MONDADORI

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

PRESS RELEASE

Board of Directors approves results for the first quarter of 2009

- **CONSOLIDATED REVENUES: €354.5 MILLION**
-23% COMPARED WITH THE €460.3 MILLION OF Q1 2008

- **GROSS OPERATING PROFIT: €14.2 MILLION**
-70.7% ON THE €48.4 MILLION AT 31 MARCH 2008

- **CONSOLIDATED OPERATING PROFIT: €8 MILLION**
-79.1% COMPARED WITH THE €38.2 MILLION OF Q1 2008

- **CONSOLIDATED NET PROFIT: -€1.8 MILLION**
COMPARED WITH €17.7 MILLION AT 31 MARCH 2008

Segrate, 14 May 2009 – The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the chairmanship of Marina Berlusconi, to examine and approve the management report for the first three months of the year to 31st March 2009 as presented by the group's deputy chairman and chief executive, Maurizio Costa.

The scenario
The first quarter of the year has been heavily conditioned by the effects of problems in the financial sector and, subsequently, in the industrial sector and in terms of consumer spending that were already evident in 2008.
The markets in which the Mondadori Group operates were characterised by:
- in magazines, the most significant negative impact was the effects of a collapse in the advertising market, estimated at more than 30% in Italy and 20% in France; the downturn in circulation was much less marked, especially in France, thanks to essential stability in subscriptions while, as expected, there was a sharp decline in the market for add-ons;
- in books, the situation in the first three months was essentially in line in the bookstore channel, while there was a slight downturn in the large-scale retail channel.

Group performance in the period to 31 March 2009
The impact of the drastic slump in advertising investments on the profitability of the Mondadori Group in the first quarter was considerable and also the ongoing downturn in add-on sales significantly reduced their contribution to operating profit.
Actions to contain management costs, that were imposed and implemented during last year and pursued with even greater determination, have had a positive effect. Investments have also continued for the development of digital activities, the international network and the project for the launch of *Grazia* in France.

In the figures that follow, consolidated revenues and gross operating profit are given as totals and on a like-for-like basis, in other words excluding Mondadori Printing SpA, of which 80% was sold in November 2008.

In the first quarter of 2009 **consolidated revenues** came to **€354.5 million** (-23% on the €460.3 million of the first quarter of 2008), on a like-for-like basis the fall was of 16.4%.

Consolidated gross operating profit came to **€14.2 million** (-70.7% on the €48.4 million in the same period of the previous year). As a proportion of revenues, the figure is 4%, compared with 10.5% in Q1 2008.
Excluding the results of Mondadori Printing, the difference in the operating margin, was a deficit of €26.4 million (-64.5%), essentially due to lower business results (€17 million), lower income from add-on sales ((€5.1 million), higher investments in business development (€1.2 million) and non-recurring items (€3.1 million).

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Consolidated operating profit came to **€8 million** (-79.1% on the €38.2 million of Q1 2008) after amortization and depreciation of tangible and intangible assets for a total of €6.2 million (€10.2 million in 2008); 2.3% as a proportion of revenues, compared with 8.3% in Q1 2008.

Consolidated pre-tax profit came to **€2.6 million** (-90.7% on the €27.9 million of the first three months of last year), with a reduction of €4.9 million in financial charges, essentially due to the lower cost of debt.

During the period the group made a **consolidated net loss** of €1.8 million on the €17.7 million net profit of the first quarter of 2008.

Gross cash flow in the first quarter of 2009 amounted to **€4.4 million** compared with €27,9 million in Q1 2008.

The Group's **net financial position** on 31 March 2009 showed a deficit of -€454.2 million, an improvement on the -€490.3 million at the end of 2008. A contribution to this result was also made by operations concluded at the end of 2008.

As of 31 March 2009 the **personnel** employed, on indefinite and fixed-term contracts, by the company, totalled 3,926.
Compared with the first quarter of last year, if the effect of the sale of Mondadori Printing S.p.A. is stripped out, the fall in the payroll is of 101 people.

BUSINESS AREA RESULTS[1]

- ***Books***

In the first quarter of 2009 the Book Division confirmed its market leadership (26.8%), markedly ahead of its main competitors.
Total periods for the period came to **€89 million** (-5.4% on the €94.1 million of the same period of the previous year). Net of add-on sales the fall was of 4.5%.

Among the different publishing houses the performance of Sperling & Kupfer and Einaudi were particularly good.
In the first quarter of 2009 Sperling & Kupfer generated revenues of €8.2 million, an increase of 32.3% on the same period of the previous year: a result that indicates a recovery in the effectiveness of the editorial plan and a refocusing of the offer in line with the positioning of the brands.
In the same period meanwhile Einaudi generated net revenues of €12.1 million, a rise of 2.5% on the same period of 2008. While there was a good performance in the bookshop and large-scale retail channels, there was a fall in instalments and a expected reduction in the sale of rights for add-on sales initiatives in a market in steep decline.
There was a slight fall in revenues for Edizioni Mondadori, which came to €37 million (-5.9% compared with Q1 2008). Among the most successful titles in the first three months were the new book by Andrea Camilleri, *Un sabato, con gli amici*, which sold 180.000 copies, and the latest book by Patricia Cornwell, *Kay Scarpetta* (over 170,000 copies).
Piemme recorded revenues of €12 million, a fall of 17.8% compared with the first quarter of 2008: there was a fall in fiction due to the predictable downturn in the sales of the two books by Khaled Hosseini.
Revenues at Mondadori Electa in the first quarter of 2009 came to €8.3 million, a fall of 16.2% compared with the same period of 2008, due to the following:
- a fall in revenues from the sale of rights for add-on sales initiatives, confirming the sharp downturn in the market and of this channel;
- the postponement of a number of important sponsored titles compared with the first quarter of 2008;
- a downturn in the heritage area due to a fall in the number of visitors and museum bookshop sales, partly compensated by exhibition organisation.

Mondadori Education recorded first quarter net revenues of €2.3 million (€2.7 million in the same period of the previous year), in a period of the year which, as usual, has a low impact on the company's turnover.

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[1] It should be noted that from 1 January 2009, replacing IAS 14, the IFRS 8 accounting principle, that regulates the information that must be disclosed for each relevant business in which the group operates, came into effect.
The application of this new principle has involved the publication of figures relating to the activities managed by the Mondadori France subsidiary separately from the entire Magazine Division, of which it is in any case a part.
Moreover, following the sale of 80% of Mondadori Printing in November 2008, the section that included the figures relating to the activities of the group's printing activities is no longer significant as per the terms of IFRS 8 and, consequently, such figures have been incorporated under the item "Corporate and other business". The same attribution has been made for the figures for 2008.

- ***Magazines Italy***

Like all Italian and international publishers, for Mondadori magazines the first quarter of 2009 was conditioned by the serious impact of the economic crisis that exploded in the second half of 2008.
On the one hand, the downturn in consumer spending inevitably affected also the sales of newspapers and magazines and, above all, add-on sales products: And, on the other, a financial crisis that has induced companies to drastically cut back their investments in communication with a consequent fall in advertising expenditure.

The Magazine Division Italy (which includes income and margins from international licensing activities and digital development) in the first quarter of 2009 generated revenues of **€124.7 million** (-23.2% on the €162.3 million of the same period of 2008). Net of add-on sales the fall was of 17.3%.

This performance was determined by the following elements:

- a fall in **circulation revenues** (-7.2%), affected by a generalised downturn in the market that impacted all of the sectors in which the division operates.
  In terms of copies sold Mondadori, which saw a fall of 9% in a market that lost 12.1% (to February), saw an increase in its market share;
- a steep decline in **add-on sales** (-33.9%), continuing a progressive slide towards a more restricted dimension.
  In the first quarter of the year the market recorded a further fall (to February -24.9% in terms of value), in particular for editorial and audiovisual products, while music did somewhat better. In this context, Mondadori's performance was better than that of the magazine market in general;
- there was a significant downturn in **advertising revenues** (-35.7%), in particular in the fashion, cosmetics and furniture sectors, compared with a Q1 2008 that grew sharply and was particularly favourable for Mondadori.

Among the most significant facts during the period were:

- the launch of a new weekly *Tu Style* at the end of January, with results that, to date, have proved very promising in terms of both circulation and advertising;
- promotional support for a number of titles that has contributed to containing the negative effects of the general context;
- an extremely rigorous management approach which has made it possible to reduce, at a level directly proportionate to the fall in revenues, production, marketing and editorial costs, as well as general expenses..

On the digital front, the concentration of investments in the women's area resulted in excellent results in the first quarter of 2009: revenues form the *Donna Moderna* web site grew by 25%, compared with a market that grew by 3.9% (Nielsen figure to February). Meanwhile, in March, a new version of the *Cosmopolitan* site was launched.

International activities

As mentioned, the international magazine market has bee affected by the same problems as those in the Italian market, with a fall in consumer spending and a downturn in advertising expenditure. Despite this, in the first quarter of 2009 Mondadori saw an increase in revenues from royalties, thanks to new launches in the *Grazia* network and of *Casaviva:* in January *Casaviva* India was launched, followed in February by the launch of *Grazia* in China, with excellent results both in terms of advertising and circulation.
In the Balkans, the Attica subsidiary felt the effects of the economic downturn, and recorded a first quarter with a fall in advertising revenues and add-on sales, largely compensated by effective cost controls.

- ***Magazines France***

In the first quarter of 2009 Mondadori France generated total revenues of **€83.6 million** (-14.5% on the €97.8 million of the same period of the previous year).
On a like-for-like basis and net of add-on sales, the fall was of 8.9%.

Circulation revenues, which account for 70% of the total revenues of Mondadori France, were down by 8.4% (-5.9% on a like-for-like basis), with greater difficulties in weeklies (especially TV guides), in the *people* segment and in the auto area. Meanwhile subscriptions held up and continue to represent a stable source of income in a difficult phase.
During the period close attention continued to be paid to management and cost controls.

Ina particularly difficult scenario for **advertising investments**, the revenues of Mondadori France in this sector were down by 23.9% (-19.2% on a like-for-like basis); in terms of volume, the result was essentially in line with the market (-17.4%, source: TNS-MI).

- ***Advertising***

Advertising investments in Italy in the first quarter of 2009, if compared with those of the first quarter of last year, got off to a very critical start, confirming the ongoing decline in the market that first became apparent in the second half of 2008.
While waiting for definite figures, on the basis of Nielsen figures to February, it is possible to foresee weak signals of growth only in the internet segment, while the downturn continues for radio, television and print, where magazines are suffering more than newspapers, that are benefiting from a less severe slump in local advertising. More precisely, magazines have seen a downturn both in terms of pages and prices, and across all sectors.

Mondadori Pubblicità ended the first three months of 2009 with total revenues of **€51.7 million** (-34.5% on the €78.9 million of the same period of 2008).
In order to further strengthen the commercial offer and evaluate all possible optimisation actions, the company has won the contract, valid from March 2009, for the sale of advertising for the national radio station *Radio Kiss Kiss* that offers new structural synergies.

- ***Direct Marketing***

Investments in direct mail in the first quarter of the year saw a downturn of more than 20%: in this context, thanks to the quality of its offer, **Cemit Interactive Media** outperformed the market.
Revenues came to **€4.8 million**, a fall of 9.4% on the €5.3 million of the same period of the previous year, due to the absence of the electoral campaign activities that were a feature of March 2008.

- ***Retail***

Revenues from the Retail Division came to **€41.8 million** (-3.5% on the €43.3 million of the same period of 2008).
During the period the division felt the effects, on the one hand, of a generalised downturn in consumer spending, and on the other, by comparison with a particularly positive Q1 2008.
Moreover, also during the period, a series of actions were taken to minimise the impact of the current downturn.

Mondadori Retail generated revenues of €26.8 million, a fall of 7.7% on the €29 million of the first quarter of 2008: the fall was less marked in the book sector, which was supported, among other things, by a range of promotional campaigns by publishers, while the fall was more marked for digital products.
During the period the number of the company's own stores rose to 29 (28 in Q1 2008).

Mondadori Franchising recorded revenues of €15 million (+5.3%) on the €14,3 million of the same period of the previous year, thanks to the expansion of the bookshop network and Edicolè which during the period reached a total of 404 outlets (357 in Q1 2008).

- ***Radio***

In the first quarter of the year the radio market proved not to be immune to the slump in advertising and, in the first two months, saw a fall of 27.2% (source: Nielsen) with signs of a slight recovery in March.
In this context the net revenues of R101 in the period came to **€3 million** (-16.7%) compared with €3.6 million in the same period of the previous year.

This is essentially the company's share of gross advertising revenues of more than €4.4 million, a fall of 14% on the €5.1 million of the same period of last year. The figure compares with a period last year in which R101 saw an increase in revenues of 56% compared with the first quarter of 2007, in a market that grew by 9%.

Since the start of 2009 Audiradio has changed the way that it measures listeners, adding to the traditional telephone survey for average daily ratings, a research method based on panel diaries that offers participating radio operators listening figures for 7, 14, 21 and 28 days.
This new way of measuring the radio audience also makes it possible to make a more precise evaluation of advertising planning, which in most cases involves campaigns that last more than two weeks.
According to the new data, R101 reaches a monthly average of 9 million listeners, which markedly reduces the gap with the top five commercial radio stations.

EXPECTATIONS FOR THE CURRENT YEAR

The national and international economic situation in the first quarter, as outline above, has endured the expected negative impact of the crisis that began in 2008: figures for consumer spending and investments are have rapidly worsened, while forecasts for a recovery in the economy have been pushed back.

As regards the markets pertinent to Mondadori, whose revenues in any case are diversified both by business and geographic area, the impact of the collapse in advertising investments in the first quarter and a further slump in add-on sales has been significant.

Actions taken to simplify the organisation and the re-engineering of processes, already begun during the last year, have allowed the company to mitigate the negative effects of the market in the first quarter: these actions will be further intensified in the coming months, both to further reduce the negative impact on this year and, above all, to size structural assets to future needs.

Any estimates concerning the company's results for the year can only repeat what was outlined during the presentation of the results for 2008: that forecasts about future market scenarios remain extremely difficult though it is realistic to expect for 2009 a lower level of profitability than the previous year, especially for the businesses most linked to advertising.

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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 interim report on the first quarter of 2009 will be made available at the company's corporate offices, at Borsa Italiana S.p.A. and on the web site www.mondadori.it by the end of today.

Enclosed:

- *Consolidated income statement (encl. 1)*
- *Consolidated balance sheet (encl. 2)*

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Encl 1

Consolidated income statement (in €m)

	31 March 2009	31 March 2008	% change
Income from sales of goods and services	354.5	460.3	(23.0%)
Personnel costs	70.8	94.4	(25.0%)
Cost of sales and management (*)	266.4	319.5	(16.6%)
Income (charges) from investments booked using the net equity method	(3.1)	2.0	n.s.
Gross operating profit	**14.2**	**48.4**	**(70.7%)**
- as a proportion of revenues	*4.0%*	*10.5%*	
Depreciation of property, plant and machinery	3.0	8.3	(63.9%)
Depreciation of intangible assets	3.2	1.9	68.4%
Operating profit	**8.0**	**38.2**	**(79.1%)**
- as a proportion of revenues	*2.3%*	*8.3%*	
Net financial income (charges)	(5.4)	(10.3)	(47.6%)
Income (charges) from other investments	-	-	-
Profit for the period before taxation	**2.6**	**27.9**	**(90.7%)**
- as a proportion of revenues	*0.7%*	*6.1%*	
Tax charges	4.2	9.9	(57.6%)
Minority interest	0.2	0.3	(33.3%)
Net profit	**(1.8)**	**17.7**	

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

Encl. 2

Consolidated balance sheet (in €m)

Assets	31 March 2009	31 December 2008
Intangible assets	**929.0**	**930.9**
Fixed assets	**2.5**	**2.6**
Land and buildings	18.1	18.3
Plant and machinery	10.0	10.3
Other assets	30.8	32.2
Property, plant and machinery	**58.9**	**60.8**
Investments booked using net equity method	139.6	140.8
Other investments	0.2	0.2
Total investments	**139.8**	**141.0**
Non-current financial assets	**7.5**	**2.0**
Advanced taxes	**37.9**	**38.9**
Other non-current assets	**2.9**	**2.8**
Total non-current assets	**1,178.5**	**1,179.0**
Tax credits	**24.0**	**20.1**
Other current assets	**84.1**	**90.3**
Inventories	**125.7**	**123.4**
Trade receivables	**370.4**	**417.3**
Other current financial assets	**52.1**	**68.5**
Cash and equivalents	**286.4**	**330.5**
Total current assets	**942.7**	**1,050.1**
Assets destined to be sold or closed	**-**	**-**
Total assets	**2,121.2**	**2,229.1**

Liabilities	31 March 2009	31 December 2008
Share capital	**67.5**	**67.5**
Share premium reserve	**286.9**	**286.9**
Other reserves and results carried forward	**149.0**	**55.7**
Profit (loss) for the period	**(1.8)**	**97.1**
Total Group shareholders' equity	**501.6**	**507.2**
Minority capital and reserves	**2.1**	**1.9**
Total shareholders' equity	**503.7**	**509.1**
Reserves	**37.7**	**39.7**
Severance payments	**60.5**	**61.4**
Non-current financial liabilities	**684.3**	**674.0**
Deferred tax liabilities	**89.4**	**88.9**
Other non-current liabilities	**-**	**-**
Total non-current liabilities	**871.9**	**864.0**
Income taxes payable	**23.4**	**23.6**
Other current liabilities	**273.2**	**258.8**
Trade liabilities	**333.1**	**356.3**
Bank debts and other financial liabilities	**115.9**	**217.3**
Total current liabilities	**745.6**	**856.0**
Liabilities deriving from sales or closures	**-**	**-**
Total liabilities	**2,121.2**	**2,229.1**