing in mind the Code of Conduct's recommendations on this count. Partly in view of the profiles of all the candidates proposed, the Board of Directors has decided not to form a Directors' Appointments Committee from among its members.

The directors accept office with the knowledge of the duties and responsibilities required of this office and accepting that they are able to dedicate the necessary time for fulfilling these duties. For this purpose they must also take into account the offices of director or statutory auditor held in other listed companies, financial companies, banks, insurance or other large enterprises. The Board requires each director to provide information on such offices once a year, which it then reports to the market. At the date of approving this report, such appointments are as follows:

Guido Roberto Vitale:	Director of R.C.S. Quotidiani S.p.A.; Chairman of Vitale & Associates S.p.A. and Director of FAI – Fondo per l'Ambiente Italiano (Italian Environmental Foundation)
Paolo Mieli:	Director of R.C.S. Libri S.p.A., R.C.S. Periodici S.p.A., Marsilio Editori S.p.A.;
Maurizio Romiti:	Director of Pirelli & C. S.p.A., Poligrafici Editoriale S.p.A., R.C.S. Quotidiani S.p.A., RCS Investimenti S.p.A., H3G S.p.A., Ratti S.p.A.;
Raffaele Agrusti:	Chairman of La Venezia Assicurazioni S.p.A. and member of the Board of Statutory Auditors of Premuda S.p.A.;
Roberto Bertazzoni:	Chairman and CEO of SMEG S.p.A., Chairman of the Board of Directors of ERFIN – Eridano Finanziaria S.p.A., FININT S.A., Director and member of Executive Committee of Unicredito Italiano S.p.A., Unicredit Banca S.p.A.;

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Carlo Buora:	CEO of Pirelli & C. S.p.A. and Telecom Italia S.p.A., Chairman of the Board of Directors of TIM Telecom Italia Mobile S.p.A., Deputy Chairman of FC Internazionale S.p.A., Director of Olimpia S.p.A., Pirelli & C. Real Estate S.p.A., Mediobanca S.p.A., RAS S.p.A.;
Enrico Giliberti:	Chairman of the Board of Directors of SEAT Pagine Gialle S.p.A.;
Franzo Grande Stevens:	Director of IFI S.p.A., IPI S.p.A. (formerly Attività Immobiliare S.p.A.), IFIL S.p.A., Pininfarina S.p.A., La Rinascente S.p.A., Toro Assicurazioni S.p.A., Banca del Piemonte S.p.A., Pictet International Capital Management, Banca Sella S.p.A., Bansel S.p.A., Yura International Holding B.V., Yurass N.V., Davide Campari Milano S.p.A., Vittoria Capital N.V., Exor Group, S.E.I. S.p.A., Deputy Chairman of the Board of Directors of FIAT S.p.A., Chairman of the Board of Directors of P. Ferrero & C. S.p.A., Chairman of the Board of Directors of Juventus F.C. S.p.A., Secretary to the Governing Body of Giovanni Agnelli e C. S.p.A., Secretary to the Board of Unlimited Partners in Maurizio Sella S.p.A., Member of the Board of Reale Mutua di Assicurazione;
Natalino Irti:	Director of Telecom Italia S.p.A.;
Giuseppe Lucchini:	Director of Banca Lombarda e Piemontese S.p.A., TIM Telecom Italia Mobile SpA, GIM – Generale Industrie Metallurgiche S.p.A., Chairman of the Board of Directors of Lucchini S.p.A., Deputy Chairman of the Board of Directors of Hopa S.p.A. Holding di Partecipazioni Aziendali, Chairman and Member of the Supervisory Committee of Ascometal S.A.;
Giangiuseppe Nardozzi Tonielli:	Director of Banca Intesa S.p.A. and Chairman of the Board of Directors of Banca Caboto;
Nicolò Nefri:	Chairman of the Board of Directors of R.C.S. Libri S.p.A., RCS Investimenti S.p.A., Finsiel S.p.A., Director of RCS Pubblicità S.p.A.;
Renato Pagliaro:	Director of Compass S.p.A., Selmabipiemme Leasing S.p.A., Cofactor S.p.A., Ferrari S.p.A.;
Corrado Passera:	CEO of Banca Intesa S.p.A., Director of Crédit Agricole S.A., Olimpia S.p.A., Università Bocconi;
Alessandro Pedersoli:	Director of Banche Popolari Unite, Librerie Feltrinelli S.p.A., Assicurazioni Generali S.p.A., Chairman of the Board of Directors of Beiersdorf S.p.A., Gruppo Coin S.p.A.;
Carlo Pesenti:	Director of Ciments Francais S.A., Mediobanca S.p.A., Banche Popolari Unite, Director and Member of Executive Committee of Italcementi S.p.A., Unicredito Italiano S.p.A., Director and COO of Italmobiliare S.p.A., Director and Member of Supervisory Committee of KM Europa Metal A.G.;
Umberto Quadrino:	Director of Italenergia Bis S.p.A., Edipower S.p.A., Chairman of the Board of Directors of Edison S.p.A.;
Paolo Savona:	Chairman of the Board of Directors of Impregilo S.p.A., Director of TIM Telecom Italia Mobile S.p.A.

The CEO sees that the Board of Directors is suitably informed about the most important latest laws and regulations affecting the company and its governing bodies.

Directors' Remuneration and Group Compensation Committee

With the assistance of the Group Compensation Committee, and having conferred with the Board of Statutory Auditors, the Board of Directors determines the remuneration of the CEO and

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other directors vested with specific powers as well as the division of the overall emoluments due to directors, if the shareholders have not already done so. Those concerned by the related board resolution must take their leave during its discussion and voting. When fixing the CEO's remuneration, the Board ensures that a part of it is linked to the company's performance and to specific objectives set by the Board itself.

The Board of Directors has set up a Group Compensation Committee, comprising of seven mostly non-executive directors, ie. the Chairman of the Board of Directors, who also chairs this committee, the CEO, four other members of the Executive Committee and an additional non-executive director, currently Corrado Passera.

The Committee, which met three times during 2003, has the following duties:

- > to present proposals to the Board for the remuneration of executive directors and those vested with particular duties;
- > to define the remuneration policy of subsidiary company managers, examining and defining guidelines for drawing up medium and long-term incentive plans;
- > to identify the specific characteristics of the sectors in which the Group is present and to ensure a consistent, standardized application of remuneration methods;
- > to decide the objectives with which to link incentives and verify the achievement of these targets.

This Committee may make use of outside consultants at the company's expense. It draws up recommendations and performs consultative and preparatory activities in relation to stock option plans and share grants, reserved for both directors and employees of the company and group companies, in compliance with plan regulations.

Management of confidential information

The Board of Directors has introduced specific procedures defining the roles, operating procedures and responsibilities regarding the communication and publication of information concerning the company and the group, with particular reference to "price sensitive" information, whose publication must be previously authorized by the company's CEO.

Employees, directors and statutory auditors are required to maintain the confidentiality of the documents and information obtained in the course of their duties and to comply with the prescribed procedure for communicating these documents and information externally.

As required by Italian Stock Exchange regulations, a related code of conduct has also been approved. This clearly identifies the compulsory reporting requirements for transactions in financial instruments issued by the company (or its affiliates) and black-out periods when such transactions may not be carried out by persons who, because of the office held in the company or its subsidiaries, have access to price-sensitive information about the company and the group.

Transactions with related parties

Transactions with related parties must respect substantial and procedural fairness.

The Board of Directors has adopted a set of internal Guidelines, under which, regardless of the powers of representation granted to CEOs and the Executive Committee, it is the Board alone that can make decisions regarding related-party transactions, when such transactions are defined, in accordance with established principles, as significant or as atypical, unusual or

executed under non-standard terms, except in the case of smaller amounts. In general, significant transactions include all those that are unusual in terms of their purpose, consideration, method and timing, such that they may affect the company's net worth or the completeness and accuracy of its accounting and other information.

In these cases:

- > if the nature, value or other characteristics of the transaction so require and for the purposes of ensuring that the transaction is conducted at conditions that would otherwise be agreed between unrelated parties, the Board of Directors will call in the assistance of independent experts to value the economic and/or technical and/or financial and/or legal terms of the transaction and its execution. These experts must be persons with recognized professional skills, acknowledged as independent and without conflicts of interest;
- > if any of these transactions is associated with one of the directors, or with a related party via a director, such directors must provide the Board with prompt, comprehensive information and abstain from voting on the related resolution. If it deems fit, the Board is also entitled to require the director to absent himself from the meeting at the time of voting on the resolution.

Relations with institutional investors and other shareholders

These relations are handled by a special "Investor Relations" office, operating out of the company's registered office. It is established practice to organize regular meetings with members of the Italian and international financial community.

Internal control

The internal control system (subsequently referred to as the "System") refers to the overall processes designed to monitor the efficiency of company operations, the reliability of financial information, the compliance with for the law and regulations and the protection of company assets.

During 2003, the Board of Directors adopted a new structure for this System in order to improve its adequacy and reliability.

Under this structure, the company's Board of Directors is responsible for the System, establishing its guidelines and verifying that it is adequate and works effectively. The Board also ensures that the principal business risks are identified and suitably managed. The Board is assisted in these activities by the Internal Control Committee. This committee is comprised of the Board's own members and it acts in a consultative role, while also making recommendations. The CEO is responsible for identifying the principle business risks, as well as designing, managing and monitoring the System within the guidelines set by the Board. The CEO is supported in this duty by the "Officer responsible for internal control system management" and the "Officer responsible for internal control system monitoring and control", who are provided with suitable resources for performing their respective duties.

The CEO has appointed an "Officer responsible for internal control system management" who must:

- > coordinate the process of evaluating the System and identifying risks;
- > document and update the System's management model and make recommendations for its improvement and development;
- > coordinate the planning of actions falling under management's responsibility;

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- > agree the planning of inspection work with the Officer responsible for system control and monitoring;
- > carry out any other tasks associated with this role and those that may have been assigned by the CEO.

The CEO has also appointed the company's Head of Internal Auditing as the "Officer responsible for internal control system control and monitoring". This person reports directly to the CEO and is responsible for conducting the functions formerly carried out by RCS Internal Auditing, a consortium of group companies that is defunct as of January 1, 2004.

This Officer oversees the controlling and monitoring the System by applying generally accepted auditing and professional standards to the conduct of internal audit work. In detail, this person must:

- > define and update the model for evaluating the System;
- > assist management in the evaluation process;
- > support the Officer responsible for system management when documenting the System's management model and validating it from a technical point of view;
- > identify and conduct the necessary controls and inspections and set the related priorities, based on a plan of control and monitoring, drawn up by this person himself;
- > periodically express a technical opinion on the System's adequacy;
- > carry out any other tasks associated with this role and those that may have been assigned by the CEO.

Both these Officers report to the CEO. They also report the results of their work to the Internal Control Committee and the Board of Statutory Auditors.

The company has also promoted the adoption of a similar system of control at its subsidiaries, adapted as appropriate to the specific circumstances.

Internal Control Committee

The Board of Directors has set up an Internal Control Committee to act in a consultative role and to also provide recommendations. It consists of three non-executive directors, the majority of whom are independent, currently composed of Carlo Buora, the committee's chairman, Alessandro Pedersoli and Giangiacomo Nardozzi Tonielli. The Internal Control Committee has the general task of assisting the Board in its responsibility for the internal control system. It also:

- > reports at least every six months to the Board of Directors on the adequacy of the group's system of internal control;
- > evaluates the work program approved by the CEO;
- > examines the periodic reports on the inspections and work carried out by the Officer responsible for internal control system control and monitoring;
- > assesses, together with the company's financial managers and the independent auditors, the adequacy of the accounting policies used and their consistent application throughout the group for consolidation purposes;
- > evaluates the audit engagement proposals made by the independent auditors, as well as the audit plan prepared for the independent audit, the results of this work and the independent auditor's management letter.

The Internal Control Committee met six times in 2003. Its meetings extend a permanent invitation to the Chairman of the Board of Statutory Auditors or other such statutory auditor appointed by him.

Both the Chairman of the Board of Directors and the CEO are invited to participate in committee meetings as well.

Shareholders' meetings

The Board of Directors is convinced that shareholders' meetings, being an opportunity for the Board to report on activities and operations undertaken, must be conducted in a spirit of general participation and strict respect for shareholder rights, but also in a spirit of mutual respect between shareholders with a balanced tempering of their rights with their decision-making function.

The Board does not consider it necessary, at least for the present and based on the conduct of previous shareholder meetings, to recommend the adoption of an associated set of regulations. It has nevertheless confirmed that the meeting's chairman is responsible for ensuring compliance with the above principles. The chairman also has the power to set rules that, in view of its nature and the number and importance of the matters to be discussed, he intends to apply to a particular meeting in order to ensure that it is conducted in an orderly, calm and effective manner.

Statutory auditors

Proposals for the appointment of statutory auditors at the shareholders' meeting must be lodged at the company's registered office at least 10 days prior to the date fixed for the meeting. These proposals must be accompanied by comprehensive personal and professional information regarding the candidates. The company's by-laws currently require that lists of candidates for the office of statutory auditor may be presented by shareholders who, on their own or together with others, possess shares representing at least 3% of the share capital with voting rights at ordinary meetings. These lists must be lodged at the company's registered office at least ten days before the date fixed for the shareholders' meeting in first call. The by-laws also require that the lists may not contain candidates who already hold office as statutory auditors in five other listed companies, other than the company's parent and subsidiary companies.

The Board of Statutory Auditors currently in office was appointed from April 15, 2003 until the shareholders' meeting called to approve the financial statements for the year ended December 31, 2005. It was appointed upon presentation of a single list and its members are: Gianrenzo Cova, Chairman, Flavio Arcidiacono and Clemente Rebecchini, as acting statutory auditors, and Cesare Gerla, Agostino Giorgi and Maurizio Bozzato, as alternate statutory auditors. All members of the Board of Statutory Auditors (in nearly every case) or some of its members attended all the meetings of the Board of Directors and Executive Committee held during the year. The statutory auditors currently in office do not act as statutory auditors for any other listed companies.

The Board of Statutory Auditors met seven times during the year, with meetings attended by all its acting members.

The statutory auditors are required to maintain the confidentiality of the documents and information obtained in the course of their duties and to comply with the prescribed procedures for communicating these documents and information externally.

Director's report on RCS MediaGroup's operations

In the event of circumstances that would suggest changing and/or improving the current system of corporate governance, the Board of Directors reserves the right to update it accordingly. It will provide any related information on this matter in the annual directors' report on operations and/or in the report prepared in accordance with Section IA.2.13 of the Instructions accompanying the Regulations for markets organized and operated by Borsa Italiana S.p.A.

Proposed resolutions

Shareholders,

we submit for your examination and approval the draft financial statements for the year ended December 31, 2003, comprising the balance sheet, income statement and the explanatory notes, together with related attachments, which close with net income of Euro 51,538,390.00, and the accompanying report on operations, along with our proposal for allocating net income, after covering the company's accumulated losses, and distributing unrestricted reserves.

Having covered the accumulated losses and allocated the amount required by law to the legal reserve, the Board of Directors' proposal for allocating net income is based on its desire (i) to distribute a dividend to the ordinary shareholders, based on the results for the year, and (ii) to pay the amount due under the by-laws to the savings shares following the absence of dividends in 2001 and 2002. The Board of Directors also wishes to pay an additional extraordinary amount that takes into account the failure to pay dividends in the past two years and the company's favorable prospects and solid financial position.

Details of the proposal are as follows:

1. to cover accumulated losses at December 31, 2003, amounting to Euro 194,409,268.00, by using Euro 82,351,232.36 from the share premium reserve and Euro 112,058,035.64 from the spin-off reserve, and hence;
2. to allocate net income for the year of Euro 51,538,390.00 as follows:
 - a) Euro 291,851.00 to the legal reserve, in order that it reaches one-fifth of current share capital of Euro 762,019,050.00;
 - b) the remainder of Euro 51,246,539.00 as dividends;
3. to pay an additional dividend of Euro 3,741,964.36 to be drawn from the spin-off reserve;
4. to distribute dividends totaling Euro 54,988,503.36 to the shareholders as follows:
 - > Euro 0.16 per share to the 29,349,593 savings shares, using Euro 4,695,934.88 from net income for the year, and precisely:
 - Euro 0.05 per share, corresponding to 5% of par value, totaling Euro 1,467,479.65, in relation to the failure to pay the 2001 dividend, pursuant to article 21.3 of the company's by-laws;
 - Euro 0.05 per share, corresponding to 5% of par value, totaling Euro 1,467,479.65, in relation to the failure to pay the 2002 dividend, pursuant to article 21.3 of the company's by-laws;
 - Euro 0.06 per share, including the part of the dividend payable, pursuant to article 2357 ter of the Italian Civil Code, to the 26,782,590 treasury shares held by the company, amounting to Euro 1,760,975.58;
 - > Euro 0.04 per share in dividends to the 705,886,867 ordinary shares in circulation, including the part of the dividend payable, pursuant to 2357 ter of the Civil Code, to the 26,782,590 treasury shares held by the company, for a total of Euro 28,235,474.68, to be drawn from net income for the year;
 - > to each of the 29,349,593 savings shares and 705,886,867 ordinary shares in circulation, an additional dividend of Euro 0.03 per share to make up for the absence of dividends in 2001 and 2002; this dividend includes the portion allocated pursuant to article 2357 ter of the Italian Civil Code, to the 26,782,590 treasury shares held by the company, making a

Director's report on RCS MediaGroup's operations

total dividend of Euro 22,057,093.80, of which Euro 18,315,129.44 drawn from remaining net income for the year and Euro 3,741,964.36 from the spin-off reserve, bringing the total dividend to Euro 0.19 per savings share (totaling Euro 5,576,422.67) and Euro 0.07 per ordinary share (totaling Euro 49,412,080.69) gross of any withholdings required by law, payable as from May 27, 2004, with the shares going ex-div on May 24, 2004.

Now that the provisions of Decree 269/2003, converted with amendments into Law 326/2003, have come into force, the dividends in question, totaling Euro 54,988,503.36, have been attributed:

- > an "ordinary" tax credit of 51.51% amounting to Euro 1,657,078, corresponding to 3.0135% of the total dividend distributed;
- > a "limited" tax credit of 51.51% on the remainder, corresponding to 96.9865% of the total dividend distributed.

The right to use the tax credit nonetheless depends on the beneficiary's status, under prevailing rules defined by article 4 of Legislative Decree 344 dated December 12, 2003.

Given the above, you are invited to pass the following resolution:

"The Shareholders' Meeting of RCS MediaGroup S.p.A.

- > acknowledges the Directors' report on operations;
- > acknowledges the reports of the Board of Statutory Auditors and the independent auditors Reconta Ernst & Young S.p.A.;
- > and has examined the financial statements for the year ended December 31, 2003, which close with net income of Euro 51,538,390.00;

and hereby resolves

I. to approve:

- a) the Directors' report on operations;
- b) the financial statements presented by the Board of Directors for the year ended December 31, 2003, which close with net income of Euro 51,538,390.00, as a whole and in their individual parts, together with the proposed provisions and allocations;
- c) the coverage of accumulated losses of Euro 194,409,268.00 by using Euro 82,351,232.36 from the share premium reserve and Euro 112,058,035.64 from the spin-off reserve;
- d) the allocation of net income for the year of Euro 51,538,390.00 as follows:
 1. Euro 291,851.00 to the legal reserve, in order that it reaches one-fifth of current share capital;
 2. the remainder of Euro 51,246,539.00 as dividends;
- e) the payment of an additional dividend of Euro 3,741,964.36 to be drawn from the spin-off reserve;
- f) the distribution of dividends totaling Euro 54,988,503.36 to the shareholders as follows:
 - > Euro 0.16 per share to the 29,349,593 savings shares, using Euro 4,695,934.88 from net income for the year, and precisely:
 - Euro 0.05 per share, corresponding to 5% of par value, totaling Euro 1,467,479.65, in relation to the failure to pay the 2001 dividend, pursuant to article 21.3 of the company's by-laws;
 - Euro 0.05 per share, corresponding to 5% of par value, totaling Euro 1,467,479.65, in relation to the failure to pay the 2002 dividend, pursuant to article 21.3 of the company's by-laws;

Director's report on RCS MediaGroup's operations

- Euro 0.06 per share, including the portion of the dividend payable, pursuant to article 2357 ter of the Italian Civil Code, to the 26,782,590 treasury shares held by the company, amounting to Euro 1,760,975.58;
 - > Euro 0.04 per share in dividends to the 705,886,867 ordinary shares in circulation, including the part of the dividend payable, pursuant to 2357 ter of the Civil Code, to the 26,782,590 treasury shares held by the company, for a total of Euro 28,235,474.68, to be drawn from net income for the year;
 - > an extraordinary dividend of Euro 0.03 per share to make up for the absence of dividends in 2001 and 2002 to each of the 29,349,593 savings shares and 705,886,867 ordinary shares in circulation, including the portion of the dividend payable, pursuant to article 2357 ter of the Italian Civil Code, to the 26,782,590 treasury shares held by the company, totalling Euro 22,057,093.80, of which Euro 18,315,129.44 drawn from remaining net income for the year and Euro 3,741,964.36 from the spin-off reserve,
- bringing the total dividend to Euro 0.19 per savings share (totaling Euro 5,576,422.67) and Euro 0.07 per ordinary share (totaling Euro 49,412,080.69);
- II. with regard to the above, to pay a total dividend of Euro 0.19 to each of the savings shares and Euro 0.07 to each of the ordinary shares, gross of any withholdings required by law, as from May 27, 2004, with the shares going ex-div on May 24, 2004.

Now that the provisions of Legislative Decree 269/2003, converted into Law 326/2003 with amendments, have come into force, the dividends in question, totaling Euro 54,988,503.36, have been attributed:

- an "ordinary" tax credit of 51.51% amounting to Euro 1,657,078, corresponding to 3.0135% of the total dividend distributed;
- a "limited" tax credit of 51.51% on the remainder, corresponding to 96.9865% of the total dividend distributed.

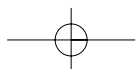
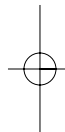
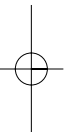
The right to use the tax credit nonetheless depends on the beneficiary's status, under prevailing rules defined by article 4 of Decree 344 dated December 12, 2003."

Milan, March 18, 2004

on behalf of the Board of Directors

Guido Roberto Vitale
(Chairman)

Maurizio Romiti
(Chief Executive Officer)



> Consolidated financial statements and Explanatory notes

Consolidated financial statements

> Consolidated balance sheet

ASSETS (Millions of euros)	12.31.2003	12.31.2002
A) SUBSCRIBED CAPITAL UNPAID		0.1
B) FIXED ASSETS		
I. Intangible fixed assets		
1. Start-up and expansion costs	5.3	3.0
2. Research, development and advertising costs		
3. Patents and intellectual property rights	0.8	2.6
4. Concessions, licenses, trademarks and similar rights	125.0	104.6
5. Goodwill	18.0	32.4
6. Assets under development & advances	0.4	5.7
7. Other	19.4	12.0
8. Consolidation difference	172.5	192.7
Total	341.4	353.0
II. Tangible fixed assets		
1. Land and buildings	89.5	68.4
2. Plant and machinery	48.6	47.8
3. Industrial and commercial equipment	3.3	1.9
4. Other	29.8	28.9
5. Assets under construction and advances	13.8	7.6
Total	185.0	154.6
III. Financial fixed assets		
1. Equity investments	468.5	406.6
2. Receivables	25.1	63.4
3. Other securities		
4. Treasury shares	85.0	75.5
Total	578.6	545.5
Total fixed assets (B)	1,105.0	1,053.1

Consolidated financial statements

ASSETS (Millions of euros)	12.31.2003	12.31.2002
C) CURRENT ASSETS		
I. Inventories		
1. Raw and ancillary materials and consumables	32.0	38.1
2. Work in progress and semi-finished products	10.2	15.7
3. Work in progress to order		
4. Finished products and goods	109.3	113.9
5. Advances		
Total	151.5	167.7
III. Current receivables		
1. Trade receivables	662.9	624.3
2. Due from non-consolidated subsidiaries	0.3	2.3
3. Due from non-consolidated associated companies	40.0	24.9
4. Due from parent companies	–	
5. Other receivables	320.4	281.8
Total	1,023.6	933.3
III. Current financial assets		
1. Equity investments in non-consolidated subsidiaries		
2. Equity investments in non-consolidated associated companies		
3. Other equity investments	8.6	19.3
4. Treasury shares		
5. Other securities	85.2	106.8
6. Receivables	8.2	129.0
Total	102.0	255.1
IV. Cash and banks		
1. Bank and post office deposits	60.8	65.9
2. Checks	0.4	1.2
3. Cash and currency on hand	1.5	1.3
Total	62.7	68.4
Total current assets (C)	1,339.8	1,424.5
D) Accrued income and prepayments	41.7	43.6
TOTAL ASSETS	2,486.5	2,521.3

Consolidated financial statements

> Consolidated balance sheet

Liabilities (Millions of euro)	12.31.2003	12.31.2002
A) NET SHAREHOLDERS' EQUITY		
I. Share capital	762.0	760.6
II. Share premium reserve	153.6	160.6
III. Revaluation reserve		
IV. Legal reserve	152.1	152.1
V. Reserve for treasury shares	85.0	75.5
VI. Statutory reserves		
VII. Other reserves		
Translation reserve	3.3	18.3
VIII. Income (Losses) carried forward	(195.2)	(42.9)
IX. Net income (Loss) for the year	46.1	(152.3)
Total	1,006.9	971.9
Minority interests in share capital and reserves	49.5	52.8
Total shareholders' equity (A)	1,056.4	1,024.7
B) PROVISION FOR RISKS AND CHARGES		
1. For retirement benefits and similar obligations	4.2	4.8
2. For taxes	4.0	7.7
3. Other	186.5	252.5
TOTAL PROVISION FOR RISKS AND CHARGES (B)	194.7	265.0
C) PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES	109.4	111.4
D) PAYABLES		
1. Bonds		
2. Convertible bonds		
3. Due to banks	313.7	366.5
4. Due to other sources of finance	14.7	18.8
5. Advances received	21.6	21.8
6. Trade payables	509.6	482.5
8. Due to non-consolidated subsidiaries	6.7	3.4
9. Due to non-consolidated associated companies	53.7	35.1
11. Taxes payable	70.7	52.0
12. Due to social security institutions	19.3	17.5
13. Other payables	88.3	96.1
Total (D)	1,098.3	1,093.7
E) ACCRUED LIABILITIES AND DEFERRED INCOME	27.7	26.5
TOTAL LIABILITIES	2,486.5	2,521.3

Consolidated financial statements

MEMORANDUM ACCOUNTS (millions of euros)	12.31.2003	12.31.2002
1. GUARANTEES GIVEN		
I. Sureties	187.3	240.1
II. Endorsements	21.0	10.6
III. Other unsecured guarantees	135.7	113.6
Total guarantees given	344.0	364.3
2. COMMITMENTS		
Securities to be purchased/sold	1.0	3.6
Other commitments	70.7	36.8
Total commitments	71.7	40.4
3. ASSETS HELD ON DEPOSIT	362.0	363.4
TOTAL MEMORANDUM ACCOUNTS	777.7	768.1

Consolidated financial statements

> Consolidated income statement

(Millions of euros)	2003	2002
A) PRODUCTION VALUE		
1) Revenues from sales and services	2,168.8	2,155.6
2) Change in inventories of work in progress, semi-finished and finished products	10.1	(5.2)
3) Change in work in progress to order	(0.3)	
4) Increase in self-constructed assets		
5) Other revenues and income	68.1	58.4
Total Production value (A)	2,246.7	2,208.8
B) PRODUCTION COSTS		
6) Raw and ancillary materials, consumables and goods	554.7	575.6
7) Services	878.3	846.7
8) Rentals and leasing	177.6	158.6
9) Payroll costs	402.9	410.7
a) <i>Wages and salaries</i>	285.5	295.6
b) <i>Social security payments</i>	86.0	81.6
c) <i>Employee termination indemnities</i>	19.6	18.9
d) <i>Retirement benefits and similar</i>	5.7	5.1
e) <i>Other</i>	6.1	9.5
10) Amortization, depreciation and writedowns		
a) <i>Amortization of intangible fixed assets</i>	44.9	41.2
b) <i>Depreciation of tangible fixed assets</i>	26.3	27.3
c) <i>Other writedowns of fixed assets</i>		
d) <i>Writedowns of receivables held as fixed assets and cash and banks</i>	15.9	15.3
11) Change in inventories of raw and ancillary materials, consumables and goods	4.6	14.1
12) Provisions for risks	10.3	13.3
13) Other provisions	0.4	0.5
14) Other operating expenses	44.7	44.7
Total production costs (B)	2,160.6	2,148.0
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B)	86.1	60.8

Consolidated financial statements

(Millions of euros)	2003	2002
C) FINANCIAL INCOME AND CHARGES		
15) Income (charges) from equity investments	10.0	15.1
16) Other financial income	20.3	29.9
17) Interest and other financial charges	(28.8)	(30.6)
Total financial income and charges (C)	1.5	14.4
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations	48.9	2.8
19) Writedowns	(6.8)	(176.9)
Total value adjustments to financial assets	42.1	(174.1)
E) EXTRAORDINARY INCOME AND CHARGES		
20) Income	165.6	101.7
21) Charges	(218.6)	(87.7)
Total extraordinary income and charges (E)	(53.0)	14.0
INCOME BEFORE TAXES (A – B + C + D + E)	76.7	(84.9)
22) Taxes	(22.3)	(56.7)
23) Net income (loss) for the year	54.4	(141.6)
Minority interests in net (income) loss for the year	(8.3)	(10.7)
GROUP'S SHARE OF NET INCOME (LOSS) FOR THE YEAR	46.1	(152.3)

Consolidated financial statements

> Statement of cash flows (according to IAS principles)

(Millions of euros)	December 2003	December 2002
A) CASH FLOW FROM OPERATIONS		
Net income (loss) for the year	46.1	(152.3)
Minority interests in net income (loss) for the year	8.3	10.7
Adjustments:		
Depreciation and amortization	70.3	68.5
Income from equity investments	(7.7)	(14.1)
Writedowns (revaluations) of fixed assets		
Capital (gains) losses from the disposal of fixed assets	(14.3)	(83.8)
Increase (decrease) in reserves for risks and charges	(12.5)	(18.3)
Increase (decrease) in reserve for employee termination indemnities	(2.0)	(7.5)
Increase (decrease) in deferred taxes	5.2	5.6
(Profits) losses from investments carried at net equity	(13.7)	174.1
Other changes		(14.5)
Operating income (loss) before changes in working capital	79.7	(31.6)
(Increase) decrease in inventories	16.2	33.9
(Increase) decrease in trade receivables	(53.5)	65.9
Increase (decrease) in trade payables	34.3	17.6
(Increase) decrease in other assets/liabilities	(13.1)	(23.9)
(Increase) decrease in net tax credits	(5.3)	62.0
Changes in working capital	(21.4)	155.5
Net cash generated by operations (A)	58.3	123.9
B) CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisitions, capital increases and coverage of losses on equity investments	(70.7)	(201.4)
Acquisitions of other financial fixed assets	(9.5)	(17.8)
Purchase of tangible and intangible fixed assets	(130.3)	(71.5)
Proceeds from the sale of equity investments	16.3	282.7
Proceeds from the sale of tangible and intangible fixed assets	6.5	78.0
Dividends received	7.7	14.1
Other changes	35.2	1.0
Net cash absorbed by investment activities (B)	(144.8)	85.1
Free cash flows (A + B)	(86.5)	209.0

Consolidated financial statements

(Millions of euros)	December 2003	December 2002
C) CASH FLOW FROM FINANCIAL TRANSACTIONS		
Net change in long-term debt	(80.1)	(27.0)
Net change in short-term debt	41.4	(257.5)
Net change in current financial assets	141.6	0.3
Dividends paid		
Capital increase	3.9	
Change in minority interests in shareholders' equity	(11.6)	
Change in translation reserve	(14.4)	
Net cash generated by financial transactions (C)	80.8	(284.2)
Net increase (decrease) in cash and equivalents (A + B + C)	(5.7)	(75.2)
Opening cash	68.4	143.6
Closing cash	62.7	68.4
Increase (decrease) for the year	(5.7)	(75.2)
Breakdown of net debt	(191.6)	(83.1)
Cash and current financial receivables	164.7	312.0
Long-term debt	(197.0)	(277.1)
Short-term debt	(159.3)	(118.0)

Notes to the consolidated financial statements at December 31, 2003

Notes to the consolidated financial statements at December 31, 2003

The consolidated financial statements at December 31, 2003 have been drawn up in accordance with Legislative Decree 127/91 (as amended) and with the regulations issued by CONSOB. They have been audited by RECONTA ERNST & YOUNG S.p.A., under the engagement granted by the shareholders' meeting of April 15, 2003.

> Scope of consolidation

The consolidated financial statements include the financial statements of RCS MediaGroup S.p.A. (the parent company) and of the subsidiaries of which it directly or indirectly owns more than 50% or that are under its de facto control. They also include the financial statements of companies that are controlled by RCS MediaGroup S.p.A. (whether directly or indirectly) in conjunction with other shareholders, which are consolidated on a proportional basis.

> Changes in the scope of consolidation and figures provided for comparison

The most significant changes in the scope of consolidation are reported below:

- > the valuation at net equity of:
 - Editions nuit et jour S.a.s.
 - Publicité nuit et jour S.a.s.
 - Dergi PazarlamaVe Planlama Ve Ticaret A.s.
 - RCS Dada Advertising S.p.A.
 - Media Alpi S.r.l.
 - Edi.T.A.A. S.r.l.
 - Garamond S.r.l.
 - Publitransport GTT S.r.l.
 - GFT USA
 - Mach 2 Libri S.p.A.

The most important of these changes concerns the GFT USA Group, previously consolidated on a line-by-line basis and now valued at equity, due to an agreement reached in February 2004 with the U.S. private equity fund JWV L.P. for the sale of the main direct investments in the United States (JA Apparel Corporate, Riverside Manufacturing Corp. and Nashawena Mills Corp). The agreement is pending approval from the U.S. antitrust authorities.

The transaction disrupts continuity between the financial statements at December 31, 2003 and those of the previous year, so for the sake of comparison the consolidated financial statements of the GFT NET Group for 2003 and 2002 are provided in an attachment, along with GFT USA's consolidated financial statements at December 31, 2003.

Notes to the consolidated financial statements at December 31, 2003

- > the departure from the scope of consolidation (due to disposal or liquidation) of:
 - Sport Set S.p.A. liquidated
 - RCS France S.n.c. liquidated
 - Burda Rizzoli Asia Holding Pte Ltd liquidated
 - ReKpa Reklam Pazarlama Ve Ticaret A.s. liquidated
 - Lowco SA liquidated
 - Sfera Editeur SA liquidated
 - Sfera Ediciones Argentina SA liquidated
 - GFT Mode Canada Inc liquidated
 - Yoda S.p.A. transferred to Allaxia, valued at cost
 - RBA Coleccionables SA sold
 - Ciesse Piumini S.r.l. sold
 - Fila Netherland BV sold
 - Fila Sport S.p.A. sold
 - Fila USA Inc. sold
 - Pegasus Publishing & Printing SA up for sale

The most significant disposals concern the operating companies of the Fila Group, which were carried at equity in 2002 in view of the sale agreement that was finalized in 2003. RCS Investimenti (formerly Fila Holding), whose only asset now is the proceeds of those disposals, is consolidated on a line-by-line basis in the 2003 financial statements.

- > the line-by-line consolidation of:
 - Unedisa SA., our interest in which has increased from 54.128% to 89.1% and which was previously consolidated using the proportional method;
 - Canal Mundo Radio Cantabria SL at 99.98% (newly incorporated);
 - Canal Mundo Radio Cantaluna SL at 99.98% (newly incorporated);
 - Prima Ucraina Ltd at 70%;
 - Max Verlag GmbH & Co KG and Verwaltungsgesellschaft Max Verlag MbH, our interest in which has increased from 50% to 75%; transferred from Burda Rizzoli Verlagsbeteiligungen GmbH to RCS International Magazines BV;
 - RCS Editori S.p.A., formerly "La Radio dello Sport S.r.l.";
 - RBA Fabbri Italia S.r.l. at 100%, previously held 50% and consolidated on a proportional basis (later merged into RCS Libri S.p.A.);
 - RCS Dada Advertising S.p.A. at 51% (newly incorporated);
- > the proportional consolidation of:
 - ADR Advertising S.p.A.
 - DeADis S.r.l., for the six months following its sale to m-dis Distribuzione Media S.p.A. (formerly RCS Diffusione S.p.A.);
 - m-dis Distribuzione Media S.p.A. (formerly RCS Diffusione S.p.A.);
 - Milano Press S.r.l.

Concerning m-dis Distribuzione Media S.p.A. (formerly RCS Diffusione S.p.A.) and Milano Press S.r.l., previously consolidated on a line-by-line basis, the following consolidation methods were adopted due to the sale of 55% of those interests on June 30, 2003:

- proportional for the balance sheet;
- line-by-line for the first six months of the income statement;
- proportional for the last six months of the income statement.

Notes to the consolidated financial statements at december 31, 2003

The following companies, previously consolidated using the proportional method, have also left the group:

- Canal Mundo Radio Canarias SL	liquidated
- Canal Mundo Radio Ceuta SL	liquidated
- Canal Mundo Radio Andalusia SL	liquidated
- Canal Mundo Radio Pais Vasco SL	liquidated
- Ediciones e Impresiones de Galicia SA	sold
- Megamundi SA	liquidated
- Ediciones Orbis SA	sold
- RBA Fabbri Hungria Ltd	sold

Finally, the following mergers should be noted:

- Ratealfactor S.p.A., RCS Collezionabili S.p.A., RCS Scuola S.p.A., RBA Fabbri Italia S.r.l. and Casa Editrice La Tribuna S.p.A. into RCS Libri S.p.A.;
- RCS Iberica S.p.A. into RCS Quotidiani S.p.A.

> Consolidation principles

The group accounting principles comply with the requirements of Legislative Decree 127/91, as interpreted and supplemented by those recommended by the National Accounting Profession (also adopted by CONSOB) and—in the absence of Italian standards—with those issued by the International Financial Reporting Standards Committee (IFRSC) provided no conflict exists.

Subsidiaries have been consolidated on a line-by-line basis; companies that are controlled jointly with other shareholders have been consolidated using the proportional method; and associated companies are consolidated at net equity. However, equity investments whose disposal has already been determined, companies being wound up, and those whose figures are negligible in relation to the consolidated financial statements have not been consolidated either proportionally or on a line-by-line basis.

The line-by-line/proportional method of consolidation can be summarized as follows:

- a) assets, liabilities, costs and revenues are taken into account totally or proportionally, eliminating the carrying value of the equity investment against the corresponding share of net equity at the date of inclusion in the consolidation. When negative, the part of the difference arising from this elimination that cannot be allocated to specific balance sheet items is booked to the "consolidation reserve" under shareholders' equity, or to a liability provision when due to projected adverse income statement performance. When positive, it is recorded as a consolidation difference under intangible fixed assets and amortized on a straight-line basis;
- b) profits and losses arising from intercompany transactions that have not yet been realized outside the group are eliminated, as are receivables, payables, costs and revenues between consolidated companies when the amounts concerned are significant;
- c) dividends paid by consolidated companies are eliminated from the income statement and added to prior year retained earnings if, and to the extent which, they have been drawn from the latter;
- d) minority interests in shareholders' equity and in net income (loss) for the year are booked separately in the balance sheet and the income statement.

Notes to the consolidated financial statements at December 31, 2003

The consolidation is based on the statutory financial statements of the directly and indirectly held Italian companies, drawn up by each company's Board of Directors, and on the consolidated financial statements prepared by the Boards of Directors of the directly and indirectly held foreign companies. For certain members of the group (foreign sub-holding companies) whose financial statements are not drawn up in time with the closure of accounts in Italy, audited financial statements prepared in accordance with group accounting policies have been used for the consolidation.

As for financial statements expressed in foreign currencies, balance sheet figures are converted into euro at the year-end exchange rates and income statement figures at the average exchange rates for the year. The increase or decrease in shareholders' equity due to the difference between the initial and year-end exchange rates used for translation into euro is added to or subtracted from the foreign exchange reserve. The exchange rates used are reported in the attachments.

> Accounting policies

In the consolidated financial statements at December 31, 2003, no assets have undergone voluntary revaluation as permitted by Law 342 of November 21, 2000.

The accounting policies are the same as those used to prepare the consolidated financial statements at December 31, 2002.

The more important are described below.

Intangible fixed assets

Intangible fixed assets are recorded at purchase cost and amortized on a straight-line basis over their residual useful life. In the case of premium trademarks with a prestigious, strongly established image, the maximum amortization period is 20 years, as also defined by the Italian Accounting Profession and IAS 38.

Goodwill is capitalized only if acquired for consideration, up to the limit of that cost. It is amortized over a period not exceeding its useful life and consists of the amounts paid for goodwill in connection with acquisitions or other corporate dealings.

The following amortization periods generally apply to intangible fixed assets in relation to their long-term utility:

- start-up and expansion costs: five years;
- patents and intellectual property rights: three to five years;
- concessions, licenses and similar rights: three years in the case of software licenses; otherwise five years;
- trademarks: three to 20 years (the longest period applying to the Casterman brand only);
- goodwill and consolidation differences: five to 20 years. The 20-year period is used exceptionally for goodwill paid on major groups that have been well-established in the market for many years;
- leasehold improvements: over the duration of the lease or rental contract.

Intangible fixed assets whose year-end value has fallen below cost on a long-term basis are written down to that amount.

In accordance with the prudence principle and international practice, most research, development and advertising costs are charged to the income statement in the year incurred.

Notes to the consolidated financial statements at December 31, 2003

Tangible fixed assets

Tangible fixed assets are shown at purchase cost plus any revaluations permitted or required by national laws. Depreciation is calculated systematically on a straight-line basis using rates considered to reflect the estimated useful lives of the assets; those rates are reduced by one-half for assets acquired during the year. Improvements are stated as an increase in the assets concerned only when they produce an actual increase in value.

Ordinary maintenance costs are charged to the income statement in the year in which they are incurred, while extraordinary maintenance costs are added to the value of the assets concerned and depreciated over the latter's residual useful life.

The effects of leased assets on the balance sheet, cash flow statement and income statement are recorded in compliance with the relevant IFRS principle. As such, leased items are recorded among the assets at cost and depreciated on the same basis as other tangible fixed assets. The principal due for outstanding lease installments is recorded on the liabilities side as a payable, while interest on installments for the year is recorded to the income statement as a financial charge.

Financial fixed assets

These consist of equity investments, non-current receivables, other securities and treasury shares.

Equity investments

Non-consolidated subsidiaries and associated companies as defined by Art. 2359 of the Italian Civil Code are valued using the equity method, i.e. at the corresponding portion of net equity stated in the companies' latest available financial statements, taking account the difference between the purchase price and shareholders' equity at the date of purchase and after adjustments made to comply with group accounting policies. The portion of income or loss deriving from this method is booked to the income statement under "adjustments to the value of financial assets."

Equity investments in other companies are valued at purchase or subscription cost, and written down if necessary to reflect long-term impairment in value. For listed companies, any significant decline in the share price is taken into account, which appears to be a long-term condition due to the absence of signs suggesting the likelihood of a recovery in the near future. The original value is restored in subsequent years if the reasons for the writedown cease to apply.

If an investee company's liabilities exceed its net equity, the group's share of that difference is charged as a provision against equity investment risks.

Other securities

These are recorded at the lower of cost and estimated realizable value.

Treasury shares

These are recorded at cost, less any long-term impairment in value. Pursuant to Art. 2357-ter of the Italian Civil Code, an unavailable reserve of the same amount is recorded in consolidated shareholders' equity.

Inventories

Inventories are valued at the lower of purchase or construction cost and their estimated market value based on market trends. They are written down to their net realizable value in consideration of market prices, selling prices in the course of normal operations, and technical and commercial obsolescence.

Receivables and payables

Receivables are recorded at face value and written down to their estimated realizable value by means of the reserve for doubtful accounts. The realizable value of receivables is also determined on the basis of the projected returns, in subsequent periods, of products distributed during the year.

Payables are recorded at face value.

Receivables and payables expressed in foreign currencies are translated at year-end exchange rates, and the gains or losses from their conversion are charged to the income statement as financial income or charges.

Financial assets held as current assets

Securities listed on official markets are recorded at the lower of purchase cost—determined using the LIFO method with annual increments—and the average price of the last month. Other current financial assets are recorded at the lower of cost and estimated realizable value.

Cash and banks

These are stated at face value.

Accrued income, prepayments, accrued liabilities and deferred income

These items are portions of costs and income that pertain to two or more years and are recorded on an accrual basis.

Provisions for risks and charges

These are made to cover certain or probable expenses whose amount or timing was unknown at the close of the year.

Provisions for employee termination indemnities

This covers the full amount accrued to employees at year end. It is adjusted each year in accordance with laws and employment contracts in force.

Notes to the consolidated financial statements at December 31, 2003

Memorandum accounts

The memorandum accounts are shown separately from assets and liabilities. In accordance with the Italian Accounting Profession's standard no. 22, they do not include events already reported in the balance sheet or income statement.

Derivative trading

Derivatives consist of domestic currency swaps (DCS), forward contracts, caps and interest rate swaps used for hedging purposes.

For foreign currency items hedged by domestic currency swaps and for forward contracts maturing at year end, the net premium or discount associated with the hedging agreement is charged to the income statement on a pro-rata basis. Exchange gains and losses accrued at year end on the reference amount of DCS and forward contracts are stated as financial income and charges, counterbalancing the exchange differences accrued on the items being hedged. If DCS or forward contracts are taken out to hedge foreign currency commitments to suppliers, the difference between the opening spot and the forward exchange rate is not booked until the purchase takes place, and serves to adjust the cost at the date of the commitment.

Interest differentials on caps and interest rate swaps are charged to the income statement on an accrual basis. Any transactions that do not perfectly correlate with the underlying financial position are valued on the basis of market conditions.

Revenues

Revenues and income are considered to be earned when the sums concerned are definitively due. Specifically:

- revenues from the sale of goods are recognized when ownership changes, conventionally considered to be on shipment, and—in the case of newspapers, books and other publications sold through bookstores—net of a reasonable estimate of returns;
- revenues from the sale of advertising space and magazines are recorded according to the issue date of the publications concerned, with magazines shown net of a reasonable estimate of returns;
- revenues from partworks are recognized according to the date of product recall from newsagents;
- revenues from services are considered earned when the services are rendered;
- royalties are recorded upon accrual, as defined in the respective contracts;
- operating grants are booked upon collection.

Costs

Costs are considered to be incurred when the conditions giving rise to the expense or loss take place, according to the principles of accrual, matching and prudence.

Notes to the consolidated financial statements at December 31, 2003

Income taxes

Income taxes are calculated on the basis of laws in effect in the countries where group companies operate.

Deferred tax assets and liabilities are booked in relation to temporary differences between the asset and liability figures used in the consolidation and the corresponding figures in the companies' statutory financial statements that are applicable for tax purposes. Specifically, taxes paid in advance are recorded only if they are reasonably certain to be recovered; likewise, deferred tax liabilities are not recorded if the payable is unlikely to arise.

Notes to the consolidated financial statements at December 31, 2003

Information on the balance sheet

Unless otherwise specified, all amounts are in millions of euros.

ASSETS

B) FIXED ASSETS

B I - Intangible fixed assets (Euro 341.4 million)

Changes during the year were as follows:

	Start-up and expansion costs	Research and development costs	Patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Assets under development and advances	Other	Consoli- dation difference	Total
Historical cost at 31.12.2002	7.9	0.2	14.8	195.8	49.8	5.7	43.7	304.6	622.5
Increases	1.5		0.3	70.7	1.7	0.2	11.2	2.3	87.9
Decreases	(0.8)					(1.3)	(16.6)		(18.7)
Other movements	2.3		(1.7)	(50.1)	(18.9)	(4.2)	3.3	(77.4)	(146.7)
Historical cost at 31.12.2003	10.9	0.2	13.4	216.4	32.6	0.4	41.6	229.5	545.0
Accum. Amort. at 31.12.2002	(4.9)	(0.2)	(12.2)	(91.2)	(17.4)		(31.7)	(111.9)	(269.5)
Amortization for the year	(1.1)		(0.7)	(18.5)	(3.0)		(4.8)	(16.8)	(44.9)
Decreases	1.3			27.6			13.8		42.7
Other movements	(0.9)		0.3	(9.3)	5.8		0.5	71.7	68.1
Accum. Amort. at 31.12.2003	(5.6)	(0.2)	(12.6)	(91.4)	(14.6)	0.0	(22.2)	(57.0)	(203.6)
Net balance at 31.12.2002	3.0		2.6	104.6	32.4	5.7	12.0	192.7	353.0
Increases	1.5		0.3	70.7	1.7	0.2	11.2	2.3	87.9
Decreases	0.5			27.6		(1.3)	(2.8)		24.0
Amort. for the year	(1.1)		(0.7)	(18.5)	(3.0)		(4.8)	(16.8)	(44.9)
Other movements	1.4		(1.4)	(59.4)	(13.1)	(4.2)	3.8	(5.7)	(78.6)
Net balance at 31.12.2003	5.3		0.8	125.0	18.0	0.4	19.4	172.5	341.4

Start-up and expansion costs

The balance amounts to Euro 5.3 million and includes capital increase costs, plant start-up costs and any capitalized expansion costs, incurred mainly by companies in the Unedisa Group. The other changes derive from the line-by-line consolidation of the Unedisa Group.

Notes to the consolidated financial statements at December 31, 2003

Patents and intellectual property rights

The balance of Euro 0.8 million includes rights concerning the McGraw Hill division, rights to publish books from the Rusconi Editore catalog, and copyright and business exploitation rights for Giunti Editore's "Dizionario della lingua italiana" (Italian dictionary).

The decrease concerns RCS Libri S.p.A.'s sale of the copyright and business exploitation rights on the "Dizionario della lingua italiana" to Rizzoli Larousse S.p.A., a proportionally consolidated company.

Concessions, licenses, trademarks and similar rights

These amount to Euro 125.0 million and consist mainly of trademarks and software licenses. Specifically, they include the net value of the Casterman trademark (Euro 7.3 million) and the net value of RCS Broadcast's rights to use radio frequencies (Euro 37.3 million). Of the total, Euro 33.1 million refers to consolidation differences that arose upon such groups' first-time consolidation in RCS.

In accordance with IFRSC accounting principles, goodwill on the rights to use Radio Italia Network frequencies have been classified under concessions, licenses and trademarks (Euro 11 million).

Other movements refer mainly to the exit of the Joseph Abboud trademark, which was worth Euro 54.8 million at the end of the previous year. Also, the consolidation difference for Unedisa, arising primarily from the increase in the percentage held during the course of 2003, has been recorded to this item in the amount of Euro 66.1 million as a value increase for El Mundo.

Goodwill

Goodwill amounts to Euro 18.0 million, including Euro 8.5 million for Casa Editrice La Tribuna and Euro 8.0 million for the acquisition of the Tramontana and Markes business activities and of the textbook division Calderini-Edagricole.

It decreased due to the reclassification to "concessions, licenses and trademarks" of the rights to use Radio Italia Network frequencies, and the write-off of the goodwill recorded by RBA Fabbri, now merged into RCS Libri.

Assets under development and advances

These are valued at Euro 0.4 million, and decreased due to the complete implementation of a new product distribution system.

Other intangible fixed assets

The balance of Euro 19.4 million consists mainly of leasehold improvements for extraordinary maintenance on buildings and bookstores rented by the RCS Group, as well as long-term charges relating to new investments for the implementation of the single integrated system and the product distribution system.

Notes to the consolidated financial statements at December 31, 2003

Consolidation differences

These amount to Euro 172.5 million and refer primarily to the Flammarion Group (93.3 million), the Sfera Group (28.3 million), Blei (24.8 million), IGP-JCDecaux (19.3 million) and RCS Broadcast S.p.A. (4.5 million). Most of the gross increase for the year pertains to the Milchstrasse Group (Euro 1.8 million).

B II – Tangible fixed assets (Euro 185.0 million)

Changes during the year were as follows:

	Land and buildings	Plant	Equipment	Other	Under construction	Total
Cost	87.1	186.2	12.0	123.4	7.6	416.3
Revaluations	24.8	1.7		0.1		26.6
Writedowns	(0.5)	(1.0)	(1.3)	(0.1)		(2.9)
Historical cost at 12.31.2002	111.4	186.9	10.7	123.4	7.6	440.0
Increases	17.6	3.4	0.5	7.6	13.5	42.6
Revaluations						
Writedowns	(0.2)	(0.1)				(0.3)
Disposals	(3.6)	(6.5)	(1.2)	(19.4)		(30.7)
Other movements	15.0	7.7	1.1	14.7	(7.3)	31.2
Historical cost at 12.31.2003	140.2	191.4	11.1	126.3	13.8	482.8
Accum. Dep. at 12.31.2002	(43.0)	(139.1)	(8.8)	(94.5)		(285.4)
Depreciation for the year	(4.3)	(9.2)	(0.7)	(12.1)		(26.3)
Disposals	2.8	6.8	1.2	15.7		26.5
Other movements	(6.2)	(1.3)	0.5	(5.6)		(12.6)
Accum. Dep. at 12.31.2003	(50.7)	(142.8)	(7.8)	(96.5)		(297.8)
Net balance at 12.31.2002	68.4	47.8	1.9	28.9	7.6	154.6
Increases	17.6	3.4	0.5	7.6	13.5	42.6
Revaluations						
Writedowns	(0.2)	(0.1)				(0.3)
Disposals	(0.8)	0.3		(3.7)		(4.2)
Depreciation for the year	(4.3)	(9.2)	(0.7)	(12.1)		(26.3)
Other movements	8.8	6.4	1.6	9.1	(7.3)	18.6
Net balance at 12.31.2003	89.5	48.6	3.3	29.8	13.8	185.0

Tangible fixed assets are depreciated at the following annual rates, which reflect their estimated useful lives:

- > civil and industrial buildings: maximum 13%;
 - > plant and machinery, industrial and commercial equipment and other assets: maximum 25%.
- No financial expenses have been capitalized.

Notes to the consolidated financial statements at December 31, 2003

Land and buildings

These are valued at Euro 89.5 million and consist mainly of industrial properties and the Via Solferino building in Milan, as well as the premises of the Unedisa and Flammarion Groups. They include Euro 17.4 million in leased properties that are booked to this item in accordance with IFRS principles.

The increase is explained by the consolidation difference arising from the purchase of 49% of Immobiliare Solferino; the renovation costs for the Via Solferino building; and the line-by-line (as opposed to proportional) consolidation of Unedisa.

Plant and machinery

Plant and machinery amounts to Euro 48.6 million; additions refer primarily to investments made by the Unedisa Group. Other movements concerned the deconsolidation of GFT USA and the line-by-line consolidation of Unedisa.

This item includes Euro 17.2 million in leased plant booked in accordance with IFRS principles, mainly rotary presses used by RCS Quotidiani S.p.A. and the Unedisa Group.

Industrial and commercial equipment

This amounts to Euro 3.3 million. Additions for the year consist primarily of investments made by the subsidiary IGP-JCDecaux for street furniture in the city of Naples.

Other assets

These amount to Euro 29.8 million. Most of the additions took place at RCS Quotidiani and the Unedisa Group.

The other movements are explained by the line-by-line consolidation of the Unedisa Group and the deconsolidation of GFT USA.

Assets under construction and advances

These total Euro 13.8 million. They include Euro 10.1 million in advance payments for the construction of the rotary presses that will be leased as part of RCS Quotidiani S.p.A.'s "full-color" investment program.

B III – Financial fixed assets (Euro 578.6 million)**Equity investments (Euro 468.5 million)**

The list of equity investments and related information required by Art. 38, par. 2 of Legislative Decree 127/91 is provided as Attachment A to the explanatory notes.

Notes to the consolidated financial statements at December 31, 2003

Changes during the year were as follows:

	Subsidiaries	Associated companies	Other companies	Total
Gross balance at 12.31.2002	422.7	69.2	329.7	821.6
– writedown provision	(316.7)	(21.2)	(77.1)	(415.0)
Balance at 12.31.2002	106.0	48.0	252.6	406.6
Increases		3.0		3.0
Subscriptions and capital increases		8.1	62.6	70.7
Disposals	(2.1)	(6.9)		(9.0)
Writedowns	(23.6)	(4.7)	(5.9)	(34.2)
Revaluations and partial writebacks		1.6	46.4	48.0
Other movements	(15.7)	(0.6)	(0.3)	(16.6)
Change for the year	(41.4)	0.5	102.8	61.9
Balance at 12.31.2003	64.6	48.5	355.4	468.5
+ writedown provisions	23.9	26.0	37.5	87.4
Gross balance at 12.31.2003	88.5	74.5	392.9	555.9

Subsidiaries

The net balance comes to Euro 64.6 million, given by the valuation at net equity of GFT USA (53.8 million), HdP BV (5.8 million) and minor companies in the GFT NET Group, currently in the process of disposal.

Writedowns were charged in order to bring the equity valuation of GFT USA into line with its sale price.

Other changes reflect the equity valuation of GFT USA, previously consolidated on a line-by-line basis, and the sale of operating companies in the Fila Group as a result of which the line-by-line method was adopted for RCS Investimenti S.p.A. (formerly Fila Holding S.p.A.).

Associated companies

Subscriptions for capital increases concern the investment in Burda RCS International Holding for Euro 8 million, which enabled the purchase of Catherine Nemo during the year.

Disposals refer mainly to RBA Colleccionables S.A. (Euro 4.8 million) and the completed liquidation of Sport Set S.p.A. (Euro 2.0 million).

Writedowns and revaluations of equity investments consist of the group's share of the net income or loss of companies valued at equity, and the adjustment of Dada S.p.A. to the average stock market prices during the second half of the year.

Other companies

Subscriptions for capital increases refer chiefly to the investment in Pirelli & C. S.p.A. (Euro 57.3 million). The increase was carried out through the issue of ordinary shares optioned to existing investors at the ratio of three new shares for every one share held in any category, at the price of Euro 0.52 per share. Every newly issued share came with a "2003-2006 warrant for ordinary Pirelli & C. shares," which can be traded separately and is good for the purchase of additional

Notes to the consolidated financial statements at December 31, 2003

Pirelli & C. S.p.A. shares at the ratio of one ordinary share for every four warrants held, at the price Euro 0.52 each (par value). The warrants were trading on the Milan Stock Exchange at about Euro 0.11 each at December 30, 2003; the combined value of all warrants held is about Euro 12.1 million.

The group also subscribed to the increase in capital of Istituto Europeo di Oncologia S.r.l. (Euro 1.6 million).

As readers will recall, Banca Intesa shares were written down by Euro 66.1 million in the 2002 financial statements. In 2003, they were written back by Euro 45.4 million, to reflect the stock's performance during the second half of the year.

Writedowns refer to minor equity investments, and to the adjustment of the value of Poligrafici Editoriale to the average stock market price for the past six months (drawing that amount from existing provisions), to adjust the higher-than-market price paid for the block purchase of stock and the price of the remaining shares as well.

Other changes include the free allocation of Banca Intesa S.p.A. shares (Euro 3.0 million) in accordance with the resolution to give each shareholder one free ordinary share for every 40 ordinary and/or savings shares held. That amount was recorded as "income from equity investments" in the income statement, in compliance with the Italian Accounting Profession's standard no. 12. Other changes also include increases pertaining to the Unedisa Group, in connection with the significant change in its scope of consolidation.

Some of the shares and quotas owned by RCS MediaGroup S.p.A (for a gross value of Euro 528.8 million) are being held in custody by Spafid, banks and other institutions.

Non-current receivables (Euro 25.1 million)

These are mainly "due from others," in the form of mandatory advance payments on employee termination indemnities; security deposits; the parent company's receivables under a partnership entered into with Nuovo Istituto Italiano Arti Grafiche S.p.A. of Bergamo; and amounts due from insurance companies to the affiliates Unidad Editorial SA and Rizzoli Corporation NY Corp. under an indemnity/pension fund payable to employees.

Notes to the consolidated financial statements at December 31, 2003

Treasury shares (Euro 85.0 million)

During the year, 4,425,722 ordinary treasury shares were purchased, as shown in the following table:

	No. ordinary shares	Par value (euros)	Unit carrying value (euros)	Total carrying value (millions of euros)
Balance at 12.31.2002	22,356,868	1.00	3.378	75.5
Increases	4,425,722	1.00	2.151	9.5
Balance at 12.31.2003	26,782,590	1.00	3.175	85.0

At December 31, 2003, 26,782,590 ordinary treasury shares were possessed for an amount of Euro 85.0 million, at an average carrying price of Euro 3.175 per share. They amounted to 3.66% of ordinary share capital and 3.51% of total share capital. The authorization to buy back shares was renewed by the shareholders' meeting of April 15, 2003.

The market value of treasury shares was Euro 73.5 million at the close of the year.

Given the stock's healthy performance (especially in the latter months of 2003) and the profits forecast for the group in coming years, we have decided not to charge any writedowns.

The subsidiaries do not own shares of RCS MediaGroup.

Notes to the consolidated financial statements at December 31, 2003

C) CURRENT ASSETS**C I – Inventories (Euro 151.5 million)**

The following table shows inventories by type and the provisions made for their writedown to market value:

	Book value 12.31.2003	Writedown provision	Net value 12.31.2003	Book value 12.31.2002	Writedown provision	Net value 12.31.2002	Change
raw and ancillary materials and consumables	34.3	2.3	32.0	40.4	2.3	38.1	(6.1)
semi-finished products	11.0	0.8	10.2	16.8	1.1	15.7	(5.5)
finished products and goods	148.4	39.1	109.3	160.0	46.1	113.9	(4.6)
Total	193.7	42.2	151.5	217.2	49.5	167.7	(16.2)

The overall decrease in inventories is due mainly to the deconsolidation of GFT USA.

Inventory writedowns amounted to Euro 42.2 million at the close of the year and pertained primarily to finished products in the book division.

The breakdown by business sector is as follows:

	Raw and ancillary materials and consumables	Work in progress and semi-finished products	Finished products	Inventories at 12.31.2003
Newspaper	15.7	0.8	1.3	17.8
Books	7.1	5.5	106.1	118.7
Magazines	9.2	3.9	0.3	13.4
Distribution			1.6	1.6
Total	32.0	10.2	109.3	151.5

Notes to the consolidated financial statements at December 31, 2003

C II – Receivables (Euro 1,023.6 million)

Receivables are broken down below by type and due date:

	Balance at 12.31.2003			Balance at 12.31.2002			Change
	Within 12 months	Beyond 12 months	Total	Within 12 months	Beyond 12 months	Total	
Trade receivables	830.3	0.3	830.6	813.1	0.2	813.3	17.3
Provision for doubtful accounts and returns	(167.7)	–	(167.7)	(189.0)	–	(189.0)	21.3
<i>Trade receivables, net</i>	<i>662.6</i>	<i>0.3</i>	<i>662.9</i>	<i>624.1</i>	<i>0.2</i>	<i>624.3</i>	<i>38.6</i>
<i>Due from subsidiaries</i>	<i>0.3</i>	<i>–</i>	<i>0.3</i>	<i>2.3</i>	<i>–</i>	<i>2.3</i>	<i>(2.0)</i>
<i>Due from associated companies</i>	<i>40.0</i>	<i>–</i>	<i>40.0</i>	<i>24.9</i>	<i>–</i>	<i>24.9</i>	<i>15.1</i>
<i>Due from parent companies</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>
Tax credits	117.7	51.0	168.7	77.9	67.9	145.8	22.9
Deferred tax assets	21.4	24.0	45.4	33.0	20.0	53.0	(7.6)
Other	106.3	–	106.3	85.5	(2.5)	83.0	23.3
<i>Other receivables</i>	<i>245.4</i>	<i>75.0</i>	<i>320.4</i>	<i>196.4</i>	<i>85.4</i>	<i>281.8</i>	<i>38.6</i>
Current receivables	948.3	75.3	1023.6	847.7	85.6	933.3	90.3

Trade receivables are shown net of Euro 167.7 million in provisions (189.0 million the previous year) covering bad and doubtful accounts as well as the return of dailies, periodicals and partworks.

The change on the previous year is due partly to the line-by-line consolidation of the Unedisa Group, which was offset to some degree by the deconsolidation of GFT USA.

Receivables due from non-consolidated subsidiaries and from associated companies derive from transactions conducted under arm's-length conditions. The increase in amounts due from associated companies stems mainly from the fact that m-dis (formerly RCS Diffusione S.p.A.) is now consolidated on a proportional basis, rather than on a line-by-line basis. Receivables from proportionally consolidated companies are eliminated only in proportion to the percent age held.

Tax receivables, consisting primarily of amounts receivables for corporate income tax (IRPEG), VAT and tax credits on dividends, pertain to the parent company for Euro 84.2 million, to the RCS Quotidiani Group for Euro 24.8 million and to the RCS Libri Group for Euro 25.4 million.

Deferred tax assets (Euro 45.4 million) are held mainly by the RCS Quotidiani Group and by RCS Libri. Changes during the year are shown in the table in the section on income taxes.

Of the heading "other," the most significant components are advances paid to agents, contributors and authors (Euro 81.7 million) and advance payments to suppliers (Euro 26.5 million); the remainder is made up of miscellaneous receivables.

There are no significant receivables falling due beyond five years.

Notes to the consolidated financial statements at December 31, 2003

Receivables are broken down below by business sector:

Receivables	Trade receivables	Intercompany receivables	Tax credits	Advances	Other receivables	Receivables at 12.31.2003
Newspaper	76.1	170.4	24.8	21.3	4.5	297.1
Books	157.1	27.0	25.4	80.3	1.0	290.8
Magazines	32.9	59.5	4.5	4.1	1.6	102.7
Advertising	300.7	3.7	10.5	20.1	1.4	336.3
Broadcast	1.7	7.4	0.7	0.4	0.1	10.2
Distribution	35.6	2.0	3.8	0.1	0.0	41.5
Other and eliminations	58.8	(222.5)	98.9	7.6	2.1	(55.0)
Total	662.9	47.4	168.7	134.0	10.6	1,023.6

C III – Financial assets held as current assets (Euro 102.0 million)**Other equity investments (Euro 8.6 million)**

This item refers to the investment in Pegasus Publishing & Printing (Euro 2.0 million, held 40% directly and 2% indirectly) and to other investments held by the parent company (SMI for Euro 1.4 million and Recoletos Compania for Euro 5.2 million).

Other securities (Euro 85.2 million)

The balance of Euro 85.2 million (106.8 million at December 31, 2002) includes Euro 65.6 million in mutual fund units held by the parent company as short-term investments, as detailed in an attachment to the parent company's financial statements. The remaining Euro 19.6 million consists mainly of short-term investments made by the Unedisa Group.

Of the total "other equity investments" and "other securities" listed in the financial statements of RCS MediaGroup S.p.A., a gross amount of Euro 72.4 million is being held in custody at Mediobanca and other banks.

Financial receivables (Euro 8.2 million)

These refer primarily to loans granted to associated companies and affiliates, and to investments of cash. The balance has decreased by Euro 120 million due to the significant reduction in short-term investments (bank deposits) previously held by the parent company.

C IV – Cash and banks (Euro 62.7 million)

These consist mainly of checking account deposits due on demand, and pertain to the RCS Libri Group for Euro 29.6 million.

D) ACCRUED INCOME AND PREPAYMENTS (Euro 41.7 million)

These total Euro 41.7 million, including Euro 38.0 million in prepayments. Prepayments refer mainly to contributors' fees, services, advertising and rent.

Notes to the consolidated financial statements at December 31, 2003

LIABILITIES**A) SHAREHOLDERS' EQUITY (Euro 1,006.9 million)**

The composition of and movements in consolidated shareholders' equity are shown in the table below:

	Share capital	Share premium reserve	Legal reserve	Reserve for treasury shares	Other reserves	Income (losses) carried forward	Net income (loss) for the year	Shareholders' equity
Balance at 12.31.2002	760.6	160.6	152.1	75.5	18.3	(42.9)	(152.3)	971.9
Shareholders' meeting of April 15, 2003								
– prior year loss carried forward						(152.3)	152.3	–
Capital increase to service Stock options, via:								
– increase in share capital	1.4							1.4
– increase in share premium reserve		2.5						2.5
Increase in reserve for treasury shares		(9.5)		9.5				–
Change in translation reserve					(15.0)			(15.0)
2003 net income							46.1	46.1
Balance at 12.31.2003	762.0	153.6	152.1	85.0	3.3	(195.2)	46.1	1,006.9

Consolidated shareholders' equity increased by Euro 35 million due to an increase in share capital of Euro 1.4 million, an increase in the share premium reserve of Euro 2.5 million, due to the exercise of outstanding stock options, and net income for the year of Euro 46.1 million. Those changes were partially offset by the decrease in the foreign exchange reserve in connection with the completed or imminent disposal of businesses.

The reconciliation between the parent company's net income (loss) and shareholders' equity and the figures in the consolidated financial statements is shown below.

	At 12.31.2003		At 12.31.2002	
	Shareholders' equity	Income (loss) for the year	Shareholders' equity	Income (loss) for the year
Shareholders' equity and income (loss) for the year, as shown in the parent company's financial statements, net of dividends paid	1,125.7	51.5	954.4	(194.4)
Elimination of adjustments and provisions made exclusively for tax purposes	16.9	0.2	16.7	8.3
Elimination of carrying value of consolidated equity investments	12.4	(34.8)	178.1	24.7
Elimination of intercompany transactions	(148.1)	29.2	(177.3)	9.1
Group's portion of shareholders' equity and net income (loss)	1,006.9	46.1	971.9	(152.3)

The share capital amounts to Euro 762,019,050, consisting of 732,669,457 ordinary shares and 29,349,593 savings shares, all with a par value of Euro 1.00 each.

Notes to the consolidated financial statements at December 31, 2003

The reserve for treasury shares amounts to Euro 85.0 million, an increase of Euro 9.5 million. Following purchases made during the year, it was adjusted by drawing on the share premium reserve. The treasury shares were purchased on the basis of the shareholders' resolution of April 15, 2003.

Pursuant to Art. 2426, point 5, par. 1 of the Italian Civil Code, we specify that the amount of available reserves exceeds the start-up and expansion costs that have not yet been amortized.

B) PREVISIONS FOR RISKS AND CHARGES (Euro 194.7 million)

Changes during the year were as follows:

	12.31.2002	Provisions	Utilized	Other movements	12.31.2003
Retirement benefit reserves	4.8	0.3	(09)		4.2
Tax provisions	7.7	1.6	(5.3)		4.0
Other provisions for risks and charges	252.5	81.30	(146.1)	(1.2)	186.5
Total provisions for risks and charges	265.0	83.2	(152.3)	(1.2)	194.7

The tax provisions include deferred taxes.

The item "Other provisions for risks and charges" (Euro 186.5 million) covers certain or probable liabilities, as follows:

- Euro 36.1 million in relation to legal and tax disputes;
- Euro 17.0 million for risks and restructuring in connection with non-consolidated equity investments;
- Euro 133.4 million mostly covering group restructuring projects planned for 2003 and losses on installment receivables assigned to factoring companies, provided for in previous years.

These provisions decreased by Euro 146.1 million. Of that amount, Euro 12.4 million is attributable to the use of the legal dispute provisions as part of the ordinary closure of pending cases. The investment in the non-consolidated company Poligrafici Editoriale was written down by Euro 3.9 million. Euro 82.4 million was utilized from existing provisions against the cost of exiting the fashion/apparel sector, via the sale of Fila and Joseph Abboud, and Euro 9.1 million was used to cover efficiency improvement, reorganization and other costs incurred by RCS MediaGroup. Other utilizations amounted to Euro 7.7 million from the provisions provided in the financial statements of GFT NET, for the gradual exit from activities in that sector; Euro 2 million for the completion of a computerized distribution system sold by RCS Quotidiani to m-dis S.p.A.; and Euro 3.2 million for potential tax liabilities in the book division. In addition, the provisions decreased by the standard amounts correlating with costs incurred primarily in the course of ordinary business.

Of the provisions, Euro 8.6 million went toward legal disputes, and Euro 16.5 million was set up mainly to cover losses in the value of minority holdings. Euro 37.3 million pertains to the Italian and foreign dailies department, to cover staff departure and employment termination expenses, and Euro 3.6 million was provided in the financial statements of RCS Libri in connection with the risk of identifying non-existent assets. Other changes include a decrease for the deconsolidation of GFT USA, which was partially offset by the line-by-line consolidation of Unedisa, previously

Notes to the consolidated financial statements at December 31, 2003

consolidated on a proportional basis. The remainder is spread across the various consolidated companies in relation to a mix of potential liabilities, including agents' indemnities and other payroll expenses.

Below we describe the changes that have taken place in legal, fiscal, pension and civil disputes involving companies in the group.

Citibank has dropped its suits against RCS MediaGroup (formerly HdP) and RCS Investimenti (formerly Fila Holding).

On March 10, 2004, the buyer of the operating businesses of Fila Holding issued a statement asserting its right to receive indemnities in connection with the contract formalized on June 10. The buyer's claims, which appear to be groundless on the basis of the information at the selling company's disposal, are currently being reviewed by legal experts.

Unifin continues to claim damages for pre-contractual and other liabilities totaling over Euro 3 million, in relation to the failed negotiations for a minority investment by RCS MediaGroup in the Radio Montecarlo Group. We believe that we have sound arguments for refuting all such claims.

Regarding a shareholders' contestation of three resolutions taken at the shareholders' meeting of RCS MediaGroup on April 15, 2003 (increase in the number of board members and consequent election of 19 new directors) for alleged formal violations, the shareholder has dropped his complaints against the company in exchange for reimbursement of legal expenses.

RCS Editori (now RCS Quotidiani), which took over the cinema production companies, has received an injunction from Indian movie producer Chitra Jindal in relation to the film "I misteri della giungla nera" that was co-produced in 1988-89 by RCS Produzioni TV. Mr. Jindal is attempting to have a New Delhi court ruling, which recognized him as co-producer of the film, recognized in Italy and has claimed rights of over Euros 2 million euros plus interest. Counterclaims have been filed with the courts of Milan and Rome. The company has also petitioned the New Delhi court to revise its ruling, partly on grounds that a formal complaint was never served. The case is still in its early stages.

On July 31, 2003, a suit was filed with the New York State Supreme Court against RCS and RCS Investimenti (formerly Fila Holding) and directors of the latter company; the suit was amended on August 7 to include Bank of New York, which acted as RCS's tender agent in its bid for the American Depositary Shares representing Fila Holding stock. The plaintiff aims to have the bid canceled or the tenders rescinded, or else to be awarded damages. This is a class action suit in the name of all owners of Fila Holding American Depositary Shares, based partly on alleged violations of minority shareholders' rights by RCS, Fila Holding and the latter's directors, but it was not properly served to the Italian defendants and is therefore held to be invalid. The suit against Bank of New York was recently dropped.

Notes to the consolidated financial statements at December 31, 2003

C) PROVISION FOR EMPLOYEE TERMINATION INDEMNITIES (Euro 109.4 million)

Changes during the year were as follows:

31.12.2002	111.4
Provision for the year	15.4
Amounts paid or transferred	(15.4)
Other changes	(2.0)
31.12.2003	109.4

The balance covers the amounts accrued to employees in accordance with laws and individual employment contracts. "Other changes" refer mostly to the change in consolidation method used for the m-dis Group (formerly RCS Diffusione), from line-by-line to proportional basis.

D) PAYABLES (Euro 1,098.3 million)

Payables are broken down below by type and due date:

	Balance at 12.31.2003			Balance at 12.31.2002			Change
	Within 12 months	Beyond 12 months	Total	Within 12 months	Beyond 12 months	Total	
Bonds	-	-	-	-	-	-	-
Due to banks	130.3	183.4	313.7	99.4	267.1	366.5	(52.8)
Due to other sources of finance	4.3	10.4	14.7	5.3	13.5	18.8	(4.1)
Advances received	21.6	-	21.6	21.8	-	21.8	(0.2)
Trade payables	509.6	-	509.6	482.5	-	482.5	27.1
Debt instruments issued	-	-	-	-	-	-	-
Due to non-consolidated subsidiaries	6.7	-	6.7	3.4	-	3.4	3.3
Due to associated companies	50.6	3.1	53.7	31.1	4.0	35.1	18.6
Taxes payable	69.4	1.3	70.7	51.8	0.2	52.0	18.7
Due to social security institutions	19.3	-	19.3	17.4	0.1	17.5	1.8
Other payables	87.7	0.6	88.3	96.1	-	96.1	(7.8)
Payables	899.5	198.8	1,098.3	808.8	284.9	1,093.7	4.6

Payables amounting to Euro 60.1 million are due beyond five years and consist exclusively of bank debt.

Bank borrowings secured by collateral total Euro 69.4 million.

Payables due to other sources of finance include leasing contracts held by RCS Quotidiani S.p.A., the Unedisa Group and the Flammarion Group, and relate primarily to production plants and buildings.

Notes to the consolidated financial statements at December 31, 2003

Trade payables are due to suppliers, agents, sales representatives, and contributors. Most of the increase concerns agents and sales representatives, especially in the book and advertising divisions.

The increase in payables to associated companies stems mostly from the new consolidated method used for m-dis (formerly RCS Diffusione S.p.A.), which is now consolidated on a proportional basis as opposed to on a line-by-line basis. Payables to proportionally consolidated companies are eliminated only in proportion to the percent age held.

"Taxes payable" are due essentially by the group's Italian companies and concern liabilities calculated on the basis of current laws, net of any taxes paid in advance. Most of the figure is made up of direct income taxes, withholding taxes to be paid in, the VAT balance due at year end, and amounts payable in relation to the amnesty offered by Law 289 of December 27, 2002.

The most significant components of the heading "Other payables" are due to personnel, for pay in lieu of holiday, standard bonuses and social security taxes thereon (Euro 63.9 million). The decrease was caused by the deconsolidation of the GFT USA Group, which was partially offset by payables to companies in the De Agostini Group booked to the financial statements of Deadis, belonging to the distribution division.

Payables are broken down below by business sector:

Payables	Financial payables	Advances	Trade payables	Taxes payable	Other payables	Payables at 12.31.2003
Newspaper	102.3	5.1	198.4	43.7	42.8	392.3
Books	271.1	3.7	212.8	16.4	14.3	518.2
Magazines	14.5	12.7	74.0	16.0	8.6	125.9
Advertising	46.4	0.1	229.4	4.7	6.7	287.3
Broadcast	6.5		10.7	0.8	1.4	19.3
Distribution	2.2		29.3	1.2	0.5	33.2
Other and eliminations	(86.5)		(202.2)	7.2	3.7	(277.8)
Total	356.4	21.6	552.3	90.0	78.0	1,098.3

E) Accrued liabilities and deferred income (Euro 27.7 million)

Accrued liabilities amount to Euro 10.3 million, including Euro 1.9 million of a financial nature. Deferred income, at Euro 17.4 million, consists of unearned revenues (magazines billed before year end, for Euro 9.4 million) and miscellaneous items pertaining to the various industrial sectors.

Notes to the consolidated financial statements at December 31, 2003

Memorandum accounts

1) GUARANTEES GIVEN (Euro 344.0 million)

I – Sureties (Euro 187.3 million)

Most of these are sureties given to advertising brokers, the Revenue Office (mainly for contests), and Librerie Feltrinelli to cover potential liabilities and/or non-existence of assets, as well as guarantees issued in connection with the sale of real estate in 2000. They also include sureties given for rental agreements and loans.

II – Endorsements (Euro 21.0 million)

These consist primarily of endorsements given to third parties by the Unedisa Group for investments in the new media.

III – Other unsecured guarantees (Euro 135.7 million)

These refer mainly to the parent companies' guarantees to the tax authorities on behalf of subsidiaries, in relation to VAT receivables offset in the context of group-wide VAT settlement for 1999, 2000, 2001 and 2002.

2) COMMITMENTS (Euro 71.7 million)

Securities to be purchased/sold (Euro 1.0 million)

The parent company has commitments to buy shares (Euro 0.2 million) and an option to sell equity investments in other companies.

Other commitments (Euro 70.7 million)

These relate mainly to the parent company and the RCS Quotidiani S.p.A. Group, as follows: Euro 1.6 million for outstanding commitments with Gemina, pursuant to Art. 2504 *decies* of the Italian Civil Code (last paragraph), arising from the Gemina spin-off; Euro 5.6 million in relation to the "non-compete agreement" with the Chief Executive Officer and Chief Operating Officer upon expiry of the term of office; Euro 6.8 million for contractual commitments in relation to pensions; Euro 12.0 million for other contractual commitments with personnel; and Euro 3.0 million for the commitment to purchase shares of MB Venture Capitale Fund I. They also include commitments that RCS Investimenti S.p.A. (formerly Fila S.p.A.) may be asked to honor under the agreement for the sale of equity investments, namely breach of contract penalties totaling a maximum of Euro 41.7 million.

Notes to the consolidated financial statements at December 31, 2003

Pay-out commitments

If the parent company pays dividends on 2003 income, it is obliged to pay the holders of savings shares the dividend that was not distributed in 2001 and 2002 as well as the dividend due by law for 2003, amounting to a minimum of Euro 4.4 million, in accordance with the company's by-laws.

RCS MediaGroup has also signed general co-guarantee agreements in connection with the sale of the operating activities of Fila Holding and the assets of Joseph Abboud by GFTNet.

3) ASSETS HELD IN DEPOSIT (Euro 362.0 million)

Euro 328.2 million refers to RCS MediaGroup S.p.A. shares under pooled management at the parent company, which has in turn lodged them with the central Italian securities depository (Monte Titoli), and Euro 33.8 million to other publishers' books held on deposit by companies in the book division. These items are covered by suitable insurance policies against fire and theft.

RISKS

The group also has commitments for off-balance sheet financial instruments with the following notional values:

Interests Rate Swaps (IRS)	168.2
Domestic Currency Swaps (DCS)	14.5
Total	182.7

The interest rate swaps in effect at December 31, 2003 amount to Euro 168.2 million and hedge the risk of interest rate fluctuation, mainly with reference to loans and leasing agreements.

The domestic currency swaps in effect at December 31, 2003 hedge exchange rate risks associated with commitments and payables.

Notes to the consolidated financial statements at December 31, 2003

Information on the income statement

A) PRODUCTION VALUE (Euro 2,246.7 million)

Revenues by business sector

	Revenues from sales and services	Change in inventories of finished products and in work in progress	Other revenues and income	Revenues at 12.31.2003
Newspaper	901.0	0.2	41.9	943.2
Books	643.3	6.7	16.4	666.5
Magazines and abroad	381.1	1.9	10.9	394.0
Advertising	619.0		2.1	621.2
Broadcast	23.4		3.3	26.7
m-dis	463.7	1	0.8	465.5
RCS MediaGroup	10.3		11.6	21.9
Eliminations/adjustments/other	(873.2)	-	(19.0)	(892.2)
Total	2,168.8	9.8	68.1	2,246.7

Revenues from sales and services (Euro 2,168.8 million)

Revenues from sales and services increased by Euro 13.2 million on the previous year due mainly to changes in the scope of consolidation, resulting from the sale of Joseph Abboud, the gradual exit from the fashion/apparel sector and the creation of the new distribution joint venture with De Agostini and Rusconi, as a consequence of which the proportional consolidation method was used for the second six months' worth of operations by m-dis (formerly RCS Diffusione) and Milano Press. This item also changed due to the sale of Ediciones Orbis and the increased ownership of Unidad Editorial, from 54.2% to 89.21%. In addition, there was an increase in publishing revenues thanks to the boom in associated products sold with newspapers and magazines, and a rise in Italian partwork sales due in part to the acquisition of a further 50% of RBA Fabbri Italia. Sales of non-Italian partworks were down, especially in the United Kingdom.

Changes in inventories of work in progress, semi-finished and finished products (Euro 10.1 million)

The increase with respect to the previous year comes to Euro 15.3 million and is explained chiefly by the deconsolidation of the GFT USA Group.

Notes to the consolidated financial statements at December 31, 2003

Other revenues and income (Euro 68.1 million)

These rose by Euro 9.7 million and include revenues from the sale of miscellaneous materials, cost recovery, and other minor items, as well as out-of-period income relating to ordinary operations.

B) PRODUCTION COSTS (Euro 2,160.6 million)

Raw and ancillary materials, consumables and goods (Euro 554.7 million)

These amount to Euro 554.7 million, a decrease of Euro 20.9 million on the previous year, due mainly to the deconsolidation of GFT USA (Euro 31.7 million) and to a reduction in costs for the purchase of advertising space (Euro 6.1 million). Paper purchases were basically stable, reflecting a decrease of an approximate 10% price decrease with respect to the previous year, and offset by an increase for the line-by-line consolidation of Unedisa and the greater volumes purchased in relation to associated products. As a percentage of revenues from sales and services, this item went from 26.7% in 2002 to 25.6%.

Services (Euro 878.3 million)

	2003	2002	Change
Subcontracted work	264.4	264.5	(0.1)
Legal, professional and consulting services	149.6	140.5	9.1
Advertising, promotions and merchandising	127.0	118.0	9.0
Transport costs, freight and commissions	101.1	97.2	3.9
Other services	75.7	73.8	1.9
Commission expense	63.2	58.5	4.7
Post, telephone and telegraph	37.4	30.5	6.9
Travel and accommodation	25.0	24.9	0.1
Maintenance and refurbishing	14.8	16.1	(1.3)
Energy and power	6.6	8.1	(1.5)
Directors' and statutory auditors' fees	8.3	7.6	0.7
Insurance	5.2	5.3	(0.1)
Royalties paid	–	1.7	(1.7)
Total services	878.3	846.7	31.6

These came to Euro 878.3 million, an increase of Euro 31.6 million with respect to 2002. The change for the year reflects an increase caused by the line-by-line consolidation of the Unedisa Group, partly offset by a decrease due to the deconsolidation of GFT USA (Euro 17.0 million the previous year). On a like-consolidation basis, there was a rise in advertising expenses, mostly for the launch of associated products.

Service costs amounted to 40.5% of revenues (39.3% in 2002).

Notes to the consolidated financial statements at December 31, 2003

They are broken down below by business sector:

	Raw and ancillary materials, consumables and goods	Services	Rentals and leasing	Total
Newspaper	200.8	357.1	53.9	611.8
Books	194.3	267.2	67.1	528.6
Magazines	88.1	181.8	23.1	292.9
Advertising	449.3	72.7	50.9	572.8
Broadcast	0.1	19.6	1.4	21.2
m-dis (formerly RCS Diffusione)	436.5	19.2	0.4	456.1
Parent company	0.4	15.4	8.5	24.3
Other and eliminations	(814.7)	(54.7)	(27.6)	(897.0)
Total	554.7	878.3	177.7	1,610.7

Payroll costs (Euro 402.9 million)

These amounted to Euro 402.9 million, a decrease of Euro 7.8 million on the previous year, due to the deconsolidation of GFT USA (Euro 30.6 million in 2002) as partially offset by the line-by-line consolidation of the Unedisa Group.

They are broken down in the table below:

	2003	2002	Change
a. wages and salaries	285.5	295.6	(10.1)
b. social security charges	86.0	81.6	4.4
c. employee termination indemnities	19.6	18.9	0.7
d. retirement benefits and similar	5.7	5.1	0.6
e. other costs	6.1	9.5	(3.4)
Payroll costs	402.9	410.7	(7.8)

Service costs amounted to 18.5% of revenues (19.1% in 2002).

Notes to the consolidated financial statements at December 31, 2003

The average workforce during the year is broken down below by category and geographical area:

Category	2003	2002	Change
Executives/white collar	3,544	3,948	(404)
Journalists/reporters	1,425	1,289	136
Blue collar	611	1,180	(569)
Total	5,580	6,417	(837)

	Italy	Rest of E.U.	United States	Total
Newspaper	1,825	900		2,725
Magazines	602	335		937
Broadcast	65			65
Advertising	444			444
Books	437	736	63	1,236
Distribution	63			63
Parent company	105			105
Other	5			5
Total	3,546	1,971	63	5,580

Other operating expenses (Euro 44.7 million)

These came to Euro 44.7 million and were stable on the previous year. In detail:

	2003	2002	Change
Taxes	19.8	18.6	1.2
Miscellaneous operating expenses	13.0	18.5	(5.5)
Out-of-period liabilities	7.7	4.5	3.2
Losses on receivables and fixed assets	2.1	1.1	1.0
Contest prizes	2.1	2.0	0.1
Other operating expenses	44.7	44.7	-

Taxes consist mainly of VAT paid by the publisher and local property taxes (ICI).

C) NET FINANCIAL INCOME (CHARGES) (Euro 1.5 million)

Income from equity investments (Euro 10.0 million)

The total of Euro 10.0 million consists primarily of dividends and other income deriving from the free allocation of Banca Intesa S.p.A. shares (Euro 3 million).

Notes to the consolidated financial statements at December 31, 2003

Other financial income (Euro 20.3 million)

This item decreased by Euro 9.6 million with respect to the previous year's figure of Euro 29.9 million. The most significant difference stems from the deconsolidation of GFT USA (Euro 1.0 million the previous year) and from a decrease in financial income by the parent company due to the reduction in the amount of cash invested during the year, along with the lower returns in comparison with 2002.

This item consists of financial income from banks (Euro 8.7 million), exchange gains (Euro 4.5 million) and miscellaneous financial income.

Interest and other financial charges (Euro 28.8 million)

These decreased by Euro 1.8 million on the previous year's total of Euro 30.6 million. Most of the change was caused by the deconsolidation of GFT USA (Euro 0.6 million in 2002).

This item consists of financial charges and fees paid to banks (Euro 16.3 million), exchange losses (Euro 6.5 million) and miscellaneous financial charges.

D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS (Euro 42.1 million)**Revaluations (Euro 48.9 million)**

Of the total, Euro 45.4 million refers to the partial writeback of Banca Intesa shares to reflect their market value, calculated as the average price for the last six-months of the year. That market value is still less than the original cost of the shares, which were written down in prior years. The remainder is split among several companies and includes the results of investments valued at net equity, including Mach 2, Eurogravure, Libraires du Savoir and other minor companies in the Unedisa Group.

Writedowns (Euro 6.8 million)

These totaled Euro 6.8 million, compared with Euro 176.9 million the previous year. Euro 4.8 million refers to the writedown of investments held by the parent company (including Dada S.p.A. for 2.9 million and Burda Rizzoli International Holding for 1.3 million) and the rest to other equity investments, including Euro 0.8 million for the writedown of Pegasus Publishing & Printing classified as a current financial asset.

E) EXTRAORDINARY ITEMS (–Euro 53.0 million)**Extraordinary income (Euro 165.6 million)**

Extraordinary income rose from Euro 101.7 million to Euro 165.6 million and consisted of the following:

- > Euro 2.6 million for the sale of 55% of RCS Diffusione;
- > Euro 0.9 million for the additional price charged for RCS Periodici;

Notes to the consolidated financial statements at December 31, 2003

- > Euro 12.8 million for the capital gain on the sale of an additional 10% of RCS Periodici to the Burda Group, under agreements drawn up in 1995;
- > Euro 2.2 million for the sale of 16% of Pegasus, a listed Greek publishing firm, held jointly with the Burda Group;
- > Euro 1.5 million for the sale of 50% of Ediciones Orbis, as part of the project to acquire the remaining shares of RBA Fabbri Italia, later merged into RCS Libri;
- > Euro 58.3 million for the sale of the operating companies of RCS Investimenti (formerly Fila Holding), including Euro 20.9 million in capital gains on the sale of Ciesse Piumini, Fila Nederland BV and Fila USA Inc., Euro 18.5 million in profits from exchange rate hedging transactions carried out by Fila Holding to cover capital losses on the sale, and Euro 61.5 million in the use of the reserve set up previously by RCS MediaGroup. The use of Fila's foreign exchange reserve is explained in the note to extraordinary charges;
- > other extraordinary income, mainly the recovery of funds, out-of-period income and miscellaneous items.

Extraordinary charges (Euro 218.6 million)

These came to Euro 218.6 million (Euro 87.7 million the previous year) and consist mainly of:

- > Euro 4 million for the write-off of goodwill on Max Verlag GmbH;
- > Euro 37.6 million in extraordinary provisions and restructuring costs associated with efficiency improvement and reorganization programs, particularly at the parent company's dailies division;
- > Euro 8.6 million in charges attributable to the restructuring plan and to the termination of employment contracts with some long-standing executives of the Unedisa publishing group;
- > Euro 5.5 million in extraordinary provisions against potential liabilities arising in connection with the sale of assets;
- > Euro 16.5 million in extraordinary writedowns of non-consolidated companies, of which Euro 15 million refers essentially to the risk of value impairment losses on minority investments;
- > Euro 3.6 million in extraordinary provisions booked by RCS Libri for risks associated with non-existent assets;
- > Euro 2.7 million in capital losses on the disposal of RBA Collecionables and Euro 3.1 million in extraordinary writedowns of intangible assets belonging to the companies formerly held by Ediciones Orbis, which are now under the direct control of RCS Libri;
- > Euro 1.0 million in freed up foreign exchange reserves in connection with disposed companies (Fila Group) or those of imminent disposal (Joseph Abboud);
- > Euro 97.8 million for the sale of the assets of Fila Holding S.p.A: Euro 75.3 million in capital losses on the sale of Fila Sport S.p.A., Euro 20.0 million for waiver of the receivable due to Fila Nederland BV, and Euro 2.5 million for extraordinary consulting services received for the sale itself and for the delisting and deregistration of Fila shares from the New York Stock Exchange;
- > the writedown of the U.S. holdings of the GFT USA Group (Joseph Abboud), carried at equity and sold in the month of February, to reflect the agreed sale price. The writedown was covered by provisions made in prior years to take account of the group's plans to exit this sector;
- > out-of-period liabilities, prior year taxes, provisions for tax amnesties and extraordinary legal rulings, and other miscellaneous charges.

Notes to the consolidated financial statements at December 31, 2003

The disposals in the sportswear and fashion/apparel sector had contrasting effects, as mentioned in detail in the notes to extraordinary income and charges. The following table summarizes those effects for the purpose of a clearer interpretation of events.

	FILA	GFT	Total
Capital gains from sale of equity investments	20.9		20.9
Waiver of receivables due from subsidiaries	(20.0)		(20.0)
Capital losses on equity investments	(75.3)	(13.9)	(89.2)
Exchange gains	18.5		18.5
Consulting fees re: sales of equity investments	(2.5)		(2.5)
Release of consolidation reserve on takeovers	2.6		2.6
Release of translation reserve	16.2	(17.2)	(1.0)
Total	(39.6)	(31.1)	(70.7)
Use of reserve			79.8
Net total			9.1

22) INCOME TAXES FOR THE YEAR (Euro 22.3 million)

Income taxes came to Euro 22.3 million, compared with Euro 56.7 million the previous year. They consist of the regional tax on business activities (IRAP, Euro 17.4 million) and corporate income tax (IRPEG), as well as the equivalent foreign taxes (Euro 23.7 million) and the net effects of deferred taxation (Euro 5.2 million). Those figures are partially offset by tax credits on dividends received by companies in the scope of consolidation, amounting to Euro 24.0 million.

Below is the breakdown of income taxes for the year:

	2003	2002
Pre-tax income	76.6	(84.8)
Theoretical income taxes	26.0	(30.5)
Regional business tax (IRAP) (+)	17.5	19.7
Effect of use of fiscal losses (+/-)	(2.7)	
Effect of temporary differences not expected to be deductible in the near future	146.7	85.7
Tax effect of temporary differences for which deferred taxes/ advance payments were not provided for in prior years (+/-)	(130.4)	(8.2)
Effect of permanent positive differences (-)	(6.9)	(0.6)
Effect of permanent positive differences (+)	3.5	3.3
Reclassification of tax credit on dividends	(24.0)	(12.7)
Other differences (+/-)	(7.4)	
Income taxes booked to the financial statements (current and deferred)	22.3	56.7

Notes to the consolidated financial statements at December 31, 2003

Income statement		
	2003	2002
Current taxes:	17.1	51.2
– IRPEG and foreign taxes net of tax credits on dividends	(0.3)	31.5
– IRAP	17.4	19.7
Deferred taxes assets and liabilities	5.2	5.5
– Assets:	9.0	5.5
* <i>provisions</i>	(1.4)	(17.6)
* <i>utilizations</i>	7.6	23.1
– Liabilities:	(3.8)	–
* <i>utilizations</i>	(5.3)	–
* <i>provisions</i>	1.5	–
Total taxes	22.3	56.7
Below we show the relevant balance sheet figures as they relate to deferred taxes assets and liabilities:		
Balance Sheet	Deferred tax assets	Deferred tax liabilities
Balance at 12.31.2002	53.1	(7.7)
+ provisions	1.4	(1.5)
– utilizations	(6.6)	5.3
Other movements	(2.5)	–
Balance at 12.31.2003	45.4	(3.9)

Notes to the consolidated financial statements at December 31, 2003

OTHER INFORMATION**Directors' and statutory auditors' fees**

Pursuant to Art. 38 of Legislative Decree 127/91, we report the total compensation due to the directors and statutory auditors of RCS MediaGroup S.p.A. for their services at the parent company and the other companies in the consolidation:

(in thousands of euros)	2003	2002
Directors	2,760	2,277
Statutory auditors	145	145
Total fees	2,905	2,422

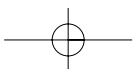
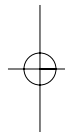
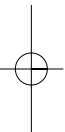
The above table does not include fees paid to the Chief Operating Officer and other compensation, which are specified in the parent company's financial statements as required by Art. 78 of CONSOB Resolution 11971 of May 14, 1998 (as amended).

Milan, March 18, 2004

for the Board of Directors

Guido Roberto Vitale
Chairman

Maurizio Romiti
Chief Executive Officer



> Financial statements and explanatory notes

Parent Company

> Balance sheet

Assets (in euros)	12.31.2003	12.31.2002
A) SUBSCRIBED CAPITAL UNPAID	-	-
B) FIXED ASSETS		
I. Intangible fixed assets	21,189	100,215
1. Start-up and expansion costs	-	-
4. Concessions, licences, trademarks and similar rights	21,189	34,590
7. Other	-	65,625
II. Tangible fixed	893,545	817,946
2. Plant and machinery	190,748	-
4. Other	702,797	817,946
III. Financial fixed assets	933,755,331	732,846,615
1. Equity investments	750,075,129	585,020,247
a) subsidiaries	378,744,226	337,286,875
b) associated companies	30,703,541	15,576,124
d) other companies	340,627,362	232,157,248
2. Receivables	98,638,498	72,304,890
a) due from subsidiaries (*)	93,550,000	70,712,137
b) due from associated companies (**)	-	1,592,753
d) other receivables (***)	5,088,498	-
4. Treasury shares	85,041,704	75,521,478
Total fixed assets (B)	934,670,065	733,764,776
C) Current assets		
I. Inventories	-	-
II. Current receivables	108,160,229	83,454,676
1. Trade receivables	3,112,397	180,211
2. Due from subsidiaries	13,602,817	8,419,743
3. Due from associated companies	423,366	22,495
5. Other receivables (****)	91,021,649	74,832,227
III. Current financial assets	271,931,078	231,484,805
4. Other equity investments	6,645,721	7,917,288
6. Other securities	65,550,000	101,391,117
7. Receivables	199,735,357	122,176,400
IV. Cash and banks	7,697,635	12,375,718
1. Bank and post office deposits	7,672,091	12,368,018
3. Cash and valuables on hand	25,544	7,700
Total current assets (C)	387,788,942	327,315,199
D) ACCRUED INCOME AND PREPAYMENTS		
1. Accrued income	778,817	2,604,559
2. Prepayments	191,998	56,162
Total accrued income and prepayments (D)	970,815	2,660,721
TOTAL ASSETS	1,323,429,822	1,063,740,696
(*) Due beyond one year	40,000,000	15,000,000
(**) Due beyond one year	-	1,592,753
(***) Due beyond one year	5,055,818	-
(****) Due beyond one year	42,071,869	40,670,981

Parent Company

LIABILITIES (in Euro)	12.31.2003	12.31.2002
A) SHAREHOLDERS' EQUITY		
I. Share capital	762,019,050	760,559,800
II. Share premium reserve	153,587,769	160,638,944
III. Revaluation reserves	-	-
IV. Legal reserve	152,111,959	152,111,959
V. Reserve for treasury shares	85,041,704	75,521,478
VI. Statutory reserves	-	-
VII. Other reserves	115,800,000	-
- Reserve for spin-off surplus	115,800,000	-
VIII. Income (losses) carried forward	(194,409,268)	-
IX. Net income (loss) for the year	51,538,390	(194,409,268)
Total shareholders' equity	1,125,689,604	954,422,913
B) PROVISIONS FOR RISKS AND CHARGES	44,707,675	96,983,216
1. For retirement benefits and similar obligations	366,768	-
2. For taxes	-	-
3. Other	44,340,907	96,983,216
C) PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES	3,995,533	2,988,901
D) PAYABLE	148,765,900	9,345,666
3. Due to banks	16,552,147	123
6. Trade payables	4,295,836	5,293,769
8. Due to subsidiaries	77,734,558	1,391,481
9. Due to associated companies	42,744,498	-
11. Taxes payable	4,384,031	1,269,036
12. Due to social security institutions	629,057	194,111
13. Other payables	2,425,773	1,197,146
E) ACCRUED LIABILITIES AND DEFERRED INCOME	-	-
1. Accrued liabilities	212,280	-
2. Deferred income	58,830	-
Total accrued liabilities and deferred income (E)	271,110	-
TOTAL LIABILITIES	1,323,429,822	1,063,740,696

Parent Company

MEMORANDUM ACCOUNTS (in euros)		12.31.2003	12.31.2002
1) PERSONAL GUARANTEES			
I. Sureties given on behalf of:		2,126,770	5,207,259
- subsidiaries		-	-
- other companies		2,126,770	5,207,259
III. Other unsecured guarantees on behalf of:		208,830,617	110,304,103
- subsidiaries		208,754,464	110,227,950
- associated companies		76,153	76,153
Total guarantees given		210,957,387	115,511,362
3) COMMITMENTS			
- bonds to be purchased/sold		-	-
- equities or quotas to be purchased/sold		991,708	9,017,892
- currencies to be purchased/sold		-	3,642,250
- other commitments		16,028,747	21,710,032
Total commitments		17,020,455	34,370,174
4) ASSETS HELD ON DEPOSIT		328,186,430	328,186,430
TOTAL MEMORANDUM ACCOUNTS		556,164,272	478,067,966

Parent Company

> Income statement

(in euros)	2003	2002
A) PRODUCTION VALUE		
1) Revenues from sales and services	10,338,250	3,095,813
5) Other revenues and income	11,564,465	7,022,346
Total production value (A)	21,902,715	10,118,159
B) PRODUCTION COSTS		
6) Raw and ancillary materials, consumables and goods	358,813	116,372
7) Services	15,408,146	14,919,103
8) Rentals and leasing	8,484,359	7,693,868
9) Payroll costs:	15,395,104	7,544,651
a) wages and salaries	10,802,769	5,696,064
b) social security payments	3,676,434	1,121,955
c) reserve for employee termination indemnities	1,256,559	726,632
d) retirement benefits and similar	(7)	-
e) other	(340,651)	-
10) Amortization, depreciation and writedowns:	433,004	781,552
a) amortization of intangible fixed assets	87,355	221,739
b) depreciation of tangible fixed assets	345,649	559,813
12) Provisions for risks	607,569	-
13) Other provisions	375,000	501,000
14) Other operating expenses	1,379,329	1,698,484
Total production costs (B)	42,441,324	33,255,030
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B)	(20,538,609)	(23,136,871)
C) NET FINANCIAL INCOME (CHARGES)		
15, Income from equity investments	61,536,754	8,703,314
16, Other financial income	15,984,079	20,078,832
17, Interest and other financial charges	5,579,485	2,075,863
Total net financial income (charges) (15 + 16 - 17)	71,941,348	26,706,283
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations	45,825,888	172,337
19) Writedowns	14,965,530	195,788,954
Total value adjustments to financial assets (D)	30,860,358	(195,616,617)
E) EXTRAORDINARY ITEMS		
20) Extraordinary income	105,134,583	25,396,140
21) Extraordinary charges	132,559,804	26,458,203
Net extraordinary income (charges) (20 - 21)	(27,425,221)	(1,062,063)
Income or loss before taxes (A - B + C + D + E)	54,837,876	(193,109,268)
22) Income taxes for the period	3,299,486	1,300,000
26) NET INCOME (LOSS) FOR THE YEAR	51,538,390	(194,409,268)

Parent Company

> Cash flow statement (IAS format)

(in millions of euros)

2003

2002

A) CASH FLOW FROM OPERATIONS

Net income (loss) for the period net of taxes

-

(194.4)

Gross income (loss) for the period

51.5

Adjustments:

Depreciation and amortization

0.4

0.8

Income from equity investments

(41.9)

(5.9)

Writedowns (revaluations) of fixed assets

(18.0)

194.1

Writedowns (revaluations) of securities held as current assets

(0.2)

0.0

Capital (gains) losses from the disposal of fixed assets

(13.2)

0.0

Increase (decrease) in reserves for risks and charges

27.5

17.5

Increase (decrease) in reserve for employee termination indemnities

0.9

0.4

(Increase) decrease in deferred taxes

(5.9)

0.0

Operating income (loss) before changes in working capital**1.1****12.5**

(Increase) decrease in inventories

(Increase) decrease in trade receivables

(8.5)

(3.9)

(Increase) decrease in other assets

(10.4)

76.8

Increase (decrease) in trade payables

(0.2)

2.8

Increase (decrease) in other liabilities

4.8

(80.5)

Changes in working capital**(14.3)****(4.8)****Net cash generated by operations (A)****(13.2)****7.7****B) CASH FLOW FROM INVESTMENT ACTIVITIES**

Additions, acquisitions, capital increases and coverage of losses on equity investments

(92.6)

(208.1)

Acquisitions of other financial fixed assets

(9.5)

(20.2)

Purchase of tangible and intangible fixed assets

(0.1)

(0.9)

Net increase in equity investments from spin-off

(26.0)

0.0

Proceeds from the sale of equity investments

20.7

0.1

Proceeds from the sale of other financial fixed assets

0.0

205.6

Proceeds from the sale of tangible and intangible fixed assets

0.0

0.8

Dividends received

41.9

5.9

Other changes

0.0

0.4

Net cash absorbed by investment activities (B)**(65.6)****(16.4)**

Parent Company

(in millions of euros)	2003	2002
C) CASH FLOW FROM FINANCIAL TRANSACTIONS		
Increase in bank borrowings	16.6	
Decrease in current financial assets	159.4	
(Increase) in non-current receivables due from others	(5.1)	
Increase in current/non-current financial payables to subsidiaries and associated companies	118.4	(13.0)
Increase (decrease) in shareholders' equity	4.0	0.0
(Increase) in current financial receivables due from subsidiaries and associated companies	(198.0)	12.2
(Increase) in non-current financial receivables due from subsidiaries and associated companies	(21.2)	0.0
Net cash generated (absorbed) by financial transactions (C)	74.1	(0.8)
	(4.7)	(9.5)
Opening cash	12.4	21.9
Closing cash	7.7	12.4
INCREASE (DECREASE) FOR THE YEAR	(4.7)	(9.5)
Breakdown of net debt	145.4	246.1
Cash and current financial receivables	280.4	246.2
Long-term debt	(3.1)	0.0
Short-term debt	(131.9)	(0.1)

Parent Company

Notes to the parent company's financial statements at December 31, 2003

> Reporting standards and structure

These explanatory notes have been drawn up in accordance with Art. 2427 of the Italian Civil Code.

The balance sheet and the income statement comply with the provisions indicated in Civil Code Articles 2423-*bis* to 2425. The financial statements also include the supplementary information recommended by CONSOB.

More specifically:

- > accounts have been valued in keeping with accepted principles of prudence, with the assumption of the company as a going concern;
- > income and expenses are recorded on an accruals basis;
- > in keeping with the prudence principle, risks and losses have been considered even if they became known after the close of the year;
- > profits are recognized only if realized by the year-end date, according to the accruals principle.

> Accounting policies

The accounting policies used in the financial statements for the year ended December 31, 2003 are those required by Art. 2426 of the Italian Civil Code and are in line with those recommended by the International Accounting Standards Committee and with those issued by the National Accounting Profession, which are also applied by CONSOB.

The accounting policies are the same as those used to prepare the 2002 financial statements.

The more important are described below.

Intangible fixed assets

These are shown at purchase, production or transfer cost and are amortized on a straight-line basis each year, in relation to their residual useful lives and in accordance with the paragraph 5 of Civil Code Art. 2426.

Tangible fixed assets

Tangible fixed assets are recorded at purchase or transfer cost and depreciated over their residual useful lives. Depreciation is calculated systematically on a straight-line basis using rates considered to reflect the estimated useful lives of the assets; those rates are reduced by one-half for assets acquired during the year. Improvements are stated as an increase in the assets concerned only when they produce an actual increase in value.

Financial fixed assets

Equity investments

Equity investments are rights in the share capital of companies, whether represented or not by securities, that have the characteristics of long-term investment. They are valued at purchase or transfer cost, including directly attributable ancillary expenses, determined using the LIFO method with annual increments.

Equity investments are written down to the corresponding portion of net equity or consolidated shareholders' equity in the case of long-term impairment in value. For listed companies, any significant decline in the share price is taken into account, which appears to be a long-term condition due to the absence of signs suggesting the likelihood of a recovery in the near future.

The original value is written back in subsequent years if the reasons for the writedown cease to apply. The provisions of Art. 2426 of the Italian Civil Code (last paragraph) also apply as necessary.

Other securities

These are recorded at the lower of cost and estimated realizable value.

Treasury shares

Treasury shares are recorded at cost and valued on the same basis as equity investments. Pursuant to Art. 2357-ter of the Italian Civil Code, an unavailable reserve in the amount of their book value is recorded in shareholders' equity.

Receivables and payables

Receivables are shown at estimated realizable value. Payables are booked at face value. Receivables and payables expressed in foreign currencies are translated at year-end exchange rates, and the gains or losses from their conversion are charged to the income statement as financial income or charges.

Financial assets held as current assets

Securities listed on official markets are recorded at the lower of purchase cost—determined using the LIFO method with annual increments—and the average price of the last month. Other current financial assets are recorded at the lower of cost and estimated realizable value.

Cash and banks

These are stated at face value.

Parent Company

Accrued income, prepayments, accrued liabilities and deferred income

These items are portions of costs and income that pertain to two or more years and are recorded on an accrual basis.

Provision for risks and charges

These are made to cover certain or probable expenses whose amount or timing was unknown at the close of the year.

Provisions for employee termination indemnities

This covers the full amount accrued to employees at year end. It is adjusted each year in accordance with laws and employment contracts in force.

Memorandum accounts

Personal guarantees, consisting of sureties, endorsements and other guarantees, are booked in the amount of the actual commitment. Collateral is recorded at the book value of the posted asset or right.

Commitments include off-balance sheet transactions entered into for the purpose of protecting the value of individual assets or liabilities from the risk of fluctuations in interest rates and exchange rates, which are valued consistently with the assets and liabilities being hedged.

Securities on deposit elsewhere and third parties' securities held at the company for safe custody or administration are shown at their nominal amount.

Dividends and tax credits thereon

Dividends are recorded to the year in which their payment is resolved by the distributing company, while the tax credit thereon is recorded when the dividend is actually received.

Income taxes

The income tax charge for the year is calculated on the basis of current laws.

Deferred tax assets and liabilities are calculated on the temporary differences between the value of assets and liabilities and those that apply for tax purposes. Specifically, taxes paid in advance are recorded only if they are reasonably certain to be recovered. Likewise, deferred tax liabilities are not recorded if the payable is unlikely to arise.

Parent Company

Information on the balance sheet

Unless otherwise specified, all amounts are in millions of euros.

Assets

B) FIXED ASSETS

B I – Intangible fixed assets

In relation to their long-term utility, software and systems are amortized over a three-year period.

	Start-up and expansion costs	Concessions, Concessions, licenses, trademarks and similar rights	Other	Total
Historical cost at 12.31.2002	0.9	0.2	0.1	1.2
Additions	-	-	-	-
Decreases	-	-	-	-
Historical cost at 12.31.2003	0.9	0.2	0.1	1.2
Accum. amort. at 12.31.2002	(0.9)	(0.2)	-	(1.1)
Amortization for the year	-	-	(0.1)	(0.1)
Decreases	-	-	-	-
Accum. amort. at 12.31.2003	(0.9)	(0.2)	(0.1)	(1.2)
Net balance at 12.31.2002	-	-	0.1	0.1
Additions	-	-	-	-
Decreases	-	-	-	-
Amortization	-	-	(0.1)	(0.1)
Balance at 12.31.2003	-	-	-	0.0

Amortization constitutes the change for the year.

B II – Tangible fixed assets (Euro 0.9 million)

Tangible fixed assets are depreciated at the following annual rates, which reflect their estimated useful lives: furniture and fittings: 12%; electronic office machines: 20%; hardware and personal computers: 40%; miscellaneous equipment: 15%; vehicles: 25% (50% starting in 2003).

Parent Company

Changes during the year were as follows:

	Plant and machinery	Other assets	Total
Historical cost at 12.31.2002	-	1.9	1.9
Purchases	0.2	0.4	0.6
Disposals	-	(0.3)	(0.3)
Historical cost at 12.31.2003	0.2	2.0	2.2
Accum. dep. at 12.31.2002	-	(1.1)	(1.1)
Depreciation for the year	-	(0.3)	(0.3)
Disposals	-	0.1	0.1
Accum. dep. at 12.31.2003	-	(1.3)	(1.3)
Balance at 12.31.2002	-	0.8	0.8
Purchases	0.2	0.4	0.6
Disposals	-	(0.2)	(0.2)
Depreciation	-	(0.3)	(0.3)
Balance at 12.31.2003	0.2	0.7	0.9

The balance of Euro 0.9 million refers to furniture and fittings (0.2 million), company cars (0.4 million) and automatic plant (0.2 million). Additions, for Euro 0.6 million, include security and monitoring systems at the Via Rizzoli plant (0.2 million) and the turnover of company cars (0.2 million). The Euro 0.2 million in disposals also concerns company cars.

B III – Financial fixed assets (Euro 933.8 million)

Equity investments (Euro 750.0 million)

The list of equity investments and related information required by Art. 2427, par. 5 of the Civil Code is provided as Attachment 1.

Parent Company

The main changes in equity investments were as follows:

	Subsidiaries	Associated companies	Other companies	Total
Gross balance at 12.31.2002	908.9	38.4	304.6	1,251.9
- writedown provision	(571.6)	(22.8)	(72.5)	(666.9)
Net balance at 12.31.2002	337.3	15.6	232.1	585.0
Increases for spin-offs	234.6	11.9	5.3	251.8
Acquisitions	22.3	-	0.4	22.7
Subscriptions and capital increases	-	8.0	58.9	66.9
Partial writebacks	-	-	45.4	45.4
Disposals	(2.5)	(0.3)	(0.2)	(3.0)
Writedowns	(98.6)	(4.1)	(4.3)	(107.0)
Decreases for spin-offs	(110.0)	-	-	(110.0)
Other changes	(4.4)	(0.4)	3.0	(1.8)
Change for the year	41.4	15.1	108.5	165.0
Net balance at 12.31.2003	378.7	30.7	340.6	750.0
+ writedown provisions	703.5	26.9	31.4	761.8
Gross balance at 12.31.2003	1,082.2	57.6	372.0	1,511.8

The increases for the year were caused by:

a) Increases from the partial spin-off (Euro 251.8 million)

Subsidiaries (Euro 234.6 million)

The amount refers solely to the new corporate arrangement taken on by the group in January, due to the partial spin-off of RCS Quotidiani S.p.A. (formerly RCS Editori) to RCS Pubblicità and RCS MediaGroup, and the consequent attribution to RCS MediaGroup of the direct and indirect subsidiaries with the exception of those in the dailies sector.

The increases consist of:

- > 70% of RCS Periodici (Euro 15.6 million);
- > 90% of RCS Factor (Euro 1.9 million);
- > 99.99% of RCS Libri (Euro 154.9 million);
- > 100% of RCS International Magazines BV (Euro 20.1 million);
- > RCS Pubblicità (Euro 39.8 million) for a capital increase;
- > 55% of RCS Diffusione (Euro 2.3 million).

Associated companies (Euro 11.9 million)

These consist mostly of the increase for Eurogravure (Euro 2.1 million), Sport Set (Euro 2.0 million) and Burda RCS International Holding GmbH (Euro 6.8 million).

Parent Company

Other companies (Euro 5.3 million)

This refers to the attribution of the 5% interest in RAISAT (Euro 5.2 million) and the 7.5% interest in Immobiliare Editori Giornali (Euro 0.1 million).

b) Acquisitions (Euro 22.7 million)

Subsidiaries (Euro 22.3 million)

Of the total, Euro 15.5 million refers to the buyback by RCS MediaGroup of a 49% stake in Immobiliare Solferino 28 on December 4, 2003, for the purpose of regaining 100% ownership of the Via Solferino property complex, the historical location and emblem of the dailies "Corriere della Sera" and "La Gazzetta dello Sport."

Euro 6.8 million concerns the purchase of American Depositary Shares representing stock in RCS Investimenti (formerly Fila Holding), in connection with the public takeover bid aimed at having the company delisted and its shares taken off the New York Stock Exchange.

Other companies (Euro 0.4 million)

This concerns the swap of a 21.40% interest in Yoda S.p.A. for a 2.46% share of Allaxia S.p.A.

c) Subscriptions and capital increases/reconstitutions (Euro 66.9 million)

Associated companies (Euro 8.0 million)

This refers to the capital increase of Burda RCS International Holding GmbH, for the purpose of acquiring Catherine Nemo during the year. The investment was written down by Euro 1.2 million in order to adjust carrying value to year-end net equity.

RCS MediaGroup S.p.A. still owns 50% of BRIH.

Other companies (Euro 58.9 million)

This amount can be broken down as follows:

- > Euro 57.3 million for RCS MediaGroup's subscription, in proportion to its ownership of 110,193,168 ordinary shares, to the capital increase in Pirelli & C. S.p.A. through the issue of ordinary shares with the same characteristics as those already in circulation and with dividend rights from January 1, 2003, which were optioned to the shareholders at the ratio of three newly issued shares for every one held in any category at the price of Euro 0.52 per share. Every newly issued share came with a "2003-2006 warrant for ordinary Pirelli & C. shares," which can be traded separately and in good for the purchase of additional Pirelli & C. S.p.A. shares at the ratio of one ordinary share for every four warrants held, at the price Euro 0.52 each (par value). The warrants can be used any time from January 1, 2004 until June 30, 2006, except during the blackout periods stated in the regulations. The warrants were trading on the Milan Stock Exchange at about Euro 0.11 each at December 30, 2003; the combined value of all warrants held is about Euro 12.1 million.

Parent Company

Due to the merger of Pirelli S.p.A. and Pirelli & C. Luxembourg S.p.A. into Pirelli & C S.p.A. in August, RCS MediaGroup's interest has fallen from 5.63% to 4.25% of the full share capital of Pirelli & C. S.p.A.

- > Euro 1.6 million for the subscription to the capital increase in the Istituto Europeo di Oncologia.

d) Revaluations (Euro 45.4 million)

Other companies (Euro 45.4 million)

The change refers to the partial writeback of Banca Intesa S.p.A. shares due to the stock's good performance during the second half of 2003, a trend that has continued in early 2004.

The shares had been written down by Euro 66.1 million, as shown in the table below:

	No. of shares	Unit book value	Tot. value (*)	Average price 2 nd half (7/1 to 12/31)	Avg. loss/gain 2 nd half * (7/1 to 12/31)
Banca Intesa S.p.A.					
Value at 12.31.2002	52,866,684	3.32	175,462	2.068	(66,134)
Writedown			(66,134)		
Book value at 12.31.2002			109,328		
Value at 12.31.2003	54,188,351	2.07	112,315	2.911	45,427
Partial writeback			45,427		
Book value at 12.31.2003			157,742		
					(20,707)

(*) In thousands of euros

The decreases are explained as follows:

e) Disposals (Euro 3.0 million)

Subsidiaries (Euro 2.5 million)

Euro 0.7 million refers to the sale on June 30 of 645,300 shares of m-dis (formerly RCS Diffusione) to De Agostini (577,170 shares) and Hachette-Rusconi (68,130 shares), for a capital gain of Euro 1.4 million. m-dis is now owned 24.75% rather than 55%, and has therefore become an associated company. Euro 1.8 million concerns the sale of 500,000 shares of RCS Periodici to the Burda Group during second half the year. Our stake in that company has gone from 70% to 60%.

Associated companies (Euro 0.3 million)

This concerns the swap of a 21.40% interest in Yoda S.p.A. for a 2.46% share of Allaxia S.p.A.

Parent Company

Other companies (Euro 0.2 million)

This amount pertains solely to the sale of the investment in ANSA S.r.l. to RCS Quotidiani S.p.A., for a capital gain of Euro 0.3 million.

f) Writedowns (Euro 107.0 million)***Subsidiaries (Euro 98.6 million)***

Of the total, Euro 61.5 million refers to RCS Investimenti (formerly Fila Holding), whose carrying value was written down to the corresponding portion of shareholders' equity at December 31, 2003.

The interest in GFT NET, whose book value at 31 December 2002 was written down to consolidated shareholders' equity (Euro 30.8 million), has been fully written off due mainly to the sale of Joseph Abboud in February 2004 and to the nearly complete liquidation of its other operating companies. The writedown of GFT NET, for a total of Euro 30.8 million, can be broken down into Euro 18.3 million for the writedown of its U.S. companies to reflect the agreement for the sale of Joseph Abboud, and Euro 12.6 million mostly for the negative trend in the euro/dollar exchange rate during the year. For the writedowns of RCS Investimenti (formerly Fila Holding) and GFT NET, Euro 79.8 million was utilized from risk provisions established in previous years.

Euro 6.3 million refers to the investment in RCS Broadcast S.p.A., whose carrying value was written down to the corresponding portion of consolidated shareholders' equity at the close of the year.

Associated companies (Euro 4.1 million)

The interest in DADA S.p.A. was written down by Euro 2.9 million as an adjustment to the average stock market price over the past six months. The remaining Euro 1.2 million refers to Burda RCS International Holding GmbH, which was written down to the company's portion of shareholders' equity at December 31, 2003.

Other companies (Euro 4.3 million)

Euro 3.9 million refers to the adjustment to market value of the company Poligrafici Editoriale, through the utilization of that amount from previously established provisions, due exclusively to the higher-than-market price paid for the block purchase of stock.

Euro 0.4 million concerns the investment in Eurofly Service S.p.A., whose carrying value was written down to reflect the loss for the year.

g) Decreases for spin-offs (Euro 110.0 million)***Subsidiaries***

The full amount of Euro 110.0 million pertains to the cancelation of 110,000,000 shares (with a par value of one euro each) of the subsidiary RCS Quotidiani S.p.A. (formerly RCS Editori S.p.A.).

Parent Company

h) Other changes (Euro 1.8 million)***Subsidiaries (Euro -4.4 million)***

This amount includes Euro 2.8 million for RCS Periodici S.p.A.'s partial reimbursement of the share premium reserve, in the amount of Euro 0.80 per eligible share in accordance with the shareholders' resolution of April 15, 2003; the remainder concerns the reclassification of m-dis (formerly RCS Diffusione) as an associated company.

Associated companies (Euro 0.4 million)

The net change results from the cancelation of Euro 2.0 million for Sport Set S.p.A., which was fully liquidated before the close of the year, and the addition of Euro 1.6 million for m-dis (formerly RCS Diffusione), previously booked as a subsidiary.

Other companies (Euro 3.0 million)

This pertains to the free allocation of 1,321,667 shares of Banca Intesa, in keeping with the bank's resolution, at the ratio of one free ordinary share with dividend rights from January 1, 2003 for every 40 ordinary and/or savings shares held. They have been recorded at Euro 2.27 per share, the stock market price on April 25, 2003. That amount was also recorded to the income statement as "income from equity investments." Our ownership percent is unchanged.

We also report that some shares and units are being held in custody at Spafid, banks and other institutions; their gross book value amounts to Euro 528.8 million.

The following table shows the unrealized capital gains and losses calculated by comparing the book value of listed investments against their year-end market prices:

Company	No. shares held	Book value		Market value		Gain (loss) euros/mn
		unit euros	total euros/mn	unit euros	total euros/mn	
Banca Intesa S.p.A. – shares purchased	52,866,684	2.07	109.3	3.137	165.8	56.5
Banca Intesa S.p.A. – shares assigned during the year	1,321,667	2.27	3.0	3.137	4.1	1.1
Banca Intesa S.p.A. – pre partial writeback	54,188,351		112.3		170.0	57.7
Banca Intesa S.p.A. – post partial writeback	54,188,351	2.91	157.7	3.137	170.0	12.3
Pirelli & C. S.p.A.	146,924,224	0.76	111.9	0.811	119.2	7.3
Pirelli & C. warrants	110,193,168	0.0	0.0	0.110	12.1	12.1
Joyce Boutique Holding	156,000,000	0.01	1.9	0.025	3.9	2.0
Poligrafici Editoriale	13,199,900	1.57	20.7	1.549	20.4	(0.3)
DADA	2,417,957	4.66	11.3	4.862	11.8	0.5
Totale			303.5		337.4	33.9

Parent Company

Receivables due from subsidiaries and associated companies (Euro 93.5 million)

These increased by Euro 21.2 million with respect to December 31, 2002 (Euro 72.3 million) and refer to loans granted to subsidiaries: Euro 53.5 million to GFT NET, Euro 25.0 million to RCS Quotidiani and Euro 15.0 million to RCS Livres.

The loan to GFT NET is due within 12 months, while RCS Livres will reimburse the sum in a single instalment by April 1, 2006 and the loan to RCS Quotidiani fell due on January 28, 2004.

Other receivables (Euro 5,1 million)

These refer solely to a partnership formed in the year 2000 with Nuovo Istituto Italiano Arti Grafiche S.p.A. of Bergamo, which is still in operation. The deal is part of a broader agreement in the rotogravure business with Istituto Italiano Arti. The receivable includes prior revaluations reflecting the profits earned by N.I.I.A.G. S.p.A.

Treasury shares (Euro 85.0 million)

During the year, 4,425,722 ordinary treasury shares were purchased, as shown in the following table:

	No. ordinary shares	Par value (euros)	Unit carrying value (euros)	Total carrying value (millions of euros)
Balance at 12.31.2002	22,356,868	1.00	3.378	75.5
Increases	4,425,722	1.00	2.151	9.5
Balance at 12.31.2003	26,782,590	1.00	3.175	85.0

At December 31, 2003, 26,782,590 ordinary treasury shares were possessed, for an amount of Euro 85.0 million, at an average carrying price of Euro 3.175 per share. They amounted to 3.66% of ordinary share capital and 3.51% of total share capital. The authorization to buy back shares was renewed by the shareholders' meeting of April 15, 2003.

A comparison between the carrying value of treasury shares and their market value at December 30, 2003 shows a potential capital loss of Euro 11.5 million (Euro 27 million at June 30, 2003 and Euro 30.6 million at December 31, 2002):

No. shares held	Book value		Market value		Gain (loss) euros/mn
	unit euros	total euros/mn	unit euros	total euros/mn	
26,782,590	3.175	85.0	2.743	73.5	(11.5)

Given the stock's healthy performance (especially in the latter months of 2003) and the profits forecast for the group in coming years, we have decided not to charge any writedowns. The subsidiaries do not own shares of RCS MediaGroup.

Parent Company

C) ATTIVO CIRCOLANTE**C II – Current receivables (Euro 108.2 million)**

These increased by Euro 24.7 million and consist mainly of the following:

	Balance at 12.31.2003			Balance at 12.31.2002			Change
	Within 12 months	Beyond 12 months	Total	Within 12 months	Beyond 12 months	Total	
Trade receivables	3.1	–	3.1	0.2	–	0.2	2.9
Due from subsidiaries	13.6	–	13.6	8.4	–	8.4	5.2
Due from associated cos.	0.4	–	0.4	–	–	–	0.4
Tax	42.1	42.1	84.2	34.0	40.7	74.7	9.5
Deferred tax assets	3.2	2.7	5.9	–	–	–	5.9
Other receivables	0.9	–	0.9	0.1	–	0.1	0.8
Current receivables	63.3	44.8	108.1	42.7	40.7	83.4	24.7

- > trade receivables (Euro 3.1 million), refers mainly the remaining amount due for the sale of 500,000 shares of RCS Periodici to the Burda Group;
- > due from subsidiaries (Euro 13.6 million), refers mostly to services rendered and seconded personnel;
- > due from associated companies (Euro 0.4 million), refers mostly to services rendered;
- > tax receivables (Euro 84.2 million), of which 42.1 million is due within 12 months and 42.1 million beyond 12 months. Those due within 12 months consist primarily of Euro 19.6 million in tax credits on dividends, which increased with respect to 2002 (2.8 million), and Euro 19.8 million in corporate income tax (IRPEG) receivables carried forward. The latter decreased with respect to the previous year (Euro 30.4 million), mainly because of the transfer of Euro 12.9 million in IRPEG tax receivable to other companies in the group. Tax receivables due beyond 12 months (Euro 42.1 million) refer to the IRPEG tax receivable whose reimbursement was claimed in the company's 1998 income tax return. The amount includes interest calculated at the rate specified by current law. Other receivables (Euro 2.7 million) consist of Euro 1.8 million for the group-wide VAT advance paid in December and Euro 0.9 million in IRAP (regional tax) instalment payments made during the year.

	Balance at 12.31.2003			Balance at 12.31.2002			Change
	Within 12 months	Beyond 12 months	Total	Within 12 months	Beyond 12 months	Total	
Tax credits on dividends	19.6	–	19.6	2.8	–	2.8	16.8
Corporate income tax (IRPEG) credits to be reimbursed	–	42.1	42.1	–	40.7	40.7	1.4
IRPEG tax receivable carried forward	19.8	–	19.8	30.4	–	30.4	(10.6)
Other tax credits	2.7	–	2.7	0.8	–	0.8	1.9
Tax credits	42.1	42.1	84.2	34.0	40.7	74.7	9.5

Parent Company

- > Deferred tax assets for corporate income tax (IRPEG) and the regional business tax (IRAP), booked in accordance with Accounting Principle 25 on the basis of temporary differences between the profit shown in the financial statements and taxable income, amount to Euro 5.9 million, of which Euro 2.7 million is due beyond 12 months. They stem from the partial spin-off of RCS Quotidiani S.p.A. for Euro 8.8 million and decreased by Euro 2.9 million for the year.
 - > Other receivables, of Euro 0.9 million refer mainly to advance payments on accident and business risk insurance.
- There are no receivables falling due beyond five years.

C III – Financial assets held as current assets (Euro 271.9 million)

In detail:

Descrizione	12.31.2003	12.31.2002	Change
Equity SICAVs	–	1.4	(1.4)
SMI	1.4	1.6	(0.2)
Recoletos Compania	5.2	4.9	0.3
Other equity investments	6.6	7.9	(1.3)
Listed government bonds	–	101.4	(101.4)
Other shares, quotas and other equities (listed):			
– Duemme Fund	65.5	–	65.5
Other securities	65.5	101.4	(35.9)
Bank deposits with third parties	–	122.2	(122.2)
Current account receivables from subsidiaries	121.9	–	121.9
Short-term financial receivables from subsidiaries:			
– RCS Libri S.p.A.	68.0	–	68.0
– RCS Livres	6.0	–	6.0
Current account receivables from associated companies	3.0	–	3.0
Short-term financial receivables from associated companies:			
– Netdish S.p.A.	0.9	–	0.9
Financial receivables	199.8	122.2	77.6
Current financial assets	271.9	231.5	40.4

"Other equity investments" and "other securities" are detailed in Attachment 2, along with their changes for the year and market values. We also report that "other equity investments" and "other securities" are held in custody at Mediobanca and other banks, for a gross book value of Euro 72.4 million.

Euro 65.5 million in cash is invested in funds managed by Duemme SGR, of which 60% goes into short-term financial instruments and 40% into hedge funds, which in turn invest in a basket of funds selected for their diversified investment strategies in order to limit market risk. Duemme strives to preserve investors' capital while seeking, under any market conditions, a yield that exceeds the no-risk rate of return. The net yield on these assets in 2003 was about 2.6%, consistently with RCS MediaGroup's goal of investing part of the group's cash in products whose medium-term yields are expected to match those of the bond markets but that are less volatile than bonds.

Parent Company

C IV – Cash and banks (Euro 7.7 million)

The balance in bank accounts (Euro 12.4 million at the end of the previous year) is influenced by the year-end sale of mutual fund units for Euro 7.4 million. The cash was reinvested in early January.

D) Accrued income and prepayments (Euro 1.0 million)

As follows:

	12.31.2003	12.31.2002	Change
Interest on securities, repo transactions and deposits	–	2.0	(2.0)
Foreign exchange income	–	0.2	(0.2)
Interest on loans to subsidiaries	0.8	0.4	0.4
Accrued income	0.8	2.6	(1.8)
Prepayments	0.2	0.1	0.1
Accrued income and prepayments	1.0	2.7	(1.7)

These decreased by Euro 1.7 million with respect to the previous year.

Accrued income came to Euro 0.8 million, a net decrease of Euro 1.8 million on 2002, and refers solely to loans granted to subsidiaries; prepayments (Euro 0.2 million) consist of leasing installments and insurance premiums pertaining to subsequent periods.

All amounts are due within 12 months.

Parent Company

Liabilities

A) SHAREHOLDERS' EQUITY (Euro 1,125.6 million)

Changes in shareholders' equity during the year were as follows:

	Share capital	Share premium reserve	Legal reserve	Reserve for treasury shares	Other reserves	Income (losses) carried forward	Net income (loss) for the year	Shareholders' equity
Balance at 12.31.2001	760.6	199.2	152.1	57.7	10.3	92.6	(123.7)	1,148.8
Shareholders' meeting of May 2, 2002								
Coverage of net loss at 12.31.2001 via:								
- use of prior-year income carried forward						(92.6)	92.6	-
- use of other reserves					(10.3)		10.3	-
- use of share premium reserve		(20.8)					20.8	-
Increase in reserve for treasury shares		(17.8)		17.8				-
2002 net income (loss)							(194.4)	(194.4)
Balance at 12.31.2002	760.6	160.6	152.1	75.5	-	-	(194.4)	954.4
Shareholders' meeting of April 15, 2003								
- prior-year losses carried forward						(194.4)	194.4	-
Capital increase to service stock options, via:								
- increase in share capital	1.4							1.4
- increase in share premium reserve		2.5						2.5
Increase in reserve for treasury shares		(9.5)		9.5				-
Reserve for spin-off surplus					115.8			115.8
2003 net income (loss)							51.5	51.5
Balance at 12.31.2003	762.0	153.6	152.1	85.0	115.8	(194.4)	51.5	1,125.6

Shareholders' equity increased by Euro 171.2 million, from Euro 954.4 million at December 31, 2002 to Euro 1,125.6 million. Of the change, Euro 115.8 million is explained by the recording of a surplus reserve for the partial spin-off of the subsidiary RCS Quotidiani (formerly RCS Editori), Euro 1.4 million for the increase in share capital, and Euro 2.5 million for the increase in the share premium reserve, due to the exercise of stock options during the year.

The share capital amounts to Euro 762,019,050, consisting of 732,669,457 ordinary shares and 29,349,593 savings shares, all with a par value of Euro 1.00 each.

The reserve for treasury shares amount to Euro 85.0 million, an increase of Euro 9.5 million. Following purchases made during the year, it was adjusted by drawing on the share premium reserve. The treasury shares were purchased on the basis of the shareholders' resolution of April 15, 2003.

Parent Company

The loss for the year ended December 31, 2002 was carried forward, as resolved by the annual shareholders' meeting of April 15, 2003.

Details of share capital and reserves are provided in a supplementary table in the section "Other information."

B) PROVISIONS FOR RISKS AND CHARGES (Euro 44.7 million)

Changes during the year are shown below:

	Balance at 12.31.2002	Increase in reserve for risks from spin-off	Provisions	Withdrawals	Balance at 12.31.2003
For retirement benefits and similar obligations:					
Fixed indemnity fund for executives	-	0.6	-	(0.2)	0.4
Other provisions:					
Provision for terminations	75.0	-	-	(75.0)	-
Provision for restructuring and organizational risks	17.0	3.3	0.2	(18.4)	2.1
Provision for miscellaneous risks and charges	5.0	9.9	20.8	(2.0)	33.7
Provision for legal risks	-	-	5.5	-	5.5
Provision for restructuring risks . Publishing division	-	-	3.0	-	3.0
Total provisions for risks and charges	97.0	13.8	29.5	(95.6)	44.7

Total provisions for risks and charges amounting to Euro 29.5 million, can be broken down as follows: Euro 15.0 million for the extraordinary provision mainly covering potential losses in the value of minority investments; Euro 6.0 million covering extraordinary payroll expenses in connection with the efficiency improvement plan and costs incurred in the corporate reorganization; Euro 5.5 million covering potential disputes resulting from the disposal of non-strategic assets; and Euro 3.0 million in extraordinary restructuring provisions for the publishing business.

Utilizations totaled Euro 95.6 million, which consisted primarily of Euro 79.8 million for the decrease in the carrying value of RCS Investimenti (formerly Fila Holding) and GFT NET, due to Fila Holding's sale of its operating companies in June 2003 and to the agreement for GFT NET's sale of Joseph Abboud signed in February 2004; Euro 2.7 million for costs incurred in the sale of RCS Investimenti's assets, as above; and Euro 7.0 million for reorganization expenses.

The provisions were also increased by Euro 13.8 million in connection with the spin-off operation.

Below we disclose the changes that have taken place in legal, fiscal, pension and civil disputes involving RCS MediaGroup S.p.A.

Citibank has dropped its suits against RCS MediaGroup (formerly HdP) and RCS Investimenti (formerly Fila Holding), due to settlement of the amounts due by Fila Holding and its subsidiaries.

Regarding a shareholders' contestation of three resolutions taken at the annual meeting of RCS MediaGroup on April 15, 2003 (increase in the number of board members and consequent election of 19 new directors) for alleged formal violations, the shareholder has dropped his complaints against the company. Legal expenses have in any case been reimbursed.

Parent Company

On March 10, 2004, the buyer of the operating businesses of Fila Holding issued a statement asserting its right to receive indemnities in connection with the contract formalized on June 10. The buyer's claims, which appear to be groundless on the basis of the information at the selling company's disposal, are currently being reviewed by legal experts.

C) PROVISION FOR EMPLOYEE TERMINATION INDEMNITIES (Euro 4.0 million)

The provision covers the full amount accrued to employees at year end in accordance with laws and individual employment contracts. Changes during the year were as follows:

Balance at 12.31.2002	3.0
Incoming provisions due to spin-off	2.3
Provision for the year	0.8
Payments	(1.6)
Transfers to other companies	(0.6)
Transfers from other companies	0.1
Balance at 12.31.2003	4.0

D) PAYABLES (Euro 148.8 million)

Payables increased by Euro 139.5 million with respect to 2002 and are comprised primarily as follows:

	Balance at 12.31.2003			Balance at 12.31.2002		Change
	Within 12 months	Beyond 12 months	Total	Within 12 months	Total	
Due to banks	16.6	–	16.6	–	–	16.6
Trade payables	4.3	–	4.3	5.2	5.2	(0.9)
Due to subsidiaries	77.7	–	77.7	1.4	1.4	76.3
Due to associated companies	39.6	3.1	42.7	–	–	42.7
Taxes payable	4.4	–	4.4	1.3	1.3	3.1
Due to social security institutions	0.6	–	0.6	0.2	0.2	0.4
Other payables	2.5	–	2.5	1.2	1.2	1.3
Payables	145.7	3.1	148.8	9.3	9.3	139.5

Due to banks (Euro 16.6 million)

This item rose by Euro 16.6 million with respect to the end of 2002 and consists mainly of the short-term loan granted by Banca Popolare Bergamo-Credito Varesino (Euro 15.0 million), which charges interest at market rates.

Trade payables (Euro 4.3 million)

These decreased by Euro 0.9 million and refer to amounts due to contributors and correspondents as well as to suppliers of goods and services.

Parent Company

Due to subsidiaries (Euro 77.7 million)

These consist primarily of Euro 41.7 million in intercompany current accounts and Euro 34.3 million in short-term loans from the subsidiaries RCS Investimenti (formerly Fila Holding; Euro 32.5 million) and Immobiliare Solferino 28 (Euro 1.8 million), which were granted during the year under standard financial market conditions. The remaining Euro 1.7 million refers to ordinary commercial transactions.

Due to associated companies (Euro 42.7 million)

These consist mainly of Euro 28.3 million in intercompany current accounts, Euro 13.9 million in loans from the associated companies m-dis (formerly RCS Diffusione; Euro 10.0 million) and Eurogravure (Euro 3.9 million), of which the short-term portion amounts to 10.8 million and the long-term portion to 3.1 million; these loans are granted under standard financial market conditions. The remainder (Euro 0.5 million) refers to ordinary commercial transactions.

Taxes payable (Euro 4.4 million)

Euro 3.4 million pertains to personal income tax withholding on employee and employee-equivalent earnings; Euro 0.4 million relates to the regional business tax (IRAP) provision for the year; and Euro 0.6 million to VAT payable.

Other payables (Euro 2.4 million)

These are forms of staff compensation and the social security charges thereon, that are not yet due for payment.

E) ACCRUED LIABILITIES AND DEFERRED INCOME (Euro 0.2 million)

These consist solely of accrued liabilities, for interest on short-term loans accrued to the subsidiary RCS Investimenti (formerly Fila Holding).

Parent Company

Memorandum accounts

1) GUARANTEES GIVEN (Euro 211.0 million)

I – Sureties given to other companies (Euro 2.1 million)

Of the total, Euro 2.0 million consists of sureties for property rentals given in the interests of Iniziativa Immobiliare Due S.r.l. (formerly HdP Iniziative Immobiliari S.r.l.).

III – Other unsecured guarantees given (Euro 208.8 million)

Euro 135.6 million pertains to guarantees to the tax authorities on behalf of subsidiaries, in relation to VAT receivables offset in the context of group-wide VAT settlement for 1999, 2000, 2001 and 2002. Euro 73.2 million refers to guarantees given on behalf of the subsidiaries RCS Libri S.p.A. (0.7 million) and RCS Livres S.a.s. (72.5 million) in relation to medium-term borrowings.

2) COMMITMENTS (Euro 17.0 million)

As follows:

- > commitments totaling Euro 1.0 million of which: 0.2 million for the purchase of company shares; 0.8 million for a sale option regarding equity investments in other companies;
- > other commitments totaling Euro 16.0 million of which: 1.6 million for outstanding commitments with Gemina pursuant to Art. 2504 *decies* of the Italian Civil Code (last paragraph); 7.6 million for the "non-compete agreement" with the Chief Executive Officer and Chief Operating Officer upon expiry of the term of office and for potential amounts due to employees; 6.8 million for contractual commitments in relation to pensions.

We also report that if the parent company pays dividends on 2003 income, it is obliged to pay the holders of savings shares the dividend that was not distributed in 2001 and 2002 as well as the dividend due by law for 2003, amounting to a minimum of Euro 4.4 million, in accordance with the company's by-laws.

RCS MediaGroup has also signed general co-guarantee agreements in connection with sale of the operating activities of Fila Holding and the assets of Joseph Abboud, by the GFT NET.

3) ASSETS HELD IN DEPOSIT (Euro 328.2 million)

These are shares pooled under the management of RCS MediaGroup. They have been lodged with the central Italian securities depository (Monte Titoli S.p.A.).

RISKS

RCS MediaGroup has commitments for off-balance sheet financial instruments with the following notional values:

Interests Rate Swaps (IRS)	4.0
TOTAL	4.0

Interest rate swaps, totaling Euro 4.0 million at December 31, 2003, relate to the loan outstanding with the associated company Eurogravure.

Parent Company

Information on the income statement

A) PRODUCTION VALUE (Euro 21.9 million)

	2003	2002	Change
Services rendered to subsidiaries	10.1	2.2	7.9
Rental and accessory costs charged to third parties	0.2	0.9	(0.7)
Revenues from sales and services	10.3	3.1	7.2
Charge-back of costs to subsidiaries	2.8	5.1	(2.3)
Rental and accessory costs charged back to subsidiaries	8.7	-	8.7
Miscellaneous income	0.1	1.9	(1.8)
Other revenues and income	11.6	7.0	4.6
Production value	21.9	10.1	11.8

All revenues are earned in Italy and consist of:

- > services rendered to subsidiaries (Euro 10.1 million), namely support and coordination for legal and corporate matters, financial transactions and investor relations; and assistance with organization, organization development, and trade union and health care coordination as a result of the reorganization following the spin-off;
- > rent and accessory costs (Euro 0.2 million) on the units of the Via Rizzoli building that the company has rented out;
- > costs charged back to subsidiaries (Euro 2.8 million), namely seconded management staff and the recovery of costs incurred on their behalf;
- > rent charged back to subsidiaries (Euro 8.7 million) for units located in the Via Rizzoli building in Milan, at Via Tomacelli, Via Rossini and Torrespaccata in Rome, in Pessano con Bornago, in Padua and in Scandicci (province of Florence).

B) PRODUCTION COSTS (Euro 42.4 million)

Raw and ancillary materials, consumables and goods (Euro 0.4 million)

This amount refers to office supplies, printed forms and fuel.

Parent Company

Services (Euro 15.4 million)

	2003	2002	Change
Advisory services for development operations	1.2	8.1	(6.9)
Other consulting and professional services	3.1	1.5	1.6
Contributors and correspondents	1.2	-	1.2
IT consulting services	0.1	0.1	-
Directors' fees	2.4	2.2	0.2
Travel and accommodation	0.6	0.4	0.2
Securities management and related services	0.5	0.5	-
Insurance	0.2	0.5	(0.3)
Miscellaneous services	4.6	0.5	4.1
Financial services	0.1	0.1	-
Maintenance	0.1	0.2	(0.1)
Services rendered by Internal Auditing S.r.l.	1.1	0.5	0.6
Post, telephone and telegraph	0.1	0.2	(0.1)
Collegio Sindacale	0.1	0.1	-
Total services	15.4	14.9	0.5

Service costs amounted to Euro 15.4 million and were in line with the previous year's.

Rentals and leasing (Euro 8.5 million)

This is made up of Euro 8.3 million in rent on units located in the Via Rizzoli building in Milan, at Via Tomacelli, Via Rossini and Torrespaccata in Rome, in Pessano con Bornago, in Padua and in Scandicci (province of Florence) for the period January to December, and Euro 0.2 million in leasing installments for equipment, machinery and vehicles.

Payroll costs (Euro 15.4 million)

Descrizione	2003	2002	Change
Wages and salaries	10.8	5.7	5.1
Social security charges	3.7	1.1	2.6
Employee termination indemnities	1.2	0.7	0.5
Other costs	(0.3)	-	(0.3)
Payroll costs	15.4	7.5	7.9

Payroll costs include Euro 2.0 million for management staff who served at subsidiaries, which has been charged back under "other revenues and income."

The increase on the previous year was influenced by the change in the company's structure, in connection with the group reorganization. The average headcount rose from 55 in 2002 to 97 in 2003.

Parent Company

Amortization, depreciation and writedowns (Euro 0.4 million)

	2003	2002	Change
Amortization of intangible fixed assets	0.1	0.2	(0.1)
Depreciation of tangible fixed assets	0.3	0.6	(0.3)
Amortization, depreciation and writedowns	0.4	0.8	(0.4)

Amortization and depreciation are charged at the rates specified in the notes to the financial statements.

Other operating expenses (Euro 1.4 million)

	2003	2002	Change
Entertainment costs, gifts and donations	0.9	0.3	0.6
Building management expenses	-	0.6	(0.6)
Miscellaneous operating expenses	0.4	0.2	0.2
Corporate expenses	0.1	0.3	(0.2)
Miscellaneous tax charges	-	0.3	(0.3)
Other operating expenses	1.4	1.7	(0.3)

C) NET FINANCIAL INCOME (charges) (Euro 71.9 million)**Income from equity investments (Euro 61.5 million)**

	2003	2002	Change
Dividends:			
from subsidiaries:			
- RCS Quotidiani S.p.A.	19.2	-	19.2
- RCS Periodici S.p.A.	14.4	-	14.4
- RCS Factor S.p.A.	1.4	-	1.4
from other companies:			
- Banca Intesa S.p.A.	0.8	2.4	(1.6)
- Pirelli & C. S.p.A.	2.9	2.9	-
- Smi S.p.A.	0.1	0.1	-
- Eurofly Service S.p.A.	-	0.5	(0.5)
- Raisat S.p.A.	0.1	-	0.1
Total dividends	38.9	5.9	33.0
Tax credit on dividends	19.6	2.8	16.8
Other income from equity investments	3.0	-	3.0
Income from equity investments	61.5	8.7	52.8

Other income from equity investments refers to the free allocation of treasury shares by Banca Intesa S.p.A.

Parent Company

The increase in income from subsidiaries is due mainly to the higher dividends paid by RCS Quotidiani (including Euro 4.0 million in the extraordinary payout approved at the shareholders' meeting of December 11, 2003) and the extraordinary dividends from RCS Periodici.

Other financial income (Euro 16.0 million)

	2003	2002	Change
Interest on securities held as current assets	1.2	4.6	(3.4)
Exchange gains	2.0	0.4	1.6
Interest on loans held as financial fixed assets - subsidiaries	3.2	9.2	(6.0)
Interest on loans held as financial fixed assets - associated companies	-	0.1	(0.1)
Interest on loans held as financial fixed assets - third parties	0.6	-	0.6
Gains on securities	0.4	0.7	(0.3)
Interest on corporate income tax (IRPEG) to be Reimbursed	1.4	1.8	(0.4)
Interest on cash and banks - subsidiaries	6.2	-	6.2
Interest on cash and banks - associated companies	0.2	-	0.2
Miscellaneous financial income	0.1	-	0.1
Interest on cash and banks - third parties	0.7	3.3	(2.6)
Other financial income	16.0	20.1	(4.1)

Interest and other financial charges (Euro 5.6 million)

	2003	2002	Change
Exchange losses	1.8	0.4	1.4
Losses on securities	0.3	1.2	(0.9)
Interest paid to third parties	0.1	0.3	(0.2)
Bank charges	0.1	0.1	-
Interest on short-term bank loans	0.3	-	0.3
Interest paid to subsidiaries	2.5	0.1	2.4
Interest paid to associated companies	0.5	-	0.5
Interest and other financial charges	5.6	2.1	3.5

The average amount of interest-earning financial assets, calculated on a quarterly basis, was Euro 261.0 million. That figure includes non-current receivables from subsidiaries (item B.III.2a), other securities held as financial fixed assets (item B.III.3), other securities and financial receivables held as current financial assets (item C.III.6-7), cash and banks (item C.IV.1), and accrued financial income (item D.1), net of payables to banks (item D.3), financial payables to subsidiaries and accrued financial liabilities (item E.1).

Parent Company

Net income from net financial assets amounted to Euro 8.3 million, as follows:

	2003	2002	Change
Other financial income (item C.16)	16.0	20.1	(4.1)
Including (less) from C.16:			
Interest on tax credits	(1.4)	(1.8)	0.4
Writedowns of securities held as current assets (D.19.c)	(0.1)	(1.5)	1.4
Revaluations of securities held as current assets (D.18.c)	0.3	-	0.3
Exchange gains	(2.0)		(2.0)
Interest on loans held as financial fixed assets - third parties	(0.6)		(0.6)
Other net financial income	12.2	16.8	(4.6)
Interest and other financial charges (item C.17)	5.6	2.1	3.5
Included in C17:			
Asset manager cost	0.1	0.1	-
Exchange losses	(1.8)	-	(1.8)
Interest and other net financial charges	3.9	2.2	1.7
Total net financial income (charges)	8.3	14.6	(6.3)

The average return on these investments was approximated 3.2% (3.3% the previous year).

Parent Company

D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS (Euro 30.8 million)

	2003	2002	Change
Revaluations:			
of equity investments	-	-	-
- Mode et Finance	-	0.2	(0.2)
- Banca Intesa S.p.A.	45.4	-	45.4
- of securities held as current assets that do not constitute equity investments	0.3	-	0.3
Total revaluations	45.7	0.2	45.5
Writedowns:			
of equity investments:			
- GFT NET S.p.A.	-	28.9	(28.9)
- RCS Investimenti S.p.A. (formerly Fila Holding)	-	72.4	(72.4)
- HdPnet S.p.A.	-	7.6	(7.6)
- RCS Broadcast S.p.A.	6.3	6.9	(0.6)
- Banca Intesa S.p.A.	-	66.1	(66.1)
- Dada S.p.A.	3.0	5.1	(2.1)
- Poligrafici Editoriali S.p.A.	3.9	4.0	(0.1)
- Burda RCS International Holding GmbH	1.2	-	1.2
- Joyce Boutique Holding Ltd	-	1.9	(1.9)
- Netdish	-	1.2	(1.2)
- Eurofly	0.4	-	0.4
- Other minor holdings	-	0.2	(0.2)
Total writedowns of equity investments	14.8	194.3	(179.5)
- of securities held as current assets that do not constitute equity investments	0.1	1.5	(1.4)
Total writedowns	14.9	195.8	(180.9)
Total value adjustments to financial assets	30.8	(195.6)	226.4

For information on the writedown of equity investments, see the previous section on financial fixed assets.

Parent Company

E) EXTRAORDINARY ITEMS (Euro -27,4 million)

	12.31.2003	12.31.2002	Change
Extraordinary income:			
Net gain for transfer of Via Turati lease	-	25.4	(25.4)
Capital gain on the sale of subsidiaries to third parties:		-	-
- RCS Diffusione S.p.A.	1.4		1.4
- RCS Periodici S.p.A.	11.5		11.5
	12.9		
Recovery of risk provisions for writedown of Poligrafici Editoriale	3.9	-	3.9
Capital gain on sale of other equity investments	0.3	-	0.3
Other extraordinary income	0.2	-	0.2
Total net extraordinary income	17.3	25.4	(8.1)
Extraordinary charges:			
Other extraordinary charges	2.2		2.2
Provision for non-recurring charges on minority investments	15.0		15.0
Capital losses on the sale of equity investments:			
- FILA	61.5		
- GFT NET	30.8		
	92.3		
Use of risk provisions	(79.7)		
Extraordinary writedown of GFT NET	12.6		12.6
Extraordinary consulting fees on behalf of Fila	5.2	-	
Use of provisions for consulting fees on behalf of Fila	(2.7)	-	
Other extraordinary income for recovery of 2003 charges from Fila	(2.5)	-	
Extraordinary payroll costs	6.4		6.4
Provision for legal risks	5.5	-	5.5
Provision for publishing division restructuring	3.0	-	3.0
Provision for other restructuring costs	-	15.0	(15.0)
Other extraordinary charges	-	3.6	(3.6)
Provision for commitments re: transfer to HDPnet	-	3.0	(3.0)
Charges for transfer of Via Turati lease	-	2.8	(2.8)
Contractual indemnities	-	2.1	(2.1)
Total net extraordinary charges	44.7	26.5	18.2
Net extraordinary income (charges)	(27.4)	(1.1)	(26.3)

Parent Company

Capital gains on the disposal of equity investments (Euro 12.9 million) consist of Euro 10.6 million for the sale of 500,000 shares of RCS Periodici to the Burda Group; Euro 1.4 million for the sale of 645,300 shares of the former subsidiary RCS Diffusione (now m-dis), as mentioned in the note to the balance sheet item; and Euro 0.9 million for the supplemental price charged for the 20% interest in RCS Periodici, as agreed in the event that the company surpassed the minimum profit levels specified in the contract.

The recovery of provisions for risks and charges (Euro 3.9 million) refers exclusively to the alignment of the book value of Poligrafici Editoriale, as mentioned in the financial fixed assets section of the balance sheet.

The provision for non-recurring charges on minority investments (Euro 15.0 million) mainly covers potential losses in the value of minority holdings.

Extraordinary writedowns of equity investments (Euro 12.6 million) refer solely to the interest in GFT NET, since procedures relating to the exit from the fashion/apparel sector have been completed with the sale of Joseph Abboud. The writedown totals Euro 30.8 million, of which Euro 18.3 million pertains to the U.S. holdings.

The carrying value of RCS Investimenti S.p.A. (formerly Fila Holding) has been written down by Euro 61.5 million to reflect our interest in shareholders' equity at December 31, 2003, following the sale of operating companies as a result of RCS MediaGroup's departure from the fashion/apparel sector.

The writedowns were partially offset through the use of Euro 79.8 million in provisions established in 2001.

Extraordinary payroll costs (Euro 6.4 million) consist of Euro 3.7 million in provisions against the estimated future cost of completing the efficiency improvement plan, and Euro 2.7 million in expenses incurred for the corporate reorganization.

The provision of Euro 5.5 million is meant to cover potential risks in connection with the disposal of non-strategic assets.

The provision of Euro 3.0 million relates to the expenses that may arise from certain restructuring activities in the publishing sector.

22) INCOME TAXES FOR THE YEAR (Euro -3.3 million)

Income taxes for 2003 amounted to Euro 3.3 million (Euro 1.3 million for 2002) and can be broken down as follows:

- > Euro 386,000 in regional business tax (IRAP) for the year;
- > Euro 2,914,000 as the net amount due on deferred IRPEG (corporate income tax) and IRAP.

Deferred taxes are recorded in the income statement in order to reflect the tax charge pertaining to the year, in consideration of the effects of temporary differences between taxable income and the result shown in the financial statements.

We have not recorded advance tax payments for equity investment writedowns that are deductible in future accounting periods, since these would be recovered only in the event that the national "fiscal consolidation" method were employed. At the moment, in the absence of implementation protocols and interpretations by the finance ministry, all decisions regarding the option to use "fiscal consolidation" have been postponed until the potential benefits have been evaluated.

With regard to deferred tax assets, the main temporary differences refer to taxed provisions for risks and charges, entertainment costs and other expenses that are deductible in future accounting periods.

The transfer of deferred tax assets for temporary differences relating to previous accounting periods consists essentially of deferred costs and utilizations from taxed reserves set up in prior years.

Parent Company

Deferred taxes are calculated at the tax rates that will apply when the temporary differences reverse.

The total amount of IRAP was determined by multiplying the net production value, adjusted upward and downward as envisaged in tax law, by the rate of 5.25%.

The following tables detail the calculation of IRAP and IRPEG (both current and pertaining to the year), and reconcile the tax charge shown in the financial statements with the theoretical tax charge, as established by the relevant accounting principles.

Parent Company

RCS MediaGroup S.p.A.**Calculation of corporate income tax (IRPEG) pertaining to 2003**

(in thousands of euros)	2003	2002
Current IRPEG on income for the year	-	-
- Deferred IRPEG assets due to temporary differences for the year	(2,985)	
+ Transfer of deferred IRPEG assets due to temporary differences relating to prior years	6,086	-
+ Adjustment of deferred tax assets to new rates	67	
Total deferred tax assets	3,168	-
+ Deferred IRPEG liabilities due to temporary differences		
- Transfer of deferred IRPEG liabilities due to temporary differences relating to prior years		
- Adjustment of deferred tax liabilities to new rates		
Total deferred tax liabilities	-	-
= IRPEG pertaining to the year	3,168	-

Calculation of regional business tax (IRAP) pertaining to 2003

(in thousands of euros)	2003	2002
Current IRAP on income for the year	386	1,300
- Deferred IRAP assets due to temporary differences for the year	(239)	
- Adjustment of deferred tax assets to new rates	(67)	
+ Transfer of deferred IRAP assets due to temporary differences relating to prior years	52	
Total deferred tax assets	(254)	-
+ Deferred IRAP liabilities due to temporary differences		
- Transfer of deferred IRAP liabilities due to temporary differences relating to prior years		
Total deferred tax liabilities	-	-
= IRAP pertaining to the year	132	1,300

Parent Company

RCS MediaGroup S.p.A.**Corporate income tax (IRPEG)****Reconciliation between the tax charge shown in the financial statements and the theoretical tax charge**

In thousands of euros

Pre-tax profit	54,838	
Theoretical tax charge (at 34%)		18,645
Permanent differences	1,198	
Pre-tax profit adjusted for permanent differences	56,036	
IRPEG on income for the year		19,052
Temporary differences deductible in later years	115,502	
Temporary differences taxable in later years	-	
Transfer of temporary differences from prior years	(187,900)	
Taxable income for IRPEG purposes	(16,362)	
Current IRPEG on income for the year	-	-

Regional business tax (IRAP)**Reconciliation between the tax charge shown in the financial statements and the theoretical tax charge**

In thousands of euros

Difference between value and cost of production	(20,539)	
Costs not relevant for IRAP purposes	16,378	
Total	(4,161)	
Theoretical tax charge: 5.25%		(218)
Temporary differences deductible in later years	96	
Temporary differences taxable in later years	-	
Transfer of temporary differences from prior years	(1,817)	
Permanent differences and reclassifications	13,227	
Taxable income for IRAP purposes	7,346	
Current IRAP on income for the year		386

Parent Company

RCS MediaGroup S.p.A.**Reconciliation between theoretical and actual tax charge (in thousands of euros)**

	2003
Pre-tax profit	54,838
Theoretical income taxes	18,645
Regional business tax (IRAP)	131
Tax effect of use of fiscal losses (-/+)	0
Tax effect of temporary differences not expected to be reversed in the reasonably near future (+/-)	41,917
Tax effect of temporary differences for which deferred taxes/advance payments were not provided for in prior years, (-/+)	(57,800)
Tax effect of positive permanent differences (-)	(29)
Tax effect of permanent negative differences (+)	438
Other differences (+/-)	
Income taxes booked to the financial statements (current and deferred)	3,300

OTHER INFORMATION**1. Average workforce by category:**

Category	12.31.2003		12.31.2002	
	Average	Year-end	Average	Year-end
Executives	25	30	13	14
Middle management	24	23	14	14
White collar	47	48	22	21
Blue collar	0	1	6	6
Journalists/reporters	1	3	0	0
Total	97	105	55	55

Parent Company

2. Annual compensation to directors, statutory auditors and the chief operating officer:

PERSON		POSITION		COMPENSATION (in thousands of euros)	
Name (first, last)	Title	from	Term of office to	Emoluments for office held	Other compensation
Guido Roberto Vitale	Chairman **	04.15.2003	12.31.2003	750	
Paolo Mieli	Deputy Chairman	04.15.2003	12.31.2003	270	
Maurizio Romiti	Ceo and Coo	01.01.2003	12.31.2003	749	1,144 ⁽¹⁾
Alessandro Pedersoli	Director **	04.15.2003	12.31.2003	30	
Carlo Buora	Director **	01.01.2003	12.31.2003	30	
Carlo Pesenti	Director	01.01.2003	12.31.2003	15	
Corrado Passera	Director ^	01.01.2003	12.31.2003	30	
Enrico Giliberti	Director	01.01.2003	12.31.2003	15	1,594 ⁽²⁾
Francesco Tato'	Director ***	01.01.2003	12.31.2003	562 ⁽³⁾	
Franzo Grande Stevens	Director **	03.04.2003	12.31.2003	45	
Giangiuseppe Nardozzi Tonielli	Director **	04.15.2003	12.31.2003	30	
Giuseppe Lucchini	Director	01.01.2003	12.31.2003	15	
Natalino Irti	Director	04.15.2003	12.31.2003	15	109 ⁽³⁾
Nicolo' Nefri	Director **	01.01.2003	12.31.2003	45	
Paolo Savona	Director **	01.01.2003	12.31.2003	45	
Raffaele Agrusti	Director	01.01.2003	12.31.2003	15	
Renato Pagliaro	Director **	01.01.2003	12.31.2003	45	
Roberto Bertazzoni	Director	01.01.2003	12.31.2003	15	
Umberto Quadrino	Director	01.01.2003	12.31.2003	15	
Giancarlo Giammetti	Director	01.01.2003	15.04.2003	21	
Paolo Fresco	Director	01.01.2003	03.04.2003	4	
Gaetano Mele	Coo	01.01.2003	11.28.2003	0	9,629 ⁽⁴⁾
Gianrenzo Cova	Chief Auditor	01.01.2003	12.31.2003	62	
Clemente Rebecchini	Auditor	01.01.2003	12.31.2003	41	
Flavio Arcidiacono	Auditor	01.01.2003	12.31.2003	41	

(*) Member of the executive committee (six members)

(*) Member of the compensation committee (7 members)

(**) Member of the internal control committee (3 members)

(***) For term of office (from 01.01.2003 to 04.15.2003): chairman of the board of directors and executive committee member

(1) Gross annual pay as chief operating officer of RCS MediaGroup S.p.A.

(2) Compensation for professional services of Studio Giliberti & Associati (Euro 1,483,300 from RCS MediaGroup S.p.A and 110,700 from RCS Periodici S.p.A.)

(3) compensation for professional services of Studio Natalino Irti (Euro 78,600 from RCS MediaGroup S.p.A and 30,600 from RCS Quotidiani S.p.A)

(4) Euro 8,215,000 in severance pay (Euro 2,715,000 from RCS MediaGroup S.p.A and 5,500,000 from RCS Quotidiani S.p.A.) and Euro 1,414,000 as gross annual compensation for service as chief operating officer of RCS MediaGroup S.p.A., including the variable portion

(a) Euro 547,000 in special emoluments for services as chairman of the Board of Directors from January 1, 2003 to April 15, 2003

Parent Company

3. Amount of financial charges set against balance sheet assets, detailed by individual item (Art. 2427 no. 8 of the Italian Civil Code)

No financial charges were set against balance sheet assets during the year.

4. Taxation system to which share capital and reserves are subject if they are distributed or reimbursed*

	Reserves that, if distributed, do not go into the company's or the shareholders' taxable income	Reserves that, if distributed, are eligible for the tax credit within the limits of available taxes pursuant to Art. 105, par. 1 of Presidential Decree 917/86	Tax-suspended reserves that, if used, go into the company's taxable income	Tax-suspended reserves allocated to share capital that are taxed if the share capital is reduced for assignment to shareholders	Total
Share premium reserve	153.6	-	-	-	153.6
Legal reserve	97.8	54.3	-	-	152.1
Reserve for treasury shares	85.0	-	-	-	85.0
Other reserves	43.7	72.1	-	-	115.8
Total	380.1	126.4	0.0	0.0	506.5

(*) Unless otherwise specified in Decree Law 269/03 and Legislative Decree 344/03

Parent Company

5. Taxes paid by the company and available for assignment of tax credits to shareholders (Art. 105, par. 1, letters A and B of Presidential Decree 917/86)

	Taxes paid by the company and available for assignment of tax credits to shareholders	
	"A" ordinary	"B" restricted
At December 31, 2002	-	106,374
Increases for the year	916	17,140
Decreases for the year	0	0
At December 31, 2003	916	123,514
Total	916	123,514

Milan, March 18, 2004

for the Board of Directors

Guido Roberto Vitale
Chairman

Maurizio Romiti
Chief Executive Officer



**> Attachments to the
Consolidated financial
statements of RCS
MediaGroup**

Attachments to the Consolidated financial statements of RCS MediaGroup

RCS MediaGroup

List of equity investments at December 31, 2003

This list, provided in accordance with Arts. 38 and 39 of Legislative Decree 127/91 and Art. 126 of CONSOB Resolution 11971/99, has been prepared in alphabetical order for the consolidated companies, which are also split by method of consolidation and group to which they belong. The percent held directly, for all companies of which ownership is significant (whether consolidated or not), refers to total share capital which is the same as capital with voting rights and ordinary capital, unless otherwise specified. Investments of less than 0.1% are not shown.

> Companies consolidated line-by-line

Name	Head Office	Business sector	Currency	Share Capital	% held by the Group	Held by	% held directly
RCS MediaGroup S.p.A.	Milan	Holding	Euro	761,709,000			
RCS Investimenti S.p.A.	Biella	Fashion/apparel	Euro	96,511,312	98.20	RCS MediaGroup S.p.A.	98.20
(ex Fila Holding S.p.A.)	Turin	Fashion/apparel	Euro	21,400,000	100.00	RCS MediaGroup S.p.A.	100.00
GFT NET S.p.A.	Milan	Auditing	Euro	10,329	97.78	RCS MediaGroup S.p.A.	50.00
RCS Internal Auditing S.r.l.						RCS Investimenti S.p.A.	
						(ex Fila Holding S.p.A.)	25.00
						GFT NET S.p.A.	25.00
Immobiliare Solferino 28 S.r.l.	Milan	Real estate	Euro	500,000	100.00	RCS MediaGroup S.p.A.	100.00
RCS Broadcast S.p.A.	Milan	Services	Euro	2,895,105	100.00	RCS MediaGroup S.p.A.	100.00
RCS Editori S.p.A.							
(ex La Radio dello Sport S.r.l.)	Milan	Services	Euro	100,000	100.00	RCS MediaGroup S.p.A.	100.00
RCS Factor S.p.A.	Milan	Publishing	Euro	2,000,000	90.00	RCS MediaGroup S.p.A.	90.00
RCS International Magazines B.V.	Amsterdam	Publishing	Euro	2,300,000	100.00	RCS MediaGroup S.p.A.	100.00
RCS Libri S.p.A.	Milan	Publishing	Euro	42,405,000	99.99	RCS MediaGroup S.p.A. ⁽¹⁾	99.99
RCS Periodici S.p.A.	Milan	Publishing	Euro	5,000,000	60.00	RCS MediaGroup S.p.A.	60.00
RCS Pubblicità S.p.A.	Milan	Advertising	Euro	40,000,000	100.00	RCS MediaGroup S.p.A.	100.00
RCS Quotidiani S.p.A.	Milan	Publishing	Euro	40,000,000	100.00	RCS MediaGroup S.p.A.	100.00
Companies in the RCS Quotidiani Group:							
Arlanza Ediciones S.A.	Madrid	Publishing	Euro	903,000	66.83	Unidad Editorial S.A.	75.00
Calprint S.I.	Valladolid	Publishing	Euro	1,500,000	60.40	Editora De Medios De Castilla Y Leon S.A. (edical)	99.99
Canal Mundo Producciones							
Audiovisuales S.A.	Madrid	Publishing	Euro	60,200	89.10	Unidad Editorial S.A.	100.00
Canal Mundo Radio Cantabria S.I.	Madrid	Publishing	Euro	3,010	89.08	Unidad Editorial S.A.	99.98
Canal Mundo Radio Cantaluna S.I.	Madrid	Publishing	Euro	3,010	89.08	Unidad Editorial S.A.	99.98
Canal Mundo Radio Extremadura S.I.	Madrid	Publishing	Euro	3,913	89.08	Unidad Editorial S.A.	99.98
City Italia S.p.A.	Milan	Publishing	Euro	7,750,000	90.00	RCS Quotidiani S.p.A.	90.00
City Milan S.p.A.	Milan	Publishing	Euro	100,000	81.00	City Italia S.p.A.	90.00
Ediservicios Madrid 2000 S.I.	Madrid	Publishing	Euro	601,000	89.08	Unidad Editorial S.A.	99.98
Editora De Medios De Castilla Y Leon S.A.	Valladolid	Publishing	Euro	3,840,000	60.41	Unidad Editorial S.A.	67.80
Editora De Medios De Valencia.							
Alicante Y Castellon S.A.	Valencia	Publishing	Euro	1,322,200	45.67	Unidad Editorial S.A.	49.96
						Fabripres S.A.	1.30
Editorial Del Pueblo Vasco S.A.	Bilbao	Publishing	Euro	2,193,900	73.63	Unidad Editorial S.A.	82.64
Editoriale Veneto S.r.l.	PADUA	Publishing	Euro	3,000,000	51.00	RCS Quotidiani S.p.A.	51.00
Euskalprint S.I.	Bilbao	Publishing	Euro	601,000	73.62	Editorial Del Pueblo Vasco S.A.	99.99
Fabripres S.A.	Madrid	Publishing	Euro	961,600	89.09	Unidad Editorial S.A.	99.99
Impresiones De Catalunya S.A.	Barcelona	Publishing	Euro	3,000,000	70.76	Unidad Editorial S.A.	77.29
						Fabripres S.A.	9.63
La Esfera De Los Libros S.I.	Madrid	Publishing	Euro	48,000	66.83	Unidad Editorial S.A.	75.00
Logintegral 2000 S.A.	Madrid	Publishing	Euro	500,000	89.10	Unidad Editorial S.A.	100.00
Mundinteractivos S.A.	Madrid	Publishing	Euro	3,600,000	89.08	Unidad Editorial S.A.	99.98
Omni S.I.	Palma di Maiorca	Publishing	Euro	156,260	32.67	Rey Sol S.A.	55.00
Rey Sol S.A.	Palma di Maiorca	Publishing	Euro	1,376,040	58.00	Unidad Editorial S.A.	66.67

Note:

(1) Of ordinary share capital: 100%

Attachments to the Consolidated financial statements of RCS MediaGroup

Name	Head Office	Business sector	Currency	Share Capital	% held by the Group	Held by	% held directly
RCS International News.p.A.pers B.V.	Amsterdam	Publishing	Euro	6,250,000	100.00	RCS Quotidiani S.p.A.	100.00
RCS Sport Events S.p.A.	Milan	Publishing	Euro	1,500,000	100.00	RCS Quotidiani S.p.A.	99.00
						RCS Sport S.p.A.	1.00
RCS Sport S.p.A.	Milan	Publishing	Euro	100,000	100.00	RCS Quotidiani S.p.A.	100.00
Unedisa Comunicaciones S.I.	Madrid	Publishing	Euro	6,010	89.10	Unidad Editorial S.A.	100.00
Unedisa Publicidad S.A.	Madrid	Advertising	Euro	500,000	89.10	Unidad Editorial S.A.	100.00
Unedisa Sport S.A.	Madrid	Publishing	Euro	180,000	77.50	Mundinteractivos S.A.	87.00
Unedisa Telecomunicaciones S.I.	Madrid	Publishing	Euro	600,000	89.10	Unidad Editorial S.A.	100.00
Unidad Editorial S.A.	Madrid	Publishing	Euro	40,363,638	89.10	RCS International Newspapers B.V.	89.100
Companies in the RCS Libri Group:							
Beaux Arts S.A.s.	Paris	Publishing	Euro	1,500,000	87.21	Editions Audie S.A.s.	100.00
Casterman France S.A.	Paris	Publishing	Euro	640,286	99.58	Editions Casterman S.A.	99.66
Casterpar S.A.	Brussels	Publishing	Euro	22,540,000	99.99	Flammarion S.A.	99.99
						Partedit S.A.	0.01
Delagrave Edition S.A.s.	Paris	Publishing	Euro	800,000	89.99	Flammarion S.A.	90.00
Editions Arthaud S.A.							
(in liquidation)	Paris	Publishing	Euro	270,000	99.49	Flammarion S.A.	99.50
Editions Audie S.A.s.	Paris	Publishing	Euro	1,220,000	87.21	Flammarion S.A.	70.00
						Editions J'ai Lu S.A.	30.00
Editions Caramel S.A.	Grimbergen	Publishing	Euro	62,000	97.41	Partedit S.A.	99.92
Editions Casterman S.A.	Brussels	Publishing	Euro	3,000,000	99.92	Casterpar S.A.	61.05
						Flammarion S.A.	38.90
Editions Fabbri S.A.r.l.	Paris	Publishing	Euro	576,000	99.99	RCS Livres S.A.	100.00
Editions Flammarion S.A.s.	Paris	Publishing	Euro	2,150,660	99.99	Flammarion S.A.	100.00
Editions Flammarion Ltee (Canada)	Montreal	Publishing	CAD	6,500	99.99	Flammarion S.A.	100.00
Editions Flammarion S.A. (Suisse)	Geneva	Publishing	CHF	425,000	99.99	Flammarion S.A.	100.00
Editions J'ai Lu S.A.	Paris	Publishing	Euro	420,000	57.41	Flammarion S.A.	57.42
Editoriale Firenze S.p.A.	Scandicci (FI)	Publishing	Euro	910,000	99.28	RCS Libri S.p.A.	99.29
Fabbri Lapkiado Kft	Budapest	Publishing	HUF	3,000,000	99.99	RCS International Books B.V.	96.67
						RCS Libri S.p.A.	3.33
Fabbri Praha Spol.s. R.o.	Prague	Publishing	CZK	100,000	99.99	RCS International Books B.V.	100.00
Fabbri Prima O.o.d. Corp.	Sofia	Publishing	BGL	20,000	69.99	RCS International Books B.V.	70.00
Fabbri Publishing Ltd.	London	Publishing	GBP	20,000	51.09	Ge Fabbri Limited	100.00
Fabbri Publishing (US) Inc.	Wilmington,						
	Delaware	Publishing	USD	1,000	51.09	Fabbri Publishing Limited	100.00
Flammarion Centre S.A.r.l.	Paris	Publishing	Euro	10,000	99.59	Flammarion S.A.	99.60
Flammarion Inc.	New York	Publishing	USD	100	99.99	Flammarion S.A.	100.00
Flammarion S.A.	Paris	Publishing	Euro	10,758,310	99.99	RCS Livre Sas	100.00
Ge Fabbri Ltd.	London	Publishing	GBP	685,033	51.09	RCS International Books B.V.	51.10
Ge Fabbri Phoenix Sp.Z.o.o.	Breslavia	Publishing	PLN	10,000	34.23	Ge Fabbri Limited	67.00
La Coccinella S.r.l.	Varese	Publishing	Euro	250,000	59.99	RCS Libri S.p.A.	60.00
Librairies Flammarion S.A.r.l.	Paris	Publishing	Euro	1,760,280	99.98	Flammarion S.A.	99.99
Librerie Rizzoli S.r.l.	Milan	Publishing	Euro	500,000	99.99	RCS Libri S.p.A.	100.00
Magic Square S.A.	Brussels	Publishing	Euro	100,000	99.88	Editions Casterman S.A.	99.96
Marsilio Editori S.p.A.	Venice	Publishing	Euro	1,300,000	50.99	RCS Libri S.p.A.	51.00
Partedit S.A.	Brussels	Publishing	Euro	1,983,148	97.49	Flammarion S.A.	97.50
Prima Ukraina Ltd	Kiev	Publishing	Uah	20,000	69.99	RCS International Books B.V.	70.00
Racine S.A.s.	Paris	Publishing	Euro	37,000	99.99	Flammarion S.A.	100.00
RCS International Books B.V.	Amsterdam	Publishing	Euro	2,500,000	99.99	RCS Libri S.p.A.	100.00
RCS Livres S.A.s.	Paris	Publishing	Euro	72,500,000	99.99	RCS Libri S.p.A.	100.00
RCS Rizzoli Corporation							
New York Corp.	New York	Publishing	USD	26,900,000	99.99	RCS International Books B.V.	100.00
Rizzoli Bookstores Inc.	New York	Publishing	USD	5,200,000	99.99	Rizzoli International Publications Inc.	100.00
Rizzoli International Publications Inc.	New York	Publishing	USD	3,500,000	99.99	RCS Rizzoli Corporation New York	100.00
Rizzoli Journal Of Art Inc.	New York	Publishing	USD	1,000,000	99.99	RCS Rizzoli Corporation New York	100.00
S.c.i. Chevilly IV S.c.i.	Paris	Publishing	Euro	2,772,000	99.99	Flammarion S.A.	99.96
						Ud-union Distribution S.A.	0.04
S.c.i. La Liberté S.c.i.	Paris	Publishing	Euro	120,000	99.99	Flammarion S.A.	99.875
						Editions Aubier S.A.	0.125
S.c.i. Saint Germain S.c.i.	Paris	Publishing	Euro	75,000	99.99	Flammarion S.A.	96.00
						La Hune S.A.r.l.	4.00
Ud-Union Distribution S.A.s.	Chevilly	Publishing	Euro	500,000	99.99	Flammarion S.A.	100.00
Companies in the Periodici Group:							
Claritas Italia S.r.l.	Milan	Publishing	Euro	200,000	60.00	Sfera Direct S.r.l.	100.00
Ediprof S.r.l.	Milan	Publishing	Euro	10,400	42.00	Sfera Editore S.p.A.	70.00
Sfera Direct S.r.l.	Milan	Publishing	Euro	52,000	60.00	Sfera Editore S.p.A.	100.00
Sfera Editore S.p.A.	Milan	Publishing	Euro	2,000,000	60.00	RCS Periodici S.p.A.	100.00
Sfera Editores Espana S.I.	Barcelona	Publishing	Euro	174,000	60.00	Sfera International Americas S.I.	100.00
Sfera Editores Mexico S.A.	Granada	Publishing	MXN	6,401,600	60.00	Sfera International Americas S.I.	100.00
Sfera International Americas S.I.	Barcelona	Publishing	Euro	2,654,171	60.00	Sfera Editore S.p.A.	100.00
Sfera Web S.r.l.	Milan	Publishing	Euro	11,000	60.00	Sfera Editore S.p.A.	100.00

Attachments to the Consolidated financial statements of RCS MediaGroup

segue: Companies consolidated line-by-line

Name	Head Office	Business sector	Currency	Share Capital	% held by the Group	Held by	% held directly
Trend Service S.A.	Granada	Publishing	MXN	250,000	59.40	Sfera Editores Mexico Sa	99.00
Companies in the Pubblicità Group:							
Blei S.p.A.	Milan	Publishing	Euro	1,548,000	51.00	RCS Pubblicità S.p.A.	51.00
RCS International Advertising B.V.	Amsterdam	Advertising	Euro	20,000,000	51.00	RCS Pubblicità S.p.A.	51.00
RCS Dada Advertising S.p.A.	Milan	Advertising	Euro	600,000	51.00	RCS Pubblicità S.p.A.	51.00
Companies in the BV Group:							
Max Verlag Gmbh & Co. Kg	Hamburg	Publishing	Euro	51,129	75.00	RCS International Magazines B.V.	75.00
Verwaltungsgesellschaft Max Verlag MbH	Hamburg	Publishing	Euro	26,000	75.00	RCS International Magazines B.V.	75.00
Companies in the RCS Broadcast Group:							
AGR Agenzia Giornalistica Radiotelevisiva S.r.l.	Milan	Services	Euro	95,000	100.00	RCS Broadcast S.p.A.	100.00
C,N,R, Channel News Radio S.r.l.	Milan	Services	Euro	83,000	100.00	RCS Broadcast S.p.A.	100.00
Finwork Finanziaria Italia S.p.A.	Milan	Radiofonia	Euro	5,346,000	98.99	RCS Broadcast S.p.A.	98.99

Attachments to the Consolidated financial statements of RCS MediaGroup

> Companies consolidated proportionally

Name	Head Office	Business sector	Currency	Share Capital	% held by the Group	Held by	% held directly
m-dis Distribuzione Media S.p.A. (ex RCS Diffusione S.p.A.)	Milan	Publishing	Euro	6,392,727	36.90	RCS MediaGroup S.p.A. RCS Periodici S.p.A.	24.75 20.25
Companies in the RCS Quotidiani Group:							
Arlaban Inversiones S.L.	Madrid	Publishing	Euro	60,600	44.54	Munditeractivos S.A.	50.00
Broad Media S.A.	Madrid	Publishing	Euro	3,000,000	44.54	Munditeractivos S.A.	50.00
Comunedisa S.A.	Madrid	Internet	Euro	1,202,000	44.55	Unidad Editorial S.A.	50.00
Editoriale Del Mezzogiorno S.r.l.	Naples	Publishing	Euro	866,360	48.92	RCS Quotidiani S.p.A.	48.92
Incal Informacion S.L.	Valladolid	Publishing	Euro	6,000	30.20	Editora De Medios De Castilla Y Leon S.A. (edical)	50.00
Reunitel S.L.	Madrid	Publishing	Euro	548,700.01	44.55	Unidad Editorial S.A.	50.00
RCS - IHT S.r.l. (in liquid.)	Milan	Publishing	Euro	600,000	50.00	RCS Quotidiani S.p.A.	50.00
Companies in the RCS Libri Group:							
R.L. Libri S.r.l.	Milan	Publishing	Euro	250,000	50.00	RCS Libri S.p.A.	50.00
Rba Fabbri France	Paris	Publishing	Euro	50,000	50.00	Editions Fabbri S.A.r.l.	50.00
Rizzoli Larousse S.p.A.	Milan	Publishing	Euro	1,600,000	50.00	RCS Libri S.p.A.	50.00
Companies in the Periodici Group:							
De Agostini Rizzoli Periodici S.r.l.	Milan	Publishing	Euro	500,000	30.00	RCS Periodici S.p.A.	50.00
Companies in the RCS Pubblicità Group:							
ADR Advertising S.p.A.	Fiumicino	Advertising	Euro	1,000,000	16.90	Impresa Generale Di Pubblicità - Jcdecaux S.p.A. (?)	49.00
IGPDecaux Affissioni S.p.A.	Milan	Advertising	Euro	2,500,000	34.50	Impresa Generale Di Pubblicità - Jcdecaux S.p.A.	100.00
Impresa Generale Pubblicità - Jcdecaux S.p.A.	Milan	Advertising	Euro	7,390,522	34.50	RCS International Advertising B.V.	67.65
Sercom S.p.A.	Bagno a Ripoli	Advertising	Euro	150,000	17.60	IGPDecaux Affissioni S.p.A.	51.00
Companies in the Diffusione Group:							
Milan Press S.r.l.	Milan	Publishing	Euro	50,000	36.90	m-dis Distribuzione Media S.p.A. (ex RCS Diffusione S.p.A.)	100.00
DeADis S.r.l.	Novara	Publishing	Euro	1,666,600	36.90	m-dis Distribuzione Media S.p.A. (ex RCS Diffusione S.p.A.)	100.00
Companies in the BV Group:							
Amica Verlag GmbH & Co. Kg	Hamburg	Publishing	Euro	511,292	50.00	Burda Rizzoli Verlagsbeteiligungen GmbH	100.00
Amica Verlag Verwaltungsgesellschaft MbH	Hamburg	Publishing	Euro	25,565	50.00	Burda Rizzoli Verlagsbeteiligungen GmbH	100.00
Burda Rizzoli Verlagsbeteiligungen GmbH	Munich	Publishing	Euro	3,067,751	50.00	RCS International Magazines B.V.	50.00
Fit For Fun Verlag GmbH	Hamburg	Publishing	Euro	204,517	40.00	Burda Rizzoli Verlagsbeteiligungen GmbH	80.00
Kino Verlag GmbH	Hamburg	Publishing	Euro	511,292	50.00	Kino Verlag Holding GmbH	100.00
Kino Verlag Holding GmbH	Hamburg	Publishing	Euro	511,292	50.00	Burda Rizzoli Verlagsbeteiligungen GmbH	100.00
Pwe Verlag Gesellschaft Fur Mediumpublikationen MbH	Hamburg	Publishing	Euro	25,565	50.00	Kino Verlag GmbH	100.00
RCS International Communications N.v.	Amsterdam	Publishing	Euro	2,050,000	50.00	RCS International Magazines B.V.	50.00
Tv Spielfilm Verlag GmbH	Hamburg	Publishing	Euro	3,067,751	40.00	Burda Rizzoli Verlagsbeteiligungen GmbH	80.00

Note:

(2) The percent held in the form of ordinary and preference shares amounts to 74.5%.

Attachments to the Consolidated financial statements of RCS MediaGroup

> Companies carried at net equity

Name	Head Office	Business sector	Currency	Share Capital	Held by	% held directly	Book Value Euro/Mn
Burda RCS International Holding Gmbh	Offenburg	Publishing	Euro	102,258	RCS MediaGroup S.p.A.	50.00	13.6
Dada S.p.A.	Florence	Multimediale	Euro	2,664,101.28	RCS MediaGroup S.p.A.	15.42	11.3
Eurogravure S.p.A.	Bergamo	Publishing	Euro	7,072,000	RCS MediaGroup S.p.A.	30.00	4.5
HdP BV	Amsterdam	Finanziario	Euro	15,000,000	RCS MediaGroup S.p.A.	100.00	5.8 (*)
Inimm Due S.à.r.l.	Lussemburgo	Real estate	Euro	240,950	RCS MediaGroup S.p.A.	20.00	0.5
Netdish Italia S.p.A.	Padua	Services	Euro	150,000	RCS MediaGroup S.p.A.	43.16	0.7
S.n. L'européen S.A.	Paris	Publishing	Euro	610,000	RCS MediaGroup S.p.A.	35.00	0.0
Sepad S.p.A.	Milan	Publishing	Euro	1,549,371	RCS MediaGroup S.p.A.	30.00	0.5
Serom S.p.A.	Milan	Publishing	Euro	1,549,371	RCS MediaGroup S.p.A.	30.00	0.5
Companies in the RCS Quotidiani Group:							
Difernet S.I.	Madrid	Publishing	Euro	4,320	Munditeractivos S.A.	33.00	0.0
Ediciones Periodísticas Leonesas (Propeles) S.A.	LEON	Publishing	Euro	691,150	Unidad Editorial S.A.	10.00	0.1
Edi.T.A.A. S.r.l.	Trento	Publishing	Euro	10,000	RCS Quotidiani S.p.A.	50.00	0.6
Omniprint S.I.	Palma di Maiorca	Publishing	Euro	2,790,000	Rey Sol S.A.	45.00	1.2
Red De Distribuciones Editoriales S.I.	Madrid	Publishing	Euro	176,829.78	Unidad Editorial S.A.	30.00	1.9
Companies in the RCS Libri Group:							
Actes Sud Participation S.A.	Arles	Publishing	Euro	2,855,377.12	Flammarion S.A.	13.84	3.0
					Editions J'ai Lu S.A.	13.84	
Adelphi Edizioni S.p.A.	Milan	Publishing	Euro	1,040,000	RCS Libri S.p.A.	48.00	1.4
Artificio S.r.l.	Florence	Publishing	Euro	20,658	Skirà Editore S.p.A.	50.00	0.0
Edition d'Art Albert Skirà S.A.	Geneva	Publishing	CHF	6,421,050	RCS International Books B.V.	24.00	4.5
Garamond S.r.l.	Rome	Publishing	Euro	10,000	RCS Libri S.p.A.	50.00	0.6
Librairies Du Savoir S.A.	Paris	Publishing	Euro	1,042,950	Flammarion S.A.	23.50	3.8
Mach 2 Libri S.p.A.	Milan	Publishing	Euro	646,250	RCS Libri S.p.A.	20.00	1.8
Skirà Editore S.p.A.	Milan	Publishing	Euro	1,549,371	Edition d'Art Albert Skirà S.A.	100.00	0.0
Socadis Ltee	St Laurent	Publishing	CAD	40,000	Editions Flammarion Ltee	50.00	0.2
Società Editoria Artistica S.p.A.	Milan	Publishing	Euro	2,000,000	Edition d'Art Albert Skirà S.A.	100.00	0.0
Companies in the Periodici Group:							
Feria Bebe S.I.	Barcelona	Publishing	Euro	10,000	Sfera Editores Espana S.I.	46.50	0.1
Companies in the RCS Pubblicità Group:							
Allestimenti Speciali Pubblicità Esterna A.s.p.e. S.r.l.	Rozzano	Advertising	Euro	13,000	Impresa Generale Di Pubblicità - Jcdecaux S.p.A.	49.00	0.1
Media Alpi S.r.l.	Trento	Advertising	Euro	10,000	RCS Pubblicità S.p.A.	50.00	0.1
Publirecord S.r.l.	Naples	Advertising	Euro	10,400	IGPDcaux Affissioni S.p.A.	49.00	0.0
Pubblisuccesso Lombardia S.r.l. (in liquidation)	Milan	Advertising	Euro	312,000	Impresa Generale Di Pubblicità - Jcdecaux S.p.A.	100.00	0.2
Publitransport GTT S.r.l.	Turin	Advertising	Euro	100,000	Impresa Generale Di Pubblicità - Jcdecaux S.p.A.	49.00	0.1
Punto Città Gruppo Publinvest S.r.l.	Naples	Advertising	Euro	10,500	IGPDcaux Affissioni S.p.A.	49.00	0.0
S.i.p.a. S.r.l.	Naples	Advertising	Euro	155,000	IGPDcaux Affissioni S.p.A.	49.00	0.1
Companies in the RCS Diffusione Group:							
Trento Press Service S.r.l.	Trento	Publishing	Euro	260,000	m-dis Distribuzione Media S.p.A. (ex RCS Diffusione S.p.A.)	24.80	0.1
					DeADis S.r.l.	5.60	
Companies in the Burda RCS Group:							
Burda-Rizzoli Thailand Ltd.	Bangkok	Publishing	THB	5,000,000	Burda RCS International Holding Gmbh	49.00	0.0
Burda Rizzoli France S.A.s.	Paris	Publishing	Euro	20,000,000	Burda RCS International Holding Gmbh	75.00	0.0
Burda Rizzoli Hong Kong Ltd.	Hong Kong	Publishing	HKD	20	Burda Rizzoli Thailand Pte Ltd	50.00	0.0
					Burda RCS International Holding Gmbh	50.00	0.0
Dergi Pazarlama Ve Planlama Ve Ticaret as	Istanbul	Publishing	TRL	2,400,000,000	Burda RCS International Holding Gmbh	44.00	0.0
Design House Inc.	Seoul	Publishing	KRW	902,720,000	Burda RCS International Holding Gmbh	49.90	0.0

(1) Paid-in portion: Euro 8,500,000

Attachments to the Consolidated financial statements of RCS MediaGroup

Name	Head Office	Business sector	Currency	Share Capital	Held by	% held directly	Book Value Euro/Mn
Dogan Burda Rizzoli Dergi Yayincilik Ve Pazarlama A.s.	Istanbul	Publishing	TRL	9,187,500,000,000	Burda RCS International Holding Gmbh	40.00	0.0
Editions Nuit et Jour S.A.s.	Paris	Publishing	Euro	1,639,680	Burda Rizzoli France S.A.s.	100.00	0.0
Publicité Nuit et Jour S.A.s.	Paris	Publishing	Euro	38,125	Editions Nuit et Jour S.A.s.	100.00	0.0
Companies in the BV Group:							
Burda Verlag Osteuropa Gmbh	Offenburg	Publishing	Euro	1,022,584	RCS International Magazines B.V.	20.00	0.0
Hachette Rizzoli International Communications B.V.	Amsterdam	Publishing	Euro	9,075,604	RCS International Magazines B.V.	50.00	0.7
Hachette Rizzoli Magazines Ltd.	Athens	Publishing	Euro	3,462,949	Hachette Rizzoli International Communications B.V.	50.00	0.0
					Pegasus Publishing And Printing S.A.	50.00	0.0
Companies in the GFT NET Group:							
Calvin Klein Apparel Corp (*)	Rutherford	Fashion/apparel	USD	53,587,479	GFT Usa Corp	100.00	0.0
Edera Inc (*)	Rutherford	Fashion/apparel	USD	41,905,433	JA Apparel Corp,	100.00	0.0
Emanuel Apparel Corp (*)	Rutherford	Fashion/apparel	USD	49,222,381	GFT Apparel Corp	100.00	0.0
GFT America Fashion Co.LLC. (**)	Rutherford	Fashion/apparel	USD	1,000,000	GFT Apparel Corp	100.00	0.0
GFT Apparel Corp (*)	Rutherford	Fashion/apparel	USD	81,832,829	GFT Usa Corp	100.00	0.0
GFT Usa Corp	Rutherford	Fashion/apparel	USD	850,000	GFT NET S.p.A.	94.98	53.8
					GFT International BV	5.02	
GFT Australia Pty. Ltd (in liquidation)	Abbotsford Victoria	Fashion/apparel	AUD	4,802,000	GFT International BV	100.00	0.0
GFT France SA (in liquidation)	Paris	Fashion/apparel	Euro	625,041	GFT International BV	100.00	0.0
GFT Germany GmbH (in liquidation)	Dusseldorf	Fashion/apparel	Euro	1,533,876	GFT International BV	100.00	0.5
GFT Great Britain Ltd	London	Fashion/apparel	GBP	10,500,000	GFT International BV	100.00	0.0
GFT Hong Kong Ltd	Hong Kong	Fashion/apparel	HKD	2,300,000	GFT International BV	100.00	0.1
GFT Iberica SA (in liquidation)	Madrid	Fashion/apparel	Euro	76,340	GFT International BV	100.00	0.3
GFT International BV	Amsterdam	Fashion/apparel	Euro	34,250,668	GFT NET S.p.A.	100.00	2.7
JA Apparel Corp	Rutherford	Fashion/apparel	USD	5,000,000	GFT Usa Corp	100.00	0.0
Nashawena Mills Corp	New Bedford	Fashion/apparel	USD	1,000	GFT Usa Corp	100.00	0.0
New Lab Europe S.p.A.	Turin	Fashion/apparel	Euro	2,500,000	GFT NET S.p.A.	100.00	0.2
Riverside Manufacturing Corp (***)	County of New Castle	Fashion/apparel	USD	3,200,000	GFT Usa Corp	100.00	0.0
Sahzà S.p.A.	Turin	Fashion/apparel	Euro	1,000,000	GFT NET S.p.A.	100.00	0.9
TOTAL							116.5

Note

(*) It is "paid in capital" and not "capital stock"

(**) It is "members interest" and not "capital stock"

(***) It is 200,000 USD "paid in capital" at December 31, 2000 + 3,000,000 USD "capital stock" issued on March 30, 2001

Attachments to the Consolidated financial statements of RCS MediaGroup

> Companies carried at cost

Name	Head Office	Business sector	Currency	Share Capital	Held by	% held directly	Book Value Euro/Mn
Alice Lab Netherlands N.v.	Amsterdam	Finanziario	Euro	128,850.95	RCS MediaGroup S.p.A.	19.40	1.0
Allaxia S.p.A.	Milan	Services	Euro	10,000,000	RCS MediaGroup S.p.A.	1.23	0.4
Emittenti Titoli S.p.A.	Milan	Borsa	Euro	4,264,000	RCS MediaGroup S.p.A.	1.22	0.1
Eurofly Service S.p.A.	Turin	Trasporti	Euro	4,275,000	RCS MediaGroup S.p.A.	16.33	2.9
H3G Italia S.p.A. (ex Andala S.p.A.)	Trezzano sul Naviglio	Telefonia	Euro	3,223,189,725	RCS MediaGroup S.p.A.	1.02	33.0
HdP Sviluppo Immobiliare S.r.l.	Milan	Real estate	Euro	11,000	RCS MediaGroup S.p.A.	100.00	0.0
HdP Verwaltungs GmbH (in liquidation)	Nördlingen	Finanziaria	DEM	50,000	RCS MediaGroup S.p.A.	100.00	0.0
Immobiliare Editori Giornali S.r.l.	Rome	Publishing	Euro	830,463	RCS MediaGroup S.p.A.	7.50	0.1
Banca Intesa S.p.A.	Milan	Bancario	Euro	3,561,062,849	RCS MediaGroup S.p.A.	0.80	157.7 (1)
Istituto Europeo di Oncologia S.r.l.	Milan	Medicina	Euro	106,500,000	RCS MediaGroup S.p.A.	5.20	5.2
Joyce Boutique Holdings Ltd	Hong Kong	Fashion/apparel	HKD	160,380,000	RCS MediaGroup S.p.A.	9.73	3.1
Mode et Finance	Paris	Fashion/apparel	Euro	6,428,540	RCS MediaGroup S.p.A.	9.49	0.6
Pirelli & C. S.p.A.	Milan	Finanziario	Euro	1,799,399,399.00	RCS MediaGroup S.p.A.	4.25	114.6 (1)
Poligrafici Editoriale S.p.A.	Milan	Publishing	Euro	34,320,000	RCS MediaGroup S.p.A.	9.99	20.7
Raisat S.p.A.	Rome	Canali televisivi	Euro	2,585,000	RCS MediaGroup S.p.A.	5.00	5.2
Companies in the RCS Quotidiani Group:							
Ansa S.r.l.	Rome	Publishing	Euro	11,424,000	RCS Quotidiani S.p.A.	3.13	0.5
Canal Mundo Ficción S.I.	Madrid	Publishing	Euro	3,060	Canal Mundo Producciones Audiovisuales S.A.	100.00	0.0
Canal Mundo Visión S.A.	Madrid	Publishing	Euro	60,110	Canal Mundo Producciones Audiovisuales S.A.	99.98	0.0
Comercial de Prensa Siglo XXI S.A.	Madrid	Publishing	Euro	601,000	Unidad Editorial S.A.	20.00	0.6
Consorzio Milan Marathon s.c.a.r.l.	Milan	Services	Euro	20,000	RCS Sport Events S.p.A.	60.00	0.0
Consueidit S.r.l.	Milan	Publishing	Euro	20,000	RCS Quotidiani S.p.A.		0.0
Gestora de Derechos de Prensa S.A.	Madrid	Publishing	Euro	700,000	Unidad Editorial S.A.	20.00	0.2
Ibiza De Publicaciones S.A.	Ibiza	Publishing	Euro	586,680	Rey Sol S.A.	7.96	0.0
Medios de Azahar	Castellon	Publishing	Euro	392,500	Editora De Medios De Valencia. Alicante Y Castellon S.A.	8.03	0.0
Neo-Sky 2002 S.A.	Madrid	Publishing	Euro	112,958,764	Unidad Editorial S.A.	0.95	0.0
Société Anonyme Investissements Press S.A. (S.A.I.P.)	Paris	Publishing	Euro	9,251,687	Unidad Editorial S.A.	2.00	0.9
Travel Systems A.g.	Munich	Publishing	Euro	339,344	Unidad Editorial S.A.	1.00	0.1
Veo Television S.A.	Madrid	Publishing	Euro	6,010,121.04	Unedisa Telecomunicaciones S.I.	25.50	1.0
Companies in the RCS Libri Group:							
Fabbri Richina Ltd.	Tortola	Publishing	USD	50,000	RCS International Books B.V.	50.00	0.1
Fédération Diffusion S.A.r.l.	Paris	Publishing	Euro	7,623	Ud-Union Distribution S.A.s.	20.00	0.0
International Illustrated Publications Inc.	New York	Publishing	USD	1,000	RCS International Books B.V. Edition d'Art Albert Skirà S.A.	65.80	0.0
Meta Concept S.A.	Paris	Publishing	Euro	741,817	Flammarion S.A.	34.20	0.0
Presses Universitaires De France S.A.	Paris	Publishing	Euro	288,510	Flammarion S.A.	19.23	0.0
Data Base Factory	Paris	Publishing	Euro	90,354	Flammarion S.A.	18.06	2.0
Data Base Factory	London	Publishing	GBP	1,000	Ge Fabbri Ltd,	19.00	0.1
					Ge Fabbri Ltd,	20.00	0.2
Companies in the Periodici Group:							
Consueidit S.r.l.	Milan	Publishing	Euro	20,000	RCS Periodici S.p.A.	5.25	0.0
					De Agostini Rizzoli Periodici S.r.l.	1.83	0.0
Companies in the RCS Pubblicità Group:							
Consorzio Arredo Urbano S.p.A.	Milan	Advertising	Euro	210,000	Impresa Generale Di Pubblicità - Jcdecaux S.p.A.	12.50	0.0
I - Mago S.p.A.	Florence	Advertising	Euro	510,000	Impresa Generale Di Pubblicità - Jcdecaux S.p.A.	14.00	0.0
Companies in the Diffusione Group:							
Consorzio C.S.I.E.D.	Milan	Publishing	Euro	103,291	m-dis Distribuzione Media S.p.A. (ex RCS Diffusione S.p.A.)	10.00	0.0
					DeADis S.r.l.	10.00	0.0
Companies in the Burda RCS Group:							
Burda Rizzoli Consulting CO Ltd	Beeijing	Publishing	Euro	200,000	Burda RCS International Holding GmbH	100.00	0.0

Attachments to the Consolidated financial statements of RCS MediaGroup

Name	Head Office	Business sector	Currency	Share Capital	Held by	% held directly	Book Value Euro/Mn
Companies in the BV Group:							
Tomorrow Focus A.g.	Hamburg	Publishing	Euro	38,806,500	RCS International Magazines B.V.	5.80	1.5
Pegasus Publishing & Printing S.A.	Athens	Publishing	Euro	34,391,049	RCS International Communications N.v.	4.00	2.0
Companies in the RCS Broadcast Group:							
Audiradio S.r.l.	Milan	Services	Euro	31,200	RCS Broadcast S.p.A.	8.33	0.0
DAB Services S.p.A.	Milan	Services	Euro	1,040,000	RCS Broadcast S.p.A.	6.25	0.1
Companies in the GFT NET Group:							
Consorzio T.A. 2000 per l'ind. Moda	Milan	Fashion/apparel	Euro	18,076	GFT NET S.p.A.	14.30	0.0
TOTAL							353.9

Note

(1) Of ordinary capital: 4.4%

(2) Of ordinary capital: 0.90%

Attachments to the Consolidated financial statements of RCS MediaGroup

Exchange rates against the euro

Below are the main exchange rates used to convert financial statements in currencies other than the euro:

		Year-end exchange rate 12.31.2003	Average exchange rate 2003	Year-end exchange rate 12.31.2002	Average exchange rate 2002
Australian dollar	AUD	1.68020	1.73842	1.86840	1.73765
Canadian dollar	CAD	1.62340	1.58223	1.64913	1.48285
U.S. Dollar	USD	1.26300	1.13097	1.04870	0.94493
Hong Kong dollar	HKD	9.80490	8.80669	8.18240	7.36992
Singapore dollar	SGD	2.14500	1.96997	1.81989	1.69038
Hungarian forint	HUF	262.50000	253.51204	235.51900	242.89095
Swiss franc	CHF	1.55790	1.52073	1.45240	1.46713
Bulgarian lev	BGL	1.95570	1.94904	1.96620	1.94932
British pound	GBP	0.70480	0.69191	0.65050	0.62876
Argentine peso	ARS	3.74500	3.32806	3.52531	2.96701
Mexican peso	MXN	14.16130	12.20847	10.88020	9.14658
Czech koruna	CZK	32.41000	31.84422	31.54500	30.81372
South Korean won	KRW	1,506.32000	1,347.10723	1,244.04000	1,175.45321
Chinese renminbi	CNY	10.45760	9.36502	8.68423	7.82317
Polish zloty	PLN	4.70190	4.39958	4.02850	3.84911
Turkish lira	TRL	1,771,638	not used	1,749,613	not used
Thai baht	THB	50.01400	not used	45.52980	not used
Indonesian rupiah	IDR	10,621.800	not used	9,395.070	not used
Vietnamese dong	VND	19,754.30	not used	16,767.60	not used
Ukrainian hryvnia	UAH	6.73431	6.02710	not used	not used
Brazilian real	BRL	3.66270	3.47174	not used	not used

Attachments to the Consolidated financial statements of RCS MediaGroup

> Financial statements of GFT NET

Balance sheet (millions of euros)	GFT NET consolidated 12.31.2003	GFT NET consolidated 12.31.2002	GFT USA Corp. Consolidated 12.31.2003
A) SUBSCRIBED CAPITAL UNPAID			
B) FIXED ASSETS			
I. Intangible fixed assets		55.0	42.9
II. Tangible fixed assets	10.5	17.7	7.2
III. Financial fixed assets	58.6	6.5	
Total fixed assets (B)	69.1	79.2	50.1
C) CURRENT ASSETS			
I. Inventories		18.8	15.9
II. Receivables	9.4	33.4	10.2
III. Current financial assets			
IV. Cash and banks	0.2	15.1	12.0
Total current assets (C)	9.6	67.3	38.1
D) ACCRUED INCOME AND PREPAYMENTS		2.1	3.2
TOTAL ASSETS	78.7	148.6	91.4
Liabilities (millions of euros)	GFT NET consolidated 12.31.2003	GFT NET consolidated 12.31.2002	GFT USA Corp. Consolidated 12.31.2003
A) SHAREHOLDERS' EQUITY			
I. Share capital	21.4	41.5	87.0
II. Share premium reserve			
II. Revaluation reserve			
IV. Legal reserve			
V. Reserve for treasury shares			
VI. Statutory reserves			
VII. Other reserves	11.5	2.2	(1.3)
VIII. Income (losses) carried forward			(0.8)
IX. Net income (loss) for the year	(32.0)	(12.1)	(8.1)
Group's portion of consolidated shareholders' equity	0.9	31.6	76.8
X. Minority interests in share capital and reserves			
Total consolidated shareholders' equity (A)	0.9	31.6	76.8
B) PROVISION FOR RISKS AND CHARGES	10.0	25.7	
C) PROVISION FOR EMPLOYEE TERMINATION INDEMNITIES		5.7	
D) PAYABLES	67.6	83.8	7.0
E) ACCRUED LIABILITIES AND DEFERRED INCOME	0.2	1.8	7.6
TOTAL LIABILITIES	78.7	148.6	91.4

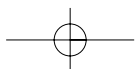
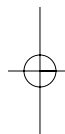
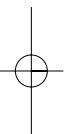
Attachments to the Consolidated financial statements of RCS MediaGroup

> Income statement

(millions of euros)	GFT NET consolidated 12.31.2003	GFT NET consolidated 12.31.2002	GFT USA Corp. Consolidated 12.31.2003
A) PRODUCTION VALUE			
1) Revenues from sales and services	0.7	129.1	73.9
2) Change in inventories of work in progress, semi-finished and finished products		(10.2)	0.4
3) Change in work in progress to order			
4) Increase in assets built internally			
5) Other revenues and income	1.7	5.8	3.7
Total production value (A)	2.4	124.7	78.0
B) PRODUCTION COSTS			
6) Raw and ancillary materials, consumables and goods	0.1	36.7	26.4
7) Services	2.9	30.4	12.2
8) Rentals and leasing		4.3	2.1
9) Payroll costs			
a) wages and salaries	0.6	31.6	24.0
b) social security charges	0.2	3.5	
c) employee termination indemnities	0.4	1.0	
d) retirement benefits and similar		0.2	
e) other costs		3.8	
10) Amortization, depreciation and writedowns			
a) amortization of intangible fixed assets		3.9	2.9
b) depreciation of tangible fixed assets	0.5	4.5	1.2
d) writedowns of current receivables and cash and banks		0.4	
11) Change in inventories of raw and ancillary materials, consumables and goods		8.2	
12) Provisions for risks			
13) Other provisions			
14) Other operating expenses	0.7	1.1	0.3
Total production costs (B)	5.4	129.6	69.1
Difference between value and cost of production (A - B)	(3.0)	(4.9)	8.9

Attachments to the Consolidated financial statements of RCS MediaGroup

(millions of euros)	GFT NET consolidated 12.31.2003	GFT NET consolidated 12.31.2002	GFT USA Corp. Consolidated 12.31.2003
C) FINANCIAL INCOME AND CHARGES			
15) Income (charges) from equity investments			
16) Other financial income	0.2	2.3	
17) Interest and other financial charges	(2.3)	(4.0)	(0.1)
Total net financial income (charges) (15 + 16 - 17)	(2.1)	(1.7)	(0.1)
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18) Revaluations		1.4	
19) Writedowns	(31.1)	(8.2)	
Total adjustments to the value of financial assets	(31.1)	(6.8)	
E) EXTRAORDINARY ITEMS			
20) Income	5.5	32.9	0.7
21) Charges	(1.3)	(29.9)	(17.1)
Total extraordinary income (charges)	4.2	3.0	(16.4)
Income or loss before taxes (A - B + C + D + E)	(32.0)	(10.4)	(7.6)
Income taxes for the year		1.7	0.5
Net income (loss) for the year including minority interests	(32.0)	(12.1)	(8.1)
Minority interests in net (income) loss for the year			
GROUP'S SHARE OF NET INCOME (LOSS) FOR THE YEAR	(32.0)	(12.1)	(8.1)



**> Attachments to the
financial statements
of RCS MediaGroup
S.p.A.**

Attachments to the financial statements of RCS MediaGroup S.p.A.

List of equity investments pursuant to Art. 2427, no. 5 of the Italian Civil Code, with supplementary information recommended by CONSOB with the Circular of February 23, 1994 and subsequent

Name and head office (millions of euros)	Share Capital	Latest year's income (loss)	Shareholders' equity	% held	No. Of shares/quotas	Book value
Subsidiaries						
RCS Libri S.p.A. - Milan						
At 12.31.2002					0	0.0
- increase from spin-off				99.99	706,664,884	154.9
At 12.31.2003	42.4	3.0	106.6	99.99 (a)	706,664,884	154.9
RCS Broadcast S.p.A. (ex Editoriale Sper S.p.A.) - Milan						
At 12.31.2002	2.9	(8.5)	7.5	100.00	28,951,050	44.2
- writedowns						(6.3)
At 12.31.2003	2.9	(8.5)	7.5	100.00 (h)	28,951,050	37.9
RCS Pubblicità S.p.A. - Milan						
At 12.31.2002	0.2	0.0	0.3	100.00	200,000	0.3
- increase from spin-off					39,800,000	39.8
At 12.31.2003	40.0	(5.5)	84.7	100.00 (a)	40,000,000	40.1
RCS Quotidiani S.p.A. (ex RCS Editori S.p.A.) - Milan						
At 12.31.2002	150.0	19.7	360.9	100.00	150,000,000	150.0
- cancelation of shares due to spin-off	(110.0)				(110,000,000)	(110.0)
At 12.31.2003	40.0	13.7	79.5	100.00 (a)	40,000,000	40.0
RCS Investimenti (ex Fila Holding S.p.A.) - Milan						
At 12.31.2002	96.5	(82.0)	120.7	91.11	87,912,536	96.8
- acquisitions					6,867,194	6.8
- writedowns						(61.5)
At 12.31.2003	96.5	(77.8)	42.9	98.20 (a)	94,779,730	42.1
GFT NET S.p.A. - Turin						
At 12.31.2002	41.5	(20.1)	21.4	100.00	41,500,000	30.8
- capital reduction					(20,100,000)	0.0
- writedowns						(30.8)
At 12.31.2003	21.4	(20.5)	0.9	100.00 (a)	21,400,000	0.0
RCS International Magazines BV - Amsterdam						
At 12.31.2002					0	0.0
- increase from spin-off				100.00	2,300,000	20.1
At 12.31.2003	2.3	(3.2)	21.3	100.00 (h)	2,300,000	20.1

Attachments to the financial statements of RCS MediaGroup S.p.A.

Name and head office (millions of euros)	Share Capital	Latest year's income (loss)	Shareholders' equity	% held	No. of shares/quotas	Book value
RCS Periodici - Milan						
At 12.31.2002					0	0.0
- increase from spin-off				70.00	3,500,000	15.6
- sale				(d)		(2.8)
- sale					(500,000)	(1.8)
At 12.31.2003	5.0	6.0	24.4	60.00 (a)	3,000,000	11.0
Immobiliare Solferino 28 S.r.l.						
- Milan						
At 12.31.2002	0.5	(0.2)	17.0	51.00	1	9.2
- acquisitions				49.00	1	15.5
At 12.31.2003	0.5	(1.3)	15.6	100.00 (a)	2	24.7
HdP - BV - Amsterdam						
At 12.31.2002	15.0	(2.4)	6.0	100.00	150,000	5.9
At 12.31.2003	15.0	0.0	6.0	100.0 (h)	150,000	5.9
RCS Factor S.p.A. - Milan						
At 12.31.2002					0	0.0
- increase from spin-off				90.00	1,800,000	1.9
At 12.31.2003	2.0	0.4	3.0	90.00 (h)	1,800,000	1.9
RCS Internal Auditing S.r.l. (ex. HdP Internal Auditing S.r.l.)						
- Milan						
At 12.31.2002	0.0	0.0	0.0	25.00	1	0.0
- increase from spin-off				25.00		0.0
At 12.31.2003	0.0	0.0	0.0	50.00 (a)	1	0.0
HdP - Sviluppo Immobiliare S.r.l. - Milan						
At 12.31.2002	0.0	0.0	0.0	100.00	1	0.0
At 12.31.2003	0.0	0.0	0.0	100.00 (b)	1	0.0
RCS Editori S.p.A. (ex La Radio dello Sport S.r.l.) - Milan						
At 12.31.2002	0.1	0.0	0.1	100.00	80,000	0.1
- capital increase					20,000	0.0
At 12.31.2003	0.1	0.0	0.1	100.00 (a)	100,000	0.1
HdP - Verwaltungs GmbH (in liquidation - Stuttgart)						
At 12.31.2002	0.0	0.0	0.0	100.00	1	0.0
At 12.31.2003	0.0	0.0	0.0	100.00 (b)	1	0.0
Net balance for subsidiaries at 12.31.2003						378.7
Associated companies						
Burda RCS International Holding GmbH - Offenburg						
At 12.31.2002					0	0.0
- increase from spin-off				50.00	100,000	6.8
- capital increase						8.0
- writedowns						(1.2)
At 12.31.2003	0.1	(3.3)	34.0	50.00 (h)	100,000	13.6

Attachments to the financial statements of RCS MediaGroup S.p.A.

Name and head office (millions of euros)	Share Capital	Latest year's income (loss)	Shareholders' equity	% held	No. of shares/quotas	Book value
Dada - Florence At 12.31.2002 - writedowns	2.7	0.0	0.0	15.42	2,417,957	14.1 (2.9)
At 12.31.2003	2.7	(25.0)	37.1	15.42 (a)	2,417,957	11.2
Eurogravure S.p.A. - Bergamo At 12.31.2002 - increase from spin-off					0 4,080,000	0.0 2.1
At 12.31.2003	7.1	1.6	12.6	30.00 (h)	4,080,000	2.1
Sport Set S.p.A. (in liquidation) - Milan At 12.31.2002 - increase from spin-off - sales					0 2,500,000 (2,500,000)	0.0 2.0 (2.0)
At 12.31.2003	-	-	-	-	0	0.0
m-dis S.p.A. (ex RCS Diffusione S.p.A.) - Milan At 12.31.2002 - increase from spin-off - sale					0 2,227,500 (645,300)	0.0 2.4 (0.7)
At 12.31.2003	6.4	2.9	9.5	24.75 (f)	1,582,200	1.7
Netdish Italia S.p.A. - Padova At 12.31.2002 - reconstitution of capital	0.2	(1.3)	1.7	35.17	52,750 11,992	0.6 0.1
At 12.31.2003	0.2	(2.4)	(0.4)	43.16 (a)	64,742	0.7
Sepad S.p.A. - Milan At 12.31.2002 - increase from spin-off					0 900,000	0.0 0.5
At 12.31.2003	1.5	0.3	2.0	30.00 (l)	900,000	0.5
Serom S.p.A. - Milan At 12.31.2002 - increase from spin-off					0 900,000	0.0 0.5
At 12.31.2003	1.5	(0.1)	1.5	30.00 (l)	900,000	0.5
Inimm Due S. à r.l. - Lussemburgo At 12.31.2002	0.2	(0.8)	1.6	20.00	1,928	0.4
At 12.31.2003	0.2	(0.8)	1.6	20.00 (g)	1,928	0.4
Yoda S.p.A. - Milan At 12.31.2002 - disposals	0.1	0.0	0.0	21.40	221,088 (221,088)	0.4 (0.4)
At 12.31.2003	-	(e)	(e)		0	0.0
S.n. L'European S.A. - Paris At 12.31.2002 - increase from spin-off					0 21,350	0.0 0.0
At 12.31.2003	0.6	n.d.	n.d.	35.00	21,350	0.0
Net balances of associated companies at 12.31.2003						30.7

Attachments to the financial statements of RCS MediaGroup S.p.A.

Name and head office (millions of euros)	Share Capital	Latest year's income (loss)	Shareholders' equity	% held	No. of shares/quotas	Book value
Other companies						
Banca Intesa S.p.A. - Milan						
At 12.31.2002	3,489.0	12.0	13,820.0	0.80	52,866,684	109.4
- capital increase (free)					1,321,667	2.9
- partial write-up						45.4
At 12.31.2003	3,561.1	1,359.0	14,745.0	0.80 (a)	54,188,351	157.7
Pirelli & C. S.p.A. - Milan						
At 12.31.2002	339.4	60.2	1,265.0	5.63	36,731,056	54.6
- capital increase					110,193,168	57.3
At 12.31.2003	1,799.4	(43.9)	3,173.4	4.25 (m)	146,924,224	111.9
Pirelli & C. S.p.A. - Milan						
Free warrants relate to the capital increase June 2003				110,193,168	-	
At 12.31.2003					110,193,168	-
H3G (ex Andala Umts) - Trezzano sul Naviglio (Mi)						
At 12.31.2002	3,223.2	0.0	0.0	1.02	6,594,480	33.0
At 12.31.2003	474.3	(293.0)	3,274.7	1.02 (h)	6,594,480	33.0
Poligrafici Editoriale S.p.A. - Bologna						
At 12.31.2002	34.3	(2.5)	80.1	9.99	13,199,000	24.6
- writedowns						(3.9)
At 12.31.2003	34.3	(1.0)	81.6	9.99 (h)	13,199,000	20.7
Raisat S.p.A. - Rome						
At 12.31.2002					0	0.0
- increase from spin-off				5.00	25,000	5.2
At 12.31.2003	2.6	1.9	5.4	5.00 (h)	25,000	5.2
Istituto Europeo di Oncologia S.r.l. - Milan						
At 12.31.2002	82.5	(10.7)	75.1	4.79	1	3.6
- capital increase						1.6
At 12.31.2003	106.5	(29.2)	57.4	5.2 (l)	1	5.2
Joyce Boutique Holding Ltd						
At 12.31.2002	20.6	(11.0)	50.2	9.75	156,000,000	1.9
At 12.31.2003	20.6	(11.0)	50.2	9.73 (i)	156,000,000	1.9
Eurofly Service S.p.A. - Turin						
At 12.31.2002	4.3	(1.0)	9.7	16.33	1,342,782	3.3
- writedowns						(0.4)
At 12.31.2003	4.3	(1.0)	9.7	16.33 (h)	1,342,782	2.9
Alice Lab Netherlands NV - Amsterdam						
At 12.31.2002	5.0	0.0	0.0	19.40	50,000	1.0
At 12.31.2003	5.0	n.d.	n.d.	19.40	50,000	1.0

Attachments to the financial statements of RCS MediaGroup S.p.A.

Name and head office (millions of euros)	Share Capital	Latest year's income (loss)	Shareholders' equity	% held	No. of shares/quotas	Book value
Mode et Finance - Paris At 12.31.2002	6.4	1.2	6.0	9.49	60,980	0.6
At 12.31.2003	6.4	1.2	6.0	9.49 (h)	60,980	0.6
Emittenti Titoli S.p.A. - Milan At 12.31.2002	4.3	1.7	6.4	1.22	120,000	0.1
At 12.31.2003	4.3	1.1	6.1	1.22 (h)	120,000	0.1
Allaxia S.p.A. - Milan At 12.31.2002		0.0	0.0		0	0.0
- acquisition				2.46	123,065	0.4
At 12.31.2003	10.0	n.d.	n.d.	1.23	123,065	0.4
Immobiliare Editori Giornali S.r.l. - Rome At 12.31.2002					0	0.0
- increase from spin-off				7.50	1	0.1
At 12.31.2003	0.8	n.d.	n.d.	7.50	1	0.1
Ansa S.r.l. - Rome At 12.31.2002					0	0.0
- increase from spin-off				3.25	1	0.1
- disposals					(1)	(0.1)
At 12.31.2003	-	-	-	-	0	0.0
Net balances of other companies at 12.31.2003						340.7
Net balances of total equity investments at 12.31.2003						750.1

- (a) Figures relate to year-end statements as at December 31, 2003.
 (b) Dormant company.
 (c) Company sold.
 (d) Partial repayment of share premium reserve.
 (e) Yoda S.p.A. Shares exchange in Allaxia S.p.A. shares.
 (f) Previously inserts as subsidiary.
 (g) Figures relate to year-end statements as at December 31, 2001.
 (h) Figures relate to year-end statements as at December 31, 2002.
 (i) Figures relate to year-end statements as at December 31, 2002.
 (l) Figures relate to year-end statements as at December 31, 2003, not yet approved by AGM.
 (m) Figures relate to year-end statements as at June 30, 2003.

Attachments to the financial statements of RCS MediaGroup S.p.A.

List of "other equity investments" and "other securities" held as current assets and their changes during the year

ISIN Code	Currency	Balance at 12.31.2002 Book value in thousands of euros	Increases (Decreases) Amount in thousands of euros	Writedown to average December 2003 prices in thousands of euros	Balance at 12.31.2003 Book value in thousands of euros	Average price December 2003	Implicit revaluation relative to December 2003 price
Other equity investments							
IT0001076733 Smi	EURO	1,601		(181)	1,420	0.32	
LU0011956546 Sogelux Fund Equities Europe	EURO	799	(799)				
LU0108299685 Sogelux Fund Equities Global Technology	USD	576	(576)				
ES0131532014 Recoletos Compania Editorial	EURO	4,939		284	5,223 (1)	6.98	2,522
IT0001063210 Mediaset	EURO	0.7			0.7	9.73	0.2
IT0001398541 Gruppo Editoriale L'Espresso	EURO	0.3			0.3	5.03	0.2
IT0001276408 Classeditori cat. A	EURO	0.2			0.2	2.42	0.1
IT0001469383 Arnoldo Mondadori Ed. Ord.	EURO	0.6			0.6	7.19	0.1
IT0003479638 Seat-Pagine Gialle	EURO	0.1			0.1 (2)	0.78	
IT0001389920 Telecom Italia Media	EURO	0.1			0.1	0.41	
IT0001472171 Caltagirone Editore S.p.A.	EURO	0.5			0.5	6.76	0.1
Totale "other equity investments"		7,917	(1,375)	103	6,645		2,523
Other securities							
a) Listed government bonds							
XS0103366943 BCI 08.02.2002 2.0835%	EURO						
IT0001423844 BTP 15.01.2003 4.5%	EURO	16,884	(16,884)				
IT0001206066 BTP 15.02.2003 5%	EURO	18,874	(18,874)				
IT0000367133 CCT 1.4.2002 5.60%	EURO						
IT0000367398 CCT 1.11.2002 4.10%	EURO						
IT0000367265 CCT 1.08.2002 4.00%	EURO						
IT0000367737 CCT 1.07.2003 3.30%	EURO	17,033	(17,033)				
IT00001101234 CCT 1.03.2004 3.60%	EURO	12,962	(12,962)				
IT00001145371 CCT 1.09.2004 3.60%	EURO	10,624	(10,624)				
IT00001224275 CCT 1.05.2005 5.0%	EURO						
IT00001413944 CCT 1.12.2006 5.2%	EURO						
IT0003097109 CCT 1.04.2008 3.8%	EURO						
IT0001488110 CTZ 15.07.2002	EURO						
IT0003097125 CTZ 31.03.2003	EURO	14,083	(14,083)				
IT0003132419 CTZ 16.06.2003	EURO	10,932	(10,932)				
Total a) "listed government securities"		101,392	(101,392)				
b) Other equities:							
listed:							
IT0003246847 DUEMME LOW VOLAT POR	EURO		18,000		18,000	535.02	429
IT0003535959 DUEMME PER II PORT	EURO		3,850		3,850	509.76	21
LU0134649283 DUEMME EUR SHORT T-I	EURO		43,700		43,700	107.06	676
total listed			65,550		65,550		1,126
Total b) "other equities"			65,550		65,550		1,126
Total "other securities"		101,392	(35,842)		65,550		1,126

(1) Partial writeback of the Euro 283,373.00 written down the previous year
(2) Aug. 4, 2003: partial spin-off of Seat Pagine Gialle and Telecom Italia Media

Attachments to the financial statements of RCS MediaGroup S.p.A.

Reclassified income statement for holding companies Pursuant to legislative decree no. 127/91

(CONSOB Circular no. 94001437 of Feb. 23, 1994)

(in Euros)	2003	2002
FINANCIAL INCOME AND CHARGES		
1) Income From Equity Investments		
- subsidiaries	52,476,563	0
- associated companies	0	0
- other companies	9,060,191	8,703,314
2) Other financial income		
a) from receivables held as fixed assets:		
- subsidiaries	3,243,770	9,179,489
- associated companies	0	138,559
- other companies	650,000	0
b) from securities held as fixed assets that do not constitute equity investments	0	0
c) from securities held as current assets that do not constitute equity investments	1,155,970	5,278,973
d) Income other than the above:		
- subsidiaries	6,176,549	0
- associated companies	206,679	0
- other companies	4,551,111	5,481,811
3) Interest and other financial charges		
- subsidiaries	(2,437,310)	(122,369)
- associated companies	(523,788)	0
- other companies	(2,618,387)	(1,953,494)
Total financial income (charges)	71,941,348	26,706,283
Value adjustments to financial assets		
4) Revaluations		
a) of equity investments	45,825,888	172,337
c) of securities held as current assets that do not constitute equity investments	0	0
5) Writedowns		
a) of equity investments	(14,784,724)	(194,305,000)
c) of securities held as current assets that do not constitute equity investments	(180,806)	(1,483,954)
Total value adjustments	30,860,358	(195,616,617)
6) OTHER OPERATING INCOME	21,902,715	10,118,159

Attachments to the financial statements of RCS MediaGroup S.p.A.

(in Euros)	2003	2002
OTHER OPERATING COSTS		
6) Raw and ancillary materials, consumables and goods	(358,813)	(116,372)
7) Non-financial services	(15,408,146)	(14,919,103)
8) Rentals and leasing	(8,484,359)	(7,693,868)
9) Payroll costs	(15,395,104)	(7,544,651)
10) Amortization, depreciation and writedowns	(433,004)	(781,552)
12) Provisions for risks	(607,569)	0
13) Other provisions	(375,000)	(501,000)
14) Other	(1,379,329)	(1,698,484)
Total other operating costs	(42,441,324)	(33,255,030)
Income (loss) from ordinary operations	82,263,097	(192,047,205)
EXTRAORDINARY ITEMS		
20) Income	105,134,583	25,396,140
21) Charges	(132,559,804)	(26,458,203)
Net extraordinary income (charges)	(27,425,221)	(1,062,063)
Income (loss) before taxes	54,837,876	(193,109,268)
16) Income taxes	(3,299,486)	(1,300,000)
Net income (loss) for the year	51,538,390	(194,409,268)
TOTAL NET INCOME (LOSS) FOR THE YEAR	51,538,390	(194,409,268)



**> Independent auditors'
report to the
Consolidated financial
statements**

Independent auditors' report to the Consolidated financial statements



■ Reconta Ernst & Young S.p.A.
Via Torino, 68
20123 Milano

■ Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

AUDITORS' REPORT

pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58

(Translation from the original Italian text)

To the Shareholders
of RCS MediaGroup S.p.A.

1. We have audited the consolidated financial statements of RCS MediaGroup S.p.A. as of and for the year ended December 31, 2003. These financial statements are the responsibility of the RCS MediaGroup S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The audit of the financial statements of certain subsidiaries, which represent respectively 12% and 15% of consolidated total assets and net sales, are responsibility of other auditors.

For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated March 27, 2003.

3. In our opinion, the consolidated financial statements of RCS MediaGroup S.p.A. comply with the Italian regulations governing consolidated financial statements; accordingly, they clearly present and give a true and fair view of the consolidated financial position of RCS MediaGroup S.p.A. as of December 31, 2003, and the consolidated results of its operations for the year then ended.

Milan, April 7, 2004

Reconta Ernst & Young S.p.A.
signed by: Pellegrino Libroia
(partner)

■ Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.111.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

**> Independent auditors'
report to the financial
statements of RCS
MediaGroup S.p.A.**

Independent auditors' report to the financial statements of RCS MediaGroup S.p.A.



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20123 Milano

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Fax (+39) 02 72212037
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AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58

(Translation from the original Italian text)

To the Shareholders
of RCS MediaGroup S.p.A.

1. We have audited the financial statements of RCS MediaGroup S.p.A. as of and for the year ended December 31, 2003. These financial statements are the responsibility of the RCS MediaGroup S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated March 27, 2003.

3. In our opinion, the financial statements of RCS MediaGroup S.p.A. comply with the Italian regulations governing financial statements; accordingly, they clearly present and give a true and fair view of the financial position of RCS MediaGroup S.p.A. as of December 31, 2003, and the results of its operations for the year then ended.

Milan, April 7, 2004

Reconta Ernst & Young S.p.A.
signed by: Pellegrino Libroia
(partner)

■ Reconta Ernst & Young S.p.A.
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> Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors

REPORT BY THE BOARD OF STATUTORY AUDITORS ON THE 2003 FINANCIAL STATEMENTS

Pursuant to art. 153 of Decree 58 dated February 24, 1998

Shareholders,

We are reporting to you on the conduct of our duties pursuant to art. 153 of Decree 58/98.

With regard to the duty of checking the accounting records and financial statements, you are reminded that, in accordance with Decree 58/1998, this is the responsibility of Reconta Ernst & Young, the independent auditors, to whose report you should refer.

We confirm that we conducted the monitoring activities required of us by law in compliance with the "Standards of conduct by the Board of Statutory Auditors" recommended by the Italian Accountancy Profession and with other instructions issued by CONSOB (the stockmarket regulator).

With reference to the disclosures required by the CONSOB notice dated April 6, 2001, you are informed that we:

- met 7 times during the year;
- took part in 12 meetings of the Board of Directors and 3 meetings of the Executive Committee;
- received from the directors, during their meetings, information concerning the activities of the company and its subsidiaries, and on those operations with a major impact on its balance sheet, income statement and financial position;
- observed that there were no atypical or unusual transactions;
- ascertained that there are no transactions with other group companies or related parties that went against the company's interest or were abnormal. The main intragroup transactions referred to financing and the provision of services to subsidiaries;
- evaluated the adequacy of the internal control system, the accounting system and the organisational structure, which we consider suitable for ensuring the proper conduct of business and for correctly representing the results of operations; we performed this task using the information obtained from the Officer responsible for system management, the Officer responsible for system control and monitoring and the regular reports issued by the Internal Audit function; information was also obtained as a result of our Chairman's participation at Internal Control Committee meetings; lastly, we also met with the independent auditors, for a reciprocal exchange of data and information.

With regard to additional engagements entrusted to the independent auditors, we report that RCS MediaGroup has appointed Reconta Ernst & Young to provide professional services, for an overall fee of Euro 105,000, in relation to the preliminary stages of the adoption of International Accounting Standards (IAS) by the parent company and its Italian subsidiaries, by Unedisa and Flammarion.

We received a complaint, pursuant to art. 2408 of the Italian Civil Code, from a shareholder at the opening of the shareholders' meeting on April 15, 2003. The subject of the complaint was the meeting's entitlement to vote on the second item on the extraordinary part of the agenda, relating to the amendment of art. 10 of the by-laws (directors: number and term in office). The shareholder objected that the second item on the agenda had been introduced as an adjunct, published in the Official Gazette on March 29, 2003. We agreed with the explanations provided by the Chairman during the meeting and we considered that the substance took precedent over the form where the appointment of a suitable number of independent directors was concerned.

For the purposes of assessing whether there was an irregularity, requiring immediate notification to CONSOB pursuant to art. 149.3 of Decree 58/98, such as to cause the company, the shareholders or the market material injury or damage and whether the Board of Directors' decision could be classified as a reprehensible fact as described in art. 2408 of the Italian Civil Code, we decided to request the opinion of an independent professional expert. We agreed with the professional expert's opinion that the irregularity relating to the late addition to the agenda of the shareholders' meeting held on April 15, 2003 was to be treated as a mere formality and did not give rise to any material injury or damage (especially since the addition to the agenda had already been notified in a press release dated March 18, 2003). The expert's opinion therefore was that this matter did not have to be reported to CONSOB or treated as a reprehensible fact as described in art. 2408 of the Italian Civil Code.

The shareholder served a summons on the company on July 3, 2003 designed to obtain a declaration of the voidness and/or invalidity and/or voidability of the resolution amending art. 10 of the by-laws and also of the consequent resolutions subsequently passed during the shareholders' meeting of April 15, 2003 which determined the number of directors and made appointments to the company's Board of Directors.

The shareholder abandoned his challenge on November 24, 2003 and the matter was thus closed. With regard to the system of corporate governance adopted by the company, this is based on the Code of Conduct drawn up by the Committee for the Corporate Governance of Listed Companies, whose recommendations have been largely implemented. The Board of Directors adopted a set of internal Guidelines on March 18, 2003, under which, regardless of the powers of representation granted to CEOs or the Executive Committee, it is the Board alone that can make decisions regarding related-party transactions, when such transactions are defined, in accordance with established principles, as significant or as atypical, unusual or executed under non-standard terms.

Following the group's corporate and operational reorganization, the company revised the principal elements of its internal control system and redefined the roles and responsibilities of the various persons involved. An "Internal control framework" has been defined, based on the operational models of all the group's principal companies and businesses. This document was approved by the Board of Directors on July 31, 2003 together with the Code of Ethics and the "Model of Organization, Management and Control", forming part of the requirements for complying with Decrees 231/01 and 61/02.

The approved Code of Ethics is designed to guide the conduct of the company's governing bodies and their members, employees and staff, and the companies it controls, in Italy and abroad, in order to promote, through the techniques and procedures of corporate governance, the creation and maximization of value for shareholders, for those who work in the company and the community to whom RCS's products are addressed, in compliance with ethical standards of business conduct.

By adopting the "Model" the company has sought to comply with the new regulations on organizational, management and control models, forming part of a wider process of reviewing models of governance required by the Code of Conduct. The "Model" is based on the Guidelines for the structuring of organization, management and control pursuant to Decree 231/01, issued by Confindustria (the employers' association) on March 7, 2003 and October 3, 2003, and comply with the principles and rules contained in the company's Code of Ethics.

We have checked that the statutory and consolidated financial statements and the report on operations have been prepared in accordance with legal requirements through a process of direct review and information obtained from the independent auditors.

You are informed that Reconta Ernst & Young, the independent auditors, have issued a clean audit opinion dated April 7, 2003 on the statutory and consolidated financial statements for the year ended December 31, 2003.

No significant facts that would require reporting to the supervisory authorities or mention in this report have emerged as a result of the monitoring activities described above.

Report of the Board of Statutory Auditors

We have examined the proposal to allocate net income for the year, having covered accumulated losses, and to distribute unrestricted reserves and we agree with the proposal's detailed contents.

Milan April 8, 2004

The Board of Statutory Auditors
Gianrenzo Cova
Flavio Arcidiacono
Clemente Rebecchini

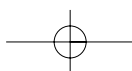
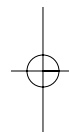
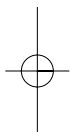
The meeting was declared closed at 12.00, having prepared, read and approved these minutes.

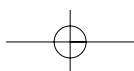
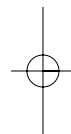
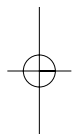
The Board of Statutory Auditors

Gianrenzo Cova

Flavio Arcidiacono

Clemente Rebecchini







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