



MONDADORI

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PRESS RELEASE

Board approves 2002 results

- **MARKED RISE IN NET PROFIT (+9.7%): €81.1 MILLION AS A PROPORTION OF REVENUES 5.6% (UP FROM 4.7% IN 2001)**
- **GROSS OPERATING PROFIT AS A PROPORTION OF REVENUES REACHES 14.3% (UP FROM 13.5% IN THE PREVIOUS YEAR) MARKEDLY IMPROVING THE GROUP'S OVERALL PROFITABILITY**

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DIVIDEND PROPOSAL OF €0.25 PER ORDINARY SHARE (+13.6% COMPARED WITH 2001)

Segrate, 24 March 2003 – The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the Chairmanship of Marina Berlusconi, to examine and approve the the consolidated balance sheet, financial statements and management report for the financial year 2002 as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

During 2002, Mondadori confirmed its leadership in the sectors in which it operates and demonstrated an effective capacity to react promptly to the challenges posed by a slowdown in the economy that has now lasted for some time. Moreover, the introduction of the euro created additional uncertainty among consumers and this has had an impact on the results of the group's business.

But even in an unfavourable climate, and in spite of a fall in revenues, the company has managed to effect a larked improvement in both net profit and the group's overall profitability. This has been possible thanks to the quality of the products, an ability to innovate and incisive cost containment that combined to have a positive impact on the results.

Financial highlights for 2002:

Consolidated revenues came to **€1,458.8 million** (-6.3%) compared with €1,557.6 million in 2001; on a like-for-like basis, however, the fall in revenues was limited to 2.4%.

Gross operating profit amounted to **€208.5 million**, substantially in line (-0.5%) with the €209.5 million of 2001. There was therefore a marked improvement in profitability as a proportion of revenues, up from the 13.5% of last year to 14.3% this time.

Operating profit totalled **€172.4** (-2.3%) compared with €176.5 million in 2001; as a proportion of revenues, an increase to 11.8% from the 11.3% of the previous year.

If we recall that the figure for 2001 benefited from €2.9 million of extraordinary income, **pre-tax profit** for the year came to **€133.2 million** (€148.1 million in 2001), a fall of 10.1%.

Consolidated net profit, amounting to **€81.1 million**, showed an increase of 9.7% compared with the €73.9 million of 2001, after total amortizations for €9.2 million (€6.1 million in 2001) and reserves for taxes of €2.1 million (€4.2 million in the previous year). As a proportion of revenues, this represents an increase to 5.6% from the 4.7% of last year.

The Group's **net financial position** showed a **surplus of €109,3 million**, after ordinary and extraordinary dividend payments of €55.7 million.

The **return on equity** went up from 12.2% in 2001 to **14.1%** this time.

THE BUSINESS AREAS

In 2002 **Book Division** recorded an outstanding performance: in particular the two main imprints, **Mondadori** and **Einaudi**, recorded revenue increases of 8.7% and 10.4% respectively.

Total revenues came to **€31.4 million**, compared with €27.8 million the previous year.

In terms of the market, the year was characterised by the entry of leading newspaper publishers, offering literary classics in conjunction with their titles and sold through newsstands. The operation was notably successful and has contributed to enlarging the market for books without eroding the sales of new titles sold through traditional channels. According to Demoskopoea, the Mondadori Group increased its market share to 31.5% (+0,8%).

For the **Magazine Division** 2002 was a particularly challenging year on account of the economic climate and problems within the sector. Consolidated sales came to **€782.5 million** (-3.1% on a like-for-like basis compared with the previous year), of which €443.7 million in circulation revenues (-0.8%) and €338.8 million in advertising revenues (-5.8%).

In terms of circulation, Mondadori managed to contain the fall, in terms of copies sold, to 4.4%, compared with -5.2% in the reference market as a whole. In terms of revenues, the group did even better, ending the year with a result essentially in line (-0.8% on a comparable basis) with the previous year. This excellent result was obtained thanks to a strategy of developing sales of new products (including music CDs, videocassettes, DVDs and accessories for women) in conjunction with the magazines.

Advertising saw a fall in revenues of 5.8% compared with 2001. However, here too, Mondadori's performance was better than the total magazine market (that lost 8%), thanks to strong titles, positioned at the top of their respective segments and the importance of women's titles that are characterised by advertisers who were less volatile in the management of their budgets.

In order to counteract a fall in demand, the **Printing Division**, withdrew a number of previously outsourced contracts and focused on the efficiencies and competitiveness of the new offset press that came on line last year. More than 50% of the demand, moreover, is for Mondadori books and magazines, which have appeared more resistant to the crisis than the

market in general. The fall in demand for printed products has led, for the second year in a row, to a fall in the cost of paper.

In the **Direct marketing** division Mondolibri, the joint venture with the Bertelsmann Group created by the merger between Club degli Editori and Euroclub, performed well and confirmed its position as leader in the book-club sector as well as recording a slight increase in revenues. Cemit, Italy's leading operator in the field of direct marketing services, managed to limit the effects of the downturn in the communications market thanks to the high level and quality of its offer.

In the **Retail** area, **Mondadori Franchising** saw revenues increase by more than 20% compared with the previous year and the number of outlets up from 99 to 117; **Mondadori Retail**, meanwhile, saw a slight fall in revenues(-3.9%), resulting from the general difficulties of the sector, partly compensated by new openings in Vimercate (MI) in April and in Roma Trevi in December 2002.

THE RESULTS OF ARNOLDO MONDADORI EDITORE S.p.A.

Arnoldo Mondadori Editore S.p.A. ended 2002 with **net profits** of **€71.7 million** (compared with €83 million in 2001). The result was obtained after making provisions for overall amortizations of €17.1 million (€17.6 million in 2001) and taxes of €55.8 million (€53.4 million in 2001). The **revenues** of the parent company came to **€96.4 million** compared with €64.3 million in 2001, a fall of 7%. A comparison of the two periods must take into consideration that the revenues for 2001 included the revenues from the distribution contract for L'Espresso, which ended in January 2002; on a comparable basis the fall in revenues was 0.5%.

DIVIDEND PROPOSAL

The Board of Directors agreed to propose to the Annual General Meeting of the Shareholders, called for 28 April 2003 (or 5 May at second calling), a gross **dividend** of **€0.25 per ordinary share** and **€0.2552 per savings share**.

The dividend proposed represents a 13.6% increase on the previous year's ordinary dividend of €0.22 (paid in 2002 and referring to the 2001 financial year). Overall, a total of €62,410,461 will be distributed to the Shareholders.

Dividends will be payable from 22 May 2003 (coupon detachment: 19 May).

The Board of Directors also agreed to seek, from an extraordinary meeting of the Shareholders, approval for the merger, by incorporation in Arnoldo Mondadori Editore S.p.A., of the subsidiaries Mondadori.com and Mondadori Informatica. Mondadori.com manages the group's internet publishing activities on the basis of a complementing the most important printed titles; Mondadori Informatica is involved in a range of publishing and training activities related to Information Technology.

The operation, that will not involve the exchange of any equity, given that both companies are entirely owned by the incorporating company, is aimed at rationalising the management and at achieving the synergies that will result from the integration with the parent company of the business activities incorporated.

THE FIRST MONTHS OF 2003

In the first two months of the year, circulation revenues and the main business areas performed in line with the forecast, recording slight improvements compared with the previous year.

In terms of advertising revenues, there has been a slight fall compared with the same period last year, in a scenario characterised by a more evident fall in the overall market.

A significant event in the period was the launch of a new high-target women's monthly, *Flair*, at the beginning of the year that will complete and enrich Mondadori's product portfolio in the fashion sector. The results, both in circulation and advertising, of the first two issues have substantially outstripped expectations.

Attached: Highlights from The balance sheet and income statement

This document is available at <http://ame.mondadori.com> and can be downloaded from the section «Press Releases», where an archive of previous Press Releases can also be found

Reclassified consolidated balance sheet and income statement

Reclassified balance sheet	€m	€m
	31 December 2002	31 December 2001
Intangible assets	1642	185.6
Fixed assets	202.7	210.9
Financial assets	126.3	138.1
Inventories	121.1	118.4
Receivables and other assets	491.1	472.3
Cash and banks	516.6	576.7
Total assets	1,622.0	1,702.0
Shareholders' equity	531.9	616.8
Minority interests	0.4	0.5
Reserve for risks and charges	52.0	57.3
Reserve for severance indemnities	101.8	99.6
Other liabilities	528.6	539.6
Financial payables	407.3	388.2
Total liabilities and shareholders' equity	1,622.0	1,702.0

Reclassified income statement	€m	€m	Change
	31 December 2002	31 December 2001	%
Sales revenues	1,458.8	1,557.6*	(6.3%)
Personnel costs	240.7	238.8	0.8%
Cost of sales and operating costs	1,009.6	1,109.3	(9.0%)
Gross operating profit	208.5	209.5	(0.5%)
<i>As a proportion of revenues</i>	<i>14.3%</i>	<i>13.5%</i>	
Technical depreciations	36.1	33.0	9.4%
Operating profit	172.4	176.5	(2.3%)
<i>As a proportion of revenues</i>	<i>11.8%</i>	<i>11.3%</i>	
Amortisation of series, titles and goodwill	23.1	23.1	-
Financial income (charges)	(4.5)	0.7	n.a.
Other income (charges)	(3.9)	(10.0)	(61.0%)
Extraordinary income (charges)	(0.3)	15.0	(102.0%)
Internet activities	(7.4)	(11.0)	(32.7%)
Pre-tax profit	133.2	148.1	(10.1%)
Income taxes for the period	(52.1)	(74.2)	(29.8%)
Minority interests	0.0	0.0	-
Net profit for the period	81.1	73.9	9.7%
<i>As a proportion of revenues</i>	<i>5.6%</i>	<i>4.7%</i>	

* Sales revenues for 2001 include the circulation revenues deriving from the distribution of the magazine titles of Gruppo Editoriale L'Espresso.

THESE FIGURES HAVE NOT BEEN AUDITED BY EITHER EXTERNAL OR INTERNAL AUDITORS