MONDADORI

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 2012

- **CONSOLIDATED REVENUES OF €328.1 MILLION: -7.4% COMPARED WITH THE €354.3 MILLION AT 31 MARCH 2011**

- **GROSS OPERATING PROFIT OF €15 MILLION: -31.2% COMPARED WITH THE €21.8 MILLION AT 31 MARCH 2011**

- **CONSOLIDATED PRE-TAX PROFIT OF €2.4 MILLION: -52% ON THE €5 MILLION AT 31 MARCH 2011**

- **NET FINANCIAL POSITION OF -€301.8 MILLION, AN IMPROVEMENT OF €33.6 MILLION COMPARED WITH THE END OF 2011**

Segrate, 14 May 2012 - The Board of Directors of Arnoldo Mondadori SpA 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 2012, as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

THE MARKET SCENARIO

In the first quarter of 2012 saw the full confirmation of the elements of structural crisis in the economy, especially in Europe: falling GDP, rising unemployment and the decline in consumer spending have unfortunately worsened compared with the latter part of 2011; the markets a sectors of reference for Mondadori, particularly in Italy, felt the impact of this situation, and were significantly in decline during the period.

GROUP PERFORAMCE IN THE PERIOD TO 31 MARZO 2012

Against this background, in the first three months of 2012 the Mondadori Group's consolidated revenues were down by 7.4% compared with the same period of last year, in line with the final quarter of 2011.

In terms of profitability, despite a marked fall in consolidated operating profit due to the decline in revenues, Q1 ended with a positive net profit thanks to the lower impact of financial charges and taxation.

Over the coming months, development will continue in digital activities more closely related to the Group's publishing identity – products, brands, communities – and the process of restructuring carried out in recent years will be extended to face a market situation in which, at present, there are no signs of recovery.

Consolidated income statement (highlights)	Q111	**Q112**	**%**
Net revenues	354.3	**328.1**	**(7.4) ***
Personnel costs	(68.5)	(73.2)	6.9 *
Cost of sales and management	(264)	(239.9)	(9.1)
EBITDA	21.8	**15,0**	**(31.2)**
Amortizations	(5.5)	(6.1)	10.9
EBIT	16.3	**8.9**	**(45.4)**
Net financial income (charges)	(5.4)	(4.4)	(18.5)
PROFIT BEFORE TAXATION	10.9	**4.5**	**(58.7)**
Taxes	(5.7)	(1.8)	(68.4)
Minority interest	(0.2)	(0.3)	50,0
NET PROFIT	5,0	**2.4**	**(52,0)**

(*) On a like-for-like basis, revenues from sales and services were down by 10.1%, while personnel costs were up by 1.1%.

Consolidated revenues amounted to €**328.1 million**, compared with €354.3 million in the first quarter of 2011.

Consolidated gross operating profit (EBITDA) came to **€15 million**, compared with €21.8 million in the same period of the previous year.

Arnoldo Mondadori Editore S.p.A.
Sede legale: Via Bianca di Savoia, 12 - Milano
C.F. e Reg. Imprese 07012130584
R.E.A. 1192794 P.I. 08386600152
Capitale sociale € 67.451.756,32

Consolidated operating profit amounted to **€8.9 million**, compared with €16.3 million in the first quarter of last year, with amortizations and depreciations of tangible and intangible assets of €6.1 million (€5.5 million in Q1 2011).

Consolidated profit before taxation came to **€4.5 million**, compared with €10.9 million in the same period of last year. During the quarter financial charges amounted to €4.4 million, an improvement of €1 million compared with 2011.

Consolidated net profit for the period totalled €**2.4 million**, compared with €5 million in the same period of the previous year.

Gross cash flow in the first three months of 2012 amounted to **€8.5 million**, compared with €10.5 million in Q1 2011.

The Group's **net financial position** at 31 March 2012 stood at -€301.8 million, an improvement of €33.6 million on the -€335.4 million at the end of 2011.

Information regarding personnel
As of 31 March 2012, the personnel employed by companies of the Group (both on temporary and permanent contracts) amounted to 3,764, compared with 3,674 in March 2011. On a comparable basis, considering that the first quarter of last year did not include the 120 employees of the companies *AME Editoriale Wellness, Glaming* and *Emas* (France), now consolidated, the overall figure would show a reduction of 30.
This, in general, confirms the ongoing efficiency policy aimed at the structural containment of labour costs, the effects of which will extend even beyond the formal end of the Restructuring Plan in 2011.

RESULTS OF THE BUSINESS AREAS

- ***BOOKS***

For the first time, the trade book market saw a marked fall both in the number of copies sold (-10.8%, source: Nielsen) and in terms of overall value (-11.8%, source: Nielsen) in the first quarter of 2012 compared with the same period of 2011, with decline recorded in all channels: bookshops, large-scale retail and online.
Moreover, this trend is even more marked in an analysis of the bestsellers: during the period, the top ten bestsellers recorded a fall of 7.8% in terms of copies and more that double that (-16%) in terms of value; figures that confirm, among other things, the fall in the average price of the biggest selling books.
There are many reason for this situation, some of which were outlined in the Annual Report, including the current recession and the Levi Law on book pricing (which was enacted in September 2011 and places limits on discounting and the number and timing of promotional campaigns).

During the first three months of 2012, despite difficult market conditions, the Mondadori Group nevertheless confirmed its leadership in the trade book sector with a market share of 25.7% in terms of value (source: Nielsen).
During the period, revenues from book sales amounted to **€64.2 million**, a fall compared with the €78 million of the first quarter of 2011.

The trade books area expects to see an improvement in revenues starting in the second quarter of the year, thanks to a rich publication programme that over the coming months will include new titles by important authors such as Ken Follet, John Grisham, Luciana Littizzetto, Niccolò Ammaniti and Stephen King.

Among the Group's publishing houses, **Edizioni Mondadori** maintained its leadership in the trade books sector during period leadership with a market share of 13%. Among the significant initiatives in the first quarter was the launch of the new series *Libellule*, high quality, short literary fiction by successful authors, sold at a standard price of €10.
Einaudi ended the first quarter of 2012 with a market share of 4.8%, down by about one percentage point compared with 31 March 2011, a period in which the company benefited from the publication of important new titles, including *Libertà* by Jonathan Franzen, and a longer paperback promotional campaign.
Despite tough trading conditions, **Sperling & Kupfer** recorded a positive result in bookshops that raised its market share from 2.3% in terms of value in 2011 to 2.9% this year, with the Sperling & Kupfer, Frassinelli and Mondadori Informatica imprints.
Piemme confirmed a total market share of 3.9%, up by 0.3% compared with the first quarter of 2011.
Revenues generated by **Mondadori Electa**, which were down compared with the first three months of the previous year, were affected by the general trend in most of the segments of the market in which the company operates, in particular in the cultural heritage area.
Compared with the first quarter of 2011, revenues generated by **Mondadori Education** were stable, in a period that, as usual, has a minimal impact on the company's yearly sales.

In **ebooks,** the first quarter was extremely positive for Mondadori's trade books publishers: the number of downloads in Q1 2012 was higher than the whole of 2011, thanks to an offer of over 3,000 catalogue titles, also including new products and not just digital versions of print editions.

- ***MAGAZINES ITALY***

The difficult macro-economic situation continued to have a big impact on the magazine market in Italy, with a consequently negative effect on advertising revenues (-11% source: Nielsen to February), circulation (-9.1% in terms of copies, -12.5% on a like-for-like basis; internal figures) and add-on sales (-24.8% in terms of value; internal figures).

Mondadori saw an overall decline in revenues in the area, from €121.9 million in the first quarter of 2011 to **€104.3 million** this time.

In particular revenue trends during the period showed that:
- circulation (-9.1%), was penalised by a sharp fall in copies sold with add-ons and subscriptions, and buy a slowdown in investments in support of some titles, which had a particular impact on overall performance in the first three months;
- revenues from add-on sales (-25,8%), mainly due to a different scheduling of initiatives for collections and books, and a fall in volumes in home video;
- advertising (-11.2%), due, in particular, to a negative performance negative in weekly family and news titles, while advertising sales in the international sector and online was up by 50%.

Sales of Mondadori titles were down by 12.5%, a figure that is in line with the dynamics of the like-for-like market, i.e. excluding new titles published since the first quarter of 2011.
The particularly poor sales performance in the first quarter is explained by a series of factors, including the economic crisis, the launch of new low-cost titles, the new system for ADS certification (circulation audit) which has modified the monthly planning of publishers' marketing investments, and the increase in postal charges.

Regarding the companies efforts to support its titles and in response to the ongoing trends, Chi was re-launched at the end of March with a new editorial formula and layout, and accompanied by a significant investment in advertising and a cut-price offer. Similar activities have also begun for Panorama, the result of which will be launched on 31 May, *TV Sorrisi e Canzoni*, *Starbene* and *Grazia*. By the end of 2012 the programme, begun at the end of 2010, for the complete review of Mondadori's portfolio of titles will be completed.

Properties
During the first quarter of 2012, the web sites of the company's main titles performed particularly well, both in terms of traffic and advertising sales (+30% compared with March 2011), in a market that grew by 12.3% first two months, compared with the same period of 2011 (Nielsen: source Fcp-Assointernet including Display, performance and classified/directories).
Of particular note was the performance of Grazia.it with revenues up by 79.1%, Panorama.it (+56.5%) and Donnamoderna.com (+16.3%).

- ***ADVERTISING***

The advertising market in the first two months of the year fell by 5.7% (source: Nielsen) compared with 2011, confirming the downward trend of investments in all media, with the exception of the Internet, albeit at a slower rate lower than in 2011: television showed a significant decrease (-6.9%), newspapers were down by -5.3%, while for magazines the fall was even more significant (-11%) among other media, radio was down by -5.1%.

As in 2011, the reduction in space is continuing in areas such as interiors, FMCGs and cars, with an impact also being felt in fashion (-7%) and cosmetics (-8%), which in 2011 performed well, while, in contrast were the pharmaceutical, media/publishing and finance sectors, whose weighting is limited.

Mondadori Pubblicità ended the first quarter with total revenues of **€42.4 million**, down compared with the €49.5 million in the same period of 2011.

Mondadori magazines have closed the first quarter with a fall of 12.7%, in a very complicated and competitive environment and a strong sensitivity on the part of advertisers to the price factor.

In particular:
- weeklies were affected by the economic crisis and the high level of uncertainty in the advertising market,

even in the early part of 2012, family and news titles were the most severely affected;
- monthlies saw a smaller fall, thanks to the success of *Panorama Icon*; *Interni* also had good performance despite the negative trend in the interiors segment in the first quarter of 2012.
It should be noticed that the difficulties faced by Mondadori monthly titles is mainly due to a not significant presence in women's fashion, which, as well as being the segment by far of most value, in terms of the total market performed positively in the period.

Also in recent months Mondadori Pubblicità is attempting to maintain average prices compared with 2011, especially for *Panorama, Grazia* and *Chi*.

Advertising revenue for radio rose by 3.4%, despite a poor start to February, down by 5.1% (source: Nielsen), sales were particularly strong for Radio Kiss Kiss.

With regard to the activities by the company in the first quarter, there was great success for the first 2012 edition of Milan Fashion Design, which saw the involvement of 17 fashion brands and 12 main partners and sponsors, the initiative enabled Mondadori Pubblicità to consolidate such activities on the territory.
During 2012, the company will organise other events to attract new clients, ensuring a positive return for the initiatives.

The Internet market saw an excellent performance by the joint venture Mediamond, with overall growth of 40% compared with 2011 due to the already mentioned positive trends of Grazia.it, Panorama.it, and Donnamoderna.com, the steady growth of TgCom (+27.3%) and Sport Mediaset (+19.5%). Overall, the scope of the sites sold by Mediamond was enhanced in 2012 with the addition of RTI's Videomediaset and Skuola.net.

- ***MAGAZINES FRANCE***

Mondadori France ended the first quarter of 2012 with consolidated revenues of **€94.3 million**, an increase on the €82.6 million of the same period of the previous year (€93.3 million at 31 March 2011 on a comparable basis, taking account of the consolidation of the joint-venture EMAS).

At a consolidated level, circulation revenues, that include both newsstand sales and subscriptions, were more or less in line with those of the first quarter of 2011 (-0.6% on a like-for-like basis) and account for 71% of total revenues.
In particular, subscriptions – that are an important asset (34.3% of total revenues) – were up by 3.1% on the same period of 2011, while newsstand sales were down by 4.2%, in line with the market of reference (-4.4%).

Innovation and editorial quality continue to be the key factors in the positive performance of the magazines published by Mondadori France; in the first quarter of the year significant re-designs were completed for *Biba, Modes & Travaux* and *Auto Journal* and the brand extension policy for the titles was continued with the launch of the quarterly *AutoPlus Classiques*, a change in the frequency of *AutoPlus Occasion,* and the magazines in the *Science&Vie* system.

On a comparable basis, advertising sales during the period were up by 2.7% on the same period of the previous year, with a better-than-market performance (0.7%).
This excellent result is explained above all by the positive performance of "*haut de gamme*" women's titles: the weekly *Grazia* (+14.7%) and the monthly *Biba* (+21.3).

Among the various initiatives of Mondadori France in the digital sector during the period, the most significant included the creation of a shared technological platform for all of the sites, the launch of an iPad version of *AutoPlus* and the inclusion of the company's titles in the offer of the various digital newsstands present in the market (Relay.fr, Lekiosque.fr, Zinio.com).

International activities

Total revenues in the first three months showed a marked increase (+8%) on the same period of last year, in particular in:

- advertising, thanks to a dedicated team focused on the fashion and interiors segments, sales in Italy for the editions of *Grazia* published in France, the UK, Germany and Russia were up by around 20%;
- licensing, with the continuing international development of *Grazia*: following the launch in Slovenia (March 2012), May will see the launch of the twentieth edition (including Italy), in South Africa by Media 24, the country's leading publisher.

During the first three months of the year revenues amounted to around €40 million, an increase of 12% on the first quarter of 2011, with forecasts for the whole of 2012 of more than €170 million.

With regard to the joint-ventures, Mondadori is present in:

- China with Mondadori Seec Advertising Co. Ltd, the exclusive licensee for advertising sales for the local edition of *Grazia*. The magazine, launched in February 2009, continued the excellent performance recorded in 2011 ending the first quarter of 2012 with a 55% increase in revenues compared with the same period of 2011. Given this rapid growth and the potential of the Chinese market, Mondadori is now studying new projects, the first of which should see the light of day in the coming months;
- Russia with an edition of *Grazia* that has just celebrated its fifth anniversary and increased its revenues in the first quarter of 2012 by 30% compared with the same period of last year;
- Greece, Bulgaria and Serbia with Attica Publications, which, despite the ongoing crisis in the Greek market, recorded a performance in line with expectations, thanks also to benefits deriving from the restructuring plan implemented in 2011.

- ***DIGITAL***

Digital activities during the quarter can be summarised as follows:
- editorial activities, ebooks, properties, subscriptions and online advertising, within the businesses of reference Books, Magazines Italy and Magazines France;
- e-commerce activities, through the web site www.bol.it, and online bookclubs, for Direct;
- diversification and business support activities, gambling, applications and CRM, with Other Businesses.

In the first quarter of 2012 all of the above activities generated total revenues of **€10.9 million**.

- ***DIRECT***

Total revenues generated by the Direct area in the first three months of 2012 amounted to **€58.4 million**, on the €64.1 million of the same period of 2011, adjusted to include within the scope or reference the e-commerce activities of Bol.it.

In the context of the economic recession, amplified in the book market by a generalised fall in average prices and a reduction in promotional activities, action was taken to recovery profitability and generate new sources of revenue. These included he rationalisation of the bookshop chain, the expansion of the range of products to include the Emporio Mondadori and BoxForYou brands, and the development of “corners” in partnership at large-scale retail outlets.

The proprietary bookshops generated revenues in the period that were down by more than 13%; of these, the multicenter formula held back the slide to 2.5%, on a like-for-like basis.
The franchise network, meanwhile, saw a fall of revenues of around 7%.
In the Club bookshops chain, the conversion of directly-owned sales outlets into the franchising formula continued; which explains a fall in revenues in this area of 23%.
Bookclub activities recorded revenues that were in line with those of 2011; Cemit generated first quarter revenues of 5 million, a 3.8% fall, in a market that was down by -5% (source: Nielsen).

- ***RADIO***

In the first three months of 2012, revenues in the Italian radio market were down by 5.1% (source: Nielsen); in this context **R101** performed better than the market with Q1 2012 revenues of €3.2 million, a slight fall on the €3.3 million of the first quarter of 2011.
In terms of output, the first quarter of 2012 was characterised for R101 by the ongoing process of renewal at the station with the launch of new shows, the expansion of the team of presenters and the strengthening of the schedule, particularly at weekends.

EXPECTATIONS FOR THE FULL YEAR

Unfortunately, the first three months of the year confirmed the most pessimistic forecasts on the scale of the current economic crisis and the effects of economic and financial policy measures introduced by a number of countries, particularly in Europe on production, investment, employment and consumer spending.

The time required for a market recovery is currently impossible to predict: and with regard to the businesses of the Mondadori Group, there has been a further general decline in business volumes, compared with the already markedly negative levels in the final quarter of 2011.

Regarding the activities in which the Group will be engaged in the coming months, the priorities remain those outlined in the Annual Report: to defend the leadership in Italy, consolidation in France and international growth for the brands; the development of digital activities related to the core business; actions to reduce operating costs, with even greater impact than that achieved in the previous three years.

Also in terms of the results expected for the current year, as stated during the presentation of the 2011 Annual Report, in the absence of any short term reversal in market trends, the Group does not expect to achieve the same levels of profitability as last year.

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The executive responsible for the preparation of the company's accounts, Carlo Maria Vismara, declares that, as per art. 2, 154 bis *of the Single Finance Text, the accounting information contained in this release corresponds to that contained in the company's formal accounts.*

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The report for the first quarter of 2012 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

Enclosures:
1. consolidated balance sheet
2. consolidated income statement

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-relations

Encl. 1

Consolidated balance sheet (in €m)

Assets	**31 March 2012**	**31 December 2011**
Intangible assets	**944.5**	**947.3**
Fixed assets	**2.8**	**2.8**
Land and buildings	10.1	10.2
Plant and machinery	11.9	12.4
Other assets	29.0	30.7
Property. plant and machinery	**51.0**	**53.3**
Investments booked using net equity method	111.8	126.1
Other investments	1.0	1.0
Total investments	**112.8**	**127.1**
Non-current financial assets	**6.9**	**6.9**
Advanced taxes	**46.0**	**48.1**
Other non-current assets	**1.2**	**1.1**
Total non-current assets	**1,165.2**	**1,186.6**
Tax credits	**40.5**	**40.8**
Other current assets	**92.7**	**80.2**
Inventories	**137.0**	**137.1**
Trade receivables	**314.6**	**360.4**
Other current financial assets	**32.0**	**24.6**
Cash and equivalents	**109.7**	**82.9**
Total current assets	**726.5**	**726.0**
Assets destined to be sold or closed	**-**	**-**
Total assets	**1,891.7**	**1,912.6**

Liabilities	**31 March 2012**	**31 December 2011**
Share capital	**64.1**	**64.1**
Share premium reserve	**210.2**	**210.2**
Other reserves and results carried forward	**298.0**	**249.9**
Profit (loss) for the period	**2.4**	**49.6**
Total Group shareholders' equity	**574.7**	**573.8**
Minority capital and reserves	**35.4**	**35.1**
Total shareholders' equity	**610.1**	**608.9**
Reserves	**45.7**	**47.4**
Severance payments	**53.4**	**53.5**
Non-current financial liabilities	**414.3**	**412.8**
Deferred tax liabilities	**103.8**	**103.3**
Other non-current liabilities	**-**	**-**
Total non-current liabilities	**617.2**	**617.0**
Income taxes payable	**20.1**	**22.9**
Other current liabilities	**267.9**	**259.9**
Trade liabilities	**340.3**	**366.9**
Bank debts and other financial liabilities	**36.1**	**37.0**
Total current liabilities	**664.4**	**686.7**
Liabilities deriving from sales or closures	**-**	**-**
Total liabilities	**1,891.7**	**1,912.6**

Encl. 2

Separate consolidated income statement (in €m)

	Period to 31 March 2012	Period to 31 March 2011	% change
Income from sales of goods and services *(*)*	328.1	354.3	(7.4%)
Personnel costs (*)	73.2	68.5	6.9%
Cost of sales and management	244.9	264.0	(7.2%)
Income (charges) from investments booked using the net equity method	5.0	-	n.s.
Gross operating profit	**15.0**	**21.8**	**(31.2%)**
- as a proportion of revenues	*4.6%*	*6.2%*	
Depreciation of property. plant and machinery	2.8	2.7	3.7%
Depreciation of intangible assets	3.3	2.8	17.9%
Operating profit	**8.9**	**16.3**	**(45.4%)**
- as a proportion of revenues	*2.7%*	*4.6%*	
Net financial income (charges)	(4.4)	(5.4)	(18.5%)
Income (charges) from other investments	-	-	
Profit for the period before taxation	**4.5**	**10.9**	**(58.7%)**
Tax charges	1.8	5.7	(68.4%)
Minority interest	(0.3)	(0.2)	50.0%
Net profit	**2.4**	**5.0**	**(52.0%)**

(*) On a comparable basis, revenues from sales of goods and services fell by 10.1%, while personnel costs increased by 1.1%.