

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital € 67,451,756.32
Head Offices in Milan
Administrative Offices in Segrate (MI)

**Interim management report
of the first quarter of 2009**

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Report of the Board of Directors

Report of the Board of Directors on the first Quarter of 2009

The first quarter of the year has been heavily conditioned by the effects of problems in the financial sector and, subsequently, in the industrial sector and in terms of consumer spending that were already evident in 2008.

The markets in which the Mondadori Group operates were characterised by:

- in magazines, the most significant negative impact was the effects of a collapse in the advertising market, estimated at more than 30% in Italy and 20% in France; the downturn in circulation was much less marked, especially in France, thanks to essential stability in subscriptions while, as expected, there was a sharp decline in the market for add-ons;
- in books, the situation in the first three months was essentially in line in the bookstore channel, while there was a slight downturn in the large-scale retail channel.

The impact of the drastic slump in advertising investments on the profitability of the Mondadori Group in the first quarter was considerable and also the ongoing downturn in add-on sales significantly reduced their contribution to operating profit. Actions to contain management costs, that were imposed and implemented during last year and pursued with even greater determination, have had a positive effect; investments have also continued for the development of digital activities, the international network and the project for the launch of *Grazia* in France.

In the figures that follow, consolidated revenues and gross operating profit are given as totals and on a like-for-like basis, excluding Mondadori Printing SpA, 80% of which was sold in November 2008.

Consolidated revenues to 31 March 2009 came to €354.5 million (-23% on the €460.3 million of the first quarter of 2008), on a like-for-like basis the fall was of 16.4%.

Consolidated gross operating profit came to €14.2 million with a reduction of €34.2 million (-70.7% on the €48.4 million in the same period of the previous year). As a proportion of revenues, the figure is 4%, compared with 10.5% in Q1 2008.

Excluding the results of Mondadori Printing, the difference in the operating margin, was a deficit of €26.4 million (-64.5%), essentially due to:

- lower business results: -€17.0 million
- lower income from add-on sales: -€5.1 million
- higher investments in business development: -€1.2 million
- non-recurring items: -€3.1 million

Consolidated operating profit for the period came to €8 million with a reduction of €30.2 million (-79.1% on the €38.2 million of Q1 2008) after amortization and depreciation of tangible and intangible assets for a total of €6.2 million (€10.2 million in 2008); 2.3% as a proportion of revenues, compared with 8.3% in Q1 2008.

Consolidated pre-tax profit came to €2.6 million (a fall of €25.3 million or -90.7% on the €27.9 million of the first three months of last year), with a reduction of €4.9 million in net financial charges, essentially due to the lower cost of debt.

During the period the group made a **consolidated net loss** of €1.8 million compared with the €17.7 million net profit of the first quarter of 2008.

Gross cash flow in the first quarter of 2009 amounted to **€4.4 million** compared with €27.9 million in Q1 2008.

The Group's **net financial position** went from a deficit of -€490.3 million on 31 December 2008 to -€454.2 million on 31 March 2009.

The performance of the various sectors in which Mondadori operates is examined in the sections dedicated to the different Divisions of the Group; the following are the highlights:

Results for the period

Income statement (in €m)	31 March 2009	31 March 2008	% change
Income from sales of goods and services	354.5	460.3	(23.0%)
Personnel costs	70.8	94.4	(25.0%)
Cost of sales and management (*)	266.4	319.5	(16.6%)
Income (charges) from investments booked using the net equity method	(3.1)	2.0	n.s.
Gross operating profit	14.2	48.4	(70.7%)
- as a proportion of revenues	4.0%	10.5%	
Depreciation of property, plant and machinery	3.0	8.3	(63.9%)
Depreciation of intangible assets	3.2	1.9	68.4%
Operating profit	8.0	38.2	(79.1%)
- as a proportion of revenues	2.3%	8.3%	
Net financial income (charges)	(5.4)	(10.3)	(47.6%)
Income (charges) from other investments	-	-	-
Profit for the period before taxation	2.6	27.9	(90.7%)
- as a proportion of revenues	0.7%	6.1%	
Tax charges	4.2	9.9	(57.6%)
Minority interest	0.2	0.3	(33.3%)
Net profit	(1.8)	17.7	(110.2%)
- as a proportion of revenues	(0.5%)	3.8%	
Gross cash flow	4.4	27.9	

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

It should be noted that from 1 January 2009, replacing IAS 14, the IFRS 8 accounting principle, that regulates the information that must be disclosed for each relevant business in which the group operates, came into effect.

The application of this new principle has involved the publication of figures relating to the activities managed by the Mondadori France subsidiary separately from the entire Magazine Division, of which it is in any case a part.

Consequently, in order to facilitate a like-for-like comparison, it has been necessary to re-post also the figures for the first quarter of 2008.

Moreover, following the sale of 80% of Mondadori Printing in November 2008, the section that included the figures relating to the activities of the group's printing activities is no longer significant as per the terms of IFRS 8 and, consequently, such figures have been incorporated under the item "Corporate and other business". The same attribution has been made for the figures for 2008.

Consolidated revenues amounted to €354.5 million, a fall of 23%; the following table illustrates the business volumes for each area.

The comparison is not like-for-like due to the sale of the printing business. As indicated the revenues to March 2008 have been classified under the item "Corporate and other business".

Business volumes by business area (in €m)	31 March 2009	31 March 2008	% change
Books	89.0	94.1	(5.4%)
Magazines Italy	124.7	162.3	(23.2%)
Magazines France	83.6	97.8	(14.5%)
Advertising	51.7	78.9	(34.5%)
Direct	4.8	5.3	(9.4%)
Retail	41.8	43.3	(3.5%)
Radio	3.0	3.6	(16.7%)
Corporate and other business	4.6	107.1	n.s.
Total revenues	403.2	592.4	(31.9%)
Intergroup revenues	(48.7)	(132.1)	n.s.
Total consolidated revenues	354.5	460.3	(23.0%)

A breakdown of consolidated revenues by geographical area is as follows:

Revenues by geographical area (in €m)	31 March 2009	31 March 2008	% change
Italy	266.2	340.2	(21.8%)
France	78.6	99.5	(21.0%)
Other EU countries	7.8	17.6	(55.7%)
USA	0.1	1.0	(90.0%)
Others	1.8	2.0	(10.0%)
Total consolidated revenues	354.5	460.3	(23.0%)

Book Division

In the first quarter of 2009 the Book Division confirmed its market leadership in the Trade sector with a market share of 26.8%, markedly ahead of its main competitors. Among the different publishing houses, Edizioni Mondadori saw a slight fall compared with 2008, and there was a measured fall for Piemme, while there was growth at Sperling & Kupfer and particularly Einaudi.

The following table outlines the performance of the Book Division in the period:

(in €m)	31 March 2009	31 March 2008
Book sales	87.8	92.5
Other revenues	1.2	1.6
	89.0	94.1
Operating costs	(76.5)	(78.1)
Gross operating profit	12.5	16.0
Amortisation & depreciations	(0.8)	(0.7)
Operating profit	11.7	15.3

The following table provides a breakdown of the book revenues for each of the Group's publishing houses:

Books (in €m)	31 March 2009	31 March 2008	% change
Edizioni Mondadori	37.0	39.3	(5.9%)
Einaudi	12.1	11.8	2.5%
Sperling & Kupfer	8.2	6.2	32.3%
Edizioni Piemme	12.0	14.6	(17.8%)
Mondadori Electa	8.3	9.9	(16.2%)
Mondadori Education	2.3	2.7	(14.8%)
Book distribution	7.9	8.0	(1.3%)
Other revenues	1.2	1.6	(25.0%)
Total consolidated revenues	89.0	94.1	(5.4%)

Edizioni Mondadori

In the first quarter of 2009 Edizioni Mondadori generated revenues of €37 million, a fall of 5.9% on the previous year.

Among the stand-out titles in the first three months of the year were the new book by Andrea Camilleri, *Un sabato, con gli amici*, which sold 180,000 copies and the new novel by Patricia Cornwell *Kay Scarpetta* (more than 170,000 copies).

In the non-fiction area, one title in particular. the book written by Corrado Augias and Vito Mancuso *Disputa su Dio e dintorni*, made a big impact and rapidly went to the top of the

bestsellers list with sales of 150,000 copies. Also of note in the period were re-supplies of *Conversazioni notturne a Gerusalemme*, by Carlo Maria Martini and Georg Sporschill which sold more than 25,000 copies in the first quarter.

The market for Italian fiction was confirmed during the period with, in addition to the ongoing success of the 2008 phenomenon *La solitudine dei numeri primi* by Paolo Giordano (100,000 copies in the first three months 2009) and *Venuto al mondo* by Margaret Mazzantini (over 30,000 copies), the excellent reception for Daria Bignardi's first novel, *Non vi lascerò orfani*, which has sold more than 80,000 copies, should also be noted.

Among other titles, despite a difficult market situation, there was confirmation for the Amici "saga" with *Vola via con me* (100,000 copies) and there was a positive reception for two new first-time authors: Claudio Baglioni with *Q.P.G.A.* and Geppi Cucciari with *Meglio un uomo oggi*.

The Strade Blu series maintained excellent levels of re-supplies for *Gomorra* (even if at a lower level than last year).

In the Paperback area, the first months of the year saw the launch of a new series, Oscar Spiritualità, and the complete re-design of the Oscar Saggi series: both operations were especially visible during the traditional Oscar Mondadori promotional campaign in March, which generated an increase in sales of 4% in terms of value compared with last year.

In children's books, Edizioni Mondadori successfully launched the film tie-ins for *Mostri contro Alieni* and *Le avventure di Desperaux*. While, among the authors in the portfolio, of special note was the publication of *Kot*, the second novel by Spanish writer Rafael Ábalos.

Giulio Einaudi editore

The first quarter of 2009 closed with a 2.5% increase in revenues compared with the same period of 2008. A positive performance in the bookshop and large-scale retail channels was tempered by a fall in instalments sales and the predictable collapse in the sale of rights for add-on sale initiatives in a sharply falling market.

The increase in the bookshop channel, in particular, is due to higher re-supply revenues generated by the good performance of particular titles and the effect of new promotional campaigns on the catalogue conducted in the first two months of the year. The fall in the instalments channel affected mainly the Einaudi imprint, especially Grandi Opere.

The most successful title during the first quarter were: *Un luogo incerto* by Fred Vargas (more than 80,000 copies), *Il pane di ieri* by Enzo Bianchi, which, though published in 2008, sold 50,000 copies in the quarter, *La forma della paura* by Giancarlo De Cataldo (over 25,000 copies), *Il professore di desiderio* by Philip Roth (25,000 copies), *G8* by Carlo Lucarelli (20,000 copies), *Educazione siberiana* by the young first-time novelist Nicolai Lilin (20,000 copies), and *ACAB* by Carlo Bonini (20,000 copies).

Sperling & Kupfer

Sperling & Kupfer generated first quarter 2009 revenues of €8.2 million, an increase of 32.3% on 2008, an outstanding result that rewards the effort to recover editorial effectiveness and refocus an offer that is consistent with the positioning of the brands.

The company produced 92 titles, compared with 134 in 2008: a reduction that affected mainly the IT and paperback titles, and confirmation of the priority given to qualitative growth.

Contributing to the success of the quarter were the new book by Sveva Casati Modignani, *Il gioco delle verità* (more than 120,000 copies), a significant anticipation in re-supplies of paperbacks and the re-launch, to tie-in with the release of the film, of *Io e Marley* by John Grogan, in two editions, one bound and one illustrated, and which achieved combined sales of 70,000 copies.

Among the editorial lines that performed particularly well were fiction and non-fiction.

Edizioni Piemme

In the first three months of 2009 Piemme recorded revenues of €12 million, a fall of 17.8% on the same period of the previous year.

The trade books sector saw a fall compared with the previous year mainly due to the expected reduction in the sale of the two books by Khaled Hosseini. Among the most significant titles during the period, in fiction, was the thriller by Michael Connelly *Il cerchio del lupo*, which reached sales of 85,000 copies overtaking those of previous titles, while in non-fiction, where revenues were up compared with last year, of particular note among new titles was *Il bambino senza nome* by Mark Kurzem (47,000 copies).

There was a good performance in the Religion line, thanks to a new title, *Ho fatto una promessa* by Nicola Legrottaglie, which reached 40,000 copies.

In the Paperback area there was an increase in revenues of 24.4% compared with the first three months of 2008 thanks to good levels of re-supplies due to the promotional campaign at the beginning of the year.

Revenues in the Junior area were up compared with 2008 thanks to an increase in first runs and re-supplies that compensated a marked reduction in returns, in particular in the large-scale retail channel.

The Battello a Vapore line also saw revenues rise compared with 2008, thanks to the re-supplies of catalogue titles and the big success of recent series such as *GOL!* (of which the two new titles published in the period recorded sales of 20,000 and 17,500 copies respectively).

The Stilton line, which saw a slight fall in revenues in the period, confirmed however the

success of spin-off products: *La principessa dei ghiacci* (40,000 copies) and *La foresta parlante* (33,000 copies), *Tea Stilton* (27,000 copies) and *I Supereroi* (26,000 copies).

Art books and exhibition management

The revenues of Mondadori Electa in the first quarter of 2009 came to €8.3 million, a fall of 16.2% compared with the same period of 2008. This was due to:

- a fall in revenues from the sale of rights for add-on sales initiatives, confirming the sharp downturn in this market and channel;
- the postponement of a number of important sponsored publishing titles compared with the first quarter of 2008;
- a downturn in the cultural heritage area due to a reduction in the number of visitors and a fall in sales at museum bookshops, in part compensated by exhibition organisation.

Mondadori Education

Mondadori Education recorded net sales revenues of €2.3 million in the period to al 31 March 2009, essentially in line with the €2.7 million of the same period of the previous year, in a period of the year which, as usual, has a minimum impact on revenues.

The first three months of the year are dedicated to finalising the new titles in time for presentations to teachers, who, in many cases, are unprepared for the new measures introduced by government educational reforms.

The attention given to this phase has been much greater than in the past given that the new editions are subject to restrictions and may not be modified for 5 years, for primary schools, or 6 years, for secondary schools; as per Art. 5 of Legislative Decree 137 of 1/9/08 and ratified as Law n. 169 of 30/10/08.

Activities continued to broaden the traditional educational market to universities and training with the study of a number of interesting initiatives that could be launched during the course of the year. In this context it is worth noting the publication of the first volume of the book celebrating the centenary of the Italian Journalists' Union, developed in cooperation with the FNSI, for the Mondadori Università series.

Distribution and logistics

2009 first quarter revenues came to €7.9 million, in line with the €8 million of the same period of last year.

The first quarter of 2009 with a higher number of copies handled than the previous year (+9.2%). The number of consignments made in the quarter was slightly down compared with 2008 (-2.9%) while the high level of service efficiency was maintained, the fruit of investments made in recent years: average consignment days remained at the levels of last year.

Magazine Division Italy

The first quarter of the year was conditioned for Mondadori Magazines, as for Italian and international publishing in general, by the effects of the crisis that exploded towards the end of 2008.

The downturn in consumer spending had an inevitable impact of the sales of newspapers and magazines, and, above all, of add-on sales. Meanwhile the financial crisis has led to companies cutting back drastically their communication investments which has led to a consequent collapse in advertising expenditure.

The Magazine Division Italy, which also accounts for the revenues and margins of the international licensing activities and digital development, generated revenues in the first quarter of 2009 of €124.7 million, a fall of 23.2% compared with the same period of 2008.

(in €m)	31 March 2009	31 March 2008
Magazine revenues	118.1	157.6
Other revenues	6.6	4.7
	124.7	162.3
Operating costs	(114.3)	(137.6)
Gross operating profit	10.4	24.7
Amortization and depreciations	(0.2)	(0.2)
Operating profit	10.2	24.5

This result was due to the following phenomena:

- ✓ a fall in circulation revenues (-7.2%), affected by a generalised downturn in the market that impacted all of the sectors in which the division operates;
- ✓ a steep decline in add-on sales (-33.9%), continuing a progressive slide towards a more restricted dimension;
- ✓ there was a significant downturn in advertising revenues (-35.7%), in particular in the fashion, cosmetics and furniture sectors. It should be noted, however, that this compares with the beginning of 2008 when there was strong growth particularly favourable for Mondadori that had very positive results compared to its competitors.

Among the most significant facts during the period were:

- ✓ the launch of a new weekly *Tu Style* at the end of January, with results that, to date, have proved very promising in terms of both circulation and advertising;
- ✓ promotional support for a number of titles that has contributed to containing the negative effects of the general context;
- ✓ an extremely rigorous management approach which has made it possible to reduce, at a level directly proportionate to the fall in revenues, production, marketing and editorial costs, as well as general expenses.

Circulation

The downward trend in the circulation market continued (to February -12.1% in terms of volume) while Mondadori, which saw circulation fall by 9% increased its market share.

As regards the performance of the leading titles:

- ✓ *TV Sorrisi e Canzoni* maintained circulation at 2008 levels and confirmed its absolute leadership;
- ✓ *Panorama* saw a fall of 9% but increased the gap with its direct competitor;
- ✓ *Donna Moderna* saw a slight fall (-3%).

Add-on sales

The market for add-on sales saw a further decline (to February -24.9%) in terms of value. There was a fall for editorial and audiovisual products while music products remained relatively stable.

In this context Mondadori's performance was decidedly better than that of other magazine publishers, though slightly worse than newspaper groups, who were sustained by the greater capacity to use their titles to launch initiatives and by a stronger "stability" in sales over time.

Within Mondadori the initiatives launched by *Panorama* with films and by *TV Sorrisi e Canzoni* with cartoons and music continued to give good results. There were also encouraging results for collectable initiatives launched by multi-title operations (*Giochi di ingegno*, *Punto Croce*, *Subbuteo*).

International

The international magazine market has been affected by the same problems as those in the Italian market, with a fall in consumer spending and a downturn in advertising expenditure

Despite this saw an increase in revenues from royalties, thanks, in particular, to the ongoing expansion of the *Grazia* network.

February saw the launch of *Grazia* in China, in a joint venture with a leading local publisher with excellent results both in terms of advertising and circulation.

Grazia continues to perform well, as does the *Casaviva* network, the most recent launch was in India in January.

In Greece, the Attica subsidiary felt the effects of the economic downturn, and recorded a first quarter with a fall in advertising revenues and add-on sales, largely compensated by effective cost controls.

Digital

The concentration of investments in the women's area continues to produce excellent results. In the first quarter revenues from the *Donna Moderna* site grew by 25%, in a market that grew by 3.9% (Nielsen figures to February).

In line with its strategic objectives, during March the new version of the *Cosmopolitan* web site was launched.

Magazine Division France

In the first quarter of 2009 Mondadori France generated total revenues of €83.6 million, a fall of 14.5% on the same period of the previous year.

On a like-for-like basis, net of titles sold during 2008, the fall was of 11.6%.

During the period management continued to pay close attention continued to cost controls.

(in €m)	31 March 2009	31 March 2008
Magazine revenues	80.5	94.9
Other revenues	3.1	2.9
	83.6	97.8
Operating costs	(79.8)	(90.9)
Gross operating profit	3.8	6.9
Amortization and depreciations	(3.0)	(1.3)
Operating profit	0.8	5.6

Circulation

Circulation revenues, which account for 70% of the total revenues, were down by 8.4% (-5.9% on a like-for-like basis).

There were greater difficulties in weeklies (especially TV guides), in the *people* segment and in the *auto* area.

Meanwhile subscriptions held up and continue to represent a stable source of income in a difficult phase.

Advertising

In a particularly difficult scenario for advertising investments (-17.4% in terms of volume - Source: TNS-MI) the advertising revenues of Mondadori France came to €19.3 million, a fall of 23.9% (-19.2% on a like-for-like basis) and, in volume terms, essentially in line with the market.

Advertising

(in €m)	31 March 2009	31 March 2008
Advertising revenues	50.6	77.4
Other revenues	1.1	1.5
	51.7	78.9
Operating costs	(53.6)	(80.1)
Gross operating profit	(1.9)	(1.2)
Amortization and depreciations	-	(0.1)
Operating profit	(1.9)	(1.3)

The market

Advertising investments in the first months of the year, when compared with those of the first quarter of 2008, show an extremely critical start to the year, confirming the progressive decline that began to emerge clearly in the second half of 2008. While waiting for definite figures, on the basis of Nielsen figures to February, it is possible to foresee weak signals of growth only in the internet segment, while the downturn continues for radio, television and print, where magazines are suffering more than newspapers, that are benefiting from a less severe slump in local advertising.

More precisely, magazines have seen a downturn both in terms of pages and prices, and across all sectors, which. Despite fluctuations, are showing clear signs of crisis.

The company

Mondadori Pubblicità ended the first three months of 2009 with total revenues down by 34.5% on the same period of 2008, with performance in most sectors in line with market averages.

For magazines, with a comparable portfolio in terms of titles, the fall in revenues was not marked by any significant difference between weeklies and monthlies, with the only difference being for weeklies where average ad rates seem to have held up better than the market. Also of note was the performance, which bucked the trend, for *Tu Style* which benefited from the re-launch in January.

Internet, thanks to the positive valorisation of the *Donna Moderna* site, managed to contain the fall, while Radio, after a decidedly critical start, saw revenues growing in March, meanwhile, with a view to further strengthening the commercial offer and evaluating all possible optimisation actions, the company has won the contract, valid from March 2009, for the sale of advertising for the national radio station *Radio Kiss Kiss* that offers new structural synergies.

Direct Marketing

(in €m)	31 March 2009	31 March 2008
Revenues	4.8	5.3
Other revenues	-	-
	4.8	5.3
Operating costs	(5.1)	(5.1)
Gross operating profit	(0.3)	0.2
Amortization and depreciations	-	(0.1)
Operating profit	(0.3)	0.1

During the first quarter of 2009 Cemit recorded revenues that were slightly down (-9.4%) on those of the same period of last year due to the lack of activities connected with the electoral campaign in March 2008.

It should be noted however that investments in direct mail in the first quarter of the year saw a downturn of more than 20%: in this context, thanks to the quality of its offer, Cemit outperformed the market.

The company continues its development and diversification activities in direct communication projects, in an effort to expand its market also through a strategy for international growth. Confirming the quality of the services offered, Cemit has been awarded the *Freccia d'oro* (sponsored by Assocomunicazione) for the best performance in direct marketing in 2008.

The negative result for the period is due to the impact of mail order activities for editorial and music products conducted for the sister company Mondolibri SpA.

Retail

Revenues from the Retail Division came to €41.8 million, a fall of 3.5% on the same period of 2008.

During the period the division felt the effects, on the one hand, of a generalised downturn in consumer spending, and on the other, by comparison with a particularly positive Q1 2008. Moreover, also during the period, a series of actions were taken to minimise the impact of the current downturn (the effects of which should begin to be seen in the second quarter). A focus on inventory management and payments has made it possible to keep the financial position at the same level as last year.

The fall in revenues at the company's own stores was of 7.7% The average fall was greater in the digital products area than for books, which benefited from numerous campaigns by different publishers.

Mondadori Franchising continued the development of its network of bookshops and edicolè newsstands, rising from 357 (in March 2008) to 404 outlets.

The increase of 5.3% in revenues in the first quarter was entirely the result of the expansion of the chain. New candidates in the portfolio will make it possible to reach an ambitious growth target, in terms of the number of outlets.

(in €m)	31 March 2009	31 March 2008
Revenues	41.8	43.3
Other revenues	-	-
	41.8	43.3
Operating costs	(43.4)	(43.7)
Gross operating profit	(1.6)	(0.4)
Amortization and depreciations	(1.2)	(1.8)
Operating profit	(2.8)	(2.2)

Radio

In the first months of 2009 the advertising market was heavily penalised by the effects of the economic and financial crisis. With the exception of the internet the downturn affected different media with different intensity. The radio sector in particular saw a fall of 27.2% in the first two months of the year (source: Nielsen) while March saw signals of a slight recovery.

Advertising revenues for R101, in the first two months of the year were down by 30%. However, thanks to a positive performance in March, overall net revenues for the first quarter amounted to €3 million (€3.6 million in 2008). This is essentially the company's share of gross advertising revenues of more than €4.4 million, a fall of 14% on the same period of last year.

The negative impression of this result is somewhat tempered by the fact that the figure compares with a period last year in which R101 saw an increase in revenues of 56% compared with the first quarter of 2007, in a market that grew by 9%.

(in €m)	31 March 2009	31 March 2008
Revenues	3.0	3.6
Other revenues	-	-
	3.0	3.6
Operating costs	(5.9)	(3.5)
Gross operating profit	(2.9)	0.1
Amortization and depreciations	(0.4)	(0.4)
Operating profit	(3.3)	(0.3)

Since the start of 2009 Audiradio has changed the way that it measures listeners, adding to the traditional telephone survey for average daily ratings, a research method based on panel diaries that offers participating radio operators listening figures for 7, 14, 21 and 28 days.

This new way of measuring the radio audience also makes it possible to make a more precise evaluation of advertising planning, which in most cases involves campaigns that last more than two weeks.

According to the new data, R101 reaches a monthly average of 9 million listeners, which markedly reduces the gap with the top five commercial radio stations.

Meanwhile, the signal distribution for national coverage is now complete, thanks to frequency acquisitions made in recent years

In the first months of the year R101 launched a new institutional campaign, the third after the station's launch in the summer of 2005 and the campaign at the beginning of 2007. This campaign is focused on the brand and concentrates on the musical offer, its quality and capacity to move listeners.

Corporate and other business

The Corporate includes parent company functions engaged in service activities for the companies of the Group and the Business divisions.

Such activities concern mainly ITC, accounting, management control and planning, treasury and finance, human resources, legal and corporate affairs and communications.

Revenues derive essentially from the billing of subsidiary and associated companies and other bodies for the abovementioned services.

Financial situation

The Mondadori Group's financial situation as of 31 March 2009, showed a deficit of €454.2 million, an improvement compared with the end of last year:

Net financial position (in €m)	31 March 2009	31 December 2008	31 March 2008
Cash and other equivalent liquid assets	286.4	330.5	237.7
Financial investments at fair value	-	3.3	97.6
Financial assets available for sale	37.1	39.7	-
Gains (losses) from derivatives	(0.2)	(10.7)	(56.9)
Other financial gains (losses)	(11.2)	0.7	(53.9)
Financing (short and medium/long term)	(463.9)	(564.7)	(444.4)
Bonds	(302.4)	(289.1)	(237.7)
Convertible bonds	-	-	(109.5)
Net financial position	(454.2)	(490.3)	(567.1)

The improvement in the net financial position was also due to operations conducted in 2008.

Trends in interest and exchange rates

During the first quarter of 2009, the effects of the global financial crisis were felt in the real economy: credit restrictions, combined with a further fall in consumer confidence led to a drastic fall in demand in advanced economies, with consequent job losses.

The first signals of a recovery have been identified recently (an increase in manufacturing orders, a fall in inventory, a rise in indexes for expectations by investors and analysts) however, industrial production and employment levels remain severely depressed and appear set to worsen. Also figures for consumer spending do not leave much room for optimism despite a slight

improvement. The fall in the cost of some goods (fuel and energy first of all), is not in fact sufficient to compensate for the fall in household wealth caused by the slump in house prices, losses in financial markets and unemployment.

Action taken by the main central banks in different countries is aimed at stimulating an expansion of money in the economy and therefore facilitating the extension of credit to businesses and for consumers, also with measures different from the classic adjustments to interest rates.

The European Central Bank, in particular, which has maintained a prudent approach, has repeatedly cut the interest rate on refinancing operations to its current level of 1.25%.

Euribor 3 months continued the decline begun in the last quarter of 2008, reaching 1.510% on 31 March 2009. The average rate for the first quarter of 2009 came to 2.007%.

In the same period, the average cost of money for the Mondadori Group was 2.936%.

The euro weakened against the dollar compared (1.3250 compared with 1.4045 at the beginning of the year) and against the pound Sterling (0.9256 compared with 0.95689 at the beginning of the year).

Overall credit lines available to the Group at 31 March came to €1,471.5 million, €1,014.6 million of which was committed.

Only €12.0 million of the Group's short-term borrowing facilities, worth more than €524.9 million, were used as at 31 March 2008, current account overdrafts, advances on invoices and stand-by loans with a duration of less than 18 months minus one day.

Medium-long-term lines of around €946.6 million are made up of:

- €296.4 million from a private placement in US dollars issued in 2003 at a fixed rate and expiring in 2013/2015/2018 and reserved exclusively for institutional investors. There is a Cross Currency Swap on this loan at a variable rate linked to Euribor;
- €500 million for a five-year multi-borrower bank loan (expiring in 2011) organised by a pool of leading international banks for the acquisition of Mondadori France. This multi-borrower (Mondadori International and Arnoldo Mondadori Editore) loan is made up of a term loan of €300 million, fully used as of 31 March, and a revolving credit facility of €200 million, €89.1 million of which was utilised as of 31 March. It should be noted that two interest rate swaps have been applied on this term loan (both of €150 million), transforming the variable into a fixed rate;
- €150.0 million for a variable interest loan, provided by Intesa Sanpaolo, expiring in 2013, made up, in equal measure, by a term loan, fully utilised as of 31 March, and a revolving facility.

Mondadori International

The financial assets under management by the company, as of 31 March 2009, amounted to €258.8 million (€263.4 million at the end of 2008). The composition of the portfolio as of 31 March 2009 was as follows:

- current accounts, cash equivalent assets and time deposits with leading Italian banks with maximum expiry within three months for a total of €223.6 million;
- bonds with variable rates available for sale for a total of €35.2 million.

Personnel

As of 31 March 2009 Group companies employed, on permanent and fixed-term contracts, 3,926 people (3,925 at 31 December 2008).

There are no significant changes to consolidated figure but it does confirm the block on turnover and the centralisation of certain administrative functions in the parent company, which explains the shift of some staff from Italian subsidiaries to Arnoldo Mondadori.

Compared with 31 March 2008 the reduction in the number of employees, excluding the effect of the sale of Mondadori Printing SpA in November 2008, is of 101.

The following table shows details of Group personnel as of 31 March 2009:

Personnel	31 March 2009	31 December 2008	31 March 2008
Arnoldo Mondadori Editore SpA:			
- Managers, journalists and office staff	1,306	1,288	1,330
- Manual workers	106	108	101
	1,412	1,396	1,431
Italian subsidiaries:			
- Managers, journalists and office staff	1,401	1,433	1,794
- Manual workers	36	35	958
	1,437	1,468	2,752
Foreign subsidiaries:			
- Managers, journalists and office staff	1,077	1,061	1,147
- Manual workers	-	-	104
	1,077	1,061	1,251
Total	3,926	3,925	5,434

The remuneration and regulatory components of the national contract for journalists was renewed on 26 March 2009, valid from April. Implementation is currently on hold due to a request from the publishers' association (FIEG) for procedural reasons.

Capital investments

Capital investments in the first quarter 2009, taking account of the fact that the printing plants are now outside the consolidation area, came to a total of €1.2 million and mainly refer to furniture, fittings and office machinery.

Other information

The interim report for the first quarter of 2009 has been prepared in compliance with IAS/IFRS standards and the evaluation criteria adopted are in line with those used at 31 December 2008.

The document provides the information requested by Art. 154 ter comma 5 – introduced by D.Lgs. 195/2007 - of the D.Lgs. 58/1998.

For the purposes of like-for-like comparison, the figures contained in this document are in line with those contained in the company's periodic interim reports and communications with the market. Moreover, the interim report for the first quarter of 2009 is in line with previous quarterly reports, with particular reference to Appendix 3D of the Consob regulation 11971/1999.

Consequently, international accounting principle n° 34, concerning financial communication during the course of the fiscal year, has not been applied.

Expectations for the current year

The national and international economic situation in the first quarter, as outline above, has endured the expected negative impact of the crisis that began in 2008: figures for consumer spending and investments have rapidly worsened, while forecasts for a recovery in the economy have been pushed back.

As regards the markets pertinent to Mondadori, whose revenues in any case are diversified both by business and geographic area, the impact of the collapse in advertising investments in the first quarter and a further slump in add-on sales has been significant.

Actions taken to simplify the organisation and the re-engineering of processes, already begun during the last year, have allowed the company to mitigate the negative effects of the market in the first quarter: these actions will be further intensified in the coming months, both to further reduce the negative impact on this year and, above all, to size structural assets to future needs.

Any estimates concerning the company's results for the year can only repeat what was outlined during the presentation of the results for 2008: that forecasts about future market scenarios remain extremely difficult though it is realistic to expect for 2009 a lower level of profitability than the previous year, especially for the businesses most linked to advertising.

On behalf of the Board of Directors
The Chairman
Marina Berlusconi

Consolidated financial statements

Consolidated balance sheet

Assets	31 March 2009	31 December 2008
Intangible assets	928,991	930,883
Fixed assets	2,532	2,554
Land and buildings	18,073	18,263
Plant and machinery	9,967	10,312
Other fixed assets	30,815	32,213
Property, plant and machinery	58,855	60,788
Investments booked using net equity method	139,566	140,779
Other investments	221	221
Total investments	139,787	141,000
Non-current financial assets	7,454	2,019
Advanced taxes	37,987	38,947
Other non-current assets	2,895	2,858
Total non-current assets	1,178,501	1,179,049
Tax credits	24,002	20,059
Other current assets	84,040	90,279
Inventories	125,737	123,366
Trade receivables	370,419	417,358
Stocks and other current financial assets	52,076	68,461
Cash and equivalents	286,405	330,530
Total current assets	942,679	1,050,053
Assets destined to be sold or closed	-	-
Total assets	2,121,180	2,229,102

Consolidated balance sheet

Liabilities	31 March 2009	31 December 2008
Share capital	67,452	67,452
Share premium reserve	286,876	286,876
Treasury shares	(138,840)	(138,840)
Other reserves and results carried forward	287,855	194,606
Profit (loss) for the period	(1,785)	97,080
Total Group shareholders' equity	501,558	507,174
Minority capital and reserves	2,107	1,925
Total shareholders' equity	503,665	509,099
Reserves	37,761	39,693
Severance payments	60,519	61,363
Non-current financial liabilities	684,267	674,005
Deferred tax liabilities	89,363	88,900
Other non-current liabilities	-	-
Total non-current liabilities	871,910	863,961
Income taxes payable	23,458	23,637
Other current liabilities	273,163	258,838
Trade liabilities	333,082	356,300
Bank debts and other financial liabilities	115,902	217,267
Total current liabilities	745,605	856,042
Liabilities deriving from sales or closures	-	-
Total liabilities	2,121,180	2,229,102

Consolidated income statement

	Period to 31 March 2009	Period to 31 March 2008
Income from sales of goods and services	354,453	460,260
Decrease (increase) in inventories	(2,374)	9,452
Cost of raw materials and consumables and goods for resale	53,056	109,020
Cost of services	206,163	196,057
Personnel costs	70,756	94,424
Other income (expense)	9,615	4,902
Income (charges) from investments (calculated on a net equity basis)	(3,057)	2,024
Gross operating profit	14,180	48,429
Depreciation of property, plant and equipment	2,992	8,337
Amortisation and impairment of intangible assets	3,158	1,888
Operating profit	8,030	38,204
Financial income (expense)	(5,427)	(10,332)
Income (expense) from investments	-	-
Pre-tax profit	2,603	27,872
Income taxes	4,206	9,934
Profit from continuing activities	(1,603)	17,938
Income (expense) from assets/liabilities held for sale of closed	-	-
Profit attributable to minorities	(182)	(266)
Net profit	(1,785)	17,672
Net profit per share (in €)	(0.007)	0.074
Diluted net profit per share (in €)	(0.007)	0.074

On behalf of the Board of Directors
The Chairman
Marina Berlusconi