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PRESS RELEASE

MONDADORI 2000:

REVENUES UP 9%, OPERATING PROFIT UP 21.6%

ADVERTISING: +16% IN FIRST FOUR MONTHS OF 2001

JOINT VENTURE WITH RANDOM HOUSE (BERTELSMANN) IN SPAIN AND LATIN AMERICA

Segrate, 22 March 2001. The Board of Directors of Arnoldo Mondadori Editore S.p.A. met today to discuss the Mondadori Group's consolidated results and directors' report for 2000 presented by the Chief Executive, Maurizio Costa.

During the meeting Mr Costa also outlined the contents of a letter of intent signed with Random House for a joint venture that will merge the two groups activities in Spain and Latin America (see accompanying press release).

Here are the highlights of the Mondadori Group's results for 2000:

Consolidated revenues for the year totalled 2,870.8 billion lire, an increase of 9% on the 2,634.1 bn lire of 1999.

Gross operating profit grew by 15.6%, reaching 373.6 billion lire compared with 323.1 bn lire in the previous year. As a proportion of revenues this represents 13% (compared with 12.3% in 1999).

Operating profit increased by 21.6% to 310.1 billion lire, compared with 255 bn lire in 1999. This represents an increase, as a proportion of revenues, from 9.7% to 10.8%.

Consolidated net profit for the year came to 137.3 billion lire (152.8 bn lire in the previous year). In 1999 the net profit figure included extraordinary income deriving from an active surplus for deferred taxes of 37.1 bn lire. Therefore, on a like for like basis, net profit for 2000 increased by 18.6% (from the 115.8 bn lire of 1999).

The positive performance during the year, confirmed by all the economic and financial indicators, should be considered even more positively given the level of investments made in new initiatives. In particular it should be noted that, with a view to transparency and rendering the year's figures comparable with those of the previous year, figures relating to the Group's internet activities, fully itemised in the income statement, have been re-classified separately and are booked as start-up costs.

The effects of cost controls and the levels of capital employed are reflected in the **return on equity** figure which reached 12.2%, compared with 11.3% in 1999 and which has more than doubled from the 5.5% of 1996.

The Group's **net financial position** at year-end showed a surplus of 332.3, an increase of 48.9 bn lire on the previous year.

The Group's overall **capital investments** for the year came to 58.7 billion lire, of which 30.7 bn lire was for plant and machinery for the printing area.

Cash flow (profit + depreciations) totalled 244.3 billion lire. In 1999 the cash flow figure was affected by the deferred taxes. Consequently, on a comparable basis, the figure for 2000 represents an increase of 8.1 bn lire or 3.4%.

Group **personnel**: the average headcount for the year was 5,714, compared with 5,214 in 1999.

Here in more detail are the results of the individual business areas of the Group:

Total revenues in the **Book Division** totalled 750.1 billion lire, compared with 704.4 bn lire in the previous year. There was a 4% increase in the Group's market share, taking it to 31% (Demoskopea estimate), in a market that saw a slight increase (3%) in revenues through the bookstore channel and an increase in circulation thanks to the new channels represented by large-scale retailing. The company has endeavoured to concentrate on increased efficiency and profitability with significant results. Particular attention has been paid to containing the level of capital employed.

During the year books published by Mondadori did particularly well as did those of these other companies of the Group: Einaudi, Sperling & Kupfer and Electa. In the important education sector, 2000 was a year of consolidation and integration of the acquisitions made in the previous year. The school textbook market remains the most profitable and the are with the most growth potential in the book business.

The **Magazine Division** generated consolidated revenues of 1,551.6 billion lire (880.5 bn lire in circulation and 671.1 in advertising), up 11.9% on the previous year.

2000 was a particularly exciting year for the Division, both in terms of the consolidation of the circulation of the main titles and the launch of new titles. In fact, six new titles were launched during the year, to which should be added two more titles (*Tu* and *Yes*) that were initially launched in 1999 but only became fully operational in the last year.

Development of the magazine area has been based, on the one hand, on alliances with some of the most important Italian and international publishing groups, such as Hearst Corp., Rodale Press Inc., and il Sole 24 Ore, and, on the other, through the launch of supplements, to the company's main titles, aimed at specific targets (brand extension).

The joint venture policy has introduced new editorial formulas to the Italian market and has been particularly successful in the case of *Men's Health*, the most successful launch of the year in Italy with an average circulation of 332,000 copies.

In the newsmagazine segment, *Panorama* reached circulation average of 598,000 copies, an increase of 5.4% on the previous year.

In women's magazines, Mondadori continues to be the clear market leader while *Chi*, with 506,000 copies, registered circulation growth of 7% bringing the title close to leadership in the family magazine segment. A year after launch, *Tu* consolidated its position with a circulation level of more than 445,000 copies per week.

As market leader in magazine advertising, the Mondadori Group confirmed its ability to interpret market needs with higher growth levels than its competitors.

Total advertising revenues grew by 17.1%, from the 573.3 bn lire of 1999 to 671.1 billion lire for 2000. In a total advertising market that grew by 15.8% (13.6% in the total magazine advertising segment) Mondadori Pubblicità's figure had a locomotive effect.

The performance in terms of circulation and advertising, coupled with careful management have led to results that show also a significant improvement in margins.

In the **Printing** area the creation of a stand-alone company was completed with the transfer of Artes Graficas Toledo from Mondadori International to Mondadori Printing. The number of new launches in the year gave a significant push to the printing of magazines while book printing registered a reduction mainly linked to the fall in foreign markets.

In the **Direct** area Cemit Interactive Medias S.p.A. continued to bring together the Group's services and data base management activities. During 2000 the unification of Club degli editori and Euroclub in Mondolibri - the joint venture with the Bertlesmann Group - was completed. The new company confirmed its leadership in the book club market, both in terms of traditional channels and online recruitment.

In the **Retail** area new outlets were opened and there was further development in the process of affiliation of bookstores under franchising agreements that brought, at year-end, the total number of stores to 91.

Mondadori Informatica continued to develop its education sector with the opening of a new centre in Rome and the development of new teaching programmes using new technology for professional distance learning. The area's results were in line with expectations in computer publishing, both for books and magazines.

In terms of new business, last year saw the start up of Mondadori.com, the company that manages all the Group's editorial activities on the Internet, and, in a 50-50 joint venture with Bertlesmann, BoL Italia, a company dedicated to the online sale of media products and has begun with books.

Overall, the Group generated income in the internet sector for a total of around 12 billion lire; 6 bn in advertising on Mondadori.com's vertical sites, 4 bn in book club sales on the Net and 2 bn in online subscriptions.

Arnoldo Mondadori Editore S.p.A. - 2000 Results

The parent company, **Arnoldo Mondadori Editore**, ended the year with net revenues, on a comparable basis, that were up by 8%. Pre-tax profit came to 185.5 billion lire and net profit 108.4 billion lire. These results were obtained after total amortisations for 34.1 bn lire and with a gross cash flow of 142.5 bn lire. It is important to remember that the results of Arnoldo Mondadori Editore S.p.A. in 2000 are affected both by the contribution of the printing business to Mondadori Printing S.p.A., that has appeared in a number of items on the balance sheet and generated a capital gain as at 31 December 1999, of 290.8 billion lire, and the booking of deferred taxes for 30.3 bn lire.

Dividend proposal

At the Shareholders' Meeting, scheduled for 23rd April 2000, the Board of Directors will propose a dividend payout of 400 per ordinary share and 410 per savings share. Taking account of the share split that was carried out during the year, which had the effect of doubling the number of company shares in circulation, this represents an increase of around 18% on the dividends of last year (680 per share for ordinary shares and 700 for savings shares) The detachment date of coupons will be 21st May, and payment will be from 24th May 2001.

Trends in the first months of 2001

The Board heard from the Chief Executive that the current year had got off to an extremely encouraging start. Revenues for the first two months totalled 470.4 bn lire, compared with 403 bn lire for the same period last year. This increase, equal to 16.7%, reflects positive performances in all the Group's business areas.

Mondadori Pubblicità's performance was particularly positive, with advertising sales for the first four months of the year up by more than 16%.

ARNOLDO MONDADORI EDITORE S.p.A.

