MONDADORI

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

PRESS RELEASE

Board of Directors approves interim report on the year to 30 September 2008

- **CONSOLIDATED REVENUES OF €1,368.1 MILLION: -5.1% COMPARED WITH THE €1,441.7 MILLION AT 30 SEPTEMBER 2007**

- **GROSS OPERATING PROFIT OF €168.8 MILLION: -9.8% COMPARED WITH THE €187.1 MILLION AT 30 SEPTEMBER 2007**

- **CONSOLIDATED NET PROFIT OF €58.8 MILLION: -16.1% COMPARED WITH THE €70.1 MILLION AT 30 SEPTEMBER 2007**

- **THIRD QUARTER HOLDS UP WELL THANKS TO INCISIVE ACTION ON COSTS**

Segrate, 13 November 2008 **-** 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 nine months of the year to 30th September 2008, as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

THE MARKET SCENARIO

From the beginning of the second half of 2008, as feared, the effects on the real economy of the financial and macroeconomic problems that hade emerged in the preceding period began to be felt and had an immediate and somewhat violent impact on consumer spending. A period of recession is now almost certain, and it is difficult to forecast either the quantitative impact or duration.
In Italy that characterising element of the general situation in the market of reference for the Mondadori Group has been a further marked decline in advertising investments, while there has been a continuation, without particular variations, in the slowdown in circulation and add-on sales. The growth recorded by books in the first months of the year has also come to a halt.
In France, magazine circulation has fallen, but also here it is advertising that has been most affected by the situation of uncertainty about prospects in the short term.

GROUP PERFORMANCE IN THE PERIOD TO 30 SEPTEMBER 2008

Despite such a difficult context, the Mondadori Group confirmed its capacity on the revenue front, recording a gross operating profit - net of add-on sales - that was higher than that of the corresponding nine-month period of the previous year, notwithstanding ongoing investments in business development. This has been made possible by paying close attention to operating costs and efficiencies in all areas of the company that has enabled the Group, also in the third quarter, despite a fall in revenues due to the economic situation, to increase its margins compared with the same period of the previous year.

Consolidated revenues for the first nine months of 2008 came to **€1,368.1 million**, a fall of 5.1% compared with the €1,441.7 million in the first nine months of 2007 (-1.5% net of add-on sales).

Consolidated gross operating profit at 30 September 2008 came to **€168.8 million**, a fall on 9.8% on the €187.1 million of the same period of the previous year (+1.8% net of add-on sales). As a proportion of revenues, a fall to 12.3% from the 13% of the same period of 2007.
Net of the impact of add-on sales (-€20.8 million) and non-recurring factors (increased capital gains: +€3 million; personnel: -€1.5 million due to the application of new regulations on leaving entitlements in 2007 and extraordinary charges), operating margin would have grown by €1 million due to improved business results (+€7.2 million) and increased investments in development activities (-€6.2 million).

Consolidated operating profit at 30 September 2008 came to **€137.5 million**, a fall of 11% on the €154.5 million of the same period of 2007, with amortizations and depreciations of tangible and intangible assets for a total of €31.3 million (€32.6 million in 2007); as a proportion of revenues, a fall from the 10.7% of 2007 to 10.1% this time.

Consolidated profit before taxation amounted to **€104.5 million**, a fall of 19.8% on the €130.3 million of the first nine months of 2007, with an increase of €8.8 million in net financial charges, essentially due to the increased cost of borrowing (around €4.7 million) and lower returns from financial investments (around €3.1 million) and the IAS regulations regarding leaving entitlements (€1 million).

Consolidated net profit at 30 September 2008 came to **€58.8 million**, a fall of 16.1% on the €70.1 million for the same period of the previous year.

Gross cash flow in the first nine months of 2008 amounted to **€90.1 million**, compared with €102.7 million in the first nine months of 2007.

The Group's **net financial position** at 30 September 2008 showed a deficit of €644.5 million, compared to a deficit of €535.3 million at the end of 2007. During the period income taxes of €65.5 million and dividends of €83.8 million were paid out.

RESULTS OF THE BUSINESS AREAS

• ***Libri***

In the first nine months of 2008 the Book Division generated revenues of **€316.5 million**, a fall of 3% on the €326.4 million of the same period of 2007 (-1.8% net of the contribution of the sale of rights for add-on sales initiatives).

During the period the Group confirmed its leadership in the trade segment with a marked advantage over its main competitors, despite a period of recession and a general decline in consumer spending. Particularly positive results were recorded by Edizioni Mondadori, that saw its market share increase by a full percentage point, and Einaudi, which confirmed its position as Italy's second-largest publisher. In the first nine months of the year, the Turin-based publisher generated net revenues of €37 million, an increase of 5.4% on the same period of 2007.

Among the important events during the period was the exceptional success of *La solitudine dei numeri primi*, the first novel by a new writer, Paolo Giordano, which also won the 2008 Premio Strega, and has sold more than 800,000 copies; among the long sellers, of special note was *Gomorra* by Roberto Saviano, which reached one and a half million copies.

• ***Magazines***

The Magazine Division generated revenues of **€725.5 million** in the period, a fall of 8.4% on the €791.8 million at 30 September 2007, largely due to the fall in add-on sales (net of add-on sales, the fall in the Division's total revenues would be of just 3%).

Italy

Revenues generated in Italy in the first nine months of 2008 amounted to €440.9 million, a fall of 12.5% compared with the €504 million of the same period of 2007.

The shortfall in revenues is attributable to the following factors:

- weakness in circulation revenues (-5.2%) in line with the reference market, marked by a decline in all segments of the business;
- as already indicated, a marked fall (-29.9%) in revenues from add-on sales, in line with the main competitors. The on-going decline in this type of activity has necessitated a stricter selection of the initiatives in order to maintain significant margins while reducing the risks of failure.
- a downturn in magazine advertising (-2.1%) which, after an encouraging start in the first quarter, saw an abrupt slowdown, above all from the summer period.

On the circulation side, Mondadori consolidated its market share, maintaining its position of absolute leadership. The best performances were recorded in the news segment with *Panorama*, in women's weeklies with *Donna Moderna* and in the up-market segment by *Grazia* and *Flair*, which also performed well on the advertising front.

France
In the first nine months of the year Mondadori France generated revenues of €284.6 million, essentially in line (-1.1%) with the €287.8 million of the same period of 2007.
Over the same period, the company continued its efforts to reduce costs, generating important savings on both the production and distribution fronts.

The circulation revenues of Mondadori France remained at the levels of the previous year (+0.1%). In particular *Closer* and *Biba* recorded excellent performances; *Modes & Travaux* and *Top Santé* held up well, as did *Le Chasseur Français* and *Télé Star Jeux*, following their re-launches, while difficulties continued in the TV guides segment. Overall, also subscription revenues remained at the levels of the previous year, thanks to marked increases for *Closer* and *Auto Plus*.

On the advertising side, France saw a continuation in the third quarter of the marked slowdown in advertising sales.
Mondadori France, while safeguarding its market share, was particularly penalised by a downturn in sales in the *Femme Grand Public,* TV and auto segments; while results were positive in the people and up-market segments, driven by strong growth in the circulation of *Closer* and *Biba*.
In this context, Mondadori France in the first nine months of the year recorded advertising revenues of €75 million, an 8.4% fall on the €81.9 million of the same period of the previous year.

International activities
During the period there was a continuation in the rise in revenues from the international editions of Mondadori titles. The network, which as of 30 September had reached 15 units, either licensing agreements or joint-ventures, expanded further in October with the launch of *Sale&Pepe* in Romania, *Grazia Casa* in Croatia and *Casaviva* in Bulgaria, followed in November by the launch of a Serbian edition.

• ***Advertising***
Mondadori Pubblicità recorded revenues for the period of **€244.7 million**, a fall of 1.6% on the €248.8 million of the first nine months of the previous year.
After a positive first half, the third quarter saw a reflection, albeit to a lesser degree, of the worrying downturn in the market as a whole in the period.
As regards individual titles, there was expansion for the *Grazia* "system" (+9%) and a positive trend for *Flair* as well as *TV Sorrisi e Canzoni* and *Panorama*, despite a critical moment for the segments typically characterised as "male". In other media, there was further consolidation in radio with a substantial (+33.3%) increase for R101, while in the Internet area, in line with the market, there was an excellent performance by the web site www.donnamoderna.com.

• ***Printing***
The situation at 30 September 2008 saw a significant fall in revenues compared with the same period of the previous year, due to a general decline in the market.
During the third quarter there was a further marked reduction in pages due to the sudden arrest in advertising compared with the first half, and there was a confirmation of the slowdown in the market for newspaper and magazine supplements.

In the first nine months of the year the Printing Division recorded total revenues of **€281.2 million**, in fall of 15.6% on the €333.3 million of the same period of the previous year, mainly due to the absence of activities for Mondadori Education, that were present in 2007.
As for other areas, the market for catalogues and commercial products was stable and in line with expectations; illustrated books showed signs of recovery in the volume of printing in Europe, compared to the Far East, and interesting printing contracts for the American market.
There was a slight increase in the cost of paper in the period, in particular for the paper used in the printing of magazines. Utilisation of plant capacity was lower than the budget, despite a significant reduction in outsourcing.

• ***Direct marketing***
In the first nine months of the year **Cemit** operated in an increasingly difficult market, characterised by reductions in communication investments. During the period the company recorded revenues of **€15.9 million**, a fall of around 7% on the €17.1 million of the same period of the previous year, while

maintaining a good level of profitability thanks to an improvement in the mix, which was more focused of higher value added activities and the ongoing control of costs.

• ***Retail***
Total revenues from the Retail Division in the first nine months of 2008 came to **€128.6 million**, an increase of 7.3% compared with the €119.9 million of the same period of the previous year.

Mondadori Franchising recorded revenues of €44.2 million, an increase of 13.3% on the €39 million of the same period of 2007, thanks above all to new affiliations. The company's expansion programme continued during the period raising the number of its outlets to a total of 369, making it Italy's largest network of outlets for the sale of editorial products, of which 212 are bookshops (205 on 30 September 2007) and 157 Edicolè newsstands (117 at the same point of 2007).

Mondadori Retail revenues in the first nine months of the year came to €84.4 million, an increase of 4.3% on the €80.9 million of the same period of 2007. During the period the number of directly controlled outlets rose to 30.

• ***Radio***
The net revenues of R101 in the first nine months of the year amounted to **€11.1 million**, a 50% increase on the €7.4 million of the same period of 2007, and corresponding to gross advertising revenues of €16 million (€12 million at 30 September 2007).
The good audience ratings for the station were confirmed in the period, reaching an average daily audience of 2.1 million (+4.85% in the 5th Audiradio cycle compared to the same period of the previous year), in a slightly falling market.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

Sale of 80% of Mondadori Printing S.p.A.
As previously communicated on 14 October, Arnoldo Mondadori Editore signed a preliminary contract for the sale of 80% of the subsidiary Mondadori Printing S.p.A. to the Gruppo Pozzoni. The value of the transaction was defined on the basis of an enterprise value for 100% of Mondadori Printing of €145 million. The impact of the operation on the consolidated net financial position of the Mondadori Group will be of €123 million.
The operation should be seen in the context of a general trend toward consolidation and concentration among the qualified players that characterises the printing sector at an international level in response to new competitive pressures, overcapacity and a fall in demand.

The agreement gives to the Gruppo Pozzoni an option to buy the remaining 20% of Mondadori Printing, that may be exercised from December 2011, at a cost determined by the fair market value of the company on the date of the operation. Mondadori will retain an option to sell the same 20%, from January 2017, at a price to be determined by the abovementioned criteria.
The agreement also includes an 8-year printing contract - renewable on terms in line with the best market benchmarks - guaranteeing Mondadori an improvement in terms of costs and the maintenance of high standards of quality.
The terms of the operation and the signing of the preliminary contract are subject to the approval of the Italian Competition Authority.

EXPECTATIONS FOR THE FULL YEAR

The current economic and financial situation is marked by exceptional factors and consequent uncertainties that cannot be compared to the past. Both the scale and, above all, the timing with which critical factors become evident, make it difficult to make forecasts about both the medium and the short term.
What is clear is that, even in these recent difficult months, the Mondadori Group has been able to face the inevitable downturn in business with results that are in line with the best expectations, and even better than the previous year, if the add-sales are excluded. At the same time, the company has created the conditions for further improvements in efficiency through an industrial partnership in printing.

As a result, it is possible to confirm, in line with the projections made at the time of the report on the first half of the year to 30 June, that, the management results for the core business, excluding add-on sales activities, at the end of 2008 are in line with those 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.

Enclosures:
- *consolidated balance sheet (1)*
- *consolidated income statement (2)*
- *consolidated income statement for the third quarter (3)*

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Encl. 1
Consolidated balance sheet (in €m)

Assets	**30 September 2008**	**31 December 2007**
Intangible assets	**944.5**	**943.8**
Fixed assets	**2.6**	**1.5**
Land and buildings	75.6	73.8
Plant and machinery	82.1	87.4
Other assets	52.6	48.4
Property, plant and machinery	**210.3**	**209.6**
Investments booked using net equity method	126.1	127.0
Other investments	0.2	0.3
Total investments	**126.3**	**127.3**
Non-current financial assets	**2.5**	**3.7**
Advanced taxes	**36.6**	**39.7**
Other non-current assets	**2.9**	**3.1**
Total non-current assets	**1,325.7**	**1,328.7**
Tax credits	**26.3**	**28.7**
Other current assets	**91.9**	**77.6**
Inventories	**145.1**	**150.9**
Trade receivables	**475.1**	**486.9**
Stocks and other current financial assets	**104.5**	**144.9**
Cash and equivalents	**249.0**	**225.1**
Total current assets	**1,091.9**	**1,114.1**
Assets destined to be sold or closed	**-**	**-**
Total assets	**2,417.6**	**2,442.8**

Liabilities	**30 September 2008**	**31 December 2007**
Share capital	**67.5**	**67.5**
Share premium reserve	**286.9**	**286.9**
Other reserves and results carried forward	**67.1**	**37.6**
Profit (loss) for the period	**58.8**	**112.6**
Total Group shareholders' equity	**480.3**	**504.6**
Minority capital and reserves	**1.7**	**1.9**
Total shareholders' equity	**482.0**	**506.5**
Reserves	**29.7**	**33.3**
Severance payments	**89.4**	**90.6**
Non-current financial liabilities	**633.0**	**741.2**
Deferred tax liabilities	**91.1**	**88.2**
Other non-current liabilities	**-**	**-**
Total non-current liabilities	**843.2**	**953.3**
Income taxes payable	**14.4**	**44.3**
Other current liabilities	**282.0**	**293.1**
Trade liabilities	**428.5**	**477.8**
Bank debts and other financial liabilities	**367.5**	**167.8**
Total current liabilities	**1,092.4**	**983.0**
Liabilities deriving from sales or closures	**-**	**-**
Total liabilities	**2,417.6**	**2,442.8**

Encl. 2

Consolidated income statement (in €m)

	Period to 30.09.2008	Period to 30.09.2007
Income from sales of goods and services	**1,368.1**	**1,441.7**
Personnel costs	271.5	269.9
Cost of sales and management (*)	932.9	986.0
Income (charges) from investments calculated on a net equity basis	5.1	1.3
Gross operating profit	**168.8**	**187.1**
Depreciation of property, plant and machinery	25.6	27.2
Depreciation of intangible assets	5.7	5.4
Operating profit	**137.5**	**154.5**
Net financial income (charges)	(33.0)	(24.2)
Other financial income (charges)	-	-
Profit for the period before taxation	**104.5**	**130.3**
Tax charges (income)	45.2	59.5
Profit from current activities	**59.3**	**70.8**
Income (charges) from assets/liabilities destined for sale or closure	-	-
Profit attributable to minority interest	(0.5)	(0.7)
Net profit	**58.8**	**70.1**
Net profit per share (in €)	0.25	0.29
Diluted net profit per share (in €)	0.25	0.29

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

Encl. 3

Consolidated income statement for the third quarter 2008 (in €m)

	Q3 2008	Q3 2007
Income from sales of goods and services	**438.0**	**481.1**
Personnel costs	82.9	90.8
Cost of sales and management (*)	291.5	323.1
Income (charges) from investments calculated on a net equity basis	0.7	0.4
Gross operating profit	**64.3**	**67.6**
Depreciation of property, plant and machinery	8.7	9.2
Depreciation of intangible assets	1.9	1.8
Operating profit	**53.7**	**56.6**
Net financial income (charges)	(13.4)	(12.2)
Other financial income (charges)	-	-
Profit for the period before taxation	**40.3**	**44.4**
Tax charges (income)	18.1	20.3
Profit from current activities	**22.2**	**24.1**
Income (charges) from assets/liabilities destined for sale or closure	-	-
Profit attributable to minority interest	(0.2)	(0.2)
Net profit	**22.0**	**23.9**

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