

**ARNOLDO MONDADORI EDITORE S.p.A.**

**Share capital € 67,451,756.32**

**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 22 April 2002 at 10.00 a.m. at the Company's administrative offices in Segrate (MI), Via Mondadori 1, at first calling and, if necessary, at second calling on 10 May 2002 at the same time and place, to pass resolution on the following:

### **Agenda**

#### **Ordinary General Meeting**

- 1) Financial statements as of 31 December 2001, 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 2001 and related enclosures.
- 2) 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 24 April 2001.

#### **Extraordinary part**

- 1) Approval of the merger, on the basis of the respective financial statements as of 31 December 2001, of the subsidiary company Programmi Editoriali S.p.A. by means of annulment without substitution of the shares that represent the company's entire share capital which are wholly owned by the parent company; consequent deliberations and mandate.
- 2) Integration of art. 17 of the Company Statutes concerning the qualifications of the members of the Board of Statutory Auditors as contained in Decree no. 162 of the Minister of Justice of 30 March 2000.

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. The reports of the Board of Directors on the subjects contained in the agenda, including point 1 of the extraordinary part and other relevant documents as described in art. 2501 sexies nos. 1) and 3) of the Civil Code, are deposited at the Company's administrative offices and at the offices of Borsa Italiana S.p.A., in accordance with Ministerial Decree no. 437 of 5 November 1998 and Consob ruling no. 11971/1999. 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

Mario Resca

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 2001

## Shareholders,

the financial statements for 2001 record excellent results in terms of both an increase in revenues and an increase in profitability. The result is even more significant considering the difficult economic context and the fact that the company has in recent years registered a continuous development and increases in profits.

Consolidated net profit amounted to 73.9 million euros, an increase of 4.2% compared with the figure of 70.9 million in 2000, after allocating depreciations for 56.1 million (55.0 million in 2000) and tax provisions for 74.2 million (63.0 million in the previous year).

In 2001 the Group exploited its position as market leader in the various sectors in which it operates and, thanks also to its diversified portfolio of business activities, it was able to register a positive result in a year characterised on the international level by signs of an economic decline that was heightened by the terrorist attacks of 11 September.

Return on equity amounted to 12.2% while return on investments increased from 38% in 2000 to 41.4%, confirming the progress made in recent years.

The main company events that characterised 2001 included the setting up, at the beginning of September, of the Grupo Editorial Random House Mondadori, a joint venture with the American Random House Group (Bertelsmann Group). The new Group also includes the Grijalbo Group, which is wholly owned by Mondadori, and the publishing activities in Spain and South America of both the Mondadori and Bertelsmann groups. The Grupo Editorial Random House Mondadori S.L. was consolidated in the Mondadori financial statements as of 31 December 2001 using the net equity method. As a result of using this method, the consolidated revenues for financial year 2001 do not include sales from the new Group (for financial year 2000 revenues from the Grijalbo Group alone amounted to 41.7 million euros). The results for the Book Division are shown on a comparable basis. During the last quarter of 2001, a reorganisation and restructuring project was put into operation for the new Group, which consists of 20 operating companies, and the cost of this project were entirely booked to the income statement for the financial year.

As in its start-up year in 2000, the business activities in the internet sector were reclassified separately in order to improve transparency and produce comparable data.

In 2001 **sales** amounted to 1,557.6 million euros, a 5.1% increase compared with the amount of 1,482.7 million euros in 2000. On a comparable basis (excluding Grijalbo), sales in 2001 amounted to 1,442.8 million euros, an increase of 8% compared with the previous year.

**Gross operating profit** amounted to 209.5 million euros, an increase of 8.6% compared with the figure of 192.9 million in 2000, with a subsequent increase in operating profit as a percentage of sales of 13.5% (compared with 13.0% in 2000).

The **operating result** amounted to 176.5 million euros, an increase of 10.2% compared with the figure of 160.1 million in 2000. The operating result as a percentage of sales increased from 10.8% to 11.3%.

The Group's **net financial position** amounted to 188.5 million euros, an increase of 16.9 million compared with the previous year after taking into consideration the investments in new business activities.

What follows is a more detailed analysis of the results obtained in the individual markets in which the Mondadori Group operates.

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During 2001 the **Book Division** maintained its position as market leader, consolidating its market share at 30.7% in a sector that was characterised by a recovery in bookshop sales (+6%) and a decrease in sales in the large scale retail area (approximately -7%).

This contrasting performance was essentially due to the introduction in September of law 198/2001, which imposed a maximum discount of 15% on cover prices in both areas.

The Group's policy in this sector continues to be focused on recovering profitability in the division and reducing the amount of capital employed.

In the **school textbook publishing sector**, a new company, Edumond S.p.A., was set up. The company includes the school textbook publishing activities of Elemond S.p.A. and the shares held in Group companies that operate in this sector (Le Monnier, Poseidonia and Edizioni Electa-Bruno Mondadori). This operation is part of the organisational revision project aimed at improving operational efficiency in the school textbook sector.

The results registered in 2001 in the **magazine sector** were particularly encouraging, with an increase both in circulation and advertising revenues, in sharp contrast to the overall market trend.

Mondadori titles registered an increase in circulation of 11.6% and an increase in the number of copies of 3.5%, compared with a decrease in the reference market of 1.6%.

The result was due to the effects of the policy introduced in recent years of launching new titles (*Cambio* was launched in 2001), and to the policy of developing product systems that involves the launch of specialist supplements to some of the main titles. An example of this is the supplements *Salute*, *In Tavola* and *Giochi* that are issued with *Sorrisi e Canzoni TV*, together with music CDs.

The development of the product systems has not only benefited circulation of the Mondadori titles that are issued with these supplements, but has also allowed the Group to establish itself as one of the main players in the optional product market (music CDs, CD-ROMs and videocassettes), with a positive effect on both sales and profit margins.

As far as profitability is concerned, it should be noted that new magazine launches were very successful and achieved break-even in record time. In particular, *Men's Health*, launched during 2000, achieved break-even just one year after launch, confirming its popularity with readers.

2001 was a particularly difficult year for the **advertising market** that was initially affected by a decrease in investments in the internet and telecoms sectors, which mainly hit newspapers and television, and subsequently had to contend with a decrease in investments as a result of the terrorist attacks in the United States.

In this context the overall market in Italy registered a decrease of 3.2% while the magazine advertising sector, which is less exposed to investments in sectors that suffered the biggest cut in advertising investments, registered an increase of 4.4%. Thanks to the leadership position of its titles and to the success of new titles launched during the last two years, the Mondadori Group registered an increase that was decidedly higher than the increase in the reference market. Advertising sales for the Group's titles increased by 7.4%, while the total result of +4.4% was penalised by decreases in advertising sales for third-party newspapers handled by Mondadori.

In the **Printing Division** a new large scale rotogravure printing press came into operation and this, together with other interventions, has enabled Mondadori Printing to become one of the most technologically advanced companies currently operating

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in Europe. In 2001 the demand for printing services suffered a significant drop after 11 September, compared with the first part of the year that was decidedly positive. The decrease in demand was reflected in the cost of paper, which bore the brunt of the tension created in the latter part of the year.

In the **direct marketing** sector the subsidiary company, Cemit Interactive Media S.p.A., which operates in the database management area, produced a positive performance while Mondolibri, the joint-venture with the Bertelsmann Group that was formed after the merger of Club degli Editori with Euroclub, held up its end of the market.

In 2001 the **retail** sector continued to grow. Mondadori is present in this sector with Mondadori Retail, which since 2000 has been responsible for all the Group's activities connected with the direct running of shops, and Mondadori Franchising, which increased the number of affiliated sales outlets to 99 at year's end.

**Mondadori Informatica** continued its development policy in the education sector. During 2001, new branches in Florence and Rome were opened while the distance learning programme began operations. In the computer publishing division the

specialist book area registered a good performance, although there was a decrease, which also affected all the sector, in the results registered by professional magazines.

In the **internet** sector BOL Italia, the e-commerce joint-venture set up with the Bertelsmann Group, began operations, selling on-line books. Mondadori.com continued to develop specialist vertical sites linked to Group titles (*Panorama* and *Donna Moderna*) and specific interests (*Inauto*, *Mytech*). A programme was also introduced to reinforce the technological aspects of the company and consolidate the cost synergies of coasts and know-how with the parent company.

In the overall internet sector the Group registered sales of more than 10 million euros, 0.7 million of which came from advertising sales, 7.5 million from the on-line sale of books from the book club and from Book On Line and 2.1 million from on-line subscriptions.

From this introduction we now move on to commenting on the main results of the Consolidated Statement for 2001.

## 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 the internet activities of Mondadori.com S.p.A.

<b>Consolidated reclassified income statement</b>			
<i>in million of euros</i>	<b>31/12/2001</b>	<b>31/12/2000</b>	<b>% change</b>
Income from sales	1,557.6	1,482.7	5.1%
Personnel costs	238.8	245.0	(2.5%)
Product and management costs	1,109.3	1,044.8	6.2%
<b>Gross operating profit</b>	<b>209.5</b>	<b>192.9</b>	<b>8.6%</b>
<i>MOL effect on income</i>	<i>13.5%</i>	<i>13.0%</i>	
Depreciations of fixed assets	33.0	32.8	(0.6%)
<b>Operating profit</b>	<b>176.5</b>	<b>160.1</b>	<b>10.2%</b>
<i>Operating result effect on income</i>	<i>11.3%</i>	<i>10.8%</i>	
Depreciations of intangible assets	23.1	22.2	4.1%
Net financial income (charges)	0.7	3.9	(82.1%)
Other income (charges), net	(10.0)	6.1	n.a.
Extraordinary income (charges), net	15.0	(1.1)	n.a.
Internet activities	(11.0)	(12.5)	(12.0%)
<b>Profit before taxation</b>	<b>148.1</b>	<b>134.3</b>	<b>10.3%</b>
Income taxes for the year	(74.2)	(63.0)	17.8%
Minority interests	0.0	0.4	n.a.
<b>Net profit for the year</b>	<b>73.9</b>	<b>70.9</b>	<b>4.2%</b>
<i>Net result effect on income</i>	<i>4.7%</i>	<i>4.8%</i>	

**Consolidated revenues** amounted to 1,557.6 million euros, an increase of 8.0% on a comparable basis after re-calculating the result for 2000 with the same consolidation criteria as the Grijalbo Group adopted for the year in question.

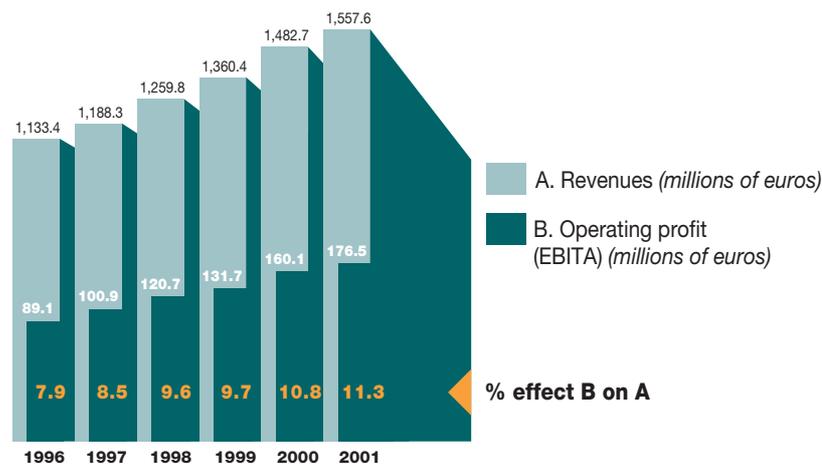
Details of the individual business activities are given below. It should be noted that the data relative to the previous year have been re-formulated in accordance with a more accurate identification of the various business activities, producing slight differences in some divisions.

In particular, apart from the already mentioned joint-venture Grijalbo, during 2001 the Direct Division was set up to include all the retail activities from the Book Division and the Computer Publishing Division.

The following table shows the volume of business of the individual areas.

**Volume of business for each business activity**

<i>in million of euros</i>	2001	2000	% change
Book Division	315.7	304.2	3.8%
Magazine Division	871.7	803.4	8.5%
Printing Division	474.7	454.2	4.5%
Direct marketing	143.8	129.0	11.5%
Computer publishing and new media	22.9	27.3	(16.1%)
Others	19.3	18.0	7.2%
<b>Total sales</b>	<b>1,848.1</b>	<b>1,736.1</b>	<b>6.5%</b>
Intergroup sales	(290.5)	(293.3)	(1.0%)
<b>Total consolidated sales</b>	<b>1,557.6</b>	<b>1,442.8</b>	<b>8.0%</b>



**Mondadori Group: revenues and operating profit**

Consolidated revenues are broken down into the following geographical areas:

Sales in EEC countries decreased due to the different consolidated method used by the Grijalbo Group while sales in the USA recovered, particularly for Mondadori Printing S.p.A.

**Gross operating profit** increased from 192.9 million euros to 209.5 million, with an increase of 8.6%, representing a percentage of sales equal to 13.5% (13.0% in 2000).

**Personnel costs** decreased by 2.5% due to a reduction in the number of employees in some companies and, above all, to the different consolidation criteria used by the Grijalbo Group.

**Production and management costs** increased by 6.2% compared with 2000.

**Operating profit** improved by 10.2%, increasing from 160.1 million euros to 176.5 million. As a percentage of sales this is equal to 11.3% (10.8% in 2000).

**Depreciations of intangible and fixed assets** increased by 1.1 million euros, from 55.0 to 56.1 million.

**Volume of business per geographical area**

<i>in million of euros</i>	<b>2001</b>	<b>2000</b>	<b>% change</b>
Italy	1,415.4	1,298.5	9.0%
EEC countries	113.7	119.3	(4.7%)
USA	17.4	15.3	13.7%
South America	-	-	-
Other countries	11.1	9.7	14.4%
<b>Total consolidated revenues</b>	<b>1,557.6</b>	<b>1,442.8</b>	<b>8.0%</b>

**Production and management costs**

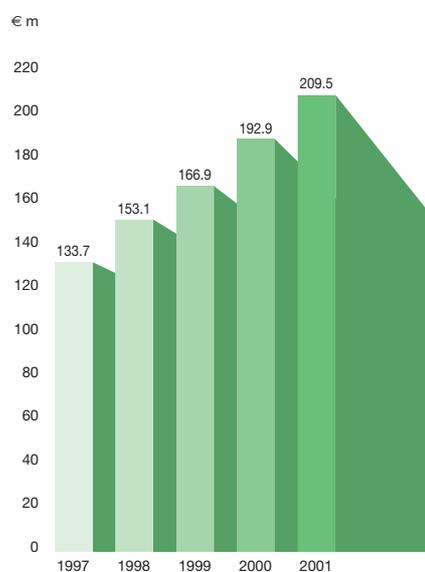
<i>in million of euros</i>	<b>2001</b>	<b>2000</b>	<b>% change</b>
Raw, ancillary and consumable materials and goods and stock variations	529.1	475.7	11.2%
Services and other costs	573.7	565.3	1.5%
Use of third-party assets	21.4	19.3	10.9%
Recovery third-party expenses and other sources	(14.9)	(15.5)	(3.9%)
<b>Total production and management costs</b>	<b>1,109.3</b>	<b>1,044.8</b>	<b>6.2%</b>

**Income and financial charges** amounted to 0.7 million euros, a decrease compared with 2000 due to a reduction of revenues from financial management caused by the negative performance of the financial markets during 2001.

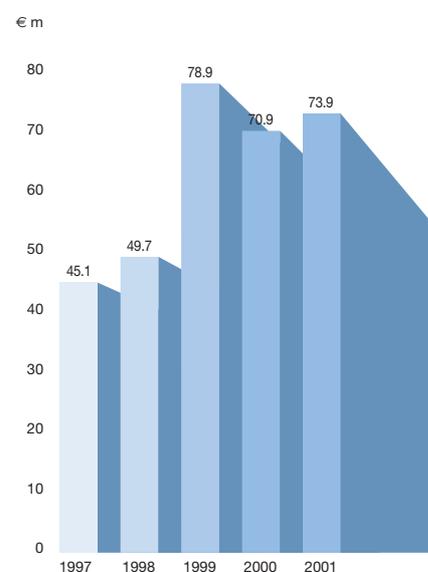
**Pre-tax profits** amounted to 148.1 million euros (134.3 million in 2000), an increase of 10.3%.

**Net profit** amounted to 73.9 million euros (70.9 million in 2000), an increase of 4.2%.

**Cash flow** (net profit + depreciations) amounted to 130.0 million euros, representing an increase of 4.1 million euros in absolute terms and 3.3 in percentage terms compared with 2000.



**Mondadori Group:  
gross operating profit**



**Mondadori Group:  
net profit**

The following table shows the Group's reclassified Balance Sheet over the last two years.

The **net financial position** at 31 December 2001 showed a surplus of 188.5 million euros (171.6 million at 31 December 2000), after the distribution to shareholders of dividends amounting to 51.8 million euros.

The Group's **capital investments** amounted to 70.6 million euros (30.3 million). Further details can be found in the section "Notes to the Consolidated Financial Statements".

**Consolidated reclassified balance sheet**

<i>in million of euros</i>	<b>31/12/2001</b>	<b>31/12/2000</b>
Intangible assets	185.6	211.3
Fixed assets	210.9	178.8
Financial assets	138.1	94.6
Inventories	118.4	135.7
Receivables and other assets	472.3	513.2
Cash and banks	576.7	558.0
<b>Total assets</b>	<b>1,702.0</b>	<b>1,691.6</b>
Shareholders' equity	616.8	595.3
Minority interests	0.5	7.9
Reserve for risks and charges	57.3	53.3
Reserve for severance indemnities	99.6	98.3
Other liabilities	539.6	550.3
Financial payables	388.2	386.5
<b>Total liabilities</b>	<b>1,702.0</b>	<b>1,691.6</b>

Arnoldo Mondadori Editore S.p.A. closed financial year 2001 with excellent results. The company's financial statements showed a **net profit** of 83.0 million euros (compared with 56.0 in 2000).

The result was obtained after allowing for total depreciations of 17.6 million euros (the same figure as 2000) and taxes of 53.4 million euros (39.8 million in 2000).

Gross cash flow amounted to 100.6 million euros (73.6 million in 2000).

The Parent Company's **revenues** amounted to 964.3 million euros compared with 890.6

million in 2000, an increase of 8.3%.

Income from investments increased from 20.4 million euros in 2000 to 38.9 million in 2001, and had a large influence on the net result for the year.

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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 2001 the Italian book market registered a healthy increase in sales in the traditional bookshop channels (+6% in terms of value compared with 2000), and a decrease (estimated to be approximately -7% compared with 2000) in the large-scale retail sector. These differences were partly due to the effect of law 198/2001 which, from September, introduced a maximum discount of 15% for all retail channels.

The market share for the Mondadori Group<sup>1</sup>, according to estimates by Demoskopea,<sup>2</sup> was substantially consolidated compared with 2000. Among large-scale publishing groups the Rizzoli Group registered an increase of +1.9 points compared with 2000, while almost all medium/small-scale publishers registered decreases.

#### Market share

Publisher	2001	2000	% change
Mondadori	20.4	20.0	0.4
Einaudi	5.0	5.5	(0.5)
Sperling & Kupfer	4.7	4.6	0.3
Other companies of the Mondadori Group	0.6	0.9	(0.5)
<b>Total for the Mondadori Group</b>	<b>30.7</b>	<b>31</b>	<b>(0.3)</b>
Rizzoli Group	18.3	16.4	1.9
Longanesi Group	9.5	9.3	0.2
Feltrinelli	5.3	4.2	1.1

<sup>1</sup> Mondadori, Einaudi, Sperling & Kupfer, Frassinelli, Electa, Leonardo.

<sup>2</sup> Data in terms of value refers to January-December 2001, medium-large bookshops.

Total sales in the Book Division amounted to 315.7 million euros compared with 304.2 million in the previous year (after the Grijalbo Group had been de-consolidated), and they were made up as shown in this page.

Book production in the division<sup>3</sup> totalled 2,033 new titles (compared with 2,333 in 2000) and 3,901 reprints (3,502 in 2000) for a total of 42.6 million copies, compared with 42.3 million in 2000.

<b>Books</b>			
<i>in million of euros</i>	<b>2001</b>	<b>2000</b>	<b>% change</b>
Edizioni Mondadori	107.2	105.2	1.9%
Einaudi	38.3	36.7	4.4%
Art books and exhibition organisation	40.5	33.9	19.5%
Sperling & Kupfer Group	23.5	24.0	(2.1%)
School textbook editions	77.9	78.1	(0.3%)
Riccardo Ricciardi	0.2	0.3	(33.3%)
Book distribution	43.1	40.2	7.2%
<b>Total sales</b>	<b>330.7</b>	<b>318.4</b>	<b>3.9%</b>
Intercompany sales	(15.0)	(14.2)	5.6%
<b>Total consolidated sales</b>	<b>315.7</b>	<b>304.2</b>	<b>3.8%</b>

<sup>3</sup> Including Mondadori, Sperling & Kupfer, Frassinelli, Einaudi and Electa imprints (excluding school textbooks).

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## Edizioni Mondadori

During 2001 Mondadori consolidated its leadership position in the book market with a performance that improved its market share by 0.3 points compared with 2000 (covering more than 1/5 of the entire market, according to data supplied by Demoskopia).

It should be noted that this result was obtained in a context that was partly influenced by the new law, 198/2001 (concerning fixed prices), which had the double effect of decreasing sales in Large Scale Retail Outlets and decreasing sales of high-priced books throughout the market. Mondadori's *I Meridiani* series was particularly affected by this law.

Apart from the habitual success of authors such as Ken Follett (300,000 copies), John Grisham (165,000 copies of *La casa dipinta*, even though this is not a thriller), Patricia Cornwell (160,000 copies) and Bruno Vespa (130,000 copies), the year's result was partly due to the publishing performance of the Non-Fiction sector where Luciana Littizzetto's *Sola come un gambo di sedano* was the undisputed star, selling more than 350,000 copies. *Potevo rimanere offeso* (book + videocassette) by Aldo, Giovanni e Giacomo was the most successful Christmas title,

selling over 300,000 copies.

There was also a positive performance registered by literary long sellers from both old and new authors, such as Pontiggia, Grossman, Millet, Eggers and Mazzantini. This result represents a phenomenon that is fairly new for Mondadori fiction.

A special mention must also be made of the Oscar imprint which, in line with the development of the market, currently represents 45% of sales.

## Einaudi

Sales of Giulio Einaudi Editore titles at the end of December 2001 amounted to 38 million euros, an increase of 4% compared with the previous year.

Among the most important successes of the year were *Non siamo capaci di ascoltarli* by Paolo Crepet and *Io non ho paura* by Niccolò Ammaniti, which also won the Premio Viareggio-Repaci 2001.

Sales of books with videocassettes were again very positive with *Totò e Peppino e...* (*bo detto tutto*) selling over 95,000 copies during the Christmas period and both Paolini - Del Giudice with *I-TIGI Canto per Ustica* and Lucio Dalla with *Parole e Canzoni* registering excellent results.

The multimedia operations launched with *Panorama* and Renzo De Felice's *Mussolini* (4 CD-ROMs) and *la Repubblica's La grande Storia dell'arte*, both of which achieved good results, is continuing in 2002 with the publication of *Storia d'Italia* issued with *Panorama*.

## Art books and exhibition organisation

The Art and Illustrated books sector closed the year with a further significant increase in business, registering sales of 40.5 million euros for an increase of 19.5% compared with the total of 33.9 million euros for the previous year.

The net results for the sector were also encouraging, registering a decisive improvement compared with the previous year.

As for the business activities in the sector, the museum services area saw a considerable development compared with the previous year with significant results registered by the various museum sites, a notable example being the organisation of the *Sangue e Arena* exhibition at the Coliseum.

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In the area dealing with commissioned work for institutions, corporations and companies and sales of joint editions, special mention should be made of the success achieved by the catalogues produced for the Venice Biennial Exhibition of Contemporary Art, the *Paese Incantato* exhibition at the Palazzo Te in Mantova and the *Canaletto* exhibition at the Fondazione Cini in Venice.

Mondadori Mostre, which is responsible for the organisation of temporary events, registered an excellent result with the *Picasso, 200 Capolavori dal 1898 al 1972* exhibition that was co-produced with the Milan Council at the Palazzo Reale and ran from the last few months of 2001 up to 27 January 2002, attracting more than 450,000 visitors.

In the spring, the exhibition of works from the Collezione Giustiniani at the Palazzo Giustiniani in Rome was also very successful.

During the year the affiliated company Electa Napoli increased its turnover, confirming the validity of the decision to incorporate the activities of the regional publishing house with the running of bookshop concessions in the Pompei, Ercolano, Museo Archeologico Nazionale and Capodimonte museums.

## Sperling & Kupfer Group

2001 produced positive results despite a slight decrease in sales compared with 2000, when the result benefited from the “Pokémon phenomenon”.

All of the initiatives introduced during the year registered regular sales figures that were in line with forecasts and confirmed the success of important authors, such as Sveva Casati Modignani, King, Sparks and Steel. The result of this was a slight increase in the market share in terms of value which, together with a dynamic management policy produced an increase in the percentage of absorption and a containment of returns, that were substantially the same as the previous year.

## Educational publishing

The year was characterised by the setting up of Edumond S.p.A., which was created to take over control of the educational publishing activities of Elemond S.p.A.

Taking into account the business activities of all Group companies involved in the sector, including **Edumond**, **Elemond** (for the first ten months of the year), the **Le Monnier Group** and **Poseidonia**,

the year closed with sales of 77.9 million euros, compared with 78.1 million in 2000.

The Group’s education publishing activities were characterised in 2001 by the continued restructuring of the various companies, after the acquisitions made in recent years which have resulted in an expansion of the products offered by the Poseidonia, Mursia and Le Monnier imprints, and by the tormented progress of the projected scholastic reforms.

The complexity of and the new changes contained in the proposed school reforms will have a direct effect on educational programmes and have currently produced prudence and uncertainty in schools, which in turn have created a number of operational difficulties.

Added to these difficulties are the restrictions which have affected school textbook publishers since 2000, such as the costs ceiling for textbooks imposed on all levels of schools (with the consequent fall in average prices).

The Group’s school textbook sector responded in a positive manner to these market problems, registering an increase in the number of adopted texts and

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a subsequent increase in the number of copies sold (approximately +2.3%).

As for the business activities of Group companies, it should be noted that there was increased efficiency in the commercial and distribution areas, following the completion of the rationalisation programme begun after the acquisitions made in 1999.

Encouraging results were also achieved by the English language courses published by **Macmillan**, which has an exclusive contract with Edmond for the promotion, distribution and sale of its courses in Italy. It is interesting to note that the production of this publishing house has already been perfectly integrated with and is complementary to the English language courses marketed by Edmond's own imprints.

It is also worth highlighting the activities connected to **multimedia**, which is an area that has increased in importance in the light of the probable developments that will arise from the proposed Ministerial programmes and the subsequent consolidation of computer studies in all levels of schools. As far as off-line activities are concerned, the range of initiatives and production was clearly defined as having a support function for printed products, while an important

re-launch programme was produced for the on-line sector with the re-programming of the *www.pianetascuola.it* portal, which immediately produced an excellent increase in the number of visitors and pageviews.

## Distribution

It is worth noting that even though this is a service activity, in 2001 the sector registered a constant increase in volume together with a containment of costs (which amounted to 5% for the two-year period).

The current order processing time means that customers are offered an excellent service, with delivery within 48 working-hours in 75% of cases.

Development of the Arianna project continued, and currently 171 bookshops are involved in transmitting sales data while a high number of orders are despatched electronically using the telecommunication link.

The Magazine Division registered consolidated sales of 871.7 million euros (circulation 510.5 million and advertising 361.2 million), an increase of 8.5% compared with 2000.

<b>Magazines</b>			
<i>in million of euros</i>	<b>2001</b>	<b>2000</b>	<b>% change</b>
Circulation	510.5	457.3	11.6%
Advertising	361.2	346.1	4.4%
<b>Total magazines</b>	<b>871.7</b>	<b>803.4</b>	<b>8.5%</b>

The following table gives an overall picture of the situation.

## Circulation

### Circulation

<i>in million of euros</i>	2001	2000	% change
Mondadori titles (*)	365.2	330.1	10.6%
Specialised titles	7.7	8.0	(3.8%)
Third-party titles	137.6	119.2	13.4%
<b>Total circulation</b>	<b>510.5</b>	<b>457.3</b>	<b>11.6%</b>

\* At 31 December 2000 the data was reclassified in order to take into account the transfer of *Starbene e Auto oggi* to the Mondadori Rodale S.r.l. and ACI-Mondadori S.r.l. joint-ventures.

The excellent results registered in 2001 were even more satisfying when compared with the performance of the market in which Mondadori operates, where overall circulation figures decreased by more than 11 million copies (-1.6%), despite the contribution of new launches (sales of almost 7 million copies for new titles, such as *Cambio*, *Quark* and *Partiamo*).

In this context the Mondadori Group increased its circulation figures by more than 10 million copies (+3.5%).

The main elements that characterised the strategy implemented in 2001 were as follows:

- Consolidation and reinforcement of titles launched in recent years.
- Editorial and re-styling changes of some titles, including *Sorrisi e Canzoni TV*, *Cucina Moderna*, *Casa Facile* and *Tutto*.

Within this framework it was decided to close *Yes*, given the difficulties of circulation and advertising sales in the “teen” market.

- Structural interventions aimed at constructing “Product Systems”:  
Car System (launch of *Cambio* and re-styling of *Auto oggi*)  
Furniture System  
Cookery System  
*Sorrisi e Canzoni TV* System  
Panorama System
- Reinforcement of sales of optionals, with a consequent increase in revenues and profitability. Optional add-on sales continued to be the strong point of Mondadori’s strategy.  
During 2001 it was decided to accelerate the process, already introduced in previous years, of issuing videocassettes, CD-ROMs and music CDs with established magazines.

This strategy represents the most effective method of exploiting the strength and authority of the various titles and also produces excellent results in terms of revenues and profitability.

An example of this is the music CDs issued with *Sorrisi e Canzoni TV* that sold 10 million copies.

Apart from these immediate effects of optional sales, the percentage of total revenues due to advertising sales decreased (37% compared with 38% in 2000), resulting in the sector being less influenced by the difficulties experienced by the advertising market in the last few months of 2001 and the first months of 2002.

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

*Panorama* registered average circulation figures of nearly 590,000 copies, a slight decrease compared with the previous year. However, it maintained a healthy advantage over its direct competitor, and total circulation figures for 2001 amounted to more than 30 million copies (+ 6% compared with the previous year).

In the Women’s magazine sector, the “fashion system” maintained its position of market

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leader with *Grazia*, *Marie Claire*, *Donna Moderna* and *Cosmopolitan*.  
Of particular importance was the performance of the weekly title *Tu* (which in its second year of publication consolidated sales figures at around 390/400,000 copies), and the excellent performance of *Cbi* (525,000 copies), the women's magazine with an editorial identity that is unique in Italy, which registered an increase in sales for the third consecutive year (+ 3.6% compared with 2000).

The launch in 2001 of *Cambio* contributed to the completion of the "car system", the only one in Italy able to offer its readers and advertisers different proposals (a weekly title, three monthly titles, internet and direct marketing).

A special mention should also be made of the results registered by the *Sorrisi e Canzoni TV* system:

- The family television magazine was stable compared with the previous year, while all similar international magazines decreased.
- The series of supplements (*Salute*, *In Tavola* and *Giochi*) guaranteed extra copies sold and higher sales.
- The series of music CDs, the results of which have already been mentioned.

In the "health" sector, *Starbene* was extraordinarily successful (average sales of 447,000 copies, + 13.4% compared with 2000), and there was an excellent performance from *Men's Health* in its second year of publication (almost three million copies of the 10 issues sold), which was rewarded with the title of the edition with the best performance in the world.

During the first few months of 2002 the dynamic performances registered in the last months of 2001 were confirmed, both in terms of circulation and in terms of advertising. In this context, Mondadori magazines are perfectly in line with forecasts for the first quarter of the year.

## Advertising

After four years of positive performances, in 2001 the advertising market decreased overall by 3.2%<sup>4</sup> compared with the previous year. This trend was the result of a decrease in revenues from newspapers (-5.8% overall, -11.5% in Italy) and an increase in revenues from magazines (+4.4%), particularly monthly titles. Both the television and radio markets registered decreases of 4% and 11.7% respectively. In the magazine market the performance was not uniform throughout the year, since the first four months were very positive and the last three saw a consistent decrease in sales, due to the difficult investment situation created by the negative macroeconomic scenario that followed the September terrorist attacks.

The following table gives a detailed summary of the advertising market compared with the previous year.

### Advertising market

<i>in million of euros</i>	2001	2000	% change
Television	3,932.1	4,094.5	(4.0%)
Magazines	1,254.2	1,201.3	4.4%
Newspapers	1,893.3	2,009.6	(5.8%)
Radio	319.2	361.5	(11.7%)
Billboards	205.6	199.7	2.9%
Cinema	72.4	63.5	13.9%
<b>Total advertising market</b>	<b>7,676.8</b>	<b>7,930.1</b>	<b>(3.2%)</b>

<sup>4</sup> Source: Nielsen

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Mondadori Pubblicità also experienced a fluctuating year: the first quarter was extremely positive with double-digit increases, the second quarter also registered an increase and while the third quarter registered a slight decrease, it was the last quarter that produced a substantially negative result, with the exception of the figures for October.

In particular, magazine titles continued to produce positive results and, excluding sales from third-party titles, they registered an increase of 7.4%, which was much better than the market performance. However, revenues from the two newspapers, *Il Giornale* and *Avvenire*, and from the Disney magazines decreased.

The details referring to the individual titles are as follows:

- in the women's magazine sector *Donna Moderna* (+9.9%), and its supplements, and *Marie Claire* (+12.3%) and *Tu* (+6.9%) all registered very positive results;
- *Cbi* also continued to produce excellent performances (+38.5%);
- in 2001 *Panorama* continued to increase sales compared with the previous year (+5.9%);
- *Sorrisi e Canzoni TV* and its system of supplements also increased sales compared with the previous year (+6.7%);

- among the joint venture specialist titles, *Cosmopolitan*, *Men's Health* and *Starbene* registered excellent results, while the titles produced under the joint venture agreement with ACI (*Auto oggi*, the new title *Cambio*, *HP Trasporti* and *Automobile Club*) registered results in line with forecasts for advertising sales.

Initial signs for 2002 suggest that the fall of registered in the last months of 2001 will continue in the context of a market characterised by a weak economic situation, both in international markets and the Italian market, with consequent volatility on a macroeconomic level and uncertainty in advertising investments. The first few months of 2002 registered a marked decrease, particularly in newspaper advertising, closely linked to the finance and telecommunications sectors, while there are signs that there will be a slight recovery during the second quarter of the year.

The uncertain international economic situation, which during the year witnessed a decline in Europe and stagnation in the United States before the dramatic decreases following 11 September, was reflected in the printing industry sector.

During the first part of the year the positive elements of 2000 continued to influence the market, with sustained demand for printing services and beneficial effects on the volume of printing, while in the second part of the year demand decreased dramatically.

The drop in the demand for advertising caused by the consumer crisis led to a reduction not only in the number of pages and print-runs for magazines, but also in advertising material, catalogues and brochures.

As a result of the decrease in the demand for printed products that was already evident in international markets, there were no significant launches of new editorial or advertising initiatives and consequently during the last part of the year the printing industry's was not working at full capacity, as had happened in previous years.

The drop in demand in the American market and the stagnation in the European market caused a sharp fall in prices, producing strong

competition between the printing companies and a consequent decrease in sales margins.

During this period production capacity increased significantly as a result of the investment programmes introduced in 2000 by numerous European printing companies.

The new plant confirmed the tendency for printing technology aimed at large-format printing and, at the same time, greater flexibility and a move towards the digitalisation of pre-printing processes.

The fall in demand for printing was reflected in the paper market, which returned to normal conditions with a decrease in prices in the last part of the year and regular supply and delivery times and methods.

In this context, for the Mondadori Group's Printing Division 2001 was a satisfactory and positive year (although difficult and complex at the same time), that was strongly influenced by internal projects which were developed and successfully completed and by the market

conditions that existed during the second half of the year.

Sales to third parties amounted to 185.2 million euros (178.2 million in 2000), 113.0 million of which were accounted for by foreign sales (113.6 million in 2000).

Given the extraordinary world events of 2001, the recovery in the American market was particularly significant, with revenues of 16.3 million euros representing an increase of 10.9% compared with the previous year.

A more significant summary of the business activities of the Printing Division can be seen in this table showing printing revenues net of paper and transport costs.

## Printing revenues net of paper costs

<i>in million of euros</i>	2001	2000	% change
Magazines	119.8	119.4	0.3%
Books	69.8	65.8	6.1%
Catalogues and promotional material	38.9	35.9	8.4%
Directories	7.1	8.8	(19.6%)
<b>Total printing revenues net of paper costs</b>	<b>235.6</b>	<b>229.9</b>	<b>2.5%</b>

Revenues from “Directories” were affected by the different printing layouts and the different marketing strategies chosen by customers for annual information directories.

The positive performance was also confirmed by the quantity of paper used in the various factories. During 2002, 316,070 tons of paper was processed compared with 304,400 in 2000.

The volume of business developed guaranteed satisfactory use of the plant, while the use of foreign printers enabled the division to continue to offer its usual high levels of service during those periods when there was heavy demand from both the Group and Third Party customers.

Printing machinery in use up to the end of 2001 is shown in the following table.

**Printing: current machinery**

	Verona	Melzo	Cles	Pomezia	Martellago	Toledo	Total
Rotogravure	7	4	-	-	-	-	11
Rotary offset	5	-	1	3	-	-	9
Flat offset	12	-	-	-	5	7	24
Cameron	-	-	3	-	-	-	3

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The machinery currently in use reflects the policies introduced in 2001 to concentrate on large-scale, quality plant.

The new machinery is all of a large-scale format and includes a 3,600 mm format rotogravure rotary press, a 64-page rotary offset press, two 120 x 160 offset presses linked to a new cylinder engraving system, a packing production line, a computer to plate system and other specialist machinery.

After the investments made in 2001, amounting to 54,090,000 euros, the Printing Division can undoubtedly count on some of the most technologically advanced plant in Europe.

Significantly, the Industrial Association of Verona awarded Mondadori Printing the “Premio della creatività e dell’innovazione 2001” for “having successfully co-ordinated the various structures in a process characterised by an innovative marketing and technological philosophy”, and for having “found highly advanced technical solutions that make it possible to achieve the objectives of quality and efficiency ... creating a system that optimises the variables that exist in the rotogravure process”.

During 2001 a new division was created within the Mondadori Group to deal with all the direct marketing and retail activities of the Group.

It was therefore necessary to reclassify the data relating to revenues as of 31 December 2000 to take into account this new structure.

The Mondadori Group operations in this sector include the following:

- Mondolibri S.p.A, a joint-venture with the Bertelsmann Group, set up in 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 during 2000;
- Cemit Interactive Media S.p.A.;
- Mondadori Retail S.r.l., set up at the beginning of 2001 (formerly Ellemme S.r.l.) to take over the rental of the Le Monnier and Ellemme bookshops and the disposal of the Mondadori Informatica shops;
- Mondadori Franchising.

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

In 2001 **Mondolibri** confirmed its position as market leader in the mail-order book sales sector.

In the context of a static market, the company was able to maintain a high level of sales with a slight increase in the second quarter compared with the previous year and a slight decrease in the first quarter, thanks in part to benefits deriving from the new law on discounts (which imposes a maximum of 15%, with the exception of mail-order and internet sales).

Internet sales continued to increase, representing 5.3% of total club sales in 2001.

While the integration of the two companies that merged into Mondolibri (CDE and Euroclub) was concluded in 2000, 2001 was characterised by an intense project aimed at recovering efficiency that centred on the segmentation of the offer to members and controlling stock levels and recruiting costs by the creation of an organisational structure with an excellent number of high quality resources, the opening of two new sales outlets and intensifying the multi-channel approach.

In 2001, a year after its launch, **BOL** was subject to a re-structuring programme

designed to provide the company with the dimensions necessary to tackle the new market of on-line book sales by exploiting the synergy it derives from being part of the Direct Division, with particular regard to the logistics and computer systems aspects.

The company currently has a database of products that includes 160,000 titles and a continuously growing portfolio of approximately 50,000 new customers.

In 2001 **Cemit** maintained its reputation as a supplier of high quality services in the direct and interactive media sector, enabling it to increase sales despite the presence in the market of new competitors who, even though they are only able to supply a limited number of services, have created a very competitive situation, especially as far as prices are concerned.

The Group's **Retail** activities are also centred in the Direct Marketing sector, and the results for the year registered an increase in sales in comparison to the previous year thanks to the two subsidiary companies, Mondadori Retail and Mondadori Franchising.

In 2001 **Mondadori Retail** concentrated on completing the process of unifying its various activities, with particular attention

being paid to computer systems, acquisitions and logistics.

During the year **Mondadori Franchising** registered an increase both in sales (+ 27.7%) and in the number of affiliates, which increased from 91 to 99 sales outlets.

During the last quarter of the year the company experimented with selling books in 50 non-bookshop sales outlets. Owing to the success of the project it was decided to continue with the initiative in the first few months of 2002.

The following table gives a summary of the sales data for financial year 2001, compared with the previous year.

<b>Direct: sales</b>			
<i>in million of euros</i>	<b>2001</b>	<b>2000</b>	<b>% change</b>
Mondolibri S.p.A. (proportional)	40.7	41.1	(1.0%)
Cemit Interactive Media S.p.A.	28.7	25.9	10.8%
<b>Total direct marketing</b>	<b>69.4</b>	<b>67.0</b>	<b>3.6%</b>
Mondadori Franchising S.p.A.	15.6	11.7	33.3%
Mondadori Retail S.r.l. (formerly Ellemme S.r.l.)	58.8	26.9	n.a.
Mondadori Informatica S.p.A.	-	22.6	n.a.
Libreria Le Monnier	-	0.8	n.a.
<b>Total retail</b>	<b>74.4</b>	<b>62.0</b>	<b>20.0%</b>
<b>Total direct</b>	<b>143.8</b>	<b>129.0</b>	<b>11.5%</b>

In 2001 Mondadori Informatica was involved in a process of re-defining its corporate mission and business activities.

In line with decisions taken the previous year, at the beginning of 2001 the agreement to rent the company division that manages the multi-stores to Mondadori Retail, which is specifically concerned with sales in shops, became operative.

In July the rental period was completed and the division in question was disposed off to Mondadori Retail.

In the sectors where the company operates:

- despite the fact that the Educational sector suffered from the decrease in investments in company training, specific revenues increased by approximately 12% thanks in part to the opening of new operational centres in Florence and Rome, to add to those in Milano Oltre and Bologna;
- books registered an increase of 2.5% compared with the previous year;
- specialist magazines felt the effects of the adverse economic situation that prevailed in the reference market, with significant decreases in circulation (-8.1%) and advertising sales (-28.3%).

The new joint-venture Mondadori Informatica e-BisMedia S.r.l. company, dedicated to distance learning, completed the pre-operative phase and began its development in line with the initial plans.

In 2001 internet activities, which are run by Mondadori.com, underwent a further process of strategic, organisational and content restructuring, with particular attention being paid to rationalising costs and making technological investments.

The integrated network of sites run by Mondadori.com comprises vertical portals created and run in accordance with a strategy based on strong, tested brands, such as *Panorama* and *Donna Moderna*, and portals like *mytech* and *inauto* that collect together different characteristics and offer a complete range of contents designed to satisfy the continuously changing needs of the target audience.

In this context Mondadori.com has reinforced its technological base with the creation of extremely flexible editorial stations, in order to achieve increasingly efficient integration between staff and technology.

The success of the Mondadori.com sites can be seen from the results achieved in terms of the number of page views and the average number of visitors.

The total number of page views for Mondadori.com as of December 2001 was equal to over 270 million, with an average

of almost 3 million users per month.

In particular, the technological portal *mytech* with the Volftp site, the leading Italian site for downloading software, easily exceeded traffic forecasts with over 175 million page views during the year.

Excellent results were also obtained by the portal dedicated to cars and travel, *inauto*, the result of the joint-venture between ACI and Mondadori launched in June 2001, which came first in the *automotive* category according to Nielsen NetRatings. With approximately 6 million page views since its launch, the site is destined to become the reference point for all car owners and, in general, for anyone who travels.

In order to achieve these results, Mondadori.com has concentrated the main functions of the staff in the Parent Company and has transferred responsibility for advertising sales to the Group's concessionaire, Mondadori Pubblicità, with a network dedicated to on-line advertising sales.

A consequence of the actions taken has been the rationalisation of costs. Pre-tax results were substantially in line with those of 2000 (a loss of 6.6 million euros in 2001 compared with 6.4 million in 2000), despite the difficult

situation in advertising sales that was characterised by a fall in investments particularly in the internet area.

In order to counter the decrease in advertising sales, Mondadori.com concentrated on reaching agreements for the sale of its editorial content with other internet and telephone companies, such as Tiscali, Jumpy, Lycos and Wind.

Another source of income for Mondadori.com was represented by the above mentioned joint-venture agreement between ACI and Mondadori for the development, creation and maintenance of the *Inauto* site, together with the Mondadori-Rodale joint-venture for the creation and maintenance of the *Men's Health* site.

For 2002 plans are being drawn up for agreements to supply contents and services to Italian and foreign operators and this, together with the synergy strategy with the commercial network of Mondadori Pubblicità, will enable the company to improve its advertising sales performance.

The Mondadori Group's financial situation as of 31 December 2001 showed a surplus

of 188.5 million euros, as illustrated in the following table:

## Net financial position

<i>in million of euros</i>	31/12/2001	31/12/2000
Short term bank and P.O. deposits	184.8	174.2
Short term borrowing from banks	(50.0)	(76.4)
Financing (short and medium/long term)	(323.8)	(293.5)
	(189.0)	(195.7)
Fixed interest securities	364.5	362.7
Cash, post office accounts, net receivables from affiliates and third parties and accrued interest income	13.0	5.8
<b>Net financial receivables (payables)</b>	<b>188.5</b>	<b>172.8</b>
Leasing debts	-	(1.2)
<b>Net financial position</b>	<b>188.5</b>	<b>171.6</b>

## Cash flow summary

<i>in million of euros</i>	31/12/2001	31/12/2000
<b>Initial net financial position</b>	<b>171.6</b>	<b>146.4</b>
Net result	73.9	70.9
Depreciations	57.2	55.0
<b>Self-finance</b>	<b>131.1</b>	<b>125.9</b>
Changes in working capital	65.7	(3.3)
Net investments	(114.8)	(52.7)
Severance indemnities	1.3	3.7
Buy-back of company shares, net of sales	6.0	(25.2)
Other assets/liabilities	(20.1)	20.5
<b>Operating surplus (requirement)</b>	<b>69.2</b>	<b>68.9</b>
Dividends	(51.7)	(43.8)
Other capital movement	(0.6)	0.1
<b>Financial surplus (requirement)</b>	<b>16.9</b>	<b>25.2</b>
<b>Final net financial position</b>	<b>188.5</b>	<b>171.6</b>

It should be noted that the balance reported in the financial statements benefited from the

different consolidated method employed by the Grijalbo Group for a total of 7.6 million euros.

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### **Variations in interest rates and exchange rates**

2001 was characterised by a recessive and progressively deteriorating worldwide macroeconomic situation, and it wasn't until the end of the year that tentative forecasts were made for an economic recovery around the second half of 2002.

During the year interest rates underwent various changes with the Federal Reserve cutting rates 11 times, from 6.5% at the beginning of the year to 1.75% at the end, and the European Central Bank from 4.75% to 3.25%. The three-month Euribor rate was reduced from 4.84% at the beginning of the year to 3.29% at the end, with an average yearly value of 4.26%. During the same period the average cost of money for Mondadori was 4.14% (4.35% if subsidised loans are not considered)

Expectations of an economic recovery in 2002, boosted by the American economy thanks to the forecasted positive effects of monetary and fiscal measures, led to a strengthening of the dollar against the other main currencies. In particular, the dollar gained 6.5% against the euro, changing from 0.94 at the beginning of 2001 to 0.88 at the end. The euro also lost ground

against sterling, dropping from 0.63 at the beginning of the year to 0.61 at the end. During the year measures were taken to cover the fluctuation of both currencies, in which the Mondadori Group holds a modest exposure to risk of a commercial type.

As of 31 December 2001 the Mondadori Group had unused lines of credit in the form of bank overdrafts for a total of 1,025 million euros. The short-term credit facilities, amounting to approximately 608 million euros, were used as of the end of 2001 for approximately 136 million euros by means of self-liquidating lines of credit (such as discount bills) and stand-by 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 approximately 19 million euros for subsidised loans (mainly Law 416/81 for publishers) and 400 million euros for a revolving multi-currency credit facility with a duration of five years (2000-2005), 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. As of 31 December 2001, the loans had been used for a total of 195 million euros at an average interest rate of 3.56%.

### **Mondadori International**

**Mondadori International**, where the Group's financial activities are concentrated, generated net profits of 15.6 million euros in 2001. As of 31 December 2001, the company's financial activities amounted to approximately 464 million euros (461 million at the end of 2000).

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 2001 Group companies employed 4,782 people (5,164 at 31 December 2000), while the average number of personnel during 2001 was equal to 4,785 (5,174 for the same period in 2000).

Compared with 31 December 2000 there was a decrease of 382 people, which was mainly due to the following:

- the different consolidation criteria method used by the Grijalbo Group resulted in the number of personnel being reduced by 323;
- a reduction in the number of personnel in other Group companies, in particular the shedding of 44 jobs in Mondadori Printing S.p.A.

The table in this page shows details of Group personnel as of 31 December 2001.

The cost of personnel amounted to 242.0 million euros (247.9 million euros in 2000). The difference is mainly due to the different consolidation criteria used by the Grijalbo Group which, as of 31 December 2000, contributed to the costs of the Group for a total of 8.5 million euros.

As of the 31 December 2001 the remuneration part of the National Contract for Industrial Managers expired.

<b>Personnel</b>	<b>31/12/2001</b>	<b>31/12/2000</b>
<b>Arnoldo Mondadori Editore S.p.A.</b>		
Managers, journalists and office staff	1,427	1,431
Manual workers	176	182
	<b>1,603</b>	<b>1,613</b>
<b>Italian subsidiaries</b>		
Managers, journalists and office staff	1,676	1,675
Manual workers	1,335	1,382
	<b>3,011</b>	<b>3,057</b>
<b>Foreign subsidiaries</b>		
Management, journalists and office staff	38	314
Manual workers	130	180
	<b>168</b>	<b>494</b>
<b>Total</b>	<b>4,782</b>	<b>5,164</b>

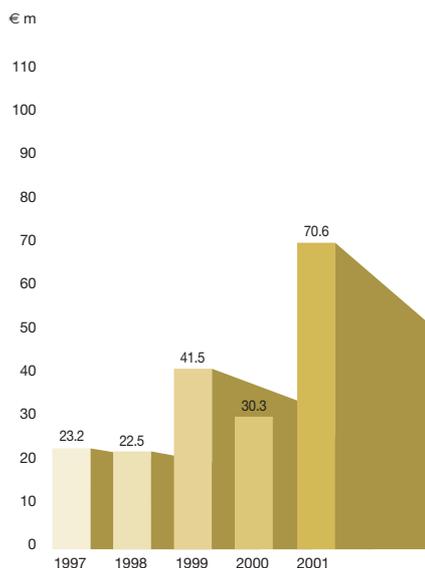
During 2001 the Group made investments in technical assets for 70.6 million euros, including 55.6 million euros in printing plant and machinery.

A new large-format rotogravure rotary press came into production and a series of operations designed to maintain the high standard of current manufacturing assets were carried out.

Important investments were also made in industrial buildings (over 6.3 million euros).

Other important investments included 4.6 million euros for "Furniture and office machines", 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 2001 amounted to 12.8 million euros and were mainly concerned with the substitution of obsolete printing machinery, with the residue relating to the normal turnover of other assets.



**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, no operations of an atypical or unusual nature were carried out.

The operations carried out between correlated parts of the Group are based on normal market conditions: those carried out with companies of the Mondadori Group are of a commercial or financial nature, being concerned with the intergroup bank account, managed by Arnoldo Mondadori Editore S.p.A., relating to the various debt and credit positions of the different subsidiary and affiliated companies.

All dealings of a commercial nature with the Fininvest Group are based on normal market conditions.

For more detailed information you are referred to the Notes to the financial statements of Arnoldo Mondadori Editore S.p.A. and the Group's consolidated financial statements.

### **Plan for converting to Euro**

The conversion plan for those companies in the Mondadori Group that operate in the

Euro area was successfully completed by 31 December 2001.

The costs of the operation were booked to the income statement.

### **Creation of the jointly-owned Mondadori Informatica e.BisMedia S.r.l.**

In April the subsidiary company Mondadori Informatica and e.BisMedia S.r.l., a company in the e.Biscom Group, set up a jointly-owned company for the production and management of didactic and training products for businesses and private individuals through the internet and, in particular, through the new interactive possibilities offered by the wide-band network.

The new company relies on Mondadori Informatica's experience in setting up and organising training courses and the e.Biscom Group's experience in producing contents and operating wide-band networks on IP technology.

### **Exercising the purchase option for shares in Athena Finanziaria S.r.l.**

In June Arnoldo Mondadori Editore S.p.A. exercised its purchase option, defined in the acquisition contract for the Le Monnier Group signed in April 1999, for a further 4% of the share capital of Athena Finanziaria S.r.l., the holding company of the Le Monnier Group.

With this purchase Arnoldo Mondadori Editore S.p.A. currently holds, directly and indirectly, 100% of the Le Monnier Group.

### **Joint-venture agreement with the Random House Group concerning the book divisions in Spain and South America**

In July an agreement was signed for the setting up of a joint venture with the Random House Group, one of the biggest book publishing companies in the world and the book division of Bertelsmann AG, one of the biggest international groups operating in the media, e-commerce and interactive contents sectors.

As of 31 December 2001 the Mondadori Group held a 44.45% stake in the new joint-venture, which was set up as a Spanish company trading under the name of Grupo Editorial Random House Mondadori S.L. The partners in the joint venture transferred their respective publishing imprints and the shares they held in book publishing activities in Spain and South America to the new company.

When Mondadori's business activities in Mexico (Grijalbo Mexico and subsidiary companies) are transferred to the new company by the end of the first quarter

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of 2002, the two Groups will hold equal shares in the new joint venture.

With sales of more than 100 million dollars, the new joint-venture will be the second biggest book publisher in the Spanish-language market.

The main objective of the operation is for the new company to acquire an important competitive position in the Spanish-language market, which is one of the most interesting markets in the world and will, according to financial analysts, become the second most important market in the world after the English-language market, thanks in part to the enormous potential offered by the growth of the Spanish-language population of the United States.

The operation received the approval of the European Union Commission at the end of August.

**Merger of Libreria Le Monnier S.p.A. and Armando Paoletti S.p.A. into Editoriale e Finanziaria Le Monnier S.p.A.**  
In the context of the Le Monnier Group, the merger of the non-operational subsidiary company Armando Paoletti S.p.A. and Libreria Le Monnier S.p.A. into Editoriale e Finanziaria Le Monnier came

into effect on 1<sup>st</sup> August 2001.

The merger did not involve an exchange report since the incorporated companies were wholly and directly owned by the incorporating company.

The operation took place within the context of rationalising and simplifying the company structure of the Le Monnier Group and cutting the administrative and running costs of companies without a specific operational function.

**Partial division of the subsidiary company Elemond S.p.A. in favour of the beneficiary company Edumond S.p.A., and setting up of the “school division”**

On 1 October 2001, Elemond S.p.A. transferred its school textbook publishing division to the newly set up Edumond S.p.A. This operation represents the first phase of a company restructuring and reorganisation programme aimed, in particular, at setting up a “school division” by concentrating the Group’s school publishing activities and interests in a single operational company.

In this context, Edumond S.p.A. received the stake held in Casa Editrice Poseidonia S.r.l. and Edizioni Electa Bruno Mondadori S.r.l.

as a result of the merger mentioned above and, in December 2001, it also received the stake held by Athena Finanziaria S.r.l. in Editoriale Le Monnier S.p.A. and Casa Editrice Felice Le Monnier S.p.A.

**Purchase of shares in Giulio Einaudi Editore S.p.A.**

On 11 October 2001 Elemond S.p.A., which already owned 70% of the share capital of Giulio Einaudi Editore S.p.A., completed the purchase of the remaining 30%.

**Share buy-back**

The ordinary Shareholders’ meeting of 24 April 2001 resolved, in accordance with art. 2357 of the Civil Code, to authorise the purchase of a further 3,000,000 of the company’s own ordinary and/or savings shares with a par value of 0.26 euros, to add to the 8,809,476 ordinary shares already held in the company’s portfolio at the time of the resolution.

Following the resolution and up to 31 December 2001, 912,600 ordinary shares with a par value of 0.26 euros were bought on the market for a total of 5,176,387.86 euros. During the same period, 1,400,000 ordinary shares were sold for a total of 10,388,000 euros. At 31 December 2001 the company owned a total of 8,322,076 ordinary shares with a par value of 0.26 euros each (3.21% of the

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share capital), worth a total of 56,149,878.98 euros for an average value of 6.7471 euros per share.

#### **Information on Stock Option Plans**

The 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. The Shareholders' meeting of 24 April 2001 decided to extend the Plan to include the directors of subsidiary companies.

The Shareholders' meeting entrusted the "Stock Option" Committee, which was 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<sup>st</sup> 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 further 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 with reference to financial year 2001 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	633,500	20,000	10,000	643,500
Costa Maurizio	A. Mondadori Editore	350,400 (*)	20,000	20,000	350,400
Barbaro Francesco	A. Mondadori Editore	96,800 (*)	-	28,000	68,800
Berlusconi Marina	-	-	-	-	-
Berlusconi Pier Silvio	A. Mondadori Editore	172,000	-	-	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	83,800 (**)	-	-	83,800
Sposito Claudio	A. Mondadori Editore	40,500 (*)	-	-	40,500
Resca Mario	-	-	-	-	-
Iorio Franco	-	-	-	-	-
Aiello Antonio	-	-	-	-	-
Frattini Achille	-	-	-	-	-
Giampaolo Francesco	-	-	-	-	-
Polerani Gianfranco	-	-	-	-	-

(\*) From Stock Option.

(\*\*) 81,800 of which from Stock Option.

### **Transfer of “Mondadori Illustrati” from Arnoldo Mondadori Editore S.p.A. to the subsidiary Elemond S.p.A.**

On 1 January 2002 the transfer of “Mondadori Illustrati” from Arnoldo Mondadori Editore S.p.A. to the subsidiary Elemond S.p.A. came into effect.

The operation was part of the project to concentrate all art and illustrated book publishing in Elemond S.p.A.

### **Partial division of the subsidiary company Elemond S.p.A. in favour of the beneficiary company Edumond S.p.A.**

The extraordinary Shareholders' meeting of 16 January 2002 approved the partial division of the subsidiary company Elemond S.p.A. by means of transferring to Arnoldo Mondadori Editore S.p.A., as the beneficiary company, the business activities and imprints of Elemond relative to the editions and publication of professional magazine titles, with a consequent optimisation of the relative production and distribution processes, together with other assets (equity stakes in Giulio Einaudi Editore and Mondadori Printing and property) not directly functional in relation to the operational role of Elemond, as defined below.

The operation, which will start on 1 April

2002, represents the first phase of a larger, more complex project to re-organise management systems and restructure and simplify the company, aimed at arriving at a more uniform definition of the different activities currently carried out by the subsidiary company Elemond S.p.A. The company will maintain its exclusive role, following the division of the “school textbooks sector”, of the operational holding for the Group with regard to museum bookshops and exhibition organisation (all of which are expanding and require specific financial and professional contributions), and for art and illustrated book publishing.

### **Renewal of company contractual agreements**

At the beginning of March of the current year, a company contractual agreement for journalists and editors, which had expired on 31 December 2000, was drawn up without any conflict.

In particular, the agreement for journalists ratified the terms that had been in force during 2001 and defined the new agreements for the period 2002-2005.

The latter agreements include a gradual increase in the remuneration part linked to the results of the Magazine Division, investments in professional training

and computer technology for editorial staff and the introduction of new organisational flexibility.

### **Results of the first two months of 2002**

During the first two months of the year advertising sales decreased in comparison with the same period in 2001, confirming the down-turn in the sector that was apparent in the second half of 2001.

However, the market does show signs of a recovery in the coming months. Circulation and the other business areas registered a performance in line with forecasts, showing slight improvements compared with the previous year.

The Board of Directors proposes the distribution of a total dividend of 155,672,034.06 euros, 55,238,971.66 of which is based on the net profits for the year in the ratio of 0.22 euros for each ordinary share in circulation and 0.2252 euros for each savings share in circulation, and 100.433.062,40 based on the extraordinary reserve in the ratio of 0.40 euros for each ordinary and savings share in circulation.

The proposal is made in the context of the rationalisation of the financial structure programme introduced by Mondadori in 1998 with the distribution of an extraordinary dividend and the introduction of a share buy-back plan.

The proposal to distribute an extraordinary dividend, linked to the renewal of authorisation for a share buy-back (see the next point in the agenda for the shareholders' meeting), restoring financial resources to the shareholders, is aimed at improving the company's financial structure by reducing the cost of capital with a consequent increase in the value of the Company.

The operations referred to above will make it possible to achieve the objectives of rationalising the financial structure as illustrated, without depriving the Group

of the financial resources necessary for developing the business.

In point of fact, after these operations Mondadori will still maintain both its financial solidity and its lines of bank credit in sufficient quantities for fully realising its company mission, should interesting investment opportunities occur.

These operations are also consistent with the choices that are normally taken in order to maximise a company's value:

a) investment policy: investing in projects with an expected return that is higher than the minimum level of acceptable returns;  
b) financing policy: choosing a financial structure that maximises the value of projects undertaken and that is in line with the type of financial investment.

The mixture of ordinary and extraordinary dividends,<sup>5</sup> together with confirmation of the share buy-back plan should be well accepted by the market, since it is aimed at optimising the Group's assets structure without sacrificing its potential for strategic development.

<sup>5</sup> For a company characterised by a low level of volatility in terms of profit, it is worth pointing out that the company has always had, from an empirical point of view, a relationship inversely proportionate in the distribution of dividends. This low level of volatility is the result of:  
1) the characteristics of the Group's operating business; 2) low financial leveraging; 3) moderate operational leverage. This confirms the decision of Mondadori to favour a high pay-out ratio (consistently over 70%)

### Proposal

The Financial Statements as of 31 December 2001 closed with a net profit for the financial year of 83,039,087.38 euros. We submit the following text to you for the motion:

*“The ordinary General Meeting of the Shareholders of Arnoldo Mondadori Editore S.p.A., having taken note of the matters contained in the Report of the Board of Statutory Auditors and the Consolidated Financial Statements of 31 December 2001 resolves*

- 1. to approve the Report of the Board of Directors on the Company's performance and to approve the financial statements as at 31 December 2001, together with the notes, in all their parts and findings;*
- 2. to allocate the net profit for the financial year that closed on 31 December 2001 in the following way:*

- 3. to allocate to the Shareholders a further dividend of 100,433,062.40 euros taken from the extraordinary reserve, equivalent to 0.40 euros for each of the 251,082,656 ordinary and savings shares in circulation;*
- 4. with reference to point 2, letter d) and point 3 of the resolution, to establish the overall dividend at 155,672,034.06 euros to be allocated, gross of taxes, in the proportion of 0.6252 euros for each of the 151,412 savings shares in circulation and 0.62 euros for each of the 250,931,244 ordinary shares in circulation.*  
*The dividend will 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 20 May 2002, for payment from 23 May 2002.*  
*The allocation of the dividends ensures*

*that Shareholders are allocated a full tax credit of 56.25%, as laid out in art. 105, paragraph 1, point a) of the T.U.I.R.*

*For the Board of Directors  
Chairman  
Leonardo Mondadori*

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Net profit for the year:	€ 83,039,087.38
a) to the legal reserve	
(which amounts to 20% of the share capital)	91,918.61
b) to the reserve fund ex law 124/93 art. 13	15,602.22
c) to the extraordinary reserve	27,692,594.89
d) to the Shareholders a total dividend of	55,238,971.66

taking account of the 8,347,176 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 0.2252 euros to be allocated to each of the 151,412 savings shares in circulation and 0.22 euros to each of the 250,931,244 ordinary shares in circulation.

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Total	€ 83,039,087.38
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**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 24 April 2001.**

Shareholders, the Shareholders' Meeting of 24 April 2001 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 3,000,000 ordinary and/or savings shares with a par value of 0.26 euros in addition to the 8,809,476 shares 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 24 April 2001 authorised the Board of Directors to sell company shares in the portfolio to the company 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 926,500 ordinary shares and sold 1,400,000 (details up-dated at the time of the present report- 7 March 2002).

Taking account of the shares that were already in the portfolio, the Company now holds

a total of 8,335,976 shares, representing 3.21% of the ordinary share capital.

Given that the authorisation approved by the Meeting of 24 April 2001 is due to expire shortly, we would suggest that that part of the resolution approved by the aforementioned meeting of 24 April 2001 be revoked, for the part not yet effected, and that authorisation be granted to the Board to buy and use Company shares up to the approval of the financial statements as of 31 December 2002 and in any case for a maximum 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 to buy and use company shares are the same as those already given in relation to the resolution of 24 April 2001 and are to enable the Board of Directors to: contain anomalous movements resulting from market and share 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 2001 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 24 April 2001 it was decided to extend the Plan to the directors of subsidiary companies.

The Meeting entrusted the "Share 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 further 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 Share 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 0.26 euros.

## **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 24 April 2001.

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 up to the approval of the financial statements as of 31 December 2002 or for a period not exceeding 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 "Management Stock Option Plan", for whom a corresponding price equal to the par 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 February 24 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 and approved 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 24 April 2001;*
- 2. to authorise, as per art. 2357 of the Civil Code, the purchase, in one or more occasions, up to the approval of the financial statements as of 31 December 2002 or a period not exceeding 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 24 April 2001*

*or already held in the company's portfolio) 3,000,000 ordinary and/or savings shares with a par value of 0.26 euros 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*

*forementioned 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 February 24 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;*

*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.*

*For the Board of Directors  
Chairman  
Leonardo Mondadori*

*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,*