# ARNOLDO MONDADORI EDITORE S.p.A.

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

# Quarterly report to 31 March 2006

# *Corporate Boards*

## *Board of Directors*

**Chairman**
Marina Berlusconi

**Deputy Chairman and Chief Executive**
Maurizio Costa

**Directors**
Pier Silvio Berlusconi
Pasquale Cannatelli
Bruno Ermolli
Martina Forneron Mondadori
Roberto Poli
Mario Resca
Marco Spadacini
Umberto Veronesi
Carlo Maria Vismara (*)

(*) Secretary

## *Board of Statutory Auditors*

**Chairman**
Ferdinando Superti Furga

**Acting Statutory Auditors**
Achille Frattini
Franco Carlo Papa

**Substitute Statutory Auditors**
Francesco A. Giampaolo
Francesco Vittadini

# *Contents*


| | |
|---|---|
| Report of the Board of Directors | |
| - The Mondadori Group's business activities | 9 |
| - Results for the period | 10 |
| - Book Division | 11 |
| - Magazine Division | 15 |
| - Advertising services | 16 |
| - Printing Division | 17 |
| - Direct marketing | 18 |
| - Retail | 19 |
| - Radio Division | 19 |
| - Corporate and other business | 20 |
| - Financial situation | 20 |
| - Personnel | 22 |
| - Capital investments | 23 |
| - Other information | 23 |
| - Expectations for the current year | 23 |
| Consolidated balance sheet and income statement | 25 |
| Effects of the adoption of IAS/IFRS accounting principles on the consolidated net equity and net results and on the consolidated balance sheet and income statement at 31 March 2005 | 29 |

## *Report of the Board of Directors*

# *The Mondadori Group's business activities*

## *The first quarter of 2006*

During the first quarter of 2006, a period characterised by a level of economic growth limited by price increases in raw materials and energy prices, the Mondadori Group confirmed its leadership in its reference sectors, posting consolidated revenues of €409.6 million, essentially in line with the figure of €409.1 for the first quarter of 2005.

From the point of view of profitability, an element that has seen a marked change compared with the figures for the same period of the last year (reclassified according to IAS-IFRS accounting principles) has been the non confirmation of government tax breaks on the cost of paper, accounting for – including benefits derived also from subsidiaries - €7.2 million.

For a like-for-like comparison, the figures for 2005 are also shown net of the effect of such tax breaks for paper.

**Consolidated net profit** for the first three months of came to €25.1 million, compared with the €28.7 million of the same period of 2005 (€21.8 million net of the paper contribution).

**Profit before taxation** in the period came to €38.7 million, compared with the €43.4 million of the first quarter of 2005 (€36.2 million net of the paper contribution).

**Consolidated operating profit** came to €36.4 million, compared with the €45.8 million of the same period of the previous year (€38.6 million net of the paper contribution).

Consolidated **gross operating profit** came to €44 million, compared with the €54.2 million of the first quarter of 2005 (€47 million net of the paper contribution).

Also considering another element of discontinuity, represented by higher charges due to the launch of Radio R101, only partly evident at the beginning of last year, consolidated gross operating profit for the first quarter of 2006 was slightly up (1.1%) on the same period of 2005.

Gross **cash flow** at 31 March 2006 came to €32.7 million, compared with the €37.1 million of the first quarter of 2005 (€30.2 net of the paper contribution).

The Group's **net financial position** at 31 March 2006 showed a surplus of €63.6 million, compared with the €32.2 million at the end of 2005.

The following comments refer to the consolidated results for the first three months of 2006.

## *Results for the period*

| Income statement | €m 31 March 2006 | €m 31 March 2005 | Change % |
|---|---|---|---|
| Income from sales of goods and services | 409.6 | 409.1 | 0.1% |
| Personnel costs | 66.4 | 67.5 | (1.6%) |
| Cost of sales and management | 299.5 | 289.2 | 3.6% |
| Income (charges) from investments | 0.3 | 1.8 | (83.3%) |
| **Gross operating profit** | **44.0** | **54.2** | **(18.8%)** |
| *- as a proportion of revenues* | *10.7%* | *13.2%* | |
| Depreciation of property, plant and machinery | 7.3 | 7.9 | (7.6%) |
| Depreciation of intangible assets | 0.3 | 0.5 | (40.0%) |
| **Operating profit** | **36.4** | **45.8** | **(20.5%)** |
| *- as a proportion of revenues* | *8.9%* | *11.2%* | |
| Net financial income (charges) | 2.3 | (2.5) | n.s. |
| Income (charges) from other investments | - | 0.1 | n.s. |
| **Profit for the period before taxation** | **38.7** | **43.4** | **(10.8%)** |
| *- as a proportion of revenues* | *9.4%* | *10.6%* | |
| Tax charges | 13.3 | 14.3 | (7.0%) |
| Minority interest | 0.3 | 0.4 | (25.0%) |
| **Net profit** | **25.1** | **28.7** | **(12.5%)** |
| *- as a proportion of revenues* | *6.1%* | *7.0%* | |
| **Gross cash flow** | **32.7** | **37.1** | |

**Consolidated revenues** amounted to €409.6 million, an increase of 0.1%. The following table illustrates the business volumes for each business area.

| Business volumes by business area | €m 31 March 2006 | €m 31 March 2005 | Change % |
|---|---|---|---|
| Books | 96.8 | 94.2 | 2.8% |
| Magazines | 199.8 | 217.1 | (8.0%) |
| Advertising services | 73.9 | 71.2 | 3.8% |
| Printing | 122.9 | 116.1 | 5.9% |
| Direct marketing | 5.6 | 7.7 | (27.3%) |
| Retail | 36.2 | 28.6 | 26.6% |
| Radio | 1.6 | 0.5 | 220.0% |
| Corporate and other business | 3.7 | 3.7 | - |
| **Total sales** | **540.5** | **539.1** | **0.3%** |
| Intergroup sales | (130.9) | (130.0) | 0.7% |
| **Total consolidated revenues** | **409.6** | **409.1** | **0.1%** |

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

| Revenues by geographical area | €m 31 March 2006 | €m 31 March 2005 | Change % |
|---|---|---|---|
| Italy | 387.4 | 387.0 | 0.1% |
| EU countries | 17.9 | 19.6 | (8.7%) |
| USA | 1.5 | 1.0 | 50.0% |
| Others | 2.8 | 1.5 | 86.7% |
| **Total consolidated revenues** | **409.6** | **409.1** | **0.1%** |

## *Book Division*

Demoskopea figures for the first quarter of 2006 show growth in the book market of 2.8% in terms of copies and a more significant 7.0% in terms of value.
The Mondadori Group confirmed its strong market leadership with a share of 29.1%. The Group's main competitors, meanwhile, saw a slight fall in the Rizzoli Group's market share (-0.1%) and increases in the respective market shares of Feltrinelli (+0.6%) and the Gems Group (+2.7%).

The following table presents the performance of the Mondadori Group's Book Division.

| | €m 31 March 2006 | €m 31 March 2005 |
|---|---|---|
| Book sales | 94.2 | 93.5 |
| Other revenues | 2.6 | 0.7 |
| | **96.8** | **94.2** |
| Operating costs | (80.2) | (79.9) |
| **Gross operating profit** | **16.6** | **14.3** |
| Amortisations & depreciations | (0.6) | (0.8) |
| **Operating profit** | **16.0** | **13.5** |

The following table shows a breakdown of revenues from each of the Group's publishing houses:

| Books | €m 31 March 2006 | €m 31 March 2005 | Change % |
|---|---|---|---|
| Edizioni Mondadori | 45.1 | 42.5 | 6.1% |
| Einaudi | 12.0 | 10.4 | 15.4% |
| Mondadori Electa | 9.3 | 10.0 | (7.0%) |
| Sperling & Kupfer Group | 8.3 | 8.0 | 3.8% |
| Piemme | 11.6 | 10.7 | 8.4% |
| Edumond Le Monnier | 2.6 | 2.8 | (7.1%) |
| Distribution & logistics | 5.3 | 9.1 | (41.8%) |
| **Total consolidated sales** | **94.2** | **93.5** | **0.7%** |

## *Edizioni Mondadori*

In the first three months of 2006 Mondadori maintained a market share of absolute preminence, confirming the already markedly positive trend of 2005; net revenues rose by 6.1% to €45.1 million.
Alongside the Dan Brown "phenomenon" (5.5 million copies sold), and while awaiting the release of the film version of the *Da Vinci Code*, a number of other authors have figured in the bestsellers lists: in foreign fiction the latest thriller by Patricia Cornwell (*Predatore*, 205,000 copies) and *Le Cronache di Narnia*, in a range of new editions (the main edition alone sold more than 360,000 copies in 4 months). Among Italian authors, the top ten bestsellers list included Andrea Camilleri with *La pensione Eva* (303,000 copies) and Fabio Volo with *Un posto nel mondo* (more than 210,000 copies in just under two months); initial sales were also very positive for the new novel by Salman Rushdie, *Shalimar il clown*.
Mention should also be made of the good start to the annual Oscar Mondadori campaign, which has seen satisfactory sales in the bookstore channel and a very good performance in the large-scale retail channel.

## *Giulio Einaudi Editore*

The first quarter of 2006 saw an increase compared with the same period of the previous year in both the bookstore channel (+17.8%), and the instalments channel (+3.9%); total revenues came to €12.0 million, an increase of 15.4% on the first quarter of 2005.
Among the first quarter titles to have had the best market impact: *Parole e Canzoni* + DVD by Vasco Rossi (64,000 copies), *La ragazza del secolo scorso* by Rossana Rossanda (65,000 copies), *Non lasciarmi* by Kazuo Ishiguro (25,000 copies), *L'uomo a rovescio* by Fred Vargas (26,000 copies), *La cura del gorilla* by Sandrone Dazieri (24,000 copies), *Mia Madre*, *La mia bambina* by Tahar Ben Jelloun (16,000 copies), and *Istanbul* by Orhan Pamuk (14,000 copies), all new 2006 titles (with the exception of the books by Rossanda and Dazieri).

## *Mondadori Electa*

First quarter revenues came to €9.3 million, a fall of 7% on the same period of the previous year.
Editorial activities saw a marked development thanks to add-sales, while the cultural assets segment suffered from seasonal factors and the postponement to the second quarter of a number of activities. A close analysis of the main elements that characterised the individual areas we would underline the production of works for add-on sales initiatives of newspapers and magazines, the continuing high level of sales of the "Enciclopedia per Ragazzi" produced for *la Repubblica* (16 volumes), the "Artbook" in 30 parts for *Il Giornale*, and the positive start to the new and substantial monographic art book collection promoted by *L'Espresso*.

In the cultural assets segment, there was a good start to the longe series of exhibitions in Milan (*Codice Trivulziano di Leonardo* at the Castello Sforzesco, *Ecce Uomo* at the Spazio Oberdan, *Il Diavolo del Focolare* and *Le Cabanon* by Le Corbusier at the Triennale, *Max Bill* at the Palazzo Reale), Ravenna (*Turner, Monet e Pollock, dal Romanticismo all'Informale*), Turin (*Papiro di Artemidoro* at the Palazzo Bricherasio), Naples (*Argenti* at the Museo Archeologico Nazionale at Pompei), Fabriano (*Gentile da Fabriano e l'altro Rinascimento*) and Rome (*Musa Pensosa* at the Coloseum, *Clemente* at the Maxxi, *Erlich/Wurm/Dessì* at the Macro, *Navi di Pisa* at San Michele), for all of which catalogues have been produced with the Electa brand.

## *Sperling & Kupfer Group*

In the first quarter of 2006 the revenues of the Sperling & Kupfer Group came to €8.3 million, an increase of 3.8% on the same period of the previous year.
This revenues growth is mainly attributable to the development of the large-scale retail channel, in particular for low-cost titles, the latest novel by Stephen King, a consolidated author of bestsellers in the publishing house's portfolio, and the positive sales performance of a range of non-fiction and other titles.
Titles and initiatives of note during the period include: *Cell* by Stephen King with an initial print run of 90,000 copies, *Una preghiera esaudita* by Danielle Steel with a print run of 50,000 copies, *Dio ci salvi dagli inglesi…o no!?* by Antonio Caprarica, after just a few weeks already in its fifth edition.
Finally, Edizioni Frassinelli saw the extraordinary publication of *Tre settimane, un mondo*, by Nicholas and Micah Sparks.

## *Edumond Le Monnier*

Edumond Le Monnier generated first quarter 2006 net revenues of €2.6 million, a fall of €7.1% compared with the €2.8 million of the same period of the previous year; this period is of limited significance for annual sales, both because of the marginal weight on the full year and the marked seasonality of the educational publishing business.
The first quarter of 2006 also saw the reorganisation of the educational publishing area, with the introduction of an organisational structure for subject areas in place of the previous organisation by imprints. The aim of this move is to maximise efficiency in planning single works and minimising the risks of overlapping with titles from other imprints in the group.
Of particular note was the relaunch of the *Devoto-Oli - vocabolario della lingua italiana*, not only in the traditional school market, but also through the bookstore channel; the new edition, which will be updated annually, has been edited and will be distributed in cooperation with Edizioni Mondadori.

## *Piemme*

In the first quarter of 2006 Edizioni Piemme recorded revenues of €11.6 million, an increase of 8.4%. Revenue trends by channel show an increase of 2.5% through bookstores, while the increase through large-scale retail outlets, at +22.4% on 2005, was by far the channel with the greatest growth, compensating also the fall in sales from the newsstand channel (-27.5%).
Within non-children's areas, revenue trends were varied: in the Religion segment good results were produced by catalogue bestsellers such as *Con occhi nuovi* by Alessandra Borghese (27,500 copies) and *Mistero Medjugorie* by Antonio Socci (52,000 copies) and the new titles from both Borghese and Socci: *Sete di Dio* (18,000 copies) and *Il Genocidio censurato* (10,500 copies).
In the fiction and non-fiction area, there was a net increase on the previous year (+11%), as a result of both new authors in the portfolio, such as Franco Scaglia with *L'oro di Mosè* (12,000 copies) and new authors, such as Patrick Fogli with *Lentamente prima di morire* (10,000 copies), and the phenomenon linked to *Il cacciatore di aquiloni* by Khaled Hosseini (177,000 copies), first published in May 2004.
In the Children's area, in the first quarter of 2006 il Battello a Vapore saw an increase of 5% on the previous year, due to the publication of *Barbapapà* and the new Serie Arcobaleno for pre-school children. Geronimo Stilton started 2006 positively with an increase of +8% on the previous year and the inauguration of a new character, Joe Carrot, author and protagonist of *La casa delle ombre* (45,000 copies); there was continued success for Tea Stilton, with *La Montagna parlante* (38,000 copies) and for Geronimo with a revised edition of Stevenson's classic *L'isola del tesoro* (30,500 copies). The success of Stilton was further confirmed by the add-on sales initiative conducted by *Corriere della Sera*; and, again on the add-on sales front, the "I Grandi Libri della Religione" initiative, which began with the first instalment of the Bible on 30 January jointly proposed by Piemme and Electa for *TV Sorrisi e Canzoni*.

## *Distribution and logistics*

First quarter revenues came to €5.3 million, a reduction of 41.8% compared with the same period of the previous year. This result was essentially due to the termination of distribution contracts for a number of third-party publishers, that it is foreseen will be substituted in the second half by Edizioni Piemme, currently distributed by a third-party.

## *Magazine Division*

The Magazine Division generated consolidated first quarter 2006 revenues of €199.8 million, a fall of 8% on the same period of the previous year. This was mainly the result of a fall in circulation revenues of -11%, partly compensated by healthy growth in advertising for Mondadori titles (+3.7%).

| | **€m 31 March 2006** | **€m 31 March 2005** |
|---|---|---|
| Magazine revenues | 197.1 | 214.4 |
| Other revenues | 2.7 | 2.7 |
| | **199.8** | **217.1** |
| Operating costs | (172.1) | (183.2) |
| **Gross operating profit** | **27.7** | **33.9** |
| Amortizations and depreciations | (0.3) | (0.4) |
| **Operating profit** | **27.4** | **33.5** |

### *Circulation*

Comparison with the first quarter of the previous year is markedly affected by the intensive spate of new launches that characterised the first months of 2005, with 4 new titles in the TV sector, two of which by Mondadori (*2TV* and *STAR+TV).*

One year on, all of the titles in the TV segment have falling circulations; one of the four titles launched at the beginning of 2005 was shut down some time ago and total the fall in circulation is on average around 26%.
After an initial expansive phase resulting from the new launches, circulation in the TV segment stabilised at around the same level as in the past, spread over a larger number of titles at lower average cover prices.

In this highly competitive situation, *TV Sorrisi e Canzoni*, one of the Group's historic titles, was able to maintain its clear market leadership, with a circulation of 450,000 more than its direct competitor; in fact, Mondadori, with its 5 titles, confirmed its leadership in the TV segment, with a relative market share of 63%.

The first months of 2006 were characterised by three significant events:

- the editorial re-conception of *Grazia*, with more space dedicated to news;
- the launch of the pocket edition of *Donna Moderna* (the world's only weekly to have the duel format);
- the continuation of the launch phase, begun in December, of *GEO*, the human sciences monthly published by Gruner&Jahr/Mondadori.

Initial figures for all three titles are entirely satisfactory and ahead of expectations.

The fall in circulation and the price mix, along with an increase in subscriptions, led to a fall in circulation revenues for Mondadori titles of 11% in the first quarter of 2006.

### *Add-on sales*

There was a slowdown in the performance of add-on sales in the first months of the year, with a reduction in the period of around 11% compared with the same period of 2005, mainly with products of a lower level of added value (music CDs and VHS), while good results continued to be obtained from more profitable products, (DVDs and editorial products).
Growth in the sale of DVDs in the first three months of the year was 21%, while editorial products, despite the excellent results of the first quarter of 2005 (the extraordinary success of the *Garzantine*), almost matched the record of the previous year, thanks to the range of initiatives of 2006 (including *I grandi Libri della Religione*, *I Meridiani* and *La biblioteca della natura*).

## *Advertising services*

| | **€m 31 March 2006** | **€m 31 March 2005** |
|---|---|---|
| Advertising revenues | 73.7 | 69.7 |
| Other revenues | 0.2 | 1.5 |
| | **73.9** | **71.2** |
| Operating costs | (75.1) | (71.3) |
| **Gross operating profit** | **(1.2)** | **(0.1)** |
| Amortizations and depreciations | (0.1) | (0.1) |
| **Operating profit** | **(1.3)** | **(0.2)** |

During the first quarter of 2006, there was a slight increase in advertising expenditure of around 2-3% compared with the same period of the previous year.

This positive trend differed between the various media: television and print media confirmed growth rates similar to those at the end of 2005, while radio and the internet proved to be more dynamic.

In the print media sector, magazines showed clear growth, thanks largely to a series of new launches during 2005; net of these significant changes, growth would have been around levels only slightly above those of the end of 2005.
The fastest growing sectors were: fashion, cosmetics and FMCGs; furniture was stable, while there were less brilliant results from the IT, tourism and auto sectors.

In terms of total sales **Mondadori Pubblicità** ended the first quarter of 2006 with an increase of 3.8% (print +2.3%) on the same period of the previous year (with the same product portfolio). Decisive in the attainment of this result was the positive performance of women's titles, including the new version of *Grazia*, and, finally, the important contribution of R101 should be underlined.

## *Printing Division*

| | **€m 31 March 2006** | **€m 31 March 2005** |
|---|---|---|
| Printing revenues | 122.9 | 116.1 |
| Other revenues | - | - |
| | **122.9** | **116.1** |
| Operating costs | (112.9) | (104.6) |
| **Gross operating profit** | **10.0** | **11.5** |
| Amortizations and depreciations | (5.2) | (5.7) |
| **Operating profit** | **4.8** | **5.8** |

During the period the Printing Division generated consolidated revenues of €122.9 million, an increase of 5.9% on the previous year.

These results were achieved thanks to the confirmation of the excellent results already reached during the previous year for book sales in conjunction with newspapers and magazines and the trend in the foreign markets for catalogues and commercial products: within the sector, which has begun to show signs of recovery, the Mondadori Group consolidated its market share, especially in the rotogravure segment.

In the context of initiatives aimed at improving production efficiency and the rationalisation of activities, the final phase has begun for the new rotary equipment for the Verona plant, which saw the inauguration of the New Integrated Rotogravure System on 27 April 2006.

The level of production at the plants is better represented by revenues net of the cost of paper and transport, as in the following table:

| **Printing revenues net of paper costs** | **€m 31 March 2006** | **€m 31 March 2005** | **Change %** |
|---|---|---|---|
| Magazines | 34.8 | 34.1 | 2.1% |
| Books | 24.5 | 20.9 | 17.2% |
| Catalogues & promotional materials | 7.1 | 6.5 | 9.2% |
| Directories | 0.6 | 0.8 | (25.0%) |
| **Total printing revenues net of paper costs** | **67.0** | **62.3** | **7.5%** |

## *Direct marketing*

| | **€m 31 March 2006** | **€m 31 March 2005** |
|---|---|---|
| Revenues from sales | 5.6 | 7.7 |
| Other revenues | - | - |
| | **5.6** | **7.7** |
| Operating costs | (5.3) | (6.9) |
| **Gross operating profit** | **0.3** | **0.8** |
| Amortizations and depreciations | (0.1) | (0.1) |
| **Operating profit** | **0.2** | **0.7** |

Cemit Interactive Media SpA, the Mondadori company that operates in this sector, generated first quarter 2006 revenues of €5.6 million, a fall of 27.3% compared with the figure for the first three months of 2005.

Adapting to changing market circumstances following the introduction of new privacy legislation - which makes it impossible to use the new telephone data base - has meant that Cemit has had to change its operating strategy and, from January 2006, the implementation of a new organisational structure.

## *Retail*

| | €m 31 March 2006 | €m 31 March 2005 |
|---|---|---|
| Revenues from sales | 36.2 | 28.6 |
| Other revenues | - | - |
| | **36.2** | **28.6** |
| Operating costs | (35.9) | (28.7) |
| **Gross operating profit** | **0.3** | **(0.1)** |
| Amortizations and depreciations | (0.5) | (0.5) |
| **Operating profit** | **(0.2)** | **(0.6)** |

In the Retail sector Mondadori recorded a marked increase in revenues, rising to €36.2 million, an increase of 26.6% compared with the first quarter of 2005; these results were made possible by both the retail sales turnover (+3%) and sales to business clients

During the first quarter of 2006, Mondadori laid the basis for the extension of its directly-managed bookstores. A first outlet was opened in April at the new Vulcano shopping mall in Sesto San Giovanni (MI), while May will see the opening of another four outlets: Limbiate (MI), Florence, Ferrara and Mantua. In September the extension and refurbishment of Corso Vittorio Emanuele store in Milan will be completed.

With revenues of €10 million **Mondadori Franchising** continues to grow, with a marked increase on the results of the first quarter of the previous year thanks to new affiliations in the twelve months of reference, the number of bookstores increased from 150 to 172, while the Edicolè newsstand formula reached 40, compared with the 4 outlets operating in the first quarter of 2005.

## *Radio Division*

| | €m 31 March 2006 | €m 31 March 2005 |
|---|---|---|
| Revenues from sales | 1.6 | 0.5 |
| Other revenues | - | - |
| | **1.6** | **0.5** |
| Operating costs | (6.1) | (1.5) |
| **Gross operating profit** | **(4.5)** | **(1.0)** |
| Amortizations and depreciations | (0.2) | (0.1) |
| **Operating profit** | **(4.7)** | **(1.1)** |

The first quarter of 2006 was characterised by a massive communication campaign focusing on both the brand and the editorial product, in particular support for the Morning Show “La Carica di 101” (with a campaign across TV, print, outdoor, newspapers, events, etc.).

At the same time, investments have continued in the acquisition of new frequencies; in particular, February saw the acquisition of 19 broadcast units and their relative frequencies which raised the station’s population coverage to 85%.

Revenues in the first quarter of 2006 came to €1.6 million (three times the figure of the same period of the previous year), corresponding to gross advertising sales by the Group’s advertising company of €2.6 million.

## *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, which in the first quarter of 2006 were unchanged with respect to those of the same period of 2005, derive essentially from the billing of subsidiary and associated companies and other bodies for the abovementioned services..

## *Financial situation*

The Mondadori Group’s financial situation as of 31 March 2006 showed a surplus of €63.6 million, as illustrated in the following table:

| **Net financial position** | **€m** | **€m** | **€m** |
|---|---|---|---|
| | **31 March 2006** | **31 December 2005** | **31 March 2005** |
| Cash and other equivalent liquid assets | 106.6 | 73.1 | 85.6 |
| Financial investments at fair value | 432.6 | 442.9 | 549.3 |
| Gains (losses) from derivatives | (13.0) | 2.0 | (76.9) |
| Other financial gains (losses) | (17.4) | (29.4) | (39.0) |
| Financing (short and medium/long term) | (57.5) | (57.5) | (65.3) |
| Bonds | (283.0) | (295.3) | (266.3) |
| Convertible bonds | (104.7) | (103.6) | (102.5) |
| **Net financial position** | **63.6** | **32.2** | **84.9** |

2006 continues in the wake of 2005, with sustained global economic growth for the year forecast at around 3.5% according to the most recent projections. The USA (+3.4%) China (+9.6%) and India (+7.0%) are the principal drivers of such growth, while Europe (+2.3%) shows growth prospects that, while lower than before, in any case suggest that a recovery is finally underway.

With regard to Italy, regrettably indications are less positive: a recent survey by the International Monetary Fund estimated growth in the current year of just 1.2%, lowering previous forecasts.

In the context of such a macroeconomic situation, during the first quarter 2006, the dollar went from a minimum of 1.18 to a maximum of 1.23 against the euro; an average of 1.20. Sterling strengthened, meanwhile, especially in March, rising to 0.70, from a minimum at the beginning of February of around 0.68.

In terms of market interest rates relevant, 3-month Euribor (act/360) grew from 2.488% at the end of December 2005 to 2.816% at the end of the March 2006 in response to adjustments made by the European Central Bank. In the same period the average cost of money for the Mondadori Group was 2.646%.

The overall credit lines available to the Group at 31 March 2006 came to more than €1 billion.

The Group’s short-term borrowing facilities, for a total of €548 million, apart from a €7 million current account overdraft, remained unused as of 31 March 2006. In any case, 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 €463.7 million 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, and €109.9 million in convertible bonds, guaranteed by Mondadori shares, expiring in 2008. As at 31 March 2006 medium/long-term lines of facilitated credit for publishers, amounted to €52.0 million, out of a total of credit facilities of €57.5 million

### *Mondadori International*

At 31 March 2006, the company’s financial surplus amounted to €436.1 million, the portfolio was made up as follows:
- cash products, bonds and bank deposits for €370.5 million;
- hedge fund investments for €60.6 million (broadly diversified by management and strategy).

The composition of the portfolio (asset allocation) is characterised by a risk (volatility) factor of 0.7% (final figure for 2005); this level corresponds to 75% of the risk level of state bonds in the euro area with a duration of between one and three years.
The return of the financial portfolio in the first quarter of 2006 was 5.82% (calculated on an annual basis).
The entire portfolio can be converted to cash in a very short time, and in any case not more than three months.

## *Personnel*

As of 31 March 2006 Group companies employed 4,406 people (4,450 at 31 December 2005), while the average number of personnel during the period amounted to 4,407 (4,513 in the same period in 2005).
It should be noted that the figures here include fixed-term contracts, while the figures for the first quarter of 2005 have been reclassified in line with changes in the area of consolidation (Mondolibri is consolidated at net assets rather than proportionately) following the introduction of the new IFRS principles.

The following table shows details of Group personnel as of 31 March 2006:

| **Personnel** | **31-03-2006** | **31-12-2005** | **31-03-2005** |
|---|---|---|---|
| Arnoldo Mondadori Editore SpA: | | | |
| - Managers, journalists and office staff | 1,486 | 1,488 | 1,485 |
| - Manual workers | 105 | 107 | 110 |
| | **1,591** | **1,595** | **1,595** |
| Italian subsidiaries: | | | |
| - Managers, journalists and office staff | 1,551 | 1,576 | 1,580 |
| - Manual workers | 1,121 | 1,134 | 1,186 |
| | **2,672** | **2,710** | **2,766** |
| Foreign subsidiaries: | | | |
| - Managers, journalists and office staff | 41 | 42 | 42 |
| - Manual workers | 102 | 103 | 104 |
| | **143** | **145** | **146** |
| **Total** | **4,406** | **4,450** | **4,507** |

The cost of personnel amounted to €66.4 million, a fall of 1.6% compared with March 2005: the fall is attributable to the reduction in staff as well as the effects of the application of new international accounting principles.

## *Capital investments*

Capital investments in buildings, plant and machinery of €8.7 million during the period relate mainly to the printing area (€6.2 million) and concern the new integrated rotogravure printing system that entered production at the end of April.

Disinvestments during the period amounted to a residual €0.1 million.

## *Other information*

The consolidated report on the first quarter of 2006 has been prepared in conformity with IAS/IFRS accounting principles and the evaluation criteria adopted are in line with those applied at 31 December 2005.
To ensure effective comparisons, figure relating to the financial-economic situation as at 31 March 2005 have been reclassified, as is amply explained in a special appendix.

The report for the period to 31 March 2006 has been prepared in line with the dispositions of art. 82 of Consob Regulation n°. 11971/1999, and subsequent modifications, and the Attachment 3D of the same regulation.
As a consequence, international accounting principle n° 34, regarding mid-year financial declarations, has not been applied.

## *Expectations for the current year*

Thanks to expected improvements in the profitability of the businesses and the lower impact of the start-up costs for the radio, the company expects to improve the results of last year, net of the government contribution on paper costs booked in 2005.

For the Board of Directors
The Chairman
Marina Berlusconi

***Consolidated balance sheet and income statement***

***Consolidated balance sheet***
*(figures in € ,000)*

| **Assets** | **Period to 31 March 2006** | **Year ended 31 December 2005** |
|---|---|---|
| **Intangible assets** | **222,082** | **219,409** |
| **Real estate investments** | **5,211** | **5,523** |
| Land and buildings | 86,653 | 87,399 |
| Plant and machinery | 72,557 | 76,303 |
| Other fixed assets | 50,846 | 45,211 |
| **Property, plant and machinery** | **210,056** | **208,913** |
| Investments valued at net equity | 106,627 | 106,649 |
| Other investments | 2,156 | 2,156 |
| **Total investments** | **108,783** | **108,805** |
| **Non-current financial assets** | **-** | **-** |
| **Advance tax assets** | **38,840** | **37,090** |
| **Other non-current assets** | **2,994** | **3,078** |
| **Total non-current assets** | **587,966** | **582,818** |
| **Tax credits** | **37,432** | **30,390** |
| **Other current assets** | **58,498** | **65,481** |
| **Inventories** | **123,676** | **127,022** |
| **Trade receivables** | **395,828** | **411,085** |
| **Shares and other current financial assets** | **449,918** | **482,204** |
| **Cash and other equivalent liquid assets** | **106,631** | **73,056** |
| **Total current assets** | **1,171,983** | **1,189,238** |
| **Assets destined for sale or disposal** | **-** | **-** |
| **Total assets** | **1,759,949** | **1,772,056** |

***Consolidated balance sheet***
*(figures in € ,000)*

| Liabilities | Period to 31 March 2006 | Year ended 31 December 2005 |
|---|---|---|
| Share capital | 67,452 | 67,452 |
| Share premium reserve | 284,594 | 283,747 |
| Treasury shares | (131,653) | (137,662) |
| Other reserves and results brought forward | 292,021 | 178,163 |
| Profit (loss) for period | 25,065 | 114,724 |
| Shareholders’ equity pertaining to Group | 537,479 | 506,424 |
| | | |
| Third-party shareholders’ capital and reserve | 4,333 | 4,026 |
| Total shareholders’ equity | 541,812 | 510,450 |
| | | |
| Reserves | 15,377 | 15,637 |
| Severance indemnities | 100,065 | 98,983 |
| Non-current financial liabilities | 452,899 | 451,733 |
| Deferred tax liabilities | 26,749 | 25,998 |
| Other non-current liabilities | - | - |
| Total non-current liabilities | 595,090 | 592,351 |
| | | |
| Income tax payables | 38,493 | 25,111 |
| Other current liabilities | 188,474 | 187,748 |
| Trade payables | 356,075 | 385,032 |
| Payables to banks and other financial liabilities | 40,005 | 71,364 |
| Total current liabilities | 623,047 | 669,255 |
| | | |
| Liabilities destined for sale or disposal | - | - |
| | | |
| Total liabilities | 1,759,949 | 1,772,056 |

***Consolidated income statement***
*(figures in € ,000)*

| | Period to 31 March 2006 | Period to 31 March 2005 |
|---|---|---|
| **Income from sales and services to third parties** | **409,592** | **409,138** |
| Decrease (increase) in inventories | 2,943 | 3,949 |
| Purchase of raw, ancillary and consumable goods and materials | 127,275 | 123,211 |
| Purchase of services | 167,719 | 166,448 |
| Personnel costs | 66,409 | 67,458 |
| Various charges (income) | 1,595 | (4,397) |
| Income (charges) from investments valued at net equity | 309 | 1,763 |
| **Gross operating profit** | **43,960** | **54,232** |
| Depreciations of property, plant and machinery | 7,251 | 7,950 |
| Depreciations of intangible assets | 327 | 502 |
| **Operating profit** | **36,382** | **45,780** |
| Financial income (charges) | 2,274 | (2,504) |
| Income (charges) from other investments | - | 95 |
| **Results before tax** | **38,656** | **43,371** |
| Income taxes | 13,284 | 14,269 |
| **Result from current activities** | **25,372** | **29,102** |
| Income (charges) from assets/liabilities destine for sale or closure | - | - |
| Minority interest | (307) | (356) |
| **Net profit** | **25,065** | **28,746** |
| Net profit per share (in €) | 0.105 | 0.120 |
| Diluted net profit per share (in €) | 0.104 | 0.119 |

For the Board of Directors
The Chairman
Marina Berlusconi

# *Effects of the adoption of IAS/IFRS accounting principles on the consolidated net equity and net results and on the consolidated balance sheet and income statement at 31 March 2005*

***Reconciliation of consolidated Shareholders' Equity at 31 March 2005***
*(figures in € ,000)*

| | | |
|---|---|---|
| | **Consolidated Shareholders' Equity as per Italian accounting principles** | **613,584** |
| **1.** | **Reversals of intangible assets and valuation of intangible assets as per IAS 36** | **(6,369)** |
| **2.** | **Depreciations of intangible assets** | **21,007** |
| **3.** | **Effects on property, plant and machinery** | **24,551** |
| **4.** | **Depreciations of property, plant and machinery** | **246** |
| **5.** | **Valuation of inventories as per IAS 2** | **(5,029)** |
| **6.** | **Actuarial calculation of reserves** | **4,909** |
| **7.** | **Severance indemnities as per IAS 19** | **9,669** |
| **8.** | **Application of IAS/IFRS accounting principles to companies valued at net equity** | **1,294** |
| **9.** | **Variations in consolidation area and other adjustments** | **(505)** |
| **10.** | **Valuation of financial instrumens, gains and losses as per IAS 39** | **(25,806)** |
| **11.** | **Classification of treasury shares as per IAS 32** | **(126,246)** |
| **12.** | **Fiscal effects** | **2,002** |
| | **Consolidated Shareholders' Equity as per IAS/IFRS accounting principles** | **513,307** |

The following comments refer to the items and amounts in the reconciliation table (see previous page) between the value of consolidated net equity at 31 March 2005 prepared in accordance with Italian accounting principles and the value prepared in accordance with IAS/IFRS accounting principles.

1. The costs that according to IAS/IFRS accounting principles do not satisfy the requirements for being booked under intangible assets have been eliminated from the value of intangible assets. These include the cost of plant and expansion, the cost of software and long-term charges that do not have the characteristics necessary to be recognised by IAS 38. The adjustments introduced resulted in a reduction of the value of intangible assets equal to €6,369 thousand.

2. Some intangible assets, among titles, series and imprints, have been qualified as having an indefinite life, therefore they are no longer subject to depreciations but to an impairment test. This has resulted in an increase of €21,007 thousand in net equity.

3. The effects on property, plant and machinery include an increase in net equity of €24,551 thousand for land and buildings evaluated on a fair value basis at 1 January 2004, the effect of that separation of land from the buildings linked to it and a writedown of other fixed assets of €179 thousand.

4. Depreciations in property, plant and machinery changed as a result of the economic effect of the utilisation of the fair value method for some land and buildings, when IAS/IFRS accounting principles were first applied, and for the elimination of depreciations on land for a total of €246 thousand.

5. The value of inventories is correctly shown in accordance with IAS/IFRS accounting principles. In particular, where the L.I.F.O. method is utilised, the average cost method has been utilised to evaluate raw material inventories. The adjustment also includes the effect deriving from the re-calculation of the reversals in profits made inside the Group. The total value of adjustments and net equity show a reduction of €5,029 thousand.

6. The provisions made for risk reserves with a duration of more than 12 months deriving from court cases and contentions for which the pay-out date can be reliably estimated, has been re-calculated on the basis of an estimate of the time when the pay-out will be made. The adjustment has reduced the amount of risk reserves and increased net equity by €145 thousand. In addition, the supplementary indemnity for agents has been re-calculated utilising an actuarial method of valuation, with a positive impact on net equity of €4,764 thousand.

7. Italian accounting principles require any liabilities arising from severance indemnities (TFR) to be booked according to the accounting regulations in force when the Financial Statements are drawn up, while IAS/IFRS accounting principles require such liabilities to be valued using the actuarial method. This difference has resulted in a reduction of liabilities and an increase in net equity of €9,669 thousand.

8. Following the application of IAS/IFRS accounting principles, the book value of associated companies and joint ventures, valued at net equity, increased by €1,294 thousand, which was mainly due to the economic effects deriving from the reversals in the depreciation of the goodwill of some companies, the reversals in intangible assets that do not satisfy the requirements contained in IAS 38 and to the valuation of severance indemnities utilising the actuarial method.

9. The effect deriving from the variation in the consolidation area regarding investments in companies that were not consolidated in the Financial Statements prepared in accordance with Italian accounting principles because they were considered to be irrelevant in terms of representing the financial and economic situation of the Mondadori Group. With the adoption of international accounting principles, these companies have now been consolidated. The adjustment produced a decrease in consolidated net equity of €519 thousand. The item also includes reversals in third-party adjustments in the Group's net equity for €14 thousand.

10. Derivative instruments and financial gains and losses have been booked as per IAS 39 since 1 January 2005; this resulted in a reduction in consolidated net equity of €25,806 thousand.

11. Following the application of IAS 32, from 1 January 2005, the value of treasury shares in the portfolio has been reclassified and included in consolidated net assets; this has resulted in a reduction of €126,246 thousand.

12. The item in question includes the fiscal adjustment made when re-calculating the values in the financial statements following application of IAS/IFRS principles.

## *Consolidated Balance sheet at 31 March 2005*

*(figures in € ,000)*

| **Assets** | **As per Italian accounting principles** | **Variations in consolidation area** | **IAS/IFRS reclassifications** | **IAS/IFRS adjustments** | **As per IAS/IFRS** |
|---|---|---|---|---|---|
| **Intangible assets** | **184,667** | **1,215** | **(2,284)** | **14,638** | **198,236** |
| **Real estate investments** | **11,534** | **-** | **-** | **1,049** | **12,583** |
| Land and buildings | 66,098 | - | - | 23,927 | 90,025 |
| Plant and machinery | 83,746 | (220) | - | - | 83,526 |
| Other fixed assets | 22,008 | (503) | 1,611 | (179) | 22,937 |
| **Property, plant and machinery** | **171,852** | **(723)** | **1,611** | **23,748** | **196,488** |
| Investments valued at net equity | 91,522 | 10,898 | - | 1,294 | 103,714 |
| Other investments | 2,472 | - | - | - | 2,472 |
| **Total investments** | **93,994** | **10,898** | **0** | **1,294** | **106,186** |
| **Non-current financial assets** | **126,508** | **-** | **(126,246)** | **-** | **262** |
| **Advance tax assets** | **47,443** | **(960)** | **-** | **12,786** | **59,269** |
| **Other non-current assets** | **3,937** | **(148)** | **-** | **-** | **3,789** |
| **Total non-current assets** | **639,935** | **10,282** | **(126,919)** | **53,515** | **576,813** |
| **Tax credits** | **18,337** | **(3,164)** | **-** | **-** | **15,173** |
| **Other current assets** | **58,617** | **(284)** | **-** | **-** | **58,333** |
| **Inventories** | **126,464** | **(4,489)** | **-** | **(5,029)** | **116,946** |
| **Trade receivables** | **395,247** | **(1,180)** | **-** | **-** | **394,067** |
| **Shares and other current financial assets** | **572,424** | **(13,293)** | **-** | **5,724** | **564,855** |
| **Cash and other equivalent liquid assets** | **85,516** | **44** | **-** | **-** | **85,560** |
| **Total current assets** | **1,256,605** | **(22,366)** | **0** | **695** | **1,234,934** |
| **Assets destined for sale or disposal** | **-** | **-** | **-** | **-** | **-** |
| **Total assets** | **1,896,540** | **(12,084)** | **(126,919)** | **54,210** | **1,811,747** |

***Consolidated Balance sheet at 31 March 2005***

*(figures in € ,000)*

| **Liabilities** | As per Italian accounting principles | Variations in consolidation area | IAS/IFRS reclassifications | IAS/IFRS adjustments | As per IAS/IFRS |
|---|---|---|---|---|---|
| Share capital | 67,452 | - | - | - | 67,452 |
| Share premium reserve | 157,501 | - | 126,246 | - | 283,747 |
| Other reserves and results brought forward | 360,546 | (185) | (252,492) | 25,493 | 133,362 |
| Profit (loss) for period | 28,085 | (334) | - | 995 | 28,746 |
| **Shareholders' equity pertaining to Group** | **613,584** | **(519)** | **(126,246)** | **26,488** | **513,307** |
| Third-party shareholders' capital and reserve | 3,681 | 140 | - | (14) | 3,807 |
| **Total shareholders' equity** | **617,265** | **(379)** | **(126,246)** | **26,474** | **517,114** |
| Reserves | 16,517 | - | - | (145) | 16,372 |
| Severance indemnities | 115,417 | (2,355) | - | (14,433) | 98,629 |
| Non-current financial liabilities | 450,177 | 700 | (673) | (37,648) | 412,556 |
| Deferred tax liabilities | 29,815 | (87) | - | 10,784 | 40,512 |
| Other non-current liabilities | - | - | - | - | 0 |
| **Total non-current liabilities** | **611,926** | **(1,742)** | **(673)** | **(41,442)** | **568,069** |
| Income tax payables | 35,322 | (132) | - | - | 35,190 |
| Other current liabilities | 187,465 | (1,144) | - | - | 186,321 |
| Trade payables | 355,883 | (4,026) | - | - | 351,857 |
| Payables to banks and other financial liabilities | 88,679 | (4,661) | - | 69,178 | 153,196 |
| **Total current liabilities** | **667,349** | **(9,963)** | **0** | **69,178** | **726,564** |
| Liabilities destined for sale or disposal | - | - | - | - | - |
| **Total liabilities** | **1,896,540** | **(12,084)** | **(126,919)** | **54,210** | **1,811,747** |

The following comments refer to the items and amounts in the reconciliation table (see previous page) between the value of consolidated balance sheet at 31 March 2005 prepared in accordance with Italian accounting principles and the one prepared in accordance with IAS/IFRS accounting principles.

*IAS/IFRS reclassifications*

The reclassified column includes:

- €1,611 thousand for the cost of improvements made to third-party goods which, not having the requirements referred to, have been classified under other fixed assets;
- €673 thousand for accessory charges due to loans (private placement and convertible debenture bonds) entered as a reduction of the respective loan payables.

*IAS/IFRS adjustments*

In addition to those mentioned in the comments on reconciliations of items with an impact on net equity, the variation in consolidation area column mainly includes the effect:

- of the Mondolibri S.p.A. joint venture, which was previously consolidated using the proportional method and valued in accordance with IAS/IFRS principles at net equity. The result of this was the booking of €13,244 thousand under "investments" and a variation in net assets for the same amount that had previously been booked to other items under assets and liabilities;
- of the SICAV Misa Finance Fund, held by Mondadori Finance and booked in accordance with Italian accounting principles as financial investments in shares valued at the lesser value between cost and market value, entirely consolidated in accordance with IAS/IFRS principles.

***Reconciliation of Consolidated Net Result at 31 March 2005***
*(figures in € ,000)*

| | | |
|---|---|---|
| | **Consolidated net result as per Italian accounting principles** | **28,085** |
| **13.** | **Variations in inventories** | **(903)** |
| **14.** | **Effects on purchase of raw materials and service** | **(277)** |
| **15.** | **Personnel costs** | **(1,634)** |
| **16.** | **Effects on various charges (income)** | **107** |
| **17.** | **Depreciations and writedowns of property, plant and machinery** | **246** |
| **18.** | **Depreciations and writedowns of intangible assets** | **4,321** |
| **19.** | **Effects on financial income (charges)** | **(2,738)** |
| **20.** | **Effects on income (charges) from investments** | **688** |
| **21.** | **Variations in consolidation area and other adjustments** | **(277)** |
| **22.** | **Fiscal effects** | **1,128** |
| | **Consolidated Net Result as per IAS/IFRS accounting principles** | **28,746** |

The following comments refer to the items and amounts in the reconciliation table (see previous page) between the Group's net result at 31 March 2005 prepared in accordance with Italian accounting principles and the one prepared in accordance with IAS/IFRS accounting principles.

13. The economic variation in inventories decreased by €903 thousand, producing a contraction in the result, as a result of the utilisation of the average cost method of valuation and of the effect deriving from the re-calculation of the reversals of the Group's entire profit.

14. The adjustments shown in the reconciliation refer to costs entered in the income statement which, in accordance with Italian accounting principles, were booked to intangible assets (€277 thousand) and other minor amounts.

15. Personnel costs increased by €1,048 thousand as a result of the application of IAS 19, and an increase of €586 thousand due to stock option plans. This amount represents the fair value of stock options assigned during the year.

16. Adjustments to various charges (income) amounted to €107 thousand and refer mainly to provisions for supplementary indemnities for clients.

17. Depreciations of property, plant and machinery changed as a result of the economic effect of the separation of the value of land and of the fair value valuation, when IAS/IFRS accounting principles were first applied, of some buildings for €246 thousand.

18. Adjustments made to the depreciations and writedowns of intangible assets include the elimination of depreciations of goods with an indefinite life, such as titles, series and imprints, for €4,321 thousand.

19. Adjustments refer to increased charges relative to the financial portion of severance indemnities and to risk reserves for legal cases for €735 thousand and charges deriving from the evaluation of derivatives and financial gains and losses as per IAS 39 for €2,003 thousand.

20. The increase in income from investments is the result of the write off of depreciations of goodwill for some joint ventures, and the differences in results for the period from companies valued at net equity, for €688 thousand.

21. This item includes the effect on the income statement of the consolidation of companies that are not consolidated when Italian accounting principles are utilised. It also includes the effect of adjustments to the net result of third-party interests, equal to €57 thousand.

22. This item includes fiscal adjustments made when re-calculating balance sheet values when applying IAS/IFRS accounting principles.

***Consolidated Income statement at 31 March 2005***
*(figures in € ,000)*

| | As per Italian accounting principles | Variations in consolidation area | IAS/IFRS reclassifications | IAS/IFRS adjustments | As per IAS/IFRS |
|---|---|---|---|---|---|
| **Income from sales and services to third parties** | 418,333 | (9,195) | - | - | 409,138 |
| **Decrease (increase) in inventories** | 3,034 | 12 | - | 903 | 3,949 |
| **Cost of raw, ancillary and consumable goods & materials** | 124,870 | (1,682) | - | 23 | 123,211 |
| **Purchase of services** | 171,245 | (5,051) | - | 254 | 166,448 |
| **Personnel costs** | 66,886 | (1,062) | - | 1,634 | 67,458 |
| **Various charges (income)** | (3,262) | (1,028) | - | (107) | (4,397) |
| **Income (charges) from investments valued at net equity** | 1,341 | (266) | - | 688 | 1,763 |
| **Gross operating profit** | **56,901** | **(650)** | **0** | **(2,019)** | **54,232** |
| **Depreciations of property, plant and machinery** | 8,088 | (51) | 159 | (246) | 7,950 |
| **Depreciations of intangible assets** | 5,024 | (21) | (180) | (4,321) | 502 |
| **Operating result** | **43,789** | **(578)** | **21** | **2,548** | **45,780** |
| **Financial income (charges)** | 137 | 118 | (21) | (2,738) | (2,504) |
| **Income (charges) from other investments** | 95 | - | - | - | 95 |
| **Results before tax and minority interests** | **44,021** | **(460)** | **0** | **(190)** | **43,371** |
| **Income taxes** | 15,523 | (126) | - | (1,128) | 14,269 |
| **Results pertaining to third-party shareholders** | (413) | - | - | 57 | (356) |
| **Net result** | **28,085** | **(334)** | **0** | **995** | **28,746** |

The following comments refer to the items and amounts in the reconciliation table (see previous page) between the consolidated income statement at 31 March 2005 prepared in accordance with Italian accounting principles and the one prepared in accordance with IAS/IFRS accounting principles.

*IAS/IFRS reclassifications*

The reclassified column includes:

- the depreciations relating to the cost of improvements made to third-party goods (€159 thousand) reclassified from depreciations of intangible assets to depreciations of property, plant and machinery;
- depreciations of accessory charges due to loans (private placement and convertible debenture bonds) for €21 thousand booked to financial charges instead of to depreciations of intangible assets.

*IAS/IFRS adjustments*

In addition to those mentioned in the comments on reconciliations of items with an impact on the net result, the variation in consolidation area column mainly includes the effect:

- of the Mondolibri S.p.A. joint venture, consolidated in accordance with IAS/IFRS principles at net equity instead of with the proportional method. This change resulted in €266 thousand being booked to investment income (charges) and a corresponding net variation in the other items in the income statement;
- of the SICAV Misa Finance Fund, held by Mondadori Finance and booked in accordance with Italian accounting principles as financial investments in shares valued at the lesser value between cost and market value, entirely consolidated in accordance with IAS/IFRS principles.

**Effects on the consolidated net financial position at 31 March 2005 of the adoption of IAS/IFRS accounting principles**

The following table shows the effects on the consolidated net financial position deriving from the application of IAS/IFRS accounting principles:

*(Figures in € ,000)*

| | |
|---|---|
| **Net financial position using Italian accounting principles** | **119,346** |
| IAS/IFRS reclassifications | 673 |
| IAS/IFRS adjustments | (25,806) |
| Variations in the consolidation area and others | (9,288) |
| **IAS/IFRS net financial position** | **84,925** |

The reclassifications refer to accessory charges sustained on loans (private placement and convertible debenture loans), booked under intangible assets in accordance with Italian accounting principles and booked as a reduction in the relative financial losses, in accordance with IAS/IFRS principles.

Adjustments refer to the effects of the application of IAS 32 and 39 on the evaluation of financial gains and losses, as well as derivatives.

The item “variations in the consolidation area and others” mainly refers to the Mondolibri S.p.A. joint venture, valued using the net equity method instead of proportionally, used in accordance with Italian accounting principles.