

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

Share Capital €67,451,756.32

Head Offices in Milan

Administrative Offices in Segrate (MI)

**Interim report on the year to 30 September 2009**



# ***Corporate Boards***

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### **Deputy Chairman and Chief Executive**

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(\*) Secretary

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### **Acting Statutory Auditors**

Francesco Antonio Giampaolo

Franco Carlo Papa

### **Substitute Statutory Auditors**

Ezio Maria Simonelli

Francesco Vittadini



## *Contents*

Report of the Board of Directors on the nine months to 30 September 2009	<b>9</b>
- Financial and non-financial indicators	<b>11</b>
- Book Division	<b>12</b>
- Magazine Division Italy	<b>17</b>
- Magazine Division France	<b>20</b>
- Advertising services	<b>21</b>
- Direct marketing	<b>22</b>
- Retail	<b>23</b>
- Radio	<b>24</b>
- Corporate and other businesses	<b>24</b>
- The financial situation	<b>25</b>
- Personnel	<b>27</b>
- Capital investments	<b>27</b>
- Other information	<b>28</b>
- Expectations for the full year	<b>28</b>
 Consolidated financial statements	 <b>30</b>



## ***Report of the Board of Directors***



## ***Report of the Board of Directors on the first nine months of the year to 30 September 2009***

Market indicators show that also the third quarter on 2009 was negative, both at a national and international level and only in September were there some signs of confidence which had a positive impact on financial markets and real consumer spending.

In the Mondadori Group's markets of reference, advertising investments were sharply down both in Italy (-29% ca., to September) and France (albeit to a lesser extent) with no clear indications about future trends.

In the magazine sector the fall in circulation was slightly less than in previous months, particularly in Italy (-7.7% in terms of volume in August); in France the greater weight of subscriptions contributed to a higher level of stability (-5.7% in terms of value in August).

In line with the first months of 2009, there was a continuation of the generalised decline in add-on sales (around -25%), an area which in Italy has seen a dramatic slump compared with recent years (in 2004 more than €1 billion).

The book market, meanwhile, recorded growth in terms of volume of 1.9%, and stability in terms of volume, with a previous year that was characterised by a greater number of bestsellers.

Also in the third quarter of 2009, the results of the Mondadori Group were strongly conditioned by a marked reduction in advertising revenues, the impact of which was mitigated by the increasing effects of activities aimed at containing management costs. During the quarter the conditions were also put in place for forthcoming organisational restructuring activities, through an agreement with trade unions regarding both editorial and journalistic staff.

On a like-for-like basis, excluding non-recurring elements and development and restructuring costs, profit for the third quarter amounted to €46.0 million, a fall of €16.9 million (or -26.9%) on the same period of 2008.

The following figures for consolidated revenues and operating profit to 30 September are given as totals and on a like-for-like basis (excluding Printing activities).

**Consolidated revenues** to 30 September 2009 came to €1,114.3 million, a fall of 18.6% on the €1,368.1 million in 2008 (-11.4% on a like-for-like basis, excluding the activities of Mondadori Printing).

**Consolidated gross operating profit** amounted to €8.2 million, a fall of €100.6 million (-59.6%) compared with the €168.8 million of the previous year, corresponding to 6.1% as a proportion of revenues (12.3% in 2008).

Excluding the contribution of the activities of Mondadori Printing the difference in operating profit shows a fall of €33.9 million (or -55.1%): this is essentially due to:

- a lower level of profit from the business: -€7.0 million (of which -€8.6 million from add-on sales);
- higher investments for business development: -€7.8 million;
- changes from non-recurring items (extraordinary items, restructuring charges) of -€9.1 million.

**Consolidated operating profit** came to €0.0 million, a fall of €77.5 million (-63.6%) compared with the same period of 2008, with amortizations and depreciations of tangible and intangible assets for a total of €18.2 million (€1.3 million to 30 September 2008); as a proportion of revenues, a fall from the 10.1% of 2008 to 4.5% this time.

**Consolidated profit before taxation** amounted to €0.0 million, a fall of €4.5 million (-52.2%) compared with 2008, with net financial charges for 2009 at zero, compared with €33 million in the previous year; this improvement was also due to extraordinary income, as well as lower indebtedness and a fall in the cost of borrowing.

**Consolidated net profit** came to €7.1 million, a 53.9% reduction on the €8.8 million of the same period of last year.

**Gross cash flow** in the first nine months of 2009 amounted to €45.3 million, compared with €0.1 million in 2008.

The Group's **net financial position** at 30 September 2009 showed a deficit of €16.9 million, an improvement on the -€90.3 million at the end of 2008.

The performance of the different business areas in which the Mondadori Group operates is examined in more detail in the dedicated sections. What follows are the highlights.

**Financial and non-financial indicators**

<b>Consolidated income statement</b> <i>in €m</i>	<b>Q3</b>			<b>To 30 September</b>		
	<b>2009</b>	<b>2008</b>	<b>Change</b>	<b>2009</b>	<b>2008</b>	<b>Change</b>
Income from sales of goods and services	383.5	438.0	(12.4%)	1,114.3	1,368.1	(18.6%)
Personnel costs	74.8	82.9	(9.8%)	217.9	271.5	(19.7%)
Cost of sales and management (*)	279.0	291.5	(4.3%)	822.9	932.9	(11.8%)
Income (charges) from investments calculated on a net equity basis	(1.7)	0.7	n.s.	(5.3)	5.1	n.s.
<b>Gross operating profit</b>	<b>28.0</b>	<b>64.3</b>	<b>(56.5%)</b>	<b>68.2</b>	<b>168.8</b>	<b>(59.6%)</b>
<i>- as a proportion of revenues</i>	<i>7.3%</i>	<i>14.7%</i>		<i>6.1%</i>	<i>12.3%</i>	
Depreciation of property, plant and machinery	3.0	8.7	(65.5%)	9.0	25.6	(64.8%)
Depreciation of intangible assets	2.9	1.9	52.6%	9.2	5.7	61.4%
<b>Operating profit</b>	<b>22.1</b>	<b>53.7</b>	<b>(58.8%)</b>	<b>50.0</b>	<b>137.5</b>	<b>(63.6%)</b>
<i>- as a proportion of revenues</i>	<i>5.7%</i>	<i>12.2%</i>		<i>4.5%</i>	<i>10.1%</i>	
Net financial income (charges)	10.3	(13.4)	n.s.	-	(33.0)	n.s.
Other income (charges)	-	-		-	-	
<b>Profit for the period before taxation</b>	<b>32.4</b>	<b>40.3</b>	<b>(19.6%)</b>	<b>50.0</b>	<b>104.5</b>	<b>(52.2%)</b>
<i>- as a proportion of revenues</i>	<i>8.4%</i>	<i>9.2%</i>		<i>4.5%</i>	<i>7.6%</i>	
Tax charges	12.4	18.1	(31.5%)	22.4	45.2	(50.4%)
Minority interest	(0.2)	(0.2)	-	(0.5)	(0.5)	-
<b>Net profit</b>	<b>19.8</b>	<b>22.0</b>	<b>(10.0%)</b>	<b>27.1</b>	<b>58.8</b>	<b>(53.9%)</b>

(\*) Includes the following items: decrease (increase) in inventory; costs of raw materials and consumables and goods for resale; cost of services; other income (expenses).

It should be noted that on 1 January 2009 IFRS principle 8 came into force, replacing IAS 14, concerning the communication of figures for each significant business in which the Group operates.

The application of this new principle has led to the publication of figures pertaining to activities managed by the Mondadori France subsidiary separately from those of the Magazine Division as a whole, even though it is a part.

Consequently, in order to make like-for-like comparisons, it has been necessary to re-publish also the figures for the third quarter of 2008.

Moreover, following the sale of 80% of Mondadori Printing, in November 2008, the section that included the figures relative to the Group's printing activities is no longer significant in the terms of IFRS 8 and, as a result, such figures have been aggregated with those booked under Other business. The same classification has been applied for the figures for 2008.

**Consolidated revenues** amounted to €1,114.3 million, a fall of 18.6%; an outline of the performance by sector follows.

Due to the sale of the printing activities, the figures are not comparable and, as already indicated, the relative revenues of March 2008 have been booked under "Corporate and other business".

<b>Business volumes by business area</b>			
<i>in €m</i>	<b>30 September 2009</b>	<b>30 September 2008</b>	<b>% Change</b>
Books	306.0	316.5	(3.3%)
Magazines Italy	368.6	441.0	(16.4%)
Magazines France	254.8	284.5	(10.4%)
Advertising services	181.6	244.7	(25.8%)
Direct	13.8	15.9	(13.2%)
Retail	126.4	128.6	(1.7%)
Radio	9.7	11.1	(12.6%)
Corporate and other business	13.3	294.0	n.s.
<b>Total sales</b>	<b>1,274.2</b>	<b>1,736.3</b>	<b>(26.6%)</b>
Intergroup sales	(159.9)	(368.2)	n.s.
<b>Total consolidated revenues</b>	<b>1,114.3</b>	<b>1,368.1</b>	<b>(18.6%)</b>

A breakdown of consolidated revenues by geographical area is as follows:

<b>Revenues by geographical area</b>			
<i>in €m</i>	<b>30 September 2009</b>	<b>30 September 2008</b>	<b>% Change</b>
Italy	839.7	1,009.4	(16.8%)
France	243.1	280.3	(13.3%)
EU countries	24.4	63.3	(61.5%)
USA	0.3	5.9	(94.9%)
Others	6.8	9.2	(26.1%)
<b>Total consolidated revenues</b>	<b>1,114.3</b>	<b>1,368.1</b>	<b>(18.6%)</b>

### ***Book division***

During the first nine months of 2009, the publishing houses of the Mondadori Group recorded a level of revenues that was down when compared with the same period of the previous year, in a context of an economic recession and a generalised fall in consumer spending.

The net revenues of the Book Division in the first nine months of 2009 came to €306 million (-3.3%).

The following table shows the performance of the Book Division in the period:

<i>in €m</i>	<b>30 September 2009</b>	<b>30 September 2008</b>
Book sales	300.8	309.8
Other revenues	5.2	6.7
	<b>306.0</b>	<b>316.5</b>
Operating costs	(253.2)	(253.1)
<b>Gross operating profit</b>	<b>52.8</b>	<b>63.4</b>
Amortizations & depreciations	(2.3)	(2.2)
<b>Operating profit</b>	<b>50.5</b>	<b>61.2</b>

In terms of value, the Italian Trade Book market in the first nine months of 2009 showed a slight fall compared with the same period of 2008; the Mondadori Group confirmed its market leadership with a 28% share (excluding large-scale retail) and a clear advantage over its main competitors. The relative shares of such competitors saw essential stability for the RCS Group while the shares of Gems Group and Feltrinelli were down.

As regards the single publishing houses of the Group, Edizioni Mondadori and Einaudi maintained their places at the top of the list.

The following table gives a breakdown of revenues for each of the Group's publishing houses:

<b>Books</b> <i>in €m</i>	<b>30 September 2009</b>	<b>30 September 2008</b>	<b>% Change</b>
Edizioni Mondadori	88.4	93.5	(5.5%)
Einaudi	34.5	37.0	(6.8%)
Sperling & Kupfer	19.1	16.9	13.0%
Edizioni Piemme	33.7	37.4	(9.9%)
Mondadori Electa	29.6	29.2	1.4%
Mondadori Education	68.0	70.9	(4.1%)
Distribution and logistics	27.5	24.9	10.4%
Other revenues	5.2	6.7	(22.4%)
<b>Total consolidated sales</b>	<b>306.0</b>	<b>316.5</b>	<b>(3.3%)</b>

### ***Edizioni Mondadori***

In the first nine months of 2009, Edizioni Mondadori recorded revenues of €88.4 million, a fall of 5.5% compared with the previous year.

In early September, *Venuto al mondo* by Margaret Mazzantini won the 47th Campiello Literary Prize. This resulted in September sales of some 80,000 copies, bringing total sales of the book to 450,000 copies.

Of other titles published during the period, there was also great success for the new book by Carlos Ruiz Zafon *Marina* which has sold more than 300,000 copies, the latest legal thriller by John Grisham, *Il ricatto*, with sales of over 200,000 copies, and the novels of Andrea Camilleri, *Un sabato con gli amici*, with sales of 170,000 copies, and the most recent book by Patricia Cornwell *Kay Scarpetta*.

There was also renewed confirmation of the popularity of Sophie Kinsella who, with *La ragazza fantasma* published in September, sold more than 170,000 copies.

In June the Strade Blu imprint published the new book by Roberto Saviano *La bellezza e l'inferno*, a collection of articles published between 2004 and 2009, which has sold more than 350,000 copies, and there was also an excellent result for the new book by Mario Calabresi, *La fortuna non esiste*, which has reached sales of 100,000 copies.

In August the Oscar Mondadori line introduced a new initiative based on a summer campaign of promotions involving all bookshops. The event proved successful with sales also being driven by new titles such as *Gocce di Sicilia* by Andrea Camilleri (90,000 copies) and the paperback edition of *Il gioco dell'angelo* by Carlos Ruiz Zafon.

In children's books the licensing programme for the Gormiti series has expanded and there was considerable success for the titles linked to the blockbuster animated film *L'era glaciale 3* which totalled sales of more than 140,000 copies.

### ***Giulio Einaudi Editore***

During the period Einaudi generated revenues of €34.5 million, a fall of 6.8% compared with the same period of 2008. In particular the bookstore channel and large-scale retail saw a fall of 5.2%, due above all to a lower level of re-orders and higher levels of returns. Part-works were down by 14.9%; and the sale of rights for add-on sales was down by 19.2%.

In terms of new titles, Einaudi saw excellent results from the last winner of the Strega Prize, *Stabat Mater* by Tiziano Scarpa (more than 130,000 copies). Other successful new titles included *Un luogo incerto* by Fred Vargas (115,000 copies), *Il lamento del bradipo* by Sam Savage (65,000 copies), *Non deve accadere* by Anne Holt (60,000 copies), *Vedi di non morire* by Josh Bazell (50,000 copies), *Educazione Siberiana* by the young first-time author Nicolai Lilin (45,000 copies), *Il museo dell'innocenza* by Orhan Pamuk (40,000 copies) and *La faccia nascosta della luna* by Carlo Lucarelli (40,000 copies).

### ***Sperling & Kupfer***

In the first nine months of 2009 Sperling & Kupfer recorded revenues of €19.1 million, an increase of 13% on the same period of the previous year.

Significant new titles during the period included, in Fiction, *Il gioco delle verità* by Sveva Casati Modignani (180,000 copies), top of the Nielsen bestsellers list for Italian fiction for five weeks; the mafia novel by Salvo Sottile, *Più scuro di mezzanotte* (25,000 copies), *Level 26* by Anthony E. Zuiker, that combines text and multimedia content and the year's third new title by Danielle Steel *Ricominciare* (45,000 copies).

The Frassinelli imprint, in addition to the usual title by Nicholas Sparks *Ho cercato il tuo nome* (100,000 copies) also published the new book by Blas de Robles, *Alcantara*, which attracted considerable press attention in Italy.

In Non Fiction stand out titles were produced by Graeme Sims, with *Portami con te*, the new book by Melania Rizzoli *Se lo riconosci lo eviti* (20,000 copies) and the surprise hit by Valeria Della Valle and Giuseppe Patota *Viva il congiuntivo*. Finally in the business segment, of note was the new title by Spencer Johnson *I su e giù della vita*.

Special mention should also be given to the success of the series “Il mondo di Patty” with the publication of *Il diario segreto di Patty*, continuously among the top 5 in the Various best sellers list.

### ***Edizioni Piemme***

In the first nine months of 2009 Piemme generated net revenues of €33.7 million, a fall of 9.9% on the same period of the previous year.

The September result was penalised by the lack of sales of the bestsellers by Khaled Hosseini; but still reached good levels compensated by the success of new titles including, in fiction, the excellent response to the new thriller by Michael Connelly, *Il cerchio del lupo* (85,000 copies), and the encouraging response to new authors, including *L'arte di correre sotto la pioggia*, by Garth Stein (46,000 copies) and *Il quaderno azzurro* by James A. Levine (40,000 copies); in non-fiction there were good results for *Il bambino senza nome* by Mark Kurzem (60,000 copies), and *La bambina con i sandali bianchi* by Malika Bellaribi (30,000 copies). There was an improved performance in Religion compared with 2008, thanks to the now consolidated success of authors such as Dalila Di Lazzaro, with *Toccami il cuore* (56,000 copies) and the footballer Nicola Legrottaglie with *Ho fatto una promessa* (51,000 copies).

In the Paperback area there was a marked increase compared with 2008 thanks to the success of the first Bestsellers promotional campaign in the month of May. A significant push was also given by the launch of the paperback edition of *Il cacciatore di aquiloni* by Khaled Hosseini (145,000 copies).

Revenues from the Junior area, despite an increase in returns, were up on the corresponding period of 2008: the Battello a Vapore imprint saw essential stability in the catalogue, due to both the edutainment series (Serie Classiche) and the series more oriented to entertainment.

The Stilton line, meanwhile, saw significant results for new titles such as *Quinto viaggio nel Regno della Fantasia* (136,000 copies) and *Le avventure di Ulisse* (80,000 copies).

### ***Art books and exhibitions***

In the first nine months of 2009 Mondadori Electa recorded revenues of €29.6 million, a slight increase (+1.4%) compared with the first 9 months of 2008.

The company has felt the impact of the downturn in some of the market segments in which it operates, including the bookstore channel and add-on sales, compensated by activities in the cultural heritage sector and contract publishing. There were continued problems, meanwhile, for foreign sales, particularly penalised by the strength of the euro against the dollar and sterling and weakness in foreign retail sales of illustrated books.

Among the most successful titles in the period were *Orti Felici* by Paolo Pejrone and *Mamme e Leggere* by various authors.

There was also a good performance for some new architecture titles, including *Tadao Ando per Pinault* by Francesco Dal Co, linked to the inauguration of the Punta della Dogana in Venice.

In concessionary services and exhibition organisation, the Coliseum was, in the first nine months of the year, by far Italy's most visited monument, even if the number of paying visitors was down on the previous year.

### ***Mondadori Education***

In the first nine months of 2009 Mondadori Education generated revenues of €68 million, a fall of 4.1% on the same period of the previous year.

Mondadori Education confirmed its position as the second player, after the Zanichelli Group, in terms of market share in the market for textbook adoptions. The following table shows the relative market shares of the main competitors:

<b>Textbook adoptions</b>	<b>2009</b>
Zanichelli-Loescher-D'Anna	14.1%
Mondadori Education	13.4%
RCS Scuola	12.7%
PPBM Pearson-Paravia-Esbmo	11.8%
De Agostini Group	11.1%

Source: AIE

In primary schools there was an improvement on the already good results of recent years.

There was a fall in the first level of secondary schools, due to lower adoptions from the catalogue related to a greater tendency by teachers to adopt new titles as a consequence of the obligation to keep the same title for a period of six years.

In second level secondary schools market share remained stable. The English grammar book in the new Mondadori for English imprint achieved 10,000 adoptions.

In secondary schools in general there is increased attention on spending caps which consequently is penalising the adoptions of classics, translations and fiction.

Editorial programmes currently in development foresee the production of new mixed content (print and digital) titles, in line with directives from the ministry of education regarding the updating of educational publishing catalogues. It should be remembered, however, that the print versions of such new titles can not be re-published for six years.

In the university sector, of note is the ongoing cooperation with the Fondazione per la Sussidiarietà and the Fondazione Meeting di Rimini.

With regard to non-fiction cultural titles aimed at the extra-university segment, the decision has been taken to re-launch the *Le Monnier* series Quaderni di Storia.

On the institutional front, a reform has been announced for second level secondary schools with the introduction of six categories of high school and the reorganisation of technical and professional institutes. Study programmes are still being defined and discussed by a range of ministerial commissions.

### ***Distribution & Logistics***

Revenues from Distribution & Logistics, which totalled €27.5 million, in the first nine months of the year showed an increase of 10.4% on the same period of 2008.

Revenues from third-party publishers continued the positive trend of the first six months, with an increase of 13.2% on the first nine months of 2008; particularly positive was the performance of Baldini e Castoldi Dalai (+47% vs 2008), thanks to the new title by Giorgio Faletti *Io sono Dio*.

The overall business saw a contraction in terms of copies of 5.8%, with a reduction in costs of 2.3% and an average cost-per-copy in line with that of the same period of 2008.

### ***Magazine Division Italy***

Also the third quarter of the year saw, albeit to a slightly lesser degree, manifestations of all the elements that led to the crisis in the national and international publishing sector that began in the second half of 2008.

Of particular note was the performance in the summer months, with Mondadori Magazines witnessing an upturn in circulation and also advertising proving able to contain the downward trend thanks to a series of special initiatives.

In this difficult context, the revenues of Mondadori's titles (excluding other revenues) fell by 18.7% (-6.7% in Q3) compared with the same period of 2008.

	€m 30 September 2009	€m 30 September 2008
Magazine revenues	346.1	425.7
Other revenues	22.5	15.3
	<b>368.6</b>	<b>441.0</b>
Operating costs	(339.5)	(370.3)
<b>Gross operating profit</b>	<b>29.1</b>	<b>70.7</b>
Amortizations and depreciations	(0.7)	(0.6)
<b>Operating profit</b>	<b>28.4</b>	<b>70.1</b>

The decline over the first nine months was the result of:

- a fall in circulation (-4.7%), in line with the market of reference, with a more reassuring performance in the third quarter (-2.5%);
- an ongoing downsizing of revenues from add-on sales (-26.3%), albeit less marked than for other magazine publishers and with better results in the summer period (-1.8%) compared with the same quarter of 2008;
- a continuing slump in advertising revenues (-26.9%, with a fall of 16.1% in Q3), characterised by both a reduction in volumes and a decrease in tariffs.

Among the most notable facts during the quarter were:

- strenuous efforts to sustain a number of weekly titles during the summer that resulted in an increase in revenues only slightly below the levels of the previous year;
- the bringing forward, with respect to standard practice, of numerous add-on initiatives in the two-month period, July-August, with results that continue to be satisfactory;
- the relaunch of the monthly *Flair* which, with a reconfigured editorial policy, has seen a promising circulation trend in the first few issues;
- the signing, in August for editorial and design staff, and in October for journalists, of two union agreements that, adopting instruments foreseen by legislation introduced in the light of the current economic crisis, along with an incentive plan, will lead to a significant reduction in the number of staff over the next two years. At the same time, the company's integrative contract for journalists was renewed and includes a range of measures aimed at improving productivity and rationalisation;
- meanwhile, ongoing efforts continued to ensure the effective control of costs, with significant results in all operating areas.

What follows is a more detailed breakdown of the management of both circulation and add-on sales.

### Circulation

There was a less negative trend in the summer season and the fall in terms of copies came to -7.7% (from -10% at the end of June). In this context Mondadori maintained both its market share and leadership.

Of note were the summer performances of *Chi*, *TV Sorrisi e Canzoni* and TV guides in general (*Guida TV* and *Telepiù*), *Donna Moderna*, *Grazia*; while *Tu Style*, relaunched at the beginning of the year, continued to grow.

### Add-on sales

The downturn in this peculiarly Italian editorial phenomenon is in the region of -25% (to the end of August) with a further increase in the number of issues, an obvious fall in average sales and a tortured maintenance of retail prices. In any case, the segment remains one in which for the whole of 2009 the total value is estimated at €500 million.

Mondadori covers the sector mainly with operations linked with three titles (*TV Sorrisi e Canzoni*, *Panorama* and *Donna Moderna*) as well as, more recently, with the launch of authentically collectable products.

In line with the past, the best results were obtained with editorial products aimed at families and younger targets (above all we would underline the success of the series: “*L’Enciclopedia della Cucina Italiana*” and “*Il mondo di Patty*”), the home video series, initiatives dedicated to Music and, finally, a number of purely collectable operations.

### ***International***

In the first nine months of the year licensing revenues for Mondadori titles continued to grow, recording an increase of 15.1%, despite a crisis that also at an international level has had an impact on the revenues of the individual editions and relative royalties, with the greater number of licences compensating for the effects of the downturn.

The 1<sup>st</sup> October saw the launch of a new edition of *Grazia* in Thailand, which will be followed up by the end of the year with a new edition in Indonesia, which will be the fifteenth edition of the women’s title around the world.

To the success of *Grazia Network* should be added the good performance of the licences for *Casaviva*, *Flair*, *Sale&Pepe* and *Interni*.

On 22 October *Flair* was launched by the publisher of *Flair* Austria, Ahead Media, also in The Czech Republic, Slovakia, Slovenia and Hungary.

During the period the subsidiary Attica was affected in Greece and the Balkan countries by the reduction of advertising budgets, while managing to react to the substantial fall in revenues (around -30% compared with the previous year) with a detailed policy for containing costs.

***Digital***

Revenues from Mondadori's web sites saw a marked increase compared with the previous year (+12.2%) thanks to a positive performance by donnamoderna.com (+34%), substantially above the market average (+5.2% Source: Nielsen to September). In September the portal for women recorded 1.5 million unique users and 20 million page views (Source: Nielsen Netview).

***Magazine Division France***

The Magazine Division in France generated total revenues in the first nine months of 2009 of €254.8 million, a fall of 10.5% on the same period of the previous year. On a like-for-like basis, in other words net of the titles sold in 2008, the fall was of 7.4%.

	€m 30 September 2009	€m 30 September 2008
Magazine revenues	248.6	277.0
Other revenues	6.2	7.5
	<b>254.8</b>	<b>284.5</b>
Operating costs	(241.6)	(251.2)
<b>Gross operating profit</b>	<b>13.2</b>	<b>33.3</b>
Amortizations and depreciations	(8.6)	(3.9)
<b>Operating profit</b>	<b>4.6</b>	<b>29.4</b>

At the end of August Mondadori launched *Grazia* France, which, from the first issues, performed well ahead of expectations, both in terms of circulation and advertising, with sales of 243,000 copies for the first issue and an average circulation of around 217,000. Thanks to adhesion of a range of important up-market advertisers, not only French, the first seven issues of the title sold an average of 33 advertising pages per issue. Both circulation and advertising results were ahead of expectations.

In line with the policy of concentrating on upscale and mass market titles, Mondadori France has announced its intention to close 4 "specialised" titles (*Mixte*, *Caméra Vidéo*, *Le Photographe* and *ADDX*).

**Circulation**

Newsstand sales saw a fall of 5.7% (Source: NMPP/TP- to the end of August)

Circulation revenues, which account for 70.5% of the total, were down by 4.8%. On a like-for-like basis the fall would be of 2.4%.

Subscriptions (32,9% of total revenues), meanwhile, were up and continue to be a stable source of income in this difficult business climate.

### Advertising

On the advertising front, the magazine market in France remained at the negative levels recorded in the previous months, with a slight improvement in the summer (-14.0% in terms of volume in the first eight months; Source: TNS\_MI).

The advertising revenues of Mondadori France came to €9.3 million, a 20.9% fall; on a like-for-like basis the figure was 15.9%.

In an extremely difficult market, Mondadori France continued to pursue efficiencies in its industrial activities (paper and printing) and to reduce marketing, distribution and general costs.

The introduction in 2009 of a number of projects, including the launch of *Grazia*, the reorganisation of the business and the ongoing review of the titles, are an extremely important process for Mondadori France that will enable the company to emerge from the current economic crisis with better prospects for the future.

## ***Advertising***

### ***The market***

The trend in advertising investments, after the sharp fall in the first half of the year (-17%), in the third quarter, despite the ongoing effects of the general economic downturn, showed some signs of mitigating the negative symptoms.

In particular, on the basis of Nielsen data to September, the sector that was most seriously affected remains print media, with an overall fall of around -23,6% (-25% to June), with Newspapers showing a tenuous recovery (to June -22.1% to September -20.2%) while, Magazines, meanwhile, continued to suffer (to June -29.4% to September -28.8%); Television held out at -13.2% (to June -14.2%), Radio went from -17.5% in the first half to -14%, while the Internet, over the summer, saw a slight slowdown in growth, recording +5.2% (+7.9% to June).

### ***The company***

	€m	€m
	30 September 2009	30 September 2008
Advertising revenues	178.3	239.9
Other revenues	3.3	4.8
	<b>181.6</b>	<b>244.7</b>
Operating costs	(183.8)	(243.7)
<b>Gross operating profit</b>	<b>(2.2)</b>	<b>1.0</b>
Amortizations and depreciations	(0.1)	(0.2)
<b>Operating profit</b>	<b>(2.3)</b>	<b>0.8</b>

Thanks to a more effective reaction to market conditions, Mondadori Pubblicità ended the third quarter with total revenues for the period that were down by 17% compared with 2008, partially recovering the decline of -29% recorded in the first half.

In particular, Magazines generated results that made it possible to contain the shortfall compared with the competition, thanks to the numerous initiatives launched to valorise the targets of the wide-ranging portfolio.

Among the weeklies, special mention should be given to the performance, in terms of pages, of the successfully relaunched *Tu Style*, *Panorama* and *Grazia*, without excessive cover price discounts, in a market that was still marked by the downturn in key sectors for Mondadori, such as Fashion, Interiors, as well as Cosmetics and FMCGs.

In other media, Radio, with R101, showed some signs of recovery, while the Internet showed strong signs of recovery in the summer, with a performance that was above the market average.

In the meantime, a series of strategic projects are in preparation in order to reinforce the company's presence in the market and to valorise the assets in the portfolio. These include:

- the creation of a Development Network, with the precise objective of acquiring new clients, in line with the available targets;
- the project for the development of online advertising sales, which, with the creation of a new sales company "*Mediamond*" in partnership with Publitalia, will build a dedicated sales team able to exploit the opportunities offered by the digital media, as well as synergies with brands linked to more traditional media.

### ***Direct Marketing***

	€m	€m
	30 September 2009	30 September 2008
Revenues	13.8	15.9
Other revenues	-	-
	<b>13.8</b>	<b>15.9</b>
Operating costs	(13.6)	(14.6)
<b>Gross operating profit</b>	<b>0.2</b>	<b>1.3</b>
Amortizations and depreciations	(0.1)	(0.1)
<b>Operating profit</b>	<b>0.1</b>	<b>1.2</b>

In the first nine months of 2009 the Direct Marketing sector in Italy recorded a fall of 17.9% (Nielsen data to September) in line with the trend in the first half of the year.

During the period Cemit generated revenues of €13.8 million, which was lower than the same period of the previous year.

The fall was mainly due to the slowdown in investments by industry, especially the automotive sector, the impact of which was contained by careful management of costs.

## ***Retail***

The Retail Division felt the effects in the first nine months of the year of the generalised decline in consumer spending, while in the third quarter there was substantial stability compared with 2008. This allowed Mondadori to end the period with revenues for the division that were -1.7% down on last year.

Sales from the company's directly-owned stores were down by around 8.9% in the first nine months compared with the previous year.

A breakdown of revenues shows different trends for different types of goods. Editorial products maintained the levels of 2008, stationery was up (+30%), while IT products saw a fall of 13% and audio-video was down by 11%.

A sharp reduction in overall costs, also achieved through the renegotiation of rental contracts, has made it possible to improve profitability, despite the downturn in revenues.

Mondadori Franchising continued its expansion programme thanks to the ongoing development of the chain which has become, in terms of the number of outlets, Italy's most extensive network for the sale of editorial products with 239 bookshops (212 on 30 September 2008) and 191 Edicolò outlets (157 on 30 September 2008).

Thanks to these development activities revenues were up by 12%.

	€m 30 September 2009	€m 30 September 2008
Revenues	126.4	128.6
Other revenues	-	-
	<b>126.4</b>	<b>128.6</b>
Operating costs	(127.6)	(127.8)
<b>Gross operating profit</b>	<b>(1.2)</b>	<b>0.8</b>
Amortizations and depreciations	(3.6)	(5.5)
<b>Operating profit</b>	<b>(4.8)</b>	<b>(4.7)</b>

## ***Radio***

During the first nine months of the year the radio advertising market showed an improvement, compared with the first six months of 2009 (-14% to September; -17.5% to July; Source: Nielsen).

There was a gradual slowdown in the decline during the summer months, while, from September there was first tentative signs of recovery.

In this context R101 generated revenues of €9.7 million, a fall of 12.6% compared with the corresponding period of 2008.

	€m 30 September 2009	€m 30 September 2008
Revenues	9.7	11.1
Other revenues	-	-
	<b>9.7</b>	<b>11.1</b>
Operating costs	(12.3)	(12.1)
<b>Gross operating profit</b>	<b>(2.6)</b>	<b>(1.0)</b>
Amortizations and depreciations	(1.2)	(1.2)
<b>Operating profit</b>	<b>(3.8)</b>	<b>(2.2)</b>

Since the beginning of 2009 Audiradio has changed the metrics for ratings, putting alongside traditional telephone surveys for daily average ratings, the use of panel diaries, which provides figures on listeners over 7, 14, 21 and 28 days.

In the 4th two-month period of 2009, R101 was in 5th place among national commercial radio stations (listeners over 28 days), markedly closing the gap with the top stations.

The new web site [www.R101.it](http://www.R101.it) has been online since June. The site has been developed on a new technological platform with a view to strengthening the online editorial offer, to reach new users/listeners and to stimulate a greater level of interactivity with web radio users.

## ***Corporate and other business***

The Corporate includes, in addition to the structure responsible for handling the group's financial assets, parent company functions engaged in service activities for the companies of the Group and the Business divisions.

Such activities concern mainly ITC, accounting, management control and planning, treasury and finance, human resources, legal and corporate affairs and communications.

Revenues derive essentially from the billing of subsidiary and associated companies and other bodies for the abovementioned services.

***Financial situation***

The Mondadori Group's financial situation as of 30 September 2009, showed a deficit of €16.9 million, an improvement compared with the end of last year.

	€m	€m	€m
	<b>30 September 2009</b>	<b>31 December 2008</b>	<b>30 September 2008</b>
Cash and other equivalent liquid assets	160.0	330.5	249.0
Financial investments at fair value	-	3.3	91.9
Financial investment available for sale	37.9	39.7	-
Gains (losses) from derivatives	(9.0)	(10.7)	(37.7)
Other financial gains (losses)	1.9	0.7	(46.6)
Financing (short & medium/long term)	(607.7)	(564.7)	(533.1)
Bonds	-	(289.1)	(256.2)
Convertible bonds	-	-	(111.8)
<b>Net financial position</b>	<b>(416.9)</b>	<b>(490.3)</b>	<b>(644.5)</b>

It should be noted that in September, Mondadori International reacquired, at cost, 100% of the Private Placement denominated in US dollars at a fixed rate and issued in 2003 for a total of US\$350 million. At the same time, a cross currency swap linked to the Private Placement was closed.

The effect of these two operations amounted additional income of €12.2 million, booked under "Financial income (charges)".

***Trends in interest and exchange rates***

From initial figures available, the third quarter of 2009, at a global level, is expected to confirm the trend recorded during the summer months: a recovery in production continues and should continue in the coming months, even if the general scenario remains characterised by a certain volatility and geographic variations.

In Asia, the emerging countries and China are growing at a significant rate, with business stimulated by a good level of exports and both private and public investment, while in the United States growth is being driven primarily by a recovery in consumer spending and in the construction industry.

In the eurozone, economic growth in the quarter makes it possible to be a little more optimistic about the future, even if the sustainability of the recovery in the medium term is threatened above all by the varying approaches adopted in the different countries.

Italy, in particular, has been among the last to emerge from recession, a full three months behind France and Germany, thanks especially to an unexpected jump in industrial production in the month of August, probably due to seasonal factors.

Since the beginning of the year the European Central Bank has adopted policies aimed at stimulating and stabilising the economy and providing a stimulus to banks to adopt a more expansive approach to credit across Europe: interest rates have remained fixed at 1% since the beginning of May, while substantial inflows of liquidity have brought down interbank overnight lending rates (EONIA) to levels close to the minimum of the marginal rate on deposits (which since April has been 0.25%).

As a result, also interbank reference rates for finance operations have shown a marked downward trend: the Euribor 3 month rate which is currently hovering under 0.75%, on average, during the first three quarters of 2009 recorded a level of 1.387%. In the same period, the average cost of money for the Mondadori Group was 2.538%.

In terms of exchange rates, the US Dollar weakened significantly during the third quarter 2009 against the Euro, from around €1.40 to around the current €1.50. Also Sterling saw a weakening against the Euro, reaching a recent record low of €0.94.

Overall credit lines available to the Group at 30 September 2009 came to €1,312.0 million, €848.1 of which was committed.

Only €68.1 million of the Group's short-term borrowing facilities, worth more than €32.0 million, were used as at 30 September 2009, current account overdrafts, advances on invoices and stand-by loans with a duration of less than 18 months minus one day.

Medium-long-term lines of around €780.0 million are made up of:

- €500.0 million for a five-year multi-borrower variable rate bank loan (expiring in 2011) organised by a pool of leading international banks. The loan is made up of a term loan of €300.0 million, fully used as of 30 September, and a revolving credit facility of €200.0 million, €100.0 million of which was utilised as of 30 September. It should be noted that two interest rate swaps have been applied on this term loan, transforming the variable into a fixed rate;
- €150.0 million for a variable interest loan, provided by Intesa Sanpaolo and expiring in 2013, made up, in equal measure, by a term loan and a revolving facility. As of 30 September only the term loan was utilised.
- €130.0 million for a variable rate loan, provided by Intesa Sanpaolo and expiring in 2015, made up, in equal measure, by a term loan and a revolving facility. As of 30 September only the term loan was utilised.

### ***Mondadori International***

The financial assets under management by the company, as of 30 September 2009, amounted to €140.4 million (€263.4 million at the end of 2008). The composition of the portfolio was as follows:

- current accounts, cash equivalent assets and time deposits with leading Italian banks with maximum expiry within three months for a total of €102.5 million;
- bonds with variable rates available for sale for a total of €37.9 million.

## *Personnel*

As of 30 September 2009 Group companies employed, on permanent and fixed-term contracts 3,853 people (3,925 at 31 December 2008).

A like-for-like comparison with the same period of the previous year, i.e. net of the sale of Mondadori Printing and Artes Graficas Toledo, highlights a reduction of 145, essentially due to efficiency gains and a block on turnover.

On 24 September 2009 a meeting was held at the Ministry of Labour and Social Policy in Rome where an agreement was signed with trade unions to proceed with requests for early retirement for a maximum of 181 employees of Arnoldo Mondadori Editore S.p.A. and Mondadori Pubblicità S.p.A. with printing/editorial contracts. A similar agreement is currently being defined for journalists in the Magazine Division of Arnoldo Mondadori Editore S.p.A.

<b>Personnel</b>	<b>30-09-2009</b>	<b>31-12-2008</b>	<b>30-09-2008</b>
Arnoldo Mondadori Editore SpA:			
- Managers, journalists and office staff	1,278	1,288	1,311
- Manual workers	103	108	106
	<b>1,381</b>	<b>1,396</b>	<b>1,417</b>
Italian subsidiaries:			
- Managers, journalists and office staff	1,383	1,433	1,817
- Manual workers	56	35	969
	<b>1,439</b>	<b>1,468</b>	<b>2,786</b>
Foreign subsidiaries:			
- Managers, journalists and office staff	1,033	1,061	1,087
- Manual workers	-	-	104
	<b>1,033</b>	<b>1,061</b>	<b>1,191</b>
<b>Total</b>	<b>3,853</b>	<b>3,925</b>	<b>5,394</b>

The cost of personnel for the period was €217.9 million (€271.5 million at 30 September 2008), a fall of 19.7%, on a like-for-like basis, i.e. excluding Mondadori Printing from September 2008, while restructuring costs, from figures available at September 2009, saw a fall of 7.7%.

## *Capital investments*

Capital investments in the first nine months of 2009, came to a total of €4.5 million and mainly refer to furniture, fittings and office machinery, as well as radio equipment.

### ***Other information***

The interim report for the period to 30 September 2009 has been prepared in compliance with IAS/IFRS standards and the evaluation criteria adopted are in line with those used at 31 December 2008.

The document provides the information requested by Art. 154 ter comma 5 - introduced by legislative decree 195/2007 - of legislative decree 58/1998.

For the purposes of like-for-like comparison, the figures contained in this document are in line with those contained in the company's periodic interim reports and communications with the market. Moreover, the interim report for the first quarter of 2008 is in line with previous quarterly reports, with particular reference to Encl. 3D of the Consob regulation 11971/1999.

Consequently, international accounting principle n°34, concerning financial communication during the course of the fiscal year, has not been applied.

### ***Expectations for the full year***

During the third quarter there were no significant changes to the trends in the markets of reference for the Mondadori Group. Furthermore, there are no reasons to believe that there will be any short-term turnaround in such trends, especially as far as the advertising market, the decline in which is expected to continue at a marked level until the end of the year.

The results achieved in terms of cost reductions, thanks to action taken on processes and structures, have allowed the Mondadori Group to maintain a good level of profitability in its core business and to continue to invest in development.

Of special relevance was the launch, at the end of August, of *Grazia* France, which, while involving significant investments, has proved rewarding in terms of results, with both circulation and advertising revenues ahead of expectations.

The final quarter of the year will also see the Group engaged in the implementation of an ambitious restructuring plan, made possible by recent agreements reached with trade unions, that will involve the editorial and journalistic structures both in Italy and in France and will lead to significant savings already in the coming year.

The effects of the decline in revenues, in particular in advertising, the area with greatest impact on profitability, ongoing investments in development and the commitment to cost reductions, involving reserves for the restructuring process, will lead to a significant reduction operating profit compared with last year.

On behalf of the Board of Directors  
The Chairman  
Marina Berlusconi

## *Consolidated financial statements*

*Consolidated balance sheet*

Assets	30 September 2009	31 December 2008
<b>Intangible assets</b>	<b>921,911</b>	<b>930,883</b>
<b>Fixed assets</b>	<b>2,492</b>	<b>2,554</b>
Land and buildings	17,658	18,263
Plant and machinery	9,033	10,312
Other assets	28,922	32,213
<b>Property, plant and machinery</b>	<b>55,613</b>	<b>60,788</b>
Investments booked using net equity method	133,970	140,779
Other investments	221	221
<b>Total investments</b>	<b>134,191</b>	<b>141,000</b>
<b>Non-current financial assets</b>	<b>483</b>	<b>2,019</b>
Advanced taxes	39,346	38,947
Other non-current assets	3,083	2,858
<b>Total non-current assets</b>	<b>1,157,119</b>	<b>1,179,049</b>
<b>Tax credits</b>	<b>22,154</b>	<b>20,059</b>
<b>Other current assets</b>	<b>92,897</b>	<b>90,279</b>
<b>Inventories</b>	<b>121,909</b>	<b>123,366</b>
<b>Trade receivables</b>	<b>384,299</b>	<b>417,358</b>
<b>Stocks and other current financial assets</b>	<b>56,478</b>	<b>68,461</b>
<b>Cash and equivalents</b>	<b>160,048</b>	<b>330,530</b>
<b>Total current assets</b>	<b>837,785</b>	<b>1,050,053</b>
<b>Assets destined to be sold or closed</b>	-	-
<b>Total assets</b>	<b>1,994,904</b>	<b>2,229,102</b>

*Consolidated balance sheet*

Liabilities	30 September 2009	31 December 2008
Share capital	67,452	67,452
Share premium reserve	286,857	286,876
Treasury stock	(138,840)	(138,840)
Other reserves and results carried forward	288,936	194,606
Profit (loss) for the period	27,056	97,080
<b>Total Group shareholders' equity</b>	<b>531,461</b>	<b>507,174</b>
Minority capital and reserves	1,678	1,925
<b>Total shareholders' equity</b>	<b>533,139</b>	<b>509,099</b>
Reserves	43,180	39,693
Severance payments	59,750	61,363
Non-current financial liabilities	448,801	674,005
Deferred tax liabilities	89,861	88,900
Other non-current liabilities	100	-
<b>Total non-current liabilities</b>	<b>641,692</b>	<b>863,961</b>
Income taxes payable	23,276	23,637
Other current liabilities	248,497	258,838
Trade liabilities	363,164	356,300
Bank debts and other financial liabilities	185,136	217,267
<b>Total current liabilities</b>	<b>820,073</b>	<b>856,042</b>
Liabilities deriving from sales or closures	-	-
<b>Total liabilities</b>	<b>1,994,904</b>	<b>2,229,102</b>

*Consolidated income statement*

	Period to 30 September 2009	Period to 30 September 2008
<b>Income from sales of goods and services</b>	<b>1,114,305</b>	<b>1,368,109</b>
Decrease (increase) in inventories	1,461	5,844
Cost of raw materials and consumables and goods for resale	175,220	327,166
Cost of services	614,969	579,000
Personnel costs	217,895	271,457
Other income (expense)	31,186	20,894
Income (charges) from investments calculated on a net equity basis	(5,341)	5,078
<b>Gross operating profit</b>	<b>68,233</b>	<b>168,826</b>
Depreciation of property, plant and machinery	9,084	25,637
Depreciation of intangible assets	9,198	5,662
<b>Operating profit</b>	<b>49,951</b>	<b>137,527</b>
Net financial income (charges)	5	(33,027)
Other financial income (charges)	-	30
<b>Profit for the period before taxation</b>	<b>49,956</b>	<b>104,530</b>
Tax charges (income)	22,424	45,204
<b>Profit from current activities</b>	<b>27,532</b>	<b>59,326</b>
Income (charges) from assets/liabilities destined for sale or closure	-	-
Minority interest	(476)	(568)
<b>Net profit</b>	<b>27,056</b>	<b>58,758</b>
Net profit per share (in €)	0.11	0.25
Diluted net profit per share (in €)	0.11	0.25

On behalf of the Board of Directors  
The Chairman  
Marina Berlusconi

***Total consolidated income statement***

In €000	30 September 2009	30 September 2008
<b>Net profit net of minority interest</b>	<b>27,532</b>	<b>59,326</b>
Profit (loss) from the conversion of foreign subsidiaries	(12)	9
Other profit (loss) from companies evaluated on a net equity basis	(163)	140
Effective portion of profit (loss) on cash flow hedging instruments	(4,936)	(1,036)
Profit (loss) from assets available for sale ( <i>fair value</i> )	3,665	-
Tax effect of other profit (loss)	-	-
<b>Total other profits (losses) net of tax effect</b>	<b>(1,446)</b>	<b>(887)</b>
<b>Overall profit for the period</b>	<b>26,086</b>	<b>58,439</b>
Attributable to:		
- Shareholders of the parent company	25,610	57,871
- Minority interest	476	568

On behalf of the Board of Directors  
The Chairman  
Marina Berlusconi

***Separate consolidated income statement***

	<b>Q3 2009</b>	<b>Q3 2008</b>
<b>Income from sales of goods and services</b>	<b>383,578</b>	<b>438,038</b>
Decrease (increase) in inventories	5,226	(1,332)
Cost of raw materials and consumables and goods for resale	58,473	100,118
Cost of services	204,012	184,721
Personnel costs	74,807	82,880
Other income (expense)	11,335	8,031
Income (charges) from investments calculated on a net equity basis	(1,692)	702
<b>Gross operating profit</b>	<b>28,033</b>	<b>64,322</b>
Depreciation of property, plant and equipment	3,057	8,691
Amortisation and impairment of intangible assets	2,911	1,911
<b>Operating profit</b>	<b>22,065</b>	<b>53,720</b>
Financial income (expense)	10,326	(13,361)
Income (expense) from investments	-	-
<b>Profit before income taxes</b>	<b>32,391</b>	<b>40,359</b>
Income taxes	12,417	18,178
<b>Profit from continuing activities</b>	<b>19,974</b>	<b>22,181</b>
Income (expense) from assets/liabilities held for sale	-	-
Result attributable to minorities	(169)	(155)
<b>Net profit</b>	<b>19,805</b>	<b>22,026</b>

On behalf of the Board of Directors  
The Chairman  
Marina Berlusconi