CAIRO COMMUNICATION

Financial Report 2002

NOTICE OF ANNUAL GENERAL MEETING

Shareholders are convened to the Annual Meeting to be held at the 'Circolo della Stampa' building, 16 Corso Venezia, Milan, Italy on 30 January 2003 at 10.30 am, and if necessary, on 31 January 2003, at the same time and place, in order to discuss and consider the following:

Agenda

1. Review of the Parent Company's and Group's Financial Reports for the financial year ending 30 September, 2002, including the Directors' Report, Board of Auditors' Report and Statutory Auditor's Report;
2. Appointment of Statutory Auditor for the audit of the consolidated and parent company financial year statements and review of the interim statements, for the following three financial years: 2002-2003, 2003-2004, 2004-2005;
3. Deliberations pursuant to Article 2364, Sections 2 and 3 of the Italian Civil Code;
4. Deliberations concerning the Company's acquisition of its own shares, pursuant to Article 2357 and subsequent of the Italian Civil Code.

Only those shareholders presenting the specific certification as stipulated by Article 34 of CONSOB (Italian Stock Exchange regulatory agency) resolution no. 11768 of 23 December 1998 may attend. The issue of this certification is to be requested from the relevant intermediaries.

Documentation concerning matters on the agenda will be made available to shareholders fifteen days prior to the Meeting at the Company's registered office and at the Italian Stock Exchange.

Chairman of the Board of Directors
Urbano Cairo

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Group Financial Report at 30 September 2002

Corporate Governance

Board of Directors

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

Board of Auditors

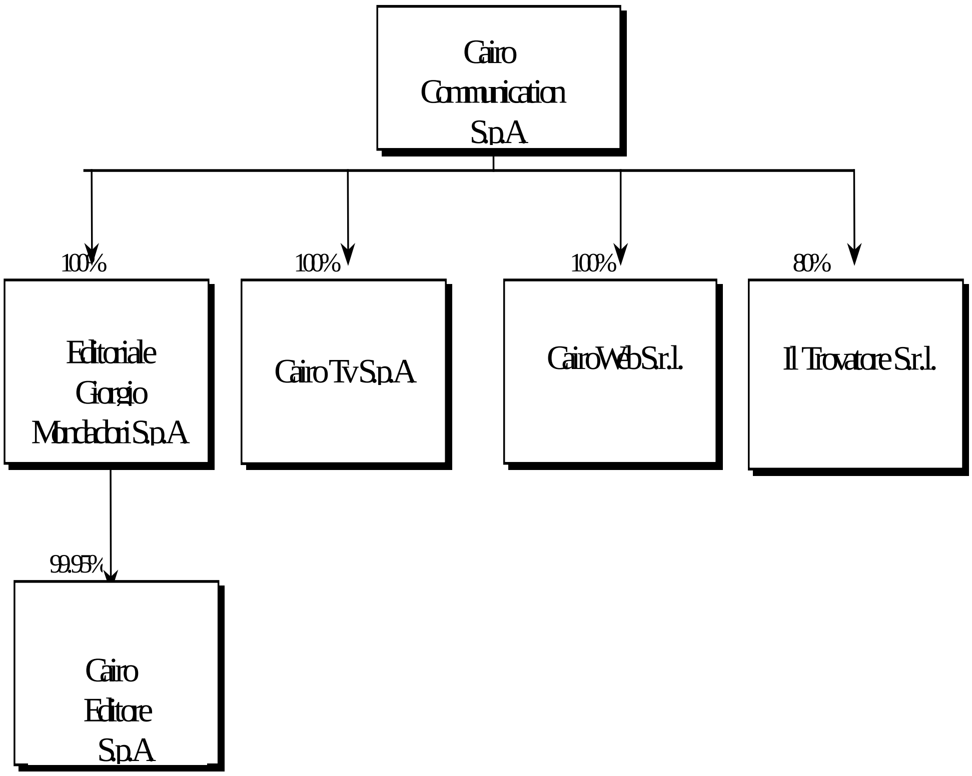
Mauro Sala	Chairman
Marco Baccani	Principal auditor
Ferraro Antonio	Principal auditor
Enrico P. Muscato	Alternate auditor
Maria Silvia Gandolfi	Alternate auditor

Statutory Auditor

Deloitte & Touche Italia SpA

* Ordinary and extraordinary executive powers exercised with single signatory, as restricted by limitations set by the Board of Directors

Cairo Communication Group Structure



CAIRO COMMUNICATION

Cairo Communication Group
Group Financial Report
at 30 September 2002

DIRECTORS' REPORT

Cairo Communication Group

Financial Year ending September 30, 2002

Dear Shareholders,

We hereby present to you for your approval the consolidated financial statements of Cairo Communication Group for the financial year ending 30 September 2002, comprising a Balance Sheet, Income Statement and Notes, prepared in accordance with Italian Civil Law and changes arising from Legislative Decree 127/91, reporting a consolidated net profit of € 5.7 million.

During the 2001-2002 financial year, the Cairo Communication Group continued to operate as an advertising broker selling advertising space on TV networks, in print media, at sports stadiums and on Internet sites, and as a publisher of books and magazines (Editoriale Giorgio Mondadori publishing house) and an operator of Internet sites (Il Trovatore search engine).

Cairo Communication's primary focus has been organic growth, particularly in the field of publishing and TV and print media advertising space sales.

At the same time, the Group has reviewed acquisition opportunities by evaluating certain partnership agreements with media companies with a view to securing the rights to sell their advertising space, and finalised a three-year contract (2003-2005) for the exclusive sale of TV advertising on the terrestrial Italian TV channel La7, which is renewable for another three years if certain agreed objectives are satisfied.

La7's share of the Italian TV viewing audience in October 2002 was over 2%, having enjoyed a 40% growth rate in the Spring and Fall seasons. This terrestrial free TV channel enjoys considerable growth opportunities in terms of both audience size and advertising revenues. La7's primary target is viewers with medium to high levels of education and income, mostly in the 25-54 age bracket, living in large cities, with preferences for quality programming and information content.

The new contract, as described in the Future Prospects section of this Report, represents a huge opportunity for Cairo Communication to increase revenues and margins by increasing its presence in the TV advertising market, availing itself of the expertise it has developed in recent years in this market.

During the 2001-2002 financial year, the advertising market experienced a general downturn. Overall advertising expenditures were down 6.3% during the twelve-month period from October 2001 to September 2002 (Source: AC Nielsen). Previously, there had been more than twenty years of uninterrupted growth, with the exception of the 2001 and 1993-1994 periods.

In this context, Cairo Communication Group has achieved results better than market performances, maintaining significant margins.

The Group's Publishing business, headed by the Editoriale Giorgio Mondadori Group of companies, which publishes the "Bell'Italia", "Bell'Europa", "In Viaggio", "Airone", "Gardenia", and "Arte e Antiquariato" magazines, enjoyed improved profit margins, reflected in this group's growth in EBITDA to € 2.2 million, from € 1.4 million for the same period last year.

Editoriale Giorgio Mondadori (EGM) Group's main titles, particularly "Bell'Italia", "Bell'Europa" and "In Viaggio", maintain high circulation figures even when faced with stiff competition. This is confirmed by the readership figures from a 2001 "Audipress" Media survey.

During the second half of the year, distribution sales for this group were higher than for the same period last year, a definite positive sign following the general downturn experienced in retail sales.

Margin improvements were due in part to recent improvements in efficiency and cost control.

Now that the reorganisation has been completed and strong margins achieved, the Group is in the process of developing two new magazines, which it hopes to launch by Spring 2003, with an expected monthly circulation of 250,000 copies sold. Andrea Biavardi has been appointed as chief editor of both these magazines. Andrea is a very talented journalist, who previously held the positions of chief editor of the monthly magazine "Vera" for over three years, leading it to record circulation levels, as well as the position of chief editor of the daily newspapers "La Nazione" and "Il Giorno". In addition, he founded and edited for three years one of the most successful men's magazines to have been launched in recent years.

For the twelve month period October 2001-September 2002, Group TV advertising space sales increased despite a 3.6% drop in TV market advertising expenditures (Source: AC Nielsen).

The growth in TV advertising space billings during 2001-2002 would certainly have been greater, had there been as many soccer games played as last year. However, arrangements made during the 2nd quarter of 2002 to facilitate the broadcast of the World Cup resulted in the Italian Premier League season being shortened by five days, with the Group losing out on an estimated € 4 million in TV advertising space sales.

Pay TV soccer game enjoyed an increase in the number of viewers and their quality, attracting the highest level of advertising expenditures.

Given the high level of bookings for the terrestrial and digital TV channels of Tele+ Group and the Cartoon Network, Discovery Channel, Bloomberg TV and CNN specialty channels, all of which are represented by the Group, advertising space sales increased significantly for the October-December 2002 quarter.

In particular, at 26 November 2002, TV advertising space sales order backlog for the October-December 2002 quarter was up 23% over the same period last year to € 19.3 million.

The Group also achieved better than market performances during 2002 for its print media advertising space sales activity.

CAIRO COMMUNICATION GROUP - CONSOLIDATED FINANCIAL RESULTS

Cairo Communication Group improved margins at its Publishing business and generated strong performances at its TV advertising space sales activity, while consolidating advertising space sales at its other media activities, despite the general downturn experienced by the Italian market.

Cairo Communication Group Consolidated Income Statement

(€ thousands) **Financial year ending 30 September**	**2002**	**2001**
Sales	141,114	154,792
Other operating revenues	4,467	4,452
Gross operating revenues	**145,581**	**159,244**
Advertising agency discounts	(17,764)	(19,095)
Inventory movements	(421)	(90)
Operating revenues	**127,396**	**140,059**
Cost of sales	(109,941)	(121,336)
Personnel costs	(8,353)	(7,699)
EBITDA	**9,102**	**11,024**
Depreciation and provision charges	(5,700)	(5,274)
Operating profit (EBIT)	**3,402**	**5,750**
Net finance income	4,319	4,367
Profit from ordinary activities	**7,721**	**10,117**
Net exceptional income/(expenses)	(254)	272
Profit before tax	**7,467**	**10,389**
Income tax	(1,736)	(3,838)
Minority interest	15	-
Net profit	**5,746**	**6,551**

Group gross operating revenues amounted to € 145.6 million, comprising € 141.1 million in sales and € 4.5 million in other operating revenues

Analysis of Group Sales and Other Operating Revenues by Business Segment

(€ thousands)	**Financial year ending 30 September 2002**			**Financial year ending 30 September 2001**		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
TV advertising space sales	53,189	-	53,189	52,807	-	52,807
Print media advertising space sales	63,189	11,718	74,907	69,001	13,085	82,086
Stadium signs and electronic billboards advertising space sales	2,458	-	2,458	6,447	-	6,447
Internet advertising space sales	562	-	562	2,413	-	2,413
Magazine over-the-counter sales	-	6,159	6,159	-	6,507	6,507
Magazine subscription sales	-	3,051	3,051	-	3,145	3,145
Audiovisual and other sales	-	85	85	-	369	369
Books and catalogues	-	966	966	-	1,399	1,399
VAT relating to publications	-	(263)	(263)	-	(381)	(381)
Total - Sales	**119,398**	**21,716**	**141,114**	**130,668**	**24,124**	**154,792**
Other operating revenues	3,528	939	4,467	2,613	1,840	4,453
Total - Gross Operating Revenues	**122,926**	**22,655**	**145,581**	**133,281**	**25,964**	**159,245**

Group EBITDA decreased to € 9.1 million while Group operating profit declined to € 3.4 million.

Group net finance income included € 1.6 million in dividend tax credits relating to dividends distributed to Cairo Communication SpA by Cairo TV SpA (€ 0.4 million in 2001). Excluding this dividend tax credit, net finance income would have amounted to € 2.7 million. The drop in net finance income relative to the previous financial year was primarily as a result of lower interest rates, which were down by some 30%.

Analysis of Group Results by Business Segment

(€ thousands)	**Advertising**		**Search Engine (Il Trovatore)**		**Publishing**	
Financial year ending 30 September	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
Sales	119,337	130,311	61	357	21,717	24,124
Other operating revenues	3,517	2,608	11	5	939	1,840
Gross operating revenues	**122,854**	**132,919**	**72**	**362**	**22,656**	**25,964**
Advertisng agency discounts	(17,764)	(19,095)	-	-	-	-
Inventory movements	-	-	-	-	(422)	-
Operating revenues	**105,090**	**113,824**	**72**	**362**	**22,234**	**25,873**
Cost of sales	(94,466)	(101,105)	(270)	(557)	(15,205)	(19,655)
Personnel costs	(3,496)	(2,867)	-	-	(4,857)	(4,832)
EBITDA	**7,128**	**9,852**	**(198)**	**(195)**	**2,172**	**1,386**
Depreciation and provision charges	(4,160)	(3,803)	(19)	(20)	(1,521)	(1,470)
Operating profit	**2,968**	**6,049**	**(217)**	**(215)**	**651**	**(85)**
Net finance income	4,318	4,401	(1)	2	2	(36)
Profit from ordinary activities	**7,286**	**10,450**	**(218)**	**(213)**	**653**	**(121)**
Net exceptional income/(expenses)	-	35	-	-	(254)	238
Profit before tax	**7,286**	**10,485**	**(218)**	**(213)**	**399**	**117**
Income tax	(1,857)	(3,524)	-	-	121	(313)
Minority interest	15	-	-	-	-	-
Net profit	**5,444**	**6,961**	**(218)**	**(213)**	**520**	**(196)**

For the purposes of the above analysis, the Group's Internet advertising activity results, ordinarily included in its Advertising business results, have been separately disclosed.

Operating revenues declined for both the Group's Advertising and Publishing businesses, down 7.5% to € 122,853,000 and 12.5% to € 22,652,000, respectively.

Advertising business sales exclude € 10.8 million in advertising space sales on behalf of Editoriale Giorgio Mondadori, which the Group represents.

It should be noted that the Group's Publishing business EBITDA improved 58% whereas its operating profit remained stable at € 0.6 million.

Cairo Communication Group Consolidated Balance Sheet

(€ thousands)	30 Sept. 2002	30 Sept. 2001
ASSETS		
Property, plant and equipment	2,977	2,986
Intangible assets	17,432	21,038
Investments	218	221
Treasury shares	328	-
Marketable securities	4,908	4,908
Other current assets	19,243	14,168
Total Assets	**45,106**	**43,221**
EQUITY AND LIABILITIES		
Shareholders' equity	134,365	131,719
Minority interest	19	21
Non-current borrowings and funds	3,914	3,535
Net financial assets	(98,357)	(97,119)
Borrowings from unconsolidated subsidiary	5,165	5,165
Total Equity and Liabilities	**45,106**	**43,221**

Cairo Communication Group Consolidated Net Financial Position Statement

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Bank and cash	98,266	101,282	(3,016)
Non-Group companies marketable securities	90	90	0
Bank and other financial borrowings	0	(1,671)	1,671
Interbanca borrowings - current	0	(1,033)	1,033
Interbanca borrowings - non-current	0	(1,549)	1,549
Net Financial Assets	**98.356**	**97,119**	**1,237**
Immobiledit borrowings	(5,165)	(5,165)	-
Net Financial Position	**93,191**	**91,954**	**1,237**

Group net financial assets at 30 September 2002 were up € 1.2 million. This is a very good performance, given the general economic downturn that led clients to extend payments beyond agreed terms and the payment of dividends to shareholders of € 3.1 million.

Net financial assets included € 5.2 million in borrowings by Cairo Communication SpA at market interest rates from its unconsolidated subsidiary Immobiledit Srl, in order to optimise Group treasury management. The Group incurred € 0.1 million in interest charges on this borrowing. At 30 September 2002, Immobiledit Srl had € 1.8 million cash and bank, invested in short term securities.

The Group's cash and bank at 30 September 2002 rises to € 100.1 million, when Immobiledit Srl's cash and bank is included. The Group manages its cash and bank assets very prudently, investing for the most part in interbank deposits.

The Group's Consolidated Cash Flow Statement is attached in Appendix 1 to the Notes to the Consolidated Financial Statements.

CAIRO COMMUNICATION SPA - COMPANY FINANCIAL RESULTS

Cairo Communication Spa Company Income Statement

(€ thousands) **Financial year ending 30 September**	**2002**	**2001**
Sales	88,072	97,472
Other operating revenues	2,385	2,207
Gross operating revenues	**90,357**	**99,679**
Less: advertising agency discounts	(11,658)	(12,931)
Operating revenues	**78,799**	**86,748**
Cost of sales	(72,516)	(80,335)
Personnel costs	(2,758)	(2,110)
EBITDA	**3,525**	**4,303**
Depreciation and provision charges	(2,655)	(2,402)
Operating profit (EBIT)	**870**	**1,901**
Net finance income	8,140	6,299
Marketable secruties writedown	(182)	(218)
Profit from ordinary activities	**8,828**	**7,982**
Net exceptional income/(expenses)	0	(15)
Profit before tax	**8,828**	**7,967**
Income tax	(756)	(1,825)
Net profit	**8,072**	**6,142**

Company sales were down € 9 million, as a result of a drop in sports stadium billboard advertising space sales of € 4 million and a drop in publications advertising space sales of € 5 million, reflecting the state of the Italian advertising market.

Company EBITDA also declined to € 3.5 million from € 4.3 million for the previous financial year.

Profit margins were down as a result of lower billboard advertising space sales, an activity in which the Company is reducing its presence, in light of the precarious financial condition of soccer clubs and the difficulties encountered during the 2000-2001 soccer season, repeated during the 20012002 season regarding the sale of advertising space at sports stadiums. As previously discussed in the Group Financial Results section, net finance income includes € 3.5 million in dividends received from Cairo TV SpA and € 2 million in corresponding dividend tax credits (in 2001, € 1.5 million and € 0.8 million, respectively).

Cairo Communication SpA Company Balance Sheet

(€ thousands)	30 Sept. 2002	30 Sept. 2001
ASSETS		
Property, plant and equipment	449	445
Intangible assets	3,813	5,177
Investments	22,420	21,306
Treasury shares	328	-
Other current assets	19,997	14,496
Total Assets	**47,007**	**41,424**
EQUITY AND LIABILITIES		
Non-current borrowings and funds	697	536
Net current financial assets	(91,170)	(93,292)
Borrowings from unconsolidated subsidiary	5,165	6,972
Shareholders' equity	132,315	127,208
Total Equity and Liabilities	**47,007**	**41,424**

Cairo Communication Group Company Net Financial Position Statement

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Current Financial Assets	91,080	96,003	91,080
Investments accounted for as current assets	90	90	90
Bank and other financial borrowings	0	(219)	0
Interbanca borrowings - current	0	(1,033)	0
Interbanca borrowings - non-current	0	(1,549)	0
Net Financial Assets	**91,170**	**93,292**	**91,170**
Immobiledit borrowings	(5,165)	(6,972)	(5,165)
Net Financial Position	**86,005**	**86,320**	**86,005**

PUBLISHING BUSINESS

EDITORIALE GIORGIO MONDADORI (EGM) GROUP

The Group's Publishing business enjoyed improved profit margins for the 2001-2002 financial year. Improved profitability was achieved through cost containment and subsequent improvements in efficiency.

After a 2001-2002 first-half characterised by a downturn in advertising market activity and publications sales during the second half-year, the EGM Group enjoyed strong circulation sales that exceeded performances achieved in the previous year, a good omen for the Group.

EGM Group's travel magazines continue to increase their share of the newsstands sales market with its "Bell'Italia", "Bell'Europa" and "In Viaggio" magazines maintaining their 1999 circulation sales levels (newsstands sales of 97,000 copies and subscription sales of 50,000 copies), while its 7 major competitors experienced a 33% drop in circulation (source ADS). These results were further confirmed by circulation sales results for the August 2001-July 2002 period, which slowed EGM's three travel magazines circulation sales down 6.6% year-on-year, compared with a 40% drop for their seven major rivals over this time (source ADS).

These circulation figures were confirmed in 2001 by an Audipress survey, which reported average readership figures for EGM Group's three travel magazines of 1,029,000, up 0.1% on the previous (1999) survey results, while their major rivals experienced a drop in average readership varying between 27.5% and 53.3%.

EGM Group's magazine subscription sales remain strong, despite its policy of awarding discounts to subscribers that are significantly less than those offered by other publishing houses. Now that the reorganisation has been completed and strong margins achieved, Editoriale Giorgio Mondadori is developing three new magazines, to be launched in 2003.

As previously discussed, EGM Group has appointed Andrea Biavardi appointed as chief editor of both these magazines. Andrea is a very talented journalist, who previously held the positions of chief editor of the monthly magazine "Vera" for over three years, leading it to record circulation sales, as well as the position of chief editor of the daily newspapers "La Nazione" and "Il Giorno". In addition, he founded and edited for three years one of the most successful men's magazines to have been launched in recent years.

The first two of these new magazines will be launched early in 2003, with each expected to achieve monthly circulation sales of 250,000 copies, serving new market segments as well as those traditionally served by Editoriale Giorgio Mondadori, reflected a more extensive appeal. The publication of the new magazines is not expected to have a significant impact on the cost structure of EGM Group, given that 30% and 40% of journalists and office staff will be assigned from existing magazines.

Beginning in February-March 2003, an American edition of "Bell'Italia" will be published under licence by a US publishing house. This magazine will be published bi-monthly, with the same format and a selection of articles from those appearing in the Italian edition. Editoriale Giorgio Mondadori will collect royalty payments based on circulation sales results, with a guaranteed minimum. This venture is particularly interesting for EGM Group, which is currently exploring the possibility of publishing an edition of "Bell'Italia" for Germany and the United Kingdom..

During 2002, as part of EGM Group's strategy of rationalising its business structure and improving the management, economic and financial control of its Publishing business, Editoriale Giorgio Mondadori SpA acquired the Airone di Giorgio Mondadori & Associati SpA company, publisher of the "Airone", "Gardenia" and "Arte ed Antiquariato" magazines, whose registered titles it owns, as well as being a book publisher. The value of this transaction was set by an independent expert appraiser.

The Airone di Giorgio Mondadori & Associati company has since changed its registered name to Cairo Editore SpA and will continue to operate in the Publishing business while exploiting opportunities to develop new publications over the coming years.

ADVERTISING BUSINESS

TELEVISION DIVISION - CAIRO TV SPA

Cairo TV continued with its sale of advertising space on the terrestrial and digital TV channels of the Tele+ network, pursuant to an exclusive contract with the Tele+ Group. This ten-year contract expires in 2007, as will those signed with Discovery Channel and Cartoon Network.

From 1 May 2002, Cairo TV's client portfolio expanded significantly, following the awarding to it of the rights to exclusively sell advertising space over three years (1 May 2002 - 30 April 2005) on the Italian channel of the Bloomberg Television network, provider of quality financial news services in more than 100 countries.

In July 2002, a contract was signed with Turner Broadcasting securing Cairo TV's exclusive rights to sell advertising space on CNN's Italian channel, strengthening its existing business relationship, which was first established in 1999, with the awarding of the exclusive rights to sell advertising space on Cartoon Network Italy.

Cairo TV enjoyed continued growth in advertising space sales, despite a 3.6% contraction in the market (Source: AC Nielsen).

The growth in TV advertising space billings during 2001-2002 would certainly have been greater, had there been as many soccer games played as last year. However, arrangements made during the 2nd quarter of 2002 to facilitate the broadcast of the World Cup resulted in the Italian Premier League season being shortened by five days, with the Group losing out on an estimated of € 4 million in TV advertising space sales.

Pay TV soccer games enjoyed an increase in the number of viewers and their quality, attracting the highest level of advertising expenditures. These results confirm the considerable potential of pay television, which has been increasing its level of market penetration, reaching a large number of subscribers and a significantly high number of viewers (including multi-licence holders), to a point that it is has become an increasingly interesting business segment for Cairo TV. In particular, at 26 November 2002, TV advertising space sales order backlog for the October-December 2002 quarter was up 23% over the same period last year to € 19.3 million

During the 2002-2003 financial year, Cairo TV, while continuing its development of TV advertising space sales activities with Tele+, will also benefit from significant opportunities represented by its securing of the exclusive advertising space sales rights for the La7 channel, availing itself of the expertise it has developed in recent years in this market.

Cairo Group's portfolio of advertisers has increased to 481 from 320 when La7's 283 existing advertisers are added, 122 of which advertised with both Cairo and La7.

PRESS DIVISION

During the 2001-2002 financial year, Cairo Communication SpA continued with its sale of advertising space for the "Anna", "Salve", "Oggi", "Novella 2000" and "Visto" magazines pursuant to its contract with RCS, the "Airone", "Bell'Italia", "Bell'Europa", "In Viaggio", "Gardenia", "Arte e Antiquariato" magazines pursuant to its contract with the Editoriale Giorgio Mondadori Group and the "Prima Comunicazione" and "Burda" magazines.

From 1 May 2002, Cairo TV’s client portfolio significantly expanded, following the awarding to it of the rights to exclusively sell advertising space over three years (1 May 2002 - 30 April 2005) on the Italian channel of the Bloomberg Television network, provider of quality financial news services in more than 100 countries.

From October 2001, Cairo Communication SpA was awarded the exclusive rights to sell advertising space in the weekly magazine “Bella” and four monthly magazines “Pratica”, “Buona Cucina”, “Un mese in Cucina” and “La Mia Boutique” pursuant to its contract with Edit Srl.

As previously discussed, Cairo Group achieved above-market performances during 2002.

In mid-October 2002, RCS Periodici and Cairo Communication jointly agreed not to renew the advertising space sales rights contract for the "Anna", "Oggi", "Salve", "Novella 2000" and "Visto" magazines, which is due to expire on 31 December 2002.

At the close of their contractual relationship, the two groups recognised the need to adopt different strategies, with Cairo focusing on organic value creation, through its own magazine titles, which have considerable untapped advertising potential, and through new, high readership titles. Upon expiry of the contract, the commitments made by Cairo Group to RCS, which include commitments not to sell advertising space for magazine titles that directly compete with those published by RCS Group, will no longer be in force.

Cairo Group does not expect the non-renewal of this contract, which accounts for 30% of Group sales and a lesser percentage of gross operating profit, to have a significant adverse impact on Group results, in light of the expected development of new business ventures, particularly with the growth in advertising space sales revenues from existing and future Editoriale Giorgio Mondadori magazines, the La7 channel and the growth in pay TV, together with the Group’s continuing rationalisation of its business costs.

For 2002-2003, the Group will focus on developing its advertising space sales activity for existing and future high-potential magazines published by the EGM Group.

Once the current slowdown in the market has passed, the integration of EGM Group magazines into the Cairo Communication Group will allow these magazines, and the high quality of their target market, to be fully exploited, optimising coordination within the Publishing business and increasing overall efficiency.

The potential for growth in advertising space sales revenue from EGM magazines is also underlined by the fact that EGM magazines currently realise less advertising space sales revenue than that achieved by some of their competitors, despite their lower circulation sales.

At the end of May 2002, Borsa Sette and Cairo Communication jointly agreed not to renew the advertising space sales rights contract for the Borsa & Finanza magazine, which accounted for only 1.4% of Group sales in 2001.

INTERNET DIVISION - IL TROVATORE SPA. & CAIRO WEB SRL

During 2001-2002, Internet revenues fell significantly on the figures for the previous year, due to the considerable downturn recorded in the on-line advertising market, which fell short of both expectations and last year’s figures.

Despite the market situation, the Cairo Group has decided to maintain its presence in this market, which it still considers of sufficient importance for it to carefully monitor for developments and opportunities, a process already begun in the 2002-2003 financial year. Faced with a reduction in advertising revenue, the Internet sector has recorded a considerable increase in user numbers (both for work and private use), and remains a medium capable of generating a large number of contacts with potential targets.

Development of the search engine Il Trovatore have continued, despite losses of € 190 thousand, in line with those from the period 2000-2001.

In light of the difficulties experienced by the Internet advertising space sales market, Cairo Group has decided, from the second half of 2002, to focus its Il Trovatore business on the development of sources of income other than from advertising space sales, as well as the provision of technology services. This was followed through in October and November 2002 with the finalisation of agreements which guarantee the company a constant source of revenues of about € 20,000 per month, which will allow the company to break even from the next financial year.

Il Trovatore has also developed, with in-house technology, an “adv server”, for planning of on-line advertising, programming and dispatch of banners and user surveying, which is currently in use for the network of sites managed by Cairo Web, resulting in significant cost savings on services that otherwise would have been purchased from third parties, as well as the opportunity in the future to commercialise this service given its strong technical and functional capabilities.

Il Trovatore has also maintained its good results in terms of visitor and service subscriber numbers, totalling 16 million and 450,000 respectively at September 2002 month-end.

SPORTS STADIUM DIVISION

During the 2001-2002 financial year, Cairo Communication continued to sell advertising space on behalf of several football stadiums in Italy. Sales revenue generated from this sales activity was down on the prior year figures, due to the shortened Italian Soccer Premier League season and the diversified portfolio of teams managed. As previously discussed, the Group is reducing its exposure in this business, given the precarious financial situation of many soccer teams.

RESEARCH AND DEVELOPMENT ACTIVITY

The Group did not engage in any Research and Development activity during its 2001-2002 financial year.

TRANSACTIONS BETWEEN THE CONTROLLING SHAREHOLDER, GROUP COMPANIES AND RELATED PARTIES

Transactions between unconsolidated Group companies and the controlling shareholder (UT Communications) and its subsidiaries were carried out at cost or fair market value and are disclosed in the Notes to the Financial Statements.

At the end of November 2001, the Group purchased Edizioni Anabasi Srl from UT Communications SpA for € 88,000, the price paid by UT Communications SpA when it originally acquired this company, whose assets and liabilities remain unchanged. This acquisition has been effected through one of the Group's other Publishing subsidiary in the development of new projects, including the undertaking of feasibility studies.

Edizioni Anabasi Srl. began trading in December 2001 and accordingly has no impact on Group results for the financial year ending 30 September 2001.

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SHARES HELD BY THE DIRECTORS, THE CONTROLLING SHAREHOLDER AND GENERAL MANAGEMENT

Name	Company shares owned at 1 October 2001	Company shares acquired during 2001-2002	Company shares sold during 2001-2002	Company shares owned at 30 September 2002
Urbano R. Cairo *	5,720,750	2,000	(2,000)	5,720,750
Antonio Magnocavallo	-	-	-	-
Marco Janni	-	-	-	-
Roberto Rezzonico	-	-	-	-
Roberto Cairo	10,000	-	-	10,000
Giuliano Cesari	320	-	-	320
Uberto Fornara	4,073	3,930	-	8,003
Mauro Sala	-	-	-	-
Marco Baccani	-	-	-	-
Antonio Ferraro	-	-	-	-

** Shares owned directly and through UT COMMUNICATIONS SpA and its subsidiaries.*

OTHER INFORMATION - ITALIAN CIVIL CODE ART. 2428, SUBSECTION 3.E 4

At 30 September 2002, Cairo Communication SpA held 18,250 treasury shares at a par value of € 0.52 each, amounting to € 328,000 or 0.24% of the Company's share capital. These were bought as part of the buy-back programme authorised by the Shareholders' Meeting of 30 October 2001 (see Notes to the Financial Statements) in order to enable the Board of Directors to regulate the Company's share price in order to stabilise it.

In particular, the Meeting authorised the Board of Directors to purchase a maximum of 200,000 common shares, at a par value of € 0.52, using the Company's retained earnings at 30 September 2000, up to a maximum € 3 million. The minimum and maximum purchase prices per share were set at an amount equivalent to the average official price of the shares on the Italian Stock Exchange in the 15 working days prior to the purchase, reduced by 30% and that same average official price of the shares reported by Italian Stock Exchange in the 15 working days prior to the purchase, increased by 30%, with a maximum share sale price set at € 65.

With regard to the purpose of the Company treasury share purchases, the Meeting also authorised the Board of Directors to sell the shares acquired, in one or two transactions, even before the authorised acquisition was completed, setting the minimum sale price at a figure no less than the weighted-average price.

CORPORATE GOVERNANCE

During its 2001-2002 financial year, the Company progressively adopted the Code of Self-Governance issued by the Corporate Governance Committee of the Italian Stock Exchange, as well as changes made to the Code during the year.

The Board met regularly, at least once every three months, to discuss and define the Company's objectives, to review management performance and to approve operations of business or financial significance. In particular, the Board may at its discretion purchase, sell or exchange business activities and companies, as well as provide guarantees and performance bonds, which would not be delegated to individual Directors.

The Board currently consists of 7 members, three of whom are executive: Urbano Cairo - Board Chairman, Uberto Fornara - CEO, and Giuliano Cesari who is a member of the executive management team. The other directors are non-executive, of which two are independent. The Company's adherence to these requirements were verified and confirmed during the year.

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

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

The Board has highlighted the confidential nature of price sensitive information, in consideration of the fact that, particularly within the scope of the New Market, the circulation of information can bring considerable influence to bear on the calculation of prices on financial markets.

In keeping with the recommendations contained in the Code of Self Governance for Listed Companies, the Board of Directors of Cairo Communication SpA, on 29 September 2000, debated the formation of committees to oversee the appointment and remuneration of executive management and to ensure internal control. These committees would be composed of Executive and Non-Executive Directors.

With regard to the composition of the Supervisory Board, also composed of Executive and Non-Executive Directors, in consideration of the approaching expiry of the mandate of the Board of Directors and of the Supervisory Board itself, the renewal of membership by the new Board of Directors has been deliberated.

The Board of Directors on 21 November 2002 authorised the Remunerations Committee to set the terms and conditions for the Board for the upcoming stock option plans, thus changing the terms of reference of this committee as authorised by the Board on 29 September 2000, including remuneration proposals, in the absence of other directives.

In accordance with the new guidelines on insider trading and market disclosures, which came into force on 1 January 2003, covering operations involving financial instruments issued by the Company (or those who assume the right to underwrite, purchase or sell such financial instruments), carried out by "important persons", the Board of Directors on 21 November 2002 authorised the delegation to the Chairman of the task of establishing a draft code of practice regulating all of the above matters, to be deliberated by the Board before the end of the year.

The Board also invited directors to inform the Company, before 15 December 2002, of other directorships or auditor positions held by them in other listed companies, including those listed abroad, or in financial, banking, insurance companies or other companies of size.

In order to establish a channel of communication with shareholders, considering the size of the company and the Group, a specific investor relations unit has been formed, which is supported by top management, particularly with regard to institutional investors.

Considering current member numbers at the ordinary and extraordinary company shareholders' meetings, which has never posed problems of such a nature as to infringe the right of expression of personal opinions by members on the subjects under discussion, the Meeting has not been asked to approve a regulation which would control the ordered and functional operation of the Meeting itself.

STOCK OPTION PLAN

On 30 January 2002, the Board of Directors of Cairo Communication SpA authorised the allocation of the first block of 60,000 shares pursuant to the stock option plan approved by the Extraordinary Meeting of 19 April 2000.

The issue price, equal to the sale price with a 15% discount, was set by the Board, under the direction of the aforementioned Extraordinary Meeting of 20 June 2000, the details of which had been reported in the Prospectus relating to the quotation.

The Board of Directors approved regulations governing the allocation of these shares on 17 December 2001

The plan proposed by the Chairman and approved by the Board of Directors allocates stock options to certain executives and agents of the Company, based on their achievement of set objectives.

STOCK OPTIONS GRANTED AT 30 SEPTEMBER 2002

	Number of options	Average exercise price (€)
Stock options at 1 October 2001	0	0
Options granted during 2001-2002 FY	60.000	55.25
Options exercised during 2001-2002 FY	-	-
Options expiring during 2001-2002 FY	-	-
Stock options at 30 September 2002	60,000	55.25

STOCK OPTIONS GRANTED TO DIRECTORS AT 30 SEPTEMBER 2002

		Stock options granted during 2001-2002 FY			Stock options exercised during 2001-2002 FY			Stock options expiring in 2001-2002 FY	Stock options owned at 30 September 2002		
(A)	(B)										
Name	Board of Director Position	Number of options	Average exercise price	Expiry date	Number of options	Avg. exercise price	Avg. market price at exercise date	Number of options	Number of options	Avg. exercise price	Average expiry date
Uberto Fornara	Chairman	20,000	55.25	30/09/03	-	-	-	-	20,000	55.25	30/09/03
Giuliano Cesari	Member	10,000	55.25	30/09/03	-	-	-	-	10,000	55.25	30/09/03

SUBSEQUENT EVENTS

In the period between year-end and the date of approval of the financial statements by the Board of Directors, your Company acquired a further 30,595 treasury shares for some €

586,000, as part of the buyback programme authorised by the Shareholders' Meeting of 30 October 2001.

FUTURE PROSPECTS

Overview

For the 2002-2003 financial year, Cairo Group intends to focus on developing its businesses, particularly the Publishing business of Giorgio Mondadori: the sales of advertising space in existing magazines and the launch of new magazines under the leadership of Andrea Biavardi.

In addition, the Group will focus on developing its TV advertising space sales activity on terrestrial and digital pay TV with the Tele+ Group, specialty channels and the La7 terrestrial TV network, all of which all have awarded this right exclusively to Cairo Communication

La7 TV network

As already noted, on 9 November 2002, Cairo Communication SpA signed a three-year contract (2003-2005) with TV Internazionale SpA, owner of the La7 TV network, and renewable for another three-year period if certain agreed objectives are met, giving Cairo the exclusive rights to sell advertising space on its channels. Activity commenced in November, with sold advertising to be broadcast from 1 January 2003.

La7's share of the Italian TV viewing audience in October 2002 was over 2%, having enjoyed a 40% growth rate in the Spring and Autumn seasons. This terrestrial free TV channel enjoys considerable growth opportunities in terms of both audience size and advertising revenues.

La7's primary target is viewers with medium to high education and income levels, mostly in the 25-54 age bracket, living in large cities, with preferences for quality programming and information content. Viewing audience grew by 40% between Spring and Autumn 2002, thanks also to the excellent team of anchormen and journalists (Andrea Monti, Giuliano Ferrara, Gad Lerner, Aldo Biscardi, Roberto Giacobbo, Monica Setta, Irene Pivetti, and Caterine Spaak).

The contract provides for average minimum guaranteed fees of € 45.8 million per year over three years. The corresponding minimum annual fees are calculated on annual gross advertising revenues of € 66 million which, given La7's 2% average market share, amounts to € 33 million in gross advertising revenues per basis point, significantly less than Mediaset's current € 55 million per basis point. TMC realised gross advertising revenues of € 70 million in 2000.

The new contract represents a huge opportunity for Cairo Communication to increase revenues and margins by increasing its presence in the TV advertising market (€ 4 billion), availing itself of the expertise it has developed over recent years in this market.

The signing of this contract marks the start of a very important partnership between the broadcasting and advertising space sales businesses, with shared developmental objectives both in terms of advertising space sales and network performance.

Pay TV

With regard to Pay TV, given the very positive performance of the TV advertising space sales activity at 26 November 2002, with TV advertising space sales order backlog for the October-December 2002 quarter was 23% over the same period last year, the Group forecasts double-digit growth in its advertising space sales revenue for the 2002-2003 financial year, as a result of the contracts it holds that allow it to exclusively sell advertising space on Tele+ terrestrial and digital television channels, as well as on selected specialty channels including Cartoon Network.

Magazines

The Group forecasts positive results, both in terms of financial performance and circulation sales from the new magazines to be launched by Editoriale Giorgio Mondadori. These new magazines should generate incremental sales of € 10 million and contribute significantly to profit margins.

The publication of these new magazines will not have a significant impact on the cost structure of Editoriale Giorgio Mondadori, increasing efficiency through the use of existing resources and the revision of organisational procedures.

2003 Outlook

Regarding all advertising space sales across all media, the market recovery anticipated for 2003 should soon result in the long awaited boost to Group advertising space sales revenue.

Cairo Communication will continue to be very active in evaluating companies in order to identify potential acquisition opportunities, and it is probable that the Group will resume its external acquisition strategy in 2003. In reviewing all potential acquisition candidates, attention is always focused on companies operating in the communications sector offering high development potential or synergy with the Group.

Cairo Communication Group is well equipped to undertake such acquisitions, given the funds it has amassed from its flotation and the depressed stock prices generally and particularly for media companies, making their acquisition an attractive proposition at this time.

Chairman of the Board of Directors

Urbano R. Cairo

CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2002

CAIRO COMMUNICATION GROUP
CONSOLIDATED BALANCE SHEET
FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2002

(€ thousands)	Notes	30 Sept. 2002	30 Sept. 2001
ASSETS			
NON-CURRENT ASSETS			
Intangible Assets	4		
Incorporation and listing costs		2.919	4.383
Publications development		34	181
TV advertsing space sales rights and computer software		5.834	6.048
Assets in progress		0	493
Other		353	470
Magazine titles		4.250	4.516
Acquisition goodwill		4.042	4.947
Total		**17.432**	**21.038**
Property, Plant and Equipment	5		
Land and buildings		1.786	1.844
Plant and machinery		50	56
Equipment		13	22
Other		1.128	1.007
Assets in progress		0	57
Total		**2.977**	**2.986**
Investments	6		
Equity investments in associates		10	10
Other equity investments		11	11
Financial receivables from associates		184	192
Other		13	8
Total		**218**	**221**
TOTAL NON-CURRENT ASSETS		**20.627**	**24.245**
CURRENT ASSETS			
Inventory	7		
Materials and supplies		1.092	1.107
Work-in-progress		498	662
Finished products		779	1.037
Total		**2.369**	**2.806**
Receivables	8		
Trade accounts receivable		60.869	65.849
Other receivables		7.356	3.512
Other receivables - non-current portion		54	59
Total		**68.279**	**69.420**
Marketable Securities	9		
Unconsolidated subsidiary		4.908	4.908
Treasury shares		328	0
Other		90	90
Total		**5.326**	**4.998**
Bank and cash	10		
Bank		98.212	101.234
Cash		54	48
Total		**98.266**	**101.282**
TOTAL CURRENT ASSETS		**174.240**	**178.506**
PREPAID EXPENSES AND ACCRUED INCOME	11		
Prepaid expenses		11	199
Accrued income		718	998
TOTAL PREPAIDS AND ACCRUED INCOME		**729**	**1.197**
TOTAL ASSETS		**195.596**	**203.948**

(€ thousands)	Notes	30 Sept. 2002	30 Sept. 2001
EQUITY AND LIABILITIES			
EQUITY	12		
Share capital		4.030	4.003
Share premium		112.871	112.871
Legal reserve		496	190
Treasury share reserve		328	0
Other reserve		17	17
Retained earnings		10.877	8.087
Financial year net profit		5.746	6.551
TOTAL EQUITY		**134.365**	**131.719**
Minority Interest	13	19	21
TOTAL EQUITY AND MINORITY INTEREST		**134.384**	**131.740**
PROVISIONS FOR LIABILITES AND CHARGES	14		
Provision for employee retirement benefits		2.584	2.345
Provision for disputes and other charges		422	371
Other provisions		908	818
TOTAL PROVISIONS FOR LIABILITIES & CHARGES		**3.914**	**3.534**
LIABILITIES			
Borrowings	15		
* Current		0	2.703
* Non-current		0	1.549
Total		0	4.252
Other current liabilities			
Advances		1.592	1.886
Trade accounts payable		44.179	49.649
Unconsolidated subsidary payables		5.280	5.165
Tax liabilities		557	2.230
Social security liabilities		342	300
Other		5.347	4.837
TOTAL LIABILITIES		**57.297**	**68.319**
ACCRUED EXPENSES AND DEFERRED INCOME	16		
Accrued expenses		1	341
Deferred income		0	14
TOTAL ACCRUALS AND DEFERRED INCOME		**1**	**355**
TOTAL EQUITY AND LIABILITIES		**195.596**	**203.948**
Off-Balance Sheet Commitments and Guarantees Given	17	*771*	*749*

CAIRO COMMUNICATION GROUP
CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2002

(€ thousands)

Financial year ending 30 September	**Notes**	**2002**	**2001**
OPERATING REVENUES	21		
Sales		141.114	154.792
Less: advertising agency discounts		-17.763	-19.095
Net sales		123.351	135.697
Finished products inventory movements		-422	-90
Other operating revenues		4.467	4.452
TOTAL OPERATING REVENUES		**127.396**	**140.059**
OPERATING EXPENSES	22		
Materials and supplies		3.427	5.365
Advertisng space fees and other services		104.159	113.314
Rental expenses		1.439	1.674
Personnel costs			
Wages and salaries		6.006	5.532
Social security charges		1.734	1.650
Employee termination benefits		435	418
Other		178	100
Total		8.353	7.700
Depreciation, amortisation and writedowns			
Amortisation		3.952	3.742
Depreciation		326	332
Trade receivables writedowns		1.283	1.072
Total		5.561	5.146
Materials and supplies inventory movements		15	191
Provision for risks charges		88	73
Other provisions charges		50	55
Other operating expenses		902	790
TOTAL OPERATING EXPENSES		**123.994**	**134.308**
OPERATING PROFIT		**3.402**	**5.751**
FINANCIAL INCOME AND EXPENSES	23		
FINANCIAL INCOME			
Unconsolidated subsidiary		1.597	425
Other investments		0	5
Other financial income		3.134	4.385
Total		**4.731**	**4.815**
FINANCIAL EXPENSES			
Unconsolidated subsidiary		(175)	0
Other financial expenses		-231	-448
Total		**-406**	**-448**
NET FINANCIAL INCOME		**4.325**	**4.367**
INVESTMENT VALUE ADJUSTMENTS	24	**-6**	**-6**
EXCEPTIONAL INCOME AND EXPENSES	25		
EXCEPTIONAL INCOME			
Disposal capital gains		0	279
Other		0	111
Total		0	390
EXCEPTIONAL EXPENSES		-254	-113
NET EXCEPTIONAL INCOME/(EXPENSES)		**-254**	**277**
PROFIT BEFORE TAX		**7.467**	**10.389**
INCOME TAX	26	-1.736	-3.838
PROFIT BEFORE MINORITY INTEREST		**5.731**	**6.551**
MINORITY INTEREST		15	0
NET PROFIT		**5.746**	**6.551**

Chairman of the Board of Directors
Urbano R. Cairo

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cairo Communication Group consolidated financial statements for the 2001-2002 financial year ending 30 September 2002, of which these notes are an integral part, were prepared from the Group's accounting records, in accordance with Article 2423 of the Italian Civil Code.

These financial statements report a net profit of € 5,746,000 net of income tax based on current fiscal laws.

The consolidated financial statements at 30 September 2002 are presented with figures expressed in Euros (€) for the first time, as Cairo Communication Group adopted the Euro as its accounts currency from 31 December 2001. All of the previous year's historical accounting and reporting data have been restated from Lire into Euros.

1. BASIS OF PREPARATION

The consolidated financial statements of Cairo Communication SpA and subsidiaries at 30 September 2002 have been prepared in accordance with Legislative Decree no. 127/1991 and the accounting principles of the Italian Commission for Accounting Standards of the National Council of Financial Accountants. These financial statements consist of a Balance Sheet, an Income Statement (pursuant to Articles 2424 and 2425 of the Italian Civil Code and subsequent amendments), and these accompanying notes. Also included is a report on the management performance of the Group. Values expressed are in thousands of Euros.

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

Appendix 1 - Consolidated Cash Flow Statement

Appendix 2 – Financial Statements of Significant Unconsolidated Subsidiaries

Appendix 3 - Analysis Of Group Results by Business Segment

Appendix 4 – Subsidiaries' Legal Information

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

The consolidated financial statements at 30 September 2002 include the Balance Sheet and Income Statement of Cairo Communication SpA and of the following directly and indirectly controlled subsidiaries:

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

During the financial year, Edizioni Anabasi was consolidated, having been purchased at the end of November 2001 from the Group's Controlling Shareholder, UT Communications SpA, for € 88,000, equivalent to the amount originally paid by UT Communications SpA, with its assets and liabilities remaining unchanged. Edizioni Anabasi Srl began operations during the month of December 2001, and thus its consolidation had no impact on the consolidated financial statements at 30 September 2002.
The following subsidiaries are accounted for under the cost method for the following reasons:

- Cairo Sport Srl, a 100% owned subsidiary of Cairo Communication SpA, as it is presently inactive, and accordingly, its assets, liabilities, revenues and expenses are immaterial.
- Immobiledit Srl, a 100% owned subsidiary of Editoriale Giorgio Mondadori SpA, as its non-current assets had already been sold at year-end, and it is the Group's intent to sell or liquidate its ownership interest in this company. Immobiledit Srl solely exists to manage the proceeds arising from the sale of its non-current assets.

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

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

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

2. CONSOLIDATION PRINCIPLES AND METHODS

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

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

3. VALUATION PRINCIPLES AND METHODS

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

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

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

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

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

INTANGIBLE ASSETS

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

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

Incorporation and listing costs

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

Publications development

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

TV advertising space sales rights and computer software

Rights and licences are amortised to reflect their duration and their predicted remaining useful economic lives.

Rights and licences, including those relating to software programmes, are amortised over a five-year period.

Publications titles

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

Acquisition goodwill

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PPE) assets are valued at their acquisition price, including direct charges, net of accumulated depreciation.

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

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

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

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

INVESTMENTS

Unconsolidated subsidiary

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

INVENTORY

Inventory is valued at the lower of the purchase or production cost and its estimated net realisable value, which takes into account potential future production and direct sales costs. Obsolete and slow turnover share is written down to reflect its net realisable value. Beginning with the financial year ending 30 September 2001, inventory costs are determined using the weighted-average-cost method (see Note 7).

RECEIVABLES

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

MARKETABLE SECURITIES

Marketable securities are valued at the lower of their purchase cost and estimated net realisable value. Estimated net realisable value is derived from the average monthly price for September, with other market information used to determine market value for securities that are not publicly quoted.
Marketable securities also include treasury shares acquired pursuant to the Shareholders' Meeting of 30 October 2001, and with their unit cost determined using the weighted-average method.

PROVISION FOR EMPLOYEE RETIREMENT BENEFITS

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

OTHER PROVISIONS FOR LIABILITIES AND CHARGES

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

LIABILITIES

Liabilities arise from the Group's dealings with suppliers, banks and other financial institutions and third parties. They are recorded at their book value.
All liabilities are of short or medium term duration, with none due after five years.

PREPAIDS, DEFERRALS AND ACCRUALS

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

REVENUE AND COST RECOGNITION

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

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

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

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

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

INCOME TAX

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

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

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

OFF-BALANCE SHEET GUARANTEES AND COMMITMENTS

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

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

CONSOLIDATED BALANCE SHEET NOTES

4. INTANGIBLE ASSETS

(€ thousands)	Incorporation and listing costs	Publications development	TV ad sales rights and software	Acquisition goodwill	Publications titles	Other	In-progress	Total
30 Sept. 2001	**4,383**	**181**	**6,048**	**4,947**	**4,516**	**470**	**493**	**21,038**
Additions	0	0	292	76	0	63	290	721
Disposals	0	0	0	(375)	0	0	0	(375)
Reclassification	0	0	784	0	0	(1)	(783)	0
Amortisation	(1,464)	(147)	(1,290)	(606)	(266)	(179)	0	(3,952)
30 Sept. 2002	**2,919**	**34**	**5,834**	**4,042**	**4,250**	**353**	**0**	**17,432**

Incorporation and listing costs

Incorporation and listing costs relate primarily to the costs incurred listing the parent company's shares on the New Market of the Italian Stock Exchange (€ 2.9 million net of accumulated amortisation of € 4.3 million). These costs were capitalised as intangible assets in light of the long-term benefits arising to the Group of the parent company's share listing on the share exchange. The remaining balance relates to incorporation costs incurred by other Group companies.

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

Publications development

Publications development relate entirely to costs incurred in previous years to launch the Bell'Europa magazine.

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

TV advertising space sales rights and computer software

TV advertising space sales rights relate mainly to the purchase cost of Cairo TV SpA, which was purchased for € 9.3 million during May 1998 (€ 4.7 million net of accumulated amortisation of € 4.3 million), representing the net assets acquired at the time of the purchase, consisting of a ten-year contract with the Tele+ television network giving it the Group the exclusive rights to sell advertising space on Tele+ terrestrial and digital TV channels. These rights are being amortised over ten years from May 1998, in line with the terms of the contract.

Software costs increased during the year, primarily as a result of the capitalisation of costs incurred during the installation of the Group's new Management Information System (MIS), in operation since 2002, and the development of software for the management of the assets cycle and advertising space sale activities. In addition, these costs were increased as a result of the transfer of MIS costs that were classified as assets in progress at 30 September 2001.

Acquisition goodwill

The Group's major acquisition goodwill asset relates to the unallocated excess purchase price paid for its acquisition of Editoriale Giorgio Mondadori SpA (€ 2.3 million net of accumulated amortisation of € 1.7 million).

There was a € 0.4 million decrease in acquisition goodwill following a court ruling reducing the sales price in the same amount relating to the acquisition by the Group in 2001 of Editoriale Giorgio Mondadori SpA (EGM) shares from shareholders.

Other acquisition goodwill relate to the acquisition of the Airone Company from Giorgio Mondadori & Associati SpA in 2000 (€ 0.9 million net of accumulated amortisation of € 0.5 million), the acquisition of Cairo Pubblicità SpA (€ 0.5 million net of accumulated amortisation of € 0.2 million), the acquisition of Il Trovatore SpA (€ 0.2 million net of accumulated amortisation of € 0.1 million) and the acquisition of Edizioni Anabasi Srl (€ 0.1 million).

Acquisition goodwill is amortised over ten years.

Other intangible assets

This item relates primarily to the assets of third parties held in rental agreements, which are amortised in relation to the duration of their contract and the residual value of the costs incurred in the research and planning of Group web sites (€ 0.1 million at 30 September 2002).

Publications titles

This item is comprised as follows:

(€ thousands)	30 September 2001	Additions	Amortisation	30 September 2002
Bell'Italia	2,847	0	(168)	2,679
Bell'Europa	1,533	0	(90)	1,443
Other	136	0	(8)	128
Total	**4,516**	**0**	**(266)**	**4,250**

The "Bell'Italia", "Bell'Europa", "Arte" and "Antiquariato" magazine titles are amortised over a twenty-year time period.

In progress

These costs relate to the costs incurred installing the Group's new Management Information System (MIS) at 30 September 2001, which became operational only in January 2002.

5. PROPERTY, PLANT AND EQUIPMENT

(€ thousands)	Land and Buildings	Plant and Machinery	Equipment	Other	In progress	Total
30 September 2001	**1,844**	**56**	**22**	**1,007**	**57**	**2,986**
Additions	0	0	0	317	0	317
Reclassifications	0	0	0	57	(57)	0
Disposals	0	0	0	0	0	0
Depreciation	(58)	(6)	(9)	(253)	0	(326)
30 September 2002	**1,786**	**50**	**13**	**1,128**	**0**	**2,977**

Computer hardware costs relating to the launch of a new Group MIS were classified as in-progress at 30 September 2001 and subsequently transferred to 'Other' when the MIS became operational.

6. INVESTMENTS

Associate companies

(€ thousands)	30 Sept. 2001	Additions	Disposals	Writedowns	30 Sept. 2002
Subsidiary					
Cairo Sport Srl	10	6	-	(6)	10
Other					
Constructa Srl	0	-	-	-	0
Nuova Canottieri Olona Srl	11	-	-	-	11
Consedit Srl	0	-	-	-	0
Total	**21**	**6**	**0**	**(6)**	**21**

The Group's unconsolidated subsidiary is accounted for using the cost method, whose impact does not significantly differ from the equity method.

During the financial year, Cairo Communication SpA took steps to ensure that the losses incurred by its subsidiary Cairo Sport Srl were provided for, resulting in a € 6,000 writedown of this company.

Financial receivables

Financial receivables amounted to € 184,000 at 30 September 2002, comprising primarily deposits and prepaid pension benefits for employees taxes, calculated pursuant to Article 104/97 of the Italian Civil Code and reassessed in accordance with regulations currently in force.

7. INVENTORY

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

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Materials and supplies	1,092	1,107	(15)
Work-in-progress	498	662	(164)
Finished products and merchandise	207	454	(247)
Books	572	547	25
Other	0	36	(36)
Total	**2,369**	**2,806**	**(437)**

Materials and supplies

Materials and supplies are valued at the lower of purchase or production cost and their estimated net realisable value, based on market performance at year-end. From 1 January 2002, with the introduction of the new MIS to simplify the valuation process, amongst other things, inventory book values are now determined using the weighted-average method instead of the previous LIFO method. The adoption of this new method has had no significant impact on Group results.

Work-in-progress

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

Finished products

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

8. RECEIVABLES

Trade accounts receivable

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Gross book value	64,791	68,709	(3,918)
Allowance for doubtful accounts	(3,922)	(2,860)	(1,062)
Total	**60,869**	**65,849**	**(4,980)**

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

Other receivables

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Interest withholdings receivable from State	446	0	446
IRPEG receivables from State	2	387	(385)
IRAP receivables from State	31	100	(69)
Direct tax receivable	557	0	557
Prepaid tax receivable	1,068	460	608
Tax receivable	54	92	(38)
VAT receivable	350	337	13
Dividend tax refund receivable	1,983	910	1,073
Shipping receivables	153	181	(28)
Credit card overpayments	55	31	24
Other	2,711	1,073	1,638
Total	**7,410**	**3,571**	**3,839**

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

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

- Direct tax receivables comprise overpayment of current tax liabilities and receivables relating to refunds lodged.
- Prepaid tax receivable arises from the prepayment of deferred deducible costs at 30 September 2002.
- Other receivables relate to receivables from social security organisations, and advances to contributors and media clients, in accordance with existing advertising space sales contracts, amounting to € 1.4 million (€ 0.5 million at 30 September 2001).

9. MARKETABLE SECURITIES

Marketable securities amounted to € 5.3 million, an increase of € 328 thousand on the previous year-end figure and comprised € 4.9 million in unconsolidated subsidiary shares, € 328 thousand in treasury shares and € 90 thousand in other securities.

Unconsolidated subsidiary shares

(€ thousands)	30 Sept. 2002	30 Sept. 2001
Immobiledit Srl shares	4,908	4,908
Total	**4,908**	**4,908**

This relates to the Group's equity holdings in its unconsolidated subsidiary Immobiledit Srl, which was valued at € 5.2 million at 30 September 2002 and € 5.1 million at 31 December 2001 using the equity method. During the 2001 financial year, Immobiledit Srl completed the sale of its property in Milan at Via Andrea Ponti 8/10, to a third party, realising a capital gain of € 2.9 million, before tax.

At 30 September 2002, Immobiledit Srl was a party to legal proceedings with a potential buyer, following the collapse of the sale of its Via Ponti property during the 1999-2000 financial year, which was subsequently sold to another buyer. Immobiledit Srl established a provision of € 1.2 million at 30 September 2002 to cover the risks arising from the aforementioned legal proceedings.

Treasury shares

At 30 September 2002, the Group held 18,251 of the parent company's (Cairo Communication SpA) shares, with a par value of € 0.52 each, valued at their weighted-average cost of € 18 per share, compared to an average September 2002 share price of € 18.30.

These shares were acquired pursuant to the share buyback programme authorised by the Shareholders' Meeting of 30 October 2001.

The Meeting authorised the Board of Directors to acquire a maximum of 200,000 common shares of Cairo Communication SpA, each with a book value of € 0.52, up to a maximum value of € 3 million, using retained earnings at 30 September 2000. The minimum share purchase price was set at 70% of the Italian Stock Market average quoted price for the share fifteen working days prior to buyback, while the maximum share purchase price was set at 130% of the Italian Stock Market average quoted price for the share in the fifteen working days prior to buyback, not exceeding € 65 per share.
The Meeting also authorised the Board of Directors to sell the treasury shares acquired, in one or more transactions, even before the finalisation of their acquisition, at a price not lower than their weighted-average cost.

Other

Other marketable securities comprises € 0.1 million in Italian State Treasury Bonds maturing in July 2007 and shares in Dalmine SpA, Cairo Communication SpA's property subsidiary.

10. BANK AND CASH

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

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Bank	98,212	101,234	(3,022)
Cash	54	48	6
Total	**98,266**	**101,282**	**(3,016)**

Evolution of Consolidated Net Financial Position

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Bank and cash	98,266	101,282	(3,016)
Marketable securities in non-Group companies	90	90	0
Current and non-current borrowings	0	(4,253)	4,253
Net financial assets	**98,356**	**97,119**	**1,237**
Borrowings from Immobiledit Srl	(5,165)	(5,165)	0
Net Financial Position	**93,191**	**91,954**	**1,237**

Net financial assets include € 5.2 million in funds borrowed from the unconsolidated subsidiary Immobiledit Srl, in order to optimise the Group's cash treasury management. At 30 September 2002, Immobiledit Srl had € 1.8 million invested in short term demand deposits.

Borrowings from banks and others are disclosed in Note 15.

Invoking an early repayment clause, the parent company, Cairo Communication SpA, repaid its Interbanca borrowings prior to its 30 September 2002 year-end.

11. PREPAID EXPENSES AND ACCRUED INCOME

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Prepaid expenses	11	199	(188)
Accrued income	718	998	(280)
Total	**729**	**1,197**	**(468)**

Prepaid expenses primarily comprise insurance expenses and other expenses paid for in advance of their delivery in the 2002-2003 financial year.

12. EQUITY

At 30 September 2002, the Group had equity of € 134.4 million, analysed as follows:

(€ thousands)	Share capital	Share premium	Legal reserve	Treasury share reserve	Retained earnings	Financial year net profit	Total
30 September 2001	**4,003**	**112,871**	**190**		**8,104**	**6,551**	**131,719**
Share capital conversion	27				(27)		0
Dividend distribution						(3,100)	(3,100)
2000-2001 net profit allocation			306		3,145	(3,451)	0
Allocation to treasury share reserve				328	(328)		0
2001-2002 net profit						5,746	5,746
30 September 2002	**4,030**	**112,871**	**496**	**328**	**10,894**	**5,746**	**134,365**

The Board of Directors of Cairo Communication SpA at 1 October 2001 decided to convert its share capital from Lire (ITL) into Euros, pursuant to Article 17 of the Legislative Decree no. 213 of 24 June 1998, as modified by Article 2 of the Legislative Decree no. 206 of 15 June 1999, using the simplified procedure outlined in subsections 1 and 5 of Article 17, involving the rounding off of cents, reducing the reserve for retained earnings by a figure equal to the difference between the preceding share capital and that after conversion. The new share capital, expressed in Euros, amounted to € 4.03 million, (ITL 7.8 billion). Thus the difference between the preceding share capital of ITL 7.75 billion and the new figure, after conversion, resulted in a reduction of retained earnings by € 27,000.

The Board of Directors of Cairo Communication SpA, at its 30 January 2002 meeting, authorised the allocation of a first block of 60,000 shares of the share option plan approved by the Extraordinary Meeting of 19 April 2000.

The share issue price was set at 85% of the placement price by the Board of Directors pursuant to powers granted to it by the Extraordinary Meeting of 20 June 2000, as outlined in the Prospectus regarding this operation.

The Board of Directors at their meeting of 17 December 2001 approved the regulations governing the allocation of the aforementioned shares.

The plan proposed by the Chairman and approved by the Board gives share option rights to certain executives and agents of the company, proportional to the achievement of set objectives.

Options may be exercised after the Shareholders' Meeting of 30 September 2001 that approved the plan until 30 September 2003, in accordance with the conditions set by the regulations.

Reconciliation of Parent Company and Group Equity and Net Profit Balances

(€ thousands)	Equity	Net Profit
Cairo Communication SpA balances at 30 September 2002	132,181	8,072
Eliminations:		
Difference between investment book value and subsidiary equity value	(1,851)	0
Adjustment for subsidiary's investment book value write-down	0	7,455
Allocations of excess consideration paid over net book values of net assets acquired:		
Acquisition goodwill	4,043	(605)
Excess fair market values	4,728	(901)
Elimination of inter-Group profits, net of income tax	(4,744)	(4,744)
Dividend distribution	0	(3,525)
Other adjustments	8	(6)
Cairo Communication Group balances at 30 September 2002	**134,365**	**5,746**

13. MINORITY INTEREST

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Total	**19**	**21**	**(2)**

Minority interest at 30 September 2002 relates entirely to third party shareholdings in the Group's Il Trovatore SpA subsidiary. The minority interest's share of this subsidiary's net loss is reported, given that the Group has fulfilled its obligation to the seller of Il Trovatore to finance the company during its start-up phase to a maximum amount of € 423,000.

14. PROVISIONS FOR LIABILITES AND CHARGES

Provision for employee retirement benefits

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

(€ thousands)	30 Sept. 2002	30 Sept. 2001
Opening balance	**2,345**	**2,505**
Increase arising from change in Group structure	0	40
Charges	435	418
Reversals	(196)	(618)
Total	**2,584**	**2,345**

Analysis of workforce size by job classification

	30 Sept. 2002	30 Sept. 2001	Average
Executive managers	11	5	8
Other managers	11	15	13
Employees	104	104	104
Journalists	28	26	27
Freelance journalists	6	6	6
Trainees	5	7	6
Total	**165**	**163**	**164**

Provisions for disputes and other charges

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Provision for disputes	422	371	51
Provision for publishing inventory	55	155	(100)
Other provisions	853	663	190
Total	**1,330**	**1,189**	**141**

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

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

15. LIABILITIES

Borrowings

The Group had no borrowings at 30 September 2002.

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Borrowings from banks – due within 1 year	0	1,670	(1,670)
Borrowings from Interbanca – due within 1 year	0	1,033	(1,033)
Borrowings from Interbanca – due after 1 year	0	1,549	(1,549)
Total	**0**	**4,252**	**(4,252)**

Invoking an early repayment clause, the parent company, Cairo Communication SpA repaid its Interbanca ITL 10 billion borrowings prior to its 30 September 2002 year-end.

These borrowings carried a three-month EURIBOR (European Interbank Offered Rate) rate plus 1.75%.

Advances

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Total	**1,592**	**1,886**	**(294)**

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

Trade payables

Trade payables amounted to € 44.2 million, down € 5.5 million on the previous year-end.

Unconsolidated subsidiary payables

Unconsolidated subsidiary payables amounted to € 5.28 million and related primarily to a € 5.17 million loan received from its unconsolidated subsidiary, Immobiledit Srl, at market interest rate, with a view to optimising the Group's treasury management.

Social security liabilities

Social security liabilities amounted to € 342 thousand, up € 42,000 over the previous year-end.

The Group has provided for the settlement of legal obligations with regard to the payment of social security liabilities and the deductions made in substitution of taxes.

Tax liabilities

Tax liabilities relate to the corporate income tax (IRPEG) payable in relation to employee and contract workers and to liabilities for current taxes.

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Payroll deductions - employees	109	229	(120)
Payroll deductions – contract workers	127	249	(122)
IRPEG payables	0	1,154	(1,154)
IRAP payables	200	214	(14)
VAT	116	366	(250)
Other	5	18	(13)
Total	**557**	**2,230**	**(1,673)**

The IRAP tax payable relates mainly to the tax charge for Cairo TV SpA at 30 September 2002.

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

Other liabilities

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
EGM acquisition liability	0	891	(891)
Personnel liabilities (holiday pay, incentives)	1,623	1,436	187
Distributor payables	2,382	1,371	1,011
Other	1,342	1,139	203
Total	**5,347**	**4,837**	**510**

As previously discussed, the removal of the Editoriale Giorgio Mondadori SpA (EGM) acquisition liability relates to a court ruling decreasing the amount of consideration to be paid to shareholders bought out by the Group during 2001 by € 0.4 million.

16. ACCRUED EXPENSES AND DEFERRED INCOME

(€ thousands)	30 Sept. 2002	30 Sept. 2001	Change
Accrued expenses	1	341	(340)
Deferred income	0	14	(14)
Total	**1**	**355**	**(354)**

Deferred income relates primarily to income from contracts secured for the entire 2000-2001 soccer season that was carried over into the 2001-2002 financial year.

17. OFF-BALANCE SHEET GUARANTEES AND COMMITMENTS

Guarantees

The Group guarantees comprise surety bonds issued by the banks and other financial institutions on behalf of Editoriale Giorgio Mondadori SpA and Cairo Editore SpA (formerly Airone of Giorgio Mondadori & Associati SpA) to the Italian State regarding taxes on contributions and premium operations in the amount of € 697,000, and surety bonds issued by Cairo Communication SpA to clients that were public bodies and letting agents for properties held in rental agreements, in the amount of € 74,000.

Commitments

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

1. Cairo TV SpA has signed a ten-year contract with the Tele+ television network, giving it the exclusive rights for the sale of advertising space on Tele+ terrestrial and digital TV channels until December 2007. This contract contains a commitment, subject to exemptions, to reach predetermined sales levels (gross before advertising agency discounts) for each year of the contract's duration. Based on estimated sales volume, the results attained during this period and those expected for the duration of the contract, the sales commitment should be met. The Group's commitment is matched by a commitment on the part of Tele+ that predetermined subscriber numbers will be attained.

2. In mid-October 2002, RCS Periodici and Cairo Communication jointly agreed not to renew the advertising space sales rights contract for the "Anna", "Oggi", "Salve", "Novella 2000" and "Visto" magazines, expiring on 31 December 2002. At the close of their contractual relationship, the two groups recognised the need to adopt different strategies, with Cairo focusing on organic value creation, through its own magazine titles, which have considerable untapped advertising potential, and through new, high readership titles. Upon expiry of the contract, the commitments made by Cairo Group to RCS, including commitments not to sell advertising space for magazine titles that directly compete with those published by RCS Group, as well other commitments described in the Notes to the 2000-2001 Consolidated Financial Statements, will no longer be in force.

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

predetermined viewing audience numbers. The corresponding minimum annual fees are calculated on annual gross revenue of € 66 million which, given La7's 2% average market share, amounts to € 33 million in gross revenue per basis point, significantly less than Mediaset's current € 55 million per basis point.

In guarantee of the above minimum annual fees, Cairo Group will issue a € 23 million surety bond in 2003, with a 15 June 2004 expiry date, renewable annually for an amount not greater than that of the preceding year, with predetermined mechanisms in place for the reduction of the commitment.

18. CONTINGENCIES

1. During the 2002 financial year, arbitration continued in the matter of the unsolicited share capital acquisition of Vittorio Feltri Editore and C. Srl company, publisher of the "Libero Quotidiano". As a result, the parent company's Shareholders' Meeting decided to consider modifying the company's bylaws, with a view to increasing its share capital to facilitate the aforementioned share capital acquisition. This change was not carried in light of the non-satisfaction of essential preliminary conditions.

   The arbitrator has not called the Group, which still has to issue a formal declaration of its investment stake in Vittorio Feltri Editore e C., to other parties, to appear. Moreover, the effects of the arbitration, where the ineffectiveness of the agreements and their relative defaults has been discussed and requests made for damages between parties, may have an impact on the Group.

   The dispute has already been settled with Vittorio Feltri, resulting in the reimbursement of all his legal costs. The arbitration, therefore, has only continued with the other parties: following the exchange of legal statements, the arbitrator's decision is expected during January 2003.

   The arbitrator decided not to order the technical advice requested by the other party in order to give evidence of the damages they allege they have suffered. Based on advice received, the Group feels that despite the considerable uncertainty surrounding this dispute, signs point to a positive outcome.

2. Following an audit of direct and indirect taxes with regard to the 1998 and 1999 accounts of Cairo Pubblicità SpA, whose activities were merged into those of Cairo Communication SpA on 30 September 2001, legal proceedings have been undertaken by the State. The Group has not yet received any notification of taxes sought arising from this audit. Based on advice received from the Group's tax counsel, Cairo anticipates that these activities could be the subject of further tax audits that are not likely to be contentious, bearing in mind that what is primarily contested are interpretations of financial regulations. Nonetheless, any potential liability on the part of the Group is covered by provisions for losses established at 30 September 2002

3. The Group subsidiary Cairo Web Srl is currently a party to a legal action brought against it by Net Fraternity Network SpA, regarding the sale of advertising space on this company's network. Net Fraternity has requested that the contract be dissolved on grounds of non-fulfilment. Cairo Web Srl is vigorously defending itself against these claims, which it believes to be unfounded, and the significant damages sought, based on Cairo Web Srl's obligations regarding advertising space sales as defined in the contract between the two parties, which does not contain any commitment regarding the payment of a minimum fee nor does it prescribe the payment of any significant damages. Cairo Web Srl has appeared before the court to have the case against it dismissed and to seek damages for unnecessary court proceedings. The Court did not admit any evidence from witnesses from either party, thereby not enabling the case to proceed. However, the Court has sought technical advice, whose scope will be set at the next hearing, during 2003. Based on these developments and the advice of the Group's legal advisors, no provision has been established for this claim.

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

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

19. LIABILITIES AND RECEIVABLES DUE AFTER FIVE YEARS

The Group had no receivables or liabilities that were due after five years at 30 September 2002.

20. CAPITALISED FINANCIAL EXPENSES

The Group did not capitalise any of its financial expenses.

CONSOLIDATED INCOME STATEMENT NOTES

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

21. OPERATING REVENUES

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

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

Sales

(€ thousands)	2001-2002 FY			2000-2001 FY		
	Advertising	Publishing	Total	Advertising	Publishing	Total
TV advertising space sales	53,189	0	**53,189**	52,807	0	**52,807**
Print media advertising space sales	63,189	11,718	**74,907**	69,001	13,085	**82,086**
Stadium signs & electronic billboards advertising space sales	2,458	0	**2,458**	6,447	0	**6,447**
Internet advertising space sales	562	0	**562**	2,413	0	**2,413**
Magazine newsstands sales	0	6,159	**6,159**	0	6,507	**6,507**
Magazine subscription sales	0	3,050	**3,050**	0	3,145	**3,145**
Audiovisual and other sales	0	85	**85**	0	369	**369**
Books and catalogues sales	0	967	**967**	0	1,399	**1,399**
VAT relating to publications	0	(263)	**(263)**	0	(381)	**(381)**
Total	**119,398**	**21,716**	**141,114**	130,668	24,124	**154,792**

Print media advertising space sales, including revenues generated from the sale of advertising space by Cairo Communication on behalf of Editoriale Giorgio Mondadori, net of advertising space fees paid to this company, amounting to € 10.8 million net for the 2001-2002 financial year, was allocated to the Publishing business.

Advertising agency discounts

(thousands)	2001-2002 FY	2000-2001 FY
Total	**(17,763)**	**(19,095)**

Finished products inventory movements

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

Other operating revenues

(thousands)	2001-2002 FY			2000-2001 FY		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
Rebilled costs to ad agencies	82	0	**82**	77	0	**77**
Rebilled technical costs	1,640	0	**1,640**	1,344	0	**1,344**
Credit card sales	0	78	**78**	0	331	**331**
Various	1,806	861	**2,667**	1,191	1,509	**2,700**
Total	**3,528**	**939**	**4,467**	2,612	1,840	**4,452**

Various other operating revenues primarily comprise other rebilled technical costs as regards the Group's Advertising business and contributions from third parties for promotional activities, revenues from the recycling of obsolete inventory and other operating revenues and gains as concerns the Group's Publishing business.

22. OPERATING EXPENSES

Materials and supplies

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

(thousands)	2001-2002 FY	2000-2001 FY
Paper	2,812	4,995
Books, catalogues and audiovisual	0	184
Other	615	186
Total	**3,427**	**5,365**

Advertising space fees and other services

(€ thousands)	2001-2002 FY			2000-2001 FY		
	Advertising	Publishing	Total	Advertising	Publishing	Total
Advertising space fees	81,750	0	**81,750**	87,328	0	**87,328**
Intermediary remuneration	1,125	0	**1,125**	1,508	0	**1,508**
Agents commissions	5,364	0	**5,364**	5,610	249	**5,859**
Technical costs	746	0	**746**	958	0	**958**
Administrative costs	1,759	1,506	**3,265**	1,629	1,379	**3,008**
Consultants	653	3,468	**4,121**	337	3,476	**3,813**
Subcontractors fees	0	3,594	**3,594**	0	4,185	**4,185**
Advertising and promotion	834	1,161	**1,995**	1,165	1,362	**2,527**
Organizational and general costs	1,439	0	**1,439**	1,380	0	**1,380**
Other	173	587	**760**	602	2,146	**2,748**
Total	**93,843**	**10,316**	**104,159**	**100,517**	**12,797**	**113,314**

Materials and supplies inventory movements

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

Other operating expenses

(€ thousands)	2001-2002 FY			2000-2001 FY		
	Advertising	Publishing	Total	Advertising	Publishing	Total
Deductible taxes	46	33	**79**	84	0	**84**
Receivables writeoffs	160	0	**160**	119	27	**146**
Writedowns	47	214	**261**	114	303	**417**
Other	39	363	**402**	71	72	**143**
Total	**292**	**610**	**902**	**388**	**402**	**790**

23. FINANCIAL INCOME AND EXPENSES

Financial Income

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

(€ thousands)	2001-2002 FY			2000-2001 FY		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
Unconsolidated subsidiary income	**1,597**	**0**	**1,597**	**425**	**0**	**425**
Other financial income						
Bank interest income	3,103	15	**3,118**	4,334	14	**4,348**
Marketable securities interest income	7	0	**7**	0	0	**0**
Marketable securities other income	0	0	**0**	6	5	**11**
FOREX gains	0	0	**0**	2	0	**2**
Miscellaneous	0	9	**9**	2	27	**29**
Other financial income total	**3,110**	**24**	**3,134**	**4,344**	**46**	**4,390**
Total	**4,707**	**24**	**4,731**	**4,769**	**56**	**4,815**

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

Financial expenses

(€ thousands)	2001-2002 FY			2000-2001 FY		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
Bank interest expenses	14	21	**35**	117	81	**198**
Borrowings interest expenses	127	0	**127**	235	0	**235**
Other interest expenses	14	0	**14**	0	0	**0**
Group borrowings interest expenses	175	0	**175**	0	0	**0**
FOREX losses	11	0	**11**	3	0	**3**
Various	43	1	**44**	10	2	**12**
Other	384	22	**406**	365	83	**448**

Borrowings interest expense arises from a loan to the Group received from its unconsolidated subsidiary, Immobiledit Srl.

24. INVESTMENT VALUE ADJUSTMENTS

During the financial year, Cairo Communication SpA took steps to ensure that the losses incurred by its subsidiary Cairo Sport Srl were provided for, resulting in a € 6,000 writedown of this company.

25. EXCEPTIONAL INCOME AND EXPENSES

Exceptional income

(€ thousands)	2001-2002 FY			2000-2001 FY		
	Advertising	Publishing	Total	Advertising	Publishing	Total
Via Cadore building disposal gain	-	-	**0**	-	279	**279**
Area Due disposal gain	-	-	**0**	5	-	**5**
Prior financial year income tax refund	-	-	**0**	51	-	**51**
Other	-	-	**0**	55	-	**55**
Total	0	0	**0**	111	279	**390**

Exceptional expenses

(€ thousands)	2001-2002 FY			2000-2001 FY		
	Advertising	Publishing	Total	Advertising	Publishing	Total
Previous financial year income tax	-	-	**0**	71	-	**71**
Writedowns	-	-	**0**	-	42	**42**
Other	-	254	**254**	-	-	**0**
Total	0	254	**254**	71	42	**113**

This item comprises costs in the publishing sector, linked to contingencies from the previous financial year, preceding the purchase of the company by the Cairo Group.

26. INCOME TAX

(thousands)	2001-2002 FY	2000-2001 FY
IRPEG - 2001-2002 financial year	1,975	3,559
IRAP - 2001-2002 financial year	777	836
Prepaid income tax	(631)	(67)
Cairo TV dividend tax credit	(385)	(490)
Total	**1,736**	**3,838**

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

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

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

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

Pursuant to Article 2427, no. 16 of the Italian Civil Code and stipulations by CONSOB (Italian Stock Exchange Supervisory Commission), the Group discloses the following remuneration awarded to the Board of Directors and Board of Auditors of Cairo Communication SpA for services rendered to the parent company and its subsidiaries during the financial year ending 30 September 2002:

Name	Position	Term expiry date	Directors fees (€ thousands)		Other Remuneration (€ thousands)		
			Parent Company	Subsidiaries	Non-monetary	Bonuses	Other
Board of Directors							
Urbano R Cairo	Chairman	30 Sept. 2002	68	218	-	-	
Uberto Fornara	Vice-Chairman & CEO	30 Sept. 2002	66	111	-	-	144
Roberto Cairo	Director	From 28 May 2000 to 30 Sept. 2002	21	5	-	-	
Giuliano Cesari	Director	30 Sept. 2002	21	10	-	-	83
Marco Janni	Director	30 Sept. 2002	21	-	-	-	-
Antonio Magnocavallo	Director	30 Sept. 2002	21	-	-	-	-
Roberto Rezzonico	Director	30 Sept. 2002	21	-	-	-	-
Board of Auditors							
Mauro Sala	Chairman	30 Sept. 2002	20	31	-	-	-
Marco Baccani	Principal Auditor	30 Sept. 2002	13	26	-	-	-
Ferraro Antonio	Principal Auditor	30 Sept. 2002	13	-	-	-	-

The Cairo Communication SpA Shareholders' Meeting held on 30 January 2002 approved remuneration of € 150,000 for the Board of Directors. The Cairo Communication Board of Directors approved supplementary remuneration for its Chairman, Urbano Cairo and its Vice-Chairman, Uberto Fornara, pursuant to subsection II of Article 2389 of the Italian Civil Code, on 30 January 2002.

28. SHARE CAPITAL COMPOSITION

At 30 September 2002, Cairo Communication SpA share capital amounted to € 4.03 million, comprising 7.75 million shares with a par value each of € 0.52.

Chairman of the Board of Directors

Urbano R. Cairo

APPENDIX 1

CAIRO COMMUNICATION GROUP
CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2002

(€ thousands)

Financial year ending 30 September	**2002**	**2001**
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR (1)	**93.415**	**99.867**
OPERATING ACTIVITIES		
Group net profit	5.746	6.551
Minority interest	-15	
Depreciation and amortisation	4.278	4.073
Disposal capital gains	0	-279
Investments writedowns	6	6
Provision for termination benefits movements	239	-160
Other provisions for liabilites and charges movements	141	-234
Cash generated from operations	**10.395**	**9.957**
Trade receivables movements	724	-11.241
Trade payables movements	-5.878	-7.045
Accrued expenses and deferred income movements	530	-470
Marketable securities movements (treasury shares)	-328	0
Inventory movements	437	282
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**5.880**	**-8.517**
INVESTING ACTIVITIES		
Intangible and tangible assets acquisitions	-1.038	-3.556
Investments acquisitions	-3	39
Marketable securities movements	0	4.007
Via Cadore building disposal	0	2.763
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**-1.041**	**3.253**
FINANCING ACTIVITIES		
Dividend distribution	-3.100	0
Istituti di Credito borrowing repayment	-1.549	-1.033
Investments financing	-516	-155
Share capital and minority interest increases	13	0
NET CASH USED IN FINANCING ACTIVITIES	**-5.152**	**-1.188**
FINANCIAL YEAR NET CASH FLOW MOVEMENTS	**-313**	**-6.452**
CASH AND CASH EQUIVALENTS - END OF YEAR (1)	**93.102**	**93.415**

(1) Includes bank and cash net of current borrowings and borrowings of € 5,165 thousand from an unconsolidated subsidiary.

Chairman of the Board of Directors
Urbano R. Cairo

APPENDIX 2:
FINANCIAL STATEMENTS OF SIGNIFICANT UNCONSOLIDATED SUBSIDIARIES

Immobiledit Srl
Balance Sheet
at 30 September 2002

(€ thousands)	**30 Sept. 2002**	**31 Dec. 2001**
Assets		
Receivable from parent company	5.280	5.211
Cash and marketable securities	1.849	1.832
Other	513	491
Total Assets	**7.642**	**7.534**
Equity and Liabilities		
Share capital and reserves	5.155	3.328
Net profit for the financial period	90	1.827
Equity	**5.245**	**5.155**
Deferred tax	700	933
Provisions for liabilities and charges	1.343	1.343
Liabilities and accrued expenses	354	103
Total Equity and Liabilities	**7.642**	**7.534**

Immobiledit Srl
Income Statement
for the period ending 30 September 2002

(€ thousands) **Period ending**	**30 Sept. 2002** **(9 months)**	**31 Dec. 2001** **(12 months)**
Operating revenues	8	33
Operating expenses	(32)	(200)
Operating loss	**(24)**	**(167)**
Net financial income	177	220
Net exceptional income	0	2972
Profit before income tax	**153**	**3025**
Income tax	(63)	(1198)
Net profit	**90**	**1827**

Chairman of the Board of Directors
Urbano R. Cairo

APPENDIX 3: ANALYSIS OF GROUP RESULTS BY BUSINESS SEGMENT

(€ thousands)	**Advertising**		**Search Engine (Il Trovatore)**		**Publishing**	
Financial year ending 30 September	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
Sales	119,337	130,311	61	357	21,717	24,124
Other operating revenues	3,517	2,608	11	5	939	1,840
Gross operating revenues	**122,854**	**132,919**	**72**	**362**	**22,656**	**25,964**
Advertising agency discounts	(17,764)	(19,095)	-	-	-	-
Inventory movements	-	-	-	-	(422)	-
Operating revenues	**105,090**	**113,824**	**72**	**362**	**22,234**	**25,873**
Cost of sales	(94,466)	(101,105)	(270)	(557)	(15,205)	(19,655)
Personnel costs	(3,496)	(2,867)	-	-	(4,857)	(4,832)
EBITDA	**7,128**	**9,852**	**(198)**	**(195)**	**2,172**	**1,386**
Depreciation and provision charges	(4,160)	(3,803)	(19)	(20)	(1,521)	(1,470)
Operating profit	**2,968**	**6,049**	**(217)**	**(215)**	**651**	**(85)**
Net finance income	4,318	4,401	(1)	2	2	(36)
Profit from ordinary activities	**7,286**	**10,450**	**(218)**	**(213)**	**653**	**(121)**
Net exceptional income/(expenses)	-	35	-	-	(254)	238
Profit before tax	**7,286**	**10,485**	**(218)**	**(213)**	**399**	**117**
Income tax	(1,857)	(3,524)	-	-	121	(313)
Minority interest	15	-	-	-	-	-
Net profit	**5,444**	**6,961**	**(218)**	**(213)**	**520**	**(196)**

Chairman of the Board of Directors
Urbano R. Cairo

APPENDIX 4: SUBSIDIARIES' LEGAL INFORMATION
(Article 2427 of the Italian Civil Code)

SUBSIDIARIES – DIRECTLY CONTROLLED	.
Name:	**Cairo TV SpA**
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 260,000
Equity at 30 September 2001:	€ 7,517,681
2000-2001 Financial Year Net Profit:	€ 3,078,053
Equity at 30 September 2002:	€ 3,504,661
2001-2002 Financial Year Net Profit:	€ 1,950,041
Ownership Percentage:	100%

Name:	**Editoriale Giorgio Mondadori SpA**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 6,204,000
Equity at 30 September 2001:	€ 6,517,672
2000-2001 Financial Year Net Loss (3 months):	€ (45,098)
Equity at 30 September 2002:	€ 6,655,900
2001-2002 Financial Year Net Profit:	€ 93,129
Ownership Percentage:	100%

Name:	**Cairo Web Srl**
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 46,800
Equity at 30 September 2001:	€ 324,873
2000-2001 Financial Year Net Profit:	€ 69,810
Equity at 30 September 2002:	€ 72,198
2001-2002 Financial Year Net Loss:	€ (252,675)
Ownership Percentage:	100%

Name:	**Il Trovatore SpA**
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 103,200
Equity at 30 September 2001:	€ 132,353
2000-2001 Financial Year Net Loss:	€ (179,196)
Equity at 30 September 2002:	€ 92,635
2001-2002 Financial Year Net Loss:	€ (192,922)
Ownership Percentage:	80%

Name:	**Cairo Sport Srl**
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 10,400
Equity at 30 September 2001:	€ 18,002
2000-2001 Financial Year Net Loss:	€ (5,300)
Ownership Percentage:	100%

SUBSIDIARIES – INDIRECTLY CONTROLLLED

Name:	**Cairo Editore SpA**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 1,020,000
Equity at 30 September 2001:	€ 800,761
2000-2001 Financial Year Net Profit:	€ 27,480
Equity at 30 September 2002:	€ 6,390,316
2001-2002 Financial Year Net Profit:	€ 5,670,770
Ownership Percentage:	99.95%

Name:	**Immobiledit Srl**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 5,610,000
Equity at 30 September 2001:	€ 5,154,937
2000-2001 Financial Year Net Profit:	€ 1,826,783
Equity at 30 September 2002:	€ 5,244,588
2001-2002 Financial Year Net Profit:	€ 89,621
Ownership Percentage:	100%

Name:	**Edizioni Anabasi S,r,l,**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 10,200
Equity at 30 September 2001:	€ 12,690
2000-2001 Financial Year Net Loss:	€ (3,709)
Equity at 30 September 2002:	€ 10,202
2001-2002 Financial Year Net Loss:	€ (2,488)
Ownership Percentage:	100%

Chairman of the Board of Directors
Urbano R. Cairo

CAIROCOMMUNICATION

Cairo Communication SpA
Parent Company Financial Report
at 30 September 2002

DIRECTORS' REPORT

Cairo Communication SpA

Financial Year ending 30 September 2002

Dear Shareholders,

We hereby present to you for your approval the parent company financial statements of Cairo Communication SpA, henceforth referred to as the "Company", for the financial year ending 30 September 2002, comprising a Balance Sheet, Income Statement and Notes, prepared in accordance with Italian Civil Law and changes arising from Legislative Decree 127/91, reporting a Company net profit of € 8 million.

During the 2001-2002 financial year, Cairo Communication continued to operate as an advertising broker selling advertising space on TV networks, in print media, at sports stadiums and on Internet sites, and as a publisher of books and magazines (Editoriale Giorgio Mondadori publishing house) and an operator of Internet sites (Il Trovatore search engine).

Cairo Communication's primary focus has been organic growth, particularly in the field of publishing and TV and print media advertising space sales.

At the same time, Cairo Communication has reviewed acquisition opportunities by evaluating certain partnership agreements with media companies with a view to securing the rights to sell their advertising space, and finalised a three-year contract (2003-2005) for the exclusive sale of TV advertising on the terrestrial Italian TV channel La7, which is renewable for another three years if certain agreed objectives are satisfied.

La7's share of the Italian TV viewing audience in October 2002 was over 2%, having enjoyed a 40% growth rate in the Spring and Fall seasons. This terrestrial free TV channel enjoys considerable growth opportunities in terms of both audience size and advertising revenues. La7's primary target is viewers with medium to high levels of education and income, mostly in the 25-54 age bracket, living in large cities, with preferences for quality programming and information content.

The new contract, as described in the Future Prospects section of this Report, represents a huge opportunity for Cairo Communication to increase revenues and margins by increasing its presence in the TV advertising market, availing itself of the expertise it has developed in recent years in this market.

During the 2001-2002 financial year, the advertising market experienced a general downturn. Overall advertising expenditures were down 6.3% during the twelve-month period from October 2001 to September 2002 (Source: AC Nielsen). Previously, there had been more than twenty years of uninterrupted growth, with the exception of the 2001 and 1993-1994 periods.

In this context, Cairo Communication has achieved results better than market performances, maintaining significant margins.

The Group's Publishing business, headed by the Editoriale Giorgio Mondadori Group of companies, which publishes the "Bell'Italia", "Bell'Europa", "In Viaggio", "Airone", "Gardenia", "Arte" and "Antiquariato" magazines, enjoyed improved profit margins, reflected in this group's growth in EBITDA to € 2.2 million, from € 1.4 million for the same period last year.

Editoriale Giorgio Mondadori (EGM) Group's main titles, particularly "Bell'Italia", "Bell'Europa" and "In Viaggio", maintain high circulation figures even when faced with stiff competition. This is confirmed by the readership figures from a 2001 "Audipress" Media survey.

During the second half of the year, distribution sales for this group were higher than for the same period last year, a definite positive sign following the general downturn experienced in retail sales.

Margin improvements were due in part to recent improvements in efficiency and cost control.

Now that the reorganisation has been completed and strong margins achieved, the Group is in the process of developing two new magazines, which it hopes to launch by Spring 2003, with an expected monthly circulation of 250,000 copies sold. Andrea Biavardi has been appointed as chief editor of both these magazines. Andrea is a very talented journalist, who previously held the position of chief editor of the monthly magazine "Vera" for over three years, leading it to record circulation levels, as well as the position of chief editor of the daily newspapers "La Nazione" and "Il Giorno". In addition, he founded and edited for three years one of the most successful men's magazines to have been launched in recent years.

For the twelve month period October 2001-September 2002, Group TV advertising space sales increased despite a 3.6% drop in TV market advertising expenditures (Source: AC Nielsen).

The growth in TV advertising space billings during 2001-2002 would certainly have been greater, had there been as many soccer games played as last year. However, arrangements made during the 2nd quarter of 2002 to facilitate the broadcast of the World Cup resulted in the Italian Premier League season being shortened by five days, with the Group losing out on an estimated € 4 million in TV advertising space sales.

Pay TV soccer matches enjoyed an increase in the number and quality of viewers, attracting the highest level of advertising expenditures.

Given the high level of bookings for the terrestrial and digital TV channels of Tele+ Group and the Cartoon Network, Discovery Channel, Bloomberg TV and CNN specialty channels, all of which are represented by the Group, advertising space sales increased significantly for the October-December 2002 quarter.

In particular, at 26 November 2002, TV advertising space sales order backlog for the October-December 2002 quarter was up 23% over the same period last year to € 19.3 million.

The Group also achieved better than market performances during 2002 for its print media advertising space sales activity

CAIRO COMMUNICATION SPA - COMPANY FINANCIAL RESULTS

Cairo Communication Spa Company Income Statement

(€ thousands) **Financial year ending 30 September**	**2002**	**2001**
Sales	88,072	97,472
Other operating revenues	2,385	2,207
Gross operating revenues	**90,357**	**99,679**
Less: advertising agency discounts	(11,658)	(12,931)
Operating revenues	**78,799**	**86,748**
Cost of sales	(72,516)	(80,335)
Personnel costs	(2,758)	(2,110)
EBITDA	**3,525**	**4,303**
Depreciation and provision charges	(2,655)	(2,402)
Operating profit (EBIT)	**870**	**1,901**
Net finance income	8,140	6,299
Marketable securities writedown	(182)	(218)
Profit from ordinary activities	**8,828**	**7,982**
Net exceptional income/(expenses)	0	(15)
Profit before tax	**8,828**	**7,967**
Income tax	(756)	(1,825)
Net profit	**8,072**	**6,142**

Company sales were down € 9 million, as a result of a drop in sports stadium billboard advertising space sales of € 4 million and a drop in publications advertising space sales of € 5 million, reflecting the state of the Italian advertising market.

Company EBITDA also declined to € 3.5 million from € 4.3 million for the previous financial year.

Profit margins were down as a result of lower billboard advertising space sales, an activity in which the Company is reducing its presence, in light of the precarious financial condition of soccer clubs and the difficulties encountered during the 2000-2001 soccer season, repeated during the 2001-2002 season regarding the sale of advertising space at sports stadiums. As previously discussed in the Group Financial Results section, net finance income includes € 3.5 million in dividends received from Cairo TV SpA and € 2 million in corresponding dividend tax credits (in 2001, € 1.5 million and € 0.8 million, respectively).

During the 2001-2002 financial year, Cairo Communication SpA continued with its sale of advertising space for the "Anna", "Salve", "Oggi", "Novella 2000" and "Visto" magazines pursuant to its contract with RCS, the "Airone", "Bell'Italia", "Bell'Europa", "In Viaggio", "Gardenia", "Arte" and "Antiquariato" magazines pursuant to its contract with the Editoriale Giorgio Mondadori Group and the "Prima Comunicazione" and "Burda" magazines.

From October 2001, Cairo Communication SpA was awarded the exclusive rights to sell advertising space in the weekly magazine "Bella" and four monthly magazines "Pratica", "Buona Cucina", "Un mese in Cucina" and "La Mia Boutique" pursuant to its contract with Edit Srl.

As previously discussed, Cairo Group achieved above-market performances during 2002.

In mid-October 2002, RCS Periodici and Cairo Communication jointly agreed not to renew the advertising space sales rights contract for the "Anna", "Oggi", "Salve", "Novella 2000" and "Visto" magazines, expiring on 31 December 2002.

At the close of their contractual relationship, the two groups recognised the need to adopt different strategies, with Cairo focusing on organic value creation, through its own magazine titles, which have considerable untapped advertising potential, and through new, high readership titles. Upon expiry of the contract, the commitments made by Cairo Group to RCS, which include commitments not to sell advertising space for magazine titles that directly compete with those published by RCS Group, will no longer be in force.

Cairo Group does not expect the non-renewal of this contract, which accounts for 30% of Group sales and a lesser percentage of gross operating profit, to have a significant adverse impact on Group results, in light of the expected development of new business ventures, particularly with the growth in advertising space sales revenues from existing and future Editoriale Giorgio Mondadori magazines, the La7 channel and the growth in pay TV, together with the Group's continuing rationalisation of its business costs.

For 2002-2003, the Group will focus on developing its advertising space sales activity for existing and future high-potential magazines published by the EGM Group.

Once the current slowdown in the market has passed, the integration of EGM Group magazines into the Cairo Communication Group will allow these magazines, and the high quality of their target market, to be fully exploited, optimising coordination within the Publishing business and increasing overall efficiency.

The potential for growth in advertising space sales revenue from EGM magazines is also underlined by the fact that EGM magazines currently realise less advertising space sales revenue than that achieved by some of their competitors, despite their lower circulation sales.

At the end of May 2002, Borsa Sette and Cairo Communication jointly agreed not to renew the advertising space sales rights contract for the Borsa & Finanza magazine, which accounted for only 1.4% of Group sales in 2001.

Cairo Communication SpA Company Balance Sheet

(€ thousands)	**30 Sept. 2002**	**30 Sept. 2001**
ASSETS		
Property, plant and equipment	449	445
Intangible assets	3,813	5,177
Investments	22,420	21,306
Treasury shares	328	-
Other current assets	19,997	14,496
Total Assets	**47,007**	**41,424**
EQUITY AND LIABILITIES		
Non-current borrowings and funds	697	536
Net current financial assets	(91,170)	(93,292)
Borrowings from unconsolidated subsidiary	5,165	6,972
Shareholders' equity	132,315	127,208
Total Equity and Liabilities	**47,007**	**41,424**

Cairo Communication SpA Company Net Financial Position Statement

(€ thousands)	**30 Sept. 2002**	**30 Sept. 2001**
Current Financial Assets	91,080	96,003
Investments accounted for as current assets	90	90
Bank and other financial borrowings	0	(219)
Interbanca borrowings – current	0	(1,033)
Interbanca borrowings - non-current	0	(1,549)
Net Financial Assets	**91,170**	**93,292**
Immobiledit borrowings	(5,165)	(6,972)
Net Financial Position	**86,005**	**86,320**

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

The Company's Cash Flow Statement is attached in Appendix 1 to the Notes to the Parent Company Financial Statements.

CAIRO COMMUNICATION GROUP - CONSOLIDATED FINANCIAL RESULTS

Cairo Communication Group improved margins at its Publishing business and generated strong performances at its TV advertising space sales activity, while consolidating advertising space sales at its other media activities, despite the general downturn experienced by the Italian market.

Cairo Communication Group Consolidated Income Statement

(€ thousands) **Financial year ending 30 September**	**2002**	**2001**
Sales	141,114	154,792
Other operating revenues	4,467	4,452
Gross operating revenues	**145,581**	**159,244**
Advertising agency discounts	(17,764)	(19,095)
Inventory movements	(421)	(90)
Operating revenues	**127,396**	**140,059**
Cost of sales	(109,941)	(121,336)
Personnel costs	(8,353)	(7,699)
EBITDA	**9,102**	**11,024**
Depreciation and provision charges	(5,700)	(5,274)
Operating profit (EBIT)	**3,402**	**5,750**
Net finance income	4,319	4,367
Profit from ordinary activities	**7,721**	**10,117**
Net exceptional income/(expenses)	(254)	272
Profit before tax	**7,467**	**10,389**
Income tax	(1,736)	(3,838)
Minority interest	15	-
Net profit	**5,746**	**6,551**

Group gross operating revenues amounted to € 145.6 million, comprising € 141.1 million in sales and € 4.5 million in other operating revenues.

Analysis of Group Sales and Other Operating Revenues by Business Segment

(€ thousands)	**Financial year ending 30 September 2002**			**Financial year ending 30 September 2001**		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
TV advertising space sales	53,189	-	53,189	52,807	-	52,807
Print media advertising space sales	63,189	11,718	74,907	69,001	13,085	82,086
Stadium signs and electronic billboards advertising space sales	2,458	-	2,458	6,447	-	6,447
Internet advertising space sales	562	-	562	2,413	-	2,413
Magazine over-the-counter sales	-	6,159	6,159	-	6,507	6,507
Magazine subscription sales	-	3,051	3,051	-	3,145	3,145
Audiovisual and other sales	-	85	85	-	369	369
Books and catalogues	-	966	966	-	1,399	1,399
VAT relating to publications	-	(263)	(263)	-	(381)	(381)
Total - Sales	**119,398**	**21,716**	**141,114**	**130,668**	**24,124**	**154,792**
Other operating revenues	3,528	939	4,467	2,613	1,840	4,453
Total - Gross Operating Revenues	**122,926**	**22,655**	**145,581**	**133,281**	**25,964**	**159,245**

Group EBITDA decreased to € 9.1 million while Group operating profit declined to € 3.4 million.

Group net finance income included € 1.6 million in dividend tax credits relating to dividends distributed to Cairo Communication SpA by Cairo TV SpA (€ 0.4 million in 2001). Excluding this dividend tax credit, net finance income would have amounted to € 2.7 million. The drop in net finance income relative to the previous financial year was primarily as a result of lower interest rates, which were down by some 30%.

Analysis of Group Results by Business Segment

(€ thousands)	**Advertising**		**Search Engine (Il Trovatore)**		**Publishing**	
Financial year ending 30 September	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
Sales	119,337	130,311	61	357	21,717	24,124
Other operating revenues	3,517	2,608	11	5	939	1,840
Gross operating revenues	**122,854**	**132,919**	**72**	**362**	**22,656**	**25,964**
Advertising agency discounts	(17,764)	(19,095)	-	-	-	-
Inventory movements	-	-	-	-	(422)	-
Operating revenues	**105,090**	**113,824**	**72**	**362**	**22,234**	**25,873**
Cost of sales	(94,466)	(101,105)	(270)	(557)	(15,205)	(19,655)
Personnel costs	(3,496)	(2,867)	-	-	(4,857)	(4,832)
EBITDA	**7,128**	**9,852**	**(198)**	**(195)**	**2,172**	**1,386**
Depreciation and provision charges	(4,160)	(3,803)	(19)	(20)	(1,521)	(1,470)
Operating profit	**2,968**	**6,049**	**(217)**	**(215)**	**651**	**(85)**
Net finance income	4,318	4,401	(1)	2	2	(36)
Profit from ordinary activities	**7,286**	**10,450**	**(218)**	**(213)**	**653**	**(121)**
Net exceptional income/(expenses)	-	35	-	-	(254)	238
Profit before tax	**7,286**	**10,485**	**(218)**	**(213)**	**399**	**117**
Income tax	(1,857)	(3,524)	-	-	121	(313)
Minority interest	15	-	-	-	-	-
Net profit	**5,444**	**6,961**	**(218)**	**(213)**	**520**	**(196)**

For the purposes of the above analysis, the Group's Internet advertising activity results, ordinarily included in its Advertising business results, have been separately disclosed.

Operating revenues declined for both the Group's Advertising and Publishing businesses, down 7.5% to € 122,853,000 and 12.5% to € 22,652,000, respectively.

Advertising business sales exclude € 10.8 million in advertising space sales on behalf of Editoriale Giorgio Mondadori, which the Group represents.

It should be noted that the Group's Publishing business EBITDA improved 58% whereas its operating profit remained stable at € 0.6 million.

Cairo Communication Group Consolidated Balance Sheet

(€ thousands)	**30 Sept. 2002**	**30 Sept. 2001**
ASSETS		
Property, plant and equipment	2,977	2,986
Intangible assets	17,432	21,038
Investments	218	221
Treasury shares	328	-
Marketable securities	4,908	4,908
Other current assets	19,243	14,168
Total Assets	**45,106**	**43,221**
EQUITY AND LIABILITIES		
Shareholders' equity	134,365	131,719
Minority interest	19	21
Non-current borrowings and funds	3,914	3,535
Net financial assets	(98,357)	(97,119)
Borrowings from unconsolidated subsidiary	5,165	5,165
Total Equity and Liabilities	**45,106**	**43,221**

Cairo Communication Group Consolidated Net Financial Position Statement

(€ thousands)	**30 Sept. 2002**	**30 Sept. 2001**	**Change**
Bank and cash	98,266	101,282	(3,016)
Non-Group companies marketable securities	90	90	0
Bank and other financial borrowings	0	(1,671)	1,671
Interbanca borrowings - current	0	(1,033)	1,033
Interbanca borrowings - non-current	0	(1,549)	1,549
Net Financial Assets	**98.356**	**97,119**	**1,237**
Immobiledit borrowings	(5,165)	(5,165)	-
Net Financial Position	**93,191**	**91,954**	**1,237**

Group net financial assets at 30 September 2002 were up € 1.2 million. This was a very good performance, given the general economic downturn that led clients to extend payments beyond agreed terms and the payment of dividends to shareholders of € 3.1 million.

Net financial assets included € 5.2 million in borrowings by Cairo Communication SpA at market interest rates from its unconsolidated subsidiary Immobiledit Srl, in order to optimise Group treasury management. The Group incurred € 0.1 million in interest charges on this borrowing. At 30 September 2002, Immobiledit Srl had € 1.8 million cash and bank, invested in short-term securities.

The Group's cash and bank at 30 September 2002 rises to € 100.1 million, when Immobiledit Srl's cash and bank is included.

The Group's Consolidated Cash Flow Statement is attached in Appendix 1 to the Notes to the Consolidated Financial Statements.

CAIRO COMMUNICATION GROUP - OPERATING RESULTS

PUBLISHING BUSINESS

EDITORIALE GIORGIO MONDADORI (EGM) GROUP

The Group's Publishing business enjoyed improved profit margins for the 2001-2002 financial year. Improved profitability was achieved through cost containment and subsequent improvements in efficiency.

After a 2001-2002 first-half characterised by a downturn in advertising market activity and publications sales, during the second half-year the EGM Group enjoyed strong circulation sales that exceeded performances achieved in the previous year, a good omen for the Group.

EGM Group's travel magazines continue to increase their share of the newsstands sales market with its "Bell'Italia", "Bell'Europa" and "In Viaggio" magazines maintaining their 1999 circulation sales levels (newsstands sales of 97,000 copies and subscription sales of 50,000 copies), while its 7 major competitors experienced a 33% drop in circulation (source ADS). These results were further confirmed by circulation sales results for the August 2001-July 2002 period, which showed EGM's three travel magazines circulation sales down 6.6% year-on-year, compared with a 40% drop for their seven major rivals over this time (source ADS).

These circulation figures were confirmed in 2001 by an Audipress survey, which reported average readership figures for EGM Group's three travel magazines of 1,029,000, up 0.1% on the previous (1999) survey results, while their major rivals experienced a drop in average readership varying between 27.5% and 53.3%.

EGM Group's magazine subscription sales remain strong, despite its policy of awarding discounts to subscribers that are significantly less than those offered by other publishing houses. Now that the reorganisation has been completed and strong margins achieved, Editoriale Giorgio Mondadori is developing three new magazines, to be launched in 2003.

As previously discussed, EGM Group has appointed Andrea Biavardi appointed as chief editor of both these magazines. Andrea is a very talented journalist, who previously held the position of chief editor of the monthly magazine "Vera" for over three years, leading it to record circulation sales, as well as the position of chief editor of the daily newspapers "La Nazione" and "Il Giorno". In addition, he founded and edited for three years one of the most successful men's magazines to have been launched in recent years.

The first two of these new magazines will be launched early in 2003, with each expected to achieve monthly circulation sales of 250,000 copies, serving new market segments as well as those traditionally served by Editoriale Giorgio Mondadori, reflecting a more extensive appeal. The publication of the new magazines is not expected to have a significant impact on the cost structure of EGM Group, given that 30% and 40% of journalists and office staff, respectively, will be assigned from existing magazines.

Beginning in February-March 2003, an American edition of “Bell’Italia” will be published under licence by a US publishing house. This magazine will be published bi-monthly, with the same format and a selection of articles from those appearing in the Italian edition. Editoriale Giorgio Mondadori will collect royalty payments based on circulation sales results, with a guaranteed minimum. This venture is particularly interesting for EGM Group, which is currently exploring the possibility of publishing an edition of “Bell’Italia” for Germany and the United Kingdom.

During 2002, as part of EGM Group’s strategy of rationalising its business structure and improving the management, economic and financial control of its Publishing business, Editoriale Giorgio Mondadori SpA acquired the Airone di Giorgio Mondadori & Associati SpA company, publisher of the “Airone”, “Gardenia”, “Arte” and “Antiquariato” magazines, whose registered titles it owns, as well as being a book publisher. The value of this transaction was set by an independent expert appraiser.

The Airone di Giorgio Mondadori & Associati company has since changed its registered name to Cairo Editore SpA and will continue to operate in the Publishing business while exploiting opportunities to develop new publications over the coming years.

ADVERTISING BUSINESS

TELEVISION DIVISION - CAIRO TV SPA

Cairo TV continued with its sale of advertising space on the terrestrial and digital TV channels of the Tele+ network, pursuant to an exclusive contract with the Tele+ Group. This ten-year contract expires in 2007, as will those signed with Discovery Channel and Cartoon Network.

From 1 May 2002, Cairo TV’s client portfolio expanded significantly, following the awarding to it of the rights to exclusively sell advertising space over three years (1 May 2002 - 30 April 2005) on the Italian channel of the Bloomberg Television network, provider of quality financial news services in more than 100 countries.

In July 2002, a contract was signed with Turner Broadcasting securing Cairo TV's exclusive rights to sell advertising space on CNN's Italian channel, strengthening its existing business relationship, which was first established in 1999, with the awarding of the exclusive rights to sell advertising space on Cartoon Network Italy.

Cairo TV enjoyed continued growth in advertising space sales, despite a 3.6% contraction in the market (Source: AC Nielsen).

The growth in TV advertising space billings during 2001-2002 would certainly have been greater, had there been as many soccer matches played as last year. However, arrangements made during the 2nd quarter of 2002 to facilitate the broadcast of the World Cup resulted in the Italian Premier League season being shortened by five days, with the Group losing out on an estimated of € 4 million in TV advertising space sales.

Pay TV soccer matches enjoyed an increase in the number and quality of viewers, attracting the highest level of advertising expenditures. These results confirm the considerable potential of pay television, which has been increasing its level of market penetration, reaching a large number of subscribers and a significantly high number of viewers (including multi-licence holders), to a point where it is has become an increasingly interesting business segment for Cairo TV. In particular, at 26 November 2002, TV advertising space sales order backlog for the October-December 2002 quarter was up 23% over the same period last year to € 19.3 million

During the 2002-2003 financial year, Cairo TV, while continuing its development of TV advertising space sales activities with Tele+, will also benefit from significant opportunities represented by its securing of the exclusive advertising space sales rights for the La7 channel, availing itself of the expertise it has developed in recent years in this market.

Cairo Group's portfolio of advertisers has increased to 481 from 320 when La7's 283 existing advertisers are added, 122 of which advertised with both Cairo and La7.

INTERNET DIVISION - ***IL TROVATORE SPA. & CAIRO WEB SRL***

During 2001-2002, Internet revenues fell significantly on the figures for the previous year, due to the considerable downturn recorded in the on-line advertising market, which fell short of both expectations and last year's figures.

Despite the market situation, the Cairo Group has decided to maintain its presence in this market, which it still considers of sufficient importance for it to carefully monitor for developments and opportunities, a process already begun in the 2002-2003 financial year. Faced with a reduction in advertising revenue, the Internet sector has recorded a considerable increase in user numbers (both for work and private use), and remains a medium capable of generating a large number of contacts with potential targets.

Development of the search engine Il Trovatore have continued, despite losses of € 190 thousand, in line with those from the period 2000-2001.

In light of the difficulties experienced by the Internet advertising space sales market in the second half of 2001, Cairo Group has decided to focus its Il Trovatore business on the development of sources of income other than from advertising space sales, as well as the provision of technology services. This was followed through in October and November 2002 with the finalisation of agreements which guarantee the company a constant source of revenues of about € 20,000 per month, which will allow the company to break even from the next financial year.

Il Trovatore has also developed, with in-house technology, an “adv server”, for planning of on-line advertising, programming and dispatch of banners and user surveying, which is currently in use for the network of sites managed by Cairo Web, resulting in significant cost savings on services that otherwise would have been purchased from third parties, as well as the opportunity in the future to commercialise this service, given its strong technical and functional capabilities.

Il Trovatore has also maintained its good results in terms of visitor and service subscriber numbers, totalling 16 million and 450,000 respectively at September 2002 month-end.

SPORTS STADIUM DIVISION

During the 2001-2002 financial year, Cairo Communication continued to sell advertising space on behalf of several football stadiums in Italy. Sales revenue generated from this sales activity was down on the prior year figures, due to the shortened Italian Soccer Premier League season and the diversified portfolio of teams managed. As previously discussed, the Group is reducing its exposure in this business, given the precarious financial situation of many soccer teams.

RESEARCH AND DEVELOPMENT ACTIVITY

The Group did not engage in any Research and Development activity during its 2001-2002 financial year.

TRANSACTIONS BETWEEN THE CONTROLLING SHAREHOLDER, GROUP COMPANIES AND RELATED PARTIES

Transactions between unconsolidated Group companies and the controlling shareholder (UT Communications) and its subsidiaries were carried out at cost or fair market value and are disclosed in the Notes to the Financial Statements.

At the end of November 2001, the Company purchased Edizioni Anabasi Srl from UT Communications SpA for € 88,000, the price paid by UT Communications SpA when it originally acquired this company, whose assets and liabilities remain unchanged. This acquisition has been effected through one of the Group's other Publishing subsidiaries in the development of new projects, including the undertaking of feasibility studies.

Edizioni Anabasi Srl. began trading in December 2001 and accordingly has no impact on Group results for the financial year ending 30 September 2001.

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

Major revenue and expenses between Cairo Communication SpA and Group companies

(€ thousands)	Immobiledit Srl	Il Trovatore SpA	Cairo TV SpA	Cairo Web Srl	Editoriale G. Mondadori SpA	Airone di G Mondadori & Associati SpA
REVENUES						
Rental revenues		19	2,460	12	193	46
Corporate services				30		
EXPENSES						
Ad space fees - TV			7,547			
Ad space fees - Magazines					10,956	
Rental expenses					93	
Interest expense	175		46			

During the financial year, the Company reviewed its sales of services on an activity and volume basis to other Group companies. Inter-Group sales are governed by contract.

As discussed in Note 20 to the Company financial statements, Cairo Communication SpA sells advertising space on behalf of the magazines published by Editoriale Giorgio Mondadori SpA and acts as an agent of Cairo TV SpA in the sale of advertising space on behalf of the terrestrial and digital TV channels operated by the Tele+ Group.

SHARES HELD BY THE DIRECTORS, THE CONTROLLING SHAREHOLDER AND GENERAL MANAGEMENT

Name	Company shares owned at 1 October 2001	Company shares acquired during 2001-2002	Company shares sold during 2001-2002	Company shares owned at 30 September 2002
Urbano R. Cairo *	5,720,750	(2,000)	(2,000)	5,720,750
Antonio Magnocavallo	-	-	-	-
Marco Janni	-	-	-	-
Roberto Rezzonico	-	-	-	-
Roberto Cairo	10,000	-	-	10,000
Giuliano Cesari	320	-	-	320
Uberto Fornara	4,073	3,930	-	8,003
Mauro Sala	-	-	-	-
Marco Baccani	-	-	-	-
Antonio Ferraro	-	-	-	-

** Shares owned directly and through UT COMMUNICATIONS SpA and its subsidiaries.*

OTHER INFORMATION - ITALIAN CIVIL CODE ART. 2428, SUBSECTION 3.E 4

At 30 September 2002, Cairo Communication SpA held 18,250 treasury shares at a par value of € 0.52 each, amounting to € 328,000 or 0.24% of the Company's share capital. These were bought as part of the buy-back programme authorised by the Shareholders' Meeting of 30 October 2001 (see Notes to the Financial Statements) in order to enable the Board of Directors to regulate the Company's share price in order to stabilise it.

In particular, the Meeting authorised the Board of Directors to purchase a maximum of 200,000 common shares, at a par value of € 0.52, using the Company's retained earnings at 30 September 2000, up to a maximum € 3 million. The minimum and maximum purchase prices per share were set at an amount equivalent to the average official price of the shares on the Italian Stock Exchange in the 15 working days prior to the purchase, reduced by 30%, and that same average official price of the shares reported by Italian Stock Exchange in the 15 working days prior to the purchase, increased by 30%, with a maximum share sale price set at € 65.

With regard to the purpose of the Company treasury share purchases, the Meeting also authorised the Board of Directors to sell the shares acquired, in one or more transactions, even before the authorised acquisition was completed, setting the minimum sale price at a figure no less than the weighted-average price.

CORPORATE GOVERNANCE

During its 2001-2002 financial year, the Company progressively adopted the Code of Self-Governance issued by the Corporate Governance Committee of the Italian Stock Exchange, as well as changes made to the Code during the year.

The Board met regularly, at least once every three months, to discuss and define the Company's objectives, to review management performance and to approve operations of business or financial significance. In particular, the Board may at its discretion purchase, sell or exchange business activities and companies, as well as provide guarantees and performance bonds, which would not be delegated to individual Directors.

The Board currently consists of 7 members, three of whom are executive: Urbano Cairo - Board Chairman, Uberto Fornara - CEO, and Giuliano Cesari who is a member of the executive management team. The other directors are non-executive, of whom two are independent. The Company's adherence to these requirements was verified and confirmed during the year.

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

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

The Board has highlighted the confidential nature of price sensitive information, in consideration of the fact that, particularly within the scope of the New Market, the circulation of information can bring considerable influence to bear on the calculation of prices on financial markets.

In keeping with the recommendations contained in the Code of Self-Governance for Listed Companies, the Board of Directors of Cairo Communication SpA, on 29 September 2000, debated the formation of committees to oversee the appointment and remuneration of executive management and to ensure internal control. These committees would be composed of Executive and Non-Executive Directors.

With regard to the composition of the Supervisory Board, also composed of Executive and Non-Executive Directors, in consideration of the approaching expiry of the mandate of the Board of Directors and of the Supervisory Board itself, the renewal of membership by the new Board of Directors has been deliberated.

The Board of Directors on 21 November 2002 authorised the Remuneration Committee to set the terms and conditions for the Board for the upcoming stock option plans, thus changing the terms of reference of this committee as authorised by the Board on 29 September 2000, including remuneration proposals, in the absence of other directives.

In accordance with the new guidelines on insider trading and market disclosures, which came into force on 1 January 2003, covering operations involving financial instruments issued by the Company (or those who assume the right to underwrite, purchase or sell such financial instruments), carried out by “important persons”, the Board of Directors on 21 November 2002 authorised the delegation to the Chairman of the task of establishing a draft code of practice regulating all of the above matters, to be deliberated by the Board before the end of the year.

The Board also invited directors to inform the Company, before 15 December 2002, of other directorships or auditor positions held by them in other listed companies, including those listed abroad, or in financial, banking, or insurance companies, or other companies of relevant size.

In order to establish a channel of communication with shareholders, considering the size of the company and the Group, a specific investor relations unit has been formed, which is supported by top management, particularly with regard to institutional investors.

Considering current member numbers at the ordinary and extraordinary company shareholders’ meetings, which has never posed problems of such a nature as to infringe the right of expression of personal opinions by members on the subjects under discussion, the Meeting has not been asked to approve a regulation which would control the ordered and functional operation of the Meeting itself.

STOCK OPTION PLAN

On 30 January 2002, the Board of Directors of Cairo Communication SpA authorised the allocation of the first block of 60,000 shares pursuant to the stock option plan approved by the Extraordinary Meeting of 19 April 2000.

The issue price, equal to the sale price with a 15% discount, was set by the Board, under the direction of the aforementioned Extraordinary Meeting of 20 June 2000, the details of which were reported in the Prospectus relating to the quotation.

The Board of Directors approved regulations governing the allocation of these shares on 17 December 2001.

The plan proposed by the Chairman and approved by the Board of Directors allocates stock options to certain executives and agents of the Company, based on their achievement of set objectives.

STOCK OPTIONS GRANTED AT 30 SEPTEMBER 2002

	Number of options	Average exercise price (€)
Stock options at 1 October 2001	0	0
Options granted during 2001-2002 FY	60.000	55.25
Options exercised during 2001-2002 FY	-	-
Options expiring during 2001-2002 FY	-	-
Stock options at 30 September 2002	60,000	55.25

STOCK OPTIONS GRANTED TO DIRECTORS AT 30 SEPTEMBER 2002

		Stock options granted during 2001-2002 FY			Stock options exercised during 2001-2002 FY			Stock options expiring in 2001-2002 FY	Stock options owned at 30 September 2002		
(A)	(B)										
Name	Board of Director Position	Number of options	Average exercise price	Expiry date	Number of options	Avg. exercise price	Avg. market price at exercise date	Number of options	Number of options	Avg. exercise price	Average expiry date
Uberto Fornara	Chairman	20,000	55.25	30/09/03	-	-	-	-	20,000	55.25	30/09/03
Giuliano Cesari	Member	10,000	55.25	30/09/03	-	-	-	-	10,000	55.25	30/09/03

SUBSEQUENT EVENTS

In the period between year-end and the date of approval of the financial statements by the Board of Directors, your Company acquired a further 30,595 treasury shares for some € 586,000, as part of the buyback programme authorised by the Shareholders' Meeting of 30 October 2001.

FUTURE PROSPECTS

Overview

For the 2002-2003 financial year, Cairo Group intends to focus on developing its businesses, particularly the Publishing business of Giorgio Mondadori: the sales of advertising space in existing magazines and the launch of new magazines under the leadership of Andrea Biavardi.

In addition, the Group will focus on developing its TV advertising space sales activity on terrestrial and digital pay TV with the Tele+ Group, specialty channels and the La7 terrestrial TV network, all of which all have awarded this right exclusively to Cairo Communication

La7 TV network

As already noted, on 9 November 2002, Cairo Communication SpA signed a three-year contract (2003-2005) with TV Internazionale SpA, owner of the La7 TV network, and renewable for another three-year period if certain agreed objectives are met, giving Cairo the exclusive rights to sell advertising space on its channels. Activity commenced in November, with sold advertising to be broadcast from 1 January 2003.

La7's share of the Italian TV viewing audience in October 2002 was over 2%, having enjoyed a 40% growth rate in the Spring and Fall seasons. This terrestrial free TV channel enjoys considerable growth opportunities in terms of both audience size and advertising revenues.

La7's primary target is viewers with medium to high education and income levels, mostly in the 25-54 age bracket, living in large cities, with preferences for quality programming and information content. Viewing audience grew by 40% between Spring and Autumn 2002, thanks also to the excellent team of anchormen and journalists (Andrea Monti, Giuliano Ferrara, Gad Lerner, Aldo Biscardi, Roberto Giacobbo, Monica Setta, Irene Pivetti, and Caterine Spaak).

The contract provides for average minimum guaranteed fees of € 45.8 million per year over three years. The corresponding minimum annual fees are calculated on annual gross advertising revenues of € 66 million which, given La7's 2% average market share, amounts to € 33 million in gross advertising revenues per basis point, significantly less than Mediaset's current € 55 million per basis point. TMC realised gross advertising revenues of € 70 million in 2000.

The new contract represents a huge opportunity for Cairo Communication to increase revenues and margins by increasing its presence in the TV advertising market (€ 4 billion), availing itself of the expertise it has developed in recent years in this market.

The signing of this contract marks the start of a very important partnership between the broadcasting and advertising space sales businesses, with shared developmental objectives both in terms of advertising space sales and network performance.

Pay TV

With regard to Pay TV, given the very positive performance of the TV advertising space sales activity at 26 November 2002, with TV advertising space sales order backlog for the October-December 2002 quarter up 23% over the same period last year, the Group forecasts double-digit growth in its advertising space sales revenue for the 2002-2003 financial year, as a result of the contracts it holds that allow it to exclusively sell advertising space on Tele+ terrestrial and digital television channels, as well as on selected specialty channels including Cartoon Network.

Magazines

The Group forecasts positive results, both in terms of financial performance and circulation sales from the new magazines to be launched by Editoriale Giorgio Mondadori. These new magazines should generate incremental sales of € 10 million and contribute significantly to profit margins.

The publication of these new magazines will not have a significant impact on the cost structure of Editoriale Giorgio Mondadori, increasing efficiency through the use of existing resources and the revision of organisational procedures.

2003 Outlook

Regarding all advertising space sales across all media, the market recovery anticipated for 2003 should soon result in the long awaited boost to Group advertising space sales revenue.

Cairo Communication will continue to be very active in evaluating companies in order to identify potential acquisition opportunities, and it is probable that the Group will resume its acquisition strategy in 2003. In reviewing all potential acquisition candidates, attention is always focused on companies operating in the communications sector offering high development potential or synergy with the Group.

Cairo Communication Group is well equipped to undertake such acquisitions, given the funds it has amassed from its flotation and the depressed stock prices generally and particularly for media companies, making their acquisition an attractive proposition at this time.

PROPOSALS BY THE BOARD OF DIRECTORS

Dear Shareholders,

The Board of Directors at its Meeting of 20 November 2002, authorised the submission of Cairo Communication SpA Company financial statements and Cairo Communication Group financial statements for the financial year ending 30 September 2002, to the Shareholders' Meeting for their approval.

Shareholders are invited to approve:

- the above financial statements for the financial year ending 30 September 2002;
- the allocation of the Company's net profit as follows:
    - € 309,624 to legal reserve
    - an € 0.80 dividend per share (gross - before tax), payable on all shares held at coupon date other than treasury shares held by the Company;
    - the remainder to retained earnings

Following approval by the Shareholders' Meeting, an € 0.80 dividend per share distribution will become payable to coupon holders from 10 February 2003.

Chairman of the Board of Directors

Urbano R. Cairo

PARENT COMPANY FINANCIAL STATEMENTS AT 30 SEPTEMBER 2002

CAIRO COMMUNICATION SpA
PARENT COMPANY BALANCE SHEET
AT 30 SEPTEMBER 2002

(€)	Notes	30 Sept. 2002	30 Sept. 2001
ASSETS			
NON-CURRENT ASSETS			
Intangible Assets	3		
Incorporation and listing costs		2.907.986	4.363.269
Computer software		834.541	201.737
Intangible assets in progress		0	479.379
Other		70.593	132.600
Total		**3.813.120**	**5.176.985**
Property, Plant and Equipment	4		
Other		449.030	387.028
Assets in progress		0	57.494
Total		**449.030**	**444.523**
Investments	5		
Equity investments in subsidiaries		17.870.819	18.255.803
Financial receivables from subsidiaries		4.389.884	3.047.096
Other		8.994	3.932
Total		**22.269.697**	**21.306.831**
TOTAL NON-CURRENT ASSETS		**26.531.847**	**26.928.338**
CURRENT ASSETS			
Receivables	6		
Trade accounts receivable		44.617.233	45.512.907
Trade receivables from subsidiaries		451.361	743.927
Other receivables		4.238.770	2.217.471
Other receivables - non-current portion		48.479	53.873
Total		**49.355.843**	**48.528.178**
Marketable Securities	7		
Treasury shares		328.269	0
Other		90.018	90.018
Total		**418.287**	**90.018**
Bank and Cash	8		
Bank		91.036.118	95.959.235
Cash		43.670	43.703
Total		**91.079.788**	**96.002.938**
TOTAL CURRENT ASSETS		**140.853.918**	**144.621.134**
PREPAID EXPENSES AND ACCRUED INCOME	9		
Prepaid expenses		10.967	199.206
Accrued income		543.950	658.103
TOTAL PREPAIDS AND ACCRUED INCOME		**554.917**	**857.309**
TOTAL ASSETS		**167.940.682**	**172.406.781**

PARENT COMPANY FINANCIAL STATEMENTS AT 30 SEPTEMBER 2002

(€ thousands)	Notes	30 Sept. 2002	30 Sept. 2001
EQUITY AND LIABILITIES			
EQUITY	10		
Share capital		4.030.000	4.002.541
Share premium		112.871.055	112.871.055
Legal reserve		496.376	189.294
Treasury share reserve		328.269	0
Merger surplus		927.945	927.945
Other reserve		17.043	17.043
Retained earnings		5.437.989	3.059.142
Financial year net profit		8.072.180	6.141.658
TOTAL EQUITY		**132.180.857**	**127.208.678**
PROVISIONS FOR LIABILITES AND CHARGES	11		
Provision for retirement benefits		280.664	163.869
Provision for disputes		290.685	245.588
Other provisions		125.729	125.729
TOTAL PROVISIONS FOR LIABILITIES & CHARGES		**697.078**	**535.186**
LIABILITIES	12		
Borrowings			
* Current		0	1.251.556
* Non-current		0	1.549.371
Total		0	2.800.927
Other current liabilities			
Trade accounts payable		24.117.204	27.283.143
Unconsolidated subsidary payables		8.795.705	11.583.373
Tax liabilities		113.558	150.192
Social security liabilities		173.798	103.552
Other		1.861.723	2.386.898
TOTAL LIABILITIES		**35.061.988**	**44.308.086**
ACCRUED EXPENSES AND DEFERRED INCOME	13		
Accrued expenses		759	340.906
Deferred income		0	13.926
TOTAL ACCRUALS AND DEFERRED INCOME		**759**	**354.832**
TOTAL EQUITY AND LIABILITIES		**167.940.682**	**172.406.781**
Off-Balance Sheet Commitments and Guarantees Given			
in favour of third parties		*74.377*	*22.001*
in favour of thrid parties		*619.748*	*619.748*
Total	14	*694.125*	*641.749*

CAIRO COMMUNICATION SpA
PARENT COMPANY INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2002

(€)

Financial year ending 30 September	Notes	2002	2001
OPERATING REVENUES	19		
Sales		88.071.792	97.471.668
Less: advertising agency discounts		-11.657.684	-12.931.215
Net sales		76.414.108	84.540.453
Other operating revenues		2.385.043	2.207.449
TOTAL OPERATING REVENUES		**78.799.151**	**86.747.902**
OPERATING EXPENSES	20		
Advertising space fees and other services		71.759.786	79.103.128
Rental expenses		507.639	932.551
Personnel costs			
Wages and salaries		1.921.735	1.490.908
Social security charges		568.189	451.318
Employee termination benefits		130.511	94.342
Other		137.925	73.255
Total		2.758.360	2.109.823
Depreciation, amortisation and writedowns			
Amortisation		1.801.621	1.599.675
Depreciation		138.049	101.878
Trade receivables writedowns		670.000	671.394
Total		2.609.670	2.372.947
Other provisions charges		45.097	28.922
Other operating expenses		248.440	299.554
TOTAL OPERATING EXPENSES		**77.928.992**	**84.846.925**
OPERATING PROFIT		**870.159**	**1.900.977**
FINANCIAL INCOME AND EXPENSES	21		
FINANCIAL INCOME			
Subsidiary income		5.507.511	2.459.316
Marketable securities income		6.907	5.638
Other financial income		3.033.544	4.307.715
Total		**8.547.962**	**6.772.669**
FINANCIAL EXPENSES			
Subsidiaries		-221.262	-130.673
Other financial expenses		-186.830	-343.341
Total		**-408.092**	**-474.014**
NET FINANCIAL INCOME		**8.139.870**	**6.298.655**
INVESTMENT VALUE ADJUSTMENTS	22	**-182.020**	**-217.945**
EXCEPTIONAL INCOME AND EXPENSES	23		
EXCEPTIONAL INCOME			
Disposal capital gains		0	5.165
Other		0	50.790
Total		0	55.955
EXCEPTIONAL EXPENSES		0	-71.295
NET EXCEPTIONAL INCOME/(EXPENSES)		**0**	**-15.340**
PROFIT BEFORE TAX		**8.828.009**	**7.966.347**
INCOME TAX	24	-755.829	-1.824.689
NET PROFIT		**8.072.180**	**6.141.658**

These financial statements are in accordance with the accounting records.
Chairman of the Board of Directors
Urbano R. Cairo

CAIROCOMMUNICATION

Cairo Communication SpA

Notes to the Parent Company Financial Statements

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements of the Group's parent company, Cairo Communications SpA, henceforth known as the "Company", relating to the 2001-2002 financial year ending 30 September 2002, of which these notes are an integral part, were prepared from the Company's accounting records, in accordance with Article 2423, and subsequent amendments, of the Italian Civil Code.
For the purposes of financial transparency, the following appendices are included, and are an integral part of the financial statements and notes

- Appendix 1 - Parent Company Cash Flow Statement
- Appendix 2 - Subsidiaries Legal Information
  (in accordance with article 2427, Section V, of the Italian Civil Code)
- Appendix 3 – Subsidiaries Financial Statements

The financial statements at 30 September 2002 are presented with figures expressed in Euros (€) for the first time, as the Company adopted the Euro as its accounts currency from 31 December 2001. All of the previous year's historical accounting and reporting data have been restated from Lire into Euros.

1. BASIS OF PREPARATION

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

2. VALUATION PRINCIPLES

The following general valuation principles were adopted in the preparation of these financial statements:
Assets, liabilities, revenues and expenses were valued taking into account the principles of going concern, prudence and relevance.
The valuation principles applied are unchanged from those applied last year.

INTANGIBLE ASSETS

Intangible assets are valued at their acquisition cost, net of related costs. They are amortised to reflect their remaining useful economic lives, generally within five years.
Intangible assets are written down to their market value when it is lower than its book value. This write-down is reversed in subsequent years if the conditions for write-down no longer apply.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PPE) assets are valued at their acquisition cost, including direct charges, net of accumulated depreciation.
These assets are depreciated using the rates below, which reflect their remaining useful lives and economic factors:

Plant and machinery	30%
Motor vehicles	20%
Furnishings	12%
Office furniture	10%
Communications equipment	25%
Computer hardware	20%
Facilities	15%
Cellular phones	20%

PPE assets are depreciated at 50% of their depreciation rate during their first year of use, as prescribed by law. PPE assets are written down to their market value to reflect any permanent impairment in values; these write-downs may be subsequently reversed if the conditions for write-down no longer apply.
Maintenance costs are expensed, unless they prolong the life of the asset, in which case they are capitalised and depreciated.

INVESTMENTS

Equity investments in subsidiaries

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

Financial receivables from subsidiaries

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

RECEIVABLES

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

MARKETABLE SECURITIES

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

PROVISION FOR RETIREMENT BENEFITS

The provision for retirement benefits arises from the Group's cumulative liability to employees for services rendered, as prescribed by current legislation and employment contracts.
At 30 September 2002, the company had 53 employees, who can be categorised as follows:

- 5 Executive Managers
- 8 Managers and supervisors
- 40 Employees

OTHER PROVISIONS FOR LIABILITIES AND CHARGES

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

LIABILITIES

Liabilities arise from the Group's dealing with suppliers, banks and other financial institutions and third parties. They are recorded at their book value.
All liabilities are of short or medium term duration, with none due after five years.

PREPAIDS, DEFERRALS AND ACCRUALS

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

OFF-BALANCE SHEET GUARANTEES AND COMMITMENTS

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

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

REVENUE AND COST RECOGNITION

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

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

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

INCOME TAX

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

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

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

DIVIDENDS

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

PARENT COMPANY BALANCE SHEET NOTES

3. INTANGIBLE ASSETS

At 30 September 2002, intangible assets amounted to 3.8 million, a decrease of € 1.36 million on the previous financial year-end, and comprised the following items:

(€)	Gross Book Value	Accumulated Amortisation	Net Book Value at 30 Sept. 2001	2002 FY Net Change	Net Book Value at 30 Sept. 2002
Incorporation costs	51,448	(29,832)	21,616	(8,066)	13,550
Listing costs	7,236,089	(2,894,436)	4,341,653	(1,447,217)	2,894,436
Incorporation and listing costs	**7,287,537**	**(2,924,268)**	**4,363,269**	**(1,455,283)**	**2,907,986**
Computer software	**356,283**	**(154,546)**	**201,737**	**632,804**	**834,541**
Multi-year finance costs	116,203	(69,722)	46,481	(46,481)	0
Sites planning costs	129,114	(42,995)	86,119	(42,994)	43,125
Leasehold improvements	0	0	0	27,468	27,468
Other intangible assets	**245,317**	**(112,717)**	**132,600**	**(62,007)**	**70,593**
Intangible assets in progress	479,379	0	479,379	(479,379)	0
Total	**8,368,516**	**(3,191,531)**	**5,176,985**	**(1,363,865)**	**3,813,120**

The net movements for the 2001-2002 financial year were as follow:

(€)	Net additions	Amortisation	Reclassifications	Net Change
Incorporation costs	-	(8,066)	-	(8,066)
Listing costs	-	(1,447,217)	-	(1,447,217)
Incorporation and listing costs	**-**	**(1,455,283)**	**-**	**(1,455,283)**
Computer software	**114,014**	**(249,653)**	**768,443**	**632,804**
Multi-year finance costs	-	(46,481)	-	(46,481)
Site planning costs	-	(42,994)	-	(42,994)
Leasehold improvements	33,766	(7,210)	910	27,468
Other intangible assets	**33,766**	**(96,685)**	**-**	**(62,007)**
Intangible assets in progress	289,064	0	(768,443)	(479,379)
Total	**436,844**	**(1,801,621)**	**0**	**(1,363,865)**

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

The increase in software costs relates primarily to the capitalisation of costs regarding the installation of the Group's new Management Information System (MIS), in operation since the start of 2002. These costs were, in part, reclassified as intangible assets in progress at 30 September

2001. The increase also relates to the capitalisation of costs regarding the implementation of a new management system for management of print media advertising, to be used over many years. Software costs are amortised over a five-year period, to reflect their remaining useful lives.

4. PROPERTY, PLANT AND EQUIPMENT

At 30 September 2002, property, plant and equipment amounted to € 449 thousand, an increase of € 4.5 thousand on the previous financial year-end, and comprised the following items:

(€)	Gross Book Value	Revaluation	Accumulated Depreciation	Net Book Value at 30 Sept. 2001	Net Change	Net Book Value at 30 Sept. 2002
Motor vehicles	111,341	0	(62,582)	48,759	23,835	72,594
Plant and machinery	20,260	0	(19,780)	480	(480)	0
Furniture and furnishings	121,201	0	(32,783)	88,418	6,664	95,082
Communications equipment	17,402	0	(14,851)	2,551	(966)	1,585
Computer hardware	353,594	0	(107,843)	245,751	13,017	258,768
Other	19,042	0	(19,007)	35	20,356	20,391
Cellular telephones	6,927	0	(5,893)	1,034	(424)	610
Subtotal	**649,767**	**0**	**(262,739)**	**387,028**	**62,002**	**449,030**
Assets in progress	57,494	0	0	57,494	(57,494)	0
Total	**707,261**	**0**	**(262,739)**	**444,522**	**4,508**	**449,030**

The net movements for the 2001-2002 financial year were as follow:

(€)	Net additions	Amortisation	Net Change
Motor vehicles	49,356	(25,521)	23,835
Plant and machinery	0	(480)	(480)
Furniture and furnishings	17,142	(10,478)	6,664
Communications equipment	1,906	(2,872)	(966)
Computer hardware	104,320	(91,303)	13,017
Other	21,520	(1,164)	20,356
Cellular telephones	408	(832)	(424)
Immaterial value assets	5,399	(5,399)	(0)
Subtotal	**200,051**	**(138,049)**	**62,002**
Assets in progress	(57,494)	0	(57,494)
Total	**142,557**	**(138,049)**	**4,508**

5. INVESTMENTS

Equity investments in subsidiaries

At 30 September 2002, equity investments in subsidiaries amounted to € 17.87 million, a decrease of € 385 thousand on the previous financial year-end, and concerned the following companies:

(€)	30 Sept. 2001	Additions	Disposals	Write-downs	30 Sept. 2002
Cairo TV SpA	9,296,224	0	0	0	9,296,224
Editoriale Giorgio Mondadori SpA	8,487,538	0	(374,782)	0	8,112,756
Cairo Sport Srl	10,329	6,197	0	(6,197)	10,329
Cairo Web Srl	46,481	0	0	0	46,481
Il Trovatore SpA	415,231	165,621	0	(175,823)	405,029
TOTAL	**18,255,803**	**171,818**	**(374,782)**	**(182,020)**	**17,870,819**

During the 2001-2002 financial year, the following events had an impact on investment book values:

- A court ruling reduced the sales price relating to the acquisition by the Group in 2001 of Editoriale Giorgio Mondadori SpA (EGM) shares from minority shareholders, reflected in a decrease in its book value.
- Cairo Communication SpA took steps to ensure that the losses incurred by its subsidiary Cairo Sport Srl were covered, resulting in a € 6 thousand writedown of this company's book value.
- Cairo Communication SpA wrote off € 166 thousand in financial receivables due from Il Trovatore SpA, and accordingly wrote off a similar amount from this company's book value.

Information required pursuant to subsection 5 of Article 2427 of the Italian Civil Code is included in Appendix 2. Results from directly and indirectly controlled subsidiaries having the same year-end (30 September 2002) as the parent company were previously certified by their respective Board of Directors and approved by their respective Shareholders' Meeting. 30 September 2002 results were also reported for subsidiaries with a 31 December 2002 year-end, in order to provide greater financial transparency.

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

(€ thousands)	Equity 30 Sept. 2002	Net profit/(loss) 30 Sept. 2002	% Owned	Equity Method value	Balance Sheet value	Difference in values
Cairo TV SpA	5,943	1,950	100%	10,671	9,296	1,375
Editoriale Giorgio Mondadori SpA **	6,655	93	100%	8,469	8,113	356
Cairo Web Srl	72	(252)	100%	72	47	25
Il Trovatore SpA **	93	(193)	80%	305	405	(100)
Cairo Sport Srl *	10	11	100%	10	10	-
Total				**19,527**	**17,871**	**1,656**

** Figures at 31 December 2001.*

*** Equity at 30 September 2002, adjusted for purpose of consolidation.*

The book value of the Company's equity investment in Il Trovatore SpA is € 100 thousand higher than that arising from the application of the equity method. The difference does not represent a permanent loss in value.

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

Financial Receivables

Financial receivables from subsidiaries totalled € 4.38 million, an increase of € 1.34 million on the previous financial year-end.

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

(€)	30 Sept. 2001	New financing	Repayments	Transfer to equity	30 Sept. 2002
Cairo Sport	0	6,197	0	(6,197)	0
Editoriale Giorgio Mondadori SpA	2,840,513	1,032,914	0	0	3,873,427
Cairo Web Srl	206,583	309,874	0		516,457
Total	**3,047,096**	**1,348,985**	**0**	**(6,197)**	**4,389,884**

6. RECEIVABLES

Trade accounts receivable

At 30 September 2002, trade receivables from subsidiaries amounted to € 44.6 million, a decrease of € 896 thousand on the previous financial year-end, and comprised the following items:

(€)	30 Sept. 2001	30 Sept. 2002	Change
Gross book value	47,180,691	46,801,749	(378,942)
Allowance for doubtful accounts	(1,667,784)	(2,184,516)	(516,732)
Total	**45,512,907**	**44,617,233**	**(895,674)**

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

Trade receivables from subsidiaries

At 30 September 2002, trade receivables from subsidiaries amounted to 451 thousand, a decrease of € 293 thousand on the previous financial year-end, and comprised the following items:

(€)	30 Sept. 2001	30 Sept. 2002
Cairo TV SpA	0	0
Cairo Web Srl	322,927	42,000
Editoriale G. Mondadori SpA	229,176	247,741
Cairo Editore SpA (formerly L'Airone of Giorgio Mondadori & Associati)	55,777	27,889
Il Trovatore SpA	136,047	133,731
Total	**743,927**	**451,361**

These receivables relate primarily to corporate services provided to these companies by Cairo Communication SpA for group companies. These services are carried out based on annual contracts, renewable on a yearly basis.

Other receivables

At 30 September 2002, other receivables amounted to € 4.28 million, an increase of € 2.01 million on the previous financial year-end, and comprised the following items:

(€)	30 Sept. 2001	30 Sept. 2002	Change
Current			
Prepaid income tax refund receivable	300,755	399,984	99,229
Interest withholdings receivable	0	447,391	447,391
IRPEG receivable	386,502		(386,502)
IRAP receivable	99,014	17,338	(81,676)
VAT receivable	183,381	24,725	(158,656)
Dividend tax receivable	909,945	1,982,704	1,072,759
Various	337,874	1,366,464	1,028,590
Non-Current	0		0
Prepaid income tax refund receivable	53,873	48,643	(5,230)
Total	**2,271,344**	**4,287,249**	**2,015,905**

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

Prepaid tax receivable arises from the prepayment of deferred deducible costs at 30 September 2002.

Various receivables primarily relate to € 1.1 million in prepaid fees to a media client, pursuant to contractual obligations.

7. MARKETABLE SECURITIES

At 30 September 2002, marketable securities amounted to € 418 thousand, an increase of € 328 thousand on the previous financial year-end, and comprising € 328 thousand in treasury shares and € 90 thousand in other securities.

Treasury shares comprised 18,251 Company shares with a par value of € 0.52 each, valued at their weighted-average cost of € 18 per share, compared to an average September 2002 share price of € 18.30. These shares were acquired pursuant to the share buyback programme authorised by the Shareholders' Meeting of 30 October 2001.

The Meeting authorised the Board of Directors to acquire a maximum of 200,000 common shares of Cairo Communication SpA, each with a book value of € 0.52, up to a maximum value of € 3 million, using retained earnings. The minimum share purchase price was set at 70% of the Italian Stock Market average quoted price for the share in the fifteen working days prior to buyback, while the maximum share purchase price was set at 130% of the Italian Stock Market average quoted price for the share in the fifteen working days prior to buyback, not exceeding € 65 per share.

The Meeting also authorised the Board of Directors to sell the treasury shares acquired, in one or more transactions, even before the finalisation of their acquisition, at a price not lower than their weighted-average cost.

The other shares held include state bonds, treasury bonds maturing in July 2007 and shares in Dalmine SpA, whose book value reflects its current market value.

8. BANK AND CASH

At 30 September 2002, other receivables amounted to 91 million, a decrease of € 4.9 million on the previous financial year-end, and comprised the following items:

(€)	30 Sept. 2001	30 Sept. 2002	Change
Bank	95,959,235	91,036,118	(4,923,117)
Cash	43,703	43,670	(33)
Total	**96,002,938**	**91,079,788**	**(4,923,150)**

Net financial assets included € 5.2 million in funds borrowed from the unconsolidated subsidiary Immobiledit Srl, in order to optimise the Group's treasury management.

Evolution of Company Net Financial Position

(€)	30 Sept. 2001	30 Sept. 2002	Change
Bank and cash	96,002,938	91,079,788	(4,923,150)
Current and non-current borrowings	(2,800,927)	0	2,800,927
Net Financial Assets	**93,202,011**	**91,079,788**	**(2,122,223)**
Borrowings from subsidiaries	(6,972,168)	(5,164,569)	1,807,599
Net Financial Position	**86,229,843**	**85,915,219**	**(314,624)**

9. PREPAID EXPENSES AND ACCRUED INCOME

At 30 September 2002, prepaid expenses and accrued income amounted to € 555 thousand, an increase of € 302 thousand on the previous financial year-end:

(€)	30 Sept. 2001	30 Sept. 2002	Change
Prepaid expenses	199,206	10,967	(188,239)
Accrued income	658,103	543,950	(114,153)
Total	**857,309**	**554,917**	**(302,392)**

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

10. EQUITY

At 30 September 2002, Company equity amounted to € 132.2 million, an increase of € 4.9 million on the previous financial year-end, reflecting the Company's net profit for 2001-2002, net of € 3.1 million in distributed dividends and comprising the following items:

(€)	Share capital	Share premium	Legal reserve	Treasury share reserve	Merger surplus	Retained earnings and other reserves	Net profit	Total
30 Sept. 2001 Balances	**4,002,541**	**112,871,055**	**189,294**	**-**	**927,945**	**3,076,184**	**6,141,658**	**127,208,677**
Share capital conversion	27,459	-	-	-	-	(27,459)	-	0
2000-2001 net profit allocation	-	-	307,082	-	-	2,734,576	(3,041,658)	0
Dividend distribution	-	-	-	-	-	-	(3,100,000)	(3,100,000)
Allocation to treasury share reserve	-	-	-	328,269	-	(328,269)	-	0
2001-2002 net profit	-	-	-	-	-	-	8,072,180	**8,072,180**
30 Sept. 2002 Balances	**4,030,000**	**112,871,055**	**496,376**	**328,269**	**927,945**	**5,455,032**	**8,072,180**	**132,180,857**

The Board of Directors of Cairo Communication SpA at 1 October 2001 decided to convert its share capital from Lire (ITL) into Euros, pursuant to Article 17 of the Legislative Decree no. 213 of 24 June 1998, as modified by Article 2 of the Legislative Decree no. 206 of 15 June 1999, using the simplified procedure outlined in subsections 1 and 5 of Article 17, involving the rounding off of cents, reducing the reserve for retained earnings by a figure equal to the difference between the preceding share capital and that after conversion. The new share capital, expressed in Euros, amounted to € 4.03 million (ITL 7.8 billion). Thus the difference between the preceding share capital of ITL 7.75 billion and the new figure, after conversion, resulted in a reduction of retained earnings by € 27,000.

The Shareholders' Meeting of 30 January 2002 approved the Company's accounts for the financial year ending 30 September 2001 and approved the distribution of € 3.1 million in dividends.

The Board of Directors of Cairo Communication SpA, at its 30 January 2002 meeting, authorised the allocation of a first block of 60,000 shares of the stock option plan approved by the Extraordinary Meeting of 19 April 2000.

The stock issue price was set at 85% of the placement price by the Board, pursuant to powers granted to it by the Extraordinary Meeting of 20 June 2000, as outlined in the Prospectus regarding this operation.

The Board of Directors at their meeting of 17 December 2001 approved the regulations governing the allocation of the aforementioned shares.

The plan proposed by the Chairman and approved by the Board gives stock option rights to certain

executives and agents of the company, proportional to the achievement of set objectives.
Options may be exercised after the Shareholders' Meeting of 30 September 2001 that approved the plan until 30 September 2003, in accordance with the conditions set by the regulations.

11. PROVISIONS FOR LIABILITES AND CHARGES

Provision for retirement benefits

At 30 September 2002, the provision for retirement benefits amounted to € 281 thousand, an increase of € 117 thousand on the previous financial year-end, and comprised the following items:

(€)	**30 Sept. 2001**	**Disbursements**	**Charges**	**30 Sept. 2002**
Employee provisions	120,998	(28,795)	75,631	167,834
Manager provisions	42,871	15,079	54,880	112,830
Total	**163,869**	**(13,716)**	**130,511**	**280,664**

Analysis of workforce size by job classification

	30 Sept. 2001	**30 Sept. 2002**	**Average**
Executive managers	5	8	7
All other managers	5	5	5
Employees	37	40	38
Total	**47**	**53**	**50**

Provisions for disputes and other charges

At 30 September 2002, the provision for disputes and other charges amounted to € 417 thousand, an increase of € 45 thousand on the previous financial year-end, and comprised the following items:

(€)	**30 Sept. 2001**	**Used**	**Charges**	**30 Sept. 2002**
Various	125,729	0	0	125,729
Provision for disputes	245,588	0	45,097	290,685
Total	**371,317**	**0**	**45,097**	**416,414**

These provisions include those established to provide for charges that may arise from current legal proceedings and contractual disputes that remain unsettled at 30 September 2002.

12. LIABILITIES

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

Borrowings

At 30 September 2002, the Company had no borrowings compared to € 2.8 million at the previous financial year-end.

(€)	30 Sept. 2001	30 Sept. 2002
Borrowings from banks – due within 1 year	218,643	0
Borrowings from Interbanca – due within 1 year	1,032,913	0
Borrowings from Interbanca – due after 1 year	1,549,371	0
Total	**2,800,927**	**0**

Invoking an early repayment clause, the parent company, Cairo Communication SpA, repaid its Interbanca ITL 10 billion borrowings prior to its 30 September 2002 year-end.

These borrowings were at three-month EURIBOR (European Interbank Offered Rate) rate plus 1.75%.

Trade accounts payable

At 30 September 2002, trade accounts payable amounted to € 24.1 million, a decrease of € 3.1 million on the previous financial year-end.

Subsidiary payables

At 30 September 2002, subsidiary payables amounted to € 8.8 million, a decrease of € 2.8 million on the previous financial year-end, and concern the following subsidiaries:

(€)	30 Sept. 2001	30 Sept. 2002
Editoriale Giorgio Mondadori SpA	880,816	2,956,010
Cairo Editore (formerly L'Airone of Giorgio Mondadori & Associati)	90,157	136
Cairo TV SpA	5,447,831	559,661
Immobiledit Srl	5,164,569	5,279,898
Total	**11,583,373**	**8,795,705**

Commercial liabilities

Payables to Editoriale Giorgio Mondadori SpA and Cairo TV SpA relate to mainly to fees due to these companies arising from the sale of advertising space on behalf of magazines and Tele+ terrestrial and digital TV channels.

Financial liabilities

These comprise € 5.2 million in funds borrowed from the unconsolidated subsidiary Immobiledit Srl, in order to optimise the Group's cash treasury management

Tax liabilities

At 30 September 2002, tax liabilities amounted to € 114 thousand, a decrease of € 37 thousand on the previous financial year-end, and comprised the following items:

(€)	30 Sept. 2001	30 Sept. 2002
Payroll deductions - employees	37,938	36,642
Payroll deductions – contract workers	105,879	73,311
Other	6,375	3,605
Total	**150,192**	**113,558**

Social security liabilities

At 30 September 2002, social security liabilities amounted to € 174 thousand, an increase of € 70 thousand on the previous financial year-end.

Other liabilities

At 30 September 2002, other liabilities amounted to € 1.9 million, a decrease of € 525 thousand on the previous financial year-end, and comprised the following items:

(€)	30 Sept. 2001	30 Sept. 2002
EGM acquisition liability	891,239	00
RCS Periodici liability	536,771	852,963
Various	958,888	1,008,760
Total	**2,386,898**	**1,861,723**

As previously mentioned, during this year a court ruling reduced the sales price relating to the acquisition by the Group in 2001 of Editoriale Giorgio Mondadori SpA shares from its previous shareholders. The price reduction agreed with the seller was recorded as a reduction in the investment's book value.

13. ACCRUED EXPENSES AND DEFERRED INCOME

At 30 September 2002, accrued expenses and deferred income amounted to € 759, a decrease of € 354 thousand on the previous financial year-end.

(€)	30 Sept. 2001	30 Sept. 2002	Change
Accrued expenses	340,906	759	(340,147)
Deferred income	13,926	0	(13,926)
Total	**354,832**	**759**	**(354,073)**

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

14. OFF-BALANCE SHEET COMMITMENTS AND GUARANTEES

Guarantees

Guarantees current at 30 September 2002 were those relating to subsidiary companies in the amount of € 619 thousand and to third parties in the amount of € 74 thousand, relating primarily to rental contracts.

Commitments

1. In mid-October 2002, RCS Periodici and Cairo Communication jointly agreed not to renew the advertising space sales rights contract for the "Anna", "Oggi", "Salve", "Novella 2000" and "Visto" magazines, expiring on 31 December 2002. At the close of their contractual relationship, the two groups recognised the need to adopt different strategies, with Cairo focusing on organic value creation, through its own magazine titles, which have considerable untapped advertising potential, and through new, high readership titles. Upon expiry of the contract, the commitments made by Cairo Group to RCS, including commitments not to sell advertising space for magazine titles that directly compete with those published by RCS Group, as well other commitments described in the Notes to the 2000-2001 Parent Company Financial Statements, will no longer be in force.

2. On 9 November 2002, Cairo Communication SpA signed a three-year contract (2003-2005) with TV Internazionale SpA (SEAT PG Group), broadcaster of the La7 TV network, and renewable for another three-year period if certain agreed objectives are met, giving Cairo the exclusive rights to sell advertising space on its channels. The contract provides for average minimum guaranteed fees of € 45.8 million per year over three years, with the first year comprising an entrance fee of € 7.5 million and a minimum guarantee fee of € 37.4 million. La7 has given a commitment to maintain predetermined viewing audience numbers. The corresponding minimum annual fees are calculated on annual gross revenue of € 66 million which, given La7's 2% average market share, amounts to € 33 million in gross revenue per basis point, significantly less than Mediaset's current € 55 million per basis point.

   In guarantee of the above minimum annual fees, Cairo Group will issue a € 23 million surety bond in 2003, with a 15 June 2004 expiry date, renewable annually for an amount not greater than that of the preceding year, with predetermined mechanisms in place for the reduction of the commitment.

15. CONTINGENCIES

1. During the 2002 financial year, arbitration continued in the matter of the unsolicited share capital acquisition of Vittorio Feltri Editore and C. Srl company, publisher of the “Libero Quotidiano”. As a result, the parent company’s Shareholders’ Meeting decided to consider modifying the company’s bylaws, with a view to increasing its share capital to facilitate the aforementioned share capital acquisition. This change was not carried in light of the non-satisfaction of essential preliminary conditions.
   The arbitrator has not called the Group, which still has to issue a formal declaration of its investment stake in Vittorio Feltri Editore e C., to other parties, to appear. Moreover, the effects of the arbitration, where the ineffectiveness of the agreements and their relative defaults has been discussed and requests made for damages between parties, may have an impact on the Group.
   The dispute has already been settled with Vittorio Feltri, resulting in the reimbursement of all his legal costs. The arbitration, therefore, has only continued with the other parties: following the exchange of legal statements, the arbitrator’s decision is expected during January 2003.
   The arbitrator decided not to order the technical advice requested by the other party in order to give evidence of the damages they allege they have suffered. Based on advice received, the Group feels that despite the considerable uncertainty surrounding this dispute, signs point to a positive outcome.

2. Following an audit of direct and indirect taxes with regard to the 1998 and 1999 accounts of Cairo Pubblicità SpA, whose activities were merged into those of Cairo Communication SpA on 30 September 2001, legal proceedings have been undertaken by the State. The Group has not yet received any notification of taxes sought arising from this audit. Based on advice received from the Group’s tax counsel, Cairo anticipates that these activities could be the subject of further tax audits that are not likely to be contentious, keeping in mind that what is primarily contested are interpretations of financial regulations. Nonetheless, any potential liability on the part of the Group is covered by provisions for losses established at 30 September 2002

3. The Group subsidiary Cairo Web Srl is currently a party to a legal action brought against it by Net Fraternity Network SpA, regarding the sale of advertising space on this company’s network. Net Fraternity has requested that the contract be dissolved on grounds of non-fulfilment. Cairo Web Srl is vigorously defending itself against these claims, which it believes to be unfounded, and the significant damages sought, based on Cairo Web Srl’s obligations regarding advertising

space sales as defined in the contract between the two parties, which does not contain any commitment regarding the payment of a minimum fee nor does it prescribe the payment of any significant damages. Cairo Web Srl has appeared before the court to have the case against it dismissed and to seek damages for unnecessary court proceedings. The Court did not admit any evidence from witnesses from either party, thereby not enabling the case to proceed. However, the Court has sought technical advice, whose scope will be set at the next hearing, during 2003. Based on these developments and the advice of the Group's legal advisors, no provision has been established for this claim.

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

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

16. LIABILITES AND RECEIVABLES DUE AFTER FIVE YEARS

There were no receivables or liabilities due after five years.

17. CAPITALISED FINANCIAL EXPENSES

The company neither incurred nor capitalised any financial expenses during the course of the year.

18. INVESTMENT INCOME OTHER THAN DIVIDENDS

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

PARENT COMPANY INCOME STATEMENT NOTES

The following notes detail the major revenues realised and expenses incurred during the financial year ending 30 September 2002.

19. OPERATING REVENUES

2001-2002 Company operating revenues amounted to € 78.8 million, a decrease of € 7.9 million on the previous financial year. Operating revenues comprises sales net of advertising agency discounts and other operating revenues, in order to provide relevant and comprehensive financial information.

Net sales

2001-2002 Company net sales amounted to € 76.4 million, a decrease of € 8.1 million on the previous financial year, and can be analysed by activity as follows:

(€)	**2000-2001 FY**	**2001-2002 FY**
Stadium advertising space sales	5,931,012	2,275,012
Print media advertising space sales	78,013,408	71,240,832
TV advertising space sales	11,925,199	11,611,499
Billboard advertising space sales	0	183,279
Group services	1,602,049	2,761,170
Sales	**97,471,668**	**88,071,792**
Less: ad agency discounts	(12,931,215)	(11,657,684)
Net sales	**84,540,453**	**76,414,108**

No analysis by geographic region is provided, as all sales are generated in Italy.
The reduction in billboard advertising space sales for this year relates to the discontinuation of contracts held with the Lazio football team
Apart from providing advertising services directly to many sectors, due to its structures in the areas of administration, auditing, financial analysis, management, information systems, debt recovery and marketing, the Company also provides services in these fields to other Group companies.
The Company realised sales with the following Group companies:

(€)	**2000-2001 FY**	**2001-2002 FY**
Cairo TV SpA	1,239,497	2,460,000
Cairo Web Srl	154,937	42,000
Il Trovatore SpA	21,691	19,589
Cairo Editore (formerly L'Airone of Giorgio Mondadori & Associati SpA)	92,962	46,481
Editoriale Giorgio Mondadori SpA	92,962	193,100
Total	**1,602,049**	**2,761,170**

During the financial year, the Company reviewed its sales of services on an activity and volume basis to other Group companies. Inter-Group sales are governed by contract.

Other operating revenues

2001-2002 Company other operating revenues amounted to € 2.4 million, a decrease of € 178 thousand million on the previous financial year, and comprised the following items:

(€)	2000-2001 FY	2001-2002 FY
Rebilled agent and employee costs	69,465	59,251
Rebilled stadium material costs	291,620	120,269
Rebilled print media technical costs	970,614	1,473,604
Rebilled print media receivable loss	117,738	160,471
Other rebillings	-	21,446
Gain on asset disposal	758,012	550,002
Total	**2,207,449**	**2,385,043**

20. OPERATING EXPENSES

2001-2002 Company operating expenses amounted to € 77.9 million, a decrease of € 7.3 million on the previous financial year.

Advertising space fees and other services

2001-2002 Company advertising space fees and other services amounted to € 71.3 million, a decrease of € 7.3 million on the previous financial year, and is analysed as follows:

(€)	2000-2001 FY	2001-2002 FY
Ad space fees - print media and billboards	57,423,392	54,048,838
Ad space fees - stadiums	4,313,335	1,729,509
Ad space fees - Cairo TV	8,542,053	7,547,474
Commissions	4,174,041	4,230,824
Negotiation rights	628,096	484,053
Consultancy fees	385,881	582,763
Board of Directors’ fees	77,469	242,711
Cairo Pubblicità Board of Directors’ fees	530,377	0
Board of Auditors’ fees	75,393	47,000
Cairo Pubblicità Board of Auditors’ fees	18,592	0
General administrative costs	1,767,389	2,202,062
Olympic Stadium (Rome) material costs	367,179	188,947
Technical costs	799,931	455,605
Total	**79,103,128**	**71,759,786**

Included in this item is the profit percentage allocated to Editoriale Giorgio Mondadori in the current advertising contract, amounting to € 10.9 million and other charges from the same subsidiary relating to the use of space in the premises at 55 Corso Magenta, Milan, which total € 93 thousand for the year.

In addition, € 7.5 million paid to Cairo TV SpA by the Company, acting as an agent for the former in the sale of advertising space on behalf of Tele+ terrestrial and digital television channels.

Rental expenses

2001-2002 Company rental expenses amounted to € 508 thousand, a decrease of € 425 thousand on the previous financial year.

Other operating expenses

2001-2002 Company rental expenses amounted to € 248 thousand, a decrease of € 51 thousand on the previous financial year. They relate primarily to € 160 thousand in receivables bad debts, billboard sales revenue taxes and contingent liability charges.

21. FINANCIAL INCOME AND EXPENSES

Financial Income

2001-2002 Company financial income amounted to € 8.5 million, an increase of € 1.7 million on the previous financial year, and is analysed as follows:

(€)	2000-2001 FY	2001-2002 FY
Subsidiaries dividend income	**2,459,316**	**5,507,511**
Bank interest income	4,305,376	3,033,191
Marketable securities interest income	5,638	6,907
Various	2,339	353
Total other financial income	**4,313,353**	**3,040,451**
Total	**6,772,669**	**8,547,912**

Subsidiaries dividend income arises from dividends received from Cairo TV SpA, grossed up for tax credits. Cairo TV SpA distributed € 3.5 million in cash dividends, drawing on reserves which give a full tax credit to the recipient, pursuant to Legislative Decree 467/97.

Financial expenses

2001-2002 Company financial expenses amounted to € 408 thousand, a decrease of € 66 thousand on the previous financial year, and is analysed as follows:

(€)	2000-2001 FY	2001-2002 FY
Bank interest expenses	97,677	6,594
Borrowings interest expenses	235,130	126,856
Other interest expenses	10,376	42,604
Group borrowings interest expenses	130,673	221,262
FOREX losses	158	10,776
Total	**474,014**	**408,092**

Borrowings interest expenses relate primarily to finance received from Interbanca SpA.
The Company incurred € 45 thousand and € 175 thousand in Group borrowings and Immobiledit Srl interest expenses, respectively, during its 2001-2002 financial year.

22. INVESTMENT VALUE ADJUSTMENTS

During 2001-2002, the Company realised writedowns of € 176 thousand and € 6 thousand on its equity investments in Trovatore Srl and Cairo Sport Srl respectively, in order to reflect permanent declines in value.

23. EXCEPTIONAL INCOME AND EXPENSES

Exceptional income

There was no exceptional income recorded for the 2001-2002 financial year.

24. INCOME TAX

2001-2002 Company income tax decreased by € 1.06 million to € 756 thousand.
In accordance with Italian Accounting Principle no. 25, the Group recognised some prepaid income tax relating to some group companies' deferred tax deductions (write-down provision credits).

(€)	2000-2001 FY	2001-2002 FY
Current		
- IRPEG	1,647,502	650,837
- IRAP	236,962	204,223
Prepaid income tax	(59,775)	(99,229)
Total	**1,824,689**	**755,829**

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

Pursuant to Article 2427, no. 16 of the Italian Civil Code and stipulations by CONSOB (Italian Stock Exchange Supervisory Commission), the Group discloses the following remuneration awarded to the Board of Directors and Board of Auditors of Cairo Communication SpA for services rendered to the parent company and its subsidiaries during the financial year ending 30 September 2002:

Name	Position	Term expiry date	Directors fees (€)		Other Remuneration (€)		
			Parent Company	Subsidiaries	Non-monetary	Bonuses	Other
Board of Directors							
Urbano R Cairo	Chairman	30 Sept. 2002	68	218	-	-	
Uberto Fornara	Vice-Chairman & CEO	30 Sept. 2002	66	111	-	-	144
Roberto Cairo	Director	28 May 2000 to 30 Sept. 2002	21	5	-	-	
Giuliano Cesari	Director	30 Sept. 2002	21	10	-	-	83
Marco Janni	Director	30 Sept. 2002	21	-	-	-	-
Antonio Magnocavallo	Director	30 Sept. 2002	21	-	-	-	-
Roberto Rezzonico	Director	30 Sept. 2002	21	-	-	-	-
Board of Auditors							
Mauro Sala	Chairman	30 Sept. 2002	20	31	-	-	-
Marco Baccani	Principal Auditor	30 Sept. 2002	13	26	-	-	-
Ferraro Antonio	Principal Auditor	30 Sept. 2002	13	-	-	-	-

The Cairo Communication SpA Shareholders’ Meeting held on 30 January 2002 approved remuneration of € 150,000 for the Board of Directors. The Cairo Communication Board of Directors approved supplementary remuneration for its Chairman, Urbano Cairo and its Vice-Chairman, Uberto Fornara, pursuant to subsection II of Article 2389 of the Italian Civil Code, on 30 January 2002.

26. SHARE CAPITAL COMPOSITION

At 30 September 2002, the share capital of Cairo Communication SpA amounted to € 4.03 million, comprising 7,750,000 shares with a par value each of € 0.52.

Chairman of the Board

(Dr. Urbano R. Cairo)

CAIRO COMMUNICATION SpA

PARENT COMPANY CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2002

(€ thousands)		
Financial year ending 30 September	**2002**	**2001**
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR (1)	**87.780**	**89.847**
OPERATING ACTIVITIES		
Parent company net profit	8.072	6.142
Depreciation and amortisation	1.940	1.703
Disposal capital gains	0	0
Investment writedowns	182	219
Provision for termination benefits movements	117	-24
Other provisions for liabilites and charges movements	45	29
Cash generated from operations	**10.356**	**8.070**
Trade receivables movements	-829	-5.275
Trade payables movements	-3.746	-5.738
Marketable securities movements (treasury shares)	-328	0
Accrued expenses and deferred income movements	-52	241
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**5.401**	**-2.702**
INVESTING ACTIVITIES		
Intangible and tangible assets acquisitions	-580	-673
Investment acquisitions	-172	-87
Loans made	-1.343	2.582
Other movements	-5	0
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**-2.100**	**1.822**
FINANCING ACTIVITIES		
Dividend distribution	-3.100	0
Istituti di Credito borrowing repayment	-1.549	-1.033
Investment borrowings reduction	-516	-155
NET CASH USED IN FINANCING ACTIVITIES	**-5.165**	**-1.188**
FINANCIAL YEAR NET CASH FLOW MOVEMENTS	**-1.864**	**-2.067**
CASH AND CASH EQUIVALENTS - END OF YEAR (1)	**85.915**	**87.780**

(1) Includes bank and cash net of current borrowings and borrowings of € 5,165 thousand from an unconsolidated subsidiary.

Chairman of the Board of Directors

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

SUBSIDIARIES – DIRECTLY CONTROLLED	.
Name:	**Cairo TV SpA**
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 260,000
Equity at 30 September 2001:	€ 7,517,681
2000-2001 Financial Year Net Profit:	€ 3,078,053
Equity at 30 September 2002:	€ 3,504,661
2001-2002 Financial Year Net Profit:	€ 1,950,041
Ownership Percentage:	100%

Name:	**Editoriale Giorgio Mondadori SpA**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 6,204,000
Equity at 30 September 2001:	€ 6,517,672
2000-2001 Financial Year Net Loss (3 months):	€ (45,098)
Equity at 30 September 2002:	€ 6,655,900
2001-2002 Financial Year Net Profit:	€ 93,129
Ownership Percentage:	100%

Name:	**Cairo Web Srl**
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 46,800
Equity at 30 September 2001:	€ 324,873
2000-2001 Financial Year Net Profit:	€ 69,810
Equity at 30 September 2002:	€ 72,198
2001-2002 Financial Year Net Loss:	€ (252,675)
Ownership Percentage:	100%

Name:	**Il Trovatore SpA**
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 103,200
Equity at 30 September 2001:	€ 132,353
2000-2001 Financial Year Net Loss:	€ (179,196)
Equity at 30 September 2002:	€ 92,635
2001-2002 Financial Year Net Loss:	€ (192,922)
Ownership Percentage:	80%

Name:	**Cairo Sport Srl**
Head Office:	Via Tucidide 56 - Milan - Italy
Share Capital:	€ 10,400
Equity at 30 September 2001:	€ 18,002
2000-2001 Financial Year Net Loss:	€ (5,300)
Ownership Percentage:	100%

SUBSIDIARIES – INDIRECTLY CONTROLLLED

Name:	**Cairo Editore SpA**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 1,020,000
Equity at 30 September 2001:	€ 800,761
2000-2001 Financial Year Net Profit:	€ 27,480
Equity at 30 September 2002:	€ 6,390,316
2001-2002 Financial Year Net Profit:	€ 5,670,770
Ownership Percentage:	99.95%

Name:	**Immobiledit Srl**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 5,610,000
Equity at 30 September 2001:	€ 5,154,937
2000-2001 Financial Year Net Profit:	€ 1,826,783
Equity at 30 September 2002:	€ 5,244,588
2001-2002 Financial Year Net Profit:	€ 89,621
Ownership Percentage:	100%

Name:	**Edizioni Anabasi S,r,l,**
Head Office:	Corso Magenta 55 - Milan - Italy
Share Capital:	€ 10,200
Equity at 30 September 2001:	€ 12,690
2000-2001 Financial Year Net Loss:	€ (3,709)
Equity at 30 September 2002:	€ 10,202
2001-2002 Financial Year Net Loss:	€ (2,488)
Ownership Percentage:	100%

Chairman of the Board of Directors
Urbano R. Cairo

Cairo Communication Subsidiaries
Company Balance Sheets and Income Statements
at 31 December 2001

(€)	Immobiledit	Airone	Editoriale Giorgio Mondadori
BALANCE SHEET	**31 Dec. 2001**	**31 Dec. 2001**	**31 Dec. 2001**
Assets			
Intangible assets	0	321.803	4.620.980
Property, plant and equipment	0	2.161.202	218.827
Investments	0	86.109	3.736.790
Total Non-Current Assets	**0**	**2.569.114**	**8.576.597**
Inventory	0	1.472.878	985.209
Receivables	7.456.859	4.094.622	2.717.660
Marketable securities		0	4.907.809
Bank and cash	73.822	417.282	73.772
Total Current Assets	**7.530.681**	**5.984.783**	**8.684.451**
Prepaid expenses and accrued income	3.654	64.608	108.946
Total Assets	**7.534.335**	**8.618.505**	**17.369.995**
Equity and Liabilities			
Share capital	5.681.026	1.032.914	6.197.483
Reserves	91.530	0	41.591
Retained earnings	(2.444.401)	(259.633)	323.696
Financial year net profit/(loss)	1.826.783	27.480	(45.098)
Total Equity	**5.154.937**	**800.761**	**6.517.672**
Provision for liabilities and charges	2.276.071	268.558	309.874
Provision for termination benefits	0	1.214.781	938.222
Liabilities	103.326	6.334.406	9.541.770
Accrued expenses and deferred income	0	0	62.457
Total Equity and Liabilities	**7.534.335**	**8.618.505**	**17.369.995**
INCOME STATEMENT	**31 Dec. 2001**	**31 Dec. 2001**	**31 Dec. 2001**
Operating revenues	32.652	12.337.021	2.690.075
Operating expenses	199.812	12.139.958	2.693.900
Operating profit/(loss)	(167.160)	197.063	(3.825)
Net financial income/(expenses)	219.714	(4.262)	(10.458)
Net exceptional income	2.972.237	0	0
Profit/(loss) before tax	**3.024.791**	**192.802**	**(14.283)**
Income tax	(1.198.008)	(165.321)	(30.816)
Net profit/(loss)	**1.826.783**	**27.480**	**(45.098)**

Chairman of the Board of Directors
Urbano R. Cairo

CAIRO COMMUNICATION SpA
Sede Sociale in Milano - Via Tucidide 56
Capitale Sociale
Euro 4.030.000

Cairo Communication Subsidiaries
Company Balance Sheets and Income Statements
at 30 September/31 December 2001

(€)	Cairo TV	Cairo Web	Il Trovatore
BALANCE SHEET	**30 Sept. 2001**	**30 Sept. 2001**	**31 Dec. 2001**
Assets			
Intangible assets	173.313	17.067	9.834
Property, plant and equipment	69.050	21.586	34.152
Investments	29.801	0	3.873
Total Non-Current Assets	**272.164**	**38.653**	**47.860**
Receivables	20.777.099	904.180	226.823
Bank and Cash	3.304.994	395.448	155.000
Total Current Assets	**24.082.094**	**1.299.628**	**381.823**
Prepaid expenses and accrued income	159.642	469.935	74.462
Total Assets	**24.513.900**	**1.808.216**	**504.146**
Equity and Liabilities			
Share capital	258.228	46.481	103.291
Reserves	228.212	10.429	0
Retained earnings	3.953.187	198.154	129.114
Financial year net profit/(loss)	3.078.053	69.810	(101.616)
Total Equity	**7.517.681**	**324.874**	**130.789**
Provision for liabilities and charges	239.836	0	0
Provision for termination benefits	85.436	1.223	0
Liabilities	16.670.947	1.482.119	373.357
Total Equity and Liabilities	**24.513.900**	**1.808.216**	**504.146**

INCOME STATEMENT	**30 Sept. 2001**	**30 Sept. 2001**	**31 Dec. 2001**
Operating revenues	44.654.015	2.232.038	196.072
Operating expenses	39.633.374	2.112.769	299.517
Operating profit/(loss)	5.020.641	119.269	(103.445)
Net financial income/(expenses)	147.167	(5.151)	1.829
Net exceptional income	55.327	0	0
Profit/(loss) before tax	**5.223.135**	**114.118**	**(101.616)**
Income tax	(2.145.082)	(44.308)	0
Net profit/(loss)	**3.078.053**	**69.810**	**(101.616)**

Chairman of the Board of Directors
Urbano R. Cairo

CAIRO COMMUNICATION SpA
Sede Sociale in Milano - Via Tucidide 56
Capitale Sociale
Euro 4.030.000

Cairo Communication Subsidiaries
Company Balance Sheets and Income Statements
at 30 September 2002

(€)	**Cairo TV**	**Cairo Web**
BALANCE SHEET	**30 Sept. 2002**	**30 Sept. 2002**
Assets		
Intangible assets	179.256	16.900
Property, plant and equipment	133.221	9.917
Investments	34.746	0
Total Non-Current Assets	**347.223**	**26.817**
Receivables	12.143.760	1.115.270
Bank and Cash	6.299.757	188.936
Total Current Assets	**18.443.517**	**1.304.206**
Prepaid expenses and accrued income	34.508	17.314
Total Assets	**18.825.248**	**1.348.337**
Equity and Liabilities		
Share capital	260.000	46.800
Reserves	228.212	10.429
Retained earnings	3.504.661	267.644
Financial year net profit/(loss)	1.950.039	(252.675)
Total Equity	**5.942.912**	**72.198**
Provision for liabilities and charges	131.133	0
Provision for termination benefits	83.687	0
Liabilities	12.667.516	1.276.139
Accrued expenses and deferred income	0	0
Total Equity and Liabilities	**18.825.248**	**1.348.337**

INCOME STATEMENT	**30 Sept. 2002**	**30 Sept. 2002**
Operating revenues	44.149.639	494.110
Operating expenses	40.808.463	746.794
Operating profit/(loss)	**3.341.176**	**(252.684)**
Net financial income	95.142	9
Profit/(loss) before tax	**3.436.318**	**(252.675)**
Income tax	(1.486.279)	0
Net profit/(loss)	**1.950.039**	**(252.675)**

Chairman of the Board of Directors
Urbano R. Cairo

Report of the Board of Auditors to the Shareholders' Meeting

(pursuant to Article 153, Legislative Decree 58/'98 and Article 2429, subsection 3 of the Italian Civil Code)

Dear Shareholders,

During the course of the financial year ended 30 September 2002, we carried out the supervisory role provided for under Article 2429 of the Italian Civil Code and Article 153 of Legislative Decree no. 58 of 24 February 1998. The code of practice recommended by the National Accounting and Auditing Board was followed at all times. In the current report we adhered to the principles established by the Consob (National Stock Exchange Supervisory Commission) in memo no. 1025564 of 6 April 2001.

The entire scope of our duties was detailed in the minutes of the meetings held during 2001 and 2002.

Our work was carried out in observance of the law, the company charter and company by-laws, and in accordance with best practice.

We attended seven meetings of the Board of Directors and the Shareholders' Meeting. We also obtained information from the Directors, at appropriate intervals, on the activities undertaken by the Company and the principal economic and financial operations carried out by the Company, subsidiaries and related parties. We also ascertained that the decisions made and actions taken were in accordance with the law and the company charter, and offered an economic advantage to the Company.

To the extent that it was within our competence, we also examined the organisational structure of the Company, the observance of the principles of best practice in corporate governance and the proper execution of instructions given to subsidiaries. This we did via direct observation, the collection of information from those responsible for organisational tasks and meetings with the audit firm, which allowed for reciprocal exchanges of relevant data and information.

We examined and evaluated the appropriateness of the internal control system. We also examined the administrative and accounting system, and its reliability to correctly represent management data, via information obtained from those responsible for the respective functions, the examination of company documentation and the analysis of the results of work carried out by the audit firm.

We noted the activities of the audit firm, with the intention of ascertaining the regularity with which company accounting was undertaken and the review of management operations in order to ascertain that the financial year's reports were prepared in accordance with the law.

We verified the observance of the regulations regarding the preparation and layout of the financial statements and the management report, via direct checks and information gathered by the audit firm.

In particular, in relation to the financial statements presented to you, we can attest that:

- The Directors' Report is in compliance with all current regulations, is consistent with the decisions of the Board of Directors and the financial statement results for the year, and presents a detailed and comprehensive picture of the company's activities.
- The parent company and consolidated financial statements have been prepared in accordance with the framework and structures set out in the relevant regulations. The results are consistent with the facts and information at our disposal. The Deloitte audit firm, at the concluding stage of their examination, has informed us that their reports have been prepared and that both sets of financial statements are prepared within the legal requirements. The audit firm also informed us that the reports relevant to same do not contain any observations or qualifications.

In order to complete our duty of information, we can also attest that:

I. The Company undertook to purchase treasury shares, in accordance with the decision made at the Shareholders' Meeting, and the stock option plan approved by the meeting of 19 April 2000 was implemented by the Board of Directors during 2002;

II. The activities carried out by the company are in accordance with the law and the company charter. No imprudent or risky operations were carried out, nor any which presented a conflict of interest, went against the decisions of the shareholders' meeting or compromised the integrity of the company;

III. The internal information system provides an adequate flow of information from subsidiaries, so as to allow for the fulfilment of legal duties of communication with regard to public information;

IV. No unusual activities were undertaken within the group or with any related parties.

V. No declarations or statements were made, of the type governed by Art 2408 or of any other type;

VI. No opinions of any kind were released;

VII. The Company did not assign duties to the audit firm other than those stipulated during the last financial year with regard to the implementation of the new information system;

VIII. The Company adhered to the code of self-governance issued by the Committee for Corporate Governance of listed companies. There are currently two of the seven directors on the Board of Directors who satisfy the independence requirements of this code.

The Company established the Remuneration Committee, the Audit Committee and the Nomination Committee.

In conclusion, we can confirm that in the course of the supervisory role described above, no omission, censurable facts or irregularities, which could require the involvement of the authorities or other regulatory bodies came to our attention.

For this reason, we recommend the approval of the financial statements at 30 September 2002 as proposed by the Board of Directors and the proposal, formulated by the Board, regarding the distribution of the year’s profits.

Milan, 17 December 2002

The Board of Auditors

Mauro Sala -Marco Baccani - Antonio Ferraro

Board of Auditors' Report to the Shareholders' Meeting

(pursuant to Article 153, Legislative Decree 58/'98 and Article 2429, subsection 3 of the Italian Civil Code)

Dear Shareholders,

During the course of the financial year ended 30 September 2002, we carried out the supervisory role provided for under Article 2429 of the Italian Civil Code and Article 153 of Legislative Decree no. 58 of 24 February 1998. The code of practice recommended by the National Accounting and Auditing Board was followed at all times. In the current report, we adhered to the principles established by the Consob (National Stock Exchange Supervisory Commission) in memo no. 1025564 of 6 April 2001.
The entire scope of our duties was detailed in the minutes of the meetings held during 2001 and 2002.
Our work was carried out in observance of the law, the company charter and company by-laws, and in accordance with best practice.

We attended seven meetings of the Board of Directors and the Shareholders' Meeting. We also obtained information from the Directors, at appropriate intervals, on the activities undertaken by the company and the principal economic and financial operations carried out by the Company, subsidiaries and related parties. We also ascertained that the decisions made and actions taken were in accordance with the law and the Company charter, and offered an economic advantage on the Company.

To the extent that it was within our competence, we also examined the organisational structure of the Company, the observance of the principles of best practice in corporate governance and the proper execution of instructions given to subsidiaries. This we did via direct observation, the collection of information from those responsible for organisational tasks and meetings with the audit firm which allowed for reciprocal exchanges of relevant data and information.

We examined and evaluated the appropriateness of the internal control system. We also examined the administrative and accounting system, and its reliability to correctly represent management data, via information obtained from those responsible for the respective functions, the examination of company documentation and the analysis of the results of work carried out by the audit firm.

We noted the activities of the audit firm, with the intention of ascertaining the regularity with which company accounting was undertaken and the review of management operations in order to ascertain that the financial year's reports were prepared in accordance with the law.

We verified the observance of the regulations regarding the preparation and layout of the financial statements and the management report, via direct checks and information gathered by the audit firm.

In particular, in relation to the financial statements presented to you, we can attest that:

- The Directors' Report is in compliance with all current regulations, is consistent with the decisions of the Board of Directors and the financial statement results for the year, and presents a detailed and comprehensive picture of the Company's activities.
- The parent company and consolidated financial statements have been prepared in accordance with the framework and structures set out in the relevant regulations. The results are consistent with the facts and information at our disposal. The Deloitte audit firm, at the concluding stage of their examination, has informed us that their reports have been prepared and that both sets of financial statements are prepared within the legal requirements. The audit firm also informed us that the reports relevant to same do not contain any observations or qualifications.

In order to complete our duty of information, we can also attest that:

IX. The Company undertook to purchase treasury shares, in accordance with the decision made at the Shareholders' Meeting, and the stock option plan approved by the meeting of 19 April 2000 was implemented by the Board of Directors during 2002;

X. The activities carried out by the company are in accordance with the law and the company charter. No imprudent or risky operations were carried out, nor any which presented a conflict of interest, went against the decisions of the shareholders' meeting or compromised the integrity of the Company.

XI. The internal information system provides an adequate flow of information from subsidiaries, so as to allow for the fulfilment of legal duties of communication with regard to public information;

XII. No unusual activities were undertaken within the group or with any related parties.

XIII. No declarations or statements were made, of the type governed by Art 2408 or of any other type;

XIV. No opinions of any kind were released;

XV. The Company did not assign duties to the audit firm other than those stipulated during the last financial year with regard to the implementation of the new information system;

XVI. The Company adhered to the code of self-governance issued by the Committee for Corporate Governance of listed companies. There are currently two of the seven directors on the Board of Directors who satisfy the independence requirements of this code.

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For this reason, we recommend the approval of the financial statements at 30 September 2002 as proposed by the Board of Directors and the proposal, formulated by the Board, regarding the distribution of the year's profits.

Milan, 17 December 2002

The Board of Auditors

Mauro Sala - Marco Baccani - Antonio Ferraro