

PRESS RELEASE

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

Board approves interim report for period to 30 September 2011

- **CONSOLIDATED REVENUES OF €1,114.7 MILLION:
-1.4% ON THE €1,130.2 MILLION TO 30 SEPTEMBER 2010**
- **GROSS OPERATING PROFIT OF €104.6 MILLION:
+1.5% COMPARED WITH THE €103.1 MILLION TO 30 SEPTEMBER 2010**
- **PRE-TAX PROFIT OF €71.3 MILLION:
+5.6% ON THE €67.5 MILLION TO 30 SEPTEMBER 2010**
- **CONSOLIDATED NET PROFIT OF €44.1 MILLION:
+43.6% ON THE €30.7 MILLION TO 30 SEPTEMBER 2010
(+11.9% NET OF THE EFFECT OF EXTRAORDINARY TAX CHARGES IN 2010)**

Segrate, 10 November 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 nine months of the year to 30th September 2011, as presented by the Group's deputy chairman and chief executive, Maurizio Costa.

THE MARKET SCENARIO

As is well known, the third quarter of the year saw a significant deterioration in markets, particularly in the eurozone. Concerns of an economic nature were heightened also by fears of a financial crisis even worse than that of the recent past.

The lack, at a European level, of an immediate and common response to market problems has resulted in an even more negative perception of the situation and a high level of pessimism about prospects for growth, employment and stability.

The magazine market in Italy saw a continuation of the decline in circulation and a sharp downturn in advertising. The book sector remained essentially stable, despite the absence of bestsellers and falling cover prices. There was a particularly marked fall in retail sales, both in directly managed stores and the large-scale retail channel.

In France, there were no particular changes in the annual trend in the magazine sector while advertising, which remained buoyant until September, saw a downturn from the beginning of October.

GROUP PERFORMANCE FOR THE PERIOD TO 30 SEPTEMBER 2011

In the context of the situation described above, in the first nine months of the year the Mondadori Group recorded:

- revenues that were slightly down against the same period of 2010, with a growing contribution for digital activities;
- another improvement in operating profitability, thanks to essential stability in the traditional businesses while positive non-recurring elements have made it possible to compensate most of the development costs of the digital business;
- a marked increase in net profit, also due to the absence of extraordinary tax charges paid in 2010 relating to previous years.

Consolidated income statement (highlights)	9M 2011	9M 2010	%
Net revenues	1,114.7	1,130.2	(1.4)
Personnel costs	(200.5)	(198.2)	1.2
Cost of sales and management	(809.6)	(828.9)	(2.3)
EBITDA	104.6	103.1	1.5
Amortizations	(16.8)	(17.5)	(4.0)
EBIT	87.8	85.6	2.6
Net financial income (charges)	(16.5)	(18.1)	(8.8)
PROFIT BEFORE TAXATION	71.3	67.5	5.6
Tax charges	(27.1)	(36.3)	(25.3)
Minority interest	(0.1)	(0.5)	nm
NET PROFIT	44.1	30.7	43.6

Consolidated revenues came to **€1,114.7 million**, a slight fall (-1.4%) on the €1,130.2 million for the same period of 2010.

Consolidated gross operating profit amounted to **€104.6 million** (+1.5% on the €103.1 million for the first nine months of last year): on a like-for-like basis, excluding non-recurring items and investments for digital development, gross operating profit increased by del 3.2% compared with the same period of 2010.

Consolidated operating profit came to **€87.8 million**, an increase of 2.6% on the €85.6 million for the same period of 2010, with amortizations and depreciations on tangible assets of €16.8 million (€17.5 million in 2010).

Consolidated pre-tax profit amounted to **€71.3 million**, an increase of 5.6% on the €67.5 million of the same period of last year, with interest of €16.5 million, compared with €18.1 in 2010.

Consolidated net profit came to **€44.1 million**, an increase of 43.6% compared with the €30.7 million of the same period of the previous year, which was impacted by non-recurring tax charges related to previous years (net of which the increase would still have been of 11.9%).

Gross cash flow for the first nine months of 2011 amounted to **€60.9 million**, compared with €48.2 million for the same period of 2010.

The Group's **net financial position** went from -€342.4 million at the end of 2010 to **-€380.6 million** on 30 September 2011 (-€369 million on 30 September 2010); and in May the company paid dividends of €40.3 million.

Information concerning personnel

On 30 September 2011 permanent and temporary contract staff employed by the companies of the Group amounted to 3,720, essentially in line with the figure for the same period of last year (3,717).

The headcount figure includes also the development activities of the new Digital Area, the start-up of a new web company (Glaming), the hiring on fixed-term contracts of a number of staff at museum bookshops and the consolidation of AME Editoriale Wellness.

Given these changes, the current headcount is in fact 52 units lower than the same period of 2010 (-1.4%). Account should also be taken of the fact that the figure for September traditionally rises for the hiring of temporary seasonal staff related to the school textbook sector until the end of the year.

THE BUSINESS AREAS

• BOOKS

Nielsen figures for the first nine months of 2011 show that the summer was characterised by a general uncertainty and weakness in consumer spending that resulted in a slowdown in sales. In this context, the Mondadori Group nevertheless confirmed its leadership in trade books with a market share of 26.1%.

Revenues generated by the Books area amounted to **€280.5 million**, a 4.8% fall compared with the €294.5 million of the same period of the previous year.

The editorial programme for the closing months of the year is expected to allow for a positive result in terms of market positioning, thanks to strong titles that include new novels by Fabio Volo (*Le prime luci del mattino*), Giorgio Faletti (*Tre atti, due tempi*), John Grisham (*I contendenti*) and Alessandro D'Avenia (*Cose che nessuno sa*), as well as the considerable interest generated by the only official biography of Jobs.

The quarter also saw the consolidation of growth for the new NumeriPrimi° series, which with sales of 1.6 million copies is at the top of the paperback bestsellers lists.

On the e-book front, on 30 September 2011 the Mondadori catalogue contained 2,700 trade titles, including apps. Thanks to the opening in Italy of Apple's iBookstore, which has contributed to an increase of more than 100% in the sale of digital titles, growth forecasts for the year can be confirmed.

• MAGAZINES ITALY

In a market context of generalised decline in Italian and international magazine publishing, the revenues of Magazines, Italy, which include, in addition to circulation and advertising revenues from Mondadori titles, also revenues from the distribution of titles published by third parties, amounted to **€351.1 million**, in fall of 3% compared with the €362 million for the first nine months of 2010.

This was the result of:

- a 4.8% fall in circulation revenues (above all due to a reduction in investments in the subscription channel) and a 5.2% slide in add-on sales, which nevertheless retained a high level of profitability in line with the previous year;
- as light reduction in advertising for Mondadori titles compared with 2010 (-0.7%), but with a better than the market trend (-1.8%; Source: Nielsen to August); a marked increase in sales for the internet and the titles of the international network, taking the overall figure to +0.8%.

Work continued in the third quarter on the re-launch and repositioning of titles, of particular note was *Donna Moderna Wellness*, a new title dedicated to the ecology of body and mind, and the redesign of *Sale&Pepe* and di *Panorama Travel*. Initial indications show excellent levels of appreciation prime by both readers and advertisers.

Regarding the Mondadori web sites, in the period from January to September advertising sales grew by 37%, after a particularly brilliant third quarter (+50%), and well ahead of the market (Source: Nielsen to August +13.5%), thanks to the performance of www.donnamoderna.com (+31%), www.grazia.it (+54%) and www.panorama.it (+84%).

• **MAGAZINES FRANCE**

Mondadori France ended the first nine months of the year with revenues of **€259.6 million**, a 2.8% increase on the €252.6 million of the same period of 2010.

Circulation revenues, which account for 69% of the total, rose by 2.4%; a particularly significant result given the difficult situation facing the magazine market in recent years which, also in France, has been marked by a constant decline (-4.2%; internal data, in terms of newsstand sales in September).

The total advertising market in the first nine months of the year recorded an increase, in terms of value, of 0.5% (Source: Kantar Media) before a downturn that began from October.

In the same period, Mondadori France out-performed the market with an increase of 5.7% in revenues compared with the same period of the previous year, reaching €62.7 million. This result was mainly due to the excellent performance in revenues from the women's weekly *Grazia* (+52%) and the monthly *Biba* (+11%).

In the last 12 months (October 2010-September 2011) *Grazia* sold 2,436 advertising pages, an increase of 63%, putting it in second place for total pages among French magazines. The company's upscale women's titles now account for 33.5% of total advertising revenues (25.9% in the same period of 2010).

International activities

The positive revenues trend for the company's international activities continued (+30% compared with the first nine months of 2010), driven by a marked increase in revenues from advertising (+60%). There was also a positive contribution from licensing revenues (+26%), in particular for *Grazia* Germany, Holland and China. The number of editions of Mondadori titles published under licence also continued to grow, with three new editions in the period.

There was a decided improvement in the results of the 50-50 joint ventures in Russia and China, in particular thanks to a rise in advertising sales.

The Greek subsidiary Attica saw a fall in revenues due to the worsening financial crisis that has had a negative impact especially on advertising. Nevertheless – thanks to a good performance by the radio stations and a number of add-on initiatives, the reorganisation of the company and the renegotiation of procurement, the final result showed an improvement compared with the same period of last year.

• **ADVERTISING**

Advertising trends in Italy in the first nine months of 2011 have largely confirmed the negative trend that characterised the first six months of the year (Source: Nielsen to August: -4%).

In particular, for the first time since the beginning of the crisis in 2008, there was a slowdown in newspapers (-8.3%), in particular the free press (-49.7%), radio (-5.5%) and television (-4.7%).

Magazines showed a limited downturn (1.8%) on the back of a good performance in the fashion, cosmetics and pharma sectors, and ongoing difficulties in other sectors. Bucking the trend was the internet (+13.5%), making it the healthiest medium at the present time.

With regard to the Group's activities, **Mondadori Magazines** saw a slight fall (-0.7%), with continuing positive trends for trend *Grazia*, *Donna Moderna* and *Tu Style*. Monthlies were in line with 2010, with a resilient performance by titles in the interiors sector.

Efforts continued, along with the publisher, for the organisation of fashion events, including Pitti and Milano Fashion & Design, which this year involved *Grazia*, *Interni* and R101, as testimonials for an event that was notably successful with both sponsors and the public.

For radio, the new organisation of Mondadori Pubblicità, launched in May and focused on exploiting the sales potential of the company's entire network, has made it possible to achieve greater results than in 2010, compared with a market that was down by 5.5%.

Advertising sales generated by Mediamond were very positive (+65.9%), thanks to the brilliant results of sites www.donnamoderna.com and www.grazia.it and news sites www.tg.com and www.sportmediaset.it.

The company closed the first nine months of the year with total sales of **€165 million**, a slight fall (-3.1%) compared with the €170.2 million of the same period of 2010. The difference was largely determined by a downturn in business for third party publishers.

- **DIRECT and RETAIL**

In the first nine months of 2011 total revenues generated by the Direct and Retail area amounted to **€182 million**, a 3.8% increase on the €175.4 million of the same period of 2010 (for last year's figures, Mondolibri S.p.A. was consolidated from 1 May 2010).

Direct

Business levels were affected by the negative economic climate and particularly by the fall in direct marketing activities by a number of operators in the large-scale retail sector, traditionally a substantial part of Cemit's business: faced with a fall in revenues of over 20%, the company was nevertheless able to mitigate the impact on its results.

Retail

Total revenues from stores were in line with the same period of last year, thanks to new affiliations in the franchising network, which compensated for a fall in turnover at the company's directly owned stores, the result of the closure of a number of significant locations in the centre of Rome and Turin.

The number of outlets in the network rose to 608 (compared with 570 at the end of September 2010).

Revenues generated by the franchise bookshop chain in the first nine months of 2011 rose by 12.8% compared with the same period of the previous year, thanks to new affiliations that increased the number of outlets to 499, compared with 463 in September 2010. On a like-for-like basis, revenues were in line with those of last year.

The directly owned shops saw a fall in turnover of 11.5% compared with the previous year, mainly due to the aforementioned closures. On a like-for-like basis, there was a 3.3% fall in sales.

- **RADIO**

The Italian radio market to 30 September 2011 recorded an overall downturn of 5.5% on the previous year, with a more marked slide in the first half of the year (-8.4%), compensated by a clear recovery in the summer months (+11%), but followed by a decline in September (-6% - Source: FCP Assoradio).

Advertising sales for **R101**, which markedly outperformed the market, generated revenues in the first nine months of **€11.7 million**, a 14.7% increase on the €10.2 million of the same period of last year, with a more limited increase in the first half (+7.9%) and a more marked upswing in the last three months (+27%).

- **DIGITAL**

Revenues in the first nine months of 2011 from direct activities amounted to **€13.1 million**, compared with €5.8 million in the same period of 2010, while the development of indirect digital activities, in the context of other business sectors (e-books, online book clubs, web sites, subscriptions and advertising), achieved a turnover of €19.9 million, up from the €16.4 million of the first nine months of last year. Overall, the Digital area Digital recorded total revenues of €33 million, compared with €22.2 million in the first nine months of 2010.

Among the direct activities, of note were:

- e-commerce, represented by the sale of books, editorial products and sundry goods by Bol.it, which saw a steady improvement (+50% year on year) in the number of monthly visitors (over 1 million users) and a growth in orders of 30% compared with the same period of 2010;
- the development of the applications and services for mobile phones area continued with the creation of apps that have reached the top of the iTunes best sellers list in their category. The last quarter also saw the launch of the first game for the iPad and iPhone produced by Mondadori;

- the Mondadori project for the development of a CRM (Customer Relationship Management) system, aimed at bringing together all of the Group's various client databases is continuing in line with the forecasted plan;
- on 28 September, the company was awarded a public gaming licence by the AAMS which will enable Glaming, a company owned jointly by Arnaldo Mondadori Editore S.p.A. (70%) and Fun Gaming S.r.l. (30%), to progressively launch a series of online games by the end of November.

FORECAST FOR THE FULL YEAR

The third quarter of the year saw a sharp increase in concerns about the health of the economy, above all in the eurozone, and the resilience of the public finances of member states.

This, combined with consequent pressures on the credit system, has worsened an already difficult situation in manufacturing, consumer spending and investments; while also unemployment, especially among the young, has reached very high levels.

The markets of reference for Mondadori have not been exempt from the general economic crisis, even if the company has so far been able to deal with the situation by placing even more attention on product quality and process efficiency, also with a view to containing costs.

With regard to the prospects for the full year, we can only repeat, with even greater conviction, what we said after the first half report, about the difficulty of making any forecasts, even in the short term.

It should also be noted that the figures for October show a generalised worsening of market indicators; consequently, the evolution of markets in the closing months of the year will be fundamental in determining a level of operating profitability in line with last year.

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The interim report for the period to 30 September 2011, as approved by the board of directors, will be available from today at the company's headquarters, Borsa italiana S.p.A. and on the corporate web site www.mondadori.it (in the Investor Relations section).

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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.

Enclosures:

1. consolidated balance sheet
2. consolidated income statement
3. consolidated income statement for the third quarter of 2011

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Encl. 1

Consolidated balance sheet (in €m)

Assets	30 September 2011	31 December 2010
Intangible assets	895.4	901.5
Fixed assets	2.8	2.4
Land and buildings	10.3	10.7
Plant and machinery	12.4	5.5
Other assets	30.9	39.8
Property, plant and machinery	53.6	56.0
Investments booked using net equity method	128.4	131.5
Other investments	1.6	0.2
Total investments	130.0	131.7
Non-current financial assets	0.5	1.9
<i>Advanced taxes</i>	40.3	45.7
Other non-current assets	1.1	1.3
Total non-current assets	1,123.7	1,140.5
Tax credits	30.9	28.7
Other current assets	90.9	81.7
Inventories	136.2	131.5
Trade receivables	350.6	385.2
Stocks and other current financial assets	35.0	31.9
Cash and equivalents	38.7	84.9
Total current assets	682.3	743.9
Assets destined to be sold or closed	-	-
Total assets	1,806.0	1,884.4
Liabilities	30 September 2011	31 December 2010
Share capital	64.1	67.5
Share premium reserve	210.2	286.9
Other reserves and results carried forward	253.1	182.7
Profit (loss) for the period	44.1	42.1
Total Group shareholders' equity	571.5	579.2
Minority capital and reserves	2.1	1.8
Total shareholders' equity	573.6	581.0
Reserves	38.3	43.4
Severance payments	53.3	53.2
Non-current financial liabilities	409.4	418.4
Deferred tax liabilities	92.5	91.2
Other non-current liabilities	-	-
Total non-current liabilities	593.5	606.2
Income taxes payable	24.7	22.6
Other current liabilities	249.4	251.0
Trade liabilities	319.4	380.9
Bank debts and other financial liabilities	45.4	42.7
Total current liabilities	638.9	697.2
Liabilities deriving from sales or closures	-	-
Total liabilities	1,806.0	1,884.4

Encl. 2

Consolidated income statement (in €m)

	Period to 30 September 2011	Period to 30 September 2010
Income from sales of goods and services	1,114.7	1,130.2
Personnel costs	200.5	198.2
Cost of sales and management (*)	823.1	832.2
Income (charges) from investments calculated on a net equity basis	13.5	3.3
Gross operating profit	104.6	103.1
Depreciation of property, plant and machinery	8.5	9.1
Depreciation of intangible assets	8.3	8.4
Operating profit	87.8	85.6
Net financial income (charges)	(16.5)	(18.1)
Other financial income (charges)	-	-
Profit for the period before taxation	71.3	67.5
Income taxes	27.1	36.3
Profit from operating activities	44.2	31.2
Income (charges) from assets/liabilities destined for closure or sale	-	-
Minority interest	(0.1)	(0.5)
Net profit	44.1	30.7

Net profit per share (in €)

0.19

0.13

Diluted net profit per share (in €)

0.19

0.13

(*) 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

Consolidated income statement for the third quarter (in €m)

	Q3 2011	Q3 2010
Income from sales of goods and services	373.3	403.4
Personnel costs	62.8	63.9
Cost of sales and management (*)	266.1	291.2
Income (charges) from investments calculated on a net equity basis	1.2	0.2
Gross operating profit	45.6	48.5
Depreciation of property, plant and machinery	2.9	2.9
Depreciation of intangible assets	2.8	2.8
Operating profit	39.9	42.8
Net financial income (charges)	(6.1)	(6.1)
Other financial income (charges)	-	-
Profit for the period before taxation	33.8	36.7
Income taxes	12.3	20.9
Profit from operating activities	21.5	15.8
Income (charges) from assets/liabilities destined for closure or sale	-	-
Minority interest	(0.1)	(0.2)
Net profit	21.4	15.6

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