

ARNOLDO MONDADORI EDITORE S.p.A.

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Head Offices in Milan

Administrative Offices in Segrate (MI)

Quarterly report to 30 September 2007

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Report of the Board of Directors

The Mondadori Group's business activities

The third quarter of 2007 saw a confirmation of trends that had characterised the earlier months of the year in Mondadori's markets of reference.

In Italy, compared with the previous year, magazines to the end of September saw a fall in circulation of 5.8% in terms of volume, while there was a more marked fall in add-on sales (-17.7%); and a slight recovery in advertising, which was up by 2.8%.

The book market, meanwhile, remained essentially stable.

In France magazine circulation was down on the last year (-2.6% in terms of volume); and the most interesting phenomenon was the launch of the first add-on sales initiatives of a certain significance, with Mondadori France as the main player. There were some signs of recovery in advertising investments, even though the total figure showed a slight fall of 1.0% compared with 2006.

In this scenario, during the period, the Mondadori Group's revenues and operating profit were significantly up on the same period of the previous year, thanks to the expansion of the business in France, where the first year of management ended. Group revenues, on a like-for-like basis, were in any case up.

Consolidated revenues to 30 September 2007 came to €1,441.7 million, an increase of 16.9% on the €1,233.8 million at the same point of 2006.

As indicated in previous quarterly reports, the attribution of magazine distribution in Italy to a specific subsidiary of the Group has resulted in the accounting at a premium of the costs and revenues of the business itself: the increase in 2007 revenues, if compared with the reclassified figure for 2006, is of 22.3%. Also, net of the effect of Mondadori France there was a slight increase in the volume of business (+0.8%), an inversion of the trend (-1.1%) recorded at 30 June.

Consolidated operating profit for the first nine months of 2007 came to €187.1 million, compared with €161.6 million in the previous year, an increase of 15.8% and 13% as a proportion of revenues (13.1% in 2006).

This increase, which is significant in itself, would have been even better were it not for a series of negative impacts from companies booked at net equity (specifically, increased losses by SEE of €4 million) and the lack of the government contribution of deferred taxes worth €2.5 million in 2006.

Consolidated operating profit to 30 September 2007 came to €154.5 million, an increase of 13.4% on the €136.3 million in 2006, with higher amortisations deriving largely from the acquisitions in France and of Messaggerie Musicali. As a proportion of revenues, the figure is 10.7% (11% in 2006).

Profit before taxation came to €130.3 million, essentially in line (+0.2%) with the €130.1 million of 2006. This result was affected by higher financial charges of €18 million, around €12 million of which from the higher level of debt incurred by the acquisition in France and the remainder from changes in interest rates compared with 2006 (+1.22% on the average Euribor rate in period), with a particular upswing in recent months due to the subprime phenomenon.

Consolidated net profit to 30 September 2007 amounted to €70.1 million, a fall of 7.4% on the €75.7 million of the previous year, a fall deriving from higher levels of taxation, in large measure due to the results of companies booked at equity, as indicated in the comment on gross operating profit, as well as higher non-taxable income in 2006.

Gross cash flow during the first nine months of 2007 came to €102.7 million, compared with €101 million in 2006.

The Group's **net financial position** went from -€554.7 million at the end of 2006 to -€622.3 million. During the period net investments were made of €48 million, dividend payments totalled €84.7 million and taxation €68 million.

What follows are comments on the Group's consolidated results for the first nine months of 2007.

Results for the period

Consolidated income statement in €m	Third quarter			To 30 September		
	2007	2006	Change	2007	2006	Change
Income from sales of goods and services	481.1	423.7	13.5%	1,441.7	1,233.8	16.9%
Personnel costs	90.8	71.7	26.6%	269.9	204.3	32.1%
Cost of sales and management (*)	323.1	288.3	12.1%	986.0	870.2	13.3%
Income (charges) from investments (calculated on a net equity basis)	0.4	(0.5)	n.s.	1.3	2.3	(43.5%)
Gross operating profit	67.6	63.2	7.0%	187.1	161.6	15.8%
- as a proportion of revenues	14.0%	14.9%		13.0%	13.1%	
Depreciation of property, plant and machinery	9.2	8.6	7.0%	27.2	24.1	12.9%
Depreciation of intangible assets	1.8	0.4	n.s.	5.4	1.2	n.s.
Operating profit	56.6	54.2	4.4%	154.5	136.3	13.4%
- as a proportion of revenues	11.8%	12.8%		10.7%	11.0%	
Net financial income (charges)	(12.2)	(4.5)	n.s.	(24.2)	(6.2)	n.s.
Other income (charges)	-	-	-	-	-	-
Profit for the period before taxation	44.4	49.7	(10.7%)	130.3	130.1	0.2%
- as a proportion of revenues	9.2%	11.7%		9.0%	10.5%	
Tax charges	20.3	18.5	9.7%	59.5	53.4	11.4%
Minority interest	(0.2)	(0.6)	(66.7%)	(0.7)	(1.0)	(30.0%)
Net profit	23.9	30.6	(21.9%)	70.1	75.7	(7.4%)

(*) Includes the following items: reductions (increases) in inventory; cost of raw, ancillary, and consumable goods; cost of services; other charges (income).

Consolidated revenues amounted to €1,441.7 million, an increase of 16.9%. The following table illustrates the business volumes for each business area.

Business volumes by business area	€m		Change %
	30 September 2007	30 September 2006	
Books	326.4	317.9	2.7%
Magazines	791.8	596.8	32.7%
Advertising services	248.8	245.8	1.2%
Printing	333.3	336.0	(0.8%)
Direct	17.1	17.2	(0.6%)
Retail	119.9	93.3	28.5%
Radio	7.4	6.1	21.3%
Corporate and other business	12.5	10.7	16.8%
Total sales	1,857.2	1,623.8	14.4%
Intergroup sales	(415.5)	(390.0)	6.5%
Total consolidated revenues	1,441.7	1,233.8	16.9%

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

Revenues by geographical area	€m		Change %
	30 September 2007	30 September 2006	
Italy	1,080.0	1,119.5	(3.5%)
France	278.4	43.8	n.s.
EU countries	72.0	56.3	27.9%
USA	5.6	5.4	3.7%
Others	5.7	8.8	(35.2%)
Total consolidated revenues	1,441.7	1,233.8	16.9%

Book division

The following table shows the performance of the Mondadori Group's Book division in the first nine months of 2007 compared with the same period of the previous year.

	€m	
	30 September 2007	30 September 2006
Book sales	320.3	312.3
Other revenues	6.1	5.6
	326.4	317.9
Operating costs	(258.4)	(251.8)
Gross operating profit	68.0	66.1
Amortisations & depreciations	(2.0)	(2.0)
Operating profit	66.0	64.1

Since January 2007 measurement of the trade books sector (fiction and non-fiction) has been conducted by Nielsen Bookscan. Due to the different methods adopted, starting with the panel, by Nielsen and Demoskopea, the figures for 2007 can not be compared with those of the previous year. However, the Mondadori Group confirmed its leadership position with a value market share of 28.4%.

The Mondadori Group's net revenues in the first nine months of 2007 amounted to €326.4 million, an increase of 2.7% on the same period of 2006.

The following table gives a breakdown of revenues for each of the Group's publishing houses.

Publisher	€m	€m	Change %
	30 September 2007	30 September 2006	
Edizioni Mondadori	94.1	97.2	(3.2%)
Einaudi	35.1	32.8	7.0%
Mondadori Electa	35.2	32.7	7.6%
Sperling & Kupfer Group	21.2	21.1	0.5%
Edumond Le Monnier	72.1	71.5	0.8%
Piemme	42.8	35.0	22.3%
Distribution and logistics	19.8	22.0	(10.0%)
Total consolidated sales	320.3	312.3	2.7%

Edizioni Mondadori

In the first nine months of 2007 Edizioni Mondadori generated revenues of €94.1 million, a fall (-3.2%) on the same period of the previous year. The main reason for this was the end of the Dan Brown effect, whose last title, *Cripto*, was published in June 2006.

The most important new title of the period, published as a world preview, was the long-awaited new novel by Ken Follett, *Mondo senza fine*, which went straight to the top of the bestsellers lists and sold 500,000 copies within weeks of publication.

A number of very successful titles from 2006 maintained high levels of sales also in 2007, including *Gomorra* by Roberto Saviano, which has sold 800,000 copies and *Come Dio comanda*, by Niccolò Ammaniti, winner of the Premio Strega, which has sold more than 400,000 copies.

The Oscar imprint benefited from a promotional campaign at the beginning of the spring and the publication of a new line of quality trade paperbacks: including titles such as *I pilastri della terra* by Ken Follett (80,000 copies) Fabio Volo's *Un posto nel mondo* (120,000 copies) and *Cripto* by Dan Brown (more than 100,000 copies).

In Children's Books, the most significant new title was published in September, the latest book by cosmologist, Stephen Hawking, *La chiave segreta per l'universo*.

Of note in the non-fiction area was the book by Mario Calabresi, *Spingendo la notte più in là* (100,000 copies), the new book by Corrado Augias, *Leggere*, and *L'illusione di Dio* by Richard Dawkins.

New titles in autumn have included, in foreign fiction, *I newyorkesi* by Cathleen Schine and *Il ministero dei casi speciali* by Nathan Englander, while Italian fiction titles include the latest book by Mauro Corona, *Cani, camosci e cuculi (e un corvo)*.

Meanwhile, the development of the language dictionaries segment, the result of an agreement with the world leader in the segment, the German publisher Langenscheidt, is proceeding well.

Giulio Einaudi Editore

In the first nine months of 2007 Einaudi saw revenues increase by 7%.

This increase is the result of the excellent performance of new titles and the success of a promotional campaign based, for the first time ever, on a reduction of cover prices.

Among the titles that performed well during the period we would underline: *Nelle mani giuste* by De Cataldo (more than 95,000 copies), *Nei boschi eterni* by Fred Vargas (more than 80,000 copies) *Parole e canzoni + DVD* by Ligabue (55,000 copies), *Manituana* by Wu Ming (55,000 copies), *Mi fido di te* by Abate-Carlotto (60,000 copies), *Everyman* by Roth (60,000 copies), *Il mio nome è rosso* and *Il libro nero* by Pamuk (combined sales of more than 100,000 copies), *Piazza fontana + DVD* by Lucarelli (30,000 copies), all new titles in 2007 with the exception of the first of the Pamuk titles. Very good sales were also recorded by *La strada*, by Cormac McCarthy (more than 35,000 copies) and *Le Benevole* by Jonathan Littell (70,000 copies for the first print run).

Mondadori Electa

In the period January-September 2007 total revenues amounted to €35.2 million, a 7.6% increase on the €32.7 million of the previous year.

This result was determined by a positive performance in the Cultural Heritage area, which benefited from the success of the Venice Biennale, and an increase in overall activities in the organisation of exhibitions.

Meanwhile editorial revenues fell mainly as a result of a reduction in the sale of rights for add-on sales initiatives.

Sperling & Kupfer Group

The Sperling & Kupfer Group ended the third quarter of 2007 with net revenues of €21.2 million, essentially in line (+0.5%) with the previous year.

The result was positively affected by revenues deriving from add-on sales, which tripled compared with the same period of 2006.

The most significant titles during the period included, in August, *Un porto sicuro* (50,000 copies) by Danielle Steel.

September saw the publication of the new novel by Sveva Casati Modignani, *Singolare femminile*, and the latest book by Giampaolo Pansa, *I Gendarmi della memoria*, which concludes the very successful series dedicated to the post-war conflicts in Italy, that began in 2002 *Il Sangue dei Vinti*.

The subsidiary Frassinelli, meanwhile, published the latest novel by Nicholas Sparks, *Ricordati di guardare la luna*, in August, which continues to sell very well.

Edmond Le Monnier

In the first nine months of 2007 Edmond Le Monnier generated net revenues of €72.1 million, an increase of 0.8% on the same period of the previous year, recovering by a wide margin the production delays of the first half.

Results in terms of textbook adoptions saw further growth in the primary schools segment, where a positive performance was recorded for reading courses and vacation textbooks.

In the first level of secondary schools, there was a slight reduction in the catalogue, while new titles performed well: in particular, *Geoviaggi*, the new geography course by Mursia Scuola.

The second level of secondary school segment brilliantly maintained its market share thanks to the excellent performance of the new history textbook for the three-year course by Bertini (20,000 copies), while there was also a positive performance in niche segments, in particular *Materiali da costruzioni* (5,000 copies).

Edizioni Piemme

In the first nine months of 2007 Piemme saw a continuation of the growth trend that has characterised recent years, with an increase in net revenues compared to the same period of the previous year of 22.3%.

Cumulative figures to September also confirm the exceptional performance of the fiction and non-fiction area, both in new titles and the back list, with the fiction area benefiting from the two titles by Hosseini, which have now reached, just in 2007, sales of 643,000 copies for *Cacciatore di aquiloni* and 825,000 copies for the new title in the year, *Mille splendidi soli*.

Aside from these titles, overall fiction sales were in line with the forecast and among the new titles, the latest book by Michael Connelly, *La ragazza di polvere*, stands out.

Sales of the Pocket series improved thanks to the positive effect of supplies of *Il diavolo veste Prada* by Lauren Weisberger, particularly in the initial months, and the effectiveness of the discount campaign on mini-pocket titles in February. A new Paperback line “Piemme Bestseller” was launched at the beginning of June and has already recorded a number of reprints of the first titles to be published.

Overall the Junior sector and the editorial line tied to the Geronimo Stilton character were up on the previous year and results were also very satisfactory for the sale of new graphic novels, a genre that has traditionally been very difficult to sell in Italy.

Distribution & Logistics

There was a 10% fall in revenues compared with the same period of the previous year, largely due to the absence of revenues from the new title by Faletti, published by Baldini e Castoldi Dalai Editore in 2006.

The new plants are now fully operational and this has made it possible to add the products of the subsidiary Edizioni Piemme, leading to efficiency gains in service and a reduction in costs.

Magazine Division

The revenues of the Magazine Division recorded an increase of 32.7%, which takes account of the contribution of Mondadori France for nine months in 2007 compared with only one month in 2006 and changes in the accounting of magazine distribution revenues in Italy.

	€m	€m
	30 September 2007	30 September 2006
Magazine revenues	769.4	586.2
Other revenues	22.4	10.6
	791.8	596.8
Operating costs	(675.4)	(508.2)
Gross operating profit	116.4	88.6
Amortizations and depreciations	(4.4)	(1.2)
Operating profit	112.0	87.4

Italy

Revenues generated by the Magazine Division in Italy amounted to €504 million. A straight comparison with the same period of the previous year is not significant, given the contribution of the distribution business to Press - Di Distribuzione Stampa Multimedia Srl (a wholly-owned subsidiary of Arnoldo Mondadori Editore SpA) which, starting in 2007, has involved the differing booking of the distribution business.

Revenue performance in the period was the combined result of the following:

- a fall in circulation revenues, that only in the first part of the year benefited from cover-price increases;
- hard-won stability (+1.6%) in add-on sales, in a rapidly declining market;
- a fall off in advertising revenues (-3.2%) which, nevertheless, after a difficult start to the year, picked up in the July-September quarter at a rate more in line with that of the corresponding period of the previous year.

Among the most significant factors in the period we would highlight:

- the editorial re-configuration of a number of titles;
- the launch of two new magazines (*Panorama First* and *Grazia Casa*) that are generating excellent results in terms of advertising sales, well above expectations;
- the re-launch of two important weekly titles, *Panorama*, in March, and *TV Sorrisi e Canzoni* in September. Initial circulation results of the latter initiative are encouraging and have further underlined the absolute leadership of the title in the segment;
- the organic growth of digital activities has involved a number of titles; growth in Mondadori's online advertising revenues remains at a level of around 70%;
- a general and effective control of costs has also shown results, especially in the area of industrial costs, the proportion of returns, as well as editorial costs.

Circulation

On the circulation side, in a market that was down on average by 5.8% in terms of volume, Mondadori maintained its position as market leader.

In particular, *Donna Moderna* held on to its position, thanks to a satisfactory performance of both the traditional and pocket formats, *TV Sorrisi e Canzoni* which, even before its re-launch, was out-performing its competitors, the continuing increase in circulation revenues generated by *Chi* and essential stability in the fashion area (*Grazia* and *Flair*) and the up-market segment in general (furniture, design, cooking and fashion).

Overall, circulation revenues have borne the weight of a number of operations made with highly promotional offers in support of the re-design of a number of titles and which should generate results over the medium term.

Add-on sales

In the market as a whole, add-on sales are going through a period of decline (around -17.7%). Editorial and sundry products are down, while DVDs remain stable and there is a slight rise in music.

In this context the performance of Mondadori bucked the trend with an increase (+1.6%) compared with the first nine months of 2006 and a level of profitability of around 20%.

It is felt that the organisational changes made in the management of this specific business will contribute, also in the future, to face more effectively than our competitors the current decline.

The best results were achieved with the film series offered by *Panorama*, the editorial products of *TV Sorrisi e Canzoni* and *Donna Moderna* and music promoted by *TV Sorrisi e Canzoni*.

International Activities

The development of the “Grazia International Network” continued, the Mondadori project that in recent years has launched *Grazia* in Bulgaria, the United Kingdom, Greece, the United Arab Emirates, Croatia and Serbia. Excellent results were generated in the first nine months of 2007, with further expansion during the year.

March saw the launch of the Russian edition of *Grazia* in cooperation with the Sanoma Group, that also managed the launch of the weekly in Holland in August.

By the end of the year the agreements for China and India will be defined.

The positive performance of the Attica Group continued in all of the markets in which it operates (Greece, Romania, Bulgaria and Serbia), in particular in Greece, thanks to very successful add-on sales initiatives.

France

In the first nine months of 2007, the revenues generated by the Magazine Division in France amounted to €287.8 million. Circulation, particularly newsstand sales, continued to record positive results; while difficulties remained in advertising sales, which were down on the previous year, even if in line with the overall trend in the French magazine market

No comparison is offered with the previous year, given that the acquisition of the division by the Mondadori Group took place in the third quarter of 2006.

Circulation

On the circulation front, the Group's titles performed well overall, with the continuation of the excellent of newsstand sales of *Closer*, which is at the top of its segment, and *Auto Plus*, that confirmed its circulation results after the re-launch at the beginning of the year. Overall, subscriptions remained at the same level of previous months in all areas of the business.

Advertising

There were continuing difficulties in the advertising area, even if in line with general trends in the French market.

The presidential elections had a negative impact in the early part of the year, as did the possibility, from January 2007, for large-scale retailers to advertise and promote their products and services on television. During the summer, the market showed some weak signs of improvement compared with the early part of the year thanks also to the Rugby World Cup, a very important event for the French market.

In particular there was a good performance for the *Science & Vie* titles, the TV Star titles held on well and there was once again an excellent performance by *Closer*. Difficulties, meanwhile, were recorded by the Homme titles (including titles in the car segment).

Overall, the slowdown in Mondadori France magazines was in line with the market.

Advertising services

	€m	€m
	30 September 2007	30 September 2006
Advertising revenues	246.4	243.1
Other revenues	2.4	2.7
	248.8	245.8
Operating costs	(248.1)	(244.8)
Gross operating profit	0.7	1.0
Amortizations and depreciations	(0.2)	(0.2)
Operating profit	0.5	0.8

The market

In the first eight months of the year the overall value of advertising investments in Italy, according to Nielsen Media Research figures, grew by 1.1% compared with the same period of 2006.

Among the main media, there was a slowdown in television (-2.0%), while print media grew by 2.8%, thanks mainly to the performance of newspapers (+3.3%), and a slightly lower growth in magazines (+2.1%).

In detail, magazines benefited from a positive performance in fashion, while there were persisting difficulties in the FMCG, furniture, telecoms and finance sectors.

For other media, there was significant growth in the internet (+42.9%), confirming the growing interest of advertisers in new online solutions, which account, however, for only 3% of the market.

The advertising company

During the period **Mondadori Pubblicità** recorded total revenues of €248.8 million (+1.2% on the €245.8 million at 30 September 2006), partly recovering the poor start to the year thanks to a commercial policy focused on prices, rather than pages, and also thanks to good sales in the summer period.

The performance of Magazines, generated by a modified portfolio mainly due to the exit of Walt Disney and the entry of *Famiglia Cristiana*, saw, in addition to the re-design of *Panorama* in March, an expansion of the offer thanks to the launch of *First*, the new monthly supplement of *Panorama*, and *Grazia Casa*, the new up-scale monthly supplement in the interiors segment.

Printing Division

	€m	€m
	30 September 2007	30 September 2006
Printing revenues	333.3	336.0
Other revenues	-	-
	333.3	336.0
Operating costs	(307.6)	(311.0)
Gross operating profit	25.7	25.0
Amortizations and depreciations	(17.9)	(17.5)
Operating profit	7.8	7.5

In the first nine months of 2007 the Printing Division recorded overall revenues of €333.3 million, a slight fall (-0.8%) on the €336 million of the same period of the previous year.

The figure is the result of two opposing trends: an increase in captive revenues, which benefited from the expansion of activities to include a number of Mondadori France titles, and a shortfall in third-party revenues, due to the structural fall in the sale of products as add-ons to newspapers and magazines.

Foreign sales recorded an increase in the catalogue segment, even though the European printing market continues to suffer from increased competition and a pressure on prices.

There was an increase in volumes in the illustrated books segment, mainly due to the positive effects of quality being able to hold back competition from the Far East.

The cost of paper, in particular that for magazines, saw a slight increase.

In terms of production, results are more clearly represented by revenues net of the cost of paper and transport, as indicated in the following table.

Printing revenues net of paper costs	€m	€m	Change
	30 September 2007	30 September 2006	%
Magazines	92.6	97.3	(4.8%)
Books	65.7	60.8	8.1%
Catalogues & promotional materials	25.9	25.3	2.4%
Directories	1.2	1.0	20.0%
Total printing revenues net of paper costs	185.4	184.4	0.5%

Direct Division

	€m	€m
	30 September 2007	30 September 2006
Revenues from sales	17.1	17.2
Other revenues	-	-
	17.1	17.2
Operating costs	(15.4)	(15.5)
Gross operating profit	1.7	1.7
Amortizations and depreciations	(0.2)	(0.2)
Operating profit	1.5	1.5

In the first nine months of 2007 **Cemit** found itself operating in an increasingly competitive context. However, market appreciation for the quality of the services offered and confirmation that the company is alone in offering a complete range of direct marketing services made it possible to maintain revenues in line with those of the corresponding period of the previous year.

The company is continuing its development programme, in particular, operating software innovations for databases in the marketing intelligence area.

Retail Division

The Retail Division's total revenues in the first nine months of 2007 came to €119.9 million, an increase of 28.5%.

	€m 30 September 2007	€m 30 September 2006
Revenues from sales	119.9	93.3
Other revenues	-	-
	119.9	93.3
Operating costs	(118.8)	(92.1)
Gross operating profit	1.1	1.2
Amortizations and depreciations	(5.1)	(1.6)
Operating profit	(4.0)	(0.4)

Mondadori Franchising saw growth continue, recording a marked increase in revenues (+23%), thanks above all to new affiliations in the twelve-month period of reference (the number of bookstores increased from 181 to 205) and the *Edicolè* formula (117 outlets compared with 69 last year).

Mondadori Retail, excluding the effect of sales to large-scale retail clients (worth around €10 million in 2006), recorded an increase in its retail sales (around +9.3% compared with the previous year).

Five new openings took place in the period of reference, and another is to follow by year-end.

Mondadori Shop (ex Messaggerie Musicali) saw an increase in revenues thanks to the significant development of book sales, in contrast to the fall in sales from the music area. The company has also expanded its internet activities through the Messaggerie Digitali site, which pursues music sales through the downloading of tracks.

Radio

	€m	€m
	30 September 2007	30 September 2006
Revenues from sales	7.4	6.1
Other revenues	-	-
	7.4	6.1
Operating costs	(15.3)	(14.6)
Gross operating profit	(7.9)	(8.5)
Amortizations and depreciations	(0.8)	(0.6)
Operating profit	(8.7)	(9.1)

In the first nine months of the year the activities of Radio R101 were focused on the continuous improvement of the product and an ongoing communication campaign for both the brand and new programmes.

In particular, a number of important scheduling changes and new presenters were introduced after the summer period. While in the autumn the second edition of “Sbanca 101”, presented by Gerry Scotti, was launched with roll-over prize money of €500,000.

Marketing activities were spread across all media (TV, outdoor, print media) and there was an emphasis on communicating the brand, the music and the programmes, as well as on a number of events organised around the country.

At the same time, the acquisition of frequencies continued, particularly in the regions of in Lazio, Campania, Emilia Romagna and Veneto. This has further increased coverage (currently around 90%) and an improvement in signal quality across the country.

The four measurements made by Audiradio in the first 9 months of 2007 continued to reward Radio R101 with a daily average of around 2 million listeners (+42% compared with the same period of the previous year) and around 8 million listeners over seven days. The loyalty index (the ratio between average listeners daily/seven days) is currently 25% (with a market average of 37%) which should be compared to the 13% recorded just two years ago.

Also the R101 web site, launched in July 2006, produced encouraging figures: the number of registered users for the various services offered by R101 totalled 21,000 and growing. The site also attracts around 200,000 unique visitors and around 3 million page views every month.

Net revenues in the first nine months of 2007 amounted to €7.4 million, an increase of 21.3% on the same period of 2006. Revenues reflect the company’s share of gross advertising revenues of €12 million (+20% compared with the previous year).

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 30 September 2007 showed a deficit of €622.3 million, after dividend payments to shareholders totalling €84.7 million.

	€m	€m	€m
	30 September 2007	31 December 2006	30 September 2006
Cash and other equivalent liquid assets	130.0	105.5	88.0
Financial investments at fair value	188.1	152.5	206.7
Gains (losses) from derivatives	(65.7)	(35.5)	(22.8)
Other financial gains (losses)	(48.3)	(11.0)	(28.4)
Financing (short & medium/long term)	(472.9)	(401.3)	(454.2)
Bonds	(244.1)	(259.0)	(273.5)
Convertible bonds	(109.4)	(105.9)	(107.0)
Net financial position	(622.3)	(554.7)	(591.2)

The global economic situation and macro-economic forecasts remain essentially favourable (growth at +3.3% in 2007, +3.1% in 2008), despite the persisting crisis in the US real estate sector and the liquidity crisis on international financial markets.

The expected slowdown in economic growth in the United States (+2.0% in 2007) contrast with more or less unchanged expectations for the rest of the world, with China (+11.0%) and India (+7.5%) continuing to expand and moving towards modernisation at a growing pace, while growth in Europe (+2.6%) the impact of the American crisis would suggest a slight lowering of forecasts.

In terms of market interest rates, the 3-month Euribor 3 (Act/360) rose from 3.725% at the end of December 2006 to 4.792% at the end of September 2007. In the same period, the average cost of money for the Mondadori Group was 3.978%.

The overall credit lines available to the Group at 30 September 2007 came to more than €1.5 billion.

The Group's short-term borrowing facilities, for a total of nearly €600 million, were used for about €140 million as of 30 September 2007. Such facilities are made up of self-liquidating credit lines and stand-by loans with a duration of less than 18 months minus one day.

Medium-long-term lines of around €1 billion are made up of:

- €296.4 million from a private placement in dollars in the U.S.A., over three tranches expiring in 2013/2015/2018 reserved exclusively for institutional investors. There is a Cross Currency Swap on this loan to face interest and exchange rate risks;
- €109.9 million in convertible bonds, guaranteed by Mondadori shares (expiring in October 2008) also reserved for institutional investors;
- €47.7 million in facilitated credit for publishers, mainly obtained as per Law n° 62/01;
- €500 million for a five-year bank loan (expiring in July 2011) organised by a pool of leading international banks for the acquisition of the French publishing group Emap France in the summer of 2006. This multi-borrower (Mondadori International and Arnoldo Mondadori Editore) loan is made up of a term loan of €300 million and a revolving credit facility of €200 million; as of 30 September 2007 the latter had not been used. A swap from a variable to a fixed interest rate has been applied to 50% of the term loan.

Mondadori International

The financial surplus of Mondadori International, the holding company that manages the Group's foreign interests, as well as the manager of the Group's financial assets, as of 30 September 2007, amounted to €201.5 million (€168.9 million at the end of 2006).

The composition of the portfolio at that date was as follows:

- cash products, bonds and other low-risk funds for €166.0 million;
- hedge fund investments for around €33.5 million (broadly diversified by management and strategy).

The return on the company's financial portfolio during the first nine months of the year, calculated on an annual basis, was 2%.

The entire portfolio can be converted to cash in a very short time, and in any case not more than three months for the part invested in hedge funds.

Personnel

As of 30 September 2007 Group companies employed 5,583 people (5,668 at 31 December 2006), while the average number of personnel during the period amounted to 5,599 (4,542 in the same period of 2006).

The following table shows details of Group personnel as of 30 September:

Personnel	30 September 2007	31 December 2006	30 September 2006
Arnoldo Mondadori Editore SpA:			
- Managers, journalists and office staff	1,365	1,477	1,470
- Manual workers	108	101	101
	1,473	1,578	1,571
Italian subsidiaries:			
- Managers, journalists and office staff	1,831	1,706	1,560
- Manual workers	1,037	1,098	1,136
	2,868	2,804	2,696
Foreign subsidiaries:			
- Managers, journalists and office staff	1,139	1,181	1,224
- Manual workers	103	105	103
	1,242	1,286	1,327
Total	5,583	5,668	5,594

Personnel costs increased by 32.1%, from €204.3 million to €269.9 million as a result of changes in the consolidation area due to the inclusion of Mondadori France and Messaggerie Musicali SpA.

Capital investments

In the first nine months of 2007 the Group made capital investments of €25.9 million, predominantly in the printing area (€12.5 million) and in the retail area (€6.6 million) for new openings.

Disinvestments during the period amounted to a residual total of €0.1 million

Other information

This consolidated quarterly report has been prepared in compliance with IAS/IFRS standards and the evaluation criteria adopted are in line with those used at 31 December 2006.

The quarterly report to 30 September 2007 has been prepared in line with Art. 82 of Consob regulation n°. 11971/1999, and subsequent modifications, and Enclosure 3D of the same regulation.

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 general economic and business scenario shows signs of uncertainty and turbulence that make it difficult to make forecasts, even in the short term.

The evident signs of weakness in the reference markets of the Mondadori Group in the first nine months of the year show few signs of abating in the coming months. Mondadori has, nevertheless, demonstrated a capacity to react and to out-perform the market: the growth in overall revenues thanks to the addition of activities in France, acquired one year ago, along with stability in levels of profitability and revenues in the other areas of business, make it possible to predict that there will also be a significant increase in operating profit for the full year.

On behalf of the Board of Directors
The Chairman
Marina Berlusconi

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.

The executive responsible for the preparation of the company's accounts

Carlo Maria Vismara

Consolidated financial statements

Consolidated balance sheet (in €,000)

Assets	Period to 30 September 2007	FY to 31 December 2006
Intangible assets	943,070	918,075
Fixed assets	4,577	4,744
Land and buildings	83,081	86,878
Plant and machinery	90,966	98,010
Other assets	44,276	36,979
Property, plant and machinery	218,323	221,867
Investments booked using net equity method	116,051	120,230
Other investments	275	2,174
Total investments	116,326	122,404
Non-current financial assets	3,658	1,533
Advanced taxes	44,878	46,100
Other non-current assets	3,185	3,525
Total non-current assets	1,334,017	1,318,248
Tax credits	43,902	29,854
Other current assets	75,034	72,204
Inventories	148,689	141,126
Trade receivables	478,117	479,018
Stocks and other current financial assets	208,548	206,713
Cash and equivalents	129,954	105,507
Total current assets	1,084,244	1,034,422
Assets destined to be sold or closed	-	-
Total assets	2,418,261	2,352,670

Consolidated balance sheet (in €,000)

Liabilities	Period to 30 September 2007	FY to 31 December 2006
Share capital	67,452	67,452
Share premium reserve	286,761	285,467
Treasury stock	(138,840)	(127,998)
Other reserves and results carried forward	175,589	148,532
Profit (loss) for the period	70,091	108,960
Total Group shareholders' equity	461,053	482,413
Minority capital and reserves	1,814	4,020
Total shareholders' equity	462,867	486,433
Reserves	27,538	35,187
Severance payments	96,365	104,182
Non-current financial liabilities	748,390	744,706
Deferred tax liabilities	107,074	102,240
Other non-current liabilities	-	-
Total non-current liabilities	979,367	986,315
Income taxes payable	49,247	49,682
Other current liabilities	284,718	272,168
Trade liabilities	425,953	434,316
Bank debts and other financial liabilities	216,109	123,756
Total current liabilities	976,027	879,922
Liabilities deriving from sales or closures	-	-
Total liabilities	2,418,261	2,352,670

Consolidated income statement (in €,000)

	Period to 30 September 2007	Period to 30 September 2006
Income from sales of goods and services	1,441,732	1,233,809
Decrease (increase) in inventories	(7,561)	6,639
Cost of raw materials and consumables and goods for resale	354,686	363,363
Cost of services	626,753	502,076
Personnel costs	269,852	204,266
Other income (expense)	12,133	(1,892)
Income (charges) from investments calculated on a net equity basis	1,250	2,269
Gross operating profit	187,119	161,626
Depreciation of property, plant and machinery	27,246	24,164
Depreciation of intangible assets	5,354	1,171
Operating profit	154,519	136,291
Net financial income (charges)	(24,203)	(6,222)
Other financial income (charges)	12	28
Profit for the period before taxation	130,328	130,097
Tax charges (income)	59,560	53,415
Profit from current activities	70,768	76,682
Income (charges) from assets/liabilities destined for sale or closure	-	-
Minority interest	(677)	(987)
Net profit	70,091	75,695
Net profit per share (in €)	0.29	0.31
Diluted net profit per share (in €)	0.29	0.31

Consolidated income statement (in €,000)

	Q3 2007	Q3 2006
Income from sales of goods and services	481,133	423,706
Decrease (increase) in inventories	1,063	(608)
Cost of raw materials and consumables and goods for resale	115,953	122,081
Cost of services	196,785	168,183
Personnel costs	90,825	71,707
Other income (expense)	9,358	(1,346)
Income (charges) from investments (calculated on a net equity basis)	385	(474)
Gross operating profit	67,534	63,215
Depreciation of property, plant and equipment	9,156	8,583
Amortisation and impairment of intangible assets	1,817	443
Operating profit	56,561	54,189
Financial income (expense)	(12,171)	(4,518)
Income (expense) from investments	12	(4)
Profit before income taxes	44,402	49,667
Income taxes	20,269	18,519
Profit from continuing activities	24,133	31,148
Income (expense) from assets/liabilities held for sale	-	-
Result attributable to minorities	(252)	(574)
Net profit	23,881	30,574

On behalf of the Board of Directors
The Chairman
Marina Berlusconi