

PRESS RELEASE

Board of Directors approves report on the first half of the year to 30 June 2007

- **CONSOLIDATED REVENUES OF €60.6 MILLION:
+18.6% COMPARED WITH THE €10.1 MILLION OF THE FIRST HALF OF 2006**
- **GROSS OPERATING PROFIT AT €119.6 MILLION:
+21.5% ON THE €8.4 MILLION AT 30 JUNE 2006**
- **CONSOLIDATED NET PROFIT AT €46.2 MILLION:
+2.4% ON THE €45.1 MILLION AT 30 JUNE 2006**

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

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JOINT VENTURE AGREEMENT WITH SEEC MEDIA GROUP LIMITED IN CHINA

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Segrate, 12 September 2007 - The Board of Directors of Arnoldo Mondadori Editore S.p.A. met today, under the Chairmanship of Marina Berlusconi, to examine and approve the management report for the first six months of the year to 30th June 2007, as presented by the Group's Deputy Chairman and Chief Executive, Maurizio Costa.

GROUP PERFORMANCE IN THE PERIOD TO 30 JUNE 2007

In the first six months of the year there were signs of weakness in the markets of reference for the Mondadori Group's businesses compared with the same period of 2006.

In particular, in Italy:

- in the consumer magazine sector, there was a 10% fall in circulation, with a sharp downturn in the final months of the first half; the negative trend in add-on sales, already noted in the first months of the year, continued; and advertising investments failed to confirm the recovery that was seen in March and consequently, ended the period at a level only slightly above that of the first six months of 2006 (+1.8%, source: Nielsen Media Research);
- essential stability in the book market.

In France, in the magazine area, there was a fall in circulation of 3% compared with the first half of 2006 and also advertising saw a shortfall due to both general (elections) and more specific factors (legislative changes in the retail sector).

In this context, the Mondadori Group has recorded marked increases in both total revenues and operating profit compared with the previous year, thanks to stability in like-for-like terms, a positive performance in developing areas and the contribution of the activities in France acquired in the second half of 2006.

Consolidated revenues to 30 June 2007 came to **€60.6 million**, an increase of 18.6% on the €10.1 million of the first half of 2006.

Since 1 January 2007, the absorption of the magazine distribution activities by the subsidiary Press-Di, has led to a change in the accounting procedure and distribution revenues are now booked at a premium rather than in terms of costs and revenues.

A reclassification of distribution activities for Magazines Italy, using the same method as for 2006, the increase in consolidated revenues would be 23.9% thanks to the contribution of Mondadori France (€194 million); net of Mondadori France, total revenues would have been essentially in line with the previous year (-1.1%).

Consolidated gross operating profit for the first six months of the year came to **€119.6 million**, an increase of 21.5% on the €98.4 million of the previous year, as a proportion of revenues, a rise to 12.4% from the 12.1% of the first half of 2006. A contribution, of around €1.5 million, was made this year by non-recurring elements, on the positive side (legislative changes in the accounting of severance payment funds) and on the negative side (personnel management issues).

Consolidated operating profit to 30 June 2007, came to **€97.9 million**, a 19.2% increase on the €82.1 million of the same period of 2006, despite increased amortisation and depreciation of material and immaterial assets for around €5.4 million; 10.2% as a proportion of revenues, compared with 10.1% for the same period of 2006.

Profit before taxation in the period came to **€85.9 million**, a 6.8% increase on the €80.4 million of the first half of 2006, despite financial costs deriving from a higher level of average indebtedness during the period of around €587 million.

Consolidated net profit to 30 June 2007 came to **€46.2 million**, an increase of 2.4% on the €45.1 million of the same period of the previous year, despite a higher tax rate, largely due to the inclusion in the period of non-taxable income.

Gross cash flow in the first half of 2007 amounted to **€674.9 million**, compared with €61.4 million in the same period of 2006.

The Group's **net financial position** went from -€554.7 million at the end of 2006 to **-€673.9 million**: the change during the period is mainly due to investments (€37.4 million), dividend payments (€84.7 million) and taxes (€64 million).

BUSINESS AREAS

• **Books**

Group revenues for the first half of 2007 amounted to **€192.8 million**, a 0.3% increase on the €192.2 million of the same period of 2006. With a market share of 27.3%, Mondadori remains, by a wide margin, Italy's leading publishing group in the book sector, more than twice the size of its nearest competitor.

Of the Group's publishing houses, Einaudi saw its revenues in the first six month of the year grow by 8.6% compared with the same period of the previous year, thanks both to the success of new titles and promotional campaigns. There was also growth for Mondadori Electa which ended the period +15.3% and Piemme where the growth trend of recent years continued with an increase in net revenues of 27% compared with the same period of 2006.

• **Magazines**

In the first half of 2007 the Magazine Division generated consolidated revenues of **€549 million**, a 38.9% increase compared with the same period of the previous year.

Italy

The consolidated revenues generated by the Magazine Division in Italy during the period amounted to €355 million, a fall of 1.5% on the €360.2 million of the first six months of 2006 (reclassified for Press-Di).

This shortfall in revenues can be explained by the following phenomena:

- a fall in circulation revenues, where there was a fall in the number of copies sold, only partially compensated by increases in cover prices introduced in 2006 and 2007;
- a marked stability in revenues from add-on sales which saw, in a market that was 20% down, revenues in line with those of the first half of the previous year;
- a reduction in advertising revenues, penalised by a marked reduction in pages sold, only partly compensated by a recovery in rates.

Regarding circulation, in a market which has seen a 10% fall in the newsstand channel (in terms of cover prices), the segments in which the Division operates nevertheless performed better than its competitors, with an overall 0.5 point recovery in market share.

In women's magazines, positive performances were recorded by *Donna Moderna* (+5%), which managed to maintain volume and benefiting from a cover price increase introduced in mid-2006, and *Chi* (+13%) which, despite a cover price increase in July 2006, has confirmed the positive trend that began some time ago.

The up market area saw an increase in revenues of 2% thanks to the stability of *Grazia* and *Flair*, growth in the Design and Architecture segments and positive results in the cooking segment, which more than compensated for the slowdown in the interiors segment.

Mondadori confirmed its leadership in the area of add-on sales with revenues that were in line with those of the same period of the previous year and a sharply increased market share. There were particularly positive results for the initiatives promoted by *TV Sorrisi e Canzoni* (both editorial and musical) and those of *Panorama* (DVDs).

On the international front, there was an excellent performance by the "Grazia International Network": in particular, *Grazia* UK confirmed its position as one of the best performing titles in the UK market, with an average sale of more than 220,000 copies and average increase on an annual basis of 26%. Meanwhile, elsewhere on international markets, the Attica Group saw excellent growth in all of the countries in which it operates (Greece, Romania, Bulgaria and Serbia). In Greece the positive results were driven by add-on sales initiatives involving DVDs with TV titles which have met with marked success.

France

The Magazine Division's activities in France generated first half 2007 consolidated revenues of €194 million. In the face of positive results in terms of circulation, there was a fall of in advertising, in a market that was down by 6.8% in terms of volume compared with the same period of the previous year (source: Secodip).

In terms of circulation, the Group's titles saw an overall positive performance during the period. In particular, newsstand sales of *Closer* were particularly positive, putting the title at the top of its reference market. *Auto Plus*, meanwhile, performed extremely well following its re-launch at the beginning of the year.

In terms of advertising, the Star titles performed well and there were excellent results for *Closer*, while the Homme, Loisirs and Femme titles saw a slowdown in line with a market that remains difficult.

• Advertising

According to Nielsen Media Research data, in the first half of 2007 the overall value of advertising investments in Italy were essentially stable (+0.4%) compared with the same period of 2006.

Among the main media, television saw a fall of -2.6%, while print media grew by +2.6%, thanks mainly to newspapers (+3.2%), while magazines, as already noted, recorded a more modest increase of +1.8%.

Mondadori Pubblicità ended the first half of 2007 positively with revenues of **€176.4 million** (+1% on the €174.6 million of the first half of 2006), recovering on the disappointing results of the first quarter with a commercial policy which aims to favour prices over pages.

The portfolio, meanwhile, has been enriched by the inclusion of the new launches of *First*, a *Panorama* monthly, and *Grazia Casa*, the new up-scale interiors monthly supplement.

There was a 70% (compared with around +44% for the market) in investments in the internet, which benefited from the development policies being followed by Mondadori in the Digital area (new technologies and content); Radio R101 (+24%), which was included in the list of the most listened to radio stations, began to see the fruits of the investments made, valorising increasingly effectively the company's multimedia offer.

• **Printing**

The Printing Division recorded revenues for the period of **€222.4 million** (-5.4% on the €235 million in the first half of 2006). This reduction was mainly due to a shortfall in production for third-party customers, which was a knock-on effect of the decline in add-on sales of editorial products with newspapers and magazines.

Market conditions concerning the cost of paper were favourable for magazines, while there was increased pressure on paper for books, although there were no significant price increases.

• **Direct marketing**

After a revision of its structural reorganisation and its frame of reference, following changes in the competitive scenario, Cemit saw an increase of 4.8% in its first half revenues compared with the first six months of the previous year, to **€13.2 million** (€12.6 million in 2006), mainly generated by activities related to database use and management. The company, meanwhile, is pursuing efforts to improve operating efficiency with positive effects in terms of revenues.

• **Retail**

The overall revenues of the Retail Division grew by 20.8% compared with the first six months of the previous year, reaching **€77.8 million** (€64.4 million in 2006).

In the first half of 2007 **Mondadori Franchising** consolidated growth in the volume of business (by more than 20%), thanks to a marked expansion of the network of sales outlets, now the biggest in Italy with almost 300 stores; in detail, the network includes 191 bookstores (177 in the first half of last year) and 104 Edicolò outlets (53 in the same period of 2006).

Mondadori Retail continued its development and the restructuring of the network. The number of sales outlets has risen to 26, 15 of which are "Librerie Mondadori" and 11 "Mondadori Multicenter".

At the end of June the stores in Rome and Milan (Mondadori Shop, ex Messaggerie Musicali, acquired at the end of 2006) modified the logo and underwent a restyling aimed at bringing them into line with the "Mondadori Multicenter" format. The marked increase in revenues (+12%) was largely determined by substantial expansion in the book area (+42%), which compensated the reduction in the music segment.

Also Internet activities linked to music downloads continued during the period.

• **Radio**

The company's net revenues for the period amounted to **€5.3 million**, an increase of 29.3% on the €4.1 million of the first half of 2006.

During the period, the activities of Radio R101 were mainly focused on improving the product, through changes to the schedule, and promotion, thanks to a large-scale advertising campaign and the creation of events.

At the same time, new frequencies, along with the relevant infrastructure, were acquired which has made it possible to achieve a more than 89% coverage of the national territory and make the station's presence even more accessible across the country.

Communication efforts and the acquisitions policy have resulted in a marked increase in the listening figures. According to the most recent Audiradio data, R101 now reaches a daily average of 2 million listeners and 8 million across the 7 days, with a loyalty index (the ration of average daily/seven day listeners) of 25%, compared with 13% just two years ago. These results come together with brilliant figures for the station's web site, launched in July 2006: in the first half of 2007 www.r101.it had more than 17.000 registered users, around 200,000 unique visitors and 3 million page views.

RESULTS OF THE PARENT COMPANY

The results of the parent company Arnoldo Mondadori Editore S.p.A. to 30 June 2007 showed a net profit of €53.4 million, in line with the same period of the of the previous year (€54 million).

A positive contribution was made to these results by increased dividends, while gross operating profit, which was down by 11.8%, was affected both by the sale of magazine distribution activities of the subsidiary Press-Di, and a fall in the sale of magazines and books, which in 2006 benefited from the Dan Brown "phenomenon".

EXPECTATIONS FOR THE CURRENT YEAR

In a market context that is expected to be unfavourable, the Mondadori Group foresees growth in its full year results, both in terms of revenues and operating profit, thanks to the careful management of its consolidated activities, those under development and its recent acquisitions.

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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 2007:

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.

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The executive responsible for the preparation of the company's accounts, Carlo Maria Vismara, declares that, as per art. 2, 154 bis of the Single Finance Text, the accounting information contained in this release corresponds to that contained in the company's formal accounts.

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Changes to the Corporate Calendar 2007

Arnoldo Mondadori Editore S.p.A. has announced changes to its Corporate Calendar for the year 2007 first published on 12 January. The Meeting of the Board of Directors to examine and approve the Third Quarter Report to 30 September 2007, originally scheduled for Tuesday 13 November 2007, will now be held on Wednesday 14 November 2007. On the

same day, a presentation will be made to analysts of the results for the quarter to 30 September 2007.

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JOINT VENTURE AGREEMENT WITH SEEC MEDIA GROUP LIMITED IN CHINA

Arnoldo Mondadori Editore S.p.A. today announced that it has reached an agreement, through its subsidiary Mondadori Pubblicità S.p.A., for the creation of a 50:50 joint venture with Seec Media Group Limited for the sale of advertising in the magazine sector in China. The joint venture will be based in Beijing and the initial investment for the capitalisation of the company by Mondadori Pubblicità will be €1 million.

This operation will give the Mondadori Group access to the Chinese consumer magazine advertising market, one of the most dynamic in the world, with an estimated 2007 worth of €400 million. The last ten years has seen outstanding development in the sector, with annual growth rates of around 30% and 24% for the current year.

Listed on the Hong Kong stock market, the Seec Media Group Limited is one of China's leading and most active media groups. The company has been active in the magazine advertising market for more than ten years, with a strong presence in the financial, real estate and lifestyle sectors. Among the leading titles in the company's portfolio are a number of magazines published in cooperation with some amongst the major international publishers and *Caijing Magazine*, the country's most authoritative financial title.

Enclosures:

- consolidated balance sheet (encl 1)
- reclassified consolidated income statement (encl 2)
- cash flow statement (encl. 3)
- balance sheet of Arnoldo Mondadori Editore S.p.A. (4)
- income statement of Arnoldo Mondadori Editore S.p.A. (encl 5)
- cash flow statement for Arnoldo Mondadori Editore S.p.A. (encl 6)

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Encl. 1

Consolidated balance sheet (in €m)

Assets	30 June 2007	31 December 2006
Intangible assets	934.9	918.1
Fixed assets	4.6	4.7
Land and buildings	83.7	86.9
Plant and machinery	88.3	98.0
Other assets	45.6	37.0
Property, plant and machinery	217.6	221.9
Investments booked using net equity method	123.5	120.2
Other investments	2.2	2.2
Total investments	125.7	122.4
Non-current financial assets	5.0	1.5
Advanced taxes	48.2	46.1
Other non-current assets	3.2	3.6
Total non-current assets	1,339.2	1,318.3
Tax credits	29.2	29.9
Other current assets	78.1	72.2
Inventories	149.8	141.1
Trade receivables	489.8	479.0
Stocks and other current financial assets	208.9	206.7
Cash and equivalents	83.9	105.5
Total current assets	1,039.7	1,034.4
Assets destined to be sold or closed	-	-
Total assets	2,378.9	2,352.7
Liabilities	30 June 2007	31 December 2006
Share capital	67.5	67.5
Share premium reserve	286.7	285.5
Treasury stock	(120.4)	(128.0)
Other reserves and results carried forward	178.2	148.4
Profit (loss) for the period	46.2	109.0
Total Group shareholders' equity	458.2	482.4
Minority capital and reserves	1.6	4.0
Total shareholders' equity	459.8	486.4
Reserves	28.6	35.2
Severance payments	98.6	104.2
Non-current financial liabilities	747.2	744.7
Deferred tax liabilities	105.6	102.2
Other non-current liabilities	-	-
Total non-current liabilities	980.0	986.3
Income taxes payable	23.1	49.7
Other current liabilities	257.1	272.2
Trade liabilities	434.4	434.3
Bank debts and other financial liabilities	224.5	123.8
Total current liabilities	939.1	880.0
Liabilities deriving from sales or closures	-	-
Total liabilities	2,378.9	2,352.7

Encl. 2

Reclassified consolidated income statement (in €m)

Reclassified consolidated income statement	30 June 2007	30 June 2006	% Change
Income from sales of goods and services	960.6	810.1	18.6%
Personnel costs	179.0	132.6	35.0%
Cost of sales and management (*)	662.9	581.8	13.9%
Income (charges) from investments calculated on a net equity basis	0.9	2.7	(66.7%)
Gross operating profit	119.6	98.4	21.5%
- as a proportion of revenues	12.4%	12.1%	
Depreciation of property, plant and machinery	18.1	15.6	16.0%
Depreciation of intangible assets	3.6	0.7	n.s.
Operating profit	97.9	82.1	19.2%
- as a proportion of revenues	10.2%	10.1%	
Net financial income (charges)	(12.0)	(1.7)	n.s.
Other financial income (charges)	-	-	
Profit for the period before taxation	85.9	80.4	6.8%
Tax charges (income)	39.3	34.9	12.6%
Minority interest	0.4	0.4	-
Net profit	46.2	45.1	2.4%

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

Encl. 3

Consolidated cash flow statement (in €m)

Cash flow statement	30 June 2007	30 June 2006
Net profit for the period	46.2	45.1
Adjustments		
Depreciations, amortisation and impairment	21.6	16.3
Stock options	1.2	0.8
Charges to provisions and leaving entitlements	(7.3)	6.7
Capital losses (gains) on disposals of tangible assets, property, plant and equipment	(1.4)	(0.5)
Capital losses (gains) on disposals of financial assets	-	(1.1)
Capital losses (gains) on valuations of financial assets	(5.4)	(5.5)
(Income) charges from companies booked at net equity	(0.9)	(2.1)
Adjusted net profit from operating activities	54.0	59.7
(Increase) decrease in trade receivables	(8.4)	(1.8)
(Increase) decrease in inventories	(6.3)	6.9
Increase (decrease) in trade payables	(7.2)	(49.1)
Net changes in income tax receivables/payables	(22.4)	7.6
Payment of advances and leaving entitlements	(4.5)	(6.3)
Net changes in deferred tax assets/liabilities	1.3	1.1
Net changes in other current assets/liabilities	(20.2)	(20.6)
Cash flow from (used in) operating activities	(13.7)	(2.5)
Payment of business combination net of cash acquired	(0.1)	-
(Investments in) disposals of intangible assets	(18.5)	(3.9)
(Investments in) disposals of property, plant and equipment	(13.7)	(24.0)
(Investments in) disposals of equity investments	(3.2)	5.3
(Investments in) disposals of financial assets	3.2	10.8
Cash flow from (used in) investment activities	(32.3)	(11.8)
Net changes in financial liabilities	101.5	125.9
(Purchase) disposal of treasury stock	7.6	12.0
Dividends paid	(84.7)	(147.3)
Cash flow from (used in) financial activities	24.4	(9.4)
Increase (decrease) In cash and cash equivalents	(21.6)	(23.7)
Cash and cash equivalents at beginning of period	105.5	73.1
Cash and cash equivalents at end of period	83.9	49.4
Composition of cash and cash equivalents at beginning of period		
Cash, cheques and valuables in hand	2.3	0.6
Bank and post office deposits	81.6	48.8
	83.9	49.4

Encl. 4

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

ASSETS (in €m)	30 June 2007	31 December 2006
Intangible assets	91.7	91.7
Fixed assets	1.6	1.6
Land and buildings	18.5	18.9
Plant and machinery	5.1	5.4
Other assets	6.4	6.0
Property, plant and machinery	30.0	30.3
Investments	760.0	748.4
Non-current financial assets	0	0
Advanced taxes	16.5	16.5
Other non-current assets	0.9	1.3
Total non-current assets	900.7	889.8
Tax credits	11.0	16.8
Other current assets	43.0	43.5
Inventories	38.5	43.9
Trade receivables	241.0	241.2
Stocks and other current financial assets	81.0	54.7
Cash and equivalents	65.6	73.6
Total current assets	480.1	473.7
Assets destined to be sold or closed	0	0
Total assets	1,380.8	1,363.5
LIABILITIES (in €m)	NOTES	
	30 June 2007	31 December 2006
Share capital	67.5	67.5
Share premium reserve	286.7	285.5
Treasury stock	(85.6)	(93.2)
Other reserves and results carried forward	91.6	85.6
Profit (loss) for the period	53.4	90.2
Total shareholders' equity	413.6	435.6
Reserves	13.0	10.4
Severance payments	39.4	45.2
Non-current financial liabilities	296.3	296.2
Deferred tax liabilities	15.4	13.9
Other non-current liabilities	0	0
Total non-current liabilities	364.1	365.7
Income taxes payable	18.7	36.3
Other current liabilities	58.1	98.5
Trade liabilities	203.5	208.1
Bank debts and other financial liabilities	322.8	219.3
Total current liabilities	603.1	562.2
Liabilities deriving from sales or closures	0	0
Total liabilities	1,380.8	1,363.5

Encl. 5

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

(in €m)	NOTE	30 June 2007	30 June 2006
Income from sales of goods and services		502.3	537.0
Decrease (increase) in inventories		5.1	14.3
Cost of raw, ancillary and consumable materials and goods		98.6	104.1
Cost of services		271.7	287.5
Personnel costs		63.5	64.7
Various charges (income)		(2.1)	(7.8)
Gross operating profit		65.5	74.2
Depreciation of property, plant and machinery		2.2	2.3
Depreciation of intangible assets		0.1	0.2
Operating profit		63.2	71.7
Financial income (charges)		(8.9)	(5.1)
Investment income (charges)		23.7	15.5
Profit before taxation		78.0	82.1
Income taxes		24.6	28.1
Net profit		53.4	54.0

Encl. 6

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

Cash flow statement (in €m)	30 June 2007	30 June 2006
Net profit for the period	53.4	54.0
<i>Adjustments</i>		
Depreciations, amortisation and writedowns	2.3	2.5
Stock options	0.9	0.5
Charges to provisions and leaving entitlements	(0.3)	1.6
Capital losses (gains) on disposals of tangible assets, property, plant and equipment	(0.1)	-
Income from investments – dividends	(23.7)	(15.5)
Adjusted net profit from operating activities	32.5	43.1
(Increase) decrease in trade receivables	0.9	(11.1)
(Increase) decrease in inventories	6.4	14.3
Increase (decrease) trade payables	3.3	(4.4)
Net changes in income tax receivables/payables	(11.8)	8.7
Net changes in current and non-current assets/liabilities	(39.8)	(8.3)
Net changes in deferred tax assets/liabilities	1.6	1.5
Increase (decrease) in provisions and leaving entitlements	(4.6)	(2.0)
Cash flow from (used in) operating activities	(11.5)	41.8
(Investments in) disposals of intangible assets	-	(0.1)
(Investments in) disposals of property, plant and equipment	(2.3)	(3.8)
(Investments in) disposals of equity investments	(28.6)	(33.3)
Income from investments – dividends	34.2	23.7
(Investments in) disposals of securities and other non-current financial assets	(26.3)	(11.8)
Cash flow from (used in) investment activities	(23.0)	(25.3)
(Increase) decrease in payables to banks	100.0	130.0
(Purchase) sale of treasury stock	7.6	12.0
Net changes in other non-current financial assets/liabilities	3.6	(40.4)
Dividends paid	(84.7)	(147.3)
Cash flow from (used in) financial activities	26.5	(45.7)
Increase (decrease) in cash and cash equivalents	(8.0)	(29.2)
Cash and cash equivalents at beginning of period	73.6	43.4
Cash and cash equivalents at end of period	65.6	14.2
Composition of cash and cash equivalents at beginning of period		
Cash, cheques and valuables in hand	-	-
Bank and post office deposits	65.6	14.2
	65.6	14.2