

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 2013

- **CONSOLIDATED REVENUES OF €292.7 MILLION:
-10.8% COMPARED WITH THE €328.1 MILLION AT 31 MARCH 2012**
- **CONSOLIDATED GROSS OPERATING LOSS OF €4.6 MILLION
(BREAK EVEN NET OF RESTRUCTURING COSTS)
COMPARED WITH A GROSS OPERATING PROFIT OF €15.2 MILLION AT 31 MARCH 2012**
- **CONSOLIDATED NET LOSS OF €15.3 MILLION:
COMPARED WITH A NET PROFIT OF €2.6 MILLION AT 31 MARCH 2012**
- **NET FINANCIAL POSITION OF -€310.6 MILLION
COMPARED WITH -€301.8 MILLION AT 31 MARCH 2012
AND -€267.6 MILLION AT THE END OF 2012**

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COST CUTTING AND RESTRUCTURING PLAN EXTENDED: WITH TARGET SAVINGS OF €100 MILLION BY 2015

Segrate, 14th May 2013 - The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the chairmanship of Marina Berlusconi, to examine and approve the interim report for the first three months of the year to 31st March 2013, as presented by the chief executive, Ernesto Mauri.

THE MARKET SCENARIO

As in previous months, the first quarter of 2013 was characterised by a difficult and uncertain global economic situation. In Italy the prolonged recession continued, with all the main macroeconomic indicators of production, consumer spending and employment levels worsening. Also in France, there has been a gradual deterioration of the economy, particularly in terms of GDP, which is expected to fall this year, and unemployment, which had already increased significantly in 2012.

The markets in which the Group operates were affected in the period by the current crisis, with marked declines in circulation and magazine advertising sales; also the book market in Italy saw a downturn decrease, albeit to a lesser extent.

GROUP PERFORMANCE IN THE PERIOD TO 31st MARCH 2013

CONSOLIDATED INCOME STATEMENT (highlights)	1Q12	1Q13	%
Net revenues	328.1	292.7	-10.8
Personnel costs	-73.0	-71.2	(*) - 2.5
Cost of sales and management	-239.9	-226.1	-5.8
EBITDA	15.2	-4.6	ns
Amortizations	-6.1	-6.0	-
EBIT	9.1	-10.6	ns
Net financial income (charges)	-4.4	-5.0	-
PROFIT BEFORE TAXATION	4.7	-15.6	ns
Taxes	-1.8	0.6	-
Minority interest	-0.3	-0.3	-
NET PROFIT	2.6	-15.3	ns

(*) -7.5% net of restructuring costs

Consolidated revenues amounted to **€292.7 million**, a fall of 10.8% on the €328.1 million at 31st March 2012.

The **consolidated gross operating loss** amounted to **€4.6 million** (break even net of restructuring costs), compared with a gross operating profit of €15.2 million in the same period of the previous year, by also excluding the positive non-recurring items of 2012, the difference, on a like-for-like basis, would be -€5.2 million.

The **consolidated operating loss** amounted to **€10.6 million**, compared with an operating profit of €9.1 million in the first quarter of 2012, with amortizations and depreciations of tangible and intangible assets of €6 million (€6.1 million in 2012).

Consolidated pre-tax losses came to **€15.6 million**, compared with a pre-tax profit of €4.7 million in the same period of last year. During the quarter financial charges amounted to €5 million, compared with €4.4 million in 2012.

The company made a consolidated net loss in the period of **€15.3 million**, compared with a net profit of €2.6 million at 31st March 2012.

Gross cash flow in the first three months of 2013 amounted to **-€9.3 million**, compared with €8.7 million in the first quarter of 2012.

The Group's **net financial position** went from **-€267.6 million** at the end of 2012 to **-€310.6 million** at 31st March 2013 (-€301.8 million at 31 March 2012).

Information regarding personnel

As of 31st March 2013, the personnel employed by companies of the Group (both on temporary and permanent contracts) amounted to 3,626, a fall of 3.7% (-138 positions) compared with the same period of last year. In the first quarter of 2013 alone, there was a reduction in the headcount of 77.

Similarly, during the first three months of 2013, personnel costs were reduced by 2.5% (-7.5% net of higher restructuring charges) to €71.2 million. The figure for 2012 has been adjusted to take account of the new measures introduced by IAS 19 that came into effect from 1st January 2013, and backdated. In particular, the principle foresees the booking of gains and losses regarding the calculation of severance indemnities in the "Comprehensive income statement", rather than under "Personnel costs".

The reduction in headcount and costs is due, essentially, to the effects of the restructuring processes underway, both in the Direct area and, above all, in the companies affected by the early retirement plan that began in October 2012: the parent company Arnoldo Mondadori Editore S.p.A., Mondadori Pubblicità S.p.A. and Press-Di Distribuzione Stampa and Multimedia S.r.l.

Across the Group, both in Italy and in France, the policy of reducing fixed costs through widespread efforts to improve organisational efficiency and specific actions for the simplification of hierarchical levels continues.

• **BOOKS**

In the first quarter of 2013, the trade books market declined both in terms of both copies (-3.1%) and value (-4.1%) compared with the first quarter of 2012 (source: Nielsen).

In this context, the Mondadori Group confirmed its leadership with a market share of 25.7% in terms of value (source: Nielsen).

Total revenues generated by the Books Area came to **€63.2 million**, a fall of 1.6% compared with the first quarter of 2012.

Regarding the performance of the Group's publishing houses, it should be noted that in the first quarter of 2013 a different editorial programme was developed for Edizioni Mondadori, with the publication in the second and fourth quarter of stronger titles, including the highly anticipated new novel by Dan Brown, *Inferno*, published today across the world.

Einaudi ended the first quarter of 2013 with revenues up by 5.2% compared with the same period of last year, and a market share of 6% in bookstores.

At the end of the period Mondadori Electa recorded an increase in revenues of 24.5% compared with the first quarter of 2012: mainly thanks to the success of the exhibition *Constantine 313 AD* and the excellent performance bookshop revenues.

E-book revenues have doubled since last year, with an excellent performance by romantic fiction and the new book by John Grisham *L'ex avvocato*. Among the publishing activities was the launch of the series "Quanti" by Einaudi and the digitisation of the work of Gabriele D'Annunzio to mark the anniversary of his birth.

• **MAGAZINES ITALY**

The difficult macro-economic situation coupled with political uncertainty in the country continue to strongly affect the consumer magazine market, which is experiencing negative trends very similar to the last quarter of 2012. In February, the advertising market saw overall decline in value of 16.5%, with magazines suffering a 21.6% fall (source: Nielsen).

Compared with the first quarter of 2012, there was a distinct lack of homogeneity in the performance of the Mondadori Group's Magazines Italy area, in particular, there was the closure of *Economy*, the transformation into a supplement of *Flair* and a different number of issues for *Tv Sorrisi e canzoni*, *Telepiù* and *GuidaTV*.

The overall decline in revenues in the Area was 14.9%, from €104.3 million in the first quarter of 2012 to **€88.8 million** this time.

- Circulation revenues were down compared with the previous year, albeit to a lesser degree: 14.1% (-11% on a like-for-like basis). Among the titles in the portfolio, *Chi* - after a year-end and January 2013 downturn - improved its circulation in the months of February and March, to settle at a level similar to the previous year.
Donna Moderna, *Grazia* and *TuStyle*, after changes, between December and early February, in their respective editors, were all re-launched at the same time last week, with the aim of reaffirming and consolidating Mondadori's absolute leadership in women's magazines.
Tv Sorrisi e canzoni remains Italy's most popular weekly, with sales of 720,000 copies, despite a slight decline (-5%) compared with 2012.
Panorama saw a fall off, even due to the change underway in the circulation mix, but the basic version of the magazine has maintained a positive trend compared with the previous year.
- On the advertising side, the most affected by the current economic climate, revenues in the first quarter of the year saw a like-for-like fall of 22.1% (nominal -23.9%).
- With regard to add-on sales, Mondadori saw a fall of 11, 8%, with a performance that was better than the market which was in sharp decline (-19.1% in terms of value, internal source): the fall in revenues for Mondadori was the result of a precise decision to rationalise the initiatives to minimise the financial risks, with a strong increase in profitability.
- During the first quarter of 2013, the web sites of the Group's main magazine titles performed very well with an increase in advertising revenue of 10.4%, a performance far superior to that of the market (+5%, source: Nielsen February), and traffic.
In particular, Donnamoderna.com, which grew strongly in March (source: Shinystat), with 11 million unique users remains at the top of women's sites, Grazia.it, with 1 million uniques; Panorama.it, with 3.2 million unique users; and Panoramauto.it which also has 1 million unique users.

The negative trends in the magazine market, which began in 2009 and worsened in 2012, have led the company to implement a reorganisation plan for the rationalisation of the product portfolio and a review of editorial processes with the closure of 4 monthlies and the television programming unit, resulting in a total of 87 redundancies in the editorial departments of Mondadori.

To this plan should be added the project for the further rationalisation of costs, including industrial costs.

At the same time, work began on the re-launching and repositioning of some titles, including those dedicated to interiors and, after the end of the quarter, of the three most important women's titles, with the aim of further strengthening Mondadori's leadership.

International activities

The Group's international activities, concentrated in the company Mondadori International Business, ended the first quarter of 2013 with an increase in revenues of 12.7% on the previous year.

Licensing: growth was driven by launch in the past 12 months in new editions in the *Grazia International Network* (South Africa, Poland, Spain and Korea), which contributed to an increase in revenues from royalties (+18.3%).

Advertising: in the first quarter of 2013 advertising sales on behalf of international partners was in line with the previous year thanks to the appeal of the network, which recorded a significantly better performance than the market of reference.

Investments

- Mondadori Seec Advertising Co. Ltd, the exclusive advertising sales company for *Grazia* in China, recorded first quarter revenue growth of 17% over the same period of 2012;

- Mondadori Independent Media, publisher of *Grazia* in Russia, recorded first quarter revenue growth of 3% compared with 2012;
- Attica Publications, confirmed its leadership in Greece, despite the deepening crisis among its competitors. Despite a declining advertising market compared with 2012 (-15% in magazines, -30% in radio and TV), Attica generated results that were in line with the same period of 2012, due to the benefits from the restructuring plan put in place in 2011 (and continued in 2012), and diversification.

Total revenues generated by the *Grazia* International Network amounted to €27.9 million, an increase of 7.5% on the first quarter of 2012.

• **ADVERTISING**

Advertising expenditure in the first two months of the year was down by 16.5% compared with 2012, confirming the difficulties recorded in the previous 12 months.

Television continued the negative trend of 2012 (-16.1%), with the exception of a good performance by digital channels. In other media radio was in decline (-17.3%), despite a January almost in line with 2012, as was direct mail (-19%), while outdoor and Internet were up (+5%), even if there are now some signs of a slow down. For print media in general, the situation remains very negative and in line with the last quarter of 2012, an indication that the crisis that has hit Italy in particular shows no sign of loosening its grip. Newspapers were down by -26.1%, while magazines the decline was slightly lower (-21.6%), but with decidedly negative estimates for March and April.

The decline in advertising spending is continuing in all sectors that invest in magazines: there was a sharp drop in the fashion, interiors and auto sectors, while FMCGs, after two years of marked decline, seems to suffer less.

Mondadori Pubblicità ended the first quarter of 2013 with total revenues of **€29.9 million**, down 29.5% compared with the €42.4 million in the same period of 2012.

Due to the uncertain economic situation in the country, Mondadori weeklies have been affected by the downturn in revenues of its clients and a fall in advertising spending by the top spenders in the main sectors, with the exception of *Tv sorrisi e canzoni* and *TuStyle*; for Mondadori monthlies the decline was more modest, also because of the performance of magazines such as *Flair*, *Icon* and *Interni*, which suffered less than the market average, and the positive trend in the cooking system, also thanks to the good performance of the large-scale retail sector;

Radio advertising revenues were down by 25%, in particular R101 was down by -18.8%;

Internet advertising continued to grow (with Mediamond recording an increase of 38% compared with the first quarter of 2012), with excellent results for all the main Mondadori sites.

• **MAGAZINES FRANCE**

In an economic context that remains challenging, Mondadori France ended the first quarter of 2013 with consolidated revenues of **€33 million**. On a like-for-like basis, taking into account that the weeklies *Télé Star*, *Télé Poche* and *Auto Plus* benefited in the first quarter of 2012, from an extra issue compared with the first three months of 2013, revenues were down by 9.6%, rather than the nominal -12%.

Circulation revenues in the period, which account for about 72% of the total, were down by 8.1%, with the same number of issues (nominal -10.3%).

Newsstand sales, with the same number of issues, was down by 7.6%, in line with the market (-7.5%; internal source). Strikes at Presstalis, the main operator in distribution, also had an impact on sales.

The brand extension strategy has continued in 2013, with the entry into the portfolio of new products tested last year, including *Faits Divers à la Une*, *Des Chiffres et des Lettres*, *Jeux Closer* and *Closer-C'est leur histoire*. In addition, the *Closer* increased its spinoffs with the successful launch in February of *Closer Teen*, the first issue of which sold 58,000 copies.

Always having editorial quality as a priority, the formulas of *Grazia*, *Modes & Travaux*, *Nous Deux* and *Sport Auto*, have all been updated, and will be followed during the year by the redesign of *Auto-Journal* and *Auto-Plus*.

The monthly *Science & Vie* celebrated its centenary with a special issue enhanced by the re-publication of the first issue which appeared on 1st April 1913.

The last weeks of the first quarter also saw the launch of *Nostalgie Jeux*, a games magazine produced in collaboration with the radio station *Nostalgie*, and in the wellness area *Vital*. A new cooking magazine will be launched soon called *750g*, in collaboration with the site www.750g.com.

Finally, the *Syndicat des Editeurs de Presse Magazine* (S.E.P.M.) awarded *Biba* for a distinguished "10 years of success."

Advertising revenues, net of barter and with the same number of issues, were down by 10.3% (nominal -16.1%).

At the market level (source: Kantar Media in February) there was a 7.4% decline in volumes which for Mondadori in the same period was -5.8%.

In the first quarter, Mondadori France continued to invest in digital, where it is present with an aggregate audience of 5 million unique visitors (source: Nielsen). The volume of business rose by 20% in the first quarter, thanks, among other things, to the success of the sites Autoplus.fr, Closermag.fr and Science-et-vie.com, the launch of the new *Télé Star* and *Auto-Journal* apps for iPad, the new version of *Grazia* and *Sport Auto* for iPad.

Finally, with regard to the recent acquisitions, the site NaturaBuy.fr continued to grow with an increase in transactions of 24% compared with 2012.

- **DIRECT**

Total revenues generated by the Direct Area Direct in the first quarter of 2013 amounted to **€55.8 million**, down 4.5% from €58.4 million in the same period of 2012.

The critical economic situation, the continuing decline in consumer spending and the ongoing downturn in the book market (the Area's main activity) required continuous efforts to reduce costs, review the network and diversify the offer.

In particular, work was done to rationalise the network (now comprising 570 points of sale) with the closure of 12 stores. On a like-for-like basis the directly-controlled bookstore chain, however, saw an increase of revenues of 3%, while the multicentre stores and the chain of franchised outlets maintained an essentially stable performance compared with the previous year.

Work also continued on product diversification and the development of the *inMondadori* multi-channel strategy, aimed at integrating in a single online and off-line system, which will be completed during the year.

Cemit, the company that operates in direct marketing, in the first quarter of 2013 generated revenues that were in line with those of the previous year, despite operating in a market in marked and sustained decline.

- **RADIO**

The advertising market in Italy ended the first quarter with a sharp decline in all media (-16.5% in February, source: Nielsen) with the exception of the Internet (+5%), in particular Radio in February saw a fall of 17.3% (January -2.2% and February -27.7%).

In this context, advertising sales for **R101**, reflecting the heavy decline in the main sectors - Auto, Business (mostly Telecommunications and Finance) and FMCGs (which alone in the quarter account, for 85% of sales) - ended the period in line with the negative trend of the market, with revenues of **€2.6 million** (advertising revenues for radio, the website and other initiatives), a fall of 18.8% on the €3.2 million euro in the first quarter of 2012.

EXPECTATIONS FOR THE FULL YEAR

In the markets in which Mondadori operates the first quarter of the year confirmed a worsening trend and also at a general level there were no indications of recovery in the short term.

In this context, as already indicated in the presentation of the financial statements at 31st December 2012, the company will pursue a series of activities aimed at recovering profitability in the businesses suffering most, also with a significant process of structural reorganisation and cost reduction, with the investment of important financial and economic resources.

For these reasons the level of profitability of the Group for the year 2013 is expected to be lower than last year.

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EXTENSION OF THE COST REDUCTION AND REORGANISATION PLAN

Starting in May, Mondadori will accelerate on the organisational review and cost reduction plan in order to achieve a level of profitability compatible with the new size of the markets of reference and to consolidate the company's leadership in its competitive sector.

The aim of the project, which will be coordinated by a Steering Committee under the direct guidance of the chief executive Ernesto Mauri, is to improve the functioning of the organisational structures to increase the effectiveness of business operations and expand the target of savings to €100 million by 2015.

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The board of directors also approved the 2012 Sustainability Report, in compliance with the GRI guidelines, with the application level B+.

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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 2013, approved by the board of directors, will be available at the company's registered office, Borsa Italiana SpA and on the web site www.mondadori.it (Investor relations section) from today, as will the documentation for the presentation of the first quarter results.

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The minutes of the Ordinary and Extraordinary Shareholders' Meeting of 23 April 2013 are available today at the company's registered office, Borsa Italian SpA and www.mondadori.it (in the Governance section).

Enclosures:

1. consolidated balance sheet
2. consolidated income statement

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Encl. 1

Consolidated balance sheet (in €m)

Assets	31st March 2013	31st December 2012
Intangible assets	743.0	746.0
Fixed assets	3.3	3.2
Land and buildings	9.0	9.3
Plant and machinery	14.0	14.2
Other assets	24.8	26.3
Property, plant and machinery	47.8	49.8
Investments booked using net equity method	58.0	59.1
Other investments	1.4	1.4
Total investments	59.4	60.5
Non-current financial assets	5.6	5.6
Advanced taxes	47.0	50.6
Other non-current assets	2.5	2.0
Total non-current assets	908.6	917.7
Tax credits	76.3	61.9
Other current assets	98.2	85.2
Inventories	127.1	129.6
Trade receivables	304.1	335.4
Other current financial assets	19.8	32.1
Cash and equivalents	109.7	166.8
Total current assets	735.2	811.0
Assets destined to be sold or closed	-	-
Total assets	1,643.8	1,728.7
Liabilities	31st March 2013	31st December 2012
Share capital	64.1	64.1
Share premium reserve	210.2	210.2
Other reserves and results carried forward	128.3	292.8
Profit (loss) for the period	(15.3)	(166.6)
Total Group shareholders' equity	387.3	400.5
Minority capital and reserves	33.5	33.3
Total shareholders' equity	420.8	433.8
Reserves	57.3	61.8
Severance payments	52.2	53.9
Non-current financial liabilities	360.6	387.3
Deferred tax liabilities	89.9	89.4
Other non-current liabilities	-	-
Total non-current liabilities	560.0	592.4
Income taxes payable	3.4	2.7
Other current liabilities	249.7	248.2
Trade liabilities	324.8	366.8
Bank debts and other financial liabilities	85.1	84.8
Total current liabilities	663.0	702.5
Liabilities deriving from sales or closures	-	-
Total liabilities	1,643.8	1,728.7

Encl. 2

Separate consolidated income statement (in €m)

	Period to 31st March 2013	Period to 31st March 2012	% change
Income from sales of goods and services	292.7	328.1	(10.8%)
Personnel costs(*)	71.2	73.0	(2.5%)
Cost of sales and management (**)	225.2	244.9	(8.0%)
Income (charges) from investments booked using the net equity method	(0.9)	5.0	(118.0%)
Gross operating profit	(4.6)	15.2	n.s.
- as a proportion of revenues	(1.6%)	4.6%	
Depreciation of property, plant and machinery	2.8	2.8	-
Depreciation of intangible assets	3.2	3.3	(3.0%)
Operating profit	(10.6)	9.1	n.s.
- as a proportion of revenues	(3.6%)	2.8%	
Net financial income (charges)	(5.0)	(4.4)	13.6%
Income (charges) from other investments	-	-	-
Profit for the period before taxation	(15.6)	4.7	n.s.
Tax charges	(0.6)	1.8	n.s.
Minority interest	(0.3)	(0.3)	-
Net profit	(15.3)	2.6	n.s.

(*) On a comparable basis, net of restructuring costs, personnel costs were down by 7.5%.

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