



MONDADORI

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

PRESS RELEASE

Board of Directors approves report on the first half of the year to 30 June 2008

- **CONSOLIDATED REVENUES OF €30.1 MILLION:
-3.2% COMPARED WITH THE €60.6 MILLION AT 30 JUNE 2007**
- **GROSS OPERATING PROFIT OF €104.5 MILLION:
-12.6% COMPARED WITH THE €119.6 MILLION AT 30 JUNE 2007**
- **CONSOLIDATED NET PROFIT OF €36.7 MILLION:
-20.6% ON THE €46.2 MILLION AT 30 JUNE 2007**

Segrate, 30 July 2008 – The Board of Directors of Arnoldo Mondadori S.p.A. met today to examine and approve the management report for the first six months of the year to 30th June 2008, as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

The market scenario

The first six months of 2008 saw a sharpening of the uncertainties in the short and medium term and an acceleration in price increases for fast moving consumer goods, with a negative impact on consumer and investor confidence.

Over the last two months, in the reference market for the Mondadori Group in Italy, the downturn in magazine circulation was accompanied by a slowdown in advertising expenditure; at the same time, there was a continuation of the decline in add-on sales during the period, while the book market displayed encouraging signs of growth.

In France, magazine circulation remained essentially stable, while advertising investments were down compared to the same period of 2007.

Group performance in the period to 30 June 2008

When comparing the results for the period with those at 30 June 2007 the same considerations made at the end of the first quarter apply: the essential stability in business profitability and the growing performance of Radio R101 have made it possible to amply compensate for the investments made in development (digital and international activities), while the impact of the decline in add-on sales has been marked the effects are expected to be less significant in the second half of the year, given that at 30 June 2007 Mondadori had already generated 65% of the result for the entire year.

Consolidated revenues for the first half of 2008 came to **€30.1 million**, a fall of 3.2% compared with the €60.6 million in the first half of 2007. Net of add-on sales, revenues were up by 1.1%.

Consolidated gross operating profit at 30 June 2008 came to **€104.5 million**, compared with the €119.6 million of the same period of the previous year a fall of 12.6%. As a proportion of revenues a fall to 11.2% from the 12.4% of 2007.

Net of add-on sales (-€15.6 million compared with 30 June 2007) and discontinuous non-recurring factors (higher capital gains of €0.6 million; lower personnel costs of -€2.9 million due to the application of new regulations governing leaving entitlements in 2007 and other extraordinary charges) the difference in the operating margin at 30 June 2008 would be +€2.8 million, due to improved business performance business (+€6.8 million) and increased investments in businesses under development (-€4 million).

Consolidated operating profit at 30 June 2008 came to **€33.8 million**, a fall of 14.4% on the €97.9 million of the same period of 2007, with amortizations and depreciations of tangible and intangible assets for a total of €20.7 million (€21.7 million in 2007); as a proportion of revenues, a fall from the 10.2% of 2007 to 9% this time.

Consolidated profit before taxation amounted to **€64.2 million**, a fall of 25.3% on the €85.9 million of 2007, with an increase of €7.6 million in net financial charges, essentially due to the increased cost of borrowing (around €4.5 million) and lower returns from financial investments (around €2.7 million).

Consolidated net profit at 30 June 2008 came to **€36.7 million**, a fall of 20.6% on the €46.2 million for the same period of the previous year.

Gross cash flow in the first half of 2008 amounted to **€57.4 million** compared with €67.9 million in the first six months of 2007.

The Group's **net financial position** at 30 June 2008 showed a deficit of €680.1 million compared to a deficit of €535.3 million at the end of 2007. During the period income taxes of €54 million and dividends of €83.8 million were paid out.

Results of the business areas

• Books

During the first half of 2008 the Book Division generated revenues of **€192.7 million**, in line with the €192.8 million of the same period of 2007. Net of add-on sales, revenues were up by 1.7%.

During the first six months of the year the Mondadori Group confirmed its leadership in the trade segment, increasing its share to 28%¹, with a marked advantage over its main competitors; in the large-scale retail channel the estimated share is more than 35%².

Among the various publishing houses in the Group, there were positive results for the first half for Edizioni Mondadori, which recorded revenues of €68.3 million, (+0.4%) and Mondadori Education which recorded sales of €15.1 million, (+4.9%). Einaudi confirmed net revenues for the first six months of 2008 of €26,4 million, in line with those of the same period of 2007.

• Magazines

During the period the Magazine Division generated revenues of **€514.4 million**, a 6.3% fall on the €549 million of the same period of 2007.

Italy

The first half of the year has seen a generalised downturn in the market in which the Division operates. A marked fall in consumer spending has consequently also affected the magazine sector, and most particularly and in a predominant manner, the add-on sales phenomenon, which is clearly well on the way to being progressively downsized. To a lesser extent, circulations in almost all segments have continued to display a certain weakness. Advertising, after an initially promising first quarter, was subject to a sharp downturn.

Revenues generated by the Magazine Division in Italy in the first half of 2008 amounted to **€319.9 million**, a 9.9% fall compared to the €355 million of the same period of last year.

This result was determined by the following factors:

- A sharp reduction in revenues from add-on sales (-24.4%) in a market that in the first five months of the year fell by 26%, and whose overall value has halved compared with the record levels of 2005;
- A fall in circulation revenues of 5.1%, essential due to a reduction in volumes sold (-3.3% on comparable basis);
- A growth in advertising revenues of 1.3% thanks to the performance of leader titles, in an already falling market (-0.7% to May with further falls expected in June).

During the period Mondadori has put in place a number of actions in key segments. The most important include:

¹ This figure refers only to medium-large bookstores (source: Nielsen Bookscan).

² Internal estimate

- the relaunch of *Panorama*, in February, with good results in terms of circulation and, in particular, advertising;
- strong support, in a highly competitive market, for TV guides, the results of which have so far been satisfactory;
- the relaunch of *Donna Moderna*, to mark the weekly's 20th anniversary, which has achieved wide consent from both readers and advertisers;
- the relaunch of *Grazia*, completed in June with very satisfactory results, aimed at focusing and further strengthening the magazine's elements of quality in the fashion area;
- the development of internet activities that have involved a number of titles, in particular *Donna Moderna*, with the web launch at the end of June of a new hub dedicated to women;
- a strong and sharper control of costs in all areas, which has made it possible to reduce the impact of the fall in revenues.

As already mentioned, in the context of a general slowdown, Mondadori recorded a fall in circulation revenues of 5.1% (-3.3% on a comparable basis, considering the closure of *Star+TV*, *Per Me* and *Creare*). There was an improvement, however, compared with the same period of last year, of the competitive position of *Grazia*, *Chi*, *Tv Sorrisi e Canzoni*, *Donna Moderna* (with a circulation more than double that of its competitors) and *Panorama*, which confirmed its leadership in its segment, both in terms of circulation and, to a marked degree, in advertising sales. The positive performance of *Flair*, *Casaviva*, *Casabella* and *Interni* should also be noted.

France

In the first half of 2008 the activities of the Magazine Division in France generated consolidated revenues of **€194.5 million**, an increase of 0.3% on the €194 million of the same period of 2007.

In general, in a context in which circulations remained essentially in line with the previous year and advertising was affected by a period of difficulty, Mondadori France nevertheless managed to hold on to its market share.

On the circulation side, the Group's titles achieved good results thanks to redesigns and relaunches completed during the period. Of particular note was the exceptional performance of *Closer*, which confirmed its leadership position in the segment.

There was a fall in the sale of advertising space in consumer magazines in France of 2.1% in terms of volume at the end of May 2008 (source: TNS-MI), while the reference market for Mondadori France saw a fall of -3.9%. Bucking this trend was the upscale segment (+5.1%), in which Mondadori is not yet present.

The advertising revenues of Mondadori France in the first six months of the year came to €53.5 million, compared with the €57.2 million of the same period of last year (-6.5%).

In particular, television titles have been affected by a reduction in investments by large-scale retailers and direct marketing. There were also difficulties for women's titles, while those in the car segment showed signs of improvement compared to the first quarter of the year, with a result in line with the same period of 2007.

As already announced, June 30 saw the closing of an agreement for the sale to Motor Presse France, of six specialised titles published by the Mondadori France Group. This operation is part of the plan for the rationalisation of the Mondadori France portfolio, with a focus on the development of segments with high potential also in terms of advertising, such as the upscale (and activities have continued for the launch of a magazine in this segment) and the mass-market segments.

International activities

During the period there was a further improvement in the already notable performance of international activities. In particular *Grazia UK* confirmed its position as the publishing phenomenon of the moment, marking itself out even more in a market showing clear signs of a downturn.

Advertising planning for the first issues of *Grazia Australia*, launched on July 21, was way beyond expectations; while there were also excellent initial results for *Grazia India* (where a contract has also been signed for the launch of *Casaviva*, the Group's leading interiors title) and the now consolidated joint venture with Sanoma, which publishes *Grazia* and *Interni* in Russia; excellent performances were also recorded by *Flair* Austria and *Casaviva* Greece.

• **Advertising**

In the first half of 2008 Mondadori Pubblicità recorded revenues of **€178.2 million** (+1% on the €176.4 million of the first half of 2007), with a performance above the market average, despite the significant slowdown of the second quarter.

Advertising sales for magazines were sustained by a good performance for weeklies, with significant increases being recorded above all by *Grazia* (up more than 10%) and *Tv Sorrisi e Canzoni* (+10%); *Panorama* performed well (+1.6%); while *Donna Moderna* and *Chi* remained stable; among the monthlies, there were stand out performances by *Flair* (+5%) and the specialised titles in the upscale Design and Interiors segment, which were up by around 10%.

In other media, in a difficult half year for *il Giornale* (-18%), there was a particularly positive performance on the internet (+15%), with an absolutely stand out performance by the new *Donna Moderna* site. There was also a significant increase in radio, with R101 which, with a growing audience, saw its advertising grow by 43.9% compared with the first half of 2007, and well above the market trend.

• **Printing**

In the first six months of 2008 the Printing Division generated revenues of **€196.1 million**, a 11.8% fall against the €222.4 million of the same period of the previous year. On a comparable basis, excluding the printing activities for Mondadori Education, no longer managed in 2008, the fall would be 7.4%.

The fall in like-for-like revenues was the result of a marked downturn in printing contracts for add-on sales initiatives for both the Group and third parties and the exceptional increase in the value of the euro against the dollar and the pound, while in terms of volume, the foreign market for catalogues and commercial products remained essentially stable.

During the period the cost of paper increased by between 1 and 2%, while energy costs (gas and electricity) continued to increase substantially.

The level of plant use was satisfactory and in line with the budget, having significantly reduced outsourcing activities; this was made possible also by the full use of recent investments which are now fully operational.

• **Direct marketing**

In the first half of 2008 **Cemit Interactive Media** generated revenues of **€12 million**, a 9.1% fall compared with the €13.2 million of the previous year. The sales mix has improved, in favour of activities with greater added value.

Continuing cost controls, along with a organisational structure review, has made it possible to safeguard levels of profitability in a difficult market context.

• **Retail**

Revenues from the Retail Division in the first half of 2008 rose to **€86.2 million** from the €77.8 million of 2007, an increase of 10.8% compared with the same period of the previous year.

Mondadori Franchising recorded first half revenues of €28.3 million (+18.7% compared with the €23.8 million in the first half of 2007). The network development programme continued during the period which, with 209 bookstores (compared with 191 on 30 June 2007) and the 152 Edicolè outlets (compared with 104 at the same point of the previous year), is now the most extensive in Italy for editorial products.

Mondadori Retail generated first half revenues in 2008 of €58 million, an increase of 7.6% on the €53.9 million of 2007, despite a difficult context for consumer spending in the non-food sector.

Following the opening of the new Multicenter store in Marcianise (CE), the company now has 29 outlets and has focused on the integration of the former Messaggerie Musicali (Mondadori Shop) stores and the rationalisation of the chain.

• **Radio**

During the first half of 2008 gross advertising revenues for Radio R101 amounted to **€11.8 million**, which corresponds to a net figure of €8.2 million, and increase of 54.7% on the €5.3 million of the same period of the previous year.

In an essentially stable market in terms of audience, in the first half of 2008 R101 reached a daily average of 2.1 million listeners, a 7% increase compared with the first half of 2007. Over the seven-day period, Radio R101 confirmed its position among the top six Italian commercial radio stations with more than 8.8 million listeners.

Expectations for the full year

In the second quarter of the year the market saw an intensification of the same critical elements that characterised the first. Of particular relevance was the negative effect of the real and perceived situation in terms of consumer spending and investment.

In this context the Mondadori Group has set in motion actions to safeguard the profitability of its core business, establishing further and significant efficiency objectives, and has continued with growing commitment, its development policy for new activities both in Italy and abroad.

Mondadori's demonstrable managerial competence and leadership position in its reference markets are expected to allow the company, despite the difficult situation, to confirm its management results, net of the downturn in add-on sales, a decline which shows no sign of ending in the short term.

§

As per article IA.2.9.3 n.4 of Rules for the Regulation of Markets, it should be noted that the following bonded loans are due to expire in the eighteen months subsequent to 30 June 2008:

Date of issue: 20/10/2003;

Amount: €109,900,000 corresponding to n°. 1,099 bonds of a value of €100,000 each, convertible in ordinary shares of Arnoldo Mondadori Editore S.p.A.;

Issuer: Mondadori International S.A., wholly owned by Arnoldo Mondadori Editore S.p.A.;

Guarantor: Arnoldo Mondadori Editore S.p.A.;

Date of expiry: 20/10/2008.

§

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)
- cash flow statement (3)
- balance sheet of Arnoldo Mondadori Editore S.p.A. (4)
- consolidated income statement of Arnoldo Mondadori Editore S.p.A. (5)
- cash flow statement of Arnoldo Mondadori Editore S.p.A. (6)

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Encl. 1

Consolidated balance sheet (in €m)

Assets	30 June 2008	31 December 2007
Intangible assets	938.3	943.8
Fixed assets	2.5	1.5
Land and buildings	74.4	73.8
Plant and machinery	80.6	87.4
Other assets	60.4	48.4
Property, plant and machinery	215.4	209.6
Investments booked using net equity method	119.3	127.0
Other investments	0.2	0.3
Total investments	119.5	127.3
Non-current financial assets	5.9	3.7
Advanced taxes	38.5	39.7
Other non-current assets	2.9	3.1
Total non-current assets	1,323.0	1,328.7
Tax credits	25.6	28.7
Other current assets	94.7	77.6
Inventories	143.7	150.9
Trade receivables	503.7	486.9
Stocks and other current financial assets	112.5	144.9
Cash and equivalents	248.8	225.1
Total current assets	1,129.0	1,114.1
Assets destined to be sold or closed	-	-
Total assets	2,452.0	2,442.8
Liabilities	30 June 2008	31 December 2007
Share capital	67.5	67.5
Share premium reserve	286.9	286.9
Treasury stock	(138.8)	(138.8)
Other reserves and results carried forward	208.4	176.4
Profit (loss) for the period	36.7	112.6
Total Group shareholders' equity	460.7	504.6
Minority capital and reserves	1.6	1.9
Total shareholders' equity	462.3	506.5
Reserves	30.0	33.3
Severance payments	89.2	90.6
Non-current financial liabilities	632.8	741.2
Deferred tax liabilities	90.1	88.2
Other non-current liabilities	-	-
Total non-current liabilities	842.1	953.3
Income taxes payable	10.7	44.3
Other current liabilities	284.4	293.1
Trade liabilities	438.0	477.8
Bank debts and other financial liabilities	414.5	167.8
Total current liabilities	1,147.6	983.0
Liabilities deriving from sales or closures	-	-
Total liabilities	2,452.0	2,442.8

Encl. 2

Consolidated income statement (in €m)

	30 June 2008	30 June 2007	% Change
Income from sales of goods and services	930.1	960.6	(3.2%)
Personnel costs	188.6	179.0	5.4%
Cost of sales and management (*)	641.4	662.9	(3.2%)
Income (charges) from investments calculated on a net equity basis	4.4	0.9	n.s.
Gross operating profit	104.5	119.6	(12.6%)
- as a proportion of revenues	11.2%	12.4%	
Depreciation of property, plant and machinery	16.9	18.1	(6.6%)
Depreciation of intangible assets	3.8	3.6	5.6%
Operating profit	83.8	97.9	(14.4%)
- as a proportion of revenues	9.0%	10.2%	
Net financial income (charges)	(19.6)	(12.0)	63.3%
Other financial income (charges)	-	-	
Profit for the period before taxation	64.2	85.9	(25.3%)
Tax charges (income)	27.1	39.3	(31.0%)
Minority interest	0.4	0.4	-
Net profit	36.7	46.2	(20.6%)

(*) 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 cash flow statement (in €m)

	30 June 2008	30 June 2007
Net profit for the period	36.7	46.2
Adjustments		
Depreciations, amortisation and impairment	20.7	21.6
Stock options	1.1	1.2
Charges to provisions and leaving entitlements	(0.2)	(7.3)
Capital losses (gains) on disposals of tangible assets, property, plant and equipment	(3.9)	(1.4)
Capital losses (gains) on disposals of financial assets	-	-
Capital losses (gains) on valuations of financial assets	0.6	(5.4)
(Income) charges from companies booked at net equity	(4.3)	(0.9)
Adjusted net profit from operating activities	50.7	54.0
(Increase) decrease in trade receivables	(16.1)	(8.4)
(Increase) decrease in inventories	8.6	(6.3)
Increase (decrease) in trade payables	(46.8)	(7.2)
Net changes in income tax receivables/payables	(30.5)	(22.4)
Payment of advances and leaving entitlements	(4.0)	(4.5)
Net changes in deferred tax assets/liabilities	3.1	1.3
Net changes in other current assets/liabilities	(28.6)	(20.2)
Cash flow from (used in) operating activities	(63.6)	(13.7)
Payment of business combination net of cash acquired	-	(0.1)
(Investments in) disposals of intangible assets	1.0	(18.5)
(Investments in) disposals of property, plant and equipment	(19.1)	(13.7)
(Investments in) disposals of equity investments	12.8	(3.2)
(Investments in) disposals of financial assets	38.1	3.2
Cash flow from (used in) investment activities	32.8	(32.3)
Net changes in financial liabilities	138.3	101.5
(Purchase) disposal of treasury stock	-	7.6
Dividends paid	(83.8)	(84.7)
Cash flow from (used in) financial activities	54.5	24.4
Increase (decrease) in cash and cash equivalents	23.7	(21.6)
Cash and cash equivalents at beginning of period	225.1	105.5
Cash and cash equivalents at end of period	248.8	83.9
Composition of cash and cash equivalents at beginning of period		
Cash, cheques and valuables in hand	2.1	2.3
Bank and post office deposits	246.7	81.6
	248.8	83.9

Encl. 4

Balance sheet of Arnoldo Mondadori Editore S.p.A. (in €m)

Assets	30 June 2008	31 December 2007
Intangible assets	91.8	91.8
Fixed assets	2.5	1.5
Land and buildings	9.6	9.7
Plant and machinery	6.3	6.2
Other assets	5.5	5.8
Property, plant and machinery	21.4	21.7
Investments	742.4	760.6
Non-current financial assets	-	-
Advanced taxes	15.1	15.1
Other non-current assets	0.8	0.8
Total non-current assets	874.0	891.5
Tax credits	11.9	10.7
Other current assets	43.7	39.0
Inventories	29.7	40.0
Trade receivables	249.5	241.1
Stocks and other current financial assets	127.1	103.3
Cash and equivalents	104.1	96.0
Total current assets	566.0	530.1
Assets destined to be sold or closed	-	-
Total assets	1,440.0	1,421.6
Liabilities	30 June 2008	31 December 2007
Share capital	67.5	67.5
Share premium reserve	286.8	286.8
Treasury stock	(104.0)	(104.0)
Other reserves and results carried forward	99.8	92.5
Profit (loss) for the period	51.5	90.0
Total net liabilities	401.6	432.8
Reserves	19.8	19.8
Severance payments	35.5	36.1
Non-current financial liabilities	296.4	296.4
Deferred tax liabilities	18.4	17.8
Other non-current liabilities	-	-
Total non-current liabilities	370.1	370.1
Income taxes payable	12.7	29.5
Other current liabilities	70.7	70.7
Trade liabilities	188.2	184.3
Bank debts and other financial liabilities	396.7	334.2
Total current liabilities	668.3	618.7
Liabilities deriving from sales or closures	-	-
Total liabilities	1,440.0	1,421.6

Encl. 5

Income statement for Arnoldo Mondadori Editore S.p.A. (in €m)

	30 June 2008	30 June 2007
Income from sales of goods and services	472.8	502.3
Personnel costs	68.7	63.5
Cost of sales and management (*)	347.6	373.3
Gross operating profit	56.5	65.5
Depreciation of property, plant and machinery	2.1	2.2
Depreciation of intangible assets	0.1	0.1
Operating profit	54.3	63.2
Net financial income (charges)	(11.2)	(8.9)
Other financial income (charges)	25.6	23.7
Profit for the period before taxation	68.7	78.0
Tax charges (income)	17.2	24.6
Net profit	51.5	53.4

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

Encl. 6

Cash flow statement for Arnoldo Mondadori Editore S.p.A (in €m)

	30 June 2008	30 June 2007
Net profit for the period	51.5	53.4
<i>Adjustments</i>		
Depreciations, amortisation and writedowns	22.3	2.3
Stock options	0.9	0.9
Charges to provisions and leaving entitlements	1.0	(0.3)
Capital losses (gains) on disposals of tangible assets, property, plant and equipment	(0.1)	(0.1)
Losses (gains) from the sale of financial assets	-	-
Losses (gains) from the valuations of financial assets	-	-
(Income-dividends) charges from investments	(45.7)	(23.7)
Adjusted net profit from operating activities	29.9	32.5
(Increase) decrease in trade receivables	(8.5)	0.9
(Increase) decrease in inventories	10.3	6.4
Increase (decrease) in trade payables	3.6	3.3
Net changes in income tax receivables/payables	(17.9)	(11.8)
Payment of advances and leaving entitlements	(8.4)	(4.6)
Net changes in deferred tax assets/liabilities	0.7	1.6
Net changes in other current assets/liabilities	(6.1)	(39.8)
Cash flow from (used in) operating activities	3.6	(11.5)
(Investments in) disposals of intangible assets	(0.1)	-
(Investments in) disposals of property, plant and equipment	5.9	(2.3)
(Investments in) disposals of equity investments	(1.8)	(28.6)
(Investments in) disposals of financial assets	45.7	34.2
(Investments in) disposals of securities and other non-current financial assets	(23.9)	(26.3)
Cash flow from (used in) investment activities	25.8	(23.0)
(Increase) decrease in payables to banks	62.6	100.0
(Purchase) sale of treasury stock	-	7.6
Net changes in other non-current financial assets/liabilities	(0.1)	3.6
Dividends paid	(83.8)	(84.7)
Cash flow from (used in) financial activities	(21.3)	26.5
Increase (decrease) in cash and cash equivalents	8.1	(8.0)
Cash and cash equivalents at beginning of period	96.0	73.6
Cash and cash equivalents at end of period	104.1	65.6
Composition of cash and cash equivalents at beginning of period		
Cash, cheques and valuables in hand	0.1	-
Bank and post office deposits	104.0	65.6
	104.1	65.6