

**Class Editori S.p.A.
and Subsidiaries**
Registered Office: Via Marco Burigozzo, 5, Milan, Italy
Notes to the Consolidated Financial Statements

Class Editori S.p.A. (the "Company") has prepared its quarterly financial statements on a consolidated basis, as required by law.

ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

The accounting principles and valuation criteria adopted in the preparation of the consolidated financial statements are consistent with those used for the preparation of the financial statements for the year ending 31 December 2003, to which reference is made. The data presented have not been influenced to any significant extent by the use of any forecast methods different from those normally adopted for the preparation of the annual and semi-annual consolidated financial statements.

COMMENTS ON THE PROFIT AND LOSS STATEMENT

Revenues for the first nine months of 2004 totalled €70.92 million, compared with €67.10 million for the same period of 2003. The year-on-year change incorporates an increase due to the full consolidation of Telesia Sistemi and the press agency, MF Dow Jones, whose aggregate revenues amounted to €5.7 million. Advertising revenues amounted to €35.39 million (€31.8 million, excluding Telesia) versus €33.03 million in 2003. Subscription revenues rose principally due to the effects of an adjustment resulting from the re-calculation of amounts collected from SKY and the contribution of subscription revenues for the MF Dow Jones information services.

The company sustained a consolidated pre-tax loss of €0.90 million, compared with a pre-tax loss of €1.63 million for the first nine months of 2003. Operating expenses for the first nine months of 2004 totalled €65.49 million; excluding the €5.1 million of expenses attributable to the newly consolidated companies, operating expenses were some €2 million lower year on year. EBITDA amounted to €5.43 million, versus €4.63 million in 2003.

The average circulation of *MF/Milano Finanza* stabilized at around 112,000 copies (ADS data, based on the moving average for the most recent 12 months); this compares

with the 110,000 copies reported as of the end of the third quarter in 2003. Monthly circulation of *Class* averaged 78,800 copies (ADS data) versus the 84,000 reported in 2003.

Data for the third quarter only show the Company posted revenues of €20.54 million versus €20.14 million in the third quarter of 2003, although this year's figure includes €2.2 million of revenues from the consolidation of Telesia and MF Dow Jones. At €20.63 million, operating expenses rose by 9.5 percent year on year in comparison with the €18.84 million sustained in the third quarter of 2003. Excluding some €1.8 million of expenditures related to MF Dow Jones and Telesia, the trend of operating expenses was virtually flat year on year. In comparison with the second quarter of 2004, total operating expenses were down by roughly 15.5 percent. The gross operating margin was a loss of €0.09 million (compared with a profit of €1.3 million in 2003). On a pre-tax basis, the Company sustained a loss of €1.92 million versus a loss of €0.65 million in 2003.

During the July-September 2004 period, Class Editori S.p.A. continued to maintain relationships with its subsidiaries and affiliates, all of which are settled on the basis of normal market conditions.

CONSOLIDATED PROFIT AND LOSS STATEMENT

(in € mn)

	30/09/04	30/09/03	% Change
Sales revenues	70.92	67.10	5.69
Operating expenses	65.49	62.47	4.83
Gross profit (EBITDA)	5.43	4.63	
% of revenues	7.66	6.90	
Depreciation and amortization	6.52	5.93	10.0
Operating profit (loss) (EBIT)	(1.09)	(1.30)	
% of revenues	(1.54)	(1.94)	
Net financial income (charges)	0.01	0.59	n.s.
Extraordinary income (charges)	0.19	(0.26)	n.s.
Pre-tax profit (loss)	(0.90)	(1.63)	
% of revenues	(1.27)	(2.43)	

Revenues include the following:

(in € mn)

	30/09/04	30/09/03	% Change
Newsstand revenues	7.27	7.68	(5.33)
Subscription revenues	26.69	23.44	13.87
Advertising revenues	35.39	33.03	7.10
Other revenues	1.57	2.95	(46.87)
Total revenues	70.92	67.10	5.70

Circulation revenues remained virtually stable year on year, whereas advertising revenues were lower when the roughly €3.9 million generated by Telesis is excluded. Subscription revenues were up net of the €1.98 million contributed by MF Dow Jones due to the reclassification of revenues relative to the contract with Sky.

FINANCIAL POSITION

As of 30 September 2004, the consolidated net borrowing position amounted to €4,920,000, figured as follows:

(in € 000's)

	30/09/2004	31/12/2003
Net medium-/long-term debt	-1,198	-1,351
Short-term (debt) liquidity, net	-3,722	557
Including:		
Financial debt	-19,651	-16,588
Cash/cash equivalents and loans receivable	15,929	17,145
Net financial position: (borrowing) liquidity	-4,920	794

The net borrowing position as of 30 September 2004 reflects less reliance on the use of funding from receivables discounting transactions (similar to what occurred in the first few months of the year) as a result of a lower cost of normal bank borrowings.

The medium-/long-term financial debt includes two subsidized financings with Centrobanca for an aggregate of €2.018 million, maturing in 2008 (€478,239) and December 2011 (€1,540,000).

STAFF

Period Averages

	30/09/2004	31/12/2003	30/09/2003
Managers	23	24	25
Journalists	96	84	85
Office Employees	147	128	126
TOTAL	266	236	236

The increase in average staffing as of 30 September 2004 is due to the inclusion of the MF Dow Jones and Telesia employees (a total of 30 as of the end of the third quarter).

MATERIAL EVENTS RELATIVE TO THE CURRENT YEAR

Although investments in advertising have fallen with respect to many types of media, the Company has moved ahead with new activity, new products and new initiatives, thereby managing to bolster its position in the markets it serves (daily newspapers, magazines, electronic publishing, professional services and conferencing, radio and television).

During the first nine months of 2004, the Company has been part of several significant business developments, either directly or through its subsidiaries and affiliates. The key aspects of these initiatives are summarized below:

1. The Company's "Parmalat, La Grande Truffa" ("Parmalat, The Big Scam") was the first complete book on the collapse of the Parma-based multinational, and sold over 100,000 copies within roughly two weeks from the date of publication. The success of the book helped to double newsstand sales of *MF/Milano Finanza*.
2. Another success in terms of sales was a special volume for *MF/Milano Finanza* published by Zanichelli, "**Economics & Business - Business and Commercial Encyclopedia and Dictionary in Italian and English**".
3. The electronic publishing business has been affected by a market transition due to the growing volume of financial information supplied at low cost through the Internet, and to the development of technologies for accessing the same. Other innovative activity in which the Company has made significant investments - for

example, in-house television stations for banks and information services for the same - has turned out to be a new source of revenue, and its continuous growth suggests interesting business development prospects for the coming months.

4. As of the start of 2004, the Class News channel was up and running on Mediaset's digital-cable multiplex. In terms of the Company's strategy, this activity represents the key sector for future growth, along with the launch of internal television stations for two banks. During the first nine months of 2004, *Cfn/Cnbc* continued to service *La7*, Telecom Italia Media's channel, by handling the production and supply of financial news. Since July 2003, *Cfn/Cnbc* has been part of the basic package offered by Sky, which is a digital television service broadcast via satellite.
5. Further efforts have gone into expanding *Radio Classica/ Milano Finanza*, with frequencies in Turin and Bari being acquired in March 2004.
6. The month of May marked the inauguration of *MF Sicilia*, a *MF/Milano Finanza* edition dedicated to Sicily and sold daily in the region. *MF Sicilia* has proven a success with the public from the very start, initially pushing up sales of *MF/Milano Finanza* by some 300 percent.
7. In June, *MF/Milano Finanza* successfully rolled out new editions of two institutional publications marketed to publicly traded companies: *Dossier Roadshow* and *MF Focus*.
8. Another highlight of June was the agreement reached between Class Editori and Banca Popolare di Vicenza for the creation of BPVI Channel, the first in-house television channel for a mid-sized bank in the Italian market.
9. In September, Class Editori finalized an agreement with Telecom Italia covering the joint supply of corporate television services to the banking and financial market, with the use of a multi-media platform created by the Company for the distribution of contents, and applications for delivering corporate television services relative to programming production and the production of television formats.
10. September also marked the introduction of new changes to *MF Fashion's* graphics format, as well as content improvements designed to enhance the magazine's image.

11. Following the close of the third quarter, the Company launched a new bi-monthly magazine, *Circuits*, with *MF/Milano Finanza* and *Italia Oggi*; the publication features articles on information technology and telecommunications, with news and analysis of how these businesses impact the revenues and organizational structures of banks, insurance companies, manufacturing companies, and government entities.
12. In October, *Campus*, Class Editori's monthly magazine catering to the youth market, formalized a partnership with *Hit Channel*, the premier interactive network (integrating radio, television and the Internet), to secure the network's participation in four annual trade fair events (Salone dello Studente) organized by Campus. The agreement also covers Hit Channel's involvement in the monthly publication of a feature page dedicated to music and topics of interest to young people.

For the Board of Directors
Paolo Panerai
Vice Chairman and Managing Director

**CLASS EDITORI S.p.A. and
Subsidiaries
Quarterly Report
01/01/2004- 30/09/2004
Consolidated Profit and Loss
Statement
(in € mn)**

PROFIT AND LOSS STATEMENT	30/09/04	30/09/03
REVENUES		
Value of production	70.92	67.10
Total value of production	70.92	67.10
EXPENSES		
Production expenses	19.25	15.88
Industrial margin	51.67	51.22
Direct costs	37.74	38.47
Contribution margin	13.93	12.75
General expenses	8.5	8.12
EBITDA	5.43	4.63
Depreciation and amortization	6.52	5.93
EBIT	(1.09)	(1.3)
Extraordinary charges (income)	(0.18)	(0.26)
Financial charges (income)	(0.01)	0.59
Pre-tax profit (loss)	(0.90)	(1.63)

**CLASS EDITORI S.p.A. and
Subsidiaries
Quarterly Report
01/01/2004- 30/09/2004
Consolidated Profit and Loss Statement
(in € mn)**

PROFIT AND LOSS STATEMENT	01/07- 30/09/2004	01/07- 30/09/2003
REVENUES		
Value of production	20.54	20.14
Total value of production	20.54	20.14
EXPENSES		
Production expenses	5.21	4.37
Industrial margin	15.33	15.77
Direct costs	12.97	12.06
Contribution margin	2.36	3.71
General expenses	2.45	2.41
EBITDA	(0.09)	1.3
Depreciation and amortization	1.91	1.79
EBIT	(2.00)	(0.49)
Extraordinary charges (income)	(0.17)	(0.23)
Financial charges (income)	0.09	0.39
Profit (loss) before taxes	(1.92)	(0.65)