Cento Anni Mondadori
La Casa in cui siamo cresciuti

MONDADORI

PRESS RELEASE

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

Board approves results for Q1 2007

- **CONSOLIDATED REVENUES OF €468.1 MILLION: +14.3% COMPARED WITH THE €409.6 MILLION OF Q1 2006**

- **GROSS OPERATING PROFIT AT €54.5 MILLION: +23.9% ON THE €44 MILLION AT 31 MARCH 2006**

- **PROFIT BEFORE TAXATION AT €37.6 MILLION: -2.8% COMPARED WITH THE €38.7 MILLION OF Q1 2006**

NB: The above figures include, for 2007, the consolidation of the activities of Mondadori France.

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Segrate, 10 May 2007 – The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the Chairmanship of Marina Berlusconi, to examine and approve the management report for the first three months of the year to 31st March 2007 as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

GROUP PERFORMANCE IN THE PERIOD TO 31 MARCH 2007

In the first quarter of 2007 there was a continuation of the downward trend in magazine circulation, compounded in January and February by a marked slowdown in advertising investments, which, however, have recovered in March. As expected, there was a further decline in the add-on sales phenomenon, after years of continuous growth.
Despite this scenario, the Mondadori Group, saw significant growth in its revenues, thanks to the inclusion of its activities in France, and an improvement in its operating profitability, while also continuing to pursue development in the digital, retail, radio and international magazine publishing sectors.

Consolidated revenues in the first quarter of 2007 came to **€468.1 million**, an increase of 14.3% on the €409.6 million in the same period of 2006. The 19.4% increase in consolidated revenues, takes account of accounting changes resulting from the absorption of magazine distribution activities in Italy by Press-Di and the inclusion of Mondadori France (€96.2 million). On a like-for-like basis, revenues were down by 5.1%.

Consolidated gross operating profit came to **€54.5 million**, an increase of 23.9% on the €44 million on the same period of the previous year, as a proportion of revenues, a rise to 11.6% from the 10.7% of Q1 2006.

Consolidated operating profit came to **€43.8 million**, a 20.3% increase on the €36.4 million of Q1 2006, despite increased amortisation and depreciation of material and immaterial assets for around €3.1 million; 9.4% as a proportion of revenues, compared with 8.9% for the same period of 2006.

Arnoldo Mondadori Editore S.p.A.
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Profit before taxation in the period came to **€37.6 million**, a fall of 2.8% on the €38.7 million of Q1 2006, due to financial charges deriving from debt resulting from the acquisition in France and the 2006 dividend policy.

Consolidated net profit came to **€23.6 million**, a fall of 6% compared with the €25.1 million of the same period of the previous year, also due to the effects of deferred tax credits recorded in 2006.

Gross cash flow amounted to **€34.3 million**, compared with €32.7 million in Q1 2006.

The Group's **net financial position** went from -€554.7 million at the end of 2006 to **-517.4 million** on 31 March 2007 (the figure for Q1 2006 was +€63.6 million).

BUSINESS AREAS

• *Books*

In the first quarter of the year, the Book Division generated revenues of **€96.5 million**, essentially in line with the €96.8 million of the same period of last year (-0.3%).

In the Italian book market, Mondadori continues to be the undisputed leader with a market share of 26,6%, despite a new method of measuring the market adopted by Nielsen Bookscan, using a panel and different methods from those used previously by Demoskopea.

Of the Group's publishing houses, Einaudi confirmed the very positive trend of last year with an increase in the period of 10.8%, due to a marked increase in the sale of rights and a positive performance in the instalments channel; Mondadori Electa saw a 20.4% rise in revenues, thanks to a positive performance in art exhibition organisation and concessions; meanwhile, Piemme also performed well, with revenues up by 9.5% thanks to excellent results, among other areas, in both the adult and junior sectors.

• *Magazines*

In the first quarter of 2007, the Magazine Division generated consolidated revenues of **€266.4 million**, an increase of 33.3% on the same period of the previous year.

For a correct comparison with last year it is necessary to bear in mind:

- a change in the consolidation area resulting from the acquisition of Emap France;
- the absorption of magazine distribution activities by Press-Di (a wholly-owned subsidiary of Arnoldo Mondadori Editore S.p.A.), after which, from 1 January 2007, revenues from the distribution of the products of third-party publishers are booked at a premium and not at the wholesale price for local distributors.

Italy

The revenues of the Magazine Division in Italy during the period amounted to €170.2 million, a fall of 14.8% compared with the €199.8 million of the same period of 2006 (-6.5% on a like-for-like basis compared with €182.1 million for 2006).

This reduction in revenues is the result of a combination of the following factors:

- circulation revenues remained essentially stable, with a fall in volume compensated by the increase in cover prices introduced in 2006;
- a further reduction in revenues from add-on sales (-15% for Mondadori) in a sharply falling market (-20%);
- a fall in advertising revenues (-6.6%), penalised by a marked fall in volumes compared with the previous year in the two-month period January/February (-11%), partially compensated by a recovery in prices (+5%).

Of particular note during the period was: the re-launch of *Panorama,* in the first half of March, along with its editorial and brand development and the definition of the new monthly *First*, launched at the end of March to marked success in terms of advertising sales; the development of internet activities, especially the *Panorama* web site; and an acceleration in the definition of the new monthly, *Grazia Casa,* which hit the newsstands in mid-April.

In terms of circulation, in a market that saw a fall, in terms of value, of between 7% and 8%, the Division increased its market share compared with the same period of the previous year, despite a varying performance in the different business. Women's magazines saw a slight fall in newsstand sales and subscriptions (-2%) compared with 2006, with a good increase for *Donna Moderna* (+7%). The fall in revenues in the male segment was around 10%, and was due to the reduction to €1 in the cover price of *Panorama* that coincided with the re-launch phase, the results of which will be easier to judge in the coming months. Family and television titles saw a 4% increase in revenues, largely thanks to the performance of *Chi* (+20%), while the revenues from *TV Sorrisi e Canzoni* were in line with those of last year; the performance of TV guides, meanwhile, was somewhat weaker. Finally, the Up-Market area saw an increase in revenues of 7%, thanks to stability in the fashion area, in particular *Grazia*, a slight increase in the Design and Architecture segment and a positive performance in the Cooking segment; a slowdown in the Interiors area, above all for *Casa Facile*.

On the international front, the period saw a continuation of the development of the *Grazia* brand with an agreement with Independent Media Sanoma Magazines, one of the leading players in Russia, that has led to the launch of a local edition of the weekly, with very positive results for the first issues in terms of circulation and, particularly, advertising.

In Italy the add-on sales phenomenon saw a marked downturn in the first quarter (-20%). In this context, the fall in Mondadori's revenues was -15%, and was the result of a change in the programming. Compared with the past, the launch of a number of works, including "*L'Enciclopedia della cucina italiana*", the benefits of which will be felt in the period April-July, and the lack, compared with 2006, of a number of multi-title initiatives planed in 2007 for the months of May and July. There were positive results from the initiative "*La Storia*", the film series proposed by *Panorama* and the music and DVD initiatives of *TV Sorrisi e Canzoni*.

France

As already mentioned, the activities of the Magazine Division in France during the period generated consolidated revenues of €96.2 million: with a positive trend in circulation sales marginally offset by a slight fall in advertising revenues.

In terms of circulation, overall the Group's titles performed well. In particular, the titles in the *Loisirs* area saw circulation increase: the newsstand sales of *Closer*, were especially positive, taking it to the top of its segment.
Overall, subscription sales remained at the same level as previous months for all of the business areas.

The advertising market in France was negatively affected by the presidential elections (resulting in a marked slowdown in advertising investments) and by the possibility for company's operating in the large-scale retail sector to advertise their products and services, from January 2007, also on television.
Among the business areas of Mondadori France, of note was the stability of *Télé Star* and *Closer*, while titles in the *Homme, Loisirs* and *Femme* segments saw a slowdown, even if in line with a market under ongoing pressure (-2.8% in terms of volume compared with the same period of the previous year – source: Secodip).

• ***Advertising***

During the first three months of 2007 the advertising market, compared with the same period of last year, got off to a very slow start. The only area showing marked growth was the internet, with revenues that now outstrip outdoor and cinema, proof of the growing interest of advertisers in multimedia communications. In the print media sector, after a brilliant 2006, magazines started the year slowly, above all as a result of a marked fall in space that was not compensated by an increase in ad rates. The sectors most affected during the period were cosmetics, furniture and interiors, finance and telecoms. FMCGs were stable, while there were positive results from fashion and tourism.

Mondadori Pubblicità, in terms of overall sales, closed the first quarter with revenues of **€74.1 million**, in line with Q1 2006 (+0.3%), with a portfolio that saw the entry of *Famiglia Cristiana* and the exit of *Disney*.
The company also benefited, starting in March, from a positive reaction to *Panorama*, after a wide-ranging re-design and re-launch at the beginning of the month and the launch of "*First*". Of particular note was the increase in sales for Radio R101 (+26.9%) compared with 2006, sustained by a continuously growing audience, and the development of the internet channel that, with a growth rate that is above that of the market, offers an increasingly effective way of valorising the company's offer.

• ***Printing***
In the first quarter of the year the Printing Division generated total revenues of **€113.2 million**, a fall of 7.9% (-6% in printing revenues) compared with the same period of the previous year.
This fall is due to a reduction in revenues from add-on sales for newspapers and magazines, and a slight reduction in foliations and print runs; factors that have affected both the company's captive and third-party clients. Trends in raw material and energy prices were in line with expectations, while efforts to reduce both production and structure costs continued.

• ***Direct marketing***
In this area the Mondadori Group maintained a good level of growth, with revenues of **€6 million**, a Q1 2007 increase of +7.1%, compared with the €5.6 million of Q1 2006.
During the period, **Cemit** saw a recovery in revenues, after a fall last year due to the introduction of new privacy legislation. Consequently, the company, after having completed a review of the organisational structure in view of the new market scenario, is now facing the challenge of developing and integrating its various data archives (the company's principal asset) in line with continuing technological developments.

• ***Retail***
Total revenues from the Retail Division amounted to **€38.3 million**, an increase of 5.8% on the €36.2 million of the first quarter of 2006.

Compared with Q1 2006, **Mondadori Franchising** recorded significant growth in revenues (+17.8%), thanks to new affiliations during the 12-month period of reference with the number of bookstores up from 172 to 187, while the number of Edicolè outlets more than doubled (86 compared with 40 at March 2006).

The revenues of **Mondadori Retail** remained essentially stable compared with the same period of the previous year, when considered net of the €7.8 million from large-scale retail clients, that had already been suspended at the end of the first half of 2006.
In the first quarter of 2007, the expansion of the company's network of directly controlled stores continued with the opening, at the end of March, of the store in the Roma Lunghezza shopping mall and the April inauguration of the new *multicenter* in Piazza Duomo in Milan.

Messaggerie Musicali, acquired at the end of 2006, generated revenues of €8.2 million: work began during the period on the restyling of the two outlets (Rome and Milan) to bring them more into line with the *Mondadori Multicenter* format, to which they will be converted, with an expansion of the books area, in which there is a marked growth in sales that will compensate for the natural fall in the music market.

• ***Radio***
Net revenues generated by Radio R101 in the first quarter of the year amounted to **€2 million**, an increase of 25% on the €1.6 million of the same period of 2006.
Activities during the period involved changes to the schedule, in particular during the weekend, and a big communication campaign (using TV, print media and outdoor) on the brand and editorial product, focusing especially on the morning show "*La carica di 101*",

which now includes among its presenters the actor and comedian Massimo Lopez. Particular prominence has also been give to the new prize game show “*Regalo di Compleanno*” presented by Gerry Scotti.
At the same time, activities have continued for the acquisition of additional frequencies and the relative infrastructure, in particular in the Veneto and Emilia Romagna regions, which has become the third biggest region in terms of daily listeners. As a result of these activities an 89% coverage of the population has now been achieved with a higher level of intensity of the network’s presence around the country.
This combination of communication activities and the acquisition of frequencies led to a marked increase in the network’s Audiradio ratings in the first two months of 2007, which attributed to Radio R101 a daily average of around 1.8 million listeners (+20% vs. 4th cycle of 2006) and around 7.5 million listeners over seven days, with a consequent increase in the loyalty index (the ratio of average of daily/seven day listeners) to 24%, compared with 13% two years ago (with a market average of 35%).

EXPECTATIONS FOR THE CURRENT YEAR

In a market which, for books, is expected to confirm the positive trend of recent years, while magazines show the first timid signs of a recovery in advertising, while remaining weak on the circulation and, particularly, add-on sales fronts, the company expects to be able to increase its overall revenues and operating profit compared with the previous year, thanks also to the enlargement of the company itself.

Encl:
- *consolidated income statement (encl. 1)*
- *consolidated balance sheet (encl. 2)*

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Encl. 1

Income statement (in €m)	**31 March 2007**	**31 March 2006**	**Change %**
Income from sales of goods and services	468.1	409.6	14.3%
Personnel costs	92.2	66.4	38.9%
Cost of sales and management	321.5	299.5	7.3%
Income (charges) from investments booked using the net equity method	0.1	0.3	(66.7%)
Gross operating profit	**54.5**	**44.0**	**23.9%**
- as a proportion of revenues	*11.6%*	*10.7%*	
Depreciation of property, plant and machinery	8.9	7.3	21.9%
Depreciation of intangible assets	1.8	0.3	n.s.
Operating profit	**43.8**	**36.4**	**20.3%**
- as a proportion of revenues	*9.4%*	*8.9%*	
Net financial income (charges)	(6.2)	2.3	n.s.
Income (charges) from other investments	-	-	-
Profit for the period before taxation	**37.6**	**38.7**	**(2.8%)**
- as a proportion of revenues	*8.0%*	*9.4%*	
Tax charges	13.8	13.3	3.8%
Minority interest	0.2	0.3	(33.3%)
Net profit	**23.6**	**25.1**	**(6.0%)**
- as a proportion of revenues	*5.0%*	*6.1%*	
Gross cash flow	**34.3**	**32.7**	

Encl. 2

Consolidated Balance Sheet (in €m)

Asstes

	Q1 to 3 1 March 2007	FY to 31 December 2006
Intangible assets	**935.6**	**918.1**
Fixed assets	**4.7**	**4.7**
Land and buildings	86.2	86.9
Plant and machinery	93.1	98.0
Other assets	40.1	37.0
Property, plant and machinery	**219.4**	**221.9**
Investments booked using net equity method	119.6	120.2
Other investments	2.2	2.2
Total investments	**121.8**	**122.4**
Non-current financial assets	**2.1**	**1.5**
Advanced taxes	**47.6**	**46.1**
Other non-current assets	**3.4**	**3.6**
Total non-current assets	**1,334.6**	**1,318.3**
Tax credits	**33.2**	**29.9**
Other current assets	**72.5**	**72.2**
Inventories	**142.9**	**141.1**
Trade receivables	**446.8**	**479.0**
Stocks and other current financial assets	**207.9**	**206.7**
Cash and equivalents	**108.2**	**105.5**
Total current assets	**1,011.5**	**1,034.4**
Assets destined to be sold or closed	**-**	**-**
Total assets	**2,346.1**	**2,352.7**

Liabilities

	Q1 to 3 1 March 2007	FY to 31 December 2006
Share capital	**67.5**	**67.5**
Share premium reserve	**286.7**	**285.5**
Treasury shares	**(120.5)**	**(128.0)**
Other reserves and results carried forward	**258.8**	**148.4**
Profit (loss) for the period	**23.6**	**109.0**
Total Group shareholders' equity	**516.1**	**482.4**
Minority capital and reserves	**2.5**	**4.0**
Total shareholders' equity	**518.6**	**486.4**
Reserves	**29.7**	**35.2**
Severance payments	**103.4**	**104.2**
Non-current financial liabilities	**747.0**	**744.7**
Deferred tax liabilities	**106.6**	**102.2**
Other non-current liabilities	**-**	**-**
Total non-current liabilities	**986.7**	**986.3**
Income taxes payable	**63.5**	**49.7**
Other current liabilities	**278.9**	**272.2**
Trade liabilities	**409.8**	**434.3**
Bank debts and other financial liabilities	**88.6**	**123.8**
Total current liabilities	**840.8**	**880.0**
Liabilities deriving from sales or closures	**-**	**-**
Total liabilities	**2,346.1**	**2,352.7**