

PRESS RELEASE

Consolidated annual report and results for the year to 31 December 2011

- **CONSOLIDATED REVENUES OF €1,509.8 MILLION:
-3.1% ON THE €1,558.3 MILLION IN 2010**
- **GROSS OPERATING PROFIT OF €130.4 MILLION:
-7% COMPARED WITH €140.2 MILLION IN 2010**
- **CONSOLIDATED NET PROFIT OF €49.6 MILLION:
+17.8% COMPARED WITH €42.1 MILLION IN 2010**

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PROPOSAL TO CONTRIBUTE THE NET PROFIT OF THE PARENT COMPANY TO THE EXTRAORDINARY RESERVE

Segrate, 19 March 2012 - The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the Chairmanship of Marina Berlusconi, to examine and approve the consolidated balance sheet and management report for the year to 31st December 2011 as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

MARKET SCENARIO

In the second half of 2011 the global economic situation, and in particular in the countries in the euro zone, continued to show strong signs of difficulty. In Italy the economy outlook deteriorated significantly during the autumn, marking the beginning of recession. This has had a negative impact on industrial production and investment, resulting in a consequent decline in consumer spending. Also in France the main macroeconomic indicators in 2011 showed a negative trend compared with the previous year.

The macroeconomic performance in the markets of reference for the Mondadori Group, in Italy and France, was affected by these negative trends, with a significant deterioration in the final quarter.

GROUP PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2011

Consolidated income statement (highlights)	FY10	FY11	%
Net revenues	1,558.3	1,509.8	-3.1
Personnel costs	-271.5	-270.7	-0.3
Cost of sales and management	-1,146.6	-1,108.7	-3.3
EBITDA	140.2	130.4	-7.0
Amortizations	-26.0	-26.6	2.3
EBIT	114.2	103.8	-9.1
Net financial income (charges)	-23.9	-21.1	-11.7
PROFIT BEFORE TAXATION	90.3	82.7	-8.4
Tax charges	-47.6	-33.2	-30.3
Minority interest	-0.6	0.1	ns
NET PROFIT	42.1	49.6	17.8

In this context, the Mondadori Group ended 2011 with **consolidated net revenues of €1,509.8 million**, a fall of 3.1% on the €1,558.3 million of 2010.

Consolidated gross operating profit came to €130.4 million, a fall of 7% compared with the €140.2 million of the previous year, as a proportion of revenues 8.6% compared with 9% in 2010. **Excluding non-recurring positive items and investments in the development of the digital business**, the reduction in gross operating profit was 3.3%.

Consolidated operating profit amounted to **€103.8 million**, down 9.1% from the €114.2 million in 2010, with depreciation and amortization of tangible and intangible assets of €26.6 million (€26 million in 2010).

Consolidated pre-tax profit came to **€2.7 million**, down 8.4% on the €90.3 million in 2010, with lower borrowing costs of €3.4 million and higher investment charges of €0.6 million.

Consolidated net profit came to **€49.6 million**, up 17.8% compared with the €42.1 million for the previous year, during which, however, there was an additional tax charge for previous years' taxes of €8.7 million.

Gross cash flow for 2011 amounted to €76.2 million, compared with €68.1 million in 2010.

The Group's **net financial position** showed a deficit of €335.4 million, an improvement of €7 million from the end of 2010, after dividend payments of €40.3 million during the year.

Information concerning personnel

On 31 December 2011 employees, permanent and determined, pursuant to the Group companies, consists of 3,664 units compared to 3,649 at the end of 2010.

2011 saw the conclusion of early retirement plans authorised by the government, which have seen the exit over two years of 233 employees, including both publishing and journalistic staff. There was a similar situation in France where the implementation of the so-called "social plan" has resulted, over two years, in the departure of 74 employees.

Overall, the restructuring plan announced in 2009, of which the above-mentioned ministerial programme was an important but not exclusive part, has been successfully completed.

THE BUSINESS AREAS

• BOOKS

In 2011, the trade book **market** in Italy has remained stable in terms of copies sold, while there was a decline of 1.4% in terms of value (source: Nielsen).

As regards the distribution channels, the slowdown of large-scale retailers was particularly critical, where the shortfall over the year was -7.9%, with a peak -20.3% in December. This figure is even more striking when one considers the performance of the ten best-selling titles: in terms of value in 2011 saw a decline of 48% in the top ten compared with the same figure as recorded in 2007.

In this context, **Mondadori** confirmed its leadership in the trade book market with a market share of 26.5% in terms of value (source: Nielsen).

In particular, 43 titles featured among the top 100 bestsellers of the year. Among these, *Le prime luci del mattino* by Fabio Volo, *Nessuno si salva da solo* by Margaret Mazzantini, the *Steve Jobs* biography by Walter Isaacson, published by Mondadori, and *Tre atti e due tempi* by Giorgio Faletti, published by Einaudi, respectively, were first, fourth, eighth and tenth in the overall rankings of the year.

Revenues generated by the Books area amounted to **€389.1 million**, a fall of 6% compared with the €413.9 million in the previous year.

Gross operating profit, despite the lower revenues cited above, was substantially in line with the high level of 2010, thanks to a focused policy of costs controls and the positive contribution of subsidiaries.

In the Paperback sector the most significant initiative was the launch of new series called *NumeriPrimi*[®], which involved all the publishing houses of the Group - Edizioni Mondadori, Einaudi, Piemme, Sperling & Kupfer - and the publication of the most successful titles in large format and quality paperbacks.

In the first ten months, *NumeriPrimi*[®] achieved sales of two million copies, with particularly success in the large-scale retail channel.

2011 was undoubtedly important for Books in terms of digital publishing, with the normal operation of Mondadori's digital distribution platform and, in the second half of the year, the arrival in the Italian market of the major international e-book retailers. During 2011 Mondadori introduced over 3,000 **e-books**, recording quarter of sales from the Mondadori platform.

The Christmas period saw the highest average sales of the year with peaks of more than 4,000 downloads per day. Among the best sellers, also in the digital format, were new titles by Walter Isaacson, Fabio Volo, Giorgio Faletti and Margaret Mazzantini, as well as backlist titles such as *Miglio 81* by Stephen King.

The objective is to digitise the entire catalogue of the group, around 15,000 titles by 2014.

In the school textbooks segment, the digitization programme of the catalogue is already 90% complete, with about 1,300 titles already available in e-book format.

• MAGAZINES ITALY

The current challenging macroeconomic environment continues to have a strong impact on the consumer magazine **market** in Italy, adversely affecting advertising revenues (-3.7% magazines; source: Nielsen), circulation (- 5% in terms of copies and -7.2% on a comparable basis; internal figures) and add-on sales (-0.5% in terms of value; internal figures). In addition to the effects of the economic situation are the structural

changes, related to the digital evolution that is underway, which is having a negative impact on print products, to which especially younger readers are showing less and less interest.

Mondadori has acted to address the situation and has achieved a performance that is better than the competition and strengthened its position as market leader (33.3%), as can be seen from the continued growth of the number of readers of the Group's weekly and monthly titles that total some 35 million, or 82% of the total (Audipress 2011/III). In particular, the latest Audipress survey shows that Mondadori's "audience" was up by 1.6% on the previous period.

In a markedly recessive context, the performance of the Magazines Italy area saw a fall in total revenues of 2.7%, from €471.40 million to **€458.8 million**.

In particular, Mondadori titles suffered most from the recessive phase in the market and ended the year with a shortfall in revenues of around 5%, due to a reduction in:

- circulation revenues (-4.7%), the effect of a sharp decline in subscriptions (-15%) and fewer copies sold with add-ons (-11%);
- revenues from sales of add-ons (-2.4%), mainly because of a decline in sales of music products. However, the Group's leadership in the segment (35%) was maintained, with continued high level of profitability and in line with the previous year;
- advertising revenues were down by 3.8%, with a particularly poor performance in the weekly family titles and newsmagazines. This was partly offset by a positive trend in women's magazines.

The results show, however, a significant increase that is also attributable to the capital gain realized on the sale of the stake in Hearst Mondadori Editoriale Srl. Even excluding the aforementioned non-recurring items, there was still growth in gross operating profit.

Properties

During 2011, Mondadori took a series of important steps with the Group's web properties associated with the main magazine titles, achieving significant results, both in terms of advertising sales and traffic.

The results for 2011 should therefore be considered positive, with an improvement in all indicators at rates higher than the market, in particular advertising (+47.7% compared with +12.3% for the market as a whole; Nielsen) and growth in the number of unique users, over 6.6 million, an increase of 23.5% on the previous year. This trend benefited from positive performances by www.grazia.it (+73%), www.panorama.it (+63%) and www.donnamoderna.com (+27%). Also of note was the rapid growth of www.panoramauto.it, which was launched in the second half of the year.

• **ADVERTISING**

Market trends in advertising spending in Italy in 2011 saw an overall fall of 3.8% (source: Nielsen), confirming that the global financial crisis and the downturn in GDP have had a noticeable effect on all media with the sole exception of the internet.

Television was down by 3.1%. There was a significant decline in Radio (-7.8%) and newspapers (-7.7%), while magazines saw a smaller decline of -3.7%, with a particularly bad performance in the final quarter (-8.2%).

The slowdown in advertising has involved all the main sectors of the magazine advertising market except cosmetics and fashion.

In 2011 **Mondadori Pubblicità** recorded an overall fall in sales compared with 2010, ending the year with revenues of **€219.9 million**, compared with €233.9 million in 2010.

In terms of the **magazine** advertising, the fall in sales was due to the particularly negative performance in certain sectors such as FMCGs and interiors. In particular, the weeklies were hit hard, despite the good performance of *Grazia* (+3.2%) and *Tu Style* (+11.1%) and the substantial stability of *Donna Moderna*, the other weeklies of the Group were down on the previous year.

For monthlies meanwhile, the decline was less marked (-1.2%), thanks to the resilience of interiors and cooking titles and to the success of *Panorama Icon*, which was launched in April 2011 and enabled the Group to strengthen its position in the male fashion segment and Mondadori Pubblicità to offer a product which meets the needs of companies operating at the high-end of the market.

During 2011 Mondadori Pubblicità maintained a continuous focus on the trend in average prices compared to 2010, with stability for *Donna Moderna*, *Grazia* and *Tu Style* among the weeklies, and growth in the interiors and cooking monthlies, sometimes at the expense of volume.

Radio advertising revenues (*R101* and *Radio Kiss Kiss*) grew by 0.7% due largely to the performance of the new organisational model of Mondadori Pubblicità from May 2011; there was a particularly positive trend for *R101* in a market that saw a fall in spending of 7.8% (source: Nielsen).

In the **Internet** market the excellent results achieved by Mediamond, with overall growth of 56% compared to 2010, was the result of a positive performance by the main sites of the Group and the considerable success of *TgCom* (+59%) and *Sport Mediaset* (+30.2%) of the RTI Group.

Overall, the Mediamond portfolio was enhanced in 2011 with the addition of www.ilgiornale.it with sales that were above expectations.

After just two years Mediamond now sells advertising for vertical 30 sites, with 11.5 million unique users per month, as well as a considerable number of case studies with leading companies in its sectors of reference.

- **MAGAZINES FRANCE**

The magazine market in France, both in terms of circulation and advertising revenues, suffered a marked slowdown in the last part of the year, although less significant than in Italy. During the year, advertising, in terms of value was, essentially unchanged compared with the previous year while circulation saw a fall of 4.2%.

In this contexts, Mondadori France recorded growth in earnings thanks to positive performances by all of its titles.

The consolidated revenues for the year came to **€348.1 million**, up 1.1% on the €344.2 million of the previous year.

Gross operating profit was up by 16.8% on the previous year, thanks to a good performance in magazines and, in particular, the improvement of *Grazia*, as well as lower manufacturing costs and overheads.

Advertising revenues were up 3.3% to €85.4 million. This excellent performance is due mainly to strong growth in the upscale women's titles, in particular the weekly *Grazia* (+34%) and the monthly *Biba* (+10%), which now account for 33.6% of total advertising revenues (27.2% in 2010).

It should also be noted that *Grazia* is now the second largest magazine in the market in terms of advertising pages (2,495 pages, up 39%). Even in terms of circulation, *Grazia* confirmed its success since the launch, growing by 3.1% to 184,000 copies.

In terms of circulation, which accounts for 69% of the total, revenues increased by 1.3%, to €239.5 million,, of particular relevance was the subscription channel, which accounted for 32.5% of total sales.

During the year a number of activities were launched focused on innovation and quality, key factors in the positive performance achieved in terms of circulation: in particular the launch of new formats for seven titles and the launch of the quarterly *Guerres & Histoire*.

The most successful titles include *Modes & Travaux*, which has become the leading title in its segment; among women's magazines, *Top Santé* and *Closer*, which have strengthened their positions; in the popular science segment, *Science & Vie* and *Science & Vie Junior* continue to grow.

Mondadori France is the leader in the car sector with the weekly magazine *Auto Plus* and the bimonthly *Auto-Journal*.

Biba recorded the strongest growth among all of its competitors, with 326,000 copies (+4.5% compared with 2010).

International Activities

Despite some signs of a slowdown due to the ongoing global economic situation, the International Activities area confirmed the positive trend of previous years. Despite difficulties in terms of both consumer and advertising spending, the Group has responded with continuous expansion and geographic diversification and consolidating its position in major emerging markets such as China, Russia and the Asian market. The annual turnover of International Activities was over €160 million. Spearheading this growth is *Grazia*, a brand with a strong international success that now forms a network of twenty editions with editions in four continents.

Licensing: the end of 2011, there was a total of 27 international editions: seventeen of *Grazia*, seven of *Casaviva*, one of *Flair*, one of *Interni*, and one of *Sale&Pepe*. The different editions of *Grazia* generated a combined revenues of €107 million (+20% compared with 2010) with expectations of further growth for 2012, also thanks to the launch of new editions.

Advertising: thanks to a dedicated team focused on the fashion and interiors segments, in 2011 on the Italian market Mondadori generated advertising revenues of €6.8 million (+49% compared with 2010).

With regard to investments, Mondadori is active in China with its joint venture Mondadori SEEC Advertising Co Ltd: *Grazia* China, launched in February 2009, has already proved a great success (with revenues of €7.1 million, +87% compared with 2010). Given the rapid growth and potential of the Chinese market, Mondadori has several new projects currently under consideration, the first of which should be announced in the coming months.

Grazia Russia, which celebrated its fifth anniversary in March, during 2011 recorded revenues of €4.1 million, up 20% on an already positive 2010.

Despite the dramatic economic crisis in Greece, Attica Publications expects to be able to derive competitive advantages over its competitors.

- **DIRECT**

The Direct Area, which manages the retail and direct marketing businesses, conducts its activities through:

- a network of outlets across the country, comprising at the end of 2011 of 628 outlets (22 directly operated and 307 franchised book shops; 9 Multicenters; 213 Edicolè franchises, 18 directly managed Book club and 59 franchised stores):
- Cemit, the market leader in diversified strategies for the design and development of one- to-one communication and CRM.

Revenues in 2011 came to **€65.5 million**, a fall of 1.4% compared with the €269.2 million of 2010. The figures are not comparable due to changes in the scope, including the acquisition of the whole of Mondolibri SpA. On a like-for-like basis, the shortfall would be around 5% compared with the previous year.

The Multicenter outlets and bookshops, clubs and directly managed outlets, were all penalised by marked downturns that were as high as 12%, only the franchises and Edicolè outlets maintained a positive trend in revenues.

Also Cemit, which suffered significantly from the overall decline in investments in direct marketing, ended the year with a fall in revenues of 24%.

Faced with these difficulties, the company has increased its focus on costs, which explains the merger of Mondadori Franchising S.p.A. and Mondolibri S.p.A. with Mondadori Retail S.p.A., which changed its name to Mondadori Direct SpA, in the middle of the year.

- **RADIO**

R101, the Group's radio station, generated revenues of **€16.3 million**, up by 12.4% compared with the €14.5 million of 2010, thanks to the performance of the car, food, media/publishing and telecommunications sectors, which account for approximately 50% of total turnover.

The market figures for total Radio advertising in 2011 however showed a fall of 7.8% compared with 2010 (source: Nielsen).

The increase in revenues for R101, as well as the alignment of the publisher's share with other businesses of the Group, is also attributable to the performance of the sales network, which passed from a dedicated network to the more general representation of the entire sales force of Mondadori Pubblicità, which facilitated the entry of many new clients.

- **DIGITAL**

Revenues generated by the Digital Area came to **€17.2 million**, an increase of 63.8% compared with the €10.5 million of 2010. The turnover from digital publishing, e-commerce, diversified activities and IT infrastructure development and databases, amounted to €44.2 million, an increase of 23.5% on 2010.

The digital publishing activities primarily refer to e-books, self-publishing, online book clubs, properties and digital advertising.

In e-commerce in 2011, the business was mainly through www.bol.it sites, which are focused on the sale of books, CDs, DVDs and e-books, which recorded growth in the number of orders (+23%) and the number of unique users (+42%), and www.abbonamenti.it, which manages both print and digital subscriptions.

CRM activities in 2011 saw the creation of the Mondadori Customer Data Base, a single structure which brings together all of the customers of the different business units and the development of information processes for the reconciliation of customers of the different companies of the Group.

RESULTS OF THE PARENT COMPANY ARNOLDO MONDADORI EDITORE S.P.A.

The Annual Report of the parent company, Arnoldo Mondadori Editore SpA, for the year to 31 December 2011 shows a net profit of €55.3 million (€51.7 million on 31 December 2010), while gross operating profit came to €48.5 million (€70.8 million in 2010).

These economic indicators show a contrasting trend; gross operating profit was affected by the significant decline in sales in both books and magazines, where both revenue from sales of copies and from advertising was down compared with 2010.

Also of significance, in absolute terms, was the total investments in digital activities that are still in the start-up phase.

Net profit, meanwhile, benefited from higher returns from the management of investments that, in 2011, included a capital gain of around €10 million from the sale of the company's stake in Hearst Mondadori Editoriale Srl and a reduction in taxes including, in 2010, a non-recurring charge of €8.7 million, resulting from the adherence to the definition of pending tax disputes, established by Law N° 73 of 22 May 2010, and regarding a dispute with the tax authorities in Milan for the year 1991.

PROPOSAL FOR THE DESTINATION OF NET PROFIT FOR THE YEAR ENDED 31.12.2011

The Board of Directors agreed to propose to the Annual General Meeting of the Shareholders, called for 19 April 2012 (or 20 April on second calling), to devolve to the extraordinary reserve the full amount of the net profit for the year ended 31 December 2011, which amounted to €55,342,667.63

Given the current market scenario and despite the increase in net profit for 2011 compared with that for 2010, the proposal of the Board of Directors not to distribute a dividend for 2011 is aimed at strengthening the financial structure.

FORECAST FOR THE FULL YEAR

In the first two months of the year trends related to consumer spending in general, and in particular in the markets of interest to Mondadori, remain significantly negative, in line with the closing months of 2011.

There are currently no signals of a turnaround that could significantly alter the trend, at least in the first half of the year. Similarly, there is also reduced visibility, also in the short term, with regard to the advertising market. During 2012 the company's priorities will be to maintain a firm hold on the Group's leadership in magazines and books in Italy, the consolidation of the successes in France, the development of digital activities, both in books (e-books) and other areas, the expansion and diversification of the international activities, and the continuation of efforts to reduce operating costs in order to contain the negative impact of rising production costs.

In such a problematic scenario, and despite the abovementioned actions, it is currently difficult for the Group to achieve the same levels of profitability as in 2011.

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Today at 3pm, at the company's headquarters in Segrate, the deputy chairman and chief executive, Maurizio Costa, and the CFO, Carlo Maria Vismara and Chief Content Officer and General Manager of International Activities Roberto Briglia, will present the results for 2011 approved today by the board of directors, to the financial community.

All relative documentation is available on the web site www.mondadori.it and from Borsa Italiana S.p.A.

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 cash flow statement
4. balance sheet of Arnoldo Mondadori Editore S.p.A
5. income statement of Arnoldo Mondadori Editore S.p.A.
6. cash flow statement of Arnoldo Mondadori Editore S.p.A.

(it should be noted that the independent audit process has not yet been completed on the figures presented)

Mondadori Press Office

Tel. +39 02 75423159 - Fax +39 02 75423637

Email: rapportistampa@mondadori.it

www.mondadori.it/Press

Investor Relations Mondadori

Tel. +39.0275423695 - Fax +39 02 75422584

Email: dario.fumagalli@mondadori.it

www.mondadori.it/Investor-relation

Encl. 1

Consolidated balance sheet (in €m)

Assets	31 December 2011	31 December 2010
Intangible assets	947.3	901.5
Fixed assets	2.8	2.4
Land and buildings	10.2	10.7
Plant and machinery	12.4	5.5
Other assets	30.7	39.8
Property, plant and machinery	53.3	56.0
Investments booked using net equity method	126.1	131.5
Other investments	1.0	0.2
Total investments	127.1	131.7
Non-current financial assets	6.9	1.9
Advanced taxes	48.1	45.7
Other non-current assets	1.1	1.3
Total non-current assets	1,186.6	1,140.5
Tax credits	40.8	28.7
Other current assets	80.2	81.7
Inventories	137.1	131.5
Trade receivables	360.4	385.2
Stocks and other current financial assets	24.6	31.9
Cash and equivalents	82.9	84.9
Total current assets	726.0	743.9
Assets destined to be sold or closed	-	-
Total assets	1,912.6	1,884.4
Liabilities	31 December 2011	31 December 2010
Share capital	64.1	67.5
Share premium reserve	210.2	286.9
Other reserves and results carried forward	249.9	182.7
Profit (loss) for the period	49.6	42.1
Total Group shareholders' equity	573.8	579.2
Minority capital and reserves	35.1	1.8
Total shareholders' equity	608.9	581.0
Reserves	47.4	43.4
Severance payments	53.5	53.2
Non-current financial liabilities	412.8	418.4
Deferred tax liabilities	103.3	91.2
Other non-current liabilities	-	-
Total non-current liabilities	617.0	606.2
Income taxes payable	22.9	22.6
Other current liabilities	259.9	251.0
Trade liabilities	366.9	380.9
Bank debts and other financial liabilities	37.0	42.7
Total current liabilities	686.7	697.2
Liabilities deriving from sales or closures	-	-
Total liabilities	1,912.6	1,884.4

Encl. 2

Consolidated income statement (in €m)

	FY 2011	FY 2010	% change
Income from sales of goods and services	1,509.8	1,558.3	(3.1%)
Personnel costs	270.7	271.5	(0.3%)
Cost of sales and management (*)	1,123.6	1,143.2	(1.7%)
Income (charges) from investments calculated on a net equity basis	14.9	(3.4)	n.s.
Gross operating profit	130.4	140.2	(7.0%)
- as a proportion of revenues	8.6%	9.0%	
Depreciation of property, plant and machinery	12.1	12.8	(5.5%)
Depreciation of intangible assets	14.5	13.2	9.8%
Operating profit	103.8	114.2	(9.1%)
- as a proportion of revenues	6.9%	7.3%	
Net financial income (charges)	(20.5)	(23.9)	(14.2%)
Other financial income (charges)	(0.6)	-	n.s.
Profit for the period before taxation	82.7	90.3	(8.4%)
Tax charges (income)	33.2	47.6	(30.3%)
Minority interest	0.1	(0.6)	n.s.
Net profit	49.6	42.1	17.8%

(*) 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 cash flow statement (in €m)

	Note	31 December 2011	31 December 2010
Net profit for the period		49.6	42.1
<i>Adjustments</i>			
Depreciations, amortization and impairment		26.6	26.0
Tax charges		33.2	47.6
Stock options		0.7	0.7
Charges to provisions and leaving entitlements		9.8	5.6
Capital losses (gains) on disposals of tangible assets, property, plant and equipment		(2.8)	(0.9)
Capital losses (gains) on valuations of financial assets		0.6	0.5
(Income) charges from companies booked at net equity		(14.9)	3.4
Net financial charges on loans and derivative operations		15.8	18.3
Adjusted net profit from operating activities		118.6	143.3
(Increase) decrease in trade receivables		33.2	(1.8)
(Increase) decrease in inventories		(4.8)	(1.2)
Increase (decrease) in trade payables		(14.7)	0.1
Income tax payments		(33.1)	(47.8)
Payment of advances and leaving entitlements		(4.7)	(12.0)
Net changes in other current assets/liabilities		(11.4)	(11.1)
Cash flow from (used in) operating activities		83.1	69.5
Payment of business combination net of cash acquired	1	1.0	1.9
(Investments in) disposals of intangible assets		0.8	(2.5)
(Investments in) disposals of property, plant and equipment		(16.8)	(12.9)
(Investments in) disposals of equity investments		8.6	1.6
(Investments in) disposals of financial assets		(3.9)	5.4
Cash flow from (used in) investment activities		(10.3)	(6.5)
Net changes in financial liabilities		(15.6)	(69.7)
Net financial charges on loans and derivative operations		(13.4)	(21.9)
(Purchase) disposal of treasury stock	14	(5.5)	(6.1)
Dividends paid	14	(40.3)	-
Cash flow from (used in) financial activities		(74.8)	(97.7)
Increase (decrease) in cash and cash equivalents		(2.0)	(34.7)
Cash and cash equivalents at beginning of period	13	84.9	119.6
Cash and cash equivalents at end of period	13	82.9	84.9
Composition of cash and cash equivalents			
Cash, cheques and valuables in hand		2.1	1.2
Bank and post office deposits		80.8	83.7
	13	82.9	84.9

Encl. 4

Balance sheet of Arnaldo Mondadori Editore S.p.A. (in €m)

ASSETS	31 DECEMBER 2011	31 DECEMBER 2010
Intangible assets	90.6	91.1
Fixed assets	2.8	2.4
Land and buildings	8.0	8.3
Plant and machinery	4.5	4.8
Other assets	3.9	3.9
Property, plant and machinery	16.4	17.0
Investments	638.9	642.4
Non-current financial assets	50.0	50.6
<i>Advanced taxes</i>	19.8	20.8
Other non-current assets	0.4	0.5
<u>Total non-current assets</u>	818.9	824.8
Tax credits	25.2	14.9
Other current assets	40.4	39.1
Inventories	30.6	31.6
Trade receivables	195.1	222.6
Stocks and other current financial assets	100.2	93.7
Cash and equivalents	62.0	73.4
<u>Total current assets</u>	453.5	475.3
Assets destined to be sold or closed	-	-
<u>Total assets</u>	1,272.4	1,300.1
LIABILITIES	31 DECEMBER 2011	31 DECEMBER 2010
Share capital	64.1	67.5
Share premium reserve	210.2	286.9
Treasury stock	(35.6)	(110.1)
Other reserves and results carried forward	230.4	222.1
Profit (loss) for the period	55.3	51.7
<u>Total shareholders' equity</u>	524.4	518.1
Reserves	29.3	27.5
Severance payments	24.5	24.4
Non-current financial liabilities	253.9	265.0
Deferred tax liabilities	21.2	19.9
Other non-current liabilities	-	-
<u>Total non-current liabilities</u>	328.9	336.8
Income taxes payable	10.1	14.3
Other current liabilities	71.3	69.5
Trade liabilities	182.2	174.0
Bank debts and other financial liabilities	155.5	187.4
<u>Total current liabilities</u>	419.1	445.2
Liabilities deriving from sales or closures	-	-
<u>Total liabilities</u>	1,272.4	1,300.1

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Income statement for Arnoldo Mondadori Editore S.p.A. (in €m)

	FY 2011	FY 2010
Income from sales of goods and services	720.9	751.4
Decrease (increase) in inventories	1.3	(0.4)
Cost of raw, ancillary and consumable materials and goods	161.2	181.1
Cost of services	392.2	385.2
Personnel costs	113.6	116.3
Various charges (income)	4.1	(1.6)
<u>Gross operating profit</u>	48.5	70.8
Depreciation of property, plant and machinery	3.5	3.6
Depreciation of intangible assets	1.2	1.2
<u>Operating profit</u>	43.8	66.0
Financial income (charges)	(7.5)	(6.7)
Investment income (charges)	35.4	23.1
<u>Profit before taxation</u>	71.7	82.4
Income taxes	16.4	30.7
<u>Risultato netto</u>	55.3	51.7

Cash flow statement for Arnoldo Mondadori Editore S.p.A (in €m)

	31 December 2011	31 December 2010
Net profit for the period	55.3	51.7
<i>Adjustments</i>		
Depreciations, amortization and writedowns	17.3	21.4
Tax charges for the period	16.4	30.7
Stock options	0.6	0.6
Charges to provisions and leaving entitlements	3.7	(7.5)
Capital losses (gains) on disposals of tangible assets, property, plant and equipment	(10.1)	(0.1)
Income from investments – dividends	(37.9)	(39.7)
Financial charges on loans and derivative operations	9.6	7.5
Adjusted net profit from operating activities	54.9	64.6
(Increase) decrease in trade receivables	30.7	(18.2)
(Increase) decrease in inventories	1.1	(0.4)
Increase (decrease) trade payables	8.7	12.4
Income tax payments	(17.7)	(30.7)
Increase (decrease) in provisions and leaving entitlements	(5.8)	(5.8)
Net changes in other assets/liabilities	(8.9)	61.6
Cash flow from (used in) operating activities	63.0	83.5
(Investments in) disposals of intangible assets	(1.0)	(0.4)
(Investments in) disposals of property, plant and equipment	(4.2)	(1.5)
(Investments in) disposals of equity investments	0.9	(16.3)
Income from investments – dividends	37.9	39.7
(Investments in) disposals of securities and other non-current financial assets	(6.5)	(77.2)
Cash flow from (used in) investment activities	27.1	55.7
(Increase) decrease in payables to banks	(31.9)	(101.2)
(Purchase) sale of treasury stock	(5.5)	(6.1)
Net changes in other non-current financial assets/liabilities	(15.9)	125.6
Financial income (charges) on loans and derivatives operations	(7.9)	(8.1)
Dividends paid	(40.3)	-
Cash flow from (used in) financial activities	(101.5)	10.2
Increase (decrease) in cash and cash equivalents	(11.4)	38.0
Cash and cash equivalents at beginning of period	73.4	35.4
Cash and cash equivalents at end of period	62.0	73.4
Composition of cash and cash equivalents		
Cash, cheques and valuables in hand	-	-
Bank and post office deposits	62.0	73.4
	62.0	73.4