

PRESS RELEASE

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

Board of Directors approves interim report for the first quarter of 2011

- **CONSOLIDATED REVENUES OF €355.6 MILLION:
+3.2% COMPARED WITH THE €344.7 MILLION AT 31 MARCH 2010**
- **GROSS OPERATING PROFIT OF €21.8 MILLION:
+2.8% COMPARED WITH THE €21.2 MILLION AT 31 MARCH 2010**
- **CONSOLIDATED PRE-TAX PROFIT OF €10.9 MILLION:
+26.7% ON THE €8.6 MILLION AT 31 MARCH 2010**
- **CONSOLIDATED NET PROFIT OF €5 MILLION
MORE THAN DOUBLE THE €2.4 MILLION AT 31 MARCH 2010**
- **NET FINANCIAL POSITION OF -€20.7 MILLION
AN IMPROVEMENT OF €1.7 MILLION COMPARED WITH THE END OF 2010**

Segrate, 9 May 2011 - 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 2011, as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

The market scenario

At the macro-economic level, there were no particular signs in the first three months of 2011 of a change in the underlying trends seen in the closing months of last year. Production gains were modest, there was still no real signs of a recovery in consumer spending and unemployment levels remained high.

GROUP PERFORMAMCE IN THE FIRST QUARTER OF 2011

In this market context, the Mondadori Group produced results that were up on the figures for the first quarter of last year, with an increase in revenues of 3.2%, thanks to business performances that were generally above the respective markets of reference, as well as the consolidation of Mondolibri.

In terms of profitability, there was a 2.8% increase in gross operating profit, achieved despite increase investments for the development of the international magazine network and in new digital activities. A significant contribution was also made in the period by the plan for the reduction of operating costs, which, three quarters ahead of schedule, has already reach its target saving of €170 million, on a like-for-like basis, for the three-year period 2009-2011.

| Consolidated income statement (highlights) | Q110 | Q111 | % change |
|---------------------------------------------------|-------------|--------------|-----------------|
| Net revenues | 344.7 | 355.6 | 3.2% |
| Personnel costs | (66.9) | (68.5) | 2.4% |
| Cost of sales and management | (256.6) | (265.3) | 3.4% |
| EBITDA | 21.2 | 21.8 | 2.8% |
| Amortizations | (5.5) | (5.5) | - |
| EBIT | 15.7 | 16.3 | 3.8% |
| Net financial income (charges) | (7.1) | (5.4) | (23.9%) |
| PROFIT BEFORE TAXATION | 8.6 | 10.9 | 26.7% |
| Taxes | (6.0) | (5.7) | (5.0%) |
| Minority interest | (0.2) | (0.2) | - |
| NET PROFIT | 2.4 | 5.0 | 108.3% |

Consolidated revenues in the first quarter of 2011 amounted to **€355.6 million**, a rise of 3.2% on the €344.7 million of the first three months of 2010.

Consolidated gross operating profit came to **€21.8 million**, an increase of 2.8% on the €21.2 million of the previous year, despite, as indicated, increased investments for development.

Consolidated operating profit amounted to **€16.3 million**, up by 3.8% on the €15.7 million of the first quarter of 2010, in both quarters amortizations and depreciations of tangible and intangible assets amounted to €5.5 million.

Consolidated profit before taxation came to **€10.9 million**, a 26.7% rise on the €8.6 million of Q1 2010, thanks to a reduction in financial charges resulting from a lower cost of money following the debt restructuring completed at the end of 2010, and a lower level of average indebtedness.

Consolidated net profit came to **€5 million**, more than double the €2.4 million of the same period of the previous year.

Gross cash flow in the first three months amounted to **€10.5 million**, compared with €7.9 million in 2010.

The Group's **net financial position** at 31 March 2011 stood at **-€320.7 million**, compared with -€342.4 million at the end of 2010, an improvement over the quarter of €21.7 million.

In the period from March 2008 to March 2011, the total reductions has been of around €250 million.

Information regarding personnel

As of 31 March 2011, the personnel employed by companies of the Group (both on temporary and permanent contracts) amounted to 3,674, compared with 3,852 in March 2010 (3,649 in December 2010).

The trend in workforce numbers clearly shows the results achieved over the last 12 months following the completion of most of the restructuring plan launched in 2010 which has resulted, as of today and also considering the consolidation of Mondolibri last year, an overall reduction in the headcount of 178 (or 4.6% of the total workforce).

Compared with 31.12.2010 the change in the headcount (+0.6%) is the result, on the one hand, of reductions deriving from the reorganisation and restructuring of traditional businesses, which is still ongoing, and, on the other, an increase for the Group's development in the web and digital areas.

In France a reorganisation plan for TV guides was recently presented that will result in a reduction of the headcount of 37, a response to the sharp fall in revenues from this sector.

In Italy, meanwhile, it should be noted that the figures presented in the report do not include the effects of the renewal of national labour contracts in the publishing and trade and services sectors. The former is still being negotiated and the latter was redefined at the beginning of April.

RESULTS OF THE BUSINESS AREAS

• BOOKS

Revenues in the Books area in the first quarter amounted to **€78 million**, compared with €79.8 million in the same period of last year (-2.3%).

Trade books revenues, the area's main revenue stream (accounting for around 78% of the total), grew by 0.5%. While total revenues were affected by shortfalls in the art and exhibitions segments (-16.9%) and distribution for third-party publishers (-9%), the education area was stable.

Of note during the period was the launch of "Numeri Primi", a new brand in the quality paperback segment, the first 13 titles of which recorded sales of almost 800,000 copies through the bookshop and large-scale retail channels.

In the still embryonic ebook market, Mondadori expanded its offer with a catalogue that, as of 30 March 2011, included around 1,700 titles (compared with 1,500 at the end of 2010).

Nielsen figures for the first three months of 2011 confirm the Group's leadership in the Trade books segment, with a market share of around 26.1%. Compared with 2010, the single publishing houses of Edizioni Mondadori, Sperling & Kupfer and Piemme were slightly down, while Einaudi grew.

• MAGAZINES ITALY

In the first quarter of the year Magazines Italy generated revenues of **€122 million**, a slight fall (-1.1%) compared with the €123.4 million of the first quarter of 2010.

The trend in revenues was the combined result of a fall in circulation (-5.8%) and an increase in advertising (+4.8%), supported, as well as by the efforts of the sales network and numerous new initiatives, also by an excellent performance by the international network and sales in the digital area. Meanwhile, revenues from add-ons were stable compared with the first quarter of 2010, with an improvement in margins.

Regarding circulation, Mondadori performed better than its market of reference performance (-7.5% to February, internal figures), containing the fall in the first quarter at 6.4% in terms of volume, mainly the result of the reduction of promotional copies and the planned downsizing of the subscription channel (-11%), which was begun last year to counteract significant increase in postal charges. Among the most significant features of the first quarter were the relaunch of *Casaviva* and the redesign of *Ciak*.

Regarding the web sites of Mondadori titles, advertising sales in the first quarter increased by more than 20% compared with the same period of 2010: particularly encouraging was www.donnamoderna.com; while also www.grazia.it and www.panorama.it performed well.

Online metrics for the titles were also very positive during the period, with donnamoderna.com and the sites of its network once again standing out with an increase in unique visitors of more than 26% (around 4 million), while there was a 25% increase in page views (around 52 million) and a 57% jump in the unique visitors for the new *Grazia* site.

- **MAGAZINES FRANCE**

Mondadori France ended the first quarter of 2011 with revenues of **€82.6 million**, an increase of 1.9% on the €81.1 million of the corresponding period of 2010.

The advertising market for French consumer magazines showed a volume increase in the first quarter of 2011 of 4% (Source: Kantar Media): in the same period Mondadori France recorded an excellent performance with an increase of 13% in terms of volume, raising its market share by 0.8%.

In terms of value, the advertising sales of Mondadori France saw a sharp upturn compared with the same period of the previous year (+10.2%).

This excellent result was due – in addition to the generally favourable performance of women's "*haut de gamme*" titles in the portfolio, which account for 32.5% of total advertising revenues (24.6% in the first quarter of 2010) - also to a significant increase in advertising in *Grazia* (+68%), which with 539 pages in the first quarter is now in second place in the consumer magazine market. Also performing well in the period were *Sciences*, *Closer* and *l'Ami des Jardins*.

Circulation revenues, which combine newsstand sales and subscriptions, make up 71% of the total and were essentially stable at the consolidated level (+0.5%): this performance is even more positive if account is taken of the ongoing decline in the market of reference.

During the first quarter Mondadori France launched three new formulas for *Science & Vie*, *Auto Plus* and *Le Film Français* and a new quarterly, *Guerre & Histoire*. Since the end of March *Grazia* has also been available in a pocket-sized version at a price of €1.50, while the price of the traditional format has risen to €1.70.

International activities

In the first quarter of 2011 a recovery in the advertising market in the countries of the Group's international network led to an increase of over 50% in licensing revenues.

The positive performance of all editions, in particular of weeklies, also helped to drive revenues from advertising sales to Italian clients for all of the titles. There was also further growth in the number of Mondadori Group editions published under licence and June will see the publication of *Casaviva* Ukraine; while in October, the Russian edition of *Interni* will be published with a new partner, Artcom Media.

There was also a decided improvement compared with last year in the results of the 50-50 joint ventures in Russia and China, thanks to a marked increase in advertising sales, while the Attica subsidiary continued in the period to be affected by the ongoing financial crisis that has resulted in a marked downturn in advertising revenues.

- **ADVERTISING**

Indications in Italy in the first quarter of 2011 show a slight fall in advertising investments (Nielsen figures on total ad spending show a fall of 2%). In particular, the biggest slide came, somewhat unexpectedly, from newspapers (-8.7%), which had a negative knock-on effect on magazines (-4.3%), which felt the impact of a slump in specialised titles.

Also of note was the essential stability of radio and TV, the latter showing a slight decline (-0.5%), while in the first months of the year the internet was the only medium that showed a significantly different trend (+15.5%).

Mondadori Pubblicità ended the first quarter with total revenues of **€49.5 million**, a slight improvement (+0.2%) on the €49.4 million of Q1 2010.

For magazines, the **titles** published by **Mondadori** saw an increase of **3%**, attributable mainly to weeklies (+5.6%), in particular positive performances by *Grazia* (+18%), *Donna Moderna* (+4%), *Tu Style* (+46.4%) and *Panorama* (including supplements: +3.2%).

Among the monthlies, which in general continued to suffer in the early months of the year, there was however an excellent performance by *Starbene* (+23.4%) while also *Flair* (+4.7%) performed well. Gross advertising revenues for *R101* were in line with Q1 2010.

- **DIGITAL**

As is well known, at the end of 2010 the company created a business area for Digital, focused on the development of a range of activities in the area of new technology. From this quarter account will also be given in business and economic terms of a digital segment which, as a result of the matrix organisation adopted by the Mondadori Group at the beginning of 2011, also operates in support of other business units.

Consequently, while the digital segment records the performance of directly managed activities (a total of €4.4 million in the period), such as e-commerce (bol.it and easyshop.it), gaming, applications and CRM, other activities (e-books, online book clubs, web sites, subscriptions and digital advertising) are booked to the Magazines Italy and Books business areas (for a further €7.6 million), for a total of **€12 million**.

Direct revenues generated by the Digital area are largely from the www.bol.it site which recorded excellent results, also in terms of traffic, compared with the first quarter of 2010, with 835,000 unique visitors (+14%) and more than 6.3 million page views; the remainder of revenues derive from services and applications linked to mobile phones and services for the management of internet sites.

In addition, from the second half of the year, it is expected that a contribution will be made by the e-commerce activities of the website www.easyshop.it - with which, at the end of March, Mondadori began sales of products from leading brands in fashion, furniture, design and technology - and online games, for which the company has applied for a government licence.

Another important activity in the digital area is the elaboration and implementation of an adequate system of customer relationship management (CRM), aimed at sharing the Group's client databases in such a ways as to make them even more exploitable.

- **DIRECT and RETAIL**

Total revenues generated by the Direct and Retail area in the first quarter of 2011 amounted to **€61.5 million**, an increase of 24.2% on the €49.5 million to 30 March 2011, also as a result of the consolidation of Mondolibri SpA from May 2010, net of which there would have been a fall, mainly due to the closure of two shops in the second half of last year.

In the network of sales outlets there was a further expansion in the number of franchise outlets, which now total 487, recording an increase in sales of around 5%. The Multicenter channel saw agreements reached with leading producers for the development of the so-called *corner shop* (in-store concessions).

It should also be noted that the board of directors of Mondadori Retail, Mondadori Franchising and Mondolibri approved a project to merge the companies that will, from 1 July 2011, trade under one name with the aim of pursuing greater management efficiency and facilitating the development of internal synergies.

- **RADIO**

R101 generated net revenues of €3.3 million (€3.1 million in Q1 2010) on gross advertising revenues of **€4.4 million**, in line with the previous year.

The radio market in the first quarter of 2011 saw a fall in revenues of 5% compared with the same period of the previous year (Source: FCP Assoradio).

On the ratings front, the publication of national Audiradio figures remains suspended.

EXPECTATIONS FOR THE FULL YEAR

The first three months of the year provided no clear signals of any possible short-term changes in the general economic scenario or in the markets of reference for the Mondadori Group, where there continues to be a generalised decline in business volumes.

Mondadori has, nevertheless, and for the fifth consecutive quarter, presented improved results, thanks to the close attention paid to product quality, the defence of the brands and the ongoing optimisation of the operational structure.

To all of this, the Mondadori Group has added an growing commitment to the development of its digital activities, with a view to exploiting the potential of its product portfolio and communities and to respond to new demands from consumers, also deriving from technological changes.

Assuming no particular or unexpected changes in the markets of reference, over the coming quarters Mondadori expects to confirm the improvements recorded from the beginning of 2010, which will allow the Group to maintain levels of operating profitability, despite continued investments for the development of new digital activities.

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 2011 will be available at the company's corporate headquarters, Borsa Italiana SpA and on the web site www.mondadori.it (Investor relations section) from today

Also available from today, at the company's corporate headquarters, Borsa Italiana SpA and on the web site www.mondadori.it (Corporate section), will be the minutes of the Ordinary and Extraordinary Meeting of the Shareholders held on 21 April 2011.

Enclosures:

1. consolidated balance sheet
2. separate consolidated income statement

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Encl. 1

Consolidated balance sheet (in €m)

| Assets | 31 March 2011 | 31 December 2010 |
|----------------------------------------------------|----------------|------------------|
| Intangible assets | 899.4 | 901.5 |
| Fixed assets | 2.4 | 2.4 |
| Land and buildings | 10.5 | 10.7 |
| Plant and machinery | 15.5 | 5.5 |
| Other assets | 28.1 | 39.8 |
| Property, plant and machinery | 54.1 | 56.0 |
| Investments booked using net equity method | 132.4 | 131.5 |
| Other investments | 1.3 | 0.2 |
| Total investments | 133.7 | 131.7 |
| Non-current financial assets | 3.0 | 1.9 |
| Advanced taxes | 44.3 | 45.7 |
| Other non-current assets | 1.4 | 1.3 |
| Total non-current assets | 1,138.3 | 1,140.5 |
| Tax credits | 36.2 | 28.7 |
| Other current assets | 89.4 | 81.7 |
| Inventories | 135.8 | 131.5 |
| Trade receivables | 350.0 | 385.2 |
| Other current financial assets | 27.2 | 31.9 |
| Cash and equivalents | 82.6 | 84.9 |
| Total current assets | 721.2 | 743.9 |
| Assets destined to be sold or closed | - | - |
| Total assets | 1,859.5 | 1,884.4 |
| Liabilities | 31 March 2011 | 31 December 2010 |
| Share capital | 67.5 | 67.5 |
| Share premium reserve | 286.9 | 286.9 |
| Other reserves and results carried forward | 230.7 | 182.7 |
| Profit (loss) for the period | 5.0 | 42.1 |
| Total Group shareholders' equity | 590.1 | 579.2 |
| Minority capital and reserves | 1.9 | 1.8 |
| Total shareholders' equity | 592.0 | 581.0 |
| Reserves | 39.2 | 43.4 |
| Severance payments | 53.2 | 53.2 |
| Non-current financial liabilities | 389.4 | 418.4 |
| Deferred tax liabilities | 91.8 | 91.2 |
| Other non-current liabilities | - | - |
| Total non-current liabilities | 573.6 | 606.2 |
| Income taxes payable | 25.5 | 22.6 |
| Other current liabilities | 270.8 | 251.0 |
| Trade liabilities | 353.5 | 380.9 |
| Bank debts and other financial liabilities | 44.1 | 42.7 |
| Total current liabilities | 693.9 | 697.2 |
| Liabilities deriving from sales or closures | - | - |
| Total liabilities | 1,859.5 | 1,884.4 |

Encl. 2

Separate consolidated income statement (in €m)

| | Period to 31 March 2011 | Period to 31 March 2010 | % change |
|----------------------------------------------------------------------|----------------------------|----------------------------|---------------|
| Income from sales of goods and services | 355.6 | 344.7 | 3.2% |
| Personnel costs | 68.5 | 66.9 | 2.4% |
| Cost of sales and management (*) | 265.3 | 256.3 | 3.5% |
| Income (charges) from investments booked using the net equity method | - | (0.3) | n.s. |
| Gross operating profit | 21.8 | 21.2 | 2.8% |
| - as a proportion of revenues | 6.1% | 6.2% | |
| Depreciation of property, plant and machinery | 2.7 | 2.7 | - |
| Depreciation of intangible assets | 2.8 | 2.8 | - |
| Operating profit | 16.3 | 15.7 | 3.8% |
| - as a proportion of revenues | 4.6% | 4.6% | |
| Net financial income (charges) | (5.4) | (7.1) | (23.9%) |
| Income (charges) from other investments | - | - | |
| Profit for the period before taxation | 10.9 | 8.6 | 26.7% |
| Tax charges | 5.7 | 6.0 | (5.0%) |
| Minority interest | (0.2) | (0.2) | - |
| Net profit | 5.0 | 2.4 | 108.3% |

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