



Press Release

RCS MediaGroup: 2004 – 2006 3-year business plan presented

Today, in Borsa Italiana's "sala delle grida" (trading floor), in Piazza Affari in Milan, RCS MediaGroup presented its 2004-2006 3-year strategic business plan to the financial community.

After having summarised figures for the 9-month period up to September 30th (already disclosed on November 13th), the Managing Director and General Manager Maurizio Romiti illustrated the strategies for achievement of the group's priority objective of recovery in profitability, to be pursued mainly via:

- **Identification of the businesses on which to focus development and disinvestment from businesses unable to achieve profitability (accounting for some € 500 million (mn) of present group revenues) via:**
 - Consolidation of historical skills in the newspaper, magazine and book business also by means of the contribution of the advertising concessionaire and distribution businesses
 - Presence and development of skills in non-traditional sectors, i.e. radio and satellite and digital TV
 - Consolidation and development of presence in Italy, France and Spain.
- **Improvement of the profitability of the businesses forming the group's traditional area via:**
 - Renewal of products (full colour, magazines supporting newspapers, magazine product system centring round leading magazines, and RCS Libri's (books) author portfolio)
 - Development of add-on business, also thanks to synergies with part-work/collectables area
 - Joint initiatives between media in the various sectors (books/newspapers, newspapers/magazines and broadcasting)
 - Enhancement of selling effectiveness in advertising and newsstand distribution.
- **Further reduction of G&A costs via:**
 - Streamlining of governance organisation and of legal-entity structure (reduction of some 60 companies out of the 210 management, also including unifications in the books and radio sectors). Actions specifically envisage a headcount reduction of 424 heads and cost savings quantifiable as totalling € 60.9 mn at the end of 2006
 - Reduction of G&A expenses via centralised management of activities, process improvement (organisational and information systems) and unification of HQs (Italy and France)
 - Achievement of synergies in procurement and in administrative and IT systems between Italy, France and Spain)
 - Improvement of effectiveness in ICT expenditure (telecommunications, infrastructures, Web) and in procurement (master contracts, supplier portfolio)
 - Reduction of production costs.

Foreseeably, these objectives will lead RCS MediaGroup to achieve the following changes in its consolidated figures (2006 vs. 2003):

- EBITA / Revenues (ROS) up from 4% to 11%
- EBT up from 2% to 10%
- Reduction of net debt (€ 214 mn in 2003), tending to move towards zero
- EBIT /Capital Employed (ROCE) up from 4% to 13.5%.

The actions envisaged for individual companies are specified below:

RCS Quotidiani [Newspapers]

Implementation of full-colour printing with investments of € 190 mn, increasing the maximum number of pages from 64 today to 96 for Corriere della Sera and from 40 to 48 for La Gazzetta dello Sport, with a consequent increase in colour pages also for advertisers from 16 to 96 for the Corriere and from 8 to 16 for the Gazzetta. Increase from 6 to 8 of printing units (14 rotary gravure presses) with improvements in distribution logic and in newsstand delivery times.

For the Corriere we envisage development of regional newspaper inserts to improve local penetration, redefinition of the magazine and supplements systems, and intensification of marketing investments to increase add-on products' contribution to profitability also via synergies with RCS Libri (books) and with the part-works/collectables area.

As regards La Gazzetta dello Sport, brand-extension initiatives also of the multimedia type are envisaged, together with other sporting events besides Giro d'Italia (the round-Italy cycling race), and improvement of communication and of penetration among advertisers.

In terms of recovery of efficiency, RCS Quotidiani plans reduction of G&A expenses, rationalisation of Web sites, and revision of the Corriere's supplements, as well as definitive fine-tuning of the free-press business with achievement of break-even in 2005.

It is projected that these actions for RCS Quotidiani in Italy will lead to an increase in sales of 7% by the end of 2006, with an increase in EBITA from 11% on revenues today to 16%, whilst the ROCE indicator will go from 95% today to 42% due to investment in full-colour plant.

For Unedisa we plan: actions to update and enrich the editorial project of El Mundo newspaper, with the objective of consolidating its No.2 position in the Spanish market, and revision of the daily's regional editions and of the magazine and supplements system, as well as action on overhead costs, and increases in marketing investments to improve add-on products' profitability.

The company also aims to consolidate its Internet leadership, develop synergies with the group's Italian dailies, and to simplify its legal-entity structure.

These actions for Unedisa will foreseeably lead to a 6% increase in sales by the end of 2006, with EBITA up from 3% to 10% and sales, and ROCE up from 6% today to 22%.

RCS Periodici [Magazines]

The company is currently 70% owned by RCS MediaGroup with the remaining 30% owned by Burda, which has confirmed that it wishes to exercise its option to increase its stake by a further 10% by December 31st.

In Italy RCS Periodici aims to reorganise its magazine portfolio, focusing on leadership/profitability. The actions envisaged concern: improvement of competitive position by strengthening the product systems built around the leading publications (Oggi, Io Donna, Amica, and Brava Casa); development of new publications supporting newspapers; intensification of marketing investments with brand-extension initiatives for the main publications; and constant pursuit of cost reduction.

These actions enable us to project a 4% increase in sales by the end of 2006, with EBITDA up from the present level of 6.5% to 11.5%, and the ROCE indicator progressing from 27% today to a level tending to exceed 100%.

Abroad, RCS Periodici's objective is to (a) achieve profitability recovery in Germany via an intensive restructuring programme, (b) develop new publications in Catherine Nemo (France) also via synergies between the two partners RCS MediaGroup and Burda, and (c) redefine and simplify presence and the magazine portfolio in East European countries and in the East (Turkey and Asia).

For the foreign part of RCS Periodici business, forecasts indicate a sales increase of 2% by the end of 2006, EBITA shifting from the present negative level of -2% on sales to a positive level of 9.5%, and ROCE – currently less than zero – rising to 32% in 2006.

RCS Libri [Books]

The company aims to strengthen its competitive position via development of its individual publishing imprints, strengthening of its author portfolio and editorial structure, and completion of its school offering in all subjects, also via innovative didactic instruments.

Improvement of profitability will be pursued via revision of the organisational and legal-entity set-up and constant attention to capital employed (customers and inventories), as well as via rationalisation of the business portfolio. More specifically, for Flammarion, synergies for content, procurement and production; for partworks/collectables, Italy/international integration with greater development of projects for international use; and for Scholastic, University, and Professional, creation of just one Educational area.

For RCS Libri the forecast targets as at the end of 2006 are 5% sales growth, EBITA up from 7% today to 9%, and ROCE up from 9% to 14%.

RCS Broadcast

RCS Broadcast's primary objective is achievement of break-even in 2005. This will be achievable via increase of RIN's share thanks to (a) programming reaching listener segments more attractive for advertisers and investments in frequencies to improve territorial coverage, (b) better use of CNR's potential in collecting advertising, and (c) further development of AGR's press services via radio, TV, Internet, and mobile telephony.

Further development of the company also requires greater collaboration between its businesses and group newspapers and magazines, presence in the trial of terrestrial digital broadcasting, and reorganisation via unification of the present four companies into just one company.

For RCS Broadcast forecast targets as at the end of 2006 envisage 17% sales growth, EBITA progressing from the current negative level of -20% to a positive 10% level, and ROCE – currently below zero – rising to 16% in 2006.

RCS Pubblicità [Advertising]

The company's objectives envisage improvement of the sales network's effectiveness via development of a new organisation based on product "families"; development of the local press market via new group products and acquisition of advertising concessions for third-party publications; reorganisation and development of the events management business; and development of a complete multimedia offering devised specifically for large customers.

For RCS Pubblicità the forecast objective for 2006 year-end projects sales growth of 8%, EBITA progressing from 1% today to 2.5%, and ROCE rising from the present 5% to 33%.

RCS Diffusione [Distribution]

The company's targets envisage implementation of the synergies stemming from the agreement in place, since midway through this year, with De Agostini and Hachette Rusconi (in overhead and logistics costs), upgrading of the logistics and trade marketing services offered to publishers, acquisition of distribution for other publishers, and downstream integration with the most important local distributors.

For RCS Diffusione, via these actions sales are projected to increase by 5% by the end of 2006, with EBITDA rising from 10% today to 17.1%, and ROCE in excess of 100%.

Milan, December 5th 2003