



MONDADORI

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

PRESS RELEASE

Board of Directors approves report on the first quarter of 2010

- **CONSOLIDATED REVENUES OF €344.7 MILLION**
-2.8% COMPARED WITH THE €354.5 MILLION AT 31 MARCH 2009
- **GROSS OPERATING PROFIT OF €21.2 MILLION**
+49.3% COMPARED WITH THE €14.2 MILLION AT 31 MARCH 2009
- **CONSOLIDATED OPERATING PROFIT OF €15.7 MILLION**
+96.2% COMPARED WITH THE €8 MILLION AT 31 MARCH 2009
- **CONSOLIDATED NET PROFIT OF €2.4 MILLION**
COMPARED WITH A LOSS OF €1.8 MILLION AT 31 MARCH 2009

Segrate, 11 May 2010 - 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 three months of the year to 31st March 2010, as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

The market scenario

After a protracted period of decline, in the first quarter there were still no clear signals of a turnaround. In many sectors, however, there was a slowdown in the fall in consumer spending and, in some cases, some encouraging indications of a recovery.

A brief overview of the performance of the Mondadori Group

In this context, in terms of profitability, Mondadori's operating results continued the improvement that was recorded towards the end of 2009.

A significant part of the Group's operating profit derived from cost reduction efforts - to which there is an ongoing commitment - making it possible to defend and, in some areas, improve the level of profitability of the businesses.

There was a slight downturn in revenues, but much less marked than in the previous year.

In terms of advertising spending, there was a sharp slowdown in the rate of decline and in some sectors there were important signs of recovery.

GROUP PERFORMANCE IN THE PERIOD TO 31 MARCH 2010

Consolidated revenues in the first quarter of 2010 amounted to **€344.7 million**, a fall of 2.8% on the €354.5 million of the first three months of 2009.

Consolidated gross operating profit came to **€21.2 million**, an increase of 49.3% on the €14.2 million of the previous year, despite increased investments for development.

Consolidated operating profit amounted to **€15.7 million**, up by 96.2% on the €8 million of the first quarter of 2009, with amortizations and depreciations of tangible and intangible assets for a total of €5.5 million (€6.2 million in 2009).

Consolidated profit before taxation amounted to **€8.6 million**, more than three times the €2.6 million of 2009 despite an increase of €1.7 million in financial charges deriving from the debt restructuring.

Consolidated net profit came to **€2.4 million**, compared with the loss of **€1.8 million** recorded in the first three months of last year.

Gross cash flow in the first three months amounted to **€7.9 million**, compared with €4.4 million in 2009.

There was a further improvement in the Group's **net financial position** which went from -€372.9 million at the end of 2009 to **-€357.2 million** at the end of the first quarter of 2010. A positive balance, compared with the first quarter of last year, of €97 million.

Information regarding personnel

As of 31st March 2010, the personnel employed by companies of the Group (both on temporary and permanent contracts) amounted to 3,618 (3,750 in December 2009): a fall of 132 people, 70% of which resulting from the Restructuring and Early Retirement Plan, which is currently underway at the parent company and at Mondadori Pubblicità, and the remainder to the ongoing block on turnover and cost containment.

Compared with the first quarter of 2009 there was a reduction of 308 in the headcount.

RESULTS OF THE BUSINESS AREAS

• **Books**

The Book Division recorded revenues for the first quarter of 2010 of **€30.1 million**, a 10% fall on the €39 million of the same period of the previous year.

This shortfall was largely due to changes in the publishing schedule which, compared with 2009, foresees the publication of important titles after the end of the first quarter. These include the new book by Carlos Ruiz Zafón *Il palazzo della mezzanotte*, which was published in April and has already met with a good response.

During the first quarter of 2010, the Trade Books department announced a programme for the publication of more than 1,000 e-books for Christmas 2010.

Concerning the individual publishing houses, **Edizioni Mondadori** generated first quarter revenues of €28.7 million (-22.4%): a figure that was affected by a change in the publishing schedule which, compared with the previous year, is more concentrated in the second half.

Of note among the particularly successful titles was the new novel by Fabio Volo *Il tempo che vorrei*, published last year, which continued to sell extremely well in the first quarter, reaching total sales of 690,000 copies. New titles included: John Grisham's *Ritorno a Ford County* (100,000 copies), Madeleine Wickham (alias Sophie Kinsella) with *La compagna di scuola* (75,000 copies) and the first novel by Alessandro D'Avenia, *Bianca come il latte e rossa come il sangue* (over 70,000 copies).

During the period the net revenues generated by **Einaudi** saw an increase of 7.4% compared with the previous year, reaching €13 million, despite a fall of almost 15% in the instalments channel.

Sperling & Kupfer generated revenues of €6.8 million, a fall of 17.1% compared with the first three months of 2009 which benefited from the good sales of *Il gioco delle verità* by Sveva Casati Modignani.

In the first three months of 2010 the revenues of **Piemme** amounted to €12.5 million, an increase of 4.2% compared with last year.

In the art books segment **Mondadori Electa** recorded total revenues of €7.6 million, an 8.4% fall on the first three months of 2009; on a like-for-like basis, in other words net of revenues for the sale of rights for add-on sales operations, there would have been a slight increase (+0.4%) in total revenues.

Mondadori Education generated in the first quarter 2010 revenues of €2.5 million, a slight improvement on the €2.3 million of the same period of the previous year, in a period of the year, which as usual has a minimal impact on annual revenues.

• **Magazines Italy**

In the first quarter of 2010, the Italian and international publishing world, while still conditioned by the crisis seen in 2009, began to show some pale signs of stabilising. This was mostly evident in the advertising area overall, while on the circulation front the first months of the year continued to be characterised by persistent weakness, heightened by a further marked downturn in add-on sales.

In terms of advertising sales, consumer magazines appears to be the segment that is finding it most difficult to regain growth: This was particularly true in January and February, while March and April have provided more encouraging signals.

In this context, the Magazine Division in Italy generated revenues of **€123.4 million** essentially in line (-0.7%) with the €124.3 million of the first three months of last year.

Performance during the period was determined by the following:

- a fall in **circulation revenues** (-4.3%) in a market that was down by 10.6% (in terms of copies);

- growth in **revenues from add-on sales** (+3.7%), in marked contrast to the market of reference (in terms of value, -32.5%);
- a limited fall (-4.1%) in **advertising revenues**, held up by sustained efforts by the sales staff that has added new clients to the portfolio and a range of innovative initiatives that have driven planning across integrated communication platforms including print, web and others (*QR Code, Video In Print, Augmented Reality*).

Of particular note during the period:

- the re-launch of *Interni, Casa Facile, Panorama Travel* and *Grazia Casa*, monthlies that have seen a positive reaction, above all on the circulation side;
- promotional support activities for a number of weeklies that contributed to stabilising circulation and advertising revenues;
- editorial revisions conceived for the re-launch of some core titles (*Panorama, Tu Style* and *Chi*), planned for the coming months.

It should be noted that at the end of March the government suspended the long-standing practice – common also in many other European countries - of allowing publishers to take advantage of reduced postal rates for subscriptions. If new measures, that all publishers are pressing for, are not introduced in the short term, this will lead to a 100% increase in postal tariffs, putting additional pressure on the subscription channel.

International activities

In the first three months of the year licensing revenues were up by 24%, thanks to the good performance of the UK and Dutch editions of *Grazia* and the launch of the magazine in Germany. During the period there was also a doubling of advertising revenues, thanks to new international editions and due to the very negative first quarter of 2009.

With regard to the joint ventures, the activities in Russia and China performed decidedly better than last year, particularly in terms of advertising sales.

The subsidiary Attica began to feel the effects of the financial crisis in Greece with a fall in advertising revenues of around 9% (-2.5% on a like-for-like basis); and the performance in the Balkans continued to be very negative, compared with the first quarter of 2009 in which the negative impact of the crisis had still not been felt.

Digital

In the first quarter of the year, the online advertising market expanded by 3% (in terms of value, source Nielsen). In this context, the organisation of a dedicated sales force with the new sales company Mediamond, and the launch of *Graziemagazine.it* have given a particular push to online ad sales (+30%); the Group's web sites for women are also outperforming the market, in particular *Donnamoderna.com* and *Cosmopolitan.it*.

Efforts to concentrate resources specialised in digital ad sales have led to an increase in the share attributable to the sales company. This reduces net advertising revenues attributable to the publisher to +13%.

• **Magazines France**

Mondadori France generated first quarter 2010 revenues of **€1.1 million**, a 3% fall on the same period of the previous year. A correct evaluation needs to take account of changes in the business in France due to the closure and sale of some titles (some contributed to the EMAS joint venture) and the launch of *Grazia*, at the end of August 2009. On a like-for-like basis (excluding the titles sold or closed and the launch of *Grazia* France) revenues would be essentially in line with last year.

Circulation revenues, which account for around 75% of the total, were up by 1.2% (+4.5% on a like-for-like basis), thanks to good results by the magazines, including *Biba, Modes&Travaux, Sciences&Vie*. In addition to stable newsstand sales there was also a positive result from subscriptions, an increasingly important component of circulation revenues, which is also less exposed to economic volatility.

Revenue growth was the result of the strategic decision by the company to concentrate the portfolio on core titles, as well as a policy of continuous improvement of editorial quality. Of particular importance was the contribution of *Grazia*, which would up the increase, net of the titles no longer part of the portfolio, to +7.8%.

During the first quarter there was a marked upturn in advertising sales for Mondadori France titles compared with 2009: revenues were up by +4.2%, net of the titles no longer in the consolidation area and with the contribution of *Grazia*, also thanks to growth in the up-scale segment, which now accounts for 21% of total advertising sales (7% in 2009); total revenues were down by 9.3%.

Compared with the market of reference, which recorded growth of 3% in the first quarter, Mondadori France saw an increase in volumes of 6% (source: reclassified data from Kantar Media).

The cost reduction policy introduced by Mondadori France in recent years, continues also in the current year and, in addition to reorganisation, further savings will accrue from other actions. Among these is an important project for the transfer of all the company's headquarters to Montrouge in the Paris metropolitan area at the beginning of 2011. This will not only lead to cost savings, but also to other organisational and operational efficiencies.

The expansion of the joint venture with Axel Springer, to which all of the titles in the auto sector have been contributed, has already brought positive results, above all for the new formula of *L'Auto-Journal* which, from the first issues, has seen a rise in circulation. Further interesting developments are planned in the short term, particularly for the online versions of car magazines

The results of *Grazia*, even after the launch of two competing titles (*Envy* and *Be*), continue to be excellent, with an average over the quarter of 27 advertising pages and newsstand sales of 175,000 copies.

- **Advertising**

During the first quarter of 2010, felt the weight of significant changes, including the loss, from November 2009, of the titles published by Società Europea di Edizioni (*Il Giornale* and its supplements) and the transfer, in January 2010, of online sales to the new joint venture Mediamond.

In this context, the revenues of the company in the first three months of 2010 amounted to **€49.4 million**, a fall of 4.4% on the €51.7 million of the same period of the previous year.

In the context of magazines, sales for Mondadori titles alone were down by 2.9% on the first quarter of 2009, with the weeklies proving stable thanks to the positive performance of the women's titles.

In radio, ad sales for R101 were slightly up on those of the first quarter of 2009 and activities on behalf of Radio Kiss Kiss, begun in the first months of 2009, continued successfully.

- **Direct Marketing**

During the first quarter of 2010 Cemit generated revenues of **€5.1 million**, an increase of 6.3% on the €4.8 million of the same period of 2009, despite a market for direct mail investments that is continuing to decline. During the period the company continued its development and diversification activities for direct communication projects, also with an opening up of foreign activities, and improvements in the quality of processes.

- **Retail**

Total revenues from the Retail Division amounted to **€44.4 million**, a 6.2% increase on the €41.8 million of the first quarter of 2009, thanks to a stable performance by the network and partly due to new openings. During the period action continue to contain management costs in order to minimise the impact of a prolonged crisis in consumer spending that shows no sign of coming to an end.

The 32 stores directly managed by **Mondadori Retail** recorded sales in the first quarter of **€27.1 million** (+1.1% on the first three months of 2009).

Mondadori Franchising generated revenues of **€17.3 million**, a 15.3% increase on 31st March 2009, thanks to the development of the bookstore and Edicolè chain, which in the period rose to 456 outlets.

- **Radio**

R101 generated first quarter 2010 net revenues of **€3.1 million**, an increase of 3.3% on the €3 million of the same period of the previous year. In the first two months, advertising sales were up by 11.2%, in line with the market; the downturn in March was entirely due to the absence, of a significant special initiative that was a feature of 2009.

EXPECTATIONS FOR THE FULL YEAR

The situation in the markets of reference for the Mondadori Group in the first quarter of the year appear better compared with the end of 2009. In particular, advertising investments have seen improvement in the negative trend and, in some sectors, there has even been a turnaround.

Nevertheless, short-term visibility remains unclear, making it impossible to predict when a solid recovery will get underway. In any case the company is continuing with its organisational restructuring and qualitative investments on products, aimed at improving profitability and defending volumes, maintaining levels that are above the benchmarks.

As regards forecasts for the full year, in the light of the results of the first months, it is possible to restate that, provided there are no unforeseen circumstances, the company expects that the confidence already expressed during the presentation of the 2009 Annual Report, concerning the ability of Mondadori to improve its level of profitability compared with last year, to continue.

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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 first quarter of 2010 will be available, as per current legislation, at the company's corporate headquarters, Borsa Italiana S.p.A. and on the web site www.mondadori.it from today

Enclosures:

- consolidated balance sheet (1)
- separate consolidated income statement (2)

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Encl. 1

Consolidated balance sheet (in €m)

Assets	31 March 2010	31 December 2009
Intangible assets	901.7	904.3
Fixed assets	2.5	2.5
Land and buildings	11.2	11.4
Plant and machinery	6.7	7.2
Other assets	29.7	29.7
Property, plant and machinery	47.6	48.3
Investments booked using net equity method	144.0	143.3
Other investments	0.2	0.2
Total investments	144.2	143.5
Non-current financial assets	0.5	0.5
Advanced taxes	44.8	46.2
Other non-current assets	4.7	2.9
Total non-current assets	1,146.0	1,148.2
Tax credits	23.3	23.6
Other current assets	73.9	87.0
Inventories	126.2	124.0
Trade receivables	344.4	378.3
Other current financial assets	49.9	41.4
Cash and equivalents	34.2	119.6
Total current assets	651.9	773.9
Assets destined to be sold or closed	-	-
Total assets	1,797.9	1,922.1
Liabilities	31 March 2010	31 December 2009
Share capital	67.5	67.5
Share premium reserve	286.9	286.9
Other reserves and results carried forward	183.6	155.8
Profit (loss) for the period	2.4	34.3
Total Group shareholders' equity	540.4	544.5
Minority capital and reserves	2.0	1.8
Total shareholders' equity	542.4	546.3
Reserves	56.8	58.4
Severance payments	56.0	59.0
Non-current financial liabilities	383.0	382.2
Deferred tax liabilities	89.7	89.1
Other non-current liabilities	-	0.1
Total non-current liabilities	585.5	588.8
Income taxes payable	22.1	20.4
Other current liabilities	259.4	256.7
Trade liabilities	329.7	357.7
Bank debts and other financial liabilities	58.8	152.2
Total current liabilities	670.0	787.0
Liabilities deriving from sales or closures	-	-
Total liabilities	1,797.9	1,922.1

Encl. 2

Separate consolidated income statement (in €m)

	31 March 2010	31 March 2009	% change
Income from sales of goods and services	344.7	354.5	(2.8%)
Personnel costs	66.9	70.8	(5.5%)
Cost of sales and management (*)	256.3	266.4	(3.8%)
Income (charges) from investments booked using the net equity method	(0.3)	(3.1)	(90.3%)
Gross operating profit	21.2	14.2	49.3%
- as a proportion of revenues	6.2%	4.0%	
Depreciation of property, plant and machinery	2.7	3.0	(10%)
Depreciation of intangible assets	2.8	3.2	(12.5%)
Operating profit	15.7	8.0	96.2%
- as a proportion of revenues	4.6%	2.3%	
Net financial income (charges)	(7.1)	(5.4)	31.5%
Income (charges) from other investments	-	-	
Profit for the period before taxation	8.6	2.6	230.8%
Tax charges	6.0	4.2	42.9%
Minority interest	(0.2)	(0.2)	-
Net profit	2.4	(1.8)	n.s.

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