

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

**Share capital 67,451,756.32 euros**  
**Head Office in Milan**  
**Administrative Offices in Segrate (MI)**

**Quarterly report as of 30 September 2001**



## ***Corporate Boards***

### ***Board of Directors***

#### **Chairman**

Leonardo Mondadori (\*)

#### **Senior 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 (\*)

(\*) Members of the Executive Committee

#### **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

### ***Board of Statutory Auditors***

#### **Chairman**

Franco Iorio

#### **Acting Statutory Auditors**

Antonio Aiello

Achille Frattini

#### **Substitute Statutory Auditors**

Francesco A. Giampaolo

Gianfranco Polerani



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***Report of the Board of Directors on the results for the period***



## The Mondadori Group's business activities

In the first nine months of 2001 the revenues and profitability of the Mondadori Group, and its separate components, continued to grow, confirming the positive performance of the first half of the year.

At the beginning of September, Mondadori finalised the agreement with Random House-Bertelsmann for the creation of Grupo Editorial Random House Mondadori, into which the activities of both companies, in Spain and Latin America, were contributed. Mondadori, that previously held 100% of Grupo Grijalbo, now owns a 50% stake in the joint venture.

Following this operation, a detailed reorganisation phase has been launched for the new group that consists of 20 operating companies.

In this context and with a view to providing a the clearest possible picture of the Mondadori Group's results as of September 30, 2001, the stake in the new joint venture has been deconsolidated. Consequently, any comparison with the figures for the same period of 2000 will must take account of the changes in the consolidation area.

The Group's **consolidated revenues** totalled 1,163 million euros, an increase of 8.3% on the same period of the previous year. On a comparable basis, deconsolidating also Grijalbo revenues for the first nine months of 2000, revenue growth for the period would have been 11.1%.

**Gross operating profit** came to 148.1 million euros, an increase of 9.6% on the 135.1 million euros of the same period of the previous year. As a proportion of revenues, this represents an increase from 12.6% in the first nine months of 2000 to 12.7% this year.

**Operating profit** for the period reached 121.6 million euros, an increase of 10.1% on the 110.4 million euros for the same period last year. As a proportion of revenues, this represents an increase from 10.3% in the first half of 2000 to 10.5% this time.

**Pre tax profit** for the period reached 98.3 million euros, an increase of 10% on the 89.4 million euros of the same period of 2000, after having paid all the losses linked to Internet activities, whose performance is in line with the forecast and amounted to 8.6 million euros.

**Cash flow** totalled 142.3 million euros, compared with 130.7 million euros for the same period of 2000.

All the Group's main business divisions contributed to the increase in revenues recorded as of September 30. Of particular note was the performance of the **Magazine** sector that, in spite of a difficult market scenario registered a particularly good performance in terms of circulation revenues (up by 12.4%) and an increase in advertising revenues of 8.3%.

These results were also made possible thanks to the contribution of new editorial initiatives (in particular the monthlies *Cosmopolitan* and *Men's Health*).

Of particular note, in the **Books** area, was the positive performance of the Mondadori, Einaudi and Sperling & Kupfer imprints.

The **Printing** sector also registered an increase in sales, confirming the Group's reputation for high quality production and as a result of the bringing forward of a number of orders.

Of particular note in the **Direct** sector was the results of Cemit, that operates in the interactive marketing sector. Also of note, thanks to the opening of new sales outlets, was the increase in revenues in the Retail sector.

What follows is a breakdown of the Group's reclassified income statement that provides an overview of the main indicators listed above. Given that for 2001 Grijalbo has been declassified the following figures cannot be compared on a like-for-like basis with those of 2000.

<b>Reclassified income statement in millions of euros</b>	<b>Third Quarter</b>			<b>9 mths to September 30</b>		
	<b>2001</b>	<b>2000</b>	<b>change</b>	<b>2001</b>	<b>2000</b>	<b>change</b>
Sales revenues	370.2	364.2	1.6%	1,163.0	1,073.6	8.3%
Personnel costs	55.8	57.8	(3.5%)	178.4	181.0	(1.4%)
Cost of sales and operating costs	264.8	255.0	3.8%	836.5	757.5	10.4%
<b>Gross operating profit</b>	<b>49.6</b>	<b>51.4</b>	<b>(3.5%)</b>	<b>148.1</b>	<b>135.1</b>	<b>9.6%</b>
<i>As a proportion of revenues</i>	<i>13.4%</i>	<i>14.1%</i>		<i>12.7%</i>	<i>12.6%</i>	
Technical depreciations	9.4	7.9	19.0%	26.5	24.7	7.3%
<b>Operating profit</b>	<b>40.2</b>	<b>43.5</b>	<b>(7.6%)</b>	<b>121.6</b>	<b>110.4</b>	<b>10.1%</b>
<i>As a proportion of revenues</i>	<i>10.9%</i>	<i>11.9%</i>		<i>10.5%</i>	<i>10.3%</i>	
Amortisation of series, titles and goodwill	5.9	6.0	(1.7%)	17.5	16.6	5.4%
Financial income (charges)	(3.7)	(2.9)	27.6%	(1.4)	(0.3)	n.a.
Other income (charges)	1.3	1.5	(13.3%)	1.2	2.6	(53.8%)
Extraordinary income (charges)	2.8	0	n.a.	3	0	n.a.
Internet activities	(2.0)	(1.6)	25.0%	(8.6)	(6.7)	28.4%
<b>Pre-tax profit</b>	<b>32.7</b>	<b>34.5</b>	<b>(5.2%)</b>	<b>98.3</b>	<b>89.4</b>	<b>10.0%</b>
<i>As a proportion of revenues</i>	<i>8.8%</i>	<i>9.5%</i>		<i>8.5%</i>	<i>8.3%</i>	
<b>Gross cash flow</b>	<b>48.0</b>	<b>48.3</b>		<b>142.3</b>	<b>130.7</b>	

The Group's net **financial position** as at 30 September 2001 showed a surplus of 92.2 million euros, a constant improvement on the figure of 84.5 million euros at the same point of the previous year

The improvements outlined as of September 30 are the results of the contributions of all the business areas of the Group and have been achieved in a period of characterised by a progressive slowdown in the economy. In addition, world events in September have had a negative impact on the results in the third quarter.

However, compared with the previous year and the forecast, the result for the third quarter has not cancelled the advantages gained in the first half of the year. Furthermore the Group is confident that this advantage can be maintained and that the forecast for the full year will be respected.

### *Accounting principles and evaluation criteria adopted*

The accounting principles and evaluation criteria adopted for drawing up the financial statements as of 30 September 2001 are the same as those adopted for the Consolidated Financial Statements at year end, with the exception that the amount of taxes due for the period has not been included, in accordance with CONSOB Regulations pertaining to Half-Yearly Reports.

### *Volume of business per business and geographical area*

The following tables gives the details of sales for each business activity and geographical area.

In order to show sales in the new business area represented by the Direct division, which includes the direct marketing and retail sectors, some data referring to 30 September 2000 has been reclassified.

Sales figures for the Book division cannot be compared with the previous year as a result of the deconsolidation of Grijalbo.

<b>Volume of business for each business activity</b>	<b>Millions of euros 30 September 2001</b>	<b>Millions of euros 30 September 2000</b>	<b>% change</b>
Books	233.1	255.4	(8.7%)
Magazines	665.8	601.3	10.7%
Printing	348.8	313.9	11.1%
Direct	100.6	86.4	16.4%
Computer publishing and new media	15.5	17.5	(11.4%)
Others	13.9	13.6	2.2%
<b>Total sales</b>	<b>1,377.7</b>	<b>1,288.1</b>	<b>7.0%</b>
Intergroup sales	(214.7)	(214.5)	0.1%
<b>Total consolidated sales</b>	<b>1,163</b>	<b>1,073.6</b>	<b>8.3%</b>

<b>Volume of business per geographical area</b>	<b>Millions of euros 30 September 2001</b>	<b>Millions of euros 30 September 2000</b>	<b>% change</b>
Italy	1,063.0	948.1	12.1%
EEC countries	77.1	85.9	(10.2%)
USA	13.4	10.8	24.1%
South America	0	19.0	n.a.
Other countries	9.5	9.8	(3.1%)
<b>Total consolidated revenues</b>	<b>1,163</b>	<b>1,073.6</b>	<b>8.3%</b>

We now move on to a description of the different business activities in which Mondadori is involved.

## ***Book division***

Total revenues in the **book sector**, compared with 30 September 2000, increased on a comparable basis by 2.5%.

However, it is important to underline that since January 2001 the Book division no longer includes revenues from the retail sector, which are now attributed to the Direct division, and consequently the data for 2000 has been modified so that a comparison can be made with the current year.

Revenues for the division have been affected by the deconsolidation of the Grijalbo Group which at 30 September 2000 had revenues of 27.9 million euros.

It should be noted that the reorganisation necessary as a result of the new initiative will lead to initial restructuring costs that are included in the development plan of the joint-venture.

During the third quarter of the year **Edizioni Mondadori** consolidated its market share.

Various titles were extremely successful, including *Il Giardiniere Tenace* by John le Carré, which sold 84,500 copies in a few months and *Mezzanotte e Cinque a Bhopal* by Lapierre, which sold over 100,000 copies. After the success in the first half of the year of Littizzetto's book, the Trade series had another success with *Samba dei Ruffiani* by Emilio Fede.

*Nati due Volte* by Giuseppe Pontiggia, which was originally published more than a year ago, won the Premio Campiello and subsequently went on to sell a further 20,000 copies during the third quarter. The book has now sold a total of more than 80,000 copies.

The *Oscar* imprint consolidated its position of market leader and increased its market share by another percentage point, while the *Miti* imprint benefited from the positive performances of a number of Einaudi and Sperling & Kupfer titles, including the excellent sales of *Parole che non ho detto* by Sparks.

By the end of September sales of **Einaudi** titles had increased by 6.3% compared with the previous period, while revenues for the third quarter were in line with those for the same period in 2000.

The bookshop and large-scale retail outlet channels both produced good results for the period, with the best performances being obtained by *Quest'uomo è Morto* By Groucho Marx, *Carte da Decifrare* by Ivano Fossati, *Il Palazzo degli Specchi* by A. Ghosh and *Agonia della Notte* by J. Amado.

On a less positive note, the instalment sales channel continued its negative trend partly due to the postponement of *Il romanzo* in the Grande Opera series.

Revenues from **art books and exhibition organisation** as of 30 September amounted to 23.6 million euros, a decrease of 4.1% compared with the figure of 24.6 million for the previous year. This decrease was due to a fall in revenues from exhibition organisation, which in 2000 was buoyed up by the success of the *I Cento Capolavori dell'Ermitage* exhibition. However, results for the third quarter showed an increase of over 13 percentage points.

Notable successes in this sector included the *Sangue e Arena* exhibition at the Colosseum, impressive revenues from sales outlets at the Venice Biennial exhibition and the success of

the *Picasso, 200 Capolavori dal 1898 al 1972* exhibition at Palazzo Reale in Milan that opened on 14 September.

Net sales for **Sperling & Kupfer** for the first nine months of 2001 amounted to 17.7 million euros, an increase of 5.4% compared with the same period in 2000.

This positive result was also made possible thanks to the launch of important new titles after the summer and to a reduction in returns.

The prospects for the remaining part of the year for both Sperling & Kupfer Editori and Edizioni Frassinelli are very positive, particularly in the light of the success of some of the publishing houses' authors (Sveva Casati Modignani, King and Steel).

As for the **educational publishing sector**, the first nine months of the year produced revenues of 68.5 million euros, in line with results for the previous year.

The excellent performance of Elemond Scuola, which registered an increase of 5.9%, was due to a positive contribution from all the publishing house's imprints, while the results relating to the distribution of McMillan Heinemann publications was also very positive.

The decrease in revenues for Le Monnier (approximately 7%) was due to a fall in sales of the Dictionary line, which in 2001 saw the introduction of lower prices and a fall in the average price of school textbooks (-1.8%) as a result of the demand from the market to divide titles into smaller, multi-volume editions.

The forecast for the full year confirms that the budget will be respected.

### ***Magazine division***

The Magazine division closed the first nine months of 2001 with total sales of 665.8 million euros, an increase of 10.7% compared with the same period in 2000.

The increase refers both to circulation (+12.4%) and advertising revenues (+8.3%).

<b>Magazines</b>	<b>Millions of euros 30 September 2001</b>	<b>Millions of euros 30 September 2000</b>	<b>% change</b>
Circulation	397.3	353.4	12.4%
Advertising	268.5	247.9	8.3%
<b>Total magazines</b>	<b>665.8</b>	<b>601.3</b>	<b>10.7%</b>

### Circulation

While the market in which Mondadori operates registered a slight decrease compared with the same period in 2000 (-1.5% at September), the Group itself went against this trend and registered an increase in sales of 12.4%.

The main Mondadori titles, *Panorama* and *Sorrisi Canzoni Tv*, continued to be very successful, while during the summer *Chi* registered record sales figures.

As of September the increase amounted to 550,000 copies, an extra 5% compared with 2000.

## Advertising

At 30 September 2001 Mondadori registered an 8.3% increase in revenue compared with 2000. This result, which went against the negative market trend, was made possible by the excellent results obtained by the Group's magazine titles.

In this context, the dramatic international events of September heightened the already negative market trend.

It should be noted, however, that in the general negative situation that was particularly evident for daily newspapers and television advertising, the magazine advertising sector resisted the crisis better than the other sectors thanks to the continued investment of advertisers in the cosmetic and fashion areas.

## ***Printing division***

During the third quarter of 2001, market demand for printing began to suffer from the negative effects of the fall in consumer spending.

In this difficult context, as of 30 September 2001 the Group registered overall sales of 348.8 million euros, an increase of 11.1% compared with the same period in 2000.

Eliminating the effects of the increase in the cost of paper, the effective production performance of the Printing division is more accurately represented by the figure for revenues net of the cost of paper and shipping, as illustrated below:

<b>Printing revenues net of paper costs</b>	<b>Millions of euros 30 September 2001</b>	<b>Millions of euros 30 September 2000</b>	<b>% change</b>
Magazines	90.3	87.5	3.2%
Books	52.0	48.6	7.0%
Catalogues and promotional material	24.8	22.9	8.3%
Directories	4.6	1.1	n.a.
<b>Total printing revenues</b>	<b>171.7</b>	<b>160.1</b>	<b>7.2%</b>

The overall increase compared with the previous period amounted to 7.2%, and all the market sectors contributed to this increase. The data relative to the various issues of Pagine Utili for the information directories was not significant.

For the last quarter of the year a high level of initiatives are planned and results in line with the same period last year are forecast. It should also be noted that the situation concerning the cost of paper shows signs of improving.

### ***Direct division***

During the current year a new division dealing with direct marketing and the retail sector has been created within the Mondadori Group.

Therefore it has been necessary to reclassify the sales data relating to the period as of 30 September 2000 in order to take account of this new situation.

#### Direct marketing

The Mondadori Group maintained its market leadership with Mondolibri SpA and Cemit Interactive Media SpA.

**Mondolibri** registered a fall in revenues as of 30 September 2001 compared with the previous period, a situation which reflects the difficulties inherent in a mature market. The third quarter was, however, characterised by an improvement in book club sales which, compared with the previous year inverted the negative tendency.

The law concerning discount limits, which imposed a maximum limit on discounts offered by large-scale retail outlets, undoubtedly had an effect on this aspect and provided a competitive advantage to the prices offered by book clubs.

The company continued with implementing the reorganisation process aimed at improving the balance between the amount of business and the operational structure, and in this context an agreement was reached to reduce personnel costs from January 2002.

**Cemit** registered a large increase in sales compared with the figures at 30 September 2000, while figures for the third quarter of 2001 were substantially in line with those for the same period in 2000.

The increase in revenues is expected to continue for the rest of the year, leading to forecasts for an excellent final result.

#### Retail

**Mondadori Franchising** registered a significant increase in sales of 42.7% compared with the third quarter of 2000, thanks mainly to new affiliation agreements signed during the last twelve months.

Since 1 January Ellemme, which now comes under **Mondadori Retail**, has also been responsible for the Mondadori Informatica shops after they were transferred following the separation operation that was completed in July.

For this reason, and also because of the increased number of bookshops compared with the number that existed in the first nine months of 2000 (the former Le Monnier bookshop in Florence, the Padua bookshop and the Multicenter in Milan all of which were opened during 2000), revenues for the two periods cannot be compared.

Book sales in traditional bookshops and in the Multicenter registered excellent results for the three-month period, while sales of hardware and software decreased in comparison with the previous year.

In December a new sales outlet will open in the new Warner multi-screen complex in Vimercate, in the Milan hinterland.

<b>Direct</b>	<b>Millions of euros</b> <b>30 September 2001</b>	<b>Millions of euros</b> <b>30 September 2000</b>	<b>%</b> <b>change</b>
Mondolibri SpA (proportional)	29.9	31.6	(5.4%)
Cemit Interactive Media SpA	20.7	17.2	20.3%
<b>Total direct marketing</b>	<b>50.6</b>	<b>48.8</b>	<b>3.7%</b>
Mondadori Franchising SpA	10.7	7.5	42.7%
Mondadori Retail Srl (formerly Ellemme Srl)	39.3	16.7	n.a.
Mondadori Informatica SpA	-	13.4	n.a.
<b>Total retail</b>	<b>50</b>	<b>37.6</b>	<b>33.0%</b>
<b>Total direct</b>	<b>100.6</b>	<b>86.4</b>	<b>16.4%</b>

### ***Computer publishing and new media***

After the retail sector was transferred, **Mondadori Informatica** concentrated on redefining the aims of its business activities, focusing on editorial production and further development of the *education* sector.

With reference to the editorial aspect, the magazine sector continues to be weak, mainly as a result of the fall in advertising revenues, while the book sector continues to be very successful.

However, the best performance was registered in the *education* sector, thanks in part to a return on the investments made for the opening of new branches in Rome and Florence, which joined the already-existing branches in Milano Oltre and Bologna.

The new company, jointly owned with e-Biscom and set up to offer distance-learning courses, is currently in the pre-operational phase.

### ***Internet***

As planned, the business activities of **Mondadori.com** for 2001 are concentrated on renewing the contents of the various sites, launching new products and searching for partnerships with companies that already operate on the Web and in the telephone sector. As far as advertising revenues are concerned the performance for the period was inferior to expectations, reflecting the general difficulties in the sector.

The *In Auto* and *Men's Health* sites, launched in joint-ventures with ACI-Mondadori and Mondadori-Rodale, continue to increase the number of internet users they attract, a fact highlighted by the constant increase both in page views and unique visitors.

In addition, in September there was a sharp increase in the number of visitors to the Panorama site (+ 66% compared with the yearly average figure), as a result of the terrorist attacks. This increase in popularity confirms the decision of the editorial team to offer a product designed to satisfy the demands for on-line information.

Forecasts for the last quarter of the year are for a further increase in traffic, due in part to the re-styling process that was presented in October at the SMAU trade fair, the new *My Tech* portal dedicated to technology, and to the three linked sites, *PC Pro*, *Panorama Next* and *Panorama Web*. At the same time, work has already begun on re-styling the *Panorama on line* site, a project that is expected to lead to a further increase in page views and unique visitors

## Financial position

The Mondadori Group's financial position as of 30 September 2001 showed a surplus of 92.2 million euros, a marked increase compared with the previous period. The details are illustrated in the following table:

<b>Net financial position</b>	<b>Millions of euros 30 September 2001</b>	<b>Millions of euros 30 June 2001</b>	<b>Millions of euros 31 December 2000</b>
Short term bank deposits	178.6	148.6	174.2
Short term borrowings from banks	(56.3)	(71.1)	(76.4)
Financing (short and medium/long term)	(385.0)	(356.7)	(293.5)
	<b>(262.7)</b>	<b>(279.2)</b>	<b>(195.7)</b>
Fixed interest securities	358.7	366.8	362.8
Cash, post office accounts, net receivables from affiliates and third parties and accrued interest income	(3.8)	(8.2)	5.8
<b>Net financial receivables (payables)</b>	<b>92.2</b>	<b>79.4</b>	<b>172.9</b>
Leasing debts	-	0	(1.2)
<b>Net financial position</b>	<b>92.2</b>	<b>79.4</b>	<b>171.7</b>

The third quarter of 2001 was characterised by the extreme volatility of the financial markets, caused by the tragic attacks of 11 September on the United States.

This event imposed itself on a macroeconomic scenario that had already begun to deteriorate during the three-month period. In the USA consumer confidence, traditionally the last bulwark against recession, collapsed after the tragic events of September and the first estimates of the GDP for the third quarter of the year, together with forecasts for the fourth quarter, clearly point to a recession. The gravity of the crisis was heightened by the fact that during the third quarter of the year the three most important world economies (the USA, Europe and Japan) showed a decrease in gross domestic product, and in all probability the same thing will happen in the fourth quarter. In this scenario the Federal Reserve cut base rates by 125 base points, from 3.75% to 2.50% (100 base points after 11 September and the latest cut of 50 base points on 2 October). The strong support given to monetary and fiscal policy by the American Administration leads to the supposition that there will probably be a world economic recovery in 2002 led, once again, by the United States.

This support explains the performance of the dollar during the period in question when, after initially falling against the euro (from 0.848 at the end of June to 0.927 in the days immediately after the terrorist attacks), it recovered and eventually reached 0.913 at the end of September before continuing to recover to around 0.899 at the beginning of November.

During the third quarter of the year the ECB reduced base rates from 4.50% to 3.75% (-75 base points), although it should be remembered that the cut of 50 base points announced on 18 September was agreed with the United States on a worldwide scale as a way of supporting the American economy that had been severely hit by the effects of the terrorist attacks.

The recessive scenario coupled with inflation that is under control in the euro area leads to the supposition that there will be further tax cuts during the last quarter of the year, in line with probable further tax cuts in American federal-funds.

During the third quarter of the year sterling lost ground against the euro, from 0.603 to 0.622, and future prospects are increasingly linked to Britain's decision as to whether or not it should anticipate its entry into the European Monetary Union. As for interest rates, the Bank of England reduced its base rates by 75 base points during the period in question, from 5.25% to 4.50%.

During the third quarter of the year, the average cost of money for Mondadori decreased from 4.50% at the end of June to 4.09% at the end of September, being unable to take immediate advantage of the large decrease in prime rates. In the same period the three-month Euribor rate decreased from 4.44% to 3.66%.

As of 30 September 2001 the Mondadori Group had unused lines of credit in the form of bank overdrafts for a total of 1,085 million euros, 412 million of which were medium-long term.

As of 30 September 2001 short-term credit facilities, amounting to approximately 671 million euros, were used 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 of 412 million euros were mainly made up of a revolving multi-currency credit facility (400 million) with a duration of five years (2000-2005) and subsidised loans for publishers, in accordance with Law 416/81, for approximately 12 million euros.

As of 30 September 2001 the revolving loan had been used for approximately 266 million euros at an average interest rate of 4.2%.

The Group's financial activities are concentrated in **Mondadori International** and amounted at 30 September 2001 to approximately 466 million euros.

### **Technical investments**

As of 30 September 2001 the Group made investments in technical assets that came into production for 43.9 million euros, including a new rotogravure printer for the Verona plant, while a further 1.4 million euros are represented by suspended costs for assets under construction.

## Personnel

The following table shows details of Group personnel for the third quarter of the year compared with the figures as at 31 December 2000. The reduction in the number of employees since the beginning of the year (-402) is due to the deconsolidation of the Grijalbo Group (323) and to a decrease in the number of personnel employed by other Group companies (79), as a result of paying particular attention to the size of the structures and to containing costs.

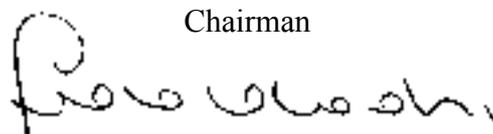
<b>Personnel</b>	<b>30 September</b>	<b>30 June</b>	<b>31 December 2000</b>
Arnoldo Mondadori Editore SpA:			
- Managers, journalists and office staff	1,430	1,436	1,431
- Manual workers	176	177	182
	<b>1,606</b>	<b>1,613</b>	<b>1,613</b>
Italian subsidiaries:			
- Managers, journalists and office workers	1,662	1,667	1,675
- Manual workers	1,325	1,334	1,382
	<b>2,987</b>	<b>3,001</b>	<b>3,057</b>
Foreign subsidiaries:			
- Managers, journalists and office workers	39	310	314
- Manual workers	130	174	180
	<b>169</b>	<b>484</b>	<b>494</b>
<b>Total</b>	<b>4,762</b>	<b>5,098</b>	<b>5,164</b>

## Probable evolution of business activities

In October the various sectors of the Group continued to register excellent results, leading to the supposition that the result for all of 2001 will see a further increase, both in terms of revenues and in terms of profit, compared with the previous year.

For the Board of Directors

Chairman



Leonardo Mondadori

***Mondadori Group  
Balance sheet and Income statement in euros***





# BALANCE SHEET

## LIABILITIES

( in thousands of euros)		AS OF 30 SEPTEMBER 2001			AS OF	AS OF
	Sub total		Sub Total	TOTAL	30-SEP-00	31-DEC-00
	1		2	3		
<b>A) SHAREHOLDERS' EQUITY</b>						
I- SHARE CAPITAL				67,452	66,992	66,992
II- SHARE PREMIUM RESERVE				219,799	221,688	225,053
III- REVALUATION RESERVE				16,712	16,712	16,712
IV- LEGAL RESERVE				13,398	13,361	13,361
V- RESERVE FOR TREASURY STOCK				67,466	65,578	62,213
VI- STATUTORY RESERVE						
<b>VII- OTHER RESERVES</b>						
1) Extraordinary reserve		152,837			149,112	149,112
2) Reserve Law 675 of 12/8/1997		351			351	351
3) Conferral reserve Law 904 of 16/12/1997		751			751	751
4) Capital account contribution reserve		5,052			5,052	5,052
5) Reserve Law 124/93 art. 13		38			26	26
6) Other reserves		-8,113			-10,574	-15,187
				150,916	144,718	140,105
<b>VIII- PROFIT (LOSS) CARRIED FORWARD</b>						
<b>IX- PROFIT (LOSS) FOR THE PERIOD</b>						
1) gross profit for the period				98,290	89,443	
2) profit for the year						70,895
<b>CONSOLIDATED GROUPSHAREHOLDERS' EQUITY</b>				634,033	618,492	595,331
<b>MINORITY INTEREST</b>				8,024	7,791	7,919
<b>TOTAL SHAREHOLDERS' EQUITY (A)</b>				642,057	626,283	603,250
<b>B) RESERVE FOR RISKS AND CHARGES</b>						
1 retirement benefits		1,031			1,041	1,046
2 income taxes		15,772			16,048	24,189
3 other		30,682			26,762	28,064
<b>TOTAL RESERVE FOR RISKS AND CHARGES (B)</b>				47,485	43,851	53,299
<b>C) RESERVE FOR SEVERANCE INDEMNITIES</b>				100,666	99,191	98,316
<i>within 12 month over 12 months</i>						
<b>D) DEBTS AND OTHER PAYABLES</b>						
1 bonds						
2 convertible bonds						
3 due to banks	428,137	13,154		441,291	400,113	369,920
4 due to third parties						
5 advances	30,672			30,672	29,119	35,451
6 trade accounts	300,838			300,838	295,635	331,798
7 debts represented by credit instruments						
8 due to subsidiaries	457			457	324	733
9 due to affiliated companies	38,331			38,331	25,408	39,079
10 due to parent companies	98			98	622	313
11 income taxes payable	7,694			7,694	7,261	22,184
12 due to pension funds and social security entities	14,427			14,427	13,431	16,591
13 other liabilities	108,090	1,444		109,534	124,151	113,196
<b>TOTAL DEBTS AND OTHER PAYABLES (D)</b>				928,744	14,598	943,342
<b>E) ACCRUED LIABILITIES AND DEFERRED INCOME</b>						
1 accrued liabilities				6,281	6,602	6,870
2 deferred income				8,627	7,911	6,460
3 discounts on loans						
<b>TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)</b>				14,908	14,513	13,330
<b>TOTAL LIABILITIES</b>				1,748,458	1,679,902	1,697,460
<b>MEMORANDUM ACCOUNTS</b>						
<b>1 GUARANTEES AND SURETIES</b>						
a) in favour of subsidiaries						
b) in favour of affiliated companies						7,798
c) in favour of third parties						25,365
<b>2 COMMITMENTS</b>						
<b>3 RISKS</b>						
<b>4 OTHERS</b>						
<b>TOTAL MEMORANDUM ACCOUNTS</b>						82,520
<b>TOTAL LIABILITIES</b>				1,748,458	1,679,902	1,697,460
1) Total of items preceeded by lowercase letters and (in certain cases) by arabic numerals.				For the Board of Directors		
2) Total of items preceeded by arabic numerals and (in certain cases) by lowercase letters.				Chairman		
3) Total of items preceeded by romanic numerals and uppercase letters.				Leonardo Mondadori		

# INCOME STATEMENT

(in thousands of euros)	AS OF 30-SEP-01	AS OF 30-SEP-00	QUARTER FROM 1/7-30/9/2001	QUARTER FROM 1/7-30/9/2000
<b>A) PRODUCTION VALUE</b>				
1 INCOME FROM SALES OF GOODS AND SERVICES	1,165,052	1,073,641	372,346	364,231
2 CHANGES IN INVENTORY OF SEMI-FINISHED GOODS	-1,502	6,722	-2,564	1,072
3 CHANGES IN WIP TO ORDER	4,906	15,032	1,247	15,051
4 INCREASE IN INTERNAL INVESTMENTS	234	132	131	22
5 OTHER INCOME AND REVENUES				
a) operating grants	149	115	120	30
b) other income and revenues	33,361	29,974	10,521	9,538
<b>TOTAL PRODUCTION VALUE (A)</b>	<b>1,202,200</b>	<b>1,125,616</b>	<b>381,801</b>	<b>389,944</b>
<b>B) PRODUCTION COSTS</b>				
6 RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS	394,314	358,345	127,018	127,726
7 SERVICES	441,432	421,914	135,125	140,548
8 USE OF THIRD PARTY ASSETS	17,233	16,024	5,931	5,628
9 PERSONNEL				
a) wages and salaries	127,966	129,020	39,901	41,335
b) social contributions	39,716	39,958	12,619	12,650
c) severance indemnities	10,655	11,046	3,213	3,253
d) retirement benefits	26	37		9
e) other costs	2,602	3,180	904	978
<b>TOTAL</b>	<b>180,965</b>	<b>183,241</b>	<b>56,637</b>	<b>58,225</b>
10 DEPRECIATIONS, AMORTISATION AND WRITEDOWNS				
a) amortisation of intangible assets	17,987	17,001	6,227	6,032
b) depreciation of fixed assets	26,781	24,806	9,665	7,969
c) other writedowns of assets	154		154	
d) writedowns of doubtful accounts	7,278	6,792	2,135	2,754
<b>TOTAL</b>	<b>52,200</b>	<b>48,599</b>	<b>18,181</b>	<b>16,755</b>
11 CHANGES IN INVENTORY OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS	4,611	154	-353	1,148
12 PROVISIONS FOR RISKS	5,830	2,315	2,350	766
13 OTHER PROVISIONS	42	11	16	4
14 OTHER OPERATING EXPENSES	8,909	7,355	3,468	2,644
<b>TOTAL PRODUCTION COSTS (B)</b>	<b>1,105,536</b>	<b>1,037,958</b>	<b>348,373</b>	<b>353,444</b>
<b>DIFFERENCE BETWEEN PRODUCTION VALE AND PRODUCTION COSTS (A-B)</b>	<b>96,664</b>	<b>87,658</b>	<b>33,428</b>	<b>36,500</b>
<b>C) FINANCIAL INCOME AND CHARGES</b>				
15 INCOME FROM INVESTMENTS				
a) Subsidiaries				
b) Affiliated companies	109		109	
c) Other investments	37	56		
<b>TOTAL</b>	<b>146</b>	<b>56</b>	<b>109</b>	
16 OTHER FINANCIAL INCOME				
a) from long term receivables				
* Subsidiaries				
* Affiliated companies				
* Parent companies				
* Other companies	97	98	17	17
<b>TOTAL</b>	<b>97</b>	<b>98</b>	<b>17</b>	<b>17</b>
b) from long term securities		61		-65
c) from short term securities	13,198	12,502	1,894	1,967
d) Other income				
* Subsidiaries	19	27	-88	7
* Affiliated companies	203	83	157	33
* Parent companies				
* Other companies	6,325	10,235	1,721	5,152
<b>TOTAL</b>	<b>6,547</b>	<b>10,345</b>	<b>1,790</b>	<b>5,192</b>
<b>TOTAL</b>	<b>19,842</b>	<b>23,006</b>	<b>3,701</b>	<b>7,111</b>
17 INTEREST AND FINANCIAL CHARGES				
a) Subsidiaries	5	4	1	2
b) Affiliated companies	292	140	108	62
c) Parent companies				
d) Other companies	17,120	23,284	6,111	9,749
<b>TOTAL</b>	<b>17,417</b>	<b>23,428</b>	<b>6,220</b>	<b>9,813</b>
<b>TOTAL FINANCIAL INCOME AND (CHARGES) (C)</b>	<b>2,571</b>	<b>-366</b>	<b>-2,410</b>	<b>-2,702</b>

**INCOME STATEMENT (contd.)**

(in thousands of euros)	AS OF 30-SEP-01	AS OF 30-SEP-00	QUARTER FROM 1/7-30/9/2001	QUARTER FROM 1/7-30/9/2000
<b>D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS</b>				
18 REVALUATIONS				
a) investments	3,572	2,622	1,088	793
b) other long term financial assets				
c) securities	3,481		3,481	
<b>TOTAL</b>	<b>7,053</b>	<b>2,622</b>	<b>4,569</b>	<b>793</b>
19 WRITEDOWNS				
a) investments	5,559	2,254	839	1,072
b) other long term financial assets				
c) securities	7,406		4,738	
<b>TOTAL</b>	<b>12,965</b>	<b>2,254</b>	<b>5,577</b>	<b>1,072</b>
<b>TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)</b>	<b>-5,912</b>	<b>368</b>	<b>-1,008</b>	<b>-279</b>
<b>E) EXTRAORDINARY ITEMS</b>				
20 INCOME				
a) Gains on disposals	894	1,524	77	982
b) Other long term financial assets	4,170	362	3,294	1
<b>TOTAL</b>	<b>5,064</b>	<b>1,886</b>	<b>3,371</b>	<b>983</b>
21 CHARGES				
a) Losses on disposals		54		54
b) Taxation relative to prior years	35	22		10
c) Others	62	27	47	-54
<b>TOTAL</b>	<b>97</b>	<b>103</b>	<b>47</b>	<b>10</b>
<b>TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)</b>	<b>4,967</b>	<b>1,783</b>	<b>3,324</b>	<b>973</b>
<b>PROFIT BEFORE TAX</b>	<b>98,290</b>	<b>89,443</b>	<b>33,334</b>	<b>34,492</b>
22 INCOME TAX FOR THE PERIOD				
23 RESULT FOR THE PERIOD				
NET PROFIT (LOSS) FOR THE PERIOD PERTAINING TO MINORITY INTERESTS				
NET PROFIT (LOSS) FOR THE PERIOD				

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

For the Board of Directors  
Chairman  
Leonardo Mondadori