



# MONDADORI

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

## PRESS RELEASE

*Board of Directors approves full year results to 31 December 2005*

- **CONSOLIDATED REVENUES OF €1,657.3 MILLION:  
+2.3% ON THE €1,619.7 MILLION OF 2004**
  - **NET PROFIT OF €114.7 MILLION:  
+2.4% ON THE €112 MILLION OF 2004**
- **NET FINANCIAL SURPLUS OF €32.2 MILLION  
(€63.2 MILLION AT 1 JANUARY 2005)**

**PARENT COMPANY: NET PROFIT OF €101.3 MILLION:  
+8.9% ON THE €93 MILLION OF 2004**

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**DIVIDEND PROPOSAL:  
€0.60 PER SHARE (OF WHICH €0.25 EXTRAORDINARY)  
+71% ON THE €0.35 PER SHARE FOR 2004**

*NB The Mondadori Group's consolidated report for the year to 31 December 2005 – in line with EU regulation 1606/2002 and respective norms - has been prepared using the IAS/IFRS international accounting procedures. Comparison with the corresponding period of 2004 is made on a like-for-like basis. Arnoldo Mondadori Editore S.p.A. has also prepared a report for the year to 31 December 2005 according to international accounting principles, in line with the option foreseen by legislative decree N° 38 of 28 February 2005.*

*Segrate, 29 March 2006 – The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the Chairmanship of Marina Berlusconi, to examine and approve the consolidated balance sheet and management report for the year to 31<sup>st</sup> December 2005 as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.*

The Italian economy in 2005, like the rest of the euro area, saw a continuation of the weakness seen in the previous year, with a further slowdown in the final quarter that coincided with a general increase in the cost of raw materials and energy.

In this context the Mondadori Group confirmed its leadership in the sectors of reference with **consolidated revenues** for 2005 of **€1,657.3 million**, an increase of **2.3%** on the €1,619.7 million of 2004, with essentially similar levels of growth across all of the main divisions.

Consolidated **net profit** for the year 2005 came to **€114.7 million**, compared with €112 million in 2004, an increase of **2.4%**.

The launch of new titles in the TV listings segment, the start-up costs for Radio R101 and changes related to the renewal of the national contract for journalists all had an impact on consolidated **gross operating profit**, which came to **€223.6 million**, compared with €239.6 million in 2004 (-6.7%), or 13.5% as a proportion of revenues, 14.8% in the previous year.

Consolidated **operating profit** amounted to **€187.4 million**, compared with €193.6 million for the previous year (-3.2%), with lower amortisations and depreciations of around €10 million. As a proportion of revenues, the figure went from 11.9% for 2004 to 11.3% this time.

Consolidated **profit before taxation** came to **€181.4 million**, a slight increase on the €180.4 million of the previous year (+0.6%).

The overall **net financial position** went from a surplus of €63.2 million on 1 January 2005 to **€32.2 million** at year-end; this was largely due to the payment of dividends of €85.4 million, investment costs for the acquisition and development of Radio R101 and capital investments at Mondadori Printing for a total of €109 million.

## ***THE BUSINESS AREAS***

### • ***Books***

According to Demoskopea figures, during 2005 the reference market – compared with the previous twelve months – recorded a slight fall in terms of value (+1%) and remained essentially stable in terms of volume (-0.2%).

In this context, the **Book Division** ended the year with revenues of **€425 million**, a **2.5%** increase on 2004, maintaining its absolute leadership in the sector, with a market share of 27.8% in terms of value and 30% in terms of volume. Gross operating profit, as a proportion of revenues, came to 17.1%.

As a proportion of total revenues, the Book Division accounted for 17.1%.

Edizioni Mondadori remained the undisputed market leader, thanks to the success of the novels by Dan Brown, the reconfirmation and success of important authors in the portfolio and the addition of new successful authors, resulting in an increase in revenues of 3.4%.

Revenues at Einaudi grew by 3.2%, also as a result of operations linked to the add-on sale of books with newspapers.

The positive trend of recent years in art books and the organisation of exhibitions continued, resulting in an increase of 6.2% compared with the previous twelve months.

Piemme continued the strong growth trend of recent years with an 18.2% increase in revenues compared with 2004; while Sperling & Kupfer saw a fall in sales, mainly due to a shortfall in the large-scale retail channel.

Revenues in the educational sector were in line with those of the previous year, despite a climate of uncertainty in the area due to the pending reforms of the second level of secondary schools.

### • ***Magazines***

The Italian consumer magazine market was characterised by two main phenomena in 2005: on the one hand, modest growth in circulations (increasing only as a result of new launches), and on the other, a reduction in cover prices introduced by a number of publishers.

In this scenario, the **Magazine Division** generated revenues of **€778 million** (+2.3% compared with 2004) and confirmed its leadership in the market of reference. Gross operating profit, as a proportion of revenues came to 16.7%.

The 3.6% increase in circulation revenues (€550.8 million), was driven by the sale of add-ons, which amounted to €228.7 million (+23.6% compared with the already excellent results of the previous year).

Concerning add-on sales, overall the sector remained stable, despite the increase in the number of operations by publishers. However, Mondadori was able to increase its revenues in this area thanks to the selection of quality products that were consistent with the editorial line of each of the titles. Of particular note was the success of initiatives such as “Le Garzantine” encyclopaedia and the “Meridiani” classics series.

Advertising sales for Mondadori titles came to €216.7 million, essentially in line (+0.1%) with the previous 12 months.

- **Advertising**

The advertising market in 2005 grew by 2.8%, with slightly higher growth in the magazine sector, again due to the launch of new titles, while the radio sector remained essentially stable.

**Mondadori Pubblicità** – that sells advertising, as well as for the Group’s titles, also for third-party publishers – generated revenues of **€341 million (+1.3%)**, despite a number of launches from competitors and a series of strikes that affected the last two months of the year.

The Group’s advertising sales company increased its market share above all thanks to investments from expanding segments (financial services, telecoms and media) that more than compensated for shortfalls in IT, cars and tourism; of particular note was the positive performance of traditional sectors such as fashion and FMCGs.

- **Printing**

In 2005 **Mondadori Printing** saw an increase in revenues of **2.1%**, ending the year at a total of **€459.1 million**; gross operating profit, as a proportion of revenues, came to 8.6%.

Printing revenues, net of the cost of paper, grew by 1.6%, in particular in the captive sector, sustained by the Group’s participation in the add-on sales phenomenon. The positive results of the previous year were confirmed in both the hardcover and paperback books segments, with excellent results deriving from the sale of books in conjunction with newspapers and magazines.

The year also saw a range of restructuring actions, from staff functions to production activities, in particular in the illustrated books area, where the competitive scenario has been affected by aggressive competition from the Far East. Investments were made in the rotary area to update plant and offering increasingly efficient services in terms of lead-times (a reduction in the gap between the magazine being put to bed and appearing on the newsstands) and giving the Mondadori Group a competitive advantage in terms of time-to-market, more competitive production costs and an improvement in the level of quality offered to the customer.

At the end of 2005 the sale was finalised of the Martellago plant (illustrated books) to Gruppo Olivotto.

- **Direct marketing**

**Cemit Interactive Media**, the Group company operating in the direct marketing sector, recorded revenues of **€26.4 million**, a fall of 12.3% compared with 2004. Gross operating profit, as a proportion of revenues, came to 17.8%.

The business has been negatively affected by the introduction of new privacy legislation and, compared with the previous year, the lack of revenues from non-recurring clients.

During 2005 the company began the development of new I.T. platforms that have made it possible to offer both new tools to its clients, and an improvement in marketing analysis for the development of customer loyalty. This change in strategy was accompanied by a change in the organisation.

The revenues of the joint-venture with the Bertelsmann Group, **Mondolibri Spa**, are not included as they are now consolidated at net equity as per the new IAS-IFRS accounting principles.

- **Retail**

In its **retail** activities Mondadori generated revenues of **€137.2 million**, a marked increase on 2004 (+**27.2%**). Gross operating profit, as a proportion of revenues, came to 1.9%.

The expansion of the franchising network has increased the number of outlets to 170 at the end of the period, while, having concluded the experimental phase, the Edicolè project had led to the opening of 33 outlets by 31 December 2005 with a highly positive response from the market which has expressed appreciation for the new formula that makes it possible to integrate the offer of traditional newsstand products with those of bookstores.

There was also expansion in the chain of wholly-owned outlets with the opening of the new bookstore in Rome Fiumicino.

- **Radio**

In January 2005 the Mondadori Group entered the radio sector. Over the year the new **Radio R101** saw significant investments made in frequencies to increase (both quantitative and qualitative) national coverage (which has risen from an initial 56% to 82% of the population at 31 December 2005). There was also a complete redesign of the schedule (playlists, formats, programmes and presenters) and important promotional activities were carried out to establish the new brand that have made it possible to reach excellent results in terms of appreciation of the proposed model and which has allowed the company to exceed expectations also on the advertising side. In fact, net revenues came to €4.3 million, which corresponds to gross sales by the Group's advertising company of **€7.4 million**, in continuous and marked increase on the past.

### ***THE PARENT COMPANY ARNOLDO MONDADORI EDITORE S.p.A.***

At 31<sup>st</sup> December 2005, the parent company, Arnoldo Mondadori Editore S.p.A. showed a **net profit** of **€101.3 million**, an increase on the €93 million of the previous year.

There was an overall increase in revenues of 1.6%, to which different areas of the Group's business contributed, this led to an increase in net profit of 8.9%, thanks to the lower impact during the year of amortizations and depreciations.

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### ***RELEVANT EVENTS AFTER THE END OF THE PERIOD***

During the first quarter of 2006 the acquisition of frequencies by Radio R101 continued: in February an agreement was reached with Radio Arcobaleno for the purchase of 20 new plants and their relative frequencies. This operation has allowed Radio R101 to reach the entire population of Sicily and raise its overall national coverage to 85%, an optimal level of national reach.

During the period the development of the international network based around Grazia continued with the publication, in January, of the Mondadori weekly in Portugal, following an agreement with Media Capital Edições LDA, the country's leading media player, and the publisher of *Lux*, *LuxWoman*, *Maxmen*, *Casas de Portugal*, *Journal Briefing* and *Revista de Vinhos*.

The Portuguese edition was followed by that of an Arabic-language edition in the United Arab Emirates, joining a already existing English-language edition of Grazia first

published in the country last November. Both editions are published by ITP Consumer Publishing Ltd., the leading publisher in the Middle East, and whose titles include: *L'Officiel, Viva, Car, Emirates Home, Masala* and *Ahlan*.

February saw the launch of *Grazia* in Croatia: where the weekly is published under license by Europapress Holding d.o.o., the country's leading newspaper publisher and the publisher of the weeklies *Globus, Arena, Gloria* and the monthlies *Cosmopolitan, OK, Vita* and *Teen*.

In Italy, March 8 saw the launch of a completely re-designed and reconceived *Grazia* in which the entire approach of the title has been reconfigured: with a wide-ranging news section in the first half of the magazine and fashion, beauty and living sections in the second; a third section is dedicated to arts, culture and events, while a final section, a highly innovative development for the Italian market, is addressed to men.

With the new *Grazia* Mondadori aims to mark an innovative turnaround in the women's magazine market. In line with this objective, the marketing activities in support of the new *Grazia* have adopted and will continue to adopt non-conventional criteria for the Italian market based on a long-term strategy aimed at capturing the reference target.

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### ***DIVIDEND PROPOSAL***

The Board of Directors agreed to propose to the Annual General Meeting of the Shareholders, called for 26 April 2006 (or 27 April on second calling), a gross dividend, before tax, of €0.60 - of which €0.25 as an extraordinary dividend drawn in part from profit for the year and in part from the extraordinary reserve - for each ordinary share in circulation on the date of coupon detachment.

The dividend proposed represents a 71% increase on the previous year's ordinary dividend of €0.35 (paid in 2005 from the net profit for the 2004 financial year).

In line with the terms outlined by the Regulations for markets organised and managed by Borsa Italiana S.p.A. dividends will be payable in a single tranche from 25 May 2006 (coupon detachment: 22 May 2006).

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### ***THE FIRST MONTHS OF 2006***

In the first months of the year, the performance of the different businesses was in line with expectations making it possible to assume that, failing any significant changes, the results for the year will be in line with those of 2005.

*Attached:*

- *Highlights from the consolidated reclassified balance sheet and income statement (Encl.1-2)*
- *Highlights from the reclassified balance sheet and income statement of the Parent company (Encl.3-4)*

## Encl. 1: Consolidated Balance Sheet

Assets	€m 31 December 2005	€m 31 December 2004
<b>Intangible assets</b>	<b>219.4</b>	<b>144.8</b>
<b>Fixed assets</b>	<b>5.5</b>	<b>12.7</b>
Land and buildings	87.4	90.6
Plant and machinery	76.3	87.3
Other assets	45.2	19.3
<b>Property, plant and machinery</b>	<b>208.9</b>	<b>197.2</b>
Investments booked using net equity method	106.6	100.9
Other investments	2.2	2.5
<b>Total investments</b>	<b>108.8</b>	<b>103.4</b>
<b>Non-current financial assets</b>	<b>-</b>	<b>130.5</b>
<b>Advanced taxes</b>	<b>37.1</b>	<b>40.8</b>
<b>Other non-current assets</b>	<b>3.1</b>	<b>3.9</b>
<b>Total non-current assets</b>	<b>582.8</b>	<b>633.3</b>
<b>Tax credits</b>	<b>30.4</b>	<b>7.7</b>
<b>Other current assets</b>	<b>65.5</b>	<b>64.4</b>
<b>Inventories</b>	<b>127.0</b>	<b>120.9</b>
<b>Trade receivables</b>	<b>411.1</b>	<b>401.2</b>
<b>Stocks and other current financial assets</b>	<b>482.2</b>	<b>504.3</b>
<b>Cash and equivalents</b>	<b>73.1</b>	<b>137.2</b>
<b>Total current assets</b>	<b>1,189.3</b>	<b>1,235.7</b>
<b>Assets destined to be sold or closed</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>1,772.1</b>	<b>1,869.0</b>
<b>Liabilities</b>	<b>€m</b>	<b>€m</b>
	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Share capital</b>	<b>67.5</b>	<b>67.5</b>
Share premium reserve	283.7	283.7
Other reserves and results carried forward	40.5	159.1
Profit (loss) for the period	114.7	112.0
<b>Total Group shareholders' equity</b>	<b>506.4</b>	<b>622.3</b>
<b>Minority capital and reserves</b>	<b>4.0</b>	<b>3.5</b>
<b>Total shareholders' equity</b>	<b>510.4</b>	<b>625.8</b>
<b>Reserves</b>	<b>15.6</b>	<b>16.3</b>
Severance payments	99.0	94.7
<b>Non-current financial liabilities</b>	<b>451.8</b>	<b>418.8</b>
Deferred tax liabilities	26.0	21.6
Other non-current liabilities	-	-
<b>Total non-current liabilities</b>	<b>592.4</b>	<b>551.4</b>
<b>Income taxes payable</b>	<b>25.1</b>	<b>18.7</b>
<b>Other current liabilities</b>	<b>187.8</b>	<b>179.2</b>
<b>Trade liabilities</b>	<b>385.0</b>	<b>359.9</b>
<b>Bank debts and other financial liabilities</b>	<b>71.4</b>	<b>134.0</b>
<b>Total current liabilities</b>	<b>669.3</b>	<b>691.8</b>
<b>Liabilities deriving from sales or closures</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,772.1</b>	<b>1,869.0</b>

## Encl. 2: Reclassified Consolidated Income Statement

	€m	€m	Change
	31 December 2005	31 December 2004	%
Income from sales of goods and services	1,657.3	1,619.7	2.3%
Personnel costs	268.9	252.3	6.6%
Cost of sales and management	1,174.4	1,134.0	3.6%
Income (charges) from investments calculated on a net equity basis	9.6	6.2	54.8%
<b>Gross operating profit</b>	<b>223.6</b>	<b>239.6</b>	<b>(6.7%)</b>
<i>- as a proportion of revenues</i>	<i>13.5%</i>	<i>14.8%</i>	
Depreciation of property, plant and machinery	32.8	34.7	(5.5%)
Depreciation of intangible assets	3.4	11.3	(69.9%)
<b>Operating profit</b>	<b>187.4</b>	<b>193.6</b>	<b>(3.2%)</b>
<i>- as a proportion of revenues</i>	<i>11.3%</i>	<i>11.9%</i>	
Net financial income (charges)	(6.0)	(10.8)	(44.4)%
Other financial income (charges)	-	(2.4)	n.a.
<b>Profit for the period before taxation</b>	<b>181.4</b>	<b>180.4</b>	<b>0.6%</b>
Tax charges (income)	65.5	67.9	(3.5%)
Minority interest	1.2	0.5	n.s.
<b>Net profit</b>	<b>114.7</b>	<b>112.0</b>	<b>2.4%</b>

**Encl. 3: Balance Sheet of Arnaldo Mondadori Editore S.p.A.**

<b>ASSETS</b> <i>(in €)</i>	<b>Year ended</b> <b>31 December 2005</b>	<b>Year ended</b> <b>31 December 2004</b>
Intangible assets	92,793,201	94,473,054
Fixed assets	1,891,672	8,231,102
Land and buildings	17,254,750	17,926,576
Plant and machinery	5,688,699	5,563,562
Other assets	5,664,390	6,421,323
Property, plant and machinery	<b>28,607,839</b>	<b>29,911,461</b>
Investments	712,580,941	751,564,997
Non-current financial assets	0	108,171,751
Advanced taxes	16,023,118	19,969,258
Other non-current assets	1,686,193	3,237,149
<b>Total non-current assets</b>	<b>853,582,964</b>	<b>1,015,558,772</b>
Tax credits	23,005,445	3,454,241
Other current assets	41,891,692	41,584,110
Inventories	42,183,781	36,072,389
Trade receivables	232,238,022	227,609,769
Stocks and other current financial assets	100,921,560	83,703,907
Cash and equivalents	43,444,028	46,439,552
<b>Total current assets</b>	<b>483,684,528</b>	<b>438,863,968</b>
Assets destined to be sold or closed	0	0
<b>Total assets</b>	<b>1,337,267,492</b>	<b>1,454,422,740</b>
<b>LIABILITIES</b> <i>(in €)</i>	<b>Year ended</b> <b>31 December 2005</b>	<b>Year ended</b> <b>31 December 2004</b>
<i>Share capital</i>	67,451,756	67,451,756
Share premium reserve	283,746,863	283,746,863
Other reserves and results carried forward	25,468,550	142,775,277
Profit (loss) for the period	101,290,135	93,040,366
<b>Total shareholders' equity</b>	<b>477,957,304</b>	<b>587,014,262</b>
Reserves	10,740,110	11,866,386
Severance payments	43,802,801	41,188,665
Non-current financial liabilities	296,045,710	296,384,114
Deferred tax liabilities	11,708,483	9,533,338
Other non-current liabilities	0	0
<b>Total non-current liabilities</b>	<b>362,297,104</b>	<b>358,972,503</b>
Income taxes payable	18,357,383	15,216,108
Other current liabilities	103,570,753	104,053,065
Trade liabilities	204,952,637	214,201,754
Bank debts and other financial liabilities	170,132,311	174,965,048
<b>Total current liabilities</b>	<b>497,013,084</b>	<b>508,435,975</b>
Liabilities deriving from sales or closures	0	0
<b>Total liabilities</b>	<b>1,337,267,492</b>	<b>1,454,422,740</b>

**Encl. 4: Income statement of Arnoldo Mondadori Editore S.p.A.**

<i>(in €)</i>	<b>2005</b>	<b>2004</b>
Income from sales of goods and services	<b>1,047,179,331</b>	<b>1,030,852,216</b>
Decrease (increase) in inventories	(6,111,392)	4,139,612
Cost of raw, ancillary and consumable materials and goods	227,787,296	237,006,146
Cost of services	575,543,240	534,169,182
Personnel costs	131,455,616	123,183,135
Various charges (income)	(25,841,798)	(12,614,828)
<b>Gross operating profit</b>	<b>144,346,369</b>	<b>144,968,969</b>
Depreciation of property, plant and machinery	5,420,720	6,929,266
Depreciation of intangible assets	2,028,336	9,834,059
<b>Operating profit</b>	<b>136,897,313</b>	<b>128,205,644</b>
Financial income (charges)	(12,589,892)	(21,660,571)
Investment income (charges)	25,011,670	32,193,997
<b>Profit before taxation</b>	<b>149,319,091</b>	<b>138,739,070</b>
Income taxes	48,028,956	45,698,704
<b>Net profit</b>	<b>101,290,135</b>	<b>93,040,366</b>