MONDADORI

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

PRESS RELEASE

Board of Directors approves results for the first quarter of 2008

- **CONSOLIDATED REVENUES OF €460.3 MILLION: -1.7% COMPARED WITH THE €468.1 MILLION OF Q1 2007**

- **GROSS OPERATING PROFIT AT €48.4 MILLION: -11.2% ON THE €54.5 MILLION AT 31 MARCH 2007**

- **PROFIT BEFORE TAXATION AT €38.2 MILLION: -12.8% COMPARED WITH THE €43.8 MILLION OF Q1 2007**

- **NET PROFIT AT €17.7 MILLION: -25% COMPARED WITH THE €23.6 MILLION AT 31 MARCH 2007**

Segrate, 14 May 2008 – The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the Chairmanship of Marina Berlusconi, to examine and approve the management report for the first three months of the year to 31st March 2008 as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

The scenario

The first months of 2008 confirmed fears about a general slowdown in the broader economy and there were no signals of a reversal of the trend in the Mondadori Group's reference market. In fact, Italy saw a continuation of the decline in magazine circulation, which was counterbalanced in January and February by a recovery in advertising. The add-on sales market saw a further marked slump (-26%) after the slowdown of 2007. The trade books market, meanwhile, remained essentially stable.
In France, in the same period, there was a slight fall in circulation, while there was a continued decline in the advertising market, which is compared to Q1 2007, in which the impact of regulatory changes, which made it possible for large-scale retailers to advertise on television, had not been fully felt.

Group performance in the period to 31 March 2008

During the first quarter of the year the general holding up of all the businesses – due also to a focused cost control policy – and, in particular, the excellent performance of Radio R101 more than compensated for the higher investments for the development of the international and digital activities, and despite the negative impact of the add-on sales business.

The lower contribution to margins by add-on sales (a total shortfall of €10.1 million compared with 2007) was essentially due to:

- for Magazines Italy, a comparison with Q1 2007 in which add-ons had obtained 40% of their results for the full year;
- for Magazines France, the negative impact of the launch of new initiatives in the first months of the year;
- for the Book and Printing Divisions, from the market slowdown.

In the first quarter of 2008 **consolidated revenues** came to **€460,3 million**, a fall of 1.7% on the €468.1 million of the first quarter of 2007.

Arnoldo Mondadori Editore S.p.A.
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Capitale sociale € 67.451.756,32

Consolidated gross operating profit came to **€48.4 million**, compared with €54.5 million in the same period of the previous year, a fall of 11.2%. As a proportion of revenues, the figure is 10.5%, compared with 11.6% in Q1 2007.
The difference in the operating margin, net of the aforementioned effect of the performance of add-on sales, would show an improvement of €4 million, essentially due to improved results by the businesses.

Consolidated operating profit came to **€38.2 million**, a fall of 12.8% on the €43.8 million of Q1 2007, after amortization and depreciation of tangible and intangible assets for a total of €10.2 million (€10.7 million in 2007); 8.3% as a proportion of revenues, compared with 9.4% in Q1 2007.

Consolidated profit before taxation in the period came to **€27.9 million**, a fall of 25.8% on the €37.6 million of the same period of the previous year, with an increase of net financial charges (€4.1 million) largely due to the effects of changing conditions in financial markets (the impact of increased interest rates for around €1.9 million and a fall in returns from financial assets for around €1.7 million).

Consolidated net profit amounted to **€17.7 million**, a fall of 25% on the €23.6 million of the first quarter of 2007.

Gross cash flow in the first quarter of 2008 amounted to **€27.9 million** compared with €34,3 million in Q1 2007.

The Group's **net financial position** on 31 March 2008 showed a deficit of -€567.1 million compared with -€535.3 million at the end of 2007.

Business Area Results

• *<u>Books</u>*
In the first quarter of 2008 the Book Division generated revenues of **€94.1 million** (-2.5% on the €96.5 million of the same period of the previous year).
The Mondadori Group confirmed its leadership in the trade book segment, consolidating its value market share (29.7%[1]); in the large-scale retail area the figure is estimated at more than 35%.

Among the Group's publishing houses, the performance of Edizioni Mondadori was particularly noteworthy, with revenues of €39.3 million (+1.8% on the €38.6 million of Q1 2007), as was that of Piemme, which had revenues of €14.6 million (+15% on the €12.7 million of Q1 2007).

• *<u>Magazines</u>*
First quarter 2008 consolidated revenues generated by the Magazine Division amounted to **€260.2 million** (-2.3% on the €266.4 million of the same period of the previous year).

Italy
Revenues generated in Italy amounted to €162.3 million (-4.7% on the €170.2 million of Q1 2007).
This result was due to the following phenomena:
- a fall in circulation revenues, the result of a negative trend in the market that has affected almost all of the segments in which the Division operates;
- a decline in the revenues from add-on sales in a rapidly declining market, in which Mondadori, nevertheless, was less affected than its competitors;
- an increase in advertising revenues, thanks also to a new organisational structure at Mondadori Pubblicità and targeted commercial policies that have led to results above the market average and to the growth in radio.

Facts of relevance affecting the Division in the period included:
- the re-launch of *Panorama,* in the first half of March, with results that have so far proved encouraging;
- the redesign and review of *Donna Moderna*;

[1] This figure refers only to medium-large bookstores (Source: Nielsen).

- the development of internet activities and the re-design of a number of sites;
- the continuation of a management policy focused on efficiency gains in all areas, in particular on the industrial side (foliations and technical costs associated with product characteristics), editorial (editorial costs and staffing) and commercial (returns).

In a market in which, as already indicated, there is a continuing decline in sales, heavily influenced by the lower performance of add-ons, Mondadori saw a fall in circulation of 4.7%, also due to the exit from the portfolio of three titles: *Star+TV*, *Per Me* and *Creare* (on a like-for-like basis, the shortfall would be 2.9%).

Regarding add-on sales, there was a sharp fall in the market in the first quarter (-26%): and in the context of this overall decline, Mondadori's performance was better (-12.9%) also when compared to the major newspapers that operate in the segment.

France
The activities of the Magazine Division in France generated first quarter 2008 consolidated revenues of **€97.9 million** (+1.8% on the €96.2 million of the same period of the previous year).
In general, the good performance in terms of circulation and constant cost controls, alongside the ongoing restructuring plan, made it possible to maintain the level of profitability, net of investments for development and the launch of add-on sales new initiatives.

On the circulation side, the Group's titles confirmed the positive results of 2007, with an increase of 1.8% compared with Q1 2007.
The redesign and re-launch of a number of titles have been well received by readers and resulted in a positive impact on sales; a positive performance in newsstand sales and subscriptions, with excellent results for *Closer* and *Auto Plus*.

Mondadori France saw a fall in advertising sales of 7.5% compared with the same period of the previous year: as already mentioned, the year is feeling the effects of an unfavourable moment in the French advertising market, which continues to decline, and in which, nevertheless, the up-market segment is bucking the trend (+5.6%).

In April, as already communicated, an agreement for exclusive negotiations was reached with Motor Presse France for the sale of a package of six titles specialised in the Sports sector. This operation is part of the often announced strategy of rationalising the portfolio: the focus and development - also through the sale of niche titles - on market areas, such as the up-scale and mass market segments, with higher potential, also in terms of advertising sales.

International activities
Of note during the period was the important launch of two up-market brands: *Casaviva* in Greece (February) and *Flair* in Austria (March), followed by the announcement of the publication from April 2008 of *Grazia* in India.
The positive performance of Attica in Greece and the Balkans continued, as did that of the joint-venture with Sanoma in Russia.

• *Advertising*
Mondadori Pubblicità ended the first quarter of 2008 with sales of **€78.9 million** (+6.5% on the €74.1 million of the previous year), outperforming the market average in a number of areas thanks to a new organisational model and targeted commercial policies aimed at making the most effective use of the rich portfolio available.
For Mondadori Magazines, advertising sales were up by 7.7%, thanks to a positive performance of *Grazia* and *Chi*; as well as *Panorama* and *TV Sorrisi e Canzoni*; noteworthy among the monthlies, was *Flair* and the up-scale specialised titles in the Design and Furinishing segment.
The performance should also be underlined in the period of Radio R101, which grew by 55% compared with Q1 2007 and the performance, higher than the market average, of Mondadori's online activities (+41%).

• *Printing*
In the first quarter of 2008 the Printing Division generated total revenues of **€102.7 million** (-9.3% on the €113.2 million of the same period of the previous year).

This fall in sales is almost entirely due to the decline of the add-on sales market that has affected both newspapers and magazines.
There were significant increases in raw materials and energy costs, but, for the moment, these remain in line with forecasts.
Despite this fall in business, profitability has been maintained, thanks to continued production cost controls and structural adjustments, there was a satisfactory use of capacity, following a significant reduction in outsourcing and also in relation to making full use of recent investments that are now fully operative.

• ***Direct marketing***
In the first quarter of the year **Cemit Interactive Media** generated revenues of **€5.3 million** (-11.7% on the €6 million of Q1 2007): during April, however, this shortfall was recovered.
Consequently Cemit, having implemented structural changes to adapt to a changing market scenario, is now facing the challenge of development and integration of various data bases (the company's principal assets) by keeping abreast of continuing technological developments and reviewing the strategic approach to the market of reference.

• ***Retail***
The overall revenues of the Retail Division in the first quarter of 2008 amounted to **€43.3 million** (+13.1% on the €38.3 million of Q1 2007).

Mondadori Franchising saw a significant increase in revenues in the period, with sales of €14.3 million (+22% on the €11.7 million of Q1 2007), thanks mainly to new affiliations over the twelve-month period of reference: the number of bookstores rose from 187 to 208, and the Edicolè outlets from 86 in the first quarter of last year to 149 on 31 March 2008.

Mondadori Retail generated sales in the first three months of the year of €29 million (+9.3% on the €26.5 million in Q1), thanks also to an important development plan that was launched in 2007.

• ***Radio***
In the first three months of 2008 gross advertising revenues of Radio R101 amounted to **€5.1 million** (+55% on the €3,3 million of Q1 2007), which translates into net revenues of €3.6 million.

The activities of Radio R101 during the period have been focused on continuing to improve the product and ongoing communication efforts both for the brand and the new programmes. In particular, in the first three months of the year a "local" communication campaign was conducted (using print media, outdoor and events) with the aim of reinforcing awareness in areas with the best growth opportunities.
On the frequencies side, signal distribution is now widespread across the country, thanks to the numerous acquisitions made in recent years.
www.r101.it recently generated record traffic of more than 250,000 visitors and around 3 million page views per month.

Expectations for the current year
The current economic climate has had a worse than expected impact on consumer spending in the first three months of the year and there appears to be no let up in the rise in the cost of energy and raw materials or of essential consumer goods.
The situation in the sectors of reference for the Mondadori Group remains similar to that seen in recent quarters, with a general trend fro slight falls in the circulation of magazines, and a more marked fall in add-ons. Advertising recovered to February, but slowed in March and the book market remains essentially stable.
In this context, the considerations made at the presentation of the Group's 2007 results remain operative: a close focus on the management of the core business and recent investments (Radio), effective control of operating costs, combined with the development of activities focused on the product (Magazines and Digital) and the market (international network).
Despite the unfavourable economic situation, unless there is a further significant downturn in the area in which the company operates, it is possible to forecast a level of operating profit for the current year, net of extraordinary elements and investments in development, in line with that of the previous 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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Encl:
- *Consolidated income statement (encl. 1)*
- *Consolidated balance sheet (encl. 2)*

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Encl. 1

Consolidated income statement (in €m)	**31 March 2008**	**31 March 2007**	**% change**
Income from sales of goods and services	460.3	468.1	(1.7%)
Personnel costs	94.4	92.2	2.4%
Cost of sales and management	319.5	321.5	(0.6%)
Income (charges) from investments booked using the net equity method	2.0	0.1	n.s.
Gross operating profit	**48.4**	**54.5**	**(11.2%)**
- as a proportion of revenues	*10.5%*	*11.6%*	
Depreciation of property, plant and machinery	8.3	8.9	(6.7%)
Depreciation of intangible assets	1.9	1.8	5.6%
Operating profit	**38.2**	**43.8**	**(12.8%)**
- as a proportion of revenues	*8.3%*	*9.4%*	
Net financial income (charges)	(10.3)	(6.2)	66.1%
Income (charges) from other investments	-	-	
Profit for the period before taxation	**27.9**	**37.6**	**(25.8%)**
Tax charges	9.9	13.8	(28.3%)
Minority interest	0.3	0.2	50.0%
Net profit	**17.7**	**23.6**	**(25.0%)**

Encl. 2

Consolidated Balance Sheet (in €m)

Assets	**31 March 2008**	**31 December 2007**
Intangible assets	**943.6**	**943.8**
Fixed assets	**1.5**	**1.5**
Land and buildings	74.8	73.8
Plant and machinery	82.7	87.4
Other assets	48.1	48.4
Property, plant and machinery	**205.6**	**209.6**
Investments booked using net equity method	130.9	127.0
Other investments	0.3	0.3
Total investments	**131.2**	**127.3**
Non-current financial assets	**1.6**	**3.7**
Advanced taxes	**38.6**	**39.7**
Other non-current assets	**3.0**	**3.1**
Total non-current assets	**1,325.1**	**1,328.7**
Tax credits	**29.4**	**28.7**
Other current assets	**85.1**	**77.6**
Inventories	**141.5**	**150.9**
Trade receivables	**461.3**	**486.9**
Stocks and other current financial assets	**120.2**	**144.9**
Cash and equivalents	**237.7**	**225.1**
Total current assets	**1,075.2**	**1,114.1**
Assets destined to be sold or closed	**-**	**-**
Total assets	**2,400.3**	**2,442.8**

Liabilities	**31 March 2008**	**31 December 2007**
Share capital	**67.5**	**67.5**
Share premium reserve	**286.9**	**286.9**
Other reserves and results carried forward	**148.4**	**37.6**
Profit (loss) for the period	**17.7**	**112.6**
Total Group shareholders' equity	**520.5**	**504.6**
Minority capital and reserves	**2.2**	**1.9**
Total shareholders' equity	**522.7**	**506.5**
Reserves	**29.9**	**33.3**
Severance payments	**89.9**	**90.6**
Non-current financial liabilities	**632.9**	**741.2**
Deferred tax liabilities	**90.0**	**88.2**
Other non-current liabilities	**-**	**-**
Total non-current liabilities	**842.7**	**953.3**
Income taxes payable	**48.1**	**44.3**
Other current liabilities	**292.0**	**293.1**
Trade liabilities	**401.1**	**477.8**
Bank debts and other financial liabilities	**293.7**	**167.8**
Total current liabilities	**1,034.9**	**983.0**
Liabilities deriving from sales or closures	**-**	**-**
Total liabilities	**2,400.3**	**2,442.8**