

ARNOLDO MONDADORI EDITORE S.p.A.

Share capital 129,714,916,000 lire
Head Office in Milan, Italy
Administrative Offices in Segrate (MI)



MONDADORI

The Shareholders are hereby invited to the Ordinary and Extraordinary Shareholders' Meeting to be held on 23 April 2001 at 10.30 a.m. at the Company's administrative offices in Segrate (MI), Via Mondadori 1, at first calling and, if necessary, at second calling on 24 April 2001 at the same time and place, to pass resolution on the following:

Agenda

Ordinary General Meeting

1. Financial statements as of 31 December 2000, reports of the Board of Directors and the report of the Board of Statutory Auditors; related resolutions, presentation of the Consolidated financial statements as of 31 December 2000 and related enclosures.
2. Modifications, concerning the extension to the directors of subsidiary companies, to the stock option plan for 2000 and subsequent years established by the Shareholders' Meeting of 3 May 2000; resulting resolutions.
3. Authorisation to effect a buy-back and to utilise Company shares, as per the combined dispositions of articles 2357 and 2357 paragraph 3 of the Civil Code, following revocation of the pertinent Shareholders' resolutions of 3 May 2000.
4. Appointment of Reconta Ernst & Young S.p.A. for the three-year period 2001/2002/2003 - in accordance with art. 159 of Legislative Decree no. 58 of 24 February 1998 - to audit the financial statements and the consolidated statements and to perform other activities as contained in art. 155 of the aforementioned Legislative Decree no. 58 of 1998.
Appointment of the said Ernst & Young S.p.A. to carry out a limited audit of the half-year

reports for the first half of the financial years in the above-mentioned three-year period.

Determination of relative emoluments.

5. Adoption of regulations for Shareholders' meetings; consequent resolutions.
6. Nomination of Directors after increasing the number of Board members; determination of duration of appointment and emoluments.

Extraordinary part

1. Re-denomination in Euro of the share capital, represented by 259,429,832 (two-hundred and fifty-nine million four hundred and twenty-nine thousand eight hundred and thirty-two) shares with a par value of 500 lire each, by means of:
 - conversion to 0.26 Euro, with rounding-up to the highest hundredth, of the nominal value of shares in each category;
 - consequent free increase of the capital share to 67,451,756.32 Euro, by using a part of the extraordinary reserve.The consequent modification of art. 5, paragraph 1, of the Company Statutes; consequent resolutions and mandate.
2. Modification, concerning the expression in Euro of the maximum amounts of the financial year, of the authorisation given to the Board of Directors by the Extraordinary Shareholders' Meeting of 29 April 1999 in accordance with articles 2443 and 2420 of the Civil Code; consequent modification of art. 5, paragraph 3 of the Company Statutes.
3. Integration of art. 7 of the Company Statutes concerning powers of the Chairman of Shareholders' Meetings; consequent resolutions and mandate.

The Shareholders' Meeting may be attended by Shareholders who own ordinary shares

and who present the relevant certificates in accordance with art. 34 of Consob ruling no. 11768 of 23/12/1998, issued by an intermediary belonging to the Monte Titoli S.p.A. centralised management system. In conformity with current regulations, the reports of the Board of Directors on the subjects contained in the agenda are deposited at the Company's administrative offices and at the offices of Borsa Italiana S.p.A. fifteen days before the Shareholders' Meeting, where they may be examined by the public.
Shareholders have the right to obtain copies of these reports.

*For the Board of Directors
Leonardo Mondadori
Chairman*

Board of Directors

Chairman

Leonardo Mondadori (*)

Deputy Vice Chairman

Luca Formenton

Chief Executive

Maurizio Costa (*)

Directors

Francesco Barbaro (**)

Marina Elvira Berlusconi (*)

Pier Silvio Berlusconi

Fedele Confalonieri (*)

Roberto Poli

Giovanni Puerari

Claudio Sposito (*)

Board of Statutory Auditors

Chairman

Franco Iorio

Acting Statutory Auditors

Antonio Aiello

Achille Frattini

Substitute Statutory Auditors

Francesco A. Giampaolo

Gianfranco Polerani

Powers

Chairman: powers of legal representation in dealings with third parties and legal proceedings.

Chief Executive: routine powers and power of separate signature limited to actions prescribed by law.

(*) Members of the Executive Committee

(**) Secretary

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Report of the Board of Directors on the results of the financial year 2000

Shareholders,

the financial statements for financial year 2000 represent a significant new result in the period of growth and increased profitability that has characterised recent years for the Mondadori Group.

Consolidated net profit amounted to 137.3 billion lire (152.8 billion in 1999) after allocating depreciations for 109.3 billion (120.5 billion in 1999) and tax provisions for 122 billion (100.7 billion in the previous year). If the extraordinary entry of 37.1 billion relating to past deferred tax is subtracted from the 1999 net result, the net result for 2000 is equal to an 18.6% increase (from the figure of 115.8 billion in 1999).

2000 was a positive year from the point of view of both business development and increase in margins, thanks to the policy aimed at improving efficiency which had a notable effect on containing costs and invested capital. The return on equity amounted to 12.2% compared with 11.3% in 1999, and has more than doubled compared with the figure of 5.5% in 1996. All the economic-financial indicators confirm the positive performance achieved during the year, even taking into account the investments relative to the launch of new business activities. For greater transparency and in order to render the data comparable,

activities in the Internet sector have been reclassified separately, given that, having been launched during 2000, they have the character of start ups.

Sales increased by 9% from 2,634.1 billion in 1999 to 2,870.8 billion in 2000. Gross operating profit increased by 15.6%, amounting to 373.6 billion compared with 323.1 billion in 1999, which represents 13% of turnover (compared with 12.3% in 1999). Operating profit registered an increase of 21.6%, amounting to 310.1 billion in 2000 compared with 255 billion in 1999. Operating profit as a percentage of sales increased from 9.7% to 10.8%.

The Group's net financial position amounted to 332.3 billion lire, an increase of 48.9 billion compared with the previous year after taking into account the investments in new business activities.

Before commenting on the results of the various business activities, we would like to take a brief look at the macro-economic situation in which the Group operates.

In 2000 inflation fluctuated between a yearly rate of 2.3 and 2.7 percentage points, registering an average figure of 2.5%, which

is the highest it has been in the last four years. This was undoubtedly due to two factors: on the one hand, the high cost of oil that characterised most of the year and at one point touched 40 dollars a barrel, and on the other the weakness of the euro in relation to the dollar and sterling. The combined effect of this was to favour exports, but it also resulted in an increase in prices.

In this context consumer spending focused mainly on durable goods and services, to the detriment of non-durable goods.

GDP closed the year with an increase of 2.9%, which represented a better result than had been originally forecast thanks in part to the international economic situation. Despite this the figure is still less than the average growth rate in the other countries in the Euro. In this context the Group paid a good deal of attention to developing those business activities that represent its historical core business, while at the same time trying to exploit the opportunities presented by emerging markets. We therefore now move on to a more detailed analysis of the results obtained in the individual markets in which the Mondadori Group operates.

In the **book sector** the market showed signs of a slight increase in sales in bookshops that amounted to 3% in terms of value compared with 1999, and a larger increase in terms of volume thanks to the opening of new sales outlets in the large-scale retail sector.

The Mondadori Group's market share in this sector grew by 4%, increasing to 31%. In this context the publishing house's attention was mainly focused on recovering efficiency and profitability, and the results obtained were very significant. In particular, the management policy concentrated on containing the amount of capital invested.

In the important **school textbook publishing sector**, 2000 was a year for consolidation after the important acquisitions made during the previous year. This sector confirmed that it is the most profitable and that it has the highest potential for growth in the bookshop sector.

2000 was a particularly lively year in the **magazine sector**, both from the point of view of strengthening and consolidating the circulation of the main titles and from the creative point of view, thanks to new titles. In fact, six new products were launched during the year, to go with the two new titles (*Tu* and *Y&S*) that were launched in November 1999 but which only entered the system the year after.

The development of the magazine area followed a precise growth strategy based on forging alliances with some of the main Italian and foreign publishers, such as the Hearst Corp., the Rodale Press and *Il Sole 24 Ore*, all of which are involved in joint-ventures with Mondadori, and developing the Group's own titles by means of launching supplements to the main titles in order to develop brand extensions.

Thanks to the introduction of new formats on the Italian market and to Mondadori's high-level publishing and distribution network, the joint-venture policy has been particularly successful, as demonstrated by the results achieved for *Men's Health* which represents the most successful launch during the year in Italy.

2000 saw the continued growth of the overall **advertising market** with an increase of 15.8% compared with the previous year, while in the magazine sector the increase amounted to 13.6%.

In this undoubtedly positive context the Mondadori Group confirmed its ability to interpret its role of market leader, registering a larger increase than any of its main competitors. In fact, the overall increase for Mondadori Pubblicità amounted to 17.1 %,

providing a significant contribution to the increase in the growth rate for the market in general.

The excellent advertising sales and the increase in circulation, harnessed to astute management policies, resulted in significant results also from the point of view of increased profits.

It should also be noted that the period was negatively influenced by union problems linked to the renewal of the National Contract for Journalists.

In the **printing division** the project aimed at creating a stand-alone printing company, with the transfer of shares in Artes Graficas Toledo from Mondadori International to Mondadori Printing, was completed. Magazine printing registered a notable increase, thanks to the number of new titles launched by the Group, while the printing of books decreased mainly due to a fall in international markets.

A key element of the year was the significant inversion of the tendency for the cost of paper to rise.

In **direct marketing** the operation concerned with concentrating the services and management of the Group's data base

in Cemit Interactive Media S.p.A. continued. Another important operation completed during the year was the unification of Club degli Editori and Euroclub into Mondolibri. This joint-venture with the Bertelsmann Group confirmed the new company's position as leader in the book-club sector both in traditional channels and through web sales.

In the **retail** sector new sales outlets were opened (the Multicenter in Via Marghera in Milan and the new shop in Padua), while bookshop franchising continued to develop with a total of ninety-one outlets at year's end.

Mondadori Informatica continued its development policy in the *education* sector with the opening of new premises in Rome and the planning of new training courses that will use new technology for professional distance learning. The *computer publishing* sector was stable during the year both for books and magazines.

In the area of new business, Mondadori.com was created to run all the Group's **Internet activities** while a joint-venture with the Bertelsmann Group led to the creation of BOL Italia, dedicated to the online sale of media products, which signalled the Group's presence in book e-commerce.

Overall, in the Internet sector, the Group registered sales of approximately 12 billion lire, composed of 6 billion from advertising sales, 4 billion from book sales through book clubs on the Internet and 2 billion from online subscriptions.

From this introduction we now move on to comment on the main results for 2000.

Results of the financial year

The following is the Group's reclassified Income Statement, with a separate item for costs and sales relative to the start-up of Internet activities.

Consolidated reclassified Income Statement			
(bn lire)	31/12/2000	31/12/1999	% change
Income from sales	2,870.8	2,634.1	9.0%
Personnel costs	474.4	456.7	3.9%
Product and management costs	2,022.8	1,854.2	9.1%
Gross operating profit	373.6	323.1	15.6%
<i>Effect on income</i>	<i>13.0%</i>	<i>12.3%</i>	
Depreciations of fixed assets	63.5	68.1	(6.8%)
Operating profit	310.1	255.0	21.6%
<i>Effect of operating profit on income</i>	<i>10.8%</i>	<i>9.7%</i>	
Depreciations of intangible assets	43.6	52.4	(16.8%)
Net financial income (charges)	7.6	(0.5)	n.a.
Other income (charges), net	12.3	12.1	2.3%
Extraordinary income (charges), net	(2.2)	37.9	n.a.
Internet activities	(24.1)	-	n.a.
Profit before taxation	260.1	252.2	3.1%
Income taxes for the year	(122.0)	(100.7)	21.2%
Minority interests	0.8	(1.2)	n.a.
Net profit for the year	137.3	152.8	(10.1%)
<i>Net result effect on income</i>	<i>4.8%</i>	<i>5.8%</i>	

The **consolidated revenues**, minus advertising sales deriving from Internet activities for a total of 6 billion lire, amounted to 2,870.8 billion lire, an increase of 9%.

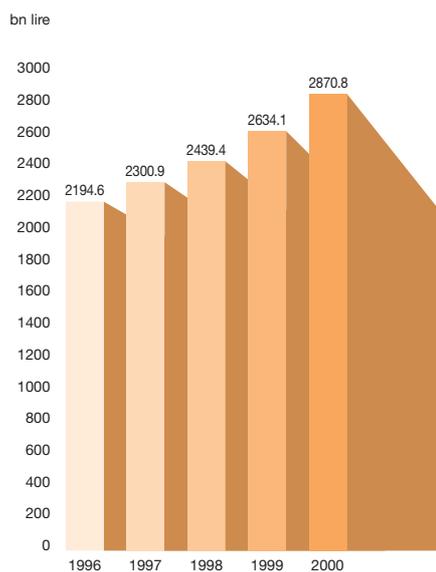
The following table shows the details of the individual business activities.

It should be noted that:

- the data referring to the Printing division is not easily comparable due to the setting up of Mondadori Printing S.p.A., which took place in August 1999, and in fact sales for the first seven months of the previous year refer to Arnoldo Mondadori Editore S.p.A. and Elemond S.p.A.. With comparable data, net of captive sales, the increase in 2000 was equal to 5.4%, rising from 351.3 billion to 370.2 billion lire;
- Direct marketing sales were affected by the integration of Club degli Editori and Euroclub in the creation of Mondolibri S.p.A., which became operational on 1 July 1999. For this reason sales for the previous year are made up for the first half of the year of 100% of sales of Club degli Editori and, for the second half of the year, of 50% of sales of Mondolibri. In 2000 sales were represented by 50% of sales of Mondolibri.

Consolidated revenues for each business activity

(bn lire)	2000	1999	% change
Book division	750.1	704.4	6.5%
Magazine division	1,551.6	1,386.2	11.9%
Printing division	879.5	600.6	46.4%
Direct marketing	129.6	136.4	(5.0%)
Computer publishing and new media	96.6	84.5	14.3%
Others	20.5	18.4	11.4%
Total sales	3,427.9	2,930.5	17.0%
Intergroup sales	(557.1)	(296.4)	87.9%
Total consolidated sales	2,870.8	2,634.1	9.0%



Mondadori group: consolidated revenues

Consolidated revenues are broken down into the following geographical areas.

Sales in EEC countries and the USA decreased due to the need to allocate a larger production capacity of Group companies to captive production.

Gross operating profit increased from 323.1 billion lire to 373.6 billion, an increase of 15.6% (9% in 1999), representing a percentage of sales equal to 13.0% (12.3% in 1999).

Personnel costs, minus 5.5 billion lire reclassified under the item "Internet", increased by 3.9% mainly due to salaries.

Product and management costs, net of 15.4 billion lire reclassified under "Internet" and of other reclassifications, increased by 9.1% compared with 1999.

Volume of business per geographical area

(bn lire)	2000	1999	% change
Italy	2,514.2	2,232.5	12.6%
EEC countries	255.2	300.8	(15.2%)
USA	29.6	38.6	(23.3%)
South America	53.0	41.9	26.5%
Other countries	18.8	20.3	(2.6%)
Total consolidated revenues	2,870.8	2,634.1	9.0%

Product and management costs

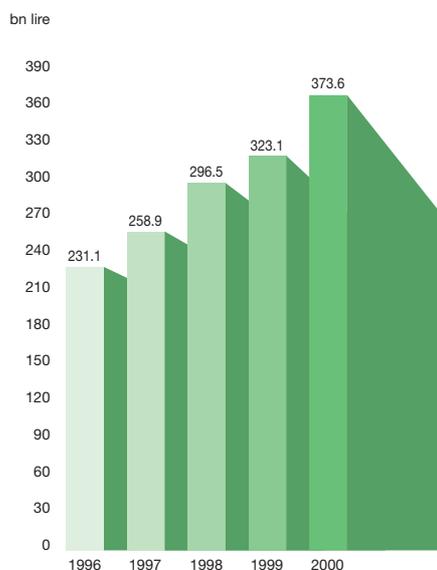
(bn lire)	2000	1999	% change
Raw, ancillary and consumable materials and goods and stock variations	921.2	836.0	10.2%
Services and other costs	1,094.4	1,002.8	9.1%
Use of third-party assets	37.2	35.3	5.9%
Recovery third-party expenses and other sources	(30.0)	(19.9)	50.8%
Total product and management costs	2,022.8	1,854.2	9.1%

Operating profit improved by 21.6% (9.1% in 1999), increasing from 255 billion lire to 310.1 billion. As a percentage of sales this is equal to 10.8% (9.7% in 1999).

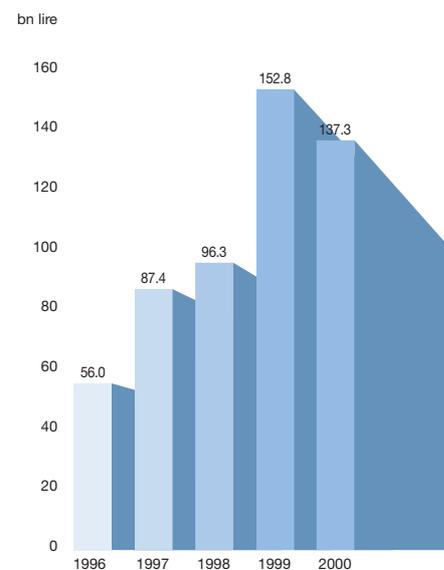
Depreciations of intangible and fixed assets fell by 13.5 billion lire, decreasing from 120.5 billion to 107 billion. This was mainly due to the completion of the amortisation of some long-term charges by the Parent Company.

Income and financial charges registered an improvement thanks to positive changes in the average net financial position for the year and to the performance of financial assets, due in part to the increase in interest rates.

Pre-tax profit amounted to 260.1 billion lire (252.2 billion in 1999). The result for 1999, minus the extraordinary income relative to past deferred taxes, amounted to 215.2 billion. Therefore on a comparable basis the increase in 2000 compared with 1999 amounted to 44.9 billion in absolute terms, in percentage terms 20.9%.



**Mondadori Group:
gross operating profit**



**Mondadori Group:
net profit**

Net profit amounted to 137.3 billion lire (152.8 billion in 1999). The result for 1999, minus the extraordinary income relative to past deferred taxes, amounted to 115.8 billion. Therefore on a comparable basis the increase in 2000 compared with 1999 amounted to 21.5 billion in absolute terms, in percentage terms 18.6%.

The **tax rate**, on a comparable basis to 1999, was substantially unchanged.

Cash flow (net profit + depreciations) amounted to 244.3 billion lire, compared with 236.3 billion in 1999 (minus the extraordinary income relative to past deferred taxes), an increase of 8.1 billion lire in absolute terms and 3.4 in percentage terms.

The table in this page shows the Group's reclassified Balance Sheet over the last two years.

The **net financial position** at 31 December 2000 showed a surplus of 332.3 billion lire (283.5 billion at 31 December 1999), after the distribution to Shareholders of dividends amounting to 84.9 billion lire and a change in the value of treasury stock, booked under non-current assets, equal to 48.7 billion lire.

Consolidated reclassified balance sheet

(bn lire)	31/12/2000	31/12/1999
Intangible assets	409.1	416.0
Fixed assets	346.2	347.3
Financial assets	183.2	121.6
Inventories	262.8	240.0
Receivables and other assets	1,004.8	956.9
Cash and banks	1,080.6	851.5
Total assets	3,286.7	2,933.3
Shareholders' equity	1,152.7	1,100.1
Minority interests	15.3	15.1
Reserve for risks and charges	103.2	101.9
Reserve for severance indemnities	190.4	183.3
Other liabilities	1,076.8	981.8
Financial payables	748.3	551.1
Total liabilities and shareholders' equity	3,286.7	2,933.3

Further details of the movements of treasury stock during the year can be found in the section "Notes to the Financial Statements".

The Group's **capital expenditure** amounted to 58.7 billion lire (80.4 billion in 1999). Further details can be found in the section "Notes to the Financial Statements".

Arnoldo Mondadori Editore S.p.A. closed financial year 2000 with excellent results, registering an increase of 8.3% on net sales, on a comparable basis with 1999, net of income from printing activities. Pre-tax profits amounted to 185.5 billion lire and net profit amounted to 108.4 billion lire, after total depreciations of 34.1 billion lire, generating a gross cash flow of 142.5 billion lire.

In order to present a correct valuation it should be noted that the results of Arnoldo Mondadori Editore S.p.A. for the financial year 2000 were influenced both by the transfer of the Printing Division to the subsidiary

company Mondadori Printing S.p.A., which affected various items in the financial statements, generating capital gains as of 31 December 1999 equal to 290.8 billion, and by the itemising of deferred taxes for 30.3 billion.

The following comments explain the various aspects and the individual business activities of both the Group and the Parent Company, in conformity with the information criteria stipulated by article 2428 of the Civil Code, article 40 of Legislative Decree 127 of 9 April 1991 and the Consob Recommendation of 20 February 1997.

During 2000 the Italian book market registered an increase in sales in the traditional bookshop channels (+3% in terms of value compared with 1999), and an even larger increase in the large-scale retail sector, thanks mainly to the opening of new sales outlets.

The market share for the Mondadori Group¹, according to estimates by Demoskoepa², registered an increase of more than one point compared with 1999. This data is even more significant in the light of the overall market data which revealed only a slight increase for large-scale publishing groups (+0.3 points for Rizzoli and +0.5 points for Longanesi), and a decrease for almost all medium/small-scale publishers.

Market share

Publisher	2000	1999	% change
Mondadori	20.0	18.8	6.4%
Einaudi	5.5	5.8	(5.2%)
Sperling & Kupfer	4.6	4.3	7.0%
Other companies of the Mondadori Group	0.9	0.9	-
Total for the Mondadori Group	31	29.8	4.0%
Rizzoli Group	16.4	16.1	1.2%
Longanesi Group	9.3	8.8	5.7%
Feltrinelli	4.2	4.8	(12.5%)

¹ Mondadori, Einaudi, Sperling & Kupfer, Frassinelli, Electa, Leonardo.

² Demoskoepa bookshop channels: data in terms of value.

Total book production in the division³ amounted to 2,333 new titles (compared with 2,315 in 1999) and 3,502 reprints (3,424 in 1999), for a total of 44.3 million copies compared with 44.2 in 1999.

The Book Division registered total sales of 750.1 billion lire, compared with 704.4 billion in the previous year, and they were made up as shown in this page.

It should be noted that “Art books and exhibition organisation” also includes income deriving from ticket sales, which in 1999 was booked under “Others”.

Books			
(bn lire)	2000	1999	% change
Edizioni Mondadori	198.8	191.5	3.8%
Royalties	11.0	8.9	23.4%
Einaudi	68.7	65.3	5.2%
Art books and exhibition organisation	64.9	51.4	26.3%
Sperling & Kupfer Group	49.9	43.9	13.5%
School textbook editions	151.3	151.2	0.0%
Grijalbo Group	80.8	74.1	9.1%
Sociedad Editorial Electa España	-	3.5	n.a.
Riccardo Ricciardi	0.6	0.2	200.0%
Distribuzione Libri	76.2	82.4	(7.6%)
Ellemme and Libreria Le Monnier	53.6	40.9	31.1%
Mondadori Franchising	22.7	16.4	38.5%
Total sales	778.5	729.7	6.7%
Intercompany sales	(28.4)	(25.3)	12.2%
Total consolidated sales	750.1	704.4	6.5%

³ Mondadori, Sperling & Kupfer, Frassinelli, Einaudi and Electa (excluding Educational Publishing)

Edizioni Mondadori

In 2000 the performance of **Edizioni Mondadori** was characterised by an increase in the market share equal to 1.2 points, substantially higher than the average market result.

This result was possible thanks to the excellent performances of authors in the Group's portfolio: Patricia Cornwell, who sold 150,000 copies of *Cadavere non identificato*, John Grisham, who sold more than 200,000 copies of *I confratelli*, Ken Follett (more than 300,000 copies and eleven weeks at the top of the best-selling list), Andrea Camilleri (210,000 copies), Rosamunde Pilcher (110,000 copies), Alberto Bevilacqua (100,000 copies) and Bruno Vespa, who reached second place in the general best-selling list with *Scontro finale*, published in Christmas week.

Apart from these famous authors, Giuseppe Pontiggia, *Nati due volte*, and the newcomer Sophie Kinsella, *I love shopping*, were also very successful.

In the first few months of 2000 the most significant event was the return of Christian Jacq with the series *Il mistero della pietra di luce*, the first title of which, *Nefer*, sold over

200,000 copies while the second book, *Claire*, sold more than 120,000 copies, while May saw the launch of the new initiative, *I Miti Novecento*, with great classics from the last hundred years in a low-priced editions with innovative graphics.

During the year *L'era dell'accesso* by Jeremy Rifkin inaugurated *Frontiere*, a new non-fiction series dedicated to the most significant works in contemporary social and economic development. Apart from this best-seller by the American scholar, which was re-printed six times in four months, *Lo sviluppo è libertà* by Amartya Sen, the Nobel prize-winner for economics, was also published.

The year was also characterised by the excellent results obtained by the *I Supermiti* imprint with *The Love Book*, *I nuovi enigmi di Paperamuses*, *Asterix e Obelix alla conquista del mondo* and *Tutto Internet*, the increasing success of *Paperback* which, in line with market developments, already represents 40% of sales, the promotional campaign for the low-priced *Oscar* catalogue which registered sales that were more than 13% higher than the same initiative launched in 1999, and the constant presence of the Group's titles at the top of the best-selling lists during the last three-month period.

The beginning of 2001 also registered positive signals that were mainly attributable to the excellent performance of the *Oscar* campaign and to the launch of Patricia Cornwell's new book, *Ultimo distretto*.

Einaudi

Einaudi closed the financial year with net sales of 68.7 billion lire, which represented a further increase in sales equal to 5.2% compared with 1999.

Instalment sales showed a healthy inversion of the negative trend of recent years, thanks to a policy aimed at promotions and forging a new relationship with customers based on trust.

Among the most important awards won by authors from the Group's catalogue, was the Premio Strega won by Ernesto Ferrero for *N.* and the Premio Internazionale Bacchelli won by Don DeLillo for *Underworld*.

During the second half of the year an important line of multi-media products was launched, in collaboration with the weekly magazine *Panorama* and Mondadori Informatica, which involved the publication on 10 CD-ROMs of an edition of *Letteratura Italiana*, about the origins of Italian literature

up to the present day, aimed at providing up-dated information about the history of Italian literature. This product has been very popular with the public, selling on average more than 78,000 copies, and increases the value of the Group's literary assets which can be used for future digital publications.

Among the most popular books in the foreign literature section were *Anime alla deriva* by Richard Mason, which was one of the most successful books of the year, *L'universo, gli dei, gli uomini* by Jean Pierre Vernant, *Vergogna* by J.M. Coetzee, *Ho sposato un comunista* by Philip Roth, *Nera schiena del tempo* by Javier Marias, *La caverna* by José Saramago and *La festa del caprone* by Mario Vargas Llosa.

As for Italian literature, apart from Ferrero's book, the most popular titles were *Racconti d'inverno* by Primo Levi, *Penelope per gioco* by Caterina Bonvicini, *Registro di classe* by Sandro Onofri, *Passaggi* by Vittorio Foa, *Tra due guerre* by Mario Rigoni Stern, *Rosa Montesi* by Guido Ceronetti, *Abi, Paloma* by Rosetta Loy, *Amore mio infinito* by Aldo Nove, and the anthology *Disertori*.

Of particular note in the non-fiction sector was *Storia della matematica del Novecento* by Piergiorgio Oddifreddi, *Le origini della*

vita by Edoardo Boncinelli, *Roma città del Papa* in the *Annali della Storia d'Italia* series, *L'universo elegante* by Brian Greehe, *Il processo a Gesù* by Chaim Cohn, the *Dizionario della Resistenza*, the *Manuale di storia moderna e contemporanea* by Adriano Prosperi and Giuseppe Viola, and the *Storia della letteratura inglese* by Paolo Bertinetti.

As for the Classics, some of the most important titles were *Fiabe Balcaniche* and *Teatro* by Dario Fo in the *Millenni* series and the edition of the first volume of *Opere* by Cesare Pavese and *Metamorfosi* by Ovidio in the Pléiade collection.

Among the various initiatives presented by *Tascabili Einaudi*, of particular note was the popularity of the individual editions of the *Bible*, published with comments and additional information supplied by important contemporary authors and scholars.

In addition, the *Stile Libero* series continued to be very popular, with book/video products such as *Parole e Canzoni* of Francesco Guccini, *Parole e Canzoni* of Fabrizio De André, *Bestiario italiano* by Marco Paolini and *Natale in casa Cupiello* by Eduardo De Filippo.

The **Edizioni di Comunità** continued

in its task of reconstructing the catalogue focusing on social, economic and environmental subjects, with particular reference to classical authors such as Max Weber and Hannah Arendt.

Prospects for the first few months of the current year include the launch of important authors and projects, including the first volume of the brand new *Enciclopedia della Musica* and the preparation of two important multi-media initiatives planned for May and September.

Art books and exhibition organisation

The **art books and exhibition organisation** area closed financial year 2000 with a notable increase in net sales, which amounted to 64.9 billion lire and represented an increase of 26.3% compared with the amount of 51.4 billion registered the previous year.

The economic results were equally significant, highlighting a radical change compared with previous years.

The market showed a positive tendency for growth, particularly in the commissioned work for institutions, corporations and

companies sector and in sales of joint editions. The sector concerned with directly organising important exhibitions was very successful during the year. The exhibition entitled *I 100 Capolavori dell'Ermitage* was seen by more than 580,000 visitors, confirming the wisdom of the strategic decision to concentrate, both now and in the future, on this business activity.

The museum services area was further enlarged by the addition of the Musei Civici Capitolini in Rome and the Soprintendenza in Pompei and Ercolano.

We now run more than 40 bookshops inside Italian museums, producing sales amounting to 15.9 billion lire.

After the important investments made in this sector in recent years, the first positive results were seen this year.

In the publishing sector *Architettura* increased its sales by 20% compared with the previous year, while *Arte* confirmed its market position.

The affiliated company **Electa Napoli** closed the financial year with an increase in sales that was largely due to the concession it holds for the Capodimonte Museum in Naples.

2001 opened with positive confirmation in the publishing area of this sector where significant results were obtained for bookshop supplies, while in the Important Exhibition area there was the brilliant opening of *Caravaggio e i Giustiniani, toccar con mano una collezione del Seicento*.

Sperling & Kupfer Group

The **Sperling & Kupfer Group** closed financial year 2000 in a decisively positive manner.

The two Publishing Houses, Sperling & Kupfer Editori S.p.A. and Edizioni Frassinelli S.r.l., registered excellent sales results, as can be seen in the increase of sales (+13.5%) and the increase of their market share, with the total for the two companies increasing from 4.3% to 4.6%.

In the year up to 31 December 2000 particular attention was paid to containing returns, which decreased by almost 4 points compared with 1999, and production costs, following the policy of linking print-runs to the real requirements of the market. The main titles published during the year were *Vaniglia e cioccolato* by Sveva Casati Modignani, which at the end of the year had

been re-printed nine times for an overall print-run of 160,000 copies, and *Immagine allo specchio* by Danielle Steel, as well as further success for Nicholas Sparks and Stephen King with print-runs of more than 120,000 copies.

It is also worth noting the good sales performance of the *Pokémon* volumes both in bookshops and on newsstands, and the success of the sell-out initiative for *Sperling Paperback*, which was characterised by the free gift given with the purchase of three volumes.

Educational publishing

For the Mondadori Group the financial year that closed on 31 December 2000 was a year for making adjustments after the important purchases made in the sector during 1999. Great importance was given to the creation of synergy in the manufacturing, distribution and commercial areas, and the first positive results in containing costs began to appear.

Sales, which are described in more detail below, were slightly down compared to forecasts as a result of the restructuring operation involving the Le Monnier Group. The imminent school reforms, planned to come into effect at the beginning of the 2001/2002 academic year, together

with some delays in finalising the essential aspects of the reforms, such as the definition of programmes, have undoubtedly increased the climate of uncertainty that currently prevails among teachers, and this uncertainty is reflected in the operations of school textbook publishers.

To briefly summarise the performance of each of the Group's publishing houses, **Elemond Scuola** closed the financial year with net sales of 104.7 billion lire, an increase of 6.9% compared with the figure of 101.5 billion lire for the previous year.

This substantial increase was partly due to sales from the distribution of Mac Millan Heinemann products, following the agreement which came into effect at the beginning of 2000. On a comparable basis, net of the effect of this new business activity, the year closed with an increase in sales equal to 2%.

The traditional imprints of Elemond Scuola registered performances that were in line with budget forecasts, even though Mursia was still unable to fully benefit from the revision of its catalogue, which began after the purchase.

In 2001 Elemond Scuola aims to maintain its own traditional qualities and continue

with the policy of product diversification, while providing an even larger and more complex range of services, including the *www.pianetascuola.it* Internet site which in the last quarter of 2000 was re-organised and re-styled.

The **Le Monnier Group** closed 2000 with total net sales of 42.4 billion lire, a decrease of 5.3% compared with the figure of 44.9 billion for the previous year.

It should be noted that the data relating to these two years cannot be compared because of the transfer of the distribution of MacMillan Heinemann products to the subsidiary Elemond S.p.A. The other business activities of the Le Monnier Group, net of the above-mentioned effect, increased by 2.4%.

It is worth highlighting the excellent performance of the dictionary line, one of the publishing house's traditional strong points, with the new edition of Devoto-Oli (Italian) and Conte (Latin), sales of which easily exceeded expectations.

For 2001 Le Monnier intends to concentrate mainly on upgrading and re-launching its publishing project.

Posidonia, which is already well on the way to integrating with the commercial and distribution organisation of Elemond Scuola, had a transitional year with a fall in sales (4.2 billion compared with 4.8 billion lire).

During the last part of the year all the publishing houses mentioned above were awarded the ISO 9001 international standards quality award, which was officially presented in the first months of 2001.

Grijalbo Group

During 2000 the restructuring programme carried out by the **Grijalbo Group** was greatly accelerated, both from the point of view of company structure and publishing activities.

In Spain, Grijalbo Mondadori S.A. merged with Sociedad Editorial Electa España S.A., while all the South American shares held by Prisco International Nv and Garrafon Nv were transferred to Grijalbo Mondadori S.A.. After this reorganisation the former company only retains shares in the Mexican company, while the latter was liquidated.

At the same time the publishing project aimed at establishing a joint programme

between Spain and South America was completed, giving more importance to low-priced imprints which have proved to be increasingly successful in Spanish-language markets.

2000 was characterised by the success of the non-fiction political imprint in the Mexican market, the launch and subsequent positive performance of the *Mitos Bolsillo* collection in the South American market and the books of authors such as Ken Follett (110,000 copies sold) and Barbara Wood (85,000 copies sold).

While sales figures were generally positive, the same cannot be said for the results which were particularly affected by the grave economic crisis in Argentina and by various extraordinary items pertaining to the Mexican subsidiary company.

Distribution

Sales decreased by 7.6% from 82.4 billion lire to 76.2 billion, mainly due to the distribution of publishing products of Baldini & Castoldi.

The **distribution** process has now consolidated its capacity to furnish a punctual service, with approximately 80% of orders being shipped within 2 or 3

working days.

In the last quarter of the year the new warehouse for processing returns came into operation, making it possible to recover and quickly re-issue part of the returned copies onto the market.

The Arianna project, aimed at connecting a significant number of bookshops to a network that enables them to transmit sales data, allowing constant monitoring of market trends and the electronic despatch of a large number of orders, continued to be developed.

Retail

The **retail** area of Mondadori, through the subsidiary companies **Ellemme**, **Libreria Le Monnier** and **Mondadori Franchising**, registered an increase in sales which, in a substantially stable market, made it possible to reinforce its competitive position thanks to an increase in sales outlets.

During the year, the Ellemme department in the Milan Multicenter, in Via Marghera, and the new shop in Padua were inaugurated, together with the restructuring of the Le Monnier bookshop in Florence.

These sales outlets represent a new type of shop format that is very spacious, friendly, elegant and functional, offering a wide range of services that includes publishing products, multi-media products, a travel agency and an auditorium.

The results in the number of visitors and sales have been excellent, confirming the validity of the strategy adopted by the Group.

Compared with 31 December 1999, the number of bookshops in franchising increased by 23, with a total of 31 trading under the name "Libreria Mondadori" and 60 under the name "Libreria Gulliver" at year's end.

The operations concerned with renting the Le Monnier bookshop and the Mondadori Informatica shops to Ellemme are aimed at focalising and specialising business activities. The first of these operations came into operation in April, while the second was agreed at the end of 2000 and came into effect on 1 January 2001.

In relation to these operations, Ellemme S.r.l. changed its name to Mondadori Retail S.r.l. with effect from 1 January 2001.

Sales registered by the new **Ellemme** bookshops amounted to 53.6 billion lire, an increase of 31.1% compared with the previous year.

Sales registered by **Mondadori Franchising** at 31 December 2000 amounted to 22.7 billion, an increase of 38.5% compared with 1999.

The Magazine Division registered consolidated sales of 1,551.6 billion lire (circulation 880.5 billion and advertising 671.1 billion), an increase of 11.9% compared with 1999.

The excellent result of the division is due to its demonstrated capacity to develop new initiatives by launching new products and by creating new business opportunities for already-existing titles (*brand extension*).

The following table gives an overall picture of the situation.

Magazines (bn lire)	2000	1999	% change
Circulation	880.5	812.9	8.3%
Advertising	671.1	573.3	17.1%
Total magazines	1,551.6	1,386.2	11.9%

Circulation

Circulation

(bn lire)	2000	1999	% change
Mondadori titles	652.5	616.6	5.9%
Specialised titles	14.3	15.6	(10.0%)
Third-party titles	213.7	180.7	18.3%
Total circulation	880.5	812.9	8.3%

The market in which the **Mondadori Group** operates increased in terms of copies by just less than 2%, which was largely due to the success of the new titles launched by Mondadori in 2000 and at the end of 1999 (*Tu*, *Cosmopolitan* and *Men's Health*).

A total of 7 new titles were launched on the market with overall circulation figures of approximately 40 million copies, 62% of which were published by Mondadori.

The **Mondadori Group** registered a significant increase by concentrating its strategy on the following:

- increasing profitability, by means of containing promotional initiatives linked to sales support, such as *banded* and *tandem*;
- supporting the titles launched at the end of 1999, in particular *Tu* and *Y&S*;
- setting up partnership agreements with Italian and International publishers, which resulted in the launch at the end of March

of the monthly *Cosmopolitan* (in a joint-venture with the Hearst Corp.); *Ventiquattro*, a supplement, launched in April, to the daily *Il Sole 24 Ore*, and *Portfolio*, a supplement to *Panorama* (in a joint-venture with *Il Sole 24 Ore*); the launch in May of the monthly *Men's Health* (in a joint-venture with Rodale Press) and the subsequent creation of a "group of health titles" with the contribution of *Starbene* in the jointly-owned company; the signing in September of an agreement with the Automobile Club d'Italia to establish a "group of transport titles" made up of *Auto oggi*, *Automobile Club*, *Hp Trasporti* and the new monthly title *Cambio l'automobile*, launched in February 2001 with an excellent reception from readers.

As far as traditional **Mondadori titles** are concerned, the following were of particular importance:

- in the newsmagazine sector *Panorama*

registered circulation figures of 598,000 copies, an increase of 5.4% compared with 1999. Its advantage over its direct competitor is now 195,000 copies;

- in the women's magazine sector, which registered an overall decrease of approximately 2%, Mondadori titles maintained their positions as market leaders;
- *Cbi*, with 506,000 copies and an increase of 7% compared with 1999, is close to being the newsstand leader in the family/women's sector;
- *Tu* closed the year with circulation figures of over 445,000 copies, consolidating its market presence just a year after being launched.

The other titles were substantially stable, with the exception of *Sorrisi e Canzoni TV* which was penalised by the union problems and registered a decrease in circulation of 5%.

It should be noted, however, that thanks to the initiative of selling CDs with the magazine, there were signs of a recovery in the last quarter of the year, a situation that was repeated and reinforced in the first few months of 2001.

As far as more recent titles are concerned, there were notable performances for both *Cosmopolitan*, with circulation figures of

187,000 copies, and *Men's Health*, with average circulation figures of 332,000 copies.

Among the **specialist titles** (for which it was decided to reclassify 1999 sales of *Panorama Travel* to Mondadori titles, since the title was rented from Elemond in 2000), there were very satisfying circulation figures for Elemond magazines, including *Interni*, *Casabella* and *VilleGiardini*.

The figures for titles published by Mondadori Informatica were in line with forecasts, with *PC Professionale* being the most successful.

As for *Espansione*, published by **Sperling & Kupfer**, the title was re-styled and re-launched in February and the results were in line with forecasts.

Moving on to 2001, forecasts for the market are substantially stable. The Mondadori Group will continue in its attempt to increase profitability and market share by means of a policy aimed at containing costs and offering support to newly-launched titles and titles that have been re-styled. It should be noted that in January 2001 the new in-house magazine ACI was published with a circulation of approximately 1 million copies.

Advertising

In 2000 the advertising market increased overall by 15.8%⁴ compared with the previous year. In particular, general printed advertising, which includes daily newspapers and magazines, registered an increase of 16.3%, which included a 13.6% increase for magazines. The television market increased by 13.8%⁵ while the radio market increased by 32.6%⁶.

The table in this page gives a summary of the advertising market in December 2000 compared with December 1999.

Overall advertising sales increased by 17.1% from 573.3 billion in 1999 to 671.1 billion in 2000.

The excellent result achieved by Mondadori titles was helped by the contribution provided by *Il Giornale* newspaper, which increased advertising sales by 29.1%, and the new initiatives, *Cosmopolitan*, *Portfolio* and *Men's Health*.

Advertising market

(bn lire)	2000	1999	% change
Television	7,928	6,968	13.8%
Magazines	2,314	2,036	13.6%
Newspapers	3,289	2,783	18.2%
Radio (*)	700	528	32.6%
Placards (*)	387	304	27.3%
Total advertising market	14,618	12,619	15.8%

Source: Nielsen

(*): data not comparable

⁴ Source Nielsen: data non comparable. The comparable figure is 14.5%

⁵ Source Nielsen: data non comparable.

⁶ Source Nielsen: data non comparable.

This result is even more significant in the light of the strikes that were called in support of the renewal of the National Contract for Journalists, which resulted in the loss of numerous editions of some of the most important magazines.

The details referring to the individual titles are as follows:

- in the women's magazine sector both *Grazia* and *Donna Moderna*, together with their relative supplements, registered good results, while the monthly *Marie Claire* returned an excellent performance with an increase in sales of 14.6%;
- advertising sales in *Cibi* were excellent, registering an increase of 43.1% compared with the previous year;
- the weekly title *Tu* registered sales that were much higher than expected;
- *Panorama* and its supplements *Panorama Web* and *Panorama Next* also registered good results (+7.2%);
- among the specialist titles, *Casa Facile* continued to stand out with an increase of 23.2%;

- the two titles that constitute the "health group", the monthlies *Starbene* and *Men's Health*, turned in excellent performances, with the former registering an increase in sales of 19.8%, mainly thanks to an increase in price (+15.9%), and the latter easily exceeding budget forecasts.

In the last few months of the year, Mondadori Pubblicità further increased its client portfolio with new agreements for selling advertising space. These included, among others, agreements with *Avvenire* and the new magazine *La Macchina del Tempo*.

2000 was the first complete financial year for Mondadori Printing S.p.A., which was set up in 1999 after the transfer of the printing activities of Arnoldo Mondadori Editore S.p.A. and Elemond S.p.A.. The project, aimed at creating a separate printing division, was then completed during the year with the transfer of the shares in Artes Graficas Toledo S.A. from Mondadori International S.A. to Mondadori Printing S.p.A..

A detailed picture of the printing industry in 2000 is given below.

The **market** was characterised by a growth in volume.

There was a significant increase in internal demand for printing magazines and newspapers.

The increase in consumption had a positive effect on the demand for printing catalogues and promotional material.

On the contrary, the market for printing books decreased.

The exchange rates for the dollar and sterling favoured printing operations in the Far East and encouraged customers to compensate the higher cost of materials by seeking lower printing costs.

The **cost of paper** increased (7%) and was one of the most significant events in 2000, while in the last quarter of the year there were many problems connected to the supply of paper.

The increase in the cost of paper obviously increased the cost of printing products, affecting the Publishing House's programmes and our offset plant.

Prospects for 2001 are on much the same lines, with continued problems in the cost of raw materials.

The use of new **technology**, which is undergoing important changes, produced a tendency in the production sectors of the Group to create large-format printing units, which are also highly flexible, connect the printing and packing activities and digitise the various processes by transferring

pre-printing phases to the editorial offices and the presses.

In this context the **Mondadori Printing Division** introduced a series of measures designed to counter the negative effects of the general situation: a medium-term agreement was signed with Cartiere aimed at avoiding increases in prices and supply problems; it was decided to use external printers in a systematic manner in order to be able to maintain the usual level of services to third-parties during those periods when demand, also from within the Group, is at its highest; investments continued and plans to install important new plant went ahead.

Printing machinery currently in use:

	Verona	Melzo	Cles	Pomezia	Martellago	Toledo	Total
Rotogravure	7	4	-	-	-	-	11
Rotary offset	4	-	1	3	-	-	8
Flat offset	12	-	-	-	5	7	24
Cameron	-	-	3	-	-	-	3

During 2000 the Group's Printing Division continued to make excellent use of the plant, with 304,400 tons of paper being processed compared with 280,600 tons in 1999. Investments in 2000 amounted to 41 billion lire. New plant worth a total of 30.8 billion lire became operational, including a reel-fed offset rotary press in the Verona plant. Investments also continued in the large-format rotogravure rotary press that is scheduled to come into production in the Verona plant during the first half of 2001.

The table gives a summary of the business activities of the Printing Division, with sales shown net of the cost of paper and transportation according to the type of printed product.

It should be noted that part of the sales for *directories* have been put off until the first few months of the current year, in order to accommodate the different publishing dates for annual information directories.

The first few months of 2001 have shown positive signs of recovery with interesting increases in sales.

Printing revenues net of paper costs

(bn lire)	2000	1999	% change
Magazines	231.2	207.8	11.3%
Books	127.4	143.7	(11.3%)
Catalogues and promotional material	69.5	62.0	12.1%
Directories	17.1	29.3	(41.6%)
Total printing sales net of paper costs	445.2	442.8	0.5%

The Mondadori Group's operations in this sector include the following:

- Mondolibri S.p.A., a joint-venture with the Bertelsmann Group, begun during 1999 after the merger of the business activities carried out by Club degli Editori and Euroclub;
- BOL Books on-line Italia S.r.l., a joint-venture with the Bertelsmann Group, founded in 2000;
- Cemit Interactive Media S.p.A..

This sector also includes the management of subscription sales both for Mondadori editions and for third parties.

In 2000 the book-club activities of **Mondolibri** made it the market leader in the mail-order book sales sector.

In the context of a static market, the rationalisation programme necessary after the merger of the two previous companies resulted in a slight decrease in sales, which nevertheless amounted to more than 160 billion lire from 1,600,000 members.

In 2000 the unification of all the business activities carried out by the two companies

that merged into Mondolibri was completed, including computer systems, logistics and *data base* products.

A development programme aimed at creating a new specialist book-club (*Mondo Idee*) was put into operation, while work on all the Internet activities was accelerated with the presence of 5 book-clubs on the web.

In 2000 on-line sales amounted to more than 4 billion lire, and work began on developing on-line recruitment.

This aspect of the business will make Mondolibri the leader in the Italian market for on-line book sales.

BOL Books on line Italia came into operation at the end of 2000 with the objective of becoming the leading operator in selling books on-line. During the last days of the year the operational capacity of the site was tested prior to the official launch which took place in January 2001.

A good deal of attention has been given to completing the product *data base* and to the ensuring that the service offered is able to satisfy customers demands.

During the year **Cemit Interactive Media**, which began trading under this new name on 31 December 2000 in order to give a better indication of the business activities carried out by the company, maintained its position of market leader in the direct marketing sector, reinforcing its reputation as the only operator in the sector able to offer a complete service to customers.

2001 promises to bring further increases in the company's turnover and even better results.

The following table gives a summary of the sales data for financial year 2000, compared with 1999.

Direct Marketing (bn lire)	2000	1999	% change
Club degli Editori S.p.A.	-	52.5	n.a.
Mondolibri S.p.A. (proportional)	79.6	41.1	n.a.
	79.6	93.6	(14.9%)
Cemit Direct Media S.p.A.	50.0	42.6	17.2%
Total Direct Marketing	129.6	136.4	(5.0%)

In 2000 **Mondadori Informatica** was involved in re-defining its business activities.

On the one hand development continued, as did the good results registered for books and *education*, while on the other hand sales in shops went through a typical expansion phase, characterised by the need for large investments that will only bear fruit in the future.

Mondadori Informatica books continue to sell very well and produce excellent profits. In order to encourage further development of book publishing, a new series of low-priced specialist texts aimed at the mass market was launched in September. The new initiative was welcomed by the public and new editions are currently being planned for launch in 2001.

In the *education* sector, which is continually growing, the rooms where courses are held are increasingly full. With the aim of satisfying market demands, new premises have recently been opened in Rome. The company has also decided to offer distance-learning courses using new technology. With this aim an agreement has been reached with **e.biscom**, one of the most important operators in the telecommunications area, to start a new company that will be owned on an equal basis.

Sales increased by 16.7% and amounted to 10.8 billion lire.

At the end of June the new Multicenter in Via Marghera (Milan) opened, to complement the existing Multicenter in Via Berchet. The two centres are part of the company's policy of offering the public a complete range of products in friendly, elegant and comfortable structures.

During the first six months of the year, the number of visitors and sales easily exceeded forecasts and results were very good.

Total sales for Mondadori Informatica and New Media amounted to 96.6 billion lire (84.5 billion in 1999), an increase of 14.3%.

As has already been mentioned in the section on retail books, as part of the Group's reorganisation of its presence in direct distribution channels, the business activities of the Mondadori Informatica sales outlets (Multicenter and the Bologna shop) have been grouped together, since 1 January 2001, in Mondadori Retail S.r.l., which is now responsible for running all Mondadori's activities in the sector.

In 2000 the Group's business activities in this sector continued, in line with the plans to exploit the opportunities presented by the development of the Internet, while its strategic, publishing and organisational policies were refined.

In March 2000, **Mondadori.com** was set up to look after and run all Internet publishing activities in Italy. In the context of grouping together this type of business activity, during the year the Holding Company transferred the Volftp site to the new company.

Since its launch, Mondadori.com has concentrated on creating an integrated system of vertical sites aimed at developing the strategic assets of the Group, both in terms of content and in terms of capacity in direct marketing and distribution.

During the year the *Mytech* vertical portal, concerned with the world of computers and new technology, the *Mondo donna* portal, concerned with a segment of the market where Mondadori traditionally has a strong presence, and the *News* portal, which is a re-definition of the *Panorama* site that concentrates mainly on news and stories from the weekly magazine, all came into operation.

Currently the main source of income for the company is represented by advertising sales, which are handled by a network that already collaborates with the Mondadori Group.

Apart from the development and production of new products and services, the second half of 2000 and the first few months of 2001 saw the signing of agreements and partnership deals with various international companies, with the aim of generating an increase in traffic (as can be seen by the ever increasing number of *page views*, which up to December 2000 amounted to more than 20 million), and the supply of on-line publishing material.

The most important of these agreements are:

- Mondadori - ACI (September 2000): Mondadori.com will be involved in developing, producing and running a car portal destined to be the most important in the sector in Italy. The portal will contain information and exclusive services for car owners;
- Mondadori.com - CMP Media Inc. (September 2000): licence contract that allows Mondadori.com to make use

of the contents of the main CMP Web destinations, by means of *Mytech* hub technology. In particular, *Mytech* carries news, information, tests and services from the most important CMP portal - *TechWeb*;

- Mondadori.com - Tiscali (February 2001): licence contract that provides all European users of Tiscali with free access to the vast collection of programmes, shareware and games provided and elaborated by the Volftp site;
- Mondadori.com - CMP Media Inc. (February 2001): a contract that allows *Gameforce*, the Mondadori.com site exclusively dedicated to games, to provide its users with access to the contents of the CMP *Gamepower* game portal, which is regarded as the top reference point by American computer game players.

Numerous negotiations are currently underway to sell the publishing materials developed by Mondadori.com to third parties.

Total sales for the Group's Internet activities amounted to 12 billion lire, which include 6 billion for advertising sales on the vertical portals of Mondadori.com, 4 billion from e-commerce books and 2 billion from on-line subscription sales.

The Mondadori Group's financial position as of 31 December 2000, including debts for leasing, showed a surplus of 332.3 billion lire, as illustrated in the following table:

Net financial position

(bn lire)	31/12/2000	31/12/1999
Short term bank and P.O. deposits	337.3	376.3
Short term borrowing from banks	(148.0)	(76.8)
Financing (short and medium/long term))	(568.3)	(450.9)
	(379.0)	(151.5)
Fixed interest securities	702.5	465.0
Cash, post office accounts, net receivables from affiliates and third parties and accrued interest income	11.2	(13.2)
Net financial receivables (payables)	334.7	300.4
Leasing debts	(2.4)	(17.0)
Net financial position	332.3	283.4

Cash flow summary

(bn lire)	31/12/2000	31/12/1999
Initial net financial position	283.4	216.8
Net result	137.3	152.8
Depreciations	109.3	120.5
Self-finance	246.6	273.3
Changes in working capital	(6.4)	62.9
Net investments	(102.0)	(179.8)
Severance indemnities	7.1	5.8
Buy-back of company shares, net of sales	(48.7)	(33.8)
Other assets/liabilities	36.9	(22.0)
Operating surplus (requirement)	133.5	106.4
Dividends	(84.9)	(65.6)
Other capital movement	0.3	25.8
Financial surplus (requirement)	48.9	66.6
Final net financial position	332.3	283.4

Interest and exchange rates

During 2000 the market rates rose sharply up to the beginning of the last quarter when, after a brief period of stability, they began to fall.

During the first part of 2000 there was a continuation of the economic expansion that had characterised 1999 and produced record levels on western stock markets. In this context, the central banks of the main industrialised countries, with the exception of Japan, faced with an overheated economy, responded with a series of increases in interest rates, which in the United States rose by 1 percentage point, in the Euro area by 1.75 percentage points and in Great Britain by half a percentage point.

The negative prospects for the United States economy resulted in an important revision of forecasts for global economic growth in 2001, leading to a decisive inversion of the trend. Instead of further increases in interest rates, the forecasts were for significant reductions. During 2001 the Fed will probably have to reduce interest rates by between 1.5 and 1.75 percentage points (in January the rate was reduced by 1 point), the ECB by 0.5 percentage points and the EOB by 0.5 percentage points

(the rate was reduced by 0.25 at the beginning of February).

In this context the three-month Euribor rate (base 365) increased from a minimum level of 3.5% at the beginning of the year to a maximum level of 5.20% at the end of October, before ending the year under 5% (with an average value of 4.46%).

During the same period the average cost of money for Mondadori was 4.38%. The prime ABI rate in 2000 increased from 6.25% to 8%.

As of 31 December 2000 the Mondadori Group had unused lines of credit in the form of bank overdrafts for a total of approximately 2,200 billion lire.

The short-term credit facilities, amounting to approximately 1,400 billion lire, were used as of the end of 2000 for 320 billion lire by means of self-liquidating lines of credit (such as discount bills) and stand-up credits with a duration of less than eighteen months minus a day, ensuring a competitive debit mix.

The medium/long term lines were made up of 29 billion lire for subsidised loans (mainly Law 416/81 for publishers) and 774 billion lire (400 million Euro) from a revolving multi-currency credit facility

with a duration of five years (2000-2005) that was agreed in July.

The syndicated loan, organised by the Banca Commerciale Italiana and Barclays Capital in their role as arrangers and by the Cassa di Risparmio di Verona Vicenza Belluno and Ancona Banca in their roles as co-arranger, was arranged mainly to refinance and consolidate the bank debt of A.M.E. S.p.A. on medium/long terms and to reduce the banking costs the company pays. The favourable conditions obtained by the company (a 20 point percentage spread for the first three years and 22.5 for the remaining period), is an indication of the good reputation the company has in the market.

As of 31 December 2000 the loan had been used for a total of 310 billion lire at an average interest rate of 5.39%.

Mondadori International

Mondadori International, where the Group's financial activities are concentrated, generated net profits of 50.1 billion lire in 2000 (36.8 billion net of the extraordinary items).

As of 31 December 2000, the company's financial activities amounted to approximately 892 billion lire (715 billion at the end of 1999).

During the year the company continued with its policy of diversifying the portfolio in order to maintain good profitability of the liquidity invested, based on a conservative approach to risks.

As of 31 December 2000 Group companies employed 5,164 people (5,118 at 31 December 1999), while the average number of personnel during 2000 was equal to 5,174 (5,128 for the same period in 1999).

Compared with 31 December 1999 there was an increase of 46 people, which was mainly due to the following:

- the setting-up of Mondadori.com, which involved an increase of 48 staff;
- the purchase of the company division concerned with the sales outlet in Via Marghera in Milan, which involved 13 employees;
- the disposal of the printing company belonging to the Le Monnier Group, which involved a reduction of 27 employees.

The other changes were due to normal turn-over and natural variations in various business activities.

In particular, the increasing number of personnel employed in the expanding sectors and the computer and Internet sectors was offset by a drop in the number of people employed in other sectors,

Personnel

	31/12/2000	31/12/1999
Arnoldo Mondadori Editore S.p.A.		
Managers, journalists and office staff	1,431	1,402
Manual workers	182	194
	1,613	1,596
Italian subsidiaries		
Managers, journalists and office staff	1,675	1,588
Manual workers	1,382	1,460
	3,057	3,048
Foreign subsidiaries		
Managers, journalists and office staff	314	295
Manual workers	180	179
	494	474
Total	5,164	5,118

including the printing area which shed 51 posts.

The table shows details of Group personnel as of 31 December 2000.

The cost of personnel amounted to 479.9 billion lire, an increase of 5.1% compared with the same period in 1999.

As of 31 December 2000 the following contracts expired:

- the remuneration part of the National Contract for Commercial Staff and Management;
- both the conditions and remuneration part of the National Contract for Journalists.

During 2000 the Group made investments in technical assets for 58.7 billion lire, including 30.7 billion in printing plant and machinery.

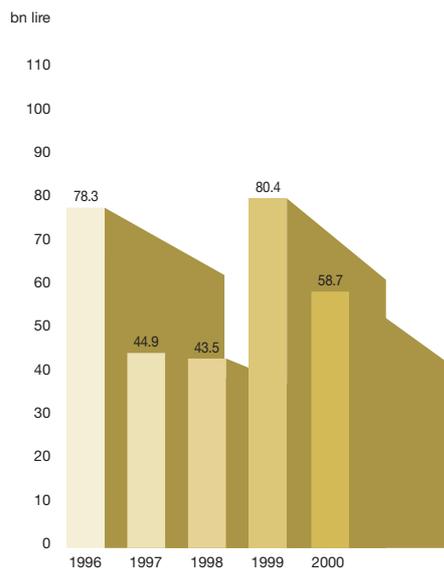
These investments included a new 16-page offset rotary press that was installed in the Verona plant.

During 2001 it is planned to install a large-format rotogravure rotary press in Verona and to carry out a series of operations designed to maintain the high standard of current manufacturing assets.

Important investments were also made in industrial buildings (over 3 billion lire), while plans for investments in 2001 are even more significant and will amount to more than 25 billion lire.

Some of the most important investments concerned "Furniture and office machines" for 12.7 billion lire, which represent the normal replacement of personal computers and office machines, as well as new fittings in the bookshops and shops belonging to the Group's retail sector.

Disinvestments during 2000 amounted to 18.3 billion lire and were mainly concerned with the disposal of the Printing Division and two non-strategic assets of the Le Monnier group.



Mondadori Group: capital expenditure

The following section deals with information about the specific subjects:

Relations with linked companies

We would inform you that with reference to Consob communication 97001574 of 20 February 1997 and 98015375 of 27 February 1998, all dealings of a commercial nature with the Fininvest Group are based on normal market conditions.

Plan for converting to Euro

During the first half of 2000 internal seminars were held on the subject. These seminars continued during the second half of the year, and the configuration of the administrative systems, together with the testing phase carried out by the operational structure, was completed during the same period.

In relation to the *Master Plan*, it should be noted that on 20 December 2000 the Board of Directors of Mondadori Pubblicità S.p.A. agreed on the conversion of the Company's share capital and the adoption of the Euro as the money of account as from 31 December 2000 resolving, as a consequence, to prepare the annual financial statements in the new currency.

As for the other companies in the Group, a calendar has been drawn up for carrying

out the conversion and in the light of the way the plan is proceeding the project will be completed as forecast by the second half of 2001.

Joint-ventures

In April 2000 Mondadori Rodale S.r.l. was set-up, in a partnership between Arnaldo Mondadori Editore S.p.A. and the Rodale Press, for the launch of the monthly magazine *Men's Health* and the development of the "health group", a project that also included the transfer in August of *Starbene*.

In November 2000 **BOL Books on line Italia S.r.l.** was launched in a joint-venture with the Bertelsmann Group aimed at developing on-line sales of publishing products.

In November Mondadori and the Automobile Club d'Italia launched the joint-venture company **ACI Mondadori S.r.l.**, aimed at developing publishing, traditional and on-line products in the car and travel sectors.

Acquisition of shares in Euromedia Luxembourg Two S.A.

In July Mondadori International subscribed an 11.76% share of **Euromedia**

Luxembourg Two S.A., shareholder in the EuroMedia Venture Fund which deals in investing in start-up companies in the technology sector. A 29.4% share of the company is held by the Fininvest Group.

Acquisition of shares in Veleno S.p.A.

In July Mondadori subscribed a 24% share of **Veleno S.p.A.** The Fininvest Group owns a 72% share of the company. The company purpose is publishing production (films, television films, documentaries, advertising shorts) mainly destined for the Internet.

Acquisition of shares in *Il Giornale*

In November Mondadori acquired 12% of the capital of Società Europea di Edizioni S.p.A., which publishes *Il Giornale*. With the conclusion of this operation, Mondadori now has a 41.67% share of the company.

Disposal of holdings in Baldini & Castoldi S.r.l.

On 31 July 2000 the subsidiary company Elemond S.p.A. disposed of its holdings, equal to 49% of the share capital, in Baldini & Castoldi S.r.l. to the Dalai family. The effects of the operation are described in "Notes to the Consolidated Statement".

Disposal of the printing division of Armando Paoletti S.p.A.

On 20 December 2000 Armando Paoletti S.p.A. (Le Monnier Group) disposed of the printing division, concerned with pre-printing, printing and bookbinding, to La Tipografica Varese S.p.A.

The effects of the operation are described in "Notes to the Consolidated Statement".

Splitting the par value of ordinary shares and savings shares

In compliance with the resolution adopted by the Extraordinary Shareholders' Meeting of 3 May 2000 with effect from 10 July 2000, the operation concerned with splitting the par value of ordinary shares and savings shares from 1,000 lire to 500 lire took place in the following way:

- allocation of 2 new Arnoldo Mondadori Editore S.p.A. ordinary shares with a par value of 500 lire each - dividend payable 1 January 2000 (coupon no. 12) - against the annulment and replacement of every old Arnoldo Mondadori Editore S.p.A. ordinary share with a par value of 1,000 lire each - dividend payable 1 January 2000 (coupon no. 12);
- allocation of 2 new Arnoldo Mondadori Editore S.p.A. savings shares with a par value of 500 lire each - dividend payable 1 January 2000 (coupon no. 12) - against

the annulment and replacement of every old Arnoldo Mondadori Editore S.p.A. savings share with a par value of 1,000 lire each dividend payable 1 January 2000 (coupon no. 12).

Share buy-back

We should remind you that the Ordinary Shareholders' Meeting of 3 May 2000 agreed, amongst other things, to the authorisation, in accordance with article 2357 of the Civil Code, to a share buy-back of a further maximum nominal value of 3,000,000,000 lire, as regards the 4,444,866 ordinary shares with a par value of 1,000 lire in the company's portfolio on that date.

Following this resolution and up to 31 December 2000 615,700 ordinary shares with a par value of 500 lire were bought for a total of 12,517,000,000 lire (average cost per share 20,330 lire). During the same period 789,956 ordinary shares were disposed of for a total value of 22,622,000,000 lire.

On 31 December 2000 the company owned a total of 8,715,476 ordinary shares with a par value of 500 lire each (3.36% of the ordinary share capital) on the books for 120,460,638,558 lire, representing an average of 13,821 lire per share.

Capital increase

On 12 May 2000 the Board of Directors of Arnoldo Mondadori Editore S.p.A. resolved, in application of the authority granted to it in accordance with article 2443 of the Civil Code by the Extraordinary Shareholders' Meetings of 24 June 1998 and 3 May 2000, to increase the share capital in order to carry out for 1999 the "Management Stock Option Plan 1997/1998/1999" in the following way:

- 1) in paid-up shares for a total of 69,400,000 lire by means of the issue of 138,800 new ordinary shares with a par value of 500 lire each to be offered in subscription, with the exclusion of the shareholders' right of option in accordance with art. 2441, paragraph 8 of the Civil Code, to the participants in the Management Stock Option Plan for 1997/1998/1999;
- 2) in bonus shares (by partly using the profits from financial year 1999 for the purpose agreed on by the Shareholders' Meeting of 3 May 2000 in accordance with art. 2349 of the Civil Code), by means of the issue of 588,800 new ordinary shares with a par value of 500 lire each, to be allocated to the participants in the Plan who subscribed to the paid-up shares referred to in point 1; all of which to be completed by 31 December 2000.

The capital increase referred to above was carried out on 18 July 2000 for a total

of 363,800,000 lire by means of the issue of a total of 727,600 new ordinary shares with a par value of 500 lire each, comprising:

- 138,800 paid-up shares at a price of 25,628 lire each, 25,128 lire of which was share premium;
- 588,800 bonus shares allocated to the participants in the Stock Option Plan who subscribed to the above-mentioned shares.

Following this operation the share capital increased by 129,351,116,000 lire to 129,714,916,000 and was divided up into 259,278,420 ordinary shares and 151,412 savings shares with a par value of 500 lire each.

Information on the stock option plans

The Ordinary Shareholders' Meeting of 3 May 2000 decided on the creation of a Stock Option Plan regarding company shares, for the three-year period 2000/2001/2002, destined for managers of the company, its subsidiaries and the parent company whose activities have a determining impact on the attainment of the Group's strategic objectives. At the meeting to be held on 23/24 April 2001 a proposal will be made to extend the Plan to the directors of subsidiary companies. The Meeting entrusted the "Stock Option

Plans" Committee, nominated by the Meeting itself from among Directors not employed by the company, with the task of managing the plan, granting the Committee all the powers necessary for identifying the participants, establishing performance objectives, allocating option rights and carrying out the plan itself in all its aspects. The Meeting also entrusted the Committee with the task of defining the Regulations for implementing the Stock Option Plan.

In particular, the regulations drawn up by the Committee provide, for every year the Plan is in force, for the allocation to the participants in the Plan of rights to options, which are personal and not transferable, for the purchase of ordinary Mondadori S.p.A. shares in the ratio of one share, with regular dividend, for every option exercised, at a price not less than the average official price for Mondadori shares in the period from the date of the allocation of the options to the same day in the previous solar month. The option can only be exercised, in a single action, during the period between 1 January and 30 June of the third year after each year of the allocation date.

The Regulations also specify that the participants in the Plan are chosen,

by the Committee, from among those managers of the company and its subsidiaries whose activities have a determining impact on the attainment of the Group's strategic objectives; directors employed by the company or its subsidiaries; journalists employed by the company or its subsidiaries who are editors or deputy-editors of titles; managers who work for subsidiaries as editors and whose function is in favour of the company.

The Regulations also specify that the Committee identifies the conditions for exercising the options allocated to the participants with reference to the performance parameters of an economic and/or financial nature on an annual basis; the fulfilment of the conditions for exercising the options will be checked by the Committee, for each year in which the Plan is in force, by the end of the first half of the year after the year the options are allocated.

The Committee has identified the performance parameters of an economic and/or financial nature for the Stock Option Plan 2000-2002 as being the ROE and the Free-cash flow, since these indicators, also in the light of past experience, respond to market expectations and institutional

investors who have shown their appreciation of them.

It should be noted that in accordance with art. 2358, paragraph 3 of the Civil Code, loans or other financial facilities cannot be granted for the purpose of buying shares.

Directors, Statutory Auditors and Chief Executive Officers' Stock Options

In accordance with art. 79 of Consob resolution 11971 of 14 May 1999, we wish to inform you of the following shares held in Arnoldo Mondadori Editore S.p.A. and Subsidiary Companies by the Company's directors and Statutory Auditors:

Name and surname	Company shares	Number of shares owned at end of previous financial year (*)	Number of shares bought (*)	Number of shares sold (*)	Number of shares owned at end of current financial year (*)
Mondadori Leonardo	A. Mondadori Editore	570,500	63,000	-	633,500
Costa Maurizio	A. Mondadori Editore	249,000 (**)	115,400 (***)	14,000	350,400
Barbaro Francesco	A. Mondadori Editore	76,000 (**)	32,200 (***)	11,400	96,800
Berlusconi Marina	-	-	-	-	-
Berlusconi Pier Silvio	A. Mondadori Editore	276,000	-	104,000	172,000
Confalonieri Fedele	-	-	-	-	-
Formenton Luca	A. Mondadori Editore	5,620	-	-	5,620
Formenton Luca	Mondadori International S.A.	13	-	-	13
Poli Roberto	-	-	-	-	-
Puerari Giovanni	A. Mondadori Editore	58,000 (**)	25,800 (***)	-	83,800
Sposito Claudio	A. Mondadori Editore	-	67,400 (***)	26,900	40,500
Iorio Franco	-	-	-	-	-
Aiello Antonio	-	-	-	-	-
Frattini Achille	-	-	-	-	-
Giampaolo Francesco	-	-	-	-	-
Polerani Gianfranco	-	-	-	-	-

(*) Ordinary shares with a par value of 500 lire following the share-split sanctioned by the Shareholders' Meeting of 3 May 2000.

(**) 56,000 of which from Stock Option

(***) From Stock Option

Disposal of the holdings in S.I.E.S. S.p.A. and S.A.G.E. S.p.A.

On 7 March 2001 Arnoldo Mondadori Editore S.p.A. transferred its shares in S.I.E.S. S.p.A. and S.A.G.E. S.p.A. to Seregna Industrie Grafiche S.p.A.

The shares in question were no longer strategic in the light of the rationalisation of the Group's presence in the printing sector, which began in August 1999 with the transfer of the printing division of Arnoldo Mondadori Editore S.p.A. and Elemond S.p.A. to Mondadori Printing S.p.A.

Results of the first two months of 2001

The most important events of the first two months of 2001 were analysed in the preceding comments on the different business areas.

Sales for the Mondadori Group amounted to 470.4 billion lire compared with 403 billion for the same period in financial year 2000.

The increase, equal to 16.7%, reflects the excellent performance of all the Divisions of the Group.

For the Board of Directors
Leonardo Mondadori
Chairman

Proposals of the Board of Directors

The Financial statements as of 31 December closed with a net profit for the financial year of 108,446,497,242 lire which the Board of Directors proposes to allocate in the following way:

Net profit for the year	Lire	108,446,497,242
To the legal reserve (which amounts to 20% of the capital)		72,760,000
Profits available for disposal		108,373,737,242
to the Shareholders a total dividend of		100,249,656,520
taking account of the 8,809,476 shares held by the company, the division is proportional as per art. 2357 of the Civil Code and is equivalent to a dividend, gross of taxes, of 410 lire to be allocated to each of the 151,412 savings shares in circulation and 400 lire for each of the 250,468,944 ordinary shares in circulation		
to the reserve fund ex law 124/93 art. 13		22,222,826
to the extraordinary reserve		8,101,857,896

We propose that the dividend be paid, in accordance with the provisions of the "Regulations for markets organised and managed by Borsa Italiana S.p.A.", in the following way: detachment date 21 May 2001, for payment from 24 May 2001. The allocation of the dividends ensures that Shareholders are allocated a full tax credit of 58.73%, as laid out in art. 105, paragraph 1, point a) of the T.U.I.R.

We therefore submit the following text to you for the motion:
"The Ordinary General Meeting of the Shareholders of Arnoldo Mondadori

Editore S.p.A.,

- having heard and approved the matters explained by the Board of Directors,

- having taken note of the matters contained in the Report of the Board of Statutory Auditors and the Consolidated Financial Statements of 31 December 2000

resolves

to approve the Report of the Board of Directors on the Company's performance and to approve the financial statement

as at 31 December 2000, together with the notes, in all their parts and findings;

to approve the allocation of the net profit for the year ended 31 December 2000 as proposed by the Board of Directors".

*For the Board of Directors
Leonardo Mondadori
Chairman*

Modifications, concerning the extension to the directors of subsidiary companies, to the Stock Option Plan for 2000 and subsequent years established by the Shareholders' Meeting of 3 May 2000; resulting resolutions.

Shareholders,

the Shareholders' Meeting of 3 May 2000 approved the creation of a three-year Stock Option Plan for Company shares (the "Stock Option Plan"), for managers of the company, its subsidiaries and the parent company who carry out functions relevant for the strategic results of the Group.

In particular, the regulations drawn up by the Committee nominated by the Meeting of 3 May 2000, provide for the allocation to the participants in the Plan of rights to options for the purchase of ordinary Mondadori S.p.A. shares in the ratio of one share for every option exercised, at a price not less than the average official price for Mondadori shares in the period from the date of the allocation of the options to the same day in the previous solar month. The option can only be exercised during the period between 1 January and 30 June

of the third year after each year of the allocation date.

The Plan is currently underway and the first allocation has been made, in application of the resolution of the Meeting, by the Committee, nominated by the Meeting itself from among non-executive directors who are not employed by any subsidiary companies.

Since the Plan has shown itself to be functional in achieving the proposed objectives, it is proposed to extend it, taking into account the modifications to fiscal and social security legislation, to directors of subsidiary companies of Arnoldo Mondadori Editore S.p.A..

It is therefore considered expedient to extend the Plan, in accordance with art. 2359 of the Civil Code, to directors of subsidiary companies of Arnoldo Mondadori Editore S.p.A., who will be identified and who will participate in the Plan, in accordance with the same terms and criteria currently foreseen for managers of the company and its subsidiaries.

The Board of Directors therefore proposes that the Meeting approves the following resolution:

The Ordinary General Meeting of the Shareholders' of Arnoldo Mondadori Editore S.p.A. taking into account the report of the Board of Directors;

resolves

to extend the Stock Option Plan for 2000 and subsequent years, approved by the Meeting of 3 May 2000, in accordance with art. 2359 of the Civil Code, to Directors of subsidiary companies of Arnoldo Mondadori Editore S.p.A., who will be identified in accordance with the same principles and who will participate under the same terms and conditions applied to the current participants in the Plan.

Authorisation to buy and use company shares as per the combined dispositions of arts. 2357 and 2357 paragraph 3 of the Civil Code, prior to the revocation of the Shareholders' resolution of 3 May 2000.

Shareholders,

the Shareholders' Meeting of 3 May 2000 authorised, for a period of 18 months from the date of the resolution, the purchase

of Company shares up to a maximum of a further nominal value of 3,000,000,000 lire in addition to the 4,444,866 shares with a par value of 1,000 lire (or rather 8,889,732 shares with a par value of 500 lire following the share-split approved by the Meeting of 3 May 2000), already in the Company's portfolio at the time of the resolution, at a unit price not more than 20% below and not more than 10% above the official trading price on the day preceding that of purchase.

The Meeting of 3 May 2000 also authorised the Board of Directors to sell Company shares in the portfolio at a price not less than 80% of the official trading price on the day preceding each single operation.

In line with the aforementioned resolution, the Company acquired 672,700 ordinary shares and sold 789,956 (details up-dated at the time of the present report - 8 March 2001).

Taking account of the shares that were already in the portfolio, the Company now holds a total of 8,772,476 shares, which represents 3.38% of the ordinary share capital.

Given that the authorisation approved by the Meeting of 3 May 2000 is due to expire shortly, we would suggest that the resolution approved by the aforementioned be revoked, for the part not yet effected, and that authorisation be granted to the Board to buy and use Company shares for a period of 18 months from the date of the resolution, as per the following:

1. Reasons for the authorisation to buy and use Company shares.

The reasons for the request for authorisation to buy and use Company shares are to enable the Board of Directors to:

- contain anomalous movements resulting from market volatility and not attributable to real economic events, by acting to stabilise the share price;
- to use Company shares as a possible exchange in the acquisition of stakes in the context of the Company's investment policy;
- to use Company shares to be allocated to the participants in the Stock Option Plan for 2000 and subsequent years

The Stock Option Plan regarding Company shares, for the three-year period 2000/2001/2002, destined for managers of the company, its subsidiaries

and the parent company whose activities have a determining impact on the attainment of the Group's strategic objectives, was approved by the Shareholders' Meeting of 3 May 2000. At the Shareholders' Meeting of 23/24 April 2001 a proposal will be made to extend the Plan to the directors of subsidiary companies.

The Meeting entrusted the "Stock Option Plans" Committee, nominated by the Meeting itself from among Directors not employed by the company, with the task of managing the Plan, granting the Committee all the powers necessary for identifying the participants, establishing performance objectives, allocating option rights and carrying out the Plan itself in all its aspects. The Meeting also entrusted the Committee with the task of defining the Regulations for implementing the Stock Option Plan.

In particular, the regulations drawn up by the Committee provide, for every year the Plan is in force, for the allocation to the participants in the Plan of rights to options, which are personal and not transferable, for the purchase of ordinary Mondadori S.p.A. shares in the ratio of one share, with regular dividend, for every

option exercised, at a price not less than the average official price for Mondadori shares in the period from the date of the allocation of the options to the same day in the previous calendar month. The option can only be exercised, in a single action, during the period between 1 January and 30 June of the third year after each year of the allocation date.

The Regulations also specify that the participants in the Plan are chosen, by the Committee, from among those managers of the company and its subsidiaries whose activities have a determining impact on the attainment of the Group's strategic objectives; directors employed by the Company or its subsidiaries; journalists employed by the Company or its subsidiaries who are editors or deputy-editors of titles; managers who work for subsidiaries as editors and whose function is in favour of the Company.

The Regulations also specify that the Committee identifies the conditions for exercising the options allocated to the participants with reference to the performance parameters of an economic and/or financial nature on an annual basis; the fulfilment

of the conditions for exercising the options will be checked by the Committee, for each year in which the Plan is in force, by the end of the first half of the year after the year the options are allocated.

The Committee has identified the performance parameters of an economic and/or financial nature for the Stock Option Plan 2000-2002 as being the ROE and the Free-cash flow, since these indicators, also in the light of past experience, respond to market expectations and institutional investors who have shown their appreciation of them.

It should be noted that in accordance with art. 2358, paragraph 3 of the Civil Code, loans or other financial facilities cannot be granted for the purpose of buying shares.

Authorisation is also requested to buy the shares allocated freely to the participants of the "Management Stock Option Plan" 1997/1998/1999, established by the resolution of the Shareholders' Meeting of 24 June 1998, should a said participant be found so obliged under the terms laid out or should the contract between the Company and the said individual

be terminated before the expiry of the three-year lock-up period concerning shares allocated in this way .

2. Maximum number, type and nominal value of the shares covered by the authorisation.

The authorisation covers a further 3,000,000 ordinary and/or savings shares, in addition to those already in the Company's portfolio on the date of the resolution, for a par value of 500 lire each, or 0.26 Euro as stipulated by the specific item in the agenda for the extraordinary part of the Shareholders' Meeting of 23/24 April 2001.

3. Useful information to ensure conformity with the requirements laid down by art. 2357, paragraph 3 of the Civil Code.

The maximum number of shares, as at paragraph 2 above, to which the authorisation refers, will not exceed, in line with art. 2357, paragraph 3 of the Civil Code, a tenth of the Company's share capital, including the shares already in the Company's portfolio or, in any case, purchasable by the Company within the terms of the previous Shareholders' authorisation of 3 May 2000. It is also noted that none of the subsidiaries of Arnoldo

Mondadori Editore S.p.A. owns shares in the Parent Company, and that, in any case, at any time, the maximum number of Company shares held must not exceed one tenth of the total share capital including shares that might be held by subsidiaries.

4. Duration of the authorisation

The duration of the authorisation is requested for 18 months following the date of the resolution of the Ordinary Shareholders' Meeting, while the authorisation for the use of Company shares is requested without a time limit.

5. The corresponding minimum and maximum.

With the exception of the eventual purchases of the shares allocated freely to the participants of the Stock Option Plan, for whom a corresponding price equal to the nominal value has been determined, the corresponding minimum and maximum price for the acquisition of the shares will be determined at the same conditions foreseen by the previous authorisation and therefore at a unit price not more than 20% below and not more than 10% above the official trading price on the day preceding that of purchase.

6. Method of purchase.

With the exception of eventual purchases of the shares allocated freely to the participants of the "Stock Option Plan" 1997/1998/1999, for whom, should conditions emerge that oblige the sale to the Company of assigned shares, such purchases will be carried out on the market in line with the terms agreed with the Borsa Italiana S.p.A., that allow for equal treatment to that of the Shareholders, in accordance with art. 132 of Legislative Decree no. 58 of 24 February 1998.

The terms of use for Company shares bought may be enabled either by alienation of the same on the Stock Exchange, by blocking or as a corresponding amount against the acquisition of equity stakes that fall within the Company's investment policy, on condition that the price or attributed unit value is not less than 80% of the reference price of the shares on the trading day prior to each single operation.

The method of disposing of Company shares from the Stock Option Plan for 2000 and subsequent years is outlined in point 1.

Shareholders,
if you agree with our proposal we would

invite you to pass the following resolutions:
The Ordinary Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A., having seen the report of the Board of Directors,

resolves

- 1. to revoke, from the date of the present resolution and for the part not yet effected, the resolution authorising the acquisition, sale and conversion of Company shares passed by the Ordinary Shareholders' Meeting of 3 May 2000;*
- 2. to authorise, as per art. 2357 of the Civil Code, the purchase, in one or more occasions, for a period of 18 months from the date of the present resolution, of a further (with respect to the shares already acquired in execution of the authority given by the previous Shareholders' Meeting of 3 May 2000) 3,000,000 ordinary and/or savings shares with a par value of 500 lire (or rather of a par value re-denominated as 0.26 Euro by the special part of the agenda of the Extraordinary Shareholders' Meeting of 23/24 April 2001), at a corresponding unit price of not more than 20% below and not more than 10% above the official*

trading price on the day preceding that of purchase. At any time the maximum number of shares held will not exceed a tenth of the Company's share capital, including shares that may be held by subsidiary companies;

3. to authorise the purchase of shares, in one or more occasions, for a period of 18 months from the date of the present resolution, to be allocated freely to the participants of the "Management Stock Option Plan" 1997/1998/1999, should a said participant be found obliged to sell his shares back to the Company, this will be done at a price equal to the nominal value of the shares themselves;

4. to mandate the Board of Directors, and in the Board's name, the Chairman and the Chief Executive, separately and also through designated proxies, to proceed with the acquisition of Company shares at the aforementioned conditions, in the time frame considered to be in the best interests of the Company, in the manner laid out by current regulations and in this way, with the exception of purchases as at paragraph 3 above,

on the market as agreed with Borsa Italiana S.p.A., that allows equal treatment to Shareholders, in accordance with Legislative Decree no. 58 of 24 February 1998;

5. to establish a "closed reserve of Company shares", in accordance with art. 2357, paragraph 3, final clause, of the Civil Code, equal to the number of Company shares listed as assets on the balance sheet, withdrawing the relative sum, in connection with the purchases effected, from the "overpricing reserve" and within the limits of the same;

6. to authorise the Board of Directors, and in the Board's name, the Chairman and the Chief Executive, separately and also through designated proxies, to ensure that, in accordance with art. 2357, paragraph 3, of the Civil Code, they may, at any time, in whole or in part, on one or more occasions, also before having exhausted the purchases, use Company shares acquired on the basis of this authorisation or those already in the Company's portfolio, both through alienation or blocking and for the acquisition of equity stakes

that are part of the Company's investment policy, giving to the administrators the option to establish, each time, within the terms and regulations, method and conditions, considered to be in the best interests of the Company, on condition that the price or unit value attributed to the shares is not less than 80% of the reference price on the trading day prior to each single operation. This authorisation has been agreed without a time limit;

7. to authorise the Board of Directors, and in the Board's name, the Chairman and the Chief Executive, separately and also through designated proxies, to ensure that, in accordance with art. 2357, paragraph 3, of the Civil Code, they may, at any time, in whole or in part, on one or more occasions, also before having exhausted the purchases, use Company shares acquired on the basis of this authorisation, or those already in the Company's portfolio, to allocate options for the acquisition of the shares by participants in the Stock Option Plan for 2000 and subsequent years, in accordance with the resolution of the Shareholders' Meeting of 3 May

*2000 and eventual modifications.
This authorisation has been agreed
without a time limit.*

Appointment of Reconta Ernst & Young S.p.A. for the three-year period 2001/2002/2003 - in accordance with art. 159 of Legislative Decree no. 58 of 24 February 1998 - to audit the financial statements and the consolidated statements and to perform other activities as contained in art. 155 of the aforementioned Legislative Decree no. 58 of 1998. Appointment of the said Reconta Ernst & Young S.p.A. to carry out a limited audit of the half-year reports for the first half of the financial years in the above-mentioned three-year period. Determination of relative emoluments.

Shareholders,

with the audit relative to the financial year that closed on 31 December 2000, the appointment for the audit of the financial statements and the consolidated statements conferred on Deloitte & Touche S.p.A. for the three-year period 1998/1999/2000

by the Shareholders' Meeting of 27 April 1998, together with the appointment to carry out a limited audit of the half-year reports as at 30 June 1998, 1999 and 2000, has expired.

In accordance with art. 159 of Legislative Decree no. 58 of 24 February 1998 it is therefore necessary to proceed to the appointment, relative to the three-year period 2001/2002/2003, for the audit of the financial statements and the consolidated financial statements and other activities as contained in art. 155 of the aforementioned Legislative Decree no. 58/1998 and for a verification, during the financial year, of company bookkeeping procedures and that the correct entries are made in the accounts.

You are also called on to pass resolution on the appointment for a limited audit of the half-year report at 30 June 2001/2002/2003.

The Board of Directors, being aware that the third successive three-year appointment conferred on Deloitte & Touche S.p.A. has expired, and that Deloitte & Touche S.p.A. cannot be appointed for another three-year period, proposes to deliberate the conferment aforementioned appointment for the three-year period 2001/2002/2003

on Reconta Ernst & Young S.p.A., on the basis of the proposal made by the said firm of external auditors on 27 February 2001.

The Board of Directors therefore submits for approval by the Shareholders' Meeting of the appointment of Reconta Ernst & Young S.p.A. after a verification of the suitability of the company and of the specific professional experience of the personnel assigned to the audit. The conditions of the proposal are appropriate to the proposed audit and are in line with normal market conditions, after other offers presented by important audit companies have been verified.

The proposal made by Reconta Ernst & Young S.p.A. concerning the audit for Arnoldo Mondadori Editore S.p.A. can be summarised for each financial year 2001/2002/2003 in the following way:

	Fee in lire	Hours
Audit of Financial statements	310,000,000	2,080
Audit of Consolidated statement	45,000,000	270
Verification, during financial year, of Bookkeeping procedures and that correct entries are made in the accounts	30,000,000	170
Limited audit of half-year report	110,000,000	740
Total	495,000,000	3,260

The number of hours and the fee may be subject to variations should there be special circumstances that require an increased amount of time (significant structural changes, unforeseen exceptional situations, etc.). If any such circumstances do occur, a supplement will be added to the proposal and submitted for approval to the Shareholders. In addition, the fee will be adjusted for each financial year, with effect from 1 July 2001, on the basis of the variation in the ISTAT relative to the cost of living compared with the previous year (base: June 2000).

Proposal for resolutions.

Shareholders,

if you agree with our proposals we would invite you pass resolution on the following:

The Ordinary Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A.

- *having examined the report of the Board of Directors;*
- *having taken note of the proposal made by the external auditors,*
- *and having taken note of the opinion expressed by the Board of Statutory Auditors, in accordance with art. 159,*

paragraph 1, of the Legislative Decree no. 58 of 24 February 1998

resolves

- 1. to confer on the external auditors Reconta Ernst & Young S.p.A. in accordance with art. 159 of Legislative Decree no. 58 of 24 February 1998, relative to the three-year period 2001/2002/2003, the appointment to:*
 - audit the financial statements and consolidated statements by means of verifying that the financial statements and consolidated statement correspond to the results of the accounts and that they conform to current regulations governing accounting principles, and by preparing a report expressing an opinion on the financial statements and the consolidated statement, in accordance with art. 156 of the said Legislative Decree 58/1998;*
 - verify company bookkeeping procedures and that the correct entries are made in the accounts;*
- 2. to fix, in accordance with art. 159, paragraph 1, of Legislative Decree no. 58/1998, the total fees to be paid to the said auditors Reconta Ernst &*

Young S.p.A., for each of the financial years 2001, 2002, 2003 as 385,000,000 lire (three-hundred and eighty-five thousand million) of wich 310,000,000 (three-hundred and ten thousand million) for the financial statements, 45,000,000 lire (forty-five thousand million) for the consolidated statement and 30,000,000 lire (thirty million) to verify company bookkeeping procedures and that the correct entries are made in the accounts.

In addition to these amounts the said auditors will also be paid expenses, at cost, plus VAT and security costs, to be calculated in accordance with current Consob regulations. The above-mentioned fees will be adjusted every year, with effect from 1 July 2001 (base: June 2000) on the basis of the variation in the ISTAT index relative to the cost of living, and may be adjusted should any special and unforeseen circumstances arise. All this as per the relative proposal made by the external auditors, which is attached to the present minutes;

- 3. to confer on the external auditors Reconta Ernst & Young S.p.A., relative to the said three-year period 2001/2002/2003, the appointment to carry out a limited*

audit on the half-year report of each of the financial years and to produce a formal report;

- 4. to fix the total fees to be paid to the said independent auditors for each of the financial years 2001, 2002, 2003 as 110,000,000 (one-hundred and ten thousand million) for a limited audit of the half year report. In addition to these amounts the said auditors will also be paid expenses, at cost, plus VAT. The fees for the limited audit of the half-year report, as outlined above, will be adjusted every year, with effect from 1 July 2001 (base: June 2000) on the basis of the variation in the ISTAT index relative to the cost of living, and may be adjusted should any special and unforeseen circumstances arise. All this as per the relative proposal made by the external auditors, which is attached to the present minutes*

Adoption of Regulations for Shareholders' Meetings; resulting resolutions.

Shareholders,

we have called you to an Ordinary

Shareholders' Meeting to submit for your approval the adoption of regulations for Ordinary and Extraordinary Shareholders' Meetings.

The adoption of regulations for Shareholders' Meetings is essentially determined by the need to comply with the indications contained in the Self-discipline Code for listed companies drawn up by the "Committee for the corporate governance of listed companies" in October 1999. The aim of the regulations is to ensure that Company meetings are carried out in an ordered, functional manner, guaranteeing that the efficiency of the meetings and the relative decisional processes protect the interests of the shareholders, since this is necessary to ensure the correct running of a company.

We propose that you adopt the regulations for Shareholders' Meetings, and any future modifications to them, by a resolution taken in an Ordinary Meeting as an expression of the capacity for self-regulation of the meeting's members.

The following is the text of the said regulations:

Regulations for Shareholders' Meetings

Art. 1 - Area of application

1.1 The present Regulations are designed to govern Ordinary and Extraordinary Shareholders' Meetings of Arnoldo Mondadori Editore S.p.A., with offices in Milan, Via Bianca di Savoia 12, since they are compatible with special Company Shareholders' and Bond Holders', with the exception of that which is already contained in the Company Statutes.

1.2 The present Regulations, adopted with a resolution by the Ordinary Shareholders' Meeting of 23/24 April 2001, can be inspected by Shareholders at the Company's head office and in those places where Shareholders' meetings take place. Any modifications to the said regulations are subject to the same form and approval procedure.

Art. 2 - Access to Shareholders' Meetings

2.1 Individuals who, on the basis of the law or Company Statutes, have the right to participate at Shareholders' Meetings must prove their identity at the entrance to the meetings by showing a suitable

identity document or other means of recognition, such as an auto-certificate, as well as an authorisation document valid for admission to the Meeting, as stipulated in the Shareholders' calling. The Chairman is empowered to resolve any problems concerning the right of participation. The verification of the right of participation will begin well in advance of the time set for the Meeting itself. In order to simplify the verification of the right to participate, Shareholders may send any documents that prove this right to the Company secretary, following the procedure and time limits contained in the Shareholders' calling.

2.2 Employees of the Company and Group companies, together with other individuals whose presence at the Meeting is deemed by the Chairman to be useful in relation to the subjects to be discussed or in order to facilitate the business, are entitled to attend Shareholders' Meetings.

2.3 Experts, financial analysts and accredited journalists may attend Meetings with the consent of the Chairman. Representatives of the external auditors and, if nominated, representatives of bond holders and Shareholders with savings shares are free to attend Meetings.

2.4 No video, communication or similar equipment, nor any form of recording equipment, may be used during Meetings unless the Chairman gives his specific permission, in order to facilitate the business of the Meetings and the compilation of the minutes.

Art. 3 - Discussions

- 3.1 When illustrating the subjects on the agenda and the replies, the Chairman may be assisted by members of the Board of Directors or the Board of Statutory Auditors, or by any other individuals who, as described in point 2.2, have the right to attend the Meeting, who can be asked to illustrate the subjects on the agenda and the proposals submitted for approval to the Meeting. The order of subjects as set out in the Shareholders' calling may be modified and subjects different from those on the agenda can be discussed.
- 3.2 The Chairman establishes the method of dealing with the agenda, keeps order and controls the discussions, allowing interventions from Directors, Statutory Auditors and those Shareholders who, in accordance with the present article, have requested to speak, and guarantees

reciprocal respect for the right of every Shareholder who speaks and for the Company's interests. With this aim the Chairman establishes the procedure for requesting to speak and the order of the interventions, guaranteeing the right to reply to those individuals who have requested to speak. The Chairman ensures that discussions are correct and uses every means to ensure that the business of the Meeting is not impeded.

- 3.3 All Shareholders who have the right to vote also have the right to speak on the subjects discussed by the Meeting in order to ask for clarification and to express their own opinions. Shareholders who have requested the right to speak must only discuss the subjects contained on the agenda.
- 3.4 When opening the Meeting, the Chairman can, taking into consideration the subjects on the agenda, establish the maximum time allowed for the interventions and replies in order to ensure that the largest possible number of Shareholders are given the opportunity of speaking. The Chairman can request that interventions which exceed the established maximum time, or which

are not relevant to the subject under discussion, be concluded and he can also, after a request to conclude, interrupt any Shareholder who ignores such a request. The Chairman may request those Shareholders who, despite a call to order, do not allow the business of the Meeting to be carried out, to leave the room where the Meeting is being held for the duration of the discussions. During the Meeting the Chairman may, if he finds due cause, suspend the business for a brief period, giving his reasons for doing so.

- 3.5 The Chairman or, on his request, the Directors, Statutory Auditors and employees of the Company who are present may take part in the discussions and reply to the Shareholders in accordance with the procedure established by the Chairman.
- 3.6 When the interventions, responses and eventual replies are exhausted, the Chairman declares the discussion closed.

Art. 4 - Vote

- 4.1 Before commencing the voting procedure, the Chairman must allow any individuals who have been excluded from

the discussions in accordance with point 3.4 of the present Regulations to rejoin the Meeting.

4.2 The Meeting adopts an open-vote system.

At the beginning of business and in any case before the voting operation commences, the Chairman establishes the procedure for expressing, recording and counting the votes and the way of doing it, and he can also establish a maximum time limit within which the voting must take place.

4.3 When the voting is over the votes are counted and the Chairman, who may also call on the help of the secretary or a notary, announces the results to the Meeting.

Art. 5 - Final instructions

Anything not included in the present Regulations comes under the jurisdiction of the Civil Code, special laws or Company Statutes.

We therefore invite you to pass resolution on the following:

*The Ordinary Shareholders' Meeting
of Arnoldo Mondadori Editore S.p.A.*

- having taken note of the recommendations contained in the Self-discipline Code for Listed Companies drawn up by the "Committee for the corporate governance of listed companies" concerning the adoption of regulations for Shareholders' Meetings,
- having seen the report of the Board of Directors
resolves

- to approve the regulations for Shareholders' Meetings as outlined in the text above composed of 5 articles that constitute an integral part of the present resolution.

*For the Board of Directors
Leonardo Mondadori
Chairman*

**Nomination of Directors,
after the increase in the number of Board
members; determination of mandates
and emoluments**

Shareholders,

the Board of Directors ask you to approve the proposal to increase the number of members of the Board itself by resolving

to nominate Directors with a view to bringing the number of Directors in line with the Self-Regulatory Code for listed companies.

You are reminded that the Board of Directors, nominated by the Shareholders at the General Meeting of May 3, 2000 and in office until the approval of the company's financial statements for the year ending December 31, 2002, is currently made up of ten members. As per Art. 9 of the Company Statutes the Board may comprise a minimum of three and maximum of fifteen Directors.

*For the Board of Directors
Leonardo Mondadori
Chairman*

Consolidated financial statements
of the Mondadori Group
as of 31 December 2000

Consolidated Balance sheet
and Income statement
as of 31 December 2000

Balance sheet

Assets

(in millions of lire)	Year ended 31 December 2000		Total 3	Year ended 31 December 1999
	Sub Total 1	Sub Total 2		
A. Receivables from Shareholders for unpaid share capital				
B. Non-current assets				
I- Intangible assets				
1		6,987		1,681
2				
3		1,325		225
4		311,112		319,017
5		36,566		38,498
6		218		970
7		18,574		14,148
8		34,404		41,435
Total			409,186	415,974
II- Fixed assets				
1		164,083		169,871
2		112,269		124,849
3		5,639		2,504
4		36,943		32,827
5		27,303		17,257
Total			346,237	347,308
III- Financial assets				
1 investments in:				
a) subsidiary companies				
		4,805		5,495
b) affiliated companies				
		35,767		23,520
c) other companies				
		2,374		797
Total		42,946		29,812
2 current receivables:				
a) from subsidiary companies				
b) from affiliated companies				
c) from parent companies				
d) from other companies				
	<i>within 12 months</i>	<i>over 12 months</i>		
	2,192	17,591	19,783	20,012
Total	2,192	17,591	19,783	20,012
3 other securities				
		5		5
4 treasury stock				
		120,461		71,744
Total			183,195	121,573
Total non-current assets B.			938,618	884,855

	Year ended 31 December 2000			Year ended 31 December 1999
	Sub Total 1	Sub Total 2	Total 3	
C. Current assets				
I- Inventories				
1 raw, ancillary and consumable materials		31,714		24,638
2 semifinished products, work in progress		52,718		45,786
3 work in progress to order		15,261		14,859
4 finished products and goods		162,994		154,667
5 advances		53		
Total			262,740	239,950
	<i>within 12 months</i>	<i>over 12 months</i>		
II- Receivables				
1 trade accounts	740,168	24,947	765,115	699,898
2 due from subsidiaries	7,509		7,509	7,992
3 due from affiliated companies	56,364		56,364	36,106
4 due from parent companies	12		12	228
5 due from third parties	189,811	895	190,706	193,355
Total	993,864	25,842	1,019,706	937,579
III- Financial assets (current)				
1 investments in subsidiaries				
2 investments in affiliated companies			4,108	
3 other investments				2,072
4 treasury stock				
5 other securities			702,488	465,177
Total			706,596	467,249
IV- Cash and Equivalents				
1 cash at banks and PO			337,268	378,641
2 cheques			74	1,445
3 cash and commercial papers in hand			296	291
Total			337,638	380,377
Total current assets C.			2,326,680	2,025,155
D. Accrued income and prepayments				
1 accrued income		1,310		1,913
2 prepayments		16,967		20,533
3 premium on loans		3,164		746
Total accrued income and prepayments D.			21,441	23,192
Total assets			3,286,739	2,933,202

Balance sheet

Liabilities

(in millions of lire)	Year ended 31 December 2000			Year ended 31 December 1999
	Sub Total 1	Sub Total 2	Total 3	
A. Shareholders' equity				
I- Share capital			129,715	129,351
II- Share premium reserve			435,762	483,752
III- Revaluation reserve			32,358	32,358
IV- Legal reserve			25,870	25,819
V- Reserve for treasury stock			120,461	68,984
VI- Statutory reserve				
VII- Other reserve				
1) Extraordinary reserve		288,722		32,522
2) Reserve Law 675 of 12/8/1977		680		680
3) Conferral reserve Law 904 of 16/12/1977		1,454		1,454
4) Capital account contribution reserve		9,782		9,782
5) Reserve Law 124/93 art. 13		51		28
6) Other reserves		-29,406		162,633
			271,283	207,099
VIII- Profit (loss) carried forward				
IX- Profit (loss) for the year				
1) Profit for the year			137,272	152,765
Consolidated Group Shareholders' equity			1,152,721	1,100,128
Minority interest			15,334	15,102
Total Shareholders' equity A.			1,168,055	1,115,230
B. Reserve for risks and charges				
1 retirement benefits and similar		2,026		2,153
2 income taxes		46,836		46,697
3 other		54,339		53,003
Total reserve for risk and charges B.			103,201	101,853
C. Reserve for severage indemnities			190,366	183,263
D. Debts and other payables				
1 bonds				
2 convertible bonds				
3 due to banks	688,194	28,070	716,264	527,813
4 due to third parties				
5 advances	68,642		68,642	63,978
6 trade accounts	642,451		642,451	595,984
7 debts represented by credit instruments				
8 due to subsidiaries	1,420		1,420	1,079
9 due to affiliated companies	75,667		75,667	51,947
10 due to parent companies	606		606	170
11 income taxes payable	42,955		42,955	40,742
12 due to pension funds and social security entities	32,125		32,125	30,338
13 other liabilities	216,410	2,766	219,176	201,948
Total debts and other payables D.	1,768,470	30,836	1,799,306	1,513,999

	Year ended 31 December 2000		Total 3	Year ended 31 December 1999
	Sub Total 1	Sub Total 2		
E. Accrued liabilities and deferred income				
1 accrued liabilities		13,302		8,736
2 deferred income		12,509		10,121
3 discounts on loans				
Total accrued liabilities and deferred income E.			25,811	18,857
Total liabilities			3,286,739	2,933,202
Memorandum accounts				
1 Guarantees and sureties				
a) in favour of subsidiaries				
b) in favour of affiliated companies			15,100	14,133
c) in favour of third parties			49,113	49,776
2 Commitments			120,743	106,286
3 Risks				
4 Others			159,781	128,436
Total memorandum accounts			344,737	298,631

- 1) Total of items preceeded by lowercase letters and (in certain cases) by arabic numerals.
- 2) Total of items preceeded by arabic numerals and (in certain cases) by lowercase letters.
- 3) Total of items preceeded by romanic numerals and uppercase letters.

For the Board of Directors
Leonardo Mondadori
Chairman

Income statement

(in millions of lire)	Sub total 1	Financial year 2000 Sub total 2	Total 3	Financial year 1999
A. Production value				
1		2,876,778		2,634,079
2		16,487		-11,262
3		505		1,704
4		286		432
5				
a)	290			613
b)	91,050			76,250
		91,340		
Total production value A.			2,985,396	2,701,816
B. Production costs				
6		944,858		830,364
7		1,113,446		999,620
8		37,890		35,268
9				
a)	336,924			318,345
b)	106,829			102,458
c)	29,060			25,369
d)	58			69
e)	7,073			10,484
Total			479,944	456,725
10				
a)	45,407			52,395
b)	63,933			68,109
c)				
d)	17,252			24,158
Total			126,592	144,662
11		-6,661		-1,805
12		9,051		17,012
13		49		
14		27,369		29,141
Total production costs B.			2,732,538	2,510,987
Difference between production value and production costs A. - B.			252,858	190,829

	Sub total 1	Financial year 2000 Sub total 2	Total 3	Financial year 1999
C. Financial income and charges				
15 Income from investments				
a) Subsidiaries				6,000
b) Affiliated companies				
c) Other investments	68			56
Total		68		6,056
16 Other financial income				
a) from long term receivables				
• Subsidiaries				
• Affiliated companies				
• Parent companies				
• Other companies	290			354
Total	290			354
b) from long term securities	1,652			10,980
c) from short term securities	46,572			27,473
d) other income				
• Subsidiaries	63			43
• Affiliated companies	239			107
• Parent companies				
• Other companies	15,454			8,344
	15,756			8,494
Total		64,270		47,301
17 Interest and other financial charges				
a) Subsidiaries	10			7
b) Affiliated companies	425			274
c) Parent companies				
d) Other companies	44,494			36,493
Total		44,929		36,774
Total financial income and (charges) C.			19,409	16,583
D. Adjustments to the value of financial assets				
18 Revaluations				
a) investments	8,667			8,405
b) other long term financial assets				
c) securities				
Total		8,667		8,405
19 Writedowns				
a) investments	12,150			2,419
b) other long term financial assets				
c) securities	9,997			
Total		22,147		2,419
Total adjustments to the value of financial assets D.			-13,480	5,986

(follows)

Income statement

(in millions of lire)	Sub total 1	Financial year 2000 Sub total 2	Total 3	Financial year 1999
E. Extraordinary items				
20 Income				
a) Gains on disposals	5,689			6,589
b) Other	987			43,923
Total		6,676		50,512
21 Charges				
a) Losses on disposals	707			5,316
b) Taxation relative to prior years	794			34
c) Other	3,904			6,367
Total		5,405		11,717
Total extraordinary income (charges) E.			1,271	38,795
Profit before tax			260,058	252,193
22 Income tax for the year			122,003	100,654
23 Results for the year			138,055	151,539
Net profit (loss) for the year pertaining to minority interest			783	-1,226
Net profit (loss) for the year			137,272	152,765

- 1) Total of items preceded by lowercase letters.
- 2) Total of items preceded by arabic numerals.
- 3) Total of items preceded by uppercase letters and (in certain cases) arabic numerals.

For the Board of Directors
Leonardo Mondadori
Chairman

Notes to the Consolidated financial statements

Form and contents of the Consolidated financial statements

General policies

In preparing the Consolidated financial statements, the Group has complied with the accounting principles and format for Balance sheets and Income statements called for by Legislative Decree no. 127 of 9 April 1991, integrated with and based on the Accounting Principles drawn up by the Italian Accounting Profession.

The structure and contents of the Balance sheet and the Income statement conform to the regulations concerning the drawing up of Financial Statements as contained in art. 2424 and 2425 of the Civil Code.

A “Reconciliation between the Holding Company's Accounts and the Consolidated Financial Statement” has also been provided.

Consolidation area

The Consolidated financial statements for the Mondadori Group include:

- the accounts of the Holding Company and those of the Italian and foreign companies in which Arnoldo Mondadori Editore S.p.A. holds, directly or indirectly, the majority of the share capital and controls the management: these investments have been consolidated on a line-by-line basis, in accordance with Law Decree no. 127 of 9 April 1991 and Document no. 17 of the Accounting Principles Commission set up by the Italian Accounting Profession;
- the financial statements of those Italian and foreign companies in which Arnoldo Mondadori Editore S.p.A. holds, directly or indirectly, 50% of the share capital and controls the management: these investments have been consolidated on a proportional basis;
- the financial statements of those Italian and foreign companies in which Arnoldo Mondadori Editore S.p.A. holds, directly or indirectly, either 50% of the share capital but does not control the management, or a minority interest: these investments have been consolidated on a net equity basis.

The consolidation does not include those companies whose inclusion would be immaterial in representing the true, correct financial situation and results of the financial year. These companies have been valued at cost.

The companies belonging to the consolidation area of the Mondadori Group are as follows:

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2000	% held as of 31/12/1999
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Companies consolidated using the line-by-line method:

Parent Company

Arnoldo Mondadori Editore S.p.A.	Milan	Publishing	Lire	129,714,916,000		
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Italian subsidiaries

Armando Paoletti S.p.A.	Florence	Printing	Lire	900,000,000	95.56	95.56
Athena Finanziaria S.r.l.	Florence	Finance	Lire	20,000,000	95.56	95.56
Casa Editrice Felice Le Monnier S.p.A.	Florence	Publishing	Lire	25,000,000,000	95.56	95.56
Casa Editrice Poseidonia S.r.l.	Bologna	Publishing	Lire	21,000,000	87.50	87.50
Cemit Interactive Media S.p.A.	S.Mauro Torinese	Trade	Lire	7,375,000,000	100.00	100.00
Club degli Editori S.p.A.						100.00
Editoriale e Finanziaria Le Monnier S.p.A.	Florence	Publishing	Lire	5,400,000,000	95.56	95.56
Editoriale EsseKappa S.p.A.						100.00
Edizioni Frassinelli S.r.l.	Milan	Publishing	Lire	20,000,000	100.00	100.00
Elemond S.p.A.	Milan	Publishing	Lire	49,400,000,000	100.00	100.00
Electa Napoli S.r.l.	Naples	Publishing	Lire	300,000,000	60.00	60.00
Ellemme S.r.l.	Milan	Trade	Lire	10,000,000,000	100.00	100.00
Fied S.p.A.	Milan	Financial publishing	Lire	800,000,000	100.00	100.00
Giulio Einaudi Editore S.p.A.	Turin	Publishing	Lire	46,000,000,000	70.00	70.00
Leonardo Arte S.r.l.						100.00
Libreria Le Monnier S.p.A.	Florence	Trade	Lire	1,078,920,000	95.56	95.56
Mondadori.com S.p.A.	Milan	Trade Publishing	Lire	15,000,000,000	99.99	99.99
Mondadori Informatica S.p.A.	Milan	Publishing	Lire	5,000,000,000	100.00	100.00
Mondadori Printing S.p.A.	Milan	Printing	Lire	87,300,000,000	100.00	100.00
Mondadori Pubblicità S.p.A.	Milan	Advertising agent	Euro	3,120,000	100.00	100.00
Mondadori Franchising S.p.A.	Rimini	Trade	Lire	1,954,000,000	100.00	100.00
Programmi Editoriali S.p.A.	Milan	Publishing	Lire	6,000,000,000	100.00	100.00
Riccardo Ricciardi Editore S.p.A.	Milan	Publishing	Lire	3,510,000,000	100.00	100.00
Sperling & Kupfer Editori S.p.A.	Milan	Publishing	Lire	648,000,000	100.00	100.00

Italian affiliated companies

Heinemann Le Monnier S.r.l. (in liq.)						47.78
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Foreign subsidiaries

Arnoweb S.A.	Luxembourg	Finance	Euro	25,000,000	99.99	99.99
Artes Graficas Toledo S.A.	Toledo	Printing	Ptas	900,000,000	100.00	99.99
Digrisa S.A. de C.V.	Mexico	Publishing	Pesos	50,000	99.80	99.80

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2000	% held as of 31/12/1999
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Companies consolidated using the line-by-line method:

Foreign subsidiaries

Distrib.Exclusiva Grijalbo S.A.	Bogotá	Trade	Pesos	1,400,000	99.98	100.00
Grijalbo Mondadori S.A.	Barcelona	Trade	Ptas	100,000,000	100.00	100.00
Editorial Grijalbo S.A. de C.V.	Mexico	Publishing	Pesos	50,000,000	100.00	100.00
Editorial Grijalbo S.A.	Santiago	Publishing	Pesos	55,642,872	100.00	100.00
Editorial Grijalbo Ltda	Bogotá	Publishing	Pesos	10,000,000	98.98	99.00
Garrafon NV						100.00
Grijalbo Editor S.A.	Montevideo	Publishing	N. Pesos	500,000	100.00	100.00
Grijalbo S.A.	Caracas	Publishing	Bolivares	150,000	100.00	100.00
Grijalbo S.A.	Buenos Aires	Publishing	Australes	6	100.00	100.00
Mondadori International S.A.	Luxembourg	Finance	Lire	762,250,000,000	99.99	99.99
Prisco International NV	Dutch Antilles	Finance	US \$	6,000	100.00	100.00
Sociedad Editorial Electa España S.A.						100.00
Webmond S.A.	Luxembourg	Finance	Euro	25,000,100	99.99	99.99

Companies valued using the proportional method:

Mondolibri S.p.A.	Milan	Trade publishing	Lire	2,000,000,000	50.00	50.00
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Companies valued using the net equity method:

Ag. Lombarda Distrib.						
Giornali e Riviste S.r.l.	Milan	Trade	Lire	800,000,000	50.00	50.00
BOL Books on Line Italia S.p.A.	Segrate	Trade	Euro	3,000,000	50.00	-
Edizioni Electa Bruno Mondadori S.r.l.	Milan	Publishing	Lire	20,000,000	50.00	50.00
Edizioni EL S.r.l.	Trieste	Publishing	Euro	620,000	35.00	35.00
Grüner und Jahr / Mondadori S.p.A.	Milan	Publishing	Lire	4,856,000,000	50.00	50.00
Harlequin Mondadori S.p.A.	Milan	Publishing	Euro	258,250	50.00	50.00
Hearst Mondadori Editoriale S.r.l.	Milan	Publishing	Euro	99,600	50.00	50.00
Librorama S.r.l. (in liq.)	Milan	Publishing	Lire	150,000,000	50.00	50.00
Mach 2 Libri S.p.A.	Milan	Trade	Lire	1,250,000,000	24.00	24.00
Mondadori De Agostini Libri S.p.A.						50.00
Mondadori Rodale S.r.l.	Milan	Publishing	Euro	90,000	50.00	-
Mondadori Sole 24 Ore S.p.A.	Milan	Publishing	Euro	500,000	50.00	-
SAGE Seregni Azienda Grafica Editoriale S.p.A.	Milan	Printing	Lire	250,000,000	50.00	50.00
S.A.I.R.E. S.r.l.	Milan	Real estate	Lire	90,000,000	25.00	25.00
SEL Società Editrice Lombarda S.p.A.						50.00
SIES Società Italiana Editrice Stampatrice S.p.A.	Milan	Printing	Lire	1,000,000,000	50.00	50.00
STS Società Tipografica Siciliana S.p.A.	Catania	Printing	Lire	3,000,000,000	22.92	19.92
Società Europea di Edizioni S.p.A.	Milan	Publishing	Lire	4,872,000,000	41.67	29.67

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2000	% held as of 31/12/1999
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Companies valued at cost:

Aci Mondadori S.r.l.	Milan	Publishing	Lire	2,000,000,000	50.00	-
AME Publishing Ltd.	New York	Services	US \$	50,000	99.99	99.99
Arnoldo Mondadori Deutschland GmbH	Munich	Services	DM	50,000	99.99	99.99
Baldini & Castoldi S.r.l.						49.00
Baldini & Castoldi International BV						49.00
Consuedit S.r.l.	Milan	Services	Lire	20,000,000	9.54	9.54
Consorzio Aeromobili Fininvest	Milan	Services	Lire	1,000,000,000	3.00	3.00
Cons Sistemi Informativi Editoriali Distributivi	Milan	Services	Lire	200,000,000	10.00	-
Editrice Portoria S.p.A.	Milan	Publishing	Euro	364,000	16.78	23.50
Editrice Storia Illustrata S.r.l. (in liq.)	Milan	Publishing	Lire	20,000,000	8.39	11.75
Edizioni di Comunità S.r.l.	Turin	Publishing	Lire	50,000,000	70.00	70.00
Edizioni Venete S.r.l.	Venice	Publishing	Lire	20,000,000	75.00	75.00
Euromedia Luxembourg Two S.A.	Luxembourg	Finance	US \$	42,500,000	11.76	-
Europrint S.r.l.	Milan	Publishing and printing	Lire	28,800,000	28.23	16.23
Giulio Einaudi Editore S.p.A. (under extraordinary management)	Turin		Lire	3,000,000,000	7.35	7.35
Fivefactor S.p.A.						10.00
Immobiliare Editori Giornali S.r.l.	Rome	Real estate	Lire	1,608,000,000	7.88	7.88
Istud - Istituto Studi Direzionali S.p.A.	Milan	Services	Lire	2,200,000,000	0.59	0.59
Jumpy S.p.A.	Milan	Services	Lire	20,112,000,000	0.39	-
Marchgrange Limited	Dublin	Finance	£ irl.	12	99.99	-
Market Self S.A.	Buenos Aires	Publishing	Ars	30,200	15.00	-
Mondadori.com. USA Inc.	Delaware	Services	US \$	4,500,000	99.99	99.99
Morinvest S.r.l.	Milan	Publishing	Lire	199,000,000	100.00	89.95
News Alert Investors Ilc	New York	Services	US \$	20,528,461	11.21	8.00
Nuova Omicron S.r.l.						19.60
Paperback GmbH (in liq.)	Furth		DM	50,000	95.56	95.56
Parafernalìa S.r.l. (in liq.)	Florence		Lire	20,000,000	95.56	95.56
Selcon S.r.l.	Milan	Services	Lire	40,000,000	17.60	14.40
Società Editrice Il Mulino S.p.A.	Bologna	Publishing	Lire	1,175,000,000	7.00	7.00
Veleno S.p.A.	Milan	Trade	Euro	5,000,000	24.00	-
Venezia Musei Società Consortile a R.L.	Venice	Services	Lire	20,000,000	34.00	-
Zelig Editore S.r.l.						19.60

The most significant changes in the consolidation area in 2000 were as follows:

- disposal of the Baldini & Castoldi Group (Baldini & Castoldi S.r.l., Zelig Editore S.r.l., Nuova Omicron S.r.l. and Baldini & Castoldi International BV);
- disposal of Fivefactor S.p.A.;
- merging of Club degli Editori S.p.A. into Cemit Interactive Media S.p.A.;
- merging of Leonardo Arte S.r.l. into Elemond S.p.A.;
- merging of Editoriale EsseKappa S.p.A. into Programmi Editoriali S.p.A.;
- merging of Grijalbo Mondadori S.A. into Sociedad Editorial Electa España S.A., which changed its name to Grijalbo Mondadori S.A.;
- liquidation of Heinemann Le Monnier S.r.l., Garrafon NV, Mondadori De Agostini Libri S.p.A. and S.E.L. Società Editrice Lombarda S.p.A.

Financial statements used

The Financial statements used in the consolidation are those drawn up by the individual companies in the Group, in accordance with Group accounting principles.

Consolidation policies

In drawing up the Consolidated financial statements, assets and liabilities in the Balance Sheet, as well as profits and losses of companies included in the consolidation using the line-by-line method, have been fully assimilated.

Investments in affiliated companies have been consolidated on either a proportional or net equity basis.

The application of the above mentioned consolidation techniques involves the following adjustments:

- the net book value of investments in companies included in the consolidated area is eliminated against the related net equity;
- the positive difference between the purchase cost of investments and their net equity at the date of acquisition is booked to adjustments in the specific item on the basis of the value of the title or series. Any eventual residue is booked to intangible assets under "Consolidation differences".
Negative differences are booked to net equity under the title "Consolidation reserve";
- the amount of capital and reserves of companies consolidated on a line-by-line basis, corresponding to minority interests, is booked to net equity under "Minority interest capital and reserves". The share of the consolidated financial result for the year, corresponding to third party investments, is booked under "Net profit (loss) for the year pertaining to minority interest";
- receivables and payables, together with charges and income resulting from transactions between companies included in the consolidation area are cancelled. Profits and losses resulting from transactions between these companies and included in their equity are eliminated;
- value adjustments and provisions made exclusively in application of tax regulations are eliminated.

Policies and exchange rates applied in the translation of financial statements expressed in foreign currency

The conversion of Financial statements expressed in foreign currency is carried out in accordance with the following policies: Balance sheet items are translated into Italian lire at the year-end exchange rate, while Income Statement items are translated at the average exchange rate for the year.

The difference between the result for the year, calculated on the result of the translation at the average exchange rate and the result from translation at the year-end exchange rate, and the effect of changes in exchange rates between the beginning of the year and end of the year, is booked to an equity account called "Conversion reserves".

The exchange rates for foreign currency are as follows:

	Exchange rate at 31/12/2000		Exchange rate at 31/12/1999	
	Average	Year-end	Average	Year-end
USA dollar	2,135.58	2,080.89	1,819.34	1,927.40
Swiss franc	1,263.03	1,271.19	1,209.93	1,206.32
Spanish peseta	11.64	11.64	11.64	11.64
Euro	1,936.27	1,936.27	1,936.27	1,936.27

Accounting principles and valuation methods

The accounting principles and valuation methods adopted in preparing the Consolidated financial statements as at 31 December 2000 are in accordance with current regulations and are based on those issued by the Italian Accounting Profession and, where necessary, on international accounting principles (I.A.S.).

Historical cost has been adopted as a basic principle in most cases, except for the revaluation of fixed assets as referred to in specific legal regulations. Arnoldo Mondadori Editore S.p.A., now amalgamated, also revalued certain of its fixed assets on the basis of a sworn expert appraisal in its 1984 financial statements.

The more significant accounting principles have been applied on a consistent basis over time and are explained below.

a) Intangible assets

Intangible assets are booked at acquisition or internal production cost, including accessory charges.

Goodwill is booked under assets if it has been bought, at a value up to the cost incurred.

The value attributed to titles and series includes part of the difference between the purchase cost of certain investments and their book net equity, and the cost incurred for buying or creating new titles and series.

The value of titles is constantly reviewed in the light of economic prospects. Amortisation of series is normally charged over a twenty-year period.

The titles acquired along with the activities of Silvio Berlusconi Editore S.p.A. are amortised over a period of 20 years.

Consolidation differences are the differences between the book value of the investments and the corresponding value of the shareholders' equity of the company acquired.

Research, development and advertising costs are charged to the Income Statement in the year they are incurred, with the exception of the cost of "launch campaigns" for new products and new company activities, since their utility and capacity to generate a corresponding influx of income will be felt in future years.

Intangible assets are systematically amortised at a constant rate, for the period of their foreseeable future utility.

The period of depreciations is shown in comparison with the reference period in the following table:

Fiscal category	Depreciation period 2000	Depreciation period 1999
Start-up and expansion costs	5 years	5 years
Industrial patents and right to use original work	3 - 5 years	3 - 5 years
Concessions, licences, trade marks and similar	5 - 10 years	5 - 10 years
Goodwill	5 - 10 years	5 - 10 years
Others	3 - 5 years	3 - 5 years
Consolidation differences	5 - 10 years	5 - 10 years

Assets whose value at the end of the financial year are notably inferior to the depreciation cost based on the methods outlined above, are written down to their residual value. If in subsequent periods the forecasts on which the writedowns were based prove to be unfounded, the original cost is restored.

b) Fixed assets

Fixed assets are valued at purchase or production cost, with the exception of some assets that have been revalued in previous years in accordance with relevant Laws.

The balances from these revaluations are booked under net equity and are called "Revaluation reserves".

Maintenance costs which increase the value and useful life of the assets are charged to the asset concerned, while ordinary maintenance costs are booked to the Income statement during the year in which they are incurred.

Financial leasing contracts for capital goods have been accounted for under fixed assets, according to the relevant category, at the market value of the assets in accordance with I.A.S. international accounting principle no. 17.

Fixed assets are systematically amortised every year at a constant rate, on the basis of an economic-technical rate that depends on the residual useful life of the assets, which is periodically checked in order to take into account the technical-economic condition of the assets themselves.

The annual depreciation rate is compared with the reference period in the following way:

Fiscal category	% rate 2000	% rate 1999
Land and buildings	3.00	3.00
Plant and machinery	10.00 - 25.00	10.00 - 25.00
Industrial and commercial equipment	25.00	25.00
Other assets:		
- works of art	-	-
- electronic office equipment	20.00	20.00
- furniture and fixtures	12.00	12.00
- various small equipment	25.00	25.00
- motor vehicles	20.00 - 25.00	20.00 - 25.00

The above rates are reduced by 50% for all assets that enter into service for the first time during the financial year.

Assets whose value at the end of the financial year are notably inferior to the depreciation cost based on the methods outlined above, are written down to their residual value.

c) Financial assets

Assets represented by holdings in subsidiary and affiliated companies and other companies that are not consolidated are valued at acquisition or subscription cost, reduced where necessary to take into account permanent reductions in value.

The original cost is restored if, in subsequent periods, the forecasts on which the writedowns were based prove to be unfounded.

Assets represented by holdings in affiliated companies, included in the consolidation area, are valued on either a proportional basis or by using the net equity method, for an amount equal to the corresponding part of the net equity according to the last economic-equity report approved by the companies in question, after making the adjustments required by the accounting principle adopted in preparing the Consolidated financial statements.

The book value also contains the highest cost paid, attributable to goodwill. Profits and losses deriving from the application of the net equity method are booked to the Income Statement, under "Revaluation of investments" and "Investment writedowns".

Other investments are valued at cost.

The company's own shares bought in accordance with art. 2357 of the Civil Code and in accordance with the deliberations of the Shareholders' Meetings of 16 March 1998, 29 April 1999 and 3 May 2000, are valued at purchase price, while those that come from the former shareholders of AMEF who exercised their right to sell their shares following the change of corporate purpose as a result of its merger with the former Arnoldo Mondadori Editore S.p.A., are valued at the price fixed by the Shareholders' Meeting of 30 July 1991. L.I.F.O. valorization criteria are applied.

Other shares are valued at the lower of purchase cost and the market value.

d) Inventory

Inventory is valued at the lower of purchase cost, including overheads, or production cost and the market value, net of any writedowns and obsolescence risk reserves.

The cost is established:

- for raw and consumable materials, based on the L.I.F.O. method;
- for work in progress and semi-finished editions, based on the average industrial cost, taking into account the progress of the work;
- for finished editions purchased for sale, based on average costs;
- for finished editions, based on the F.I.F.O. method, with the average production cost for the year progressively reduced in order to take into account obsolescence.

The following percentages are shown in comparison to the reference period:

Year of publication	School editions	Scientific editions	Various editions
First	-	-	-
Second	50%	-	33%
Third	75%	25%	67%
Fourth	94%	50%	90%
Fifth	100%	75%	90%
Sixth and successive	100%	90%	90%

e) Receivables and payables

Receivables are booked at face value, according to their presumed production costs and net of a reserve for doubtful accounts in order to take into account their collectability.

Payables are booked at their face value.

Receivables and payables in foreign currencies that are not part of the Euro area are booked at the exchange rate in force when they were due.

Adjustments made in order to take into account any potential exchange losses, deriving from the assessment of receivables and payables in foreign currency at the year-end exchange rate, are credited to the "Reserve for risks and charges".

f) Financial activities that do not constitute assets

Financial activities that do not constitute assets, represented by other investments and fixed-income shares, are booked at the lower of purchase cost and the market value. In order to take into account the permanent loss of value, the cost is adequately reduced. However, if in subsequent periods the forecasts on which the writedowns were based prove to be unfounded, the original cost is restored.

g) Accruals and prepayments

Accruals only refer to costs and income that are common to two or more periods. Accruals and prepayments are calculated on an accrual basis.

h) Reserves for risks and charges

The provisions for risks and charges are to cover notable losses or liabilities that certainly or probably exist, but whose amount or date of occurrence was impossible to establish at the end of the year.

The risks for which a contingent liability is only possible are disclosed in the "Notes to the Consolidated financial statements", without setting up a "Reserve for risks and charges" for them.

i) Reserve for severance indemnities

The reserve for severance indemnities reflects the full amount due to employees up to the end of the year on the basis of current laws, labour contracts and any eventual company agreements in force in the individual countries where the consolidated companies operate.

l) Revenues, costs, income and charges

Revenues are recognised when ownership is transferred and at the time services are rendered or completed.

Revenues, costs, income and charges are booked in the financial statement net of returns, discounts and allowances.

m) Commitments and guarantees

Commitments and guarantees are booked to the suspense account at their contractual value.

n) Income taxes

Income taxes for the year referable to the companies included in the consolidation are provided on the basis of the laws in force in each country where the individual companies are resident.

Deferred tax is calculated by the companies included in the consolidation based on the temporary differences between the tangible net worth booked to the financial statement and the corresponding value recognised for fiscal purposes, applying the tax rate in force at the time the differences are identified.

Deferred and advance taxes relative to the consolidation are also itemised.

Assets for advance taxes are itemised on the basis of prudence and only if there is the reasonable certainty that, in the years in which the deductible temporary differences that resulted in the advance taxes being booked are itemised, there exists taxable income not less than the differences that are to be written off.

Liabilities for deferred taxes are entered under B2, "Reserve for risks and charges - tax reserves", while assets for advance taxes are entered under C5, "Receivables from others". The offset between deferred taxes and advance taxes is applied by the individual companies in the consolidation only if there is a legal right to a balance offset. In the Consolidated financial statements the balances relative to the individual companies included in the consolidation are not offset if there is no legal right to this.

The charges/income that refer to the taxable/deductible differences from prior financial years are booked to extraordinary charges/income, while the part relative to the year under review is booked under E 22, "Income Taxes".

o) Covering operations

Financial instruments used for covering operations - from the risk of exchange losses in foreign currency, commodity risks and the risk of fluctuations in interest rates - are itemised by booking the relevant income or charges.

Costs deriving from the introduction of the Euro

The costs incurred in adjusting the systems, programmes and individual instruments to the introduction of the Euro are shown and entered in the Income Statement in the year in which they are incurred under production costs.

The costs relative to the acquisition of new fixed and intangible assets are entered under the company activities in accordance with normal procedures.

The nature and consistency of operations already carried out, currently being carried out and yet to be carried out, including any eventual writedowns to be attributed to items already entered in the assets, are referred to in the report on the running of the company.

Other information

With reference to the assessment notice received on 11 April 1995, with which the local direct tax office maintained, with reference to 1991, that the merger deficit in relation to the merger of AMEF (Arnoldo Mondadori Editore S.p.A.) was subject to taxation, it should be noted that the Milan Regional Tax Commission rejected the appeal by the Tax Office and that no other news was heard about the matter in 2000.

As for the Court of Milan's investigation of the Fiscal Police, as mentioned in last year's Financial statements, on 20 March 2000 the appeal against the "provision" was discussed by the Regional Tax Commission and on 14 April 2000 the appeal against the alleged non-payment of withholding tax was heard. In both cases the result was positive for Mondadori.

We therefore confirm that the 2000 financial statements are correct in terms of form and substance and that the Consolidated financial statements provide a fair representation of the Group's economic and financial position.

Details of items in the Consolidated financial statements

In the following sections the amounts in brackets, which are expressed in millions of lire, refer to the Balance Sheet and Income Statements as of 31 December 1999.

Assets

B) Non-current assets

B.I. Intangible assets

Amounted to 409,186 million lire (415,974 million lire). Movements of intangible assets and amortisation are as follows:

Intangible assets	Gross value	Accumulated amortisation	Net book value
Balance at 31/12/1999	704,872	(288,898)	415,974
Additions during the year	38,317	-	38,317
Amortisation	-	(45,407)	(45,407)
Reclassifications and reversals	(56,939)	56,712	(227)
Disposals and other movements	2,224	(1,695)	529
Total intangible assets	688,474	(279,288)	409,186

The capitalised costs of 38,317 million lire for the year mainly concern:

- charges relative to the purchase of the new shop in Via Marghera in Milan by Mondadori Informatica S.p.A., for 6,367 million;
- registration costs by Mondadori International S.A. linked to the increase in capital, for 7,165 million;
- costs paid by Arnoldo Mondadori Editore S.p.A. for the purchase of software, commercial rights and the renovation of buildings and offices, for 5,434 million;
- start-up costs of 412 million relative to the Arnoweb Group;
- purchase of licences by Mondadori.com S.p.A. for 1,323 million;
- the attribution for the highest price paid for the purchase of 12% of Società Europea di Edizioni S.p.A., for 12,132 million lire.

The item "Reclassifications and reversals" mainly concerns intangible asset reversals depreciated as of 31 December 2000.

The balance at 31 December 2000 is made up as follows:

Intangible assets	Set-up and expansion costs	Patents and use of original work	Concessions, licences, trade marks	Goodwill	Assets under construction	Others	Consolidation differences	Total
Start-up costs/changes in by-laws	687							687
Capital increase/reconstruction	6,300							6,300
Set-up costs								-
Patents/rights		892						892
Software		425						425
Titles and publishing brands			255,470					255,470
Series			54,369					54,369
Licences			1,281					1,281
Goodwill				36,566				36,566
Assets under construction and advances					218			218
Cost of purchase of software						6,443		6,443
Building, office and other renovation						9,284		9,284
Leasehold acquisition costs						2,268		2,268
Others						579		579
Consolidation differences							34,404	34,404
Total intangible assets	6,987	1,317	311,120	36,566	218	18,574	34,404	409,186

The titles acquired in 1994 from Silvio Berlusconi Editore are amortised over a period of 20 years in accordance with the recommendations expressed by the National Board of Accountants based on IAS 38 international principles.

This period is periodically reviewed in the light of economic prospects while the assets are amortised over a period of 5-10 years.

Consolidation differences concern the Elemond Group for 11,566 million, Cemit S.p.A. for 1,321 million, the Sperling & Kupfer Group for 3,534 million, Mondadori Informatica S.p.A. for 398 million, the Grijalbo Group for 161 million and the Le Monnier Group for 17,424 million.

B.II. Fixed assets

Amounted to 346,237 million (347,308 million) and are made up as follows:

Fixed assets	Opening balance	Additions-balance	Disposals	Changes in work in progress	Changes in consolidation area	Other changes	Closing balance	Amm. reserve	Net closing balance
	(=)	(+)	(-)	(+o-)		(+o-)	(=)	(-)	(=)
Land and buildings	263,577	3,695	(3,003)			267	264,536	(100,453)	164,083
Plant and machinery	560,323	33,094	(17,058)			(4,543)	571,816	(459,547)	112,269
Equipment	12,001	4,804	(1,417)			1,065	16,453	(10,814)	5,639
Furniture and office machines	92,409	15,359	(3,910)			1,642	102,216	(69,410)	41,005
Motor vehicles	13,605	1,732	(1,638)			(97)	13,602	(9,465)	4,137
Assets under construction	17,257			10,046			27,303		19,104
Total fixed assets	959,172	58,684	(27,026)	10,046	0	(4,950)	995,926	(649,689)	346,237

Investments made during the year, equal to 58,684 million lire, were concerned with Mondadori Printing S.p.A. and Artes Graficas Toledo S.A. (31,217 million), Arnoldo Mondadori Editore S.p.A. (11,411 million), Mondadori.com S.p.A. (3,829 million), Mondadori Informatica (2,933 million), the Elemond Group (2,793 million), the Grijalbo Group (1,206 million), Ellemme S.r.l. (1,830 million) and other companies in the Group.

Investments made during the period by Mondadori Printing S.p.A. and Artes Graficas Toledo S.A. were for the expansion of production establishments and the purchase of new printing and rotary equipment to replace obsolete machinery, while other Group companies invested mainly in office automation (personal computers and local networks), as a result of the normal turn-over of these assets and in order to equip new sales outlets.

Disposals during the year were concerned with Mondadori Printing S.p.A. and Artes Graficas Toledo S.A. (3,943 million), Arnoldo Mondadori Editore S.p.A. (1,386 million), the Le Monnier Group (10,332 million) and the Elemond Group (381 million), with the residue being concerned with other companies in the Group.

The Le Monnier Group disposed of the printing division of its subsidiary Armando Paoletti S.p.A. and two assets that were no longer strategic, while the Group's manufacturing companies replaced obsolete plant and other companies replaced various obsolete assets.

The gross value of the fixed assets shown in the Consolidated financial statements includes the following amounts relating to revaluations carried out in accordance with current laws:

Revaluations	Law no. 576/1975	Law no.72/1983	Voluntary revaluation in 1984	Law no.408/1990 no.413/1991
Land and buildings	135	6,984	77,024	16,010
Plant and machinery	2,471	6,401	10,440	-
Furniture and office machines	3	17	-	-
Other assets	-	13	-	-
Total revaluations	2,609	13,415	87,464	16,010

Movements of accumulated depreciations were as follows:

Accumulated depreciations	Balances at 31/12/1999 (=)	Depreciation for year (+)	Disposals (-)	Variations in consolidation area (+o-)	Other changes (+o-)	Balances at 31/12/2000 (=)
Land and buildings	93,706	7,731	(1,104)	-	120	100,453
Plant and machinery	435,474	42,657	(15,993)	-	(2,591)	459,547
Equipment	9,497	1,424	(1,050)	-	943	10,814
Furniture, office machines	64,492	10,210	(3,039)	-	(2,253)	69,410
Motor vehicles	8,695	1,911	(1,167)	-	26	9,465
Total	611,864	63,933	(22,353)	0	(3,755)	649,689

Fixed assets are burdened with mortgages and liens to guarantee loans granted to the Group amounting to 29.2 billion lire at 31 December 2000.

B.III. Non-current financial assets

B.III.1) Investments amounted to 42,946 million (29,812 million) and are made up as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Investments valued at net equity	22,102	23,230
Investments valued at cost	20,844	6,582
Total investments	42,946	29,812

For details, please refer to the section entitled "Consolidation area".

Movements during the year were as follows:

	Valued at net equity	Valued at cost	Total
Balance at 31/12/1999	23,230	6,582	29,812
Movements during the year:			
- result of equity investments	3,394	-	3,394
- acquisitions, start-ups and increases in capital	8,768	19,836	28,604
- dividends	(8,454)	-	(8,454)
- change from net equity to cost	96	(96)	-
- changes to investments in working capital	(4,820)	-	(4,820)
- writedowns, disposals and other adjustments	(112)	(5,478)	(5,590)
Total investments	22,102	20,844	42,946

The main operations that have affected the value of investments concern the setting up of Mondadori Sole 24 Ore S.p.A. for 1,684 million, Veleno S.p.A. for 2,323 million, Euromedia Luxembourg Two S.A. for 10,319 million and Mondadori.com Inc. for 3,920 million net of writedowns. Other operations concern the payment into the capital account by Hearst Mondadori Editoriale S.r.l. of 2,250 million and the acquisition of 12% of Società Europea di Edizioni S.p.A. for 13,500 million.

B.III.2.d) Other receivables amounted to 19,783 million (20,012 million), substantially in line with the figure at 31 December 1999, and are split as follows:

	Millions of lire 31/12/2000		Millions of lire 31/12/1999	
	within 12 months	over 12 months	within 12 months	over 12 months
Guarantee deposits	13	1,603	-	1,330
Earnest money	400	800	402	950
Tax credits for severance indemnity	1,541	15,095	417	16,465
Loans	131	50	164	100
Others	107	43	-	184
Total other receivables	2,192	17,591	983	19,029

"Tax Credits for Severance Indemnities" refer to tax paid in advance on severance pay including revaluation, utilisable when tax is paid on severance payments as from 1 January 2000.

B.III.4) Treasury stock amounted to 120,461 million (71,744 million) and is represented by shares in Arnaldo Mondadori Editore S.p.A.

Movements of treasury stock concern acquisitions totalling 127,950 million lire and disposals for 79,233 million. At 31 December 2000 the portfolio of treasury stock amounted to 3.36% of the share capital.

C) Working capital

C.I. Inventory

"Inventory" amounted to 262,740 million lire (239,950 million), net of writedowns for 29,461 million (29,364 million).

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Raw, ancillary and consumable materials	32,541	25,595
Writedowns of raw, ancillary and consumable materials	(827)	(957)
Total raw, ancillary and consumable materials	31,714	24,638
Work in progress and semi-finished goods	54,548	47,776
Writedowns of work in progress and semi-finished goods	(1,830)	(1,990)
Total work in progress and semi-finished goods	52,718	45,786
Work in progress to order	15,261	14,859
Writedowns of work in progress to order	-	-
Total work in progress to order	15,261	14,859
Finished products and goods	189,798	181,084
Writedowns of finished products and goods	(26,804)	(26,417)
Total finished products and goods	162,994	154,667
Advances	53	-
Total inventory	262,740	239,950

All the items included in "Inventory" showed an increase compared with the previous year.

In particular, "Raw, ancillary and consumable materials" increased by 27.1%, as a result of a new supplying policy.

During the year all the companies in the Group constantly monitored supplies and print runs and carried out a detailed analysis of the saleability of finished products, the use of raw materials and the feasibility of completing the work in progress.

As a consequence of this, various pulping and sell-off operations were carried out and when the financial statements were drawn up a writedown reserve was created in order to rectify the "Inventory" value.

Movements in warehouse writedowns	Millions of lire				
	31/12/1999	Changes in consolidation area/others	Provisions	Utilisations	31/12/2000
Writedowns of raw materials	957	-	-	(130)	827
Writedowns of work in progress and semi-finished products	1,990	13	400	(573)	1,830
Writedowns of work in progress to order	-	-	-	-	-
Writedowns of finished products and goods	26,417	1,037	1,490	(2,140)	26,804
Total	29,364	1,050	1,890	(2,843)	29,461

Movements of "Finished products and goods" in the writedown reserve concern various companies in the Mondadori Group. None of these amounts were particularly significant, confirming that during 2000 it was only necessary to make small "changes" to the already existing adjustments.

C.II. Receivables

Trade and other receivables amounted to 1,019,706 million (937,579 million), and included the following:

C.II.1) Trade receivables amounted to 765,115 million (699,898 million) and can be broken down in the following way:

	Millions of lire		Millions of lire	
	31/12/2000		31/12/1999	
	within 12 months	over 12 months	within 12 months	over 12 months
Book clients	267,489	229	268,423	294
Magazine clients	119,931	-	106,090	-
School clients	25,647	106	19,678	-
Instalment clients	30,901	24,612	31,886	23,458
Advertising clients	290,381	-	253,950	-
Printing work clients	116,000	-	105,010	-
Subscription clients and various	55,394	-	54,937	-
Direct marketing services clients	37,263	-	36,649	-
Invoices to be issued	9,953	-	2,179	-
Credit notes to be issued	(9,161)	-	(6,793)	-
Returned goods client account	(148,116)	-	(137,478)	-
Fiscal receivables writedowns	(21,637)	-	(20,845)	-
Taxed receivables writedown	(33,323)	-	(36,883)	-
Interest in arrears risk reserve	(554)	-	(657)	-
Total trade receivables	740,168	24,947	676,146	23,752

The most significant changes in comparison with 31 December 1999 concern "School clients" (+30.9%), following the distribution contract signed with the British publishing house Mac Millan Heinemann, "Magazine clients" (+13.1%) and "Advertising clients" (+14.3%) due to the excellent performances of their relative sales.

In general there was a decrease in the media sector, particularly in bookshop channels, and a decrease in the problem of ageing, as the reduction in the receivable writedown reserve demonstrates.

This decrease in the receivable writedown reserve was decided by each of the companies in the Group after analysing the state of receivables in dispute according to how long each of them had existed and what the real chance of collectability was.

The reserve was utilised when there were losses on receivables booked to the Income Statement of the individual Group companies.

Movements in writedowns of receivables	Millions of lire				
	31/12/1999	Changes in consolid. area/others	Provisions	Utilisations	31/12/2000
Writedowns of fiscal receivables	20,845	520	8,213	(7,941)	21,637
Writedowns of taxed receivables	36,883	(792)	9,142	(11,910)	33,323
Total	57,728	(272)	17,355	(19,851)	54,960

Amounts due after 12 months (and within five years) mainly relate to Giulio Einaudi Editore S.p.A. for instalment customers.

During 2000 the subsidiary Mondadori Printing ceded *pro soluto* credits to Pagine Italia S.p.A. for 39,718 million lire.

“Receivables from clients” include 8,328 million from companies in the Fininvest Group.

The most significant of these concern Pagine Italia S.p.A. for 1,913 million, Jumpy S.p.A. for 3,175 million, RTI S.p.A. for 1,886 million and Publitalia '80 S.p.A. for 233 million. These receivables are of a commercial nature and derive from dealings carried out according to market conditions.

C.II.2) Receivables from subsidiary companies amounted to 7,509 million (7,992 million), and are made up as follows:

	Millions of lire 31/12/2000		Millions of lire 31/12/1999	
	within 12 months	over 12 months	within 12 months	over 12 months
Commercial receivables:				
- Edizioni di Comunità S.r.l.	135	-	255	-
- Mondolibri S.p.A.	6,481	-	5,974	-
- Paperback GmbH	9	-	3	-
Financial receivables:				
- Edizioni di Comunità S.r.l.	884	-	460	-
- Mondolibri S.p.A.	-	-	1,300	-
Total receivables from subsidiary companies	7,509	0	7,992	0

Commercial transactions with subsidiary companies are carried out according to market conditions. Financial receivables are represented by intergroup current accounts and are regulated at interest rates in line with market values.

C.II.3) Receivables from affiliated companies amounted to 56,364 million (36,106 million).

The increase in comparison to 31 December 1999 is mainly due to new joint-ventures, as can be seen in the following table.

	Millions of lire		Millions of lire	
	31/12/2000		31/12/1999	
	within 12 months	over 12 months	within 12 months	over 12 months
Commercial receivables:				
- Editrice Portoria S.p.A.	418	-	230	-
- Grüner und Jahr/Mondadori S.p.A.	3,637	-	1,512	-
- Mach 2 Libri S.p.A.	22,004	-	25,129	-
- Agenzia Lombarda Distribuzione Giornali e Riviste S.r.l.	2,390	-	1,962	-
- Harlequin Mondadori S.p.A.	1,505	-	521	-
- Mondadori De Agostini S.p.A.	-	-	302	-
- Hearst Mondadori Editoriale S.r.l.	3,598	-	66	-
- Mondadori Rodale S.r.l.	9,599	-	-	-
- Mondadori Sole 24 Ore S.p.A.	3,341	-	-	-
- Edizioni Electa Bruno Mondadori S.r.l.	1,392	-	1,865	-
- Edizioni EL S.r.l.	743	-	666	-
- Baldini & Castoldi S.r.l.	-	-	463	-
- Società Europea di Edizioni S.p.A.	1,512	-	1,903	-
- Zelig Editore S.r.l.	-	-	7	-
- S.A.G.E. S.p.A.	5	-	5	-
- Bol Books on line Italia S.r.l.	788	-	-	-
- ACI Mondadori S.r.l.	74	-	-	-
Financial receivables:				
- Editrice Portoria S.p.A.	1,421	-	1,475	-
- Mach 2 Libri S.p.A.	1,042	-	-	-
- Hearst Mondadori Editoriale S.r.l.	-	-	-	-
- Mondadori Rodale S.r.l.	200	-	-	-
- Mondadori Sole 24 Ore S.p.A.	1,845	-	-	-
- Edizioni Electa Bruno Mondadori S.r.l.	850	-	-	-
Total receivables from affiliated companies	56,364	0	36,106	0

Commercial transactions with subsidiary companies are carried out according to market conditions. Financial receivables are represented by intergroup current accounts and are regulated at interest rates in line with market values.

C.II.4) Receivables from parent companies amounted to 12 million (228 million), and concern operations that are carried out according to market conditions.

C.II.5) Other receivables amounted to 190,706 million (193,355 million).

The most significant changes with respect to the situation at 31 December 1999 are mainly due to the following factors:

- reimbursements from the Tax authorities for VAT credits for 23,255 million;
- increased advances to authors, collaborators and agents, as a result of an increase in business;
- financial receivables, including accrued interest, from the Bertelsmann Group for 13,500 million, booked under "Others".

	Millions of lire		Millions of lire	
	31/12/2000		31/12/1999	
	within 12 months	over 12 months	within 12 months	over 12 months
Receivables from tax authorities for VAT to be recovered	18,835	-	39,074	-
Receivables from tax authorities for IRPEG/ILOR reimbursements	7,899	-	7,693	-
Receivables from tax authorities for IRPEG/ILOR advances	1,269	-	2,000	-
Receivables from tax authorities for IRPEG advances	2,384	-	1,498	-
Receivables from tax authorities for IRAP advances	1,720	-	2,004	-
Receivables from tax authorities for tax paid in advanced	30,218	-	27,254	-
Receivables from tax authorities for withholding tax	1,170	-	1,165	-
Other receivables from tax authorities	1,074	-	2,628	-
Advances to agents	14,479	-	13,131	-
Advances to authors and collaborators	73,881	-	68,304	292
Advances to suppliers	7,971	-	4,747	-
Advances to personnel	1,736	764	1,845	959
Receivables for insurance indemnities	500	-	6,000	-
Receivables from social security institutions	124	-	90	-
Receivables for deposits	739	-	959	-
Others	25,812	131	13,369	343
Total other receivables	189,811	895	191,761	1,594

There are no receivable due over 5 years.

C.III. Financial activities that do not constitute assets

These amounted to 706,596 million (467,249 million) and are represented by **investments in affiliated companies** for 4,108 million and **other shares** entered in the Balance Sheet of Mondadori International S.A. for 702,488 million.

The first of these concerns the joint-venture with the Sregni Group, S.A.G.E. and S.I.E.S., reclassified in the financial assets as a result of an agreement reached at the beginning of March 2001 for the disposal of the shares belonging to the Mondadori Group.

The second of these concerns investments made in stocks and shares using arbitrage instruments which, while guaranteeing the capital invested, make it possible to obtain returns that are higher than the market.

The increase in investments in shares is due to the amounts deriving from the capital increase of Mondadori International S.A. which was underwritten by the Holding Company.

The Group's financial policy is based on further progressive diversification of investments.

The amount indicated also includes investments for 412.4 billion lire in ABS Financial Fund Sicav, jointly owned by Mondadori International S.A. (38.54%) and Mediaset Investment and Trefinance (Fininvest Group), which own the remaining shares.

C.IV. Cash and banks

The total of liquid assets amounted to 337,638 million (380,377 million).

These are represented by:

- deposits in bank accounts held by Group companies with banks for 336,161 million and in post office accounts for 1,107 million;
- cheques and cash for 370 million, for small day-to-day payments.

D) Accrued income and prepayments

This amounted to 21,441 million (23,192 million) and is made up as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Interest earned	1,235	1,647
Others	75	266
Total accrued income	1,310	1,913
Interest paid	386	-
Lease payments and rents	1,337	1,741
Insurance	107	59
Third party publications for sale	13,161	14,418
Commission, rights	206	226
Others	1,770	4,089
Total prepayments	16,967	20,533
Premium on loans	3,164	746
Total prepayments and accrued income	21,441	23,192

The decrease in prepayments is mainly due to the drop in volume of the distribution of products from the Baldini & Castoldi Group.

Notes on the items in the Consolidated Balance sheet

The amounts are expressed in millions of lire, while the amounts in brackets refer to the Consolidated Balance sheet at 31 December 1999.

Liabilities

A) Shareholders' equity

Amounted to 1,152,721 million (1,100,128 million).

The share capital, fully subscribed and paid up, as of 31 December 2000 is represented by 259,278,420 ordinary shares and 151,412 savings shares with a par value of 500 lire.

The most significant changes during the year concerned the destination of the previous year's profits and the relative distribution of the dividend for 84,936 million, together with the decrease in the "Others" item (A.VII.6) following the necessary consolidation to cancel the effect of the contribution operation in the Printing Area, which took place on 1 August 1999.

A more detailed explanation of the composition and movements of the items in the Shareholders' Equity can be found in the section entitled "Changes in Shareholders' Equity".

B) Reserve for risks and charges

This amounted to 103,201 million (101,853 million) and is made up as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Retirement reserve and similar obligations	2,026	2,153
Tax reserve	46,836	46,697
Others:		
- legal risks	17,886	18,574
- uncollectables	4,532	4,539
- exchange losses	279	11
- commitments to advertising agency	12,912	12,130
- risks for contractual disputes	4,175	4,175
- other risks	14,555	13,574
Total reserve for risks and other charges	103,201	101,853

The item "Retirement reserve and similar obligations" includes indemnities for freelance journalists and the relative contributions. Provisions for 83 million lire were made during the year.

The "Tax reserve" item represents deferred tax, calculated on the capital gains of each company in the Group, the payment of which may be postponed in accordance with current fiscal law, and provisions recovered from the consolidation entries.

The “Legal risks reserve“ is calculated on the basis of an analysis of potential liabilities arising from lawsuits involving former employees, collaborators or third parties in general taken out against companies belonging to the Group, and is considered to be adequate to meet any such eventualities. During the year there were provisions for 4,218 million lire, utilisations for 4,051 million and other negative variations for 855 million.

The “Commitments to advertising agency” item is made up of provisions made by Group companies to cover any eventual losses on advertising receivables sustained by Mondadori Pubblicità S.p.A.. During the year this item increased by 2,664 million lire of provisions and 855 million lire of other variations, while it decreased by 2,737 million.

C) Severance indemnities

These amounted to 190,366 million (183,263 million) and the changes during the year were as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Total severance indemnities at beginning of year	183,263	177,505
Movements during the year:		
- provisions	29,060	25,369
- payments	(19,312)	(18,105)
- contribution to pension fund as per Law 297/82	(1,200)	(1,176)
- transfers to/from other companies	123	(367)
- utilisation for pension funds	(1,012)	(865)
- utilisation for advances	(482)	(854)
- variations in consolidation area	(74)	1,756
Total severance indemnities at the end of the year	190,366	183,263

D) Payables

Trade and other payables amounted to 1,799,306 million (1,513,999 million). These are made up as follows:

D.3) Amounts due to banks amounted to 716,264 million (527,813 million), and concerned current account overdrafts for 148,008 million and loans for 568,256 million.

	Millions of lire			Millions of lire	
	31/12/2000			31/12/1999	
	Interest rate 12 months	within 12 months	over 12 months	within 12 months	over 12 months
Secured loans:					
- IMI	3.517%	4,676	22,828	11,703	27,501
- Ministero Industria Commercio e Artigianato	0.908%	-	1,422	-	1,139
- Mediocredito	13.49%	119	211	105	330
- Mediobanca	-	-	-	208	-
Unsecured loans:					
- Pool Comit/Barclays Bank	-	-	-	210,000	-
- Banco di Napoli	5.30%	25,000	-	-	-
- San Paolo IMI	5.19%	50,000	-	50,000	-
- Credito Emiliano	5.03%	50,000	-	50,000	-
- Pool Comit BZW Barclays Bank	5.39%	310,000	-	-	-
- Cassa di Risparmio di Verona	5.11%	100,000	-	100,000	-
- Mediocredito Lombardo	3.15%	391	3,609	-	-
Total payables for loans		540,186	28,070	422,016	28,970

There are no accrued payments due for a period longer than 5 years.

D.5) Advances amounted to 68,642 million (63,978 million) and include advances from customers for subscriptions for magazines for 50,630 million, shipping expenses advanced by foreign subscribers for 454 million and various advances from suppliers for 17,558 million.

D.6) Trade payables amounted to 642,451 million (595,984 million) and are all due within 12 months.

These include loans for 2,406 million for the purchase of fixed assets under leasing formulas.

Payables to companies in the Fininvest Group amount to 12,491 million. The most significant of these concern amounts to Publitalia '80 S.p.A. for 5,665 million, Medusa Film S.p.A. for 2,202 million, RTI S.p.A. for 2,253 million and Promoservice Italia S.r.l. for 604 million.

These loans are of a commercial nature and all transactions with the Fininvest Group are based on market conditions.

D.8) The amounts due to subsidiary companies of 1,420 million (1,079 million) are made up as follows:

	Millions of lire		Millions of lire	
	31/12/2000		31/12/1999	
	within 12 months	over 12 months	within 12 months	over 12 months
Commercial payables:				
- Edizioni di Comunità S.r.l.	226	-	189	-
- Mondolibri S.p.A.	559	-	513	-
- Ame Publishing Ltd	30	-	52	-
- Morinvest S.r.l.	3	-	52	-
- A. M. Deutschland GmbH	250	-	23	-
- Marchgrange Ltd	29	-	-	-
Financial payables:				
- Morinvest S.r.l.	323	-	250	-
Total amounts due to subsidiary companies	1,420	0	1,079	0

Commercial transactions with subsidiary companies are carried out according to market conditions. Financial payables are represented by intergroup current accounts and are regulated at interest rates in line with market values.

D.9) The amounts due to affiliated companies of 75,667 million (51,947 million) are made up as follows:

	Millions of lire		Millions of lire	
	31/12/2000		31/12/1999	
	within 12 months	over 12 months	within 12 months	over 12 months
Commercial payables:				
- Editrice Portoria S.p.A.	1,296	-	2,431	-
- Grüner und Jahr/Mondadori S.p.A.	17,688	-	14,435	-
- Mach 2 Libri S.p.A.	676	-	460	-
- Agenzia Lombarda Distribuzione Giornali e Riviste S.r.l.	-	-	241	-
- Harlequin Mondadori S.p.A.	-	-	2,806	-
- Mondadori De Agostini S.p.A.	-	-	63	-
- Hearst Mondadori Editoriale S.r.l.	4,889	-	-	-
- Mondadori Rodale S.r.l.	13,825	-	-	-
- Mondadori Sole 24 Ore S.p.A.	475	-	-	-
- Edizioni Electa Bruno Mondadori S.r.l.	11	-	61	-
- Edizioni EL S.r.l.	4,349	-	4,041	-
- Baldini & Castoldi S.r.l.	-	-	8,945	-
- Società Europea Edizioni S.p.A.	13,058	-	7,665	-
- Zelig Editore S.r.l.	-	-	4	-
- ACI Mondadori S.r.l.	700	-	-	-
Financial payables:				
- Grüner und Jahr/Mondadori S.p.A.	2,245	-	5,235	-
- Euromedia Luxembourg Two S.A.	7,202	-	-	-
- Mach 2 Libri S.p.A.	-	-	1,530	-
- Harlequin Mondadori S.p.A.	7,947	-	3,963	-
- Hearst Mondadori Editoriale S.r.l.	1,306	-	67	-
Total amounts due to affiliated companies	75,667	0	51,947	0

The most significant changes compared with 31 December 1999 concern the new joint-ventures, the Società Europea di Edizioni S.p.A., increased advertising sales in *Il Giornale* and Baldini & Castoldi S.r.l. for the lower volume of products distributed.

D.10) The amounts due to parent companies of 606 million (170 million) derive from operations of a commercial nature, which are based on normal market conditions.

D.11) Income taxes payable amounted to 42,955 million (40,742 million) and are substantially in line with those for the previous year.

	Millions of lire		Millions of lire	
	31/12/2000		31/12/1999	
	within 12 months	over 12 months	within 12 months	over 12 months
IRPEG on income for the year	14,726	-	13,800	-
IRAP for the year	5,486	-	4,645	-
Withholding taxes on wages and salaries	15,556	-	16,848	-
Substitutive tax	1,395	-	1,682	-
Other taxes withheld	5,792	-	3,767	-
Total income taxes payable	42,955	0	40,742	0

D.12) The amounts due to pension funds and social security institutions of 32,125 million (30,338 million) include:

	Millions of lire		Millions of lire	
	31/12/2000		31/12/1999	
	within 12 months	over 12 months	within 12 months	over 12 months
INPS contributions	14,963	-	14,765	-
INAIL contributions	196	-	14	-
INPDAI and INPGI contributions	3,929	-	3,959	-
PREVINDAI contributions	317	-	304	-
ENASARCO contributions	630	-	615	-
Others	12,090	-	10,681	-
Total amounts due to pension funds and social security institutions	32,125	0	30,338	0

“Others” include contributions to payables for personnel, amounting to 9,388 million.

D.13) Other liabilities amounted to 219,176 million (201,948 million) and include:

	Millions of lire		Millions of lire	
	31/12/2000		31/12/1999	
	within 12 months	over 12 months	within 12 months	over 12 months
Payroll and other amounts due to personnel	54,069	-	49,548	-
Authors and collaborators	85,647	-	72,523	-
Agents	43,730	2,766	38,430	2,649
Subscriber and instalment customers	22,085	-	21,667	-
Loans payable	1,259	-	8,348	-
Dividends for shareholders	248	-	254	-
Others	9,372	-	8,529	-
Total other liabilities	216,410	2,766	199,299	2,649

The most significant increases, in the items “Payables to authors and collaborators” and “Payables to agents”, are due to an increase in sales. The total for “Loans payable” decreased following the payment of the loan for the purchase of Casa Editrice Poseidonia S.r.l..

“Payables to subscribers and instalment customers” relate to the Group’s commitment for subscriptions taken out but not yet collected at the date of the financial statements and for instalment works that have been ordered. Subscriptions that have been taken out and paid for are shown under “Advances”.

There are no payables due for a period longer than 5 years.

E) Accrued liabilities and deferred income

These amounted to 25,811 million (18,857 million) and are made up as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Interest payable	4,320	1,256
Deferred payroll expenses	4,825	3,850
Others	4,157	3,630
Total accrued liabilities	13,302	8,736
Interest receivable	2,508	2,609
Rent payable	3,293	3,592
Others	6,708	3,920
Total deferred income	12,509	10,121
Premium on loans	-	-
Total accrued liabilities and deferred income	25,811	18,857

“Interest payable” concerns Arnoldo Mondadori Editore S.p.A. and refers to short-term rates for loans payable.

“Other deferred income” includes compensation calculated by Giulio Einaudi Editore S.p.A. for instalment sales.

Memorandum accounts

Guarantees, sureties and endorsements

Amounted to 64,213 million (63,909 million).

They include letters of patronage for 14,290 million, sureties issued by banks to the Tax Authorities for prize-giving operations and competitions and to the VAT offices for a total of 49,883 million, and other guarantees for 40 million.

Commitments

Amounted to 120,743 million (106,286 million).

These refer to fixed term contracts for sales of foreign currency for 2,242 million, fixed term contracts for the purchase of foreign currency for 608 million and "commodity swap" contracts for 117,893 million.

Others

Amounted to 159,781 million (128,436 million) and refer to third-party goods on deposit for distribution and sale for 156,831 million, and third-party paper for processing.

Commitments and risks

For a correct valuation of the Group's Balance Sheet and financial position, we would inform you that at 31 December 2000 the following other commitments were not included in the memorandum accounts of the Holding Company: 8.9 billion lire per year for the rent of the Head Office under lease until 30 June 2002, with the right to extend the lease until 30 June 2008, subject to contractual rent reviews, and commitments by Mondadori Printing S.p.A. to purchase new plant for 47.9 billion lire.

There is also a five-year synthetic swap operation in course (February 2001 - February 2005) with JP Morgan, aimed at establishing a ceiling for potential Euro interest rate increases in the next five-year period on part of the financial debt equal to a notional amount of 270 billion lire. The operation will determine the income/payment, on a quarterly basis, of the interest differential between the market rate at the time (three-month Euribor) and the rate fixed in the contract for the same period. In the three-month period up to 31/12/2000 the Company earned a differential of 307 million lire. During the first two months of 2001, the interest rate cover operation was restructured and extended to the total amount of gross debt forecast for the current year (approximately 650 billion lire).

Notes on the items in the Consolidated Income statement

In the following sections the amounts in brackets, which are expressed in millions of lire, refer to the Consolidated statement as of 31 December 1999.

A) Production value

A.1) Sales of goods and services

Amounted to 2,876,778 million (2,634,079 million), an increase of 9.2% compared with the amount at 31 December 1999.

Sales of "Books", "Magazines" and "Direct marketing" are shown net of VAT borne by the publisher for 14,874 million, 25,813 million and 1,039 million, respectively.

Details of income and sales by geographical area are given in the Report of the Board of Directors on the Results of the financial year.

A.2) Changes in inventory of work in progress, semi-finished and finished products

Amounted to 16,487 million (-11,262 million). Details of the changes are given in the Balance sheet under "Inventory".

A.3) Changes in work in progress to order

Amounted to 505 million (1,704 million). Details of the changes are given in the Balance sheet under "Inventory".

A.4) Increase in non-current assets for internal work

During financial year 2000, labour costs for 286 million (286 million) were booked under fixed assets.

A.5) Other income and revenues

Amounted to 91,340 million (76,863 million) and included the recovery of development and distribution costs for magazines (17,443 million compared with 16,108 million), transportation costs (10,034 compared with 14,208 million), personnel costs (2,539 compared with 1,769 million), income from the sale of paper by the Group's manufacturing divisions (2,296 compared with 428 million) and income from the billing of production rejects (8,520 compared with 2,350 million), all of which are booked under "Others".

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Expenses recovered from third parties	59,339	53,652
Capital gains of disposals of assets	1,581	1,006
Supplier bonuses and other third party contributions	6,733	10,263
Rents	428	381
Instalments	2,153	2,070
Contingent assets	3,228	2,459
Contributions in financial accounts	290	613
Others	17,588	6,419
Total other income and revenues	91,340	76,863

B) Production costs

B.6) Raw, ancillary and consumable materials and goods

Amounted to 944,858 million (830,364 million) and are made up as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Paper	432,611	372,372
Electricity, water, gas, fuel	23,229	19,746
Other production materials	58,823	50,298
Total purchase of raw and ancillary materials	514,663	442,416
Goods for sale	367,633	325,254
Consumption and maintenance materials	19,414	10,508
Others	43,148	52,186
Total purchase of consumable materials and goods	430,195	387,948
Total cost of raw, ancillary and consumable materials and goods	944,858	830,364

All the increases are due to the increased volume of production and sales, both for Group companies and for new joint-ventures consolidated in the shareholders' equity.

The cost of "Paper" (+16.2%) increased as result of higher consumption, which was partly due to new titles launched during the year, and increases in supplier costs.

The cost of "Goods for sale" increased by over 13%.

The balance for 2000 included significant contributions from the Elemond Group for 11,381 million, from products sold in museum bookshops and sales from exhibitions, including "I Cento Capolavori dell'Ermitage" held at the Scuderie del Quirinale in Rome, Arnoldo Mondadori Editore S.p.A. for 154,962 million, mainly due to increases in titles for third parties and affiliated companies, Mondadori Informatica S.p.A. for 37,120 million, Ellemme S.r.l. for 29,273 million,

Mondadori Franchising S.p.A. for 13,538 million, for products sold in bookshops, and Mondolibri S.p.A. for 8,918 million, for products sold through direct marketing channels.

B.7) Services

Amounted to 1,113,446 million (999,620 million), an increase of 11.4%.

The general increase in all the items was the result of an increase in the volume of business.

“Directors’ and statutory auditors’ fees” is made up of fees paid to Directors and Statutory Auditors for 3,658 million and 727 million lire respectively. It should also be remembered that fees paid by the Holding Company to some statutory auditors also include work carried out for other companies controlled by the Group, for a total of 196 million.

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Commissions	106,101	97,348
Rights and royalties	193,119	166,079
Third-party consultancy and collaboration	94,606	85,590
	<hr/> 393,826	<hr/> 349,017
Third-party processing	228,730	229,766
Purchase of advertising space	118,923	77,353
Transport and shipping	118,198	104,236
Advertising services	94,430	85,192
Other services	56,497	46,479
Post office and telephone	20,525	22,765
Travel and other expense reimbursements	23,597	22,079
Job order services	20,325	24,949
Maintenance	14,138	13,698
Canteen and cleaning services	10,468	10,462
Insurance	4,508	4,177
Market research	4,896	4,580
Directors’ and statutory auditors’ fees	4,385	4,867
Total cost for services	<hr/> 1,113,446	<hr/> 999,620

B.8) Use of third-party assets

Amounted to 37,890 million (35,268 million) and include:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Rent	28,803	25,611
Lease payments	8,947	9,320
Others	140	337
Total cost of use of third-party assets	<hr/> 37,890	<hr/> 35,268

B.9) Personnel costs

Personnel costs amounted to 479,944 million (456,725 million). The increase is due to inflation and an increase in the average number of employees.

At 31 December 2000 the Group had 5,164 employees, while the average number during the year was 5,174.

Average number of employees	31/12/2000	31/12/1999
Managers	180	172
Journalists	462	442
Office staff	2,743	2,644
Factory workers	1,789	1,870
Total	5,174	5,128

B.10) Depreciations and writedowns

Amounted to 126,592 million (144,162 million). Details are given in the Balance Sheet under "Intangible assets" and "Fixed assets", for depreciations and under "Trade payables" for writedowns.

B.11) Changes in inventory of raw, ancillary and consumable materials and goods

Amounted to - 6,661 million (-1,805 million). A comment on "Inventory" can be found in the relative item in the Balance Sheet.

B.12) Provision for risks

Amounted to 9,051 million (17,012 million) and include provisions booked to the liability risk reserve. Details can be found in the Balance Sheet under "Reserve for risks and charges".

B.13) Other provisions

Amounted to 49 million and are represented by depreciations on capital goods utilised by the Holding Company pertaining to the company rental contract.

B.14) Other operating costs

Amounted to 27,369 million (29,141 million). The details for the different items included here have not changed in any significant way in comparison with the previous year.

The most significant items are:

- the cost of "Settlements and reimbursements" attributable mainly to the Holding Company (7,918 million) for legal expenses, and to Mondadori Printing S.p.A. (2,721 million) for delays or production problems;
- "Bad debts" are booked to the Income Statement for all the main Group companies: Arnoldo Mondadori Editore S.p.A. for 4,567 million, Mondolibri S.p.A. for 4,540 million, Mondadori

Informatica S.p.A. for 2,323 million, Mondadori Pubblicità S.p.A. for 3,682 million, the Elemond Group for 4,098 million and the Grijalbo Group for 1,896 million.

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Settlements and reimbursements	12,421	14,282
Bad debts	21,659	22,522
Contributions and grants	3,070	2,541
Capital losses	617	1,322
Contingent liabilities	1,253	764
Information material, entertainment expenses and others	10,493	8,078
Utilisation of risk reserve	(29,120)	(28,594)
Sub total	20,393	20,915
Taxes and dues	6,976	8,226
Total cost of other operating costs	27,369	29,141

C) Financial income and charges

C.15) Income from investments

Amounted to 68 million (6,056 million) and includes:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Auguri di Mondadori S.p.A.	-	6,000
Mach 2 Libri S.p.A.	68	56
Total income from investments	68	6,056

C.16) Other financial income

Amounted to 64,270 million (47,301 million) and is made up as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Financial income from long-term receivables	290	354
Financial income from capital gains	1,652	10,980
Financial income from short-term securities	46,572	27,473
Interest from banks	8,607	1,550
Interest from subsidiary companies	63	43
Interest from affiliated companies	239	107
Interest from customers	317	722
Exchange gains	5,401	4,172
Others	1,129	1,900
Total other financial income	64,270	47,301

In comparison with the previous year, the most significant variations concern "Financial income from capital gains" for minor income from treasury stock, and "Financial income from short-term securities" which increased as a result of a larger volume and interest rates, which were both higher than in 1999, and the different mix of operations.

C.17) Interest and other financial charges

Amounted to 44,929 million (36,774 million).

The most significant change is found under "Interest to banks", as a result of an increase in average borrowing and average interest rates.

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Interest to banks	29,685	17,115
Interest to subsidiary companies	10	7
Interest to affiliated companies	425	274
Interest payable on leasing and others	4,772	8,506
Exchange losses	9,275	10,212
Others	762	660
Total interest and other financial charges	44,929	36,774

D) Adjustments to the value of financial assets

D.18) Revaluations

Amounted to 8,667 million (8,405 million) and are made up as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
- Harlequin Mondadori S.p.A.	918	1,039
- Mondadori De Agostini S.p.A.	-	107
- Società Europea di Edizioni S.p.A.	1,140	-
- Mach 2 Libri S.p.A.	368	324
- Grüner und Jahr/Mondadori S.p.A.	5,000	5,926
- Agenzia Lombarda Distribuzione Giornali e Riviste S.r.l.	153	195
- S.I.E.S. S.p.A.	140	341
- S.A.G.E. S.p.A.	219	77
- Edizioni Electa Bruno Mondadori S.r.l.	378	247
- Edizioni EL S.r.l.	351	149
Total revaluations	8,667	8,405

D.19) Writedowns

Amounted to 22,147 million (2,419 million) and are made up as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Affiliated companies:		
- Società Europea di Edizioni S.p.A.	-	2,182
- S.E.L. S.p.A.	-	19
- Bol Books on line Italia S.p.A.	2,201	-
- Hearst Mondadori Editoriale S.r.l.	1,782	-
- Mondadori Sole 24 Ore S.p.A.	931	-
	<hr/> 4,914	<hr/> 2,201
Companies valued at cost:		
- Parafernalia in liq. S.r.l.	250	-
- Heinemann Le Monnier in liq. S.r.l.	80	-
- Edizioni di Comunità S.r.l.	50	50
- Miranda 2000 S.r.l.	-	160
- Edizioni Venete S.r.l.	3	5
- Consorzio Covar	-	3
- Mondadori.com Inc.	4,901	-
- Market Self	1,452	-
- Editrice Portoria S.p.A.	500	-
	<hr/> 7,236	<hr/> 218
- Stocks	9,997	-
Total writedowns	<hr/> 22,147	<hr/> 2,419

The writedowns of stocks has permitted the adjustment of the value of charges against stocks and shares booked as assets given that levels, on the date when the balance sheet was signed, were lower than the price at purchase.

The total that modifies the stake in the Sicav was 5,222 million lire.

E) Extraordinary income and charges

E.20) Income

Amounted to 6,676 million (50,512 million) and is made up as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Capital gain from disposals	5,348	6,293
Other	1,328	44,219
Total extraordinary income	<hr/> 6,676	<hr/> 50,512

The main "Gains on disposals" were due to the Le Monnier Group for 1,952 million, as a result of the disposal of the printing division, the Elemond Group for 2,441 million, due to the disposal of its shares in Baldini & Castoldi S.r.l., and Arnaldo Mondadori Editore S.p.A. for 213 million, following the disposal of its shares in Fivefactor S.p.A..

"Others" includes contingent assets of an extraordinary nature and taxes referring to previous years. The amount at 31 December 1999 included progressive deferred tax.

E.21) Charges

Amounted to 5,405 million (11,717 million) and are made up as follows:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Losses on disposals	707	5,316
Tax for previous year	794	34
Others	3,904	6,367
Total extraordinary charges	5,405	11,717

“Others” include extraordinary charges booked to the Income Statement of the Grijalbo Group.

E.22) Income tax

Amounted to 122,003 million (100,654 million) and is shown in the following table:

	Millions of lire 31/12/2000	Millions of lire 31/12/1999
Current taxes	109,378	99,196
Deferred taxes	12,625	1,458
Total income tax for the year	122,003	100,654

The tax rate for the year for current charges increased, compared with the previous year, on account of the excellent results obtained by the different companies in the Group.

Reconciliation between the shareholders' equity
and net profit of the Holding Company
and the consolidated shareholders' equity
and net profit

Reconciliation between the shareholders' equity and net profit of the Holding Company and the consolidated shareholders' equity and net profit

The reconciliation of the shareholders' equity and net profit shown in the financial statements of Arnoldo Mondadori Editore S.p.A. at 31 December 2000 and those shown in the Consolidated financial statements is as follows:

	Shareholders' equity	Net profit for the year
	Millions of lire	Millions of lire
Balances as per Holding Company's financial statements	1,153,301	108,446
Share of net profit made by subsidiary and affiliated companies		77,761
Writedowns of investments by the Holding Company		14,357
Dividends received from subsidiary and affiliated companies		(39,464)
Elimination of intercompany profits	(3,409)	(1,487)
Excess of the share of net equity over the book value of the investments in non-consolidated subsidiary and affiliated companies	9,920	
Excess of the share of net equity over the book value of investments in consolidated companies	185,454	
Other adjustments	(192,545)	(22,341)
Consolidated Financial statement	1,152,721	137,272

Consolidated statement of changes in financial position

Consolidated statement of changes in financial position as at 31 December 2000

	Millions of lire 2000	Millions of lire 1999
Sources of funds:		
Profit (loss) for the year	137,272	152,765
Profit (loss) minority interests	783	(1,226)
<i>Adjustments that do not cause changes in working capital:</i>		
Amortisation of fixed and intangible assets	109,340	120,504
Provisions for severance indemnities	29,060	25,369
Valuation of affiliated companies	(3,394)	(6,204)
Net working capital generated by sales and other operations	273,061	291,208
Net value of fixed assets sold	4,673	4,832
Net value of financial assets disposed of, written down	14,044	9,228
Transfer of investments from financial assets to working capital	4,820	-
Other variations in financial assets	229	9,926
Decreases in accrued income and prepayments	-	265
Increases in accrued liabilities and deferred income	423	832
Total funds	297,250	316,291
Application of funds:		
Purchase of intangible assets	38,317	78,802
Other changes in intangible assets	302	282
Purchase of fixed assets	58,684	80,389
Changes in work in progress	10,046	10,315
Other changes in fixed assets	(1,195)	9,825
Purchase of financial assets	28,604	6,166
Net changes in treasury stock in portfolio	48,717	33,849
Dividend payment	84,936	65,653
Impact on reserves of foreign exchange differences	2,375	(7,698)
Other changes in shareholders' equity	(2,632)	(18,177)
Decrease in minority interests in net equity	551	524
Advance payment of staff severance indemnities	19,794	18,105
Other changes in severance indemnities	2,163	1,506
Decrease in m/l term loans	900	10,444
Increase in non-current receivables	496	235
Decrease in non-current payables	4,322	12,519
Increase in m/l term accrued income and prepayments	2,494	-
Decrease of m/l term accrued liabilities and deferred income	-	-
Total	298,874	302,739
Increase (decrease) in net working capital	(1,624)	13,552
<i>due to:</i>		
Increase (decrease) in current assets:		
Inventories	22,790	2,028
Receivables	81,631	51,249
Fixed interest securities	239,347	359,295
Banks	(42,739)	(73,205)
Accrued income and prepayments	(4,245)	5,212
Total current assets	296,784	344,579
(Increase) decrease in current liabilities:		
Reserve for risks and charges	(1,348)	227
Current portion of m/l term loans	(118,170)	(247,178)
Banks	(71,181)	20,443
Other payables	(101,178)	(106,560)
Accrued liabilities and deferred income	(6,531)	2,041
Total current liabilities	(298,408)	(331,027)
Increase (decrease) in net working capital	(1,624)	13,552

Changes in shareholders' equity

Consolidated statement of changes in shareholders' equity as at 31 December

Millions of lire	Share capital				
		Share premium	Law no. 72	Law no. 413/91	Legal reserve
Balances at 1/1/1999	129,097	513,502	23,279	9,079	25,078
Movements:					
- Changes to consolidation area					
- Increase in paid-up capital at 17/9/1999	49	1,339			
- Increase in bonus capital at 17/9/1999	205				
- Transfer to legal reserve					741
- Transfer to extraordinary reserve					
- Transfer to other reserves					
- Payment of dividends					
- Reclassification		(31,089)			
- Other movements					
- Currency translation increases					
- Net profit for the year					
Balances at 31/12/1999	129,351	483,752	23,279	9,079	25,819

Consolidated statement of changes in shareholders' equity as at 31 December

Millions of lire	Share capital				
		Share premium	Law no. 72	Law no. 413/91	Legal reserve
Balances at 1/1/2000	129,351	483,752	23,279	9,079	25,819
Movements:					
- Changes to consolidation area					
- Increase in paid-up capital at 24/7/2000	69	3,487			
- Increase in bonus capital at 24/7/2000	295				
- Transfer to legal reserve					51
- Transfer to extraordinary reserve					
- Transfer to other reserves					
- Payment of dividend					
- Reclassification		(51,477)			
- Other movements					
- Currency translation increase					
- Net profit for year					
Balances at 31/12/2000	129,715	435,762	23,279	9,079	25,870

ber 1999

Reserves							Net profit for year	Total shareholders' equity
Treasury stock	Extra. reserve	Law no. 675	Law no. 124/93	Law no. 904	Govt. grants	Other reserves		
37,895	16,707	680	17	1,454	9,782	124,265	96,306	987,141
						18,247		18,247
	15,815		11			13,881	(205) (741) (15,815) (13,892) (65,653)	1,388
31,089						(1,458) 7,698		(65,653)
								(1,458) 7,698
							152,765	152,765
68,984	32,522	680	28	1,454	9,782	162,633	152,765	1,100,128

ber 2000

Reserves							Net profit for year	Total shareholders' equity
Treasury stock	Extra. reserve	Law no. 675	Law no. 124/93	Law no. 904	Govt. grants	Other reserves		
68,984	32,522	680	28	1,454	9,782	162,633	152,765	1,100,128
	(295)							3,556
	256,496 (1)		23			(188,740)	(51) (256,496) 188,718 (84,936)	
51,477						(5,674) 2,375		(84,936)
								(5,674) 2,375
							137,272	137,272
120,461	288,722	680	51	1,454	9,782	(29,406)	137,272	1,152,721

Reclassified consolidated balance sheet

Reclassified consolidated balance sheet and income statement

Reclassified consolidated balance sheet	Billions of lire 31/12/2000	Billions of lire 31/12/1999
Intangible assets	409.1	416.0
Fixed assets	346.2	347.3
Financial assets	183.2	121.6
Inventories	262.8	240.0
Receivables and other assets	1,004.8	956.9
Cash and banks	1,080.6	851.5
Total assets	3,286.7	2,933.3
Shareholders' equity	1,152.7	1,100.1
Minority interests	15.3	15.1
Reserves for risks and charges	103.2	101.9
Reserve for severance indemnities	190.4	183.3
Other payables and liabilities	1,076.8	981.8
Financial payables	748.3	551.1
Total liabilities	3,286.7	2,933.3

Reclassified consolidated income statement	Billions of lire 31/12/2000	Billions of lire 31/12/1999
Income from sales	2,870.8	2,634.1
Personnel costs	474.4	456.7
Product and operating costs	2,022.8	1,854.2
Gross operating profit	373.6	323.2
<i>Effect on income</i>	<i>13.0%</i>	<i>12.3%</i>
Depreciation of fixed assets	63.5	68.1
Operating profit	310.1	255.1
<i>Effect of operating profit on income</i>	<i>10.8%</i>	<i>9.7%</i>
Depreciation of intangible assets	43.6	52.4
Net financial income (charges)	7.6	(0.5)
Other income (charges), net	12.3	12.1
Extraordinary income (charges), net	(2.2)	37.9
Internet	(24.1)	-
Profit before taxation	260.1	252.2
<i>Effect of net profit on income</i>	<i>9.1%</i>	<i>9.6%</i>
Income taxes for year	(122.0)	(100.7)
Minority interests	0.8	(1.2)
Net profit for the year	137.3	152.8
<i>Effect of net profit for the year on income</i>	<i>4.8%</i>	<i>5.8%</i>

Consolidated financial statements in Euros

Balance sheet

Assets

(€ 000)	Year ended 31 December 2000		Total 3	Year ended 31 December 1999
	Sub Total 1	Sub Total 2		
A. Receivables from Shareholders for unpaid share capital				
B. Non-current assets				
I- Intangible assets				
1		3,608		868
2				
3		684		116
4		160,676		164,759
5		18,885		19,883
6		113		501
7		9,593		7,307
8		17,768		21,399
Total			211,327	214,833
II- Fixed assets				
1		84,742		87,731
2		57,982		64,479
3		2,912		1,293
4		19,079		16,954
5		14,101		8,912
Total			178,816	179,369
III- Financial assets				
1 investments in:				
a) subsidiary companies				
		2,482		2,838
b) affiliated companies				
		18,472		12,147
c) other companies				
		1,226		412
Total		22,180		15,397
2 current receivables:				
a) from subsidiary companies				
b) from affiliated companies				
c) from parent companies				
d) from other companies				
	1,132	9,085	10,217	10,335
Total	1,132	9,085	10,217	10,335
3 other securities				
		3		3
4 treasury stock				
		62,213		37,053
Total			94,613	62,788
Total non-current assets B.			484,756	456,990

	Year ended 31 December 2000		Total 3	Year ended 31 December 1999
	Sub Total 1	Sub Total 2		
C. Current assets				
I- Inventories				
1		16,379		12,724
2		27,227		23,646
3		7,882		7,674
4		84,179		79,879
5		27		
Total			135,694	123,923
	<i>within 12 months</i>	<i>over 12 months</i>		
II- Receivables				
1	382,265	12,884	395,149	361,467
2	3,878		3,878	4,128
3	29,110		29,110	18,647
4	6		6	118
5	98,029	462	98,491	99,860
Total	513,288	13,346	526,637	484,219
III- Financial assets (current)				
1				
2			2,122	
3				1,070
4				
5			362,805	240,244
Total			364,927	241,314
IV- Cash and Equivalents				
1			174,184	195,552
2			38	746
3			153	150
Total			174,375	196,448
Total current assets C.			1,201,630	1,045,905
D. Accrued income and prepayments				
1		677		988
2		8,763		10,604
3		1,634		385
Total accrued income and prepayments D.			11,074	11,977
Total assets			1,697,460	1,514,872

Balance sheet

Liabilities

(€ 000)	Year ended 31 December 2000		Total 3	Year ended 31 December 1999
	Sub Total 1	Sub Total 2		
A. Shareholders' equity				
I- Share capital			66,992	66,804
II- Share premium reserve			225,053	249,837
III- Revaluation reserve			16,712	16,712
IV- Legal reserve			13,361	13,334
V- Reserve for treasury stock			62,213	35,627
VI- Statutory reserve				
VII- Other reserve				
1) Extraordinary reserve		149,112		16,796
2) Reserve Law 675 of 12/8/1977		351		351
3) Conferral reserve Law 904 of 16/12/1977		751		751
4) Capital account contribution reserve		5,052		5,052
5) Reserve Law 124/93 art. 13		26		15
6) Other reserves		-15,187		83,993
			140,105	106,958
VIII- Profit (loss) carried forward				
IX- Profit (loss) for the year				
1) Profit for the year			70,895	78,897
Consolidated Group Shareholders' equity			595,331	568,169
Minority interest			7,919	7,800
Total Shareholders' equity A.			603,250	575,969
B. Reserve for risks and charges				
1 retirement benefits and similar		1,046		1,112
2 income taxes		24,189		24,117
3 other		28,064		27,374
Total reserve for risks and charges B.			53,299	52,603
C. Reserve for severage indemnities				
	<i>within 12 months</i>	<i>over 12 months</i>	98,316	94,647
D. Debts and other payables				
1 bonds				
2 convertible bonds				
3 due to banks	355,423	14,497	369,920	272,593
4 due to third parties				
5 advances	35,451		35,451	33,042
6 trade accounts	331,798		331,798	307,800
7 debts represented by credit instruments				
8 due to subsidiaries	733		733	557
9 due to affiliated companies	39,079		39,079	26,828
10 due to parent companies	313		313	88
11 income taxes payable	22,184		22,184	21,041
12 due to pension funds and social security entities	16,591		16,591	15,668
13 other liabilities	111,767	1,429	113,196	104,297
Total debts and other payables D.	913,339	15,926	929,265	781,914

	Sub Total 1	Sub Total 2	Year ended 31 December 2000 Total 3	Year ended 31 December 1999
E. Accrued liabilities and deferred income				
1 accrued liabilities		6,870		4,512
2 deferred income		6,460		5,227
3 discounts on loans				
Total accrued liabilities and deferred income E.			13,330	9,739
Total liabilities			1,697,460	1,514,872
Memorandum accounts				
1 Guarantees and sureties				
a) in favour of subsidiaries				
b) in favour of affiliated companies			7,798	7,299
c) in favour of third parties			25,365	25,707
2 Commitments			62,359	54,892
3 Risks				
4 Others			82,520	66,332
Total memorandum accounts			178,042	154,230

- 1) Total of items preceeded by lowercase letters and (in certain cases) by arabic numerals.
- 2) Total of items preceeded by arabic numerals and (in certain cases) by lowercase letters.
- 3) Total of items preceeded by romanic numerals and uppercass letters.

For the Board of Directors
Leonardo Mondadori
Chairman

Income statement

(€ 000)	Financial year 2000			Financial year 1999
	Sub total 1	Sub total 2	Total 3	
A. Production value				
1		1,485,732		1,360,388
2		8,515		-5,816
3		261		880
4		148		223
5				
a)	150			317
b)	47,023			39,380
		47,173		
Total production value A.			1,541,829	1,395,372
B. Production costs				
6		487,978		428,847
7		575,047		516,261
8		19,569		18,214
9				
a)	174,007			164,411
b)	55,173			52,915
c)	15,008			13,102
d)	30			36
e)	3,653			5,415
Total		247,871		235,879
10				
a)	23,451			27,060
b)	33,019			35,175
c)				
d)	8,910			12,477
Total		65,380		74,712
11		-3,440		-932
12		4,674		8,786
13		25		
14		14,135		15,050
Total production costs B.			1,411,239	1,296,817
Difference between production value and production costs A. - B.			130,590	98,555

	Sub total 1	Financial year 2000 Sub total 2	Total 3	Financial year 1999
C. Financial income and charges				
15 Income from investments				
a) Subsidiaries				3,099
b) Affiliated companies				
c) Other investments	35			29
Total		35		3,128
16 Other financial income				
a) from long term receivables				
• Subsidiaries				
• Affiliated companies				
• Parent companies				
• Other companies	150			183
Total	150			183
b) from long term securities	853			5,671
c) from short term securities	24,052			14,189
d) other income				
• Subsidiaries	33			22
• Affiliated companies	123			55
• Parent companies				
• Other companies	7,981			4,309
	8,137			4,386
Total		33,192		24,429
17 Interest and other financial charges				
a) Subsidiaries	5			4
b) Affiliated companies	219			142
c) Parent companies				
d) Other companies	22,979			18,847
Total		23,203		18,993
Total financial income and (charges) C.			10,024	8,564
D. Adjustments to the value of financial assets				
18 Revaluations				
a) investments	4,476			4,341
b) other long term financial assets				
c) securities				
Total		4,476		4,341
19 Writedowns				
a) investments	6,275			1,249
b) other long term financial assets				
c) securities	5,163			
Total		11,438		1,249
Total adjustments to the value of financial assets D.			-6,962	3,092

(follows)

Income statement

(€ 000)	Sub total 1	Financial year 2000 Sub total 2	Total 3	Financial year 1999
E. Extraordinary items				
20 Income				
a) Gains on disposals	2,938			3,403
b) Other	510			22,684
Total		3,448		26,087
21 Charges				
a) Losses on disposals	365			2,745
b) Taxation relative to prior years	410			18
c) Other	2,017			3,288
Total		2,792		6,051
Total extraordinary income and (charges) E.			656	20,036
Profit before tax			134,308	130,247
22 Income tax for the year			63,009	51,983
23 Results for the year			71,299	78,264
Net profit (loss) for the year pertaining to minority interest			404	-633
Net profit (loss) for the year			70,895	78,897

- 1) Total of items preceded by lowercase letters.
- 2) Total of items preceded by arabic numerals.
- 3) Total of items preceded by uppercase letters and (in certain cases) arabic numerals.

For the Board of Directors
Leonardo Mondadori
Chairman

Report of the Board of Statutory Auditors
on the Consolidated financial statements
of the Mondadori Group as at 31 December 2000
(art. 153 of Legislative Decree no. 58/98)

To the Shareholders,
during the year we have conducted the checks foreseen by the law and following
the recommendations laid out by the National Association of Public Accountants.

In particular, we have:

- taken part in all meetings of the Board of Directors, obtaining from directors information concerning current activities and significant operations affecting the Company's financial position, ensuring that resolutions made are in line with current legislation and the company's business and that there are no conflicts of interest or discrepancies with Shareholders' resolutions;
- ascertained, within the limits of our responsibilities, that the company structures and accounting procedures are adequate by direct observation, the examination of material supplied by the company and by meetings with the external auditors Deloitte & Touche S.p.A., for the exchange of relevant information and figures;
- examined and checked the internal mechanisms for internal control of accounting and the reliability of such mechanisms in providing accurate information on the management of the company's activities as well as checks on the work carried out by the external auditors. We have also had regular meetings with the Controller with whom we have verified checks made also for subsidiary companies;
- checked that the Annual Report and Financial Statements for 2000 have been presented according to current legislation through direct checks and discussions with the external auditors;
- evaluated and verified the reporting mechanisms applied to subsidiary companies which allow such subsidiaries to provide prompt information to the parent company that is consequently able to respect communication obligations foreseen by current legislation.

The activities outlined above presented no significant anomalies or omissions.

Furthermore, in line with the recommendations of the Italian Stock Exchange Commission, we would underline that:

- information provided by the Board of Directors, also information concerning inter-group operations, is to be considered complete;
- inter-group operations carried out during the year are to be deemed relevant to the Group's business activities and were effected at market conditions. In this context, we did not find any conflict of interest or atypical operations able to have any impact on the Group's economic or financial position;
- regular meetings were held during the year to exchange information with representatives of the external auditors and, while not yet having seen the External Auditors' Report, we have reason to believe that it does not contain any judgements worthy of concern;
- in 2000 there were 7 meetings of the Board of Directors and 7 meetings of the Board of Statutory Auditors;
- during the year, in addition to the auditing of the annual and interim reports, the company

engaged Deloitte & Touche S.p.A. for the following activities:

- examination of development plans	Lit. 150.5	millions
- control of ADS circulation data	Lit. 72.5	"
- Total	Lit. 223.0	millions

- we agree with the dividend proposal made by the Board of Directors also taking into account the available reserves.

In conclusion, given that no claims as per art. 2408 of the Civil Code have been received, we endorse the approval of the Annual Report and Financial Statements as at 31 December 2000, with profit for the year of 108,446,497,242 lire.

Milan, 30 March 2001

The Board of Statutory Auditors

(Franco Iorio, Chairman)

(Antonio Aiello)

(Achille Frattini)

Report of the External Auditors
on the Consolidated financial statements
of the Mondadori Group
as at 31 December 2000

Auditors' report in accordance with art. 156 of Legislative Decree no. 58 of 24 February 1998

Deloitte & Touche

To the Shareholders of Arnoldo Mondadori Editore S.p.A.

We have audited the Consolidated financial statements of the Arnoldo Mondadori Editore Group for the year ended 31 December 2000. The preparation of the consolidated Annual Report is the responsibility of the management of Arnoldo Mondadori Editore S.p.A. Our responsibility is to express a professional opinion on the Report based on our audit of the Company accounts.

Our examination has been carried out in accordance with the auditing standards recommended by Consob, performing those controls that we considered necessary for the purposes of our engagement. In line with the aforementioned principles and criteria, the audit has been planned and conducted with a view to acquiring all necessary elements to ensure that the Consolidated financial statements are free of significant errors and may be deemed reliable.

The auditing procedure includes an examination, on the basis of sample checks, of elements that support the final figures and the information contained in the Consolidated Accounts, as well as an evaluation of the adequacy and correctness of the accounting criteria adopted and the reasonableness of estimates made by the company's directors.

The financial statements of an associated company that represent approximately 1.6% of consolidated assets and 2.7% of consolidated revenues have been examined by other auditors who have provided us with their reports. As regards the figures that refer to this consolidated company, the opinion that we express in this report is also based on the work carried out by other auditors.

Reference should be made to our auditors' report dated 11 April 2000 for our opinion on the prior year's Consolidated financial statements, which are presented here for comparative purposes as required by law.

In our opinion the Consolidated financial statements, for the year ended December 31, 2000, have been prepared in a clear manner and give a true and fair view of the assets and liabilities, financial position and results of the Group in compliance with the rules governing consolidated financial statements.

Deloitte & Touche S.p.A.

Patrizia Arienti
Partner

Milan, 6 April 2001

