

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 period to 30 September 2012

• **CONSOLIDATED REVENUES OF €1,028.4 MILLION:
-7.5% COMPARED WITH THE €1,112 MILLION AT 30 SEPTEMBER 2011**

• **GROSS OPERATING PROFIT OF €63.1 MILLION:
-39.7% COMPARED WITH THE €104.6 MILLION AT 30 SEPTEMBER 2011**

• **CONSOLIDATED NET PROFIT OF €16.1 MILLION:
-63.5% ON THE €44.1 MILLION AT 30 SEPTEMBER 2011**

Segrate, 13 November 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 nine months of the year to 30th September 2012, as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

THE MARKET SCENARIO

During the third quarter all the main indicators pointed to a continued worsening of the economy. Italy continues to feel the continuing effects of a deep recession and there are no signs of a turnaround in the short term.

With regard to the markets of reference for the Mondadori Group:

- book sales continued to fall (-7.8%) across all the distribution channels, with a particularly disappointing performance in the paperback segment;
- according to the figures up to the end of August, in magazines the downward trend continued both in circulation (-11.5%) and advertising (-16.2%), while in the add-ons market there was no end to the decline that began some years ago (-20.7%);
- in France newsstand magazine sales were down by -5.3%; with subscriptions stable (official figures to September are not yet available); due to a significant reduction in advertising investments in recent months advertising revenues for the period to September were down by 4.2% (-0.5% to May).

GROUP PERFORMANCE IN THE PERIOD TO 30 SEPTEMBER 2012

Consolidated income statement (highlights)	9M 2011	9M2012	%
Net revenues (*)	1,112.0	1,028.4	(7.5)
Personnel costs (**)	(200.5)	(205.2)	2.3
Cost of sales and management	(806.9)	(760.1)	(5.8)
EBITDA	104.6	63.1	(39.7)
Amortizations	(16.8)	(18.5)	10.1
EBIT	87.8	44.6	(49.2)
Net financial income (charges)	(16.5)	12.6	(23.6)
PROFIT BEFORE TAXATION	71.3	32.0	(55.1)
Taxes	(27.1)	(14.6)	(46.1)
Minority interest	(0.1)	(1.3)	ns
NET PROFIT	44.1	16.1	(63.5)

(*) -10.3% on a like-for-like basis

(**) -3.0% on a like-for-like basis

Consolidated revenues amounted to **€1,028.4 million**, a fall of 7.5% compared with €1,112 million for the same period of 2011. Excluding the consolidation of Editions Mondadori Axel Springer Snc by Mondadori France, the reduction in revenues would be of 10.3%.

Consolidated gross operating profit amounted to **€63.1 million**, a fall of 39.7% on the €104.6 million of the previous year. The reduction was partly due to lower non-recurring income and higher costs for restructuring sustained in 2012 compared with last year.

Consolidated operating profit amounted to **€44.6 million**, compared with €87.8 million last year, with amortizations and depreciations of tangible and intangible assets of €18.5 million (€16.8 million in 2011).

Consolidated profit before taxation came to **€32 million**, compared with €71.3 million in the same period of last year. During the period financial charges amounted to €12.6 million, an improvement of €3.9 million compared with 2011.

Consolidated net profit for the period totalled **€16.1 million**, (after minority interest of €1.3 million) compared with €44.1 million in the same period of the previous year.

Gross cash flow in the first nine months of 2012 amounted to **€34.6 million**, compared with €60.9 million in 2011.

The Group's **net financial position** went from -€335.4 million at the end of 2011 to **-€346 million** on 30 September 2012 (-€380.6 million on 30 September 2011).

Significant facts following the end of the third quarter included the signing on 5 November of the agreement for the sale to the Bertelsmann Group of the company's 50% stake in Random House Mondadori, a book publisher based in Barcelona and operating in the Spanish and Latin American markets. The operation, with a value of €54.5 million, is subject to approval by the Spanish antitrust authorities and should be concluded before the end of the year.

Information regarding personnel

As of 30 September 2012, the personnel employed by companies of the Group (both on temporary and permanent contracts) amounted to 3,743. On a like-for-like basis, staff numbers were down by 66 (-1.7%) and the cost of labour by 3%, also taking account of start-up and restructuring costs.

With regard to the scope of consolidation, it should be noted that the figures for 2012 include the staff, and related costs, of Editions Mondadori Axel Springer Snc, which in 2011 was consolidated using the net equity method. Similarly, the total number of employees of Italian companies was reduced by 32 and the Parent Company increased due to the incorporation of Mondadori Editorial Wellness S.r.l. and a number of intercompany transfers.

It should also be noted that on 5 October 2012 a Ministerial Decree recognised and approved the "state of crisis" and the resulting restructuring plan for the companies Arnoldo Mondadori Editore S.p.A., Mondadori Pubblicità S.p.A. e Press-Di Distribuzione Stampa e Multimedia S.r.l..

The implementation of the aforementioned plan, which is expected to be completed by April 2014, involves 152 employees on printing-editorial contracts and will permit a further reduction in labour costs from November 2012.

RESULTS OF THE BUSINESS AREAS

• BOOKS

Compared with the same period of 2011, in the first nine months of the year, the trade book market saw a continuing fall in the bookstore channel, both in the number of copies sold (-7.1%, source: Nielsen) and in terms of value (-8.1%, source: Nielsen), also due to poor sales of paperbacks. The downturn also affected the large-scale retail and online channels.

In this context, the Mondadori Group confirmed its leadership in the market of reference (27.7% in terms of value, source: Nielsen), and with 6 of the top 10 best selling titles in the period and 45 of the top 100.

During the period, revenues from book sales amounted to **€261.6 million**, a fall of 6.7% compared with the €280.5 million of the same period of the previous year.

As regards the performance of the Group's trade publishing houses in the third quarter, Edizioni Mondadori has reached a market share of 14.1% in terms of value (+1.3% compared with the same period of 2011), thanks also to the full effects of the success of the EL James *Fifty Shades* trilogy, which in just over three months sold 2,400,000 copies in Italy, and for several weeks holding the first, second and third places in the best-sellers list.

In the genre fiction area, in September Mondadori was the first company in the world to publish the highly anticipated second novel of *The Century Trilogy*, *L'inverno del mondo* by Ken Follett with an initial print run of 450,000 copies. Within a few days, the book reached the top of the best-sellers list, doubling the results of the first volume of the trilogy, *La caduta dei giganti*, published two years ago.

There was also great satisfaction for the victory in the two most prestigious Italian literary prizes: the Premio Strega, 2012, awarded to Alessandro Piperno with *Inseparabili* (80,000 copies sold) and the Premio Campiello 2012, which was won by Carmine Abate with *La collina del vento* (40,000 copies in September alone).

A strong publishing programme is confirmed for the final quarter with the arrival of new titles from, among others, Paolo Giordano, Valerio Massimo Manfredi, Luciana Littizzetto, Michael Connelly, Stephen King, Murakami Haruki and Ian McEwan.

On the Educational side, Mondadori is the third largest operator with a market share of 12.8%. During the period the company has developed technological solutions that allow for greater flexibility of use, regardless of the operating system or device, and a greater integration of digital products.

In the ebook market, Mondadori is the leader with a market share of around 40%. The third quarter of 2012 showed a significant increase in sales, especially in the August, which recorded average daily downloads of more than 5,000.

The E.L. James trilogy alone recorded more than 90,000 downloads in the quarter. Romantic Fiction also performed well, which includes the digital version of the "Category" titles (published in print form only for newsstands) and the series *Emozione degli Oscar Mondadori*. There was an excellent start for the new book by Ken Follett *L'inverno del mondo*. Finally, also of note was the launch of the new digital series "Mondadori XS".

• **MAGAZINES ITALY**

The worsening of the economic and financial crisis and increased uncertainty over the short and medium term have had a marked influence on the dynamics of the markets in which Mondadori operates. Particularly in the last quarter, there was an additional reduction in revenues from both the sale of magazines and advertising, only partially offset by the results in the three summer months of add-on sales.

In the first nine months of 2012 the area generated revenues of **€298.6 million**, a fall of 15% compared to the €351.1 million euro in the first nine months of 2011.

There were varying trends among the various activities included in this aggregate.

- circulation revenues, penalised by the downturn in subscriptions and newsstand sales, and despite a reduction in average prices, were down by 10.8%;
- revenues from add-on sales (-18.3%), were down less than in the first half;
- advertising revenues were down by 20.7%, in a very difficult market with some significant changes, such as the temporary suspension of publication of *Flair* and the closure of *Economy*;
- revenues from International Activities (licensing +6.7%, advertising sales for the network +27.1%) and net revenues from Mondadori sites (around +40%, net for the publisher) performed well and are growing rapidly.

In terms of circulation, in the period Mondadori recorded a fall of 10.8%, in line with the market, excluding the additional copies of the new weeklies and monthlies (Source: internal estimate). Despite these new launches, the market recorded a downturn of more than 6%.

In particular, an analysis of circulation figures for the year showed that the usual seasonal upturn in summer sales of magazines was as marked as usual.

In a context characterised by a sharp slowdown in advertising in all media, the Internet advertising market showed a growth of 11% compared with the same period of 2011. At the same time the sites of the main Mondadori magazines performed much better than the market in terms of traffic and advertising, allowing an increase in revenues of 39.3%.

• **ADVERTISING**

The performance of the advertising market to August 2012 showed an overall downturn of 10.5% compared with the same period of 2011, and was also down on the first half of 2012 (-9.5%).

This negative trend affected all media: television (10.9%), radio (-7.4%), outdoor (-12.5%), cinema (-22.4%), direct mail (-15.7%), newspapers (-13.9%) and magazines (-16.2%).

The only exception was the Internet, which did not grow as fast as in previous years.

In the first nine months of 2012 **Mondadori Pubblicità** recorded revenues of **€129.1 million**, a fall of 21.8% from the €165 million of 2011.

The magazines published by Mondadori saw a downturn of 22.3%, due to a negative performance in almost all sectors, as well as the temporary suspension of the publication of *Flair*.

The aggregate figure, which includes revenues from third-party publishers of newspapers and joint ventures, showed an overall decline of 26.7%. This trend in revenues was due in equal measure to the contribution of both monthly and weekly titles.

With regard to the advertising sales for the two radio stations in the portfolio, the company recorded a fall of 11.3%.

During the first nine months Mondadori Pubblicità attempted to respond to the market by developing the organisation and management of events involving the company's most important brands, and increasing revenues in this area by 85% compared with the first nine months of 2011.

As for the internet, Mediamond continued to record strong growth in revenues in the period (+63.7% compared with 2011), thanks to the positive performance of *Donnamoderna.com* (+16%), *Grazia.it* (+60%) and *Panorama.it* (+36%) for the RTI there was a good performance for TGcom24 (+15%) and SportMediaset (+53%) and rapidly expanding sales for VideoMediaset.

• **MAGAZINES FRANCE**

Mondadori France ended the first nine months of 2012 with revenues of **€284.5 million**, up 9.6% from the €259.6 million of the same period of 2011, on a comparable basis (i.e. excluding the effects of the change in the method of consolidation of the joint venture Editions Mondadori Axel Springer Snc), revenues were down by 2.3%.

The continued focus on editorial quality and costs made it possible to report an increase in the gross operating margin of 5.9% compared with 30 September 2011, taking it to €27 million euro.

Advertising revenues: In a market that - contrary to an essentially stable situation in the first six months of the year - saw a sudden downturn in the third quarter with an overall reduction of 4.2% over the nine months, revenues for Mondadori France titles (on a like-for-like basis) were down by 1.9% compared with the same period last year, mainly due to the trend in the upscale women's segment, which includes the weekly *Grazia* (+6.6%) and the monthly *Biba* (+8.4%), and *L'Auto Journal* (+7.1%), *Sport Auto* (+7.2%) and *Mode & Travaux* (+7.1%).

Circulation revenues generated by Mondadori France, which include both newsstand sales and subscriptions (70% of total revenues), were slightly down at the consolidated level (-2.3% on a like-for-like basis). The trend in newsstand sales (-5%) was in line with the market (-5.3%) compared with the first nine months of last year, whereas for subscriptions (33.8% of revenues), Mondadori France, with a portfolio of more than three million customers, continued to grow (+0.7% compared with the same period of 2011).

Several titles saw an increase in copies sold: 351,000 copies *Biba* (+6.7%), *L'Ami des Jardins*, 159,000 copies (+7.9%), *Modes & Travaux* 437,000 copies (+1.4%); *Grazia*, launched in 2009, confirmed its success with an increase of 3.4% to 193,000 copies.

In the first nine months of the year investments in the digital sector continued, both to increase the audience for existing sites and their presence on the new devices, and to diversify the offer and explore new opportunities through new acquisitions.

International Activities

The company's international activities, transferred to the new company Mondadori International Business, created as part of the corporate restructuring project previously announced to the market following the approval of the interim report for the period to 30 June 2012, continued their development: the *Grazia* International Network now has 19 editions, in addition to Italy, and will be expanded before the end of this year by *Grazia* Poland and in 2013 by *Grazia* Korea and *Grazia* Spain. In addition, in August the company also saw the launch of *Flair* Germany.

On the advertising front, in the first nine months of 2012 sales in the Italian market, in the fashion and furniture sectors, of €4.8 million euro, an increase of 27.1% compared with the same period of 2011. Of particular note was the excellent performance of *Grazia* France, *Grazia* UK, *Grazia* Russia and *Grazia* Germany (+54% compared with 2011).

As regards investments, Mondadori is present in:

- Greece, Bulgaria and Serbia through its stake in Attica Publications that, despite the serious crisis, has achieved results in line with the previous year, thanks to a strong growth in market share, cost cutting and the success of add-on sales;
- China, with the joint-venture Mondadori SEEC Advertising Co. Ltd., the exclusive advertising sales company for *Grazia* China, which ended the first nine months of 2012 with revenues of €7.8million (+57% compared with the same period of 2011);
- Russia, which with an edition of *Grazia* that in the first nine months of 2012 performed better than the market (revenues +17% compared with 2011).

• **DIGITAL**

Following a change in the organisational structure of the Group, the figures relating to digital activities in the first nine months of the year are booked, in line with internal reporting procedures, as follows:

- for publishing activities, e-books, properties, subscriptions and online advertising, in the business areas of reference, i.e., Books, Magazines Italy and Magazines France;
- for e-commerce activities, conducted through the web site Bol.it (from November inMondadori.it) and online Bookclubs, in Direct;
- for diversification activities and investment to support the business, gambling, applications and CRM, in Other Business.

- **DIRECT**

In order to counter the recessionary economic environment a process of rationalization of the network of book shops was begun in the first half, which saw the closure of the Milan Berchet store and some smaller stores, and a development plan for new sources of revenue through the expansion of the range of products.

Total revenues amounted to **€169.5 million** (-11% compared to the €190.4 million at 30 September 2011 (it should be noted that the main economic indicators for 2011 have been restated to include the figures for activities conducted through Bol.it attributed to the business with effect from the beginning of the year).

Revenues can be broken down as follows:

- retail sales and other revenues, down due, as well as to general market conditions, the closure of some stores, during the second half of 2011 and first half of 2012 and a new commercial approach;
- direct marketing sales, down overall as a result of cutbacks in investments by companies, a significant reduction of consumer spending and shifts in buying habits of the benefit to retailers;
- sales from e-commerce activities, managed by the site Bol.it, down as a result of the contingent market phase and changes in the competitive scenario.

In early October, following the partnership signed with Kobo Inc., Mondadori launched in Italy the series of eReaders made by the Canadian group, to be sold online and through the network of stores (350 stores which will rise to 500). Among the objectives of this operation:

- the achievement of a market share for ebooks significantly greater to that for printed books;
- to be the only operator in the world, market leader in trade publishing, with a physical and digital retail system integrated and brought together under a single brand *inMondadori* and high quality eReading devices on an open platform.

- **RADIO**

At 30 September 2012, radio advertising revenues in Italy recorded a downturn of 8.1% compared with last year, following a decline in the first half of 5.5% and an even bigger drop in the third quarter (-14.6%, Source: FCP Assoradio).

During the period advertising sales for **R101** generated net revenues of **€10.3 million**, down 12% on the €11.7 million of the same period of 2011.

EXPECTATIONS FOR THE FULL YEAR

In the third quarter figures for production, consumer spending and investments confirmed the trend of a gradual worsening of the economic situation. Moreover, it is not at present possible to predict when or how there might be a reversal of this trend.

In the current market situation in which Mondadori operates we only not repeat what was stated in the interim financial statements, regarding:

- the Group's priorities: i.e. the continuous improvement of product quality, the development of digital activities and the international network of magazines, and continued commitment to the review of processes and structures for the reduction of operating costs;
- the forecast of the level of operating profitability, which will be less than the previous year also in the last quarter.

ADHERENCE TO THE PROCESS OF SIMPLIFIED RULES ADOPTED BY CONSOB REGULATION N. 18079 OF 20 JANUARY 2012

Notice is hereby given that, pursuant to art. 3 of Consob resolution no. 18079 of 20 January 2012, the Board of Directors of Arnoldo Mondadori Editore SpA resolved, in relation to the provisions of Articles. 70, paragraph 8, and 71, paragraph 1-bis of Consob Regulation no. 11971/99, to make use, with effect from today, of the possibility to waive its obligations to publish information as foreseen by the aforementioned Consob Regulation regarding significant operations such as mergers, spin-offs, capital increases by contribution in kind, acquisitions and disposals.

§

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.

§

The interim report for the period to 30 September 2012 will be available at the company's corporate headquarters, Borsa Italiana S.p.A. and on the web site www.mondadori.it (Investor relations section) from today.

Also today, the company will publish on the web site www.mondadori.it (Investor relations section) and www.borsaitaliana.it, the presentation made to analysts of the results for the period to 30 September 2012.

Enclosures:

1. consolidated balance sheet (1)
2. consolidated income statement (2)
3. consolidated income statement for Q3 (3)

Mondadori Press Office

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

Email: rapporistampa@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	30 September 2012	31 December 2011
Intangible assets	942.6	947.3
Fixed assets	2.7	2.8
Land and buildings	9.7	10.2
Plant and machinery	11.3	12.4
Other assets	29.4	30.7
Property, plant and machinery	50.4	53.3
Investments booked using net equity method	110.1	126.1
Other investments	1.0	1.0
Total investments	111.1	127.1
Non-current financial assets	7.4	6.9
Advanced taxes	44.0	48.1
Other non-current assets	1.1	1.1
Total non-current assets	1,159.3	1,186.6
Tax credits	50.1	40.8
Other current assets	97.2	80.2
Inventories	132.3	137.1
Trade receivables	345.3	360.4
Other current financial assets	30.5	24.6
Cash and equivalents	99.2	82.9
Total current assets	754.6	726.0
Assets destined to be sold or closed	-	-
Total assets	1,913.9	1,912.6
Liabilities	30 September 2012	31 December 2011
Share capital	64.1	64.1
Share premium reserve	210.2	210.2
Other reserves and results carried forward	293.2	249.9
Profit (loss) for the period	16.1	49.6
Total Group shareholders' equity	583.6	573.8
Minority capital and reserves	35.7	35.1
Total shareholders' equity	619.3	608.9
Reserves	45.5	47.4
Severance payments	53.3	53.5
Non-current financial liabilities	448.9	412.8
Deferred tax liabilities	105.3	103.3
Other non-current liabilities	-	-
Total non-current liabilities	653.0	617.0
Income taxes payable	9.5	22.9
Other current liabilities	244.6	259.9
Trade liabilities	353.2	366.9
Bank debts and other financial liabilities	34.3	37.0
Total current liabilities	641.6	686.7
Liabilities deriving from sales or closures	-	-
Total liabilities	1,913.9	1,912.6

Encl. 2

Consolidated income statement (in €m)

	Period to 30 September 2012	Period to 30 September 2011
Income from sales of goods and services	1,028.4	1,112.0
Personnel costs	205.2	200.5
Cost of sales and management (*)	766.4	820.4
Income (charges) from investments booked using the net equity method	6.3	13.5
Gross operating profit	63.1	104.6
Depreciation of property, plant and machinery	8.5	8.5
Depreciation of intangible assets	10.0	8.3
Operating profit	44.6	87.8
Net financial income (charges)	(12.6)	(16.5)
Income (charges) from other investments	-	-
Profit for the period before taxation	32.0	71.3
Tax charges	14.6	27.1
Profit from continuing operations	17.4	44.2
Income (charges) from assets/liabilities for sale or closure	-	-
Net profit	17.4	44.2
Attributable to:		
- Minority interest	1.3	0.1
- Shareholders of the parent company	16.1	44.1

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

Encl. 3

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

	Q3 2012	Q3 2011
Income from sales of goods and services	352.2	373.3
Personnel costs	63.2	62.8
Cost of sales and management (*)	263.1	266.1
Income (charges) from investments booked using the net equity method	1.2	1.2
Gross operating profit	27.1	45.6
Depreciation of property, plant and machinery	2.9	2.9
Depreciation of intangible assets	3.4	2.8
Operating profit	20.8	39.9
Net financial income (charges)	(4.3)	(6.1)
Income (charges) from other investments	-	-
Profit for the period before taxation	16.5	33.8
Tax charges	8.1	12.3
Profit from continuing operations	8.4	21.5
Income (charges) from assets/liabilities for sale or closure	-	-
Net profit	8.4	21.5
Attributable to:		
- Minority interest	(0.2)	0.1
- Shareholders of the parent company	8.6	21.4

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