



MONDADORI

Mandatory public notification (as per CONSOB Regulation N° 11971 of May 14, 1999) and subsequent modifications.

PRESS RELEASE

Board of Directors approves interim report on the year to 30 September 2009

- **CONSOLIDATED REVENUES OF €1,114.3 MILLION:
-18.6% COMPARED WITH THE €1,368.1 MILLION AT 30 SEPTEMBER 2008
(-11.4% ON A LIKE-FOR-LIKE BASIS)**
- **GROSS OPERATING PROFIT OF €68.2 MILLION:
-59.6% COMPARED WITH THE €168.8 MILLION AT 30 SEPTEMBER 2008**
- **CONSOLIDATED NET PROFIT OF €27.1 MILLION:
-53.9% COMPARED WITH THE €58.8 MILLION AT 30 SEPTEMBER 2008**
- **FULL YEAR FORECAST: EXPECTATIONS ARE FOR A SIGNIFICANT REDUCTION
IN OPERATING PROFIT COMPARED WITH THE PREVIOUS YEAR**

Segrate, 12 November 2009 - The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the chairmanship of Marina Berlusconi, to examine and approve the interim report for the first nine months of the year to 30th September 2009, as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

THE MARKET SCENARIO

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 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.

The book market 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.

GROUP PERFORMANCE IN THE PERIOD TO 30 SEPTEMBER 2009

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 agreements 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 million, a 26.9% fall on the same period of 2008.

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 **€68.2 million**, a 59.6% fall 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 55.1%: this is essentially due to a lower level of profit from the business (-€57 million, of which -€8.6 million from add-on sales); higher investments for business development (-€7.8 million); and changes from non-recurring items (extraordinary items, restructuring charges) of -€19.1 million.

Consolidated operating profit came to **€50 million**, a fall of 63.6% compared with the €137.5 million of the

same period of 2008, with amortizations and depreciations of tangible and intangible assets for a total of €18.2 million (€31.3 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 **€50 million**, a fall of 52.2% on the €104.5 million of the first nine months of 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 **€27.1 million**, a 53.9% reduction on the €58.8 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 €90.1 million in 2008.

The Group's **net financial position** at 30 September 2009 showed a deficit of €416.9 million, an improvement on the -€490.3 million at the end of 2008.

On 30 September 2009 the **personnel** employed by the companies of the Group totalled 3,853 (3,925 on 31 December 2008). Compared with the first nine months of last year, on a like-for-like basis - i.e. excluding Mondadori Printing – the reduction totalled 145, essentially thanks 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..

Labour costs of €217.9 million (€271.5 million to 30 September 2008) were down by 19.7%; on a comparable basis (excluding Mondadori Printing and restructuring costs) the reduction was of 7.7%.

In Italy company has put in place an important restructuring plan essentially based on the use of a range of instruments made possible by the definition of new organisational models. The plan will also benefit from the application of Law N° 416/81 concerning early retirement for all those who have matured, or will mature, in the period 2009-2011, the necessary requirements. This plan will, on a like-for-like basis, lead to a fall in the payroll at the end of 2011 of 21%.

In France the results in terms of reorganisation have been achieved both through management actions and the sale/closure of titles. Such rationalisation activities will continue in line with agreements that are currently being defined.

RESULTS OF THE BUSINESS AREAS¹

• **Books**

In the first nine months of 2009, in the context of an economic recession and general slump in consumer spending, the publishing houses of the Mondadori Group recorded revenues of **€306 million**, a fall of 3.3% on the €316.5 million of the same period of 2008.

During the period the Division confirmed its clear leadership with a market share of 28% (excluding large-scale retail).

Concerning the individual publishing houses, **Edizioni Mondadori** in the first nine months of 2009 recorded revenues €88.4 million, a fall of 5.5% compared with the previous year.

Significant titles published during the period included, *Venuto al mondo* by Margaret Mazzantini which in early September won the 47th Campiello Literary Prize (450,000 copies). There was also great success for *La bellezza e l'inferno* (350,000 copies) by Roberto Saviano, *Marina* by Carlos Ruiz Zafon (300,000 copies), the latest legal thriller by John Grisham, *Il ricatto* (200,000 copies).

During the period **Einaudi** generated revenues of €34.5 million, a fall of 6.8% compared with the same period

¹ 1 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.

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 winner of the last Strega Prize, *Stabat Mater* by Tiziano Scarpa (more than 130,000 copies), and *Un luogo incerto* by Fred Vargas (115,000 copies).

Sperling & Kupfer recorded revenues of €19.1 million (+13% on the same period of the previous year). Significant new titles during the period included *Il gioco delle verità* by Sveva Casati Modignani (180,000 copies), top of the Nielsen bestsellers list for Italian fiction for five weeks.

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, characterised by the presence of the bestsellers by Khaled Hosseini; the first nine months of 2009 were compensated by the good performance of some new titles, including the thriller by Michael Connelly, *Il cerchio del lupo* (85,000 copies), and the launch in paperback of *Il cacciatore di aquiloni* by Hosseini (145,000 copies).

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.

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, and confirmed its position as the second player in terms of market share in the market for textbook adoptions.

• **Magazines Italy**

The third quarter saw a continuation of the difficulties affecting Italian and international publishing that began in the second half of 2008, albeit at a slightly reduced level. In particular, Mondadori saw an improvement in circulation in the summer months and even advertising was able to contain the downward trend thanks to a series of special initiatives.

Revenues generated by the Division in the period amounted to **€368.6 million**, a fall of 16.4% on the €441 million of the same period of the previous year 2008. In particular, the decline in the third quarter was of 6.7%.

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.
- 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.

In terms of the circulation of its titles, 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 *Telepù*), *Donna Moderna*, *Grazia*; while *Tu Style*, relaunched at the beginning of the year, continued to grow. On the add-on sales front, Mondadori, that covers the sector mainly with operations linked with *TV Sorrisi e Canzoni*, *Panorama*, *Donna Moderna* and collectable products, reported results in line with expectations, with initiatives aimed at families and younger targets, a home video series, music and, finally, a number of purely collectable operations.

There was a marked increase in revenues from Mondadori web sites compared with the previous year (+12.2%), thanks to the performance of *Donnamoderna.com* (+34%), which was markedly ahead of the market (+5.2%, Source: Nielsen to September), reaching, at the end of the period, 1.5 million unique users and 20 million page views (Source: Nielsen Netview).

International activities

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.

In October the 'Grazia International Network' 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 around the world. To the success of *Grazia* should be added the good performance of the licences for *Casaviva*, *Sale&Pepe*, *Interni* and *Flair*, which since October is also present in The Czech Republic, Slovakia, Slovenia and Hungary, as well as Austria.

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.

- **Magazines France**

The Magazine Division in France generated total revenues in the first nine months of 2009 of **€254.8 million**, a fall of 10.4% on the €284.5 million of 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%.

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.

After the excellent results obtained by the magazine in the launch phase, *Grazia* confirmed an excellent newsstand performance also in the subsequent period, with an average sale of more than 180,000 per issue for the first 11 issues. There was an average of 30 advertising pages, thanks to adhesion of a range of important up-market advertisers, not only French.

On the circulation front, in France newsstand sales saw a fall of 5.7% (Source: NMPP/TP, to the end of August). In this context the newsstand circulations of Mondadori France, which account for around 70% of the total, recorded a fall of 4.8%, almost one point better than the market; on a comparable basis the fall was of 2.4%.

Subscriptions, meanwhile, were up, confirming their role as a stable and important source of revenues.

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% in terms of volume in the first eight months; Source: TNS_MI). The advertising revenues of Mondadori France came to €59.3 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**

Mondadori Pubblicità ended the first nine months of the year with revenues of **€181.6 million**, a fall of 25.8% on the €244.7 million of the previous year, thanks to a significant capacity to react more effectively than the market; the overall fall in sales in the third quarter was held at around 17%, partially closing the gap opened up in the first half, which ended down by 29.1%.

Thanks to a number of initiatives launched by Mondadori Pubblicità, the radio stations and magazines in the portfolio generated results that made it possible to contain the decline compared with its competitors. Among the weeklies, special mention should be given to the performance, in terms of pages, of *Tu Style*, *Panorama* and *Grazia*, a result that was obtained in a market that continues to suffer from downturns in key sectors for Mondadori (fashion, interiors, cosmetics and FMCGs).

During the first months of the year a series of projects were also developed aimed at reinforcing the company's presence and valorising the assets in the portfolio. These included:

- the creation of a Development Network, with the precise objective of acquiring new clients;
- the incorporation of Mediamond, a new sales company for online advertising, jointly owned by Mondadori Pubblicità and Publitalia '80, as previously announced on the last 22th July.

- **Direct Marketing**

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**, a fall of 13.2%, which was lower than the market, compared with the €15.9 million of 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 of **€126.4 million**, a slight fall of 1.7% on the €128.6 million of last year.

Mondadori Retail generated revenues of €76.9 million, down by 8.9% on the €84.4 million of the same period of last year. Despite this shortfall in revenues, profitability was improved thanks to a marked reduction in overall costs, also achieved through the renegotiation of rental contracts on 40 directly controlled sales outlets.

Mondadori Franchising recorded revenues of €49.5 million, an increase of 12% on the €44.2 million of the first nine months of 2008, 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).

- **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), with the first tentative signs of recovery in the month of September. In this context R101 generated revenues of **€9.7 million**, (-12.6%) compared with the €11.1 million of the corresponding period of 2008.

In terms of ratings, R101 confirmed in the 4th two-month period of 2009 its position as the 5th national commercial network (Source: Audiradio, listeners over 28 days).

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 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.

§

The executive responsible for the preparation of the company's accounts, Carlo Maria Vismara, declares that, as per art. 2, 154 bis of the Single Finance Text, the accounting information contained in this release corresponds to that contained in the company's formal accounts.

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The report for the period to 30 September 2009 is made available, as per current legislation, at the company's corporate headquarters, Borsa Italiana S.p.A. and on the web site www.mondadori.it

Enclosures:

- consolidated balance sheet (1)
- separated consolidated income statement (2)
- separated consolidated income statement for the third quarter 2009 (3)

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Encl. 1

Consolidated balance sheet (in €m)

Assets	30 September 2009	31 December 2008
Intangible assets	921.9	930.9
Fixed assets	2.5	2.6
Land and buildings	17.7	18.3
Plant and machinery	9.0	10.3
Other assets	28.9	32.2
Property, plant and machinery	55.6	60.8
Investments booked using net equity method	134.0	140.8
Other investments	0.2	0.2
Total investments	134.2	141.0
Non-current financial assets	0.5	2.0
Advanced taxes	39.3	38.9
Other non-current assets	3.1	2.8
Total non-current assets	1,157.1	1,179.0
Tax credits	22.2	20.1
Other current assets	92.9	90.3
Inventories	121.9	123.4
Trade receivables	384.3	417.3
Stocks and other current financial assets	56.5	68.5
Cash and equivalents	160.0	330.5
Total current assets	837.8	1,050.1
Assets destined to be sold or closed	-	-
Total assets	1,994.9	2,229.1
Liabilities	30 September 2009	31 December 2008
Share capital	67.5	67.5
Share premium reserve	286.9	286.9
Other reserves and results carried forward	150.0	55.7
Profit (loss) for the period	27.1	97.1
Total Group shareholders' equity	531.5	507.2
Minority capital and reserves	1.6	1.9
Total shareholders' equity	533.1	509.1
Reserves	43.2	39.7
Severance payments	59.7	61.4
Non-current financial liabilities	448.8	674.0
Deferred tax liabilities	89.9	88.9
Other non-current liabilities	0.1	-
Total non-current liabilities	641.7	864.0
Income taxes payable	23.3	23.6
Other current liabilities	248.5	258.8
Trade liabilities	363.2	356.3
Bank debts and other financial liabilities	185.1	217.3
Total current liabilities	820.1	856.0
Liabilities deriving from sales or closures	-	-
Total liabilities	1,994.9	2,229.1

Encl. 2

Separated consolidated income statement (in €m)

	Period to 30.09.2009	Period to 30.09.2008
Income from sales of goods and services	1,114.3	1,368.1
Personnel costs	217.9	271.5
Cost of sales and management (*)	822.9	932.9
Income (charges) from investments calculated on a net equity basis	(5.3)	5.1
Gross operating profit	68.2	168.8
Depreciation of property, plant and machinery	9.0	25.6
Depreciation of intangible assets	9.2	5.7
Operating profit	50.0	137.5
Net financial income (charges)	-	(33.0)
Other financial income (charges)	-	-
Profit for the period before taxation	50.0	104.5
Tax charges (income)	22.4	45.2
Profit from current activities	27.6	59.3
Income (charges) from assets/liabilities destined for sale or closure	-	-
Profit attributable to minority interest	(0.5)	(0.5)
Net profit	27.1	58.8
Net profit per share (in €)	0.11	0.25
Diluted net profit per share (in €)	0.11	0.25

(*) Includes the following items: decrease (increase) in inventories; cost of raw, ancillary and consumable materials and goods; cost of services; various charges (income).

Encl. 3

Separated consolidated income statement for the third quarter 2009 (in €m)

	Q3 2009	Q3 2008
Income from sales of goods and services	383.5	438.0
Personnel costs	74.8	82.9
Cost of sales and management (*)	279.0	291.5
Income (charges) from investments calculated on a net equity basis	(1.7)	0.7
Gross operating profit	28.0	64.3
Depreciation of property, plant and machinery	3.0	8.7
Depreciation of intangible assets	2.9	1.9
Operating profit	22.1	53.7
Net financial income (charges)	10.3	(13.4)
Other financial income (charges)	-	-
Profit for the period before taxation	32.4	40.3
Tax charges (income)	12.4	18.1
Profit from current activities	20.0	22.2
Income (charges) from assets/liabilities destined for sale or closure	-	-
Profit attributable to minority interest	(0.2)	(0.2)
Net profit	19.8	22.0

(*) Includes the following items: decrease (increase) in inventories; cost of raw, ancillary and consumable materials and goods; cost of services; various charges (income).