ARNOLDO MONDADORI EDITORE S.p.A.

Share capital €67,451,756.32
Registered office in Milan
Administrative offices in Segrate (MI)

MONDADORI

Financial Statements at 31 December 2007
Consolidated Financial Statements at 31 December 2007
Report of the Board of Directors

Notice of Shareholders' Meeting

Shareholders are hereby invited to the Ordinary Meeting to be held on 22 April 2008 at 10.30 in Via Mondadori 1, Segrate, Milan, in first call and, if necessary, in second call on 23 April 2008 at the same time and place, to pass resolutions on the following:

Agenda

1-Financial Statements at 31 December 2007, reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors, related resolutions, presentation of the Consolidated Financial Statements at 31 December 2007 and related enclosures.

2-Authorisation to effect a buy-back and utilise Company shares, as per the combined provisions of articles 2357 and 2357 ter of the Civil Code.

In accordance with the law and Company Statutes, Shareholders who have requested the relative communication from the intermediary where their shares are deposited at least two days before the date of the Shareholders' Meeting may attend the Meeting.

The reports of the Board of Directors on the subjects on the agenda will be deposited, for inspection by the public, at the company's head office and at Borsa Italiana S.p.A. in accordance with Ministerial Decree 437 of 5 November 1998 and CONSOB regulation 11971/1999 and subsequent modifications.

Shareholders have the right to obtain copies of these reports.

On behalf of the Board of Directors
The Chairman
Marina Berlusconi

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

Standing Statutory Auditors
Achille Frattini
Franco Carlo Papa

Substitute Statutory Auditors
Francesco A. Giampaolo
Francesco Vittadini

Independent Auditors
Reconta Ernst & Young SpA

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Report of the Board of Directors

Shareholders,

during 2007 Mondadori consolidated its leadership position in Italy in an essentially stable market for books and a magazine market in which a downward trend continued, especially for add-on sales.

Organisational changes and improvements in efficiency across the group, combined with the integration of Mondadori France, nevertheless made it possible to record results for the overall performance and that of activities in France that were better than expected, in a market that, especially in terms of advertising investments, is going through a difficult phase.

Consolidated revenues for 2007 came to €1,958.6 million, an increase of 11.9% on the €1,750.2 million of 2006.
From 1 January 2007, following the contribution of the distribution activities for Italian magazines to Press-Di Distribuzione Stampa e Multimedia S.r.l. (a wholly-owned subsidiary of Arnoldo Mondadori Editore S.p.A.) the method of accounting has changed from that of costs and revenues to a premium method.
A reclassification of such distribution activities, using the same method for 2006, shows that the increase in consolidated revenues would have been 16.8%. Excluding the effect of Mondadori France (included for the whole of 2007, compared with only four months in 2006) the volume of business would show an increase of 1.8%.

Consolidated gross operating profit amounted to €268.9 million, compared with €240.3 million in the previous year, an increase of 11.9%, and 13.7% as a proportion of revenues, a figure in line with that of 2006.

Differences in gross operating profit were impacted by:

- the result from business activities in France (€50.5 million in 2007, compared with €16.3 million for four months in 2006);

- net of non-recurring taxes, the balance on the sale of assets (+€1.8 million compared with 2006) and personnel costs, due to changes in the regulations concerning leaving entitlements and extraordinary reserves (+€0.5 million compared with 2006);

- a number of changes concerning companies held at equity, in particular the results of SEE (-€8.9 million compared with +€0.7 million in 2006) and a lower deferred tax surplus (€1.0 million, compared with €2.5 million in 2006).

Net of non-recurring and extraordinary items, thanks to the performance of the various divisions, there was a 16.7% (+1.5% net of the contribution of Mondadori France) increase in the Group's operating margin, despite increased investments in business development of €8.8 million.

Consolidated **operating profit** came to €225.2 million, an increase of 11.8% on the €201.4 million of 2006, after increased amortizations of around €4.8 million resulting from the acquisitions in France and of Messaggerie Musicali. As a proportion of revenues, the figure of 11.5% was in line with the previous year.

Consolidated **profit before taxation** amounted to €189.5 million, a slight rise (+€0.5 million) on 2006. This result felt the impact of higher financial charges of €23.3 million, around €13.7 million due to the higher average indebtedness during the year and the rest from increases in interest rates resulting from the general economic climate.

Consolidated net profit came to **€112.6 million**, an increase of 3.3% on the €109.0 million of 2006. There was a benefit in 2007 from lower tax charges, despite a higher level of non-taxable income in 2006 and the difference in the results of holdings consolidated on an equity basis. This is essentially the result of the net effect of the use of deferred tax liabilities and the replacement tax applied, in line with the provisions of the last government budget regarding the taxation of certain corporate assets. There was an insignificant improvement (+€0,4 million) form the application of new IRES and IRAP rates to both deferred and advance taxes.

Gross cash flow for came to **€156.3 million**, compared with €147.9 million in 2006.

The overall **net financial position** showed a deficit of €535.3 million on 31.12.2007, compared with a deficit of €554.7 million on 1 January 2007, an improvement of €19.4 million.
Net investments of €58.9 million were made during the period, €10.3 million for share buy-backs, €84.7 million for dividend payments and €86 million for taxes.

The performance of the individual areas in which Mondadori operates is examined in more detail in the sections dedicated to the individual divisions of the Group. What follows is a brief outline of the highlights

Results for the year

Consolidated income statement

(€m)	12/31/2007	12/31/2006	Change%
Income from sales and services	1,958.6	1,750.2	11.9%
Personnel costs	372.9	302.1	23.4%
Cost of sales and management	1,326.1	1,216.2	9.0%
Income (charges) from investments accounted for using the equity method	9.3	8.4	10.7%
Gross operating profit	**268.9**	**240.3**	**11.9%**
-as a proportion of revenues	*13.7%*	*13.7%*	
Depreciations of property, plant and machinery	36.5	34.9	4.6%
Depreciations of intangible assets	7.2	4.0	80.0%
Operating profit	**225.2**	**201.4**	**11.8%**
-as a proportion of revenues	*11.5%*	*11.5%*	
Net financial income (charges)	(35.7)	(12.4)	187.9%
Other financial income (charges)	-	-	-
Profit before taxation	**189.5**	**189.0**	**0.3%**
Tax charges	76.1	78.9	(3.5%)
Minority interest	(0.8)	(1.1)	(27.3%)
Net profit	**112.6**	**109.0**	**3.3%**

Consolidated revenues amounted to €1,958.6 million, an increase of 11.9%. The following table illustrates the business volumes for each business area.

Revenue breakdown by business area

(€m)	12/31/2007	12/31/2006	Change%
Books	445.0	439.5	1.3%
Magazines	1,047.7	867.2	20.8%
Advertising services	349.5	342.9	1.9%
Printing	439.9	447.9	(1.8%)
Direct Marketing	23.9	24.0	(0.4%)
Retail	183.2	137.3	33.4%
Radio	11.3	9.3	21.5%
Corporate and other business	16.7	14.3	16.8%
Total revenues	**2,517.2**	**2,282.4**	**10.3%**
Intergroup revenues	(558.6)	(532.2)	5.0%
Total consolidated revenues	**1,958.6**	**1,750.2**	**11.9%**

The following table provides a breakdown of consolidated revenues by geographical area; the figure for France are not comparable given that in 2006 Mondadori France was consolidated only from 1 September.

Revenues by geographical area

(€m)	12/31/2007	12/31/2006	Change%
Italy	1,462.9	1,496.4	(2.2%)
France	381.6	150.4	153.7%
Other EU countries	95.3	83.9	13.6%
USA	7.0	6.9	1.4%
Others	11.8	12.6	(6.3%)
Total consolidated revenues	**1,958.6**	**1,750.2**	**11.9%**

Book Division

The Mondadori Group's Book Division saw a clear confirmation in 2007 of its leadership in the book market, outperforming the already excellent result of the previous year. Total revenues in 2007 came to €445.0 million, compared with €439.5 million in the previous year, an increase of 1.3%.

There were no significant changes during the year to the overall structure of the Division and the balance between its various sectors. The trade books sector (fiction and non-fiction, for adults and children) and accounts for 61.5% of revenues; educational publishing, which is managed by Mondadori Education (a new name adopted on 1 January 2008) accounts for 20%; while books in the Art, Architecture, along with cultural heritage activities, make up 11.7% of revenues.
The sale of rights for add-on sales initiatives by newspapers and magazines saw a contained fall in a sharply contracting market.
During 2007 the Book Division published 2,742 new titles (2,787 in 2006) and 5,242 reprints (4,937 in 2006), a total production of 54.6 million books, compared with 56.4 in 2006.

(€m)	12/31/2007	12/31/2006
Book sales	436.3	432.4
Other revenues	8.7	7.1
	445.0	**439.5**
Operating costs	(357.2)	(352.8)
Gross operating profit	**87.8**	**86.7**
Amortisation & depreciation	(2.7)	(3.3)
Operating profit	**85.1**	**83.4**

Since January 2007 performance indicators for the Trade (fiction and non-fiction) sector have been measured by Nielsen Bookscan. The different methodology used compared to Demoskopea, starting with the sample, means that the figures for 2007 can not be compared with those of the previous year.
Nevertheless, the Mondadori Group retains its leadership, with a market share of 29% in terms of value, with a clear advantage over its competitors, as can be seen from the table below.
To the aforementioned market share and relative to medium/large sized bookstores, should be added the value market share of the Mondadori Group's publishing houses through the large-scale retail channel which is estimated at more than 35%.

Among the Division's publishing houses, Einaudi and Piemme performed particularly well.

Publisher	Market share 2007
Edizioni Mondadori	14.3
Einaudi	5.4
Sperling & Kupfer Group	2.8
Edizioni Piemme	5.1
Other Mondadori Group companies	1.4
Total Mondadori Group	**29.0**
RCS Group	13.6
Gems Group	8.2
Feltrinelli	3.8

Source: Nielsen Bookscan, volume market share data

Books

(€m)	12/31/2007	12/31/2006	Change%
Edizioni Mondadori	137.6	137.9	(0.2%)
Einaudi	49.9	47.8	4.4%
Sperling & Kupfer Group	25.3	29.3	(13.7%)
Edizioni Piemme	55.7	47.2	18.0%
Mondadori Electa	51.1	53.9	(5.2%)
Edumond Le Monnier (now Mondadori Education)	87.1	87.7	(0.7%)
Book distribution	33.7	33.7	-
Total revenues	**440.4**	**437.5**	**0.7%**
Intergroup sales	(4.1)	(5.1)	(19.6%)
Total consolidated revenues	**436.3**	**432.4**	**0.9%**

Edizioni Mondadori

The revenues of Edizioni Mondadori were essentially in line with those of 2006; an exceptional result if further reductions in the Dan Brown effect and the sale of rights for add-on sales initiatives are considered.

The first half of the year was marked by the success of books linked to the worlds of sport and entertainment, from *A un passo dal sogno* by the duo Sfondrini-Zanforlin (200,000 copies), to the book by Alessandro Del Piero, *Dieci+* (130,000 copies).

The partial disappointment for the performance of Thomas Harris' *Hannibal Lecter* (80,000 copies) was compensated by the success of *Il colore del sole*, by Andrea Camilleri (220,000 copies) and *I love shopping per il baby* by Sophie Kinsella (150,000 copies). A very important debut, in all senses, was that of Mario Calabresi, with *Spingendo la notte più in là*.

A number of books from 2006 continued to sell well in 2007, such as *Gomorra* by Roberto Saviano, which at the end of 2007 has sold over 1 million copies, and *Come Dio comanda*, by Niccolò Ammaniti, winner of the Premio Strega, which reached 300,000 copies.

In the Paperback area, the renewal of the Oscar campaign in early spring resulted in an increase of around 6% compared with the previous year. During the summer, the Oscar imprint began with the successful publication of a new line of quality trade paperbacks, including *I Pilastri della Terra* by Ken Follett (over 120,000 copies), Fabio Volo's *Un posto nel mondo* (140,000 copies) and *Crypto* by Dan Brown (more than 100,000 copies).

However, the most significant results for the publishing house came in the second half of the year. The exclusive world preview publication of the new novel, the sequel to *I Pilastri della Terra* by Ken Follett, *Mondo senza fine*, which went straight to the top of the bestsellers list with sales of around 700,000 copies in three months. Also of not in the foreign fiction area were new books by John Grisham, *Il professionista* (220,000 copies) and Patricia Cornwell, *Il libro dei morti* (200,000 copies).

Christmas was also a high point for Italian authors: from *Voi non sapete* by Andrea Camilleri (200,000 copies) to *L'armata perduta* by Valerio Massimo Manfredi (over 200,000 copies), and from Corrado Augias, who with *Leggere* reached a total of 75,000 copies, to Federico Rampini, with *La speranza indiana* (90,000 copies). In the non-fiction area, Bruno Vespa, with a change in formula for his new book *L'amore e il potere*, was enormously successful, reaching a new and more varied group of readers (more than 300,000 copies). Two other titles by increasingly successful young authors also stand out among the Christmas sales: the new novel by Fabio Volo, *Il giorno in più*, which in just a few weeks sold more than 350,000 copies, and *Una giornata nell'antica Roma* by Alberto Angela (more than 200,000 copies).

The Mondadori Ragazzi line which produces books for children, enjoyed success with a number of important new titles: *Un ponte per Terabithia*, linked to the film of the same name, and *Le due guerriere*, the new book by Licia Troisi, who is now widely recognised as one of the leading authors of fantasy, both in Italy and around the world. In the second half of the year, of particular note was the new book by world-famous cosmologist Stephen Hawking, *La chiave segreta per l'universo*.

The development of the Reference area - the result of an agreement with German publisher Langenscheidt, a world leader in the sector - continued positively. In particular, the *Grande Dizionario Italiano-Inglese* achieved sales of 70,000 copies.

Giulio Einaudi Editore

In 2007 Giulio Einaudi Editore saw a 4.4% increase in revenues, to €49.9 million, compared with €47.8 million the previous year. This improvement was due to excellent bookstore sales as well as add-on sales operations, while sales in the instalments area were slightly down, both for Einaudi products and those distributed for third parties.

There was a particularly positive performance in foreign fiction, thanks to a number of successful new titles and an increase of 39% in revenues. Stile Libero, the line for which a special promotional campaign was organised at the start of the year, also saw an increase in revenues of 15.6% compared with the previous year.

Among the titles that performed particulalry well were: *Chesil Beach* by Ian McEwan (120,000 copies), *Le Benevole* by Jonathan Littell (70,000 copies), *Nelle mani giuste* by Giancarlo De Cataldo (100,000 copies), the two new titles by Fred Vargas *Nei boschi eterni* and *L'uomo dei cerchi azzurri*, both of which sold more than 150,000 copies, *La strada* by Cormac McCarthy, *Parole e Canzoni + DVD* by Luciano Ligabue, *Mille anni che sto qui* by Mariolina Venezia, *Manituana* by Wu Ming, all new titles during the year, with the exception of that by Mariolina Venezia, which was first published in 2006 and was the winner of the 2007 Premio Campiello.

Sperling & Kupfer Group

2007 was a particulalry difficult year during which revenues fell from €29.3 to €25.3 million (-13.7%).
This reduction is attributable to all of the editorial lines (trade, low-cost and professional titles); buck the trend were the revenues deriving from add-on sales with newspapers and magazines.

Among the years' successful titles, apart from the key authors Danielle Steel, Stephen King, Mary Higgins Clark, Sveva Casati Modignani and Giampaolo Pansa, we would point to the new writer Maria Daniela Raineri who with *Meno male che ci sei* attracted young women readers and the confirmation, among others of Antonio Caprarica with *Come è dolce Parigi…o no!?.*
In order to recover an effective competitive edge, in the final months of the year the company launched an extensive review of the design of all of the company's imprints.

Edizioni Piemme

During 2007 Piemme generated revenues of €55.7 million, an 18% increase on the €47.2 million of the previous year. This growth was mainly in the fiction area which saw an increase of around 90%, thanks to the exceptional sales of new titles published in May by Khaled Hosseini, *Mille splendidi soli* (which sold more than 1 million copies during the year) and *Il Cacciatore di aquiloni* (more than 800,000 copies in the year), both of which were at the top of the best sellers lists for 2007.

Also of note in fiction were the new thriller by Michael Connelly, *La ragazza di polvere* (90,000 copies), *Il bambino con i petali in tasca* (41,000 copies) by Anosh Irani, *Il Vangelo di Maria Maddalena* (44,000 copies) by Kathleen McGowan and *Il Muro invisibile* (33,000 copies) by Harry Bernstein, examples of other successful Piemme fiction titles.

In non-fiction the most significant titles were *Madre di diecimila figli* (30,000 copies) by Christel Martin and Lorette Nobecourt and *Zero* (20,000 copies) by Giulietto Chiesa. The biggest selling title from the back list (more than 40,000 copies) was *La danzatrice bambina* by Anthony Flacco, from the successful testimonial line.

2007 saw the launch of the first structured paperback series, Piemme Bestseller (36 titles published in the year) while Mass Market production was re-scaled.

In the Junior sector, there was a 14.4% increase in revenues, thanks to the performance both of Geronimo Stilton (+13.1% compared with 2006) and Il Battello a Vapore (+16.6% on the previous year).

In particular for Geronimo Stilton there was the launch of a new series of graphic novels (3 titles with total sales of 84,000 copies) and the Oscar Tortuga spin off, which along with Tea Sisters is a further diversification of the very successful world of Stilton. *Terzo viaggio nel Regno della Fantasia* was the biggest selling title in the line (214,000 copies), remaining fixed at the top of the children's best sellers list.

Il Battello a Vapore saw an increase in the importance of titles in the higher price band, while the classic series aimed at schools remained stable. The publication of the series of Barbapapà titles was completed, with sales in 2007 alone of around 140,000 copies.

Art books and exhibition organisation

Revenues for 2007 came to €51.1 million, a fall of 5.2% compared with the previous year. The fall was mainly due to a slump (of around 40%) in add-on sales, partially compensated by stability in the Artistic Heritage and Books areas.

In particular the Books area saw an increase in revenues of 11.4% compared with the previous year, an increase that was spread across all the lines.

The most successful titles included *Venti di Striscia*, published to coincide with the exhibition of the popular satirical TV news show, the dictionary series (Art and Cinema) and the book of the *Pirelli Calendars* (an international success with seven co-editions and sales of almost 50,000).

There was also success for some new titles in the architecture area, which were reprinted within a few months (*Storia visiva dell'architettura* vol. II, *Architettura e vino* and *Design anonimo*).
In the add-on sales area, the number of titles fell from 203 in 2006 to 185.
More than 50% of the pages were newly created, a demonstration of the efforts made in this channel. Among the many initiatives, of special note were *L'enciclopedia dei Ragazzi* for "La Repubblica" and *Le città d'arte* for "Il Sole 24 ore".

In the museum services management, exhibition organisation and the corresponding catalogue production areas, revenues were, once again, ahead of expectations with an increase of 1.4% on the previous year.

The main sales increases were recorded by the museum bookstores (with a good performance at the Biennale visual arts) and in the art catalogue segment, while there was a downturn in exhibition organisation (-22.8%).

Also in 2007 the Coliseum, with more than 4.5 million visitors, by far Italy's most popular monument. Inside the Coliseum a number of events were organised *Iliade*, *Eros* and *In scaena*. *The Theatre of Ancient Rome,* while *Rosso Pompeiano* was organised at the Museo Nazionale Romano. The success should be underlined of the catalogues for *Cezanne* at Palazzo Strozzi in Florence, *Durer e l'Italia* at the Scuderie del Quirinale in Rome, *Fabro* at the Museo Madre in Naples and *Ambre*, *Egittomania* and *Alma Tadema* at the Museo Archeologico in Naples. During the year the ElectaKoenig bookstore was opened in Milan's Piazza Duomo, and part of the new Multicenter Mondadori, Mondadori Electa's first non-concessionary retail outlet.

The subsidiary Electa Napoli SpA, generated 2007 revenues of €4.5 million (-44%). This fall was due to the reduction in the organisation programme related to the "*Campania Artecard*" contract which should be a part of Scabec, a mixed public/private company in which Mondadori Electa has a stake.

Edumond Le Monnier (now Mondadori Education)

2007 was the last year under the name Edumond Le Monnier SpA which, since 1 January 2008 has been known as Mondadori Education SpA.
Net revenues in 2007 amounted to €87.1 million, a slight fall of 0.7% compared with the previous year. The company maintains its leadership position in the educational market, with a market share of 13.9%.

The general scenario for educational publishing in Italy has been strongly affected by, on the one hand, an intense press campaign against the cost of textbooks (and a concomitant increase in the market for second-hand books) and the subsequent investigation by the Antitrust Authority into the leading publishers, and, on the other hand, a further concentration of the market as a result by acquisitions made by De Agostini.

An analysis of the different market segments shows that Mondadori Education remains the leader, among the big publishers, in the primary school and junior high school segments, and in second place for high schools.

In particular, the company's positive performance in the primary school segment has continued, with a market share that rose from 12.1% to 12.3%. The performance in the junior high school segment showed a continuing slight fall in market share, from 14.8% to 14.0%, while the company's market share in the high school segment remained at 14.5%, and the second player in the market (after Zanichelli, which has 19.2%) in the most important segment of the market in terms of size and profitability.

Success continued among teachers, parents and students for the *Pianetascuola* and *Pianetino* web sites, while business diversification began with an important initiative in the university sector, thanks to a convention that makes the Mondadori Education the University Press Company of the Università La Sapienza in Rome, Italy's largest university and one of the biggest in Europe in terms of the number of staff and enrolled students.

Distribution and logistics

2007 revenues came to €33.7 million, in line with those of the previous year.
Distribution for Piemme, for the whole of 2007 (compared with only 5 months in 2006), had a positive impact on an activity that, on an annual basis, has seen an increase of almost 50% in the number of dispatches, managing to maintain essentially unchanged the average delivery days (2.1), along with continued efficiency gains.
Under third-party revenues, there was a fall from Baldini Castoldi Dalai due to there being no new book by Faletti in 2007 (-50% on the previous year), counterbalanced by the excellent performance, in terms of sales, of EL Edizioni (+12% compared with 2006).

Magazine Division

The Group's Magazine Division generated consolidated revenues in 2007 of €1,047.7 million, an increase of 20.8% on the €867.2 million of 2006: a straight comparison with the previous year is not significant given the addition of Mondadori France (for the whole of 2007 compared with 4 months 2006) and the contribution of the distribution activities, in Italy, of Press-Di Distribuzione Stampa e Multimedia Srl (a wholly-owned subsidiary of Arnoldo Mondadori Editore SpA).
The latter has involved a different accounting criteria, in which the distribution business is booked at a premium and not in terms of costs and revenues.
Total revenues for the period, reclassified on a like-for-like basis of the distribution business and net of the impact of Mondadori France, would be essentially in line with those of the previous year.

(€m)	12/31/2007	12/31/2006
Magazine revenues	1,022.4	848.1
Other revenues	25.3	19.1
	1,047.7	**867.2**
Operating costs	(892.5)	(742.3)
Gross operating profit	**155.2**	**124.9**
Amortisation and depreciation	(6.0)	(3.7)
Operating profit	**149.2**	**121.2**

Italy

The revenues of the Magazine Division Italy in 2007 came to 657.8 million.

The performance during the year was characterised by the following:
- a fall in circulation revenues (-3.7%) where there was a drop in the number of copies sold, also as a consequence of a number of titles being closed down;

- an excellent performance in add-on sales, in a market in marked decline (-19.4% in terms of volume), with revenues which increased by 3.4% compared with the previous year;
- a fall (-1.7%) in advertising revenues which were penalised by a reduction in the amount of space sold, and only partially compensated by rate rises;
- the launch of two titles with high advertising potential, *First*, a monthly supplement to *Panorama*, and *Grazia Casa* which completes Mondadori's offer in the interiors segment;
- the closured of the monthly *Per Me* and the sale of the weekly *Star+TV*, penalised by both overcrowding in their respective segments and poor advertising sales;
- the development of internet activities which affected a number of titles. In this context, online advertising sales saw an above market average increase of 54%;
- strong operation cost controls, especially in the technical, commercial and editorial areas, which led to a marked recovery in efficiency.

Circulation

On the circulation side, Mondadori's performance was slightly better than the market, which overall saw a fall in terms of copies of around 4.7%, confirming the company's absolute leadership in the sector.

Among the women's titles *Donna Moderna* confirmed its strength and maintained its level of circulation revenues, also thanks to an increase in the cover price introduced in mid-2006.

In the male lifestyle and newsmagazine segments *Panorama* saw its circulation fall by 3% while confirming its clear leadership in the segment. Meanwhile *First*, the monthly supplement launched in March, made a significant contribution to the weekly's advertising revenues.
Positive results were also recorded by *Panorama Travel*, *Economy* and *PC Professionale*, all of which are growing.

In the TV-entertainment and family segments (which saw a fall of 6% in copies) Mondadori titles had the best performance in the reference market.

TV Sorrisi e Canzoni contained its fall in circulation to 3% and continues to sell twice as many copies as its nearest rival and to generate revenues from large-scale add-on sales initiatives.
Chi maintained its circulation revenues while recording a significant increase in advertising sales.

The up market segment maintained its 2006 level, thanks to a stable performance by *Grazia* and growth in the design-architecture and cooking segments, which compensated for a downturn in interiors.

The Magazine Division also generated positive results from the subscription channel where volumes were up by 3%. Also here, Mondadori consolidated its unchallenged leadership, with a market share of around 40%.

Add-on sales

There was acceleration in the downturn in the market for add-on sales as a whole, even though it remained a significant component of the total revenues of the various publishing groups in Italy.
There was a reduction in the number of initiatives, and a fall in copies (-19.4%), revenues and average sales.
The falls were sharpest for editorial products and sundry goods, while DVDs remained stable and music grew.
In this difficult context, which has also affected newspapers, Mondadori was able to buck the trend with revenues that increased by 3.4% on 2006, confirming the company's leadership also in this business segment with a market share that rose by 4 percentage points and a high level of profitability.

We would underline, moreover, the positive results of the initiatives by *TV Sorrisi e Canzoni* in in the editorial and music segments and those of *Panorama* in films.

Press-Di

In its first year of business Press-Di generated results that were widely ahead of expectations, thanks to the fine-tuning of the organisational structure and operations, increased efficiencies generated during the year and the expansion of services to new third-party clients.

France

Mondadori France ended its first full year as part of the Mondadori Group with consolidated revenues of €389.9 million.

During the year a number of actions were taken aimed at:
- carrying out a complete review of all titles, starting with the most important, and consolidating leadership positions;
- encouraging greater integration with the Italian parent company;
- redefining the area for online activities and testing the market for add-on sales;
- redefining the organisational model and cost structure.

All of these activities generated benefits in 2007 and will continue to do so 2008.

Circulation

Mondadori France recorded positive results in terms of circulation, starting from the redesign of a number of titles. In particular excellent results were generated by the weekly *Closer* which saw sales up by 28% on the previous year, further improving its position at the top of its segment.
Auto Plus continued its positive trend with an increase of 11%, also thanks to a relaunch at the beginning of the year. Also *Télé Star* performed very well in a difficult market, starting with the launch of the first add-on sales operation in the French magazine market, which was conducted in close cooperation with Italy.
Overall subscription levels remained in line with previous months.

Advertising

The advertising market in France saw an overall slowdown in investments (-3.6% in terms of volume, source: Secodip) with a fall in space sold compared with the previous year, due to the election held in the first half and new opportunities for retailers to advertise on television, something that was previously not permitted by law.
Mondadori France performed in line with the market, after having recovered during the summer the shortfall of the first half of the year.

Also in this case *Closer* confirmed its growth, as did *Science & Vie* and all of the related titles.

International

The two new editions of *Grazia* in Russia and Holland were the most significant developments during the year and the plan for the area foresees at least two new licences each year over the next three years.

In Russia, in particular, advertising revenues were above expectations. The joint venture with the Finnish publisher SANOMA has also launched a Russian edition of *Interni,* which has also met with a positive market response.

The overall activities of the Grazia International Network developed significantly during the period. Revenues were up by 35%, considering income not only from licensing agreements, but also from advertising sales in Italy for the foreign editions as well as for syndication activities.

In China an agreement has been formalised for the creation of a joint venture with SEEC

Media Group Ltd, one of China's most important and active media companies, which will lead within a short space of time to the launch of *Grazia*.

There was an excellent performance by Attica, thanks to a positive trend in circulation for TV guides and the exceptional performance of add-on sales of DVDs. During 2007 the expansion of the Greek company's activities continued in the Balkans, the effects of which will be seen in 2008.

2007 also confirmed the prospects for other Mondadori brands in addition to *Grazia*: including *Casaviva*, the first international edition of which was launched in Thailand in 2006, *Sale & Pepe* in Serbia and *Interni* in Russia.

Digital

The excellent performance of the web sites of *Donna Moderna, Panorama, MyTech* and *Cosmopolitan* led to growth in advertising revenues of 54%, in a market that grew by 42.7%.

During the year both the structure and the management of this business area were redefined.
The technology platform is now shared between Italy and France and a number of competences have been acquired in both countries.

Advertising services

The market

In Italy, the advertising market ended 2007, according to Nielsen Media Research, with an overall growth of 3.1% compared with the previous year.

As the table below shows, among the main media, television saw a modest increase (+1.2%), while print was up by 3.0%, with newspapers adding 3.3%, and magazines 2.5%.

In other media, radio continued to grow at a sustained rate with an increase of 8.0%, while the internet, which saw a significant upturn of 42.7%, confirmed its position as the fastest growing media; cinema continued to decline (-8.4%), while outdoor saw modest growth (+1.9%).

An analysis of the dynamics of the different media shows that, in the magazine segment, there was a positive upturn in sale in the fashion sector, with an increase of 16.9% compared with 2006.

The performance indicators do not include advertising in the Free Press and satellite TV segments.

The advertising market

(€m)	12/31/2007	12/31/2006	Change%
Television	4,653.5	4,598.8	1.2%
Total print media	3,101.5	3,012.4	3.0%
- Magazines	1,328.5	1,296.0	2.5%
- Newspapers	1,773.0	1,716.4	3.3%
Radio	476.1	440.7	8.0%
Outdoor	200.6	197.0	1.9%
Cinema	69.8	76.2	(8.4%)
Internet	281.9	197.6	42.7%
Total advertising market	**8,783.4**	**8,522.7**	**3.1%**

Source: Nielsen Media Research (The Advertising Market AdEx – Estimate of net investments)

The company

Mondadori Pubblicità, thanks to a decisive recovery in the last quarter of the year compared with the same period of 2006 (partly due to the impact of strikes) closed the year with a 1.9% increase.

There were no significant changes to the portfolio during the period, excluding the addition of *Famiglia Cristiana* and the exit of the Walt Disney titles.

Sales for the year, as is clear from the market figures, were mainly characterised by the positive trend in the fashion sector, which a consequent positive impact on women's and family titles. While the results for male lifestyle titles were more stable.

In particular, in the women's market *Grazia* was up by 3.5%, sustained also by the new formula of *Grazia Casa*, while *Chi* continued to generate excellent results (+7.4%). In the male lifestyle segment, despite a poor performance in the sectors that are most important for the segment, the tried and tested *Panorama* system, was further valorised by the extensions *Panorama First* and *Panorama Travel*. The up scale design and architecture segment also performed well (in particular *Interni* and *Casabella*), while for the magazines managed in joint-ventures, of particular note was the positive performance (+8%) of *Focus* (Gruner + Jahr/Mondadori).

Sales for R101, sustained by the marked increase in listeners, were up by 24.8%, decidedly ahead of the market (+8%).

(€m)	12/31/2007	12/31/2006
Advertising revenues	345.0	338.8
Other revenues	4.5	4.1
	349.5	**342.9**
Operating costs	(345.3)	(340.7)
Gross operating profit	**4.2**	**2.2**
Amortisation and depreciation	(0.3)	(0.3)
Operating profit	**3.9**	**1.9**

Printing Division

The 2007 revenues of the Printing Division came to €439.9 million, a fall of 1.8% compared with the previous year.

Captive revenues totalled €279.2 million, and increase of 7.7%, while third-party revenues (€160.7 million) saw a fall of 14.8%, above all as a result of the decline in the add-on sale of editorial products with magazines and newspapers.

The foreign market for rotary printed commercial products was stable in terms of volume and in this context there was a positive consolidation of the company's position with its main clients despite the European competitive scenario being affected by increased competition and price tensions.

The market for monochrome books, both hardcover and paperbacks, linked to add-on sales initiatives by magazines and newspapers saw a marked fall compared to previous years. Meanwhile the performance of trade books was very positive, the foreign illustrated book market was stable, even though increased competition from the Far East continues to increase the pressure on prices.

Since 2007, four monthlies published by Mondadori France have been printed by Mondadori Printing; and further syner-

(€m)	12/31/2007	12/31/2006
Printing revenues	439.9	447.9
Other revenues	-	-
	439.9	**447.9**
Operating costs	(405.1)	(413.5)
Gross operating profit	**34.8**	**34.4**
Amortisation and depreciation	(23.8)	(24.8)
Operating profit	**11.0**	**9.6**

gies have been developed for the supply of paper.

Important agreements were reached in terms of the labour plan and industrial relations, in particular at the rotary press plant in Verona. Similarly, actions on staffing continued with a view to simplifying processes and increasing efficiency.

During the year there was a marked increase in energy costs due to the trend in oil prices, which increased by 5.7% on 2006.

There was a slight increase in the cost of paper, continuing a trend that had been noted the previous year. The volume of paper used in production during the year came to 304,988 tonnes, compared with 333,658 tonnes in 2006, a reduction of 8.6%.

Total printing revenues (net of paper and transport costs) fell by 1.1% compared with 2006, while plant capacity utilisation was slightly higher.

Completion of the restructuring of the Pomezia plant, begun in 2005, was finalised with the purchase of a second roto-offset machine.

Printing revenues (net of paper costs)

(€m)	12/31/2007	12/31/2006	Change%
Magazines	121.0	127.1	(4.8%)
Books	84.3	80.6	(4.6%)
Catalogues and promotional materials	35.7	36.1	(1.1%)
Directories	1.5	1.4	7.1%
Total printing revenues (net of paper costs)	**242.5**	**245.2**	**(1.1%)**

Direct Marketing

In 2007 the Direct Marketing sector, through the activities of **Cemit Interactive Media SpA**, recorded revenues of €23.9 million, in line (-0.4%) with the €24 million of the previous year.

After the fall off of business in the communication area due to the introduction of new privacy legislation in 2005, the company has brilliantly conducted a reorganisation of its structure and processes, refocusing its business on customer loyalty, an area in which Cemit continues to be the only operator able to offer a complete range of services.

(€m)	12/31/2007	12/31/2006
Revenues	23.9	24.0
Other revenues	-	-
	23.9	**24.0**
Operating costs	(18.3)	(20.2)
Gross operating profit	**5.6**	**3.8**
Amortisation and depreciation	(0.3)	(0.3)
Operating profit	**5.3**	**3.5**

Retail

The total revenues of the Retail Division in 2007 came to €183.2 million, an increase of 33.4% on 2006.

Mondadori Retail generated an increase of revenues in the period of 38.6% on the previous year, thanks to the opening of three bookstores in shopping malls in Lonato (BS), Rome and Nola (NA), the new Multicenter in Piazza Duomo in Milan and the contribution made by the incorporation of the two Mondadori Shop SpA stores (formerly Messaggerie Musicali SpA).

On a like-for-like basis, excluding for 2007 the revenues of Mondadori Shop SpA, which brilliantly refocused the book offer, generating revenues of €35.5 million, and, in 2006, the sales of big clients, the increase would be 10.6%.

Mondadori Franchising saw significant growth in 2007, recording an increase in revenues of 23.7% and a rise in the number of outlets from 266 to 349.
The increase included the Edicolè formula (141 units), which is becoming a point of reference for the entire media sector.
Given this marked development capacity, continuous reorganisation of the structure is being undertaken, with a special emphasis on the selection of franchisee candidates, which increasingly favours larger size outlets.

(€m)	12/31/2007	12/31/2006
Revenues	183.2	137.3
Other revenues	-	-
	183.2	**137.3**
Operating costs	(176.1)	(121.9)
Gross operating profit	**7.1**	**15.4**
Amortisation and depreciation	(6.9)	(2.1)
Operating profit	**0.2**	**13.3**

Radio Division

During the year Radio R101 saw a further improvement in the quality of the product, enriching the schedule with new programmes and new presenters.

At the same time brand-building and content communication efforts (music and programmes) continued that exploited a range of national and local media including the use of television, print and outdoor media and events.

Meanwhile, the signal distribution for national coverage was completed, thanks to frequency acquisitions made during the year (in particular in the Lazio, Campania, Emilia Romagna, Veneto and Puglia regions) increasing the level of coverage to 90%.

Audiradio figures for 2007 show a progressive increase in the number of listeners to R101 to an average daily level of more than 2 million. Compared with 2006, R101 recorded the best performance in the public and private radio market, with an increase of 41% in the daily average. Over the 7 days, listening figures, at more than 8.4 million, put the station among Italy's top six commercial stations, after just two years.

(€m)	12/31/2007	12/31/2006
Revenues	10.7	8.7
Other revenues	0.6	0.6
	11.3	**9.3**
Operating costs	(19.4)	(20.8)
Gross operating profit	**(8.1)**	**(11.5)**
Amortisation and depreciation	(1.2)	(1.0)
Operating profit	**(9.3)**	**(12.5)**

The R101 web site, launched in July 2006, also produced encouraging results: the number of registered users for the various services offered by www.R101.it is around 25,000 and constantly growing. The site also attracts around 200,000 unique visitors and around 3 million page views each month.

The Radio Division's revenues for 2007 came to €11.3 million, an increase of 21.5% on the €9.3 million of 2006, mainly from advertising sales, net of commission, on gross advertising revenues of €17.6 million (+24.8%).

Corporate and other business

The Corporate sector includes, in addition to the structure that manages the Group's financial activities, the functions of the Parent Company engaged in service activities for the companies of the Group and the Business Divisions.
Such services involve mainly ITC services, accounting, management control and planning, treasury and finance activities, human resources, legal and corporate affairs, and communications.
Revenues derive essentially from charges made to subsidiaries, associated companies and other users of the aforementioned services.

Mondadori International

The value of financial assets under management by the company on 31 December 2007 amounted €220.2 million (€168.9 at the end of 2006). The company recorded a net profit for the period of €4.9 million.

At the end of the year the portfolio was made up as follows:
- cash products and bonds at variable rates: €184.1 million;
- hedge fund investments for €36.1 million (widely diversified by management and strategy).

The entire portfolio can be converted rapidly to cash, and in any case, not more than three months for the component invested in Hedge Funds.

Financial situation

Net financial position

(€m)	12/31/2007	12/31/2006
Cash and other equivalent liquid assets	225.1	105.5
Financial investments at fair value	108.5	152.5
Gains (losses) from derivatives	(51.3)	(35.5)
Other financial gains (losses)	(23.5)	(11.0)
Financing (short & medium/long term)	(444.5)	(401.3)
Bonds	(241.3)	(259.0)
Convertible bonds	(108.3)	(105.9)
Net financial position	**(535.3)**	**(554.7)**

The Mondadori Group's financial situation as of 31 December 2007 showed a deficit of €535.3 million, an improvement on the figure of the previous year.
Changes in the net financial position take account, among other things, of dividend payments of €84.7 million made to shareholders in May 2007, and net investments of €58.9 million in assets and shareholdings, €10,3 million in share buybacks and €86 million for taxes.

It should be noted that, if outlined as per CONSOB recommendations, see note 13, the deficit would amount to €539.0 million, in that it would not include the item "Non-current financial assets".

Trends in interest and exchange rates

As expected, 2007 ended with a particularly disappointing final quarter in terms of economic growth which recorded figures that were well below potential (+2.2% at a global level, +0.6% in the USA, +1.2% in Europe). The marked slowdown in the United States, caused by the crisis in the real estate market, a liquidity crisis at a number of banks and an increase in the price of oil and other raw materials, has also had an impact on other countries, with effects that have been more marked in areas (such as Europe and Japan) with very close relations with the US, both in terms of trade and the interdependence of financial markets.

Despite this economic downturn, there was an upturn in inflationary pressure, mainly caused by the ongoing increase in the demand for raw materials by emerging economies, principally China and India.

On the exchange rate front, there was a marked strengthening of the Euro against the US Dollar and Sterling across the whole of 2007, from minimums of 1.29 and 0.65 to the more recent maximums of 1.48 and 0.76.

In terms of market interest rates, 3-month Euribor (Act/360) rose from 3.725% at the end of December 2006 to 4.684% at the end of December 2007 (an average of around 4.28% and a peak in mid-December of 4.95%). In the same period, the average cost of money for the Mondadori Group was 4.09%.

The overall credit lines available to the Group at 31 December 2007 came to almost €1.5 billion, €1,05 of which was committed.

Around €150.8 million of the Group's short-term borrowing facilities, worth €532 million, were used as at 31 December 2007, through self-liquidating credit lines (advances on invoices) and stand-by loans with a duration of less than 18 months minus one day.

Medium-long-term lines of around €1 billion are made up of:
- €296.4 million from a private placement in dollars in the U.S.A., over three tranches expiring in 2013/2015/2018 reserved exclusively for institutional investors.

There is a Cross Currency Swap on this loan to face interest and exchange rate risks;

- €109.9 million in convertible bonds, guaranteed by Mondadori shares (expiring in October 2008) also reserved for institutional investors;
- €44.6 million in facilitated credit for publishers, mainly obtained as per Law n. 62/01;
- €500 million for a five-year bank loan (expiring in July 2011) organised by a pool of leading international banks for the acquisition of the French publishing group Emap France in the summer of 2006. This multi-borrower (Mondadori International and Arnoldo Mondadori Editore) loan is made up of a term loan of €300 million and a revolving credit facility of €200 million; as of 31 December 2007 the latter had not been used. A swap from a variable to a fixed interest rate has been applied to 50% of the term loan.

Personnel

As of 31 December 2007 Group companies employed 5,586 people (5,668 at 31 December 2006), while the average number of personnel during the period amounted to 5,601 (4,799 in the same period in 2006).

The following table shows details of Group personnel as of 31 December 2007.

Personnel	12/31/2007	12/31/2006
Arnoldo Mondadori Editore SpA:		
- Managers, journalists and office staff	1,367	1,477
- Blue-collar staff	108	101
	1,475	**1,578**
Italian subsidiaries:		
- Managers, journalists and office staff	1,832	1,706
- Blue-collar staff	1,010	1,098
	2,842	**2,804**
Foreign subsidiaries:		
- Managers, journalists and office staff	1,166	1,181
- Blue-collar staff	103	105
	1,269	**1,286**
Total	**5,586**	**5,668**

The cost of personnel amounted to €372.9 million (€302.1 million in 2006), an increase of 23.4%, due to the consolidation for the entire year of Mondadori France.

The reorganisation of the Verona and Melzo printing plants was completed in December 2007 with the early retirement of 71 employees.

On 31 December 2007 it was no longer possible to take advantage of the "Social Security Bonus", which allowed employees to receive an economic benefit when they continued to work despite having reached the normal prerequisites for retirement. The ending of this benefit led around eighty employees to choose retirement.

As of 31 December 2007, the following contracts had expired:

- the remuneration component of the national contract for executives, which was, however, renewed on 23 January 2008;
- the remuneration component of the national contract for commercial trades;
- the remuneration component of the national contract for journalists.

Capital investments

During 2007 the Group made investments in capital for a total of €35.4 million, of which €25.4 million are already operational.

The area most affected by such investments was, as usual, the printing area, which accounted for €15.1 million, €8.5 million of which is already operational and involves investments in plant and machinery for printing and industrial infrastructure.

Disinvestments during 2007, which amounted to a residual value of €14.4 million, mainly concerned €13.6 million for industrial property not in direct use, while the remainder was made up of other assets divested in the normal order of business.

Results of Arnoldo Mondadori Editore SpA

On 31 December 2007, the balance sheet of the parent company, Arnoldo Mondadori Editore SpA, showed a net profit of €90.0 million, in line with the same period of the previous year (€90.2).

Reconciliation of the net assets and profit of the parent company and consolidated net assets and profit

The following table makes it possible to compare the net assets and results of Arnoldo Mondadori Editore SpA in 2007 with those of the consolidated Group.

(€m)	Net assets	Net profit for the period
As per the Parent Company's statutory accounts	**432,835**	**89,965**
Dividends paid to the Parent Company by subsidiary and associated companies		(53,918)
Elimination of intragroup profits	(8,255)	(1,455)
Contribution of associated companies	(21,508)	20,521
Contribution of subsidiary companies, net of aforementioned items	101,530	57,526
As per the consolidated balance sheet	**504,602**	**112,639**

Forecast for the current year

Economic forecasts for 2008 continue to evolve, with negative indicators for production, consumer spending and industrial costs.

The situation is complicated by the ongoing liquidity crisis making it both expensive and difficult to finance development while encouraging the recourse to low risk investment. In addition, differing monetary policies in Europe and the United States have led to acceleration in the strength of the Euro, with inevitable consequences for companies involved in international trade.

In this context, in which the Italian economy would appear to be among the most exposed and fragile, the Mondadori Group will pay particular attention to managing its core business, which is less susceptible to such factors, and the international activities that reduce the dependence on the domestic market.

During the year the development will continue of the international network, digital activities and the product portfolio in France.

The current situation makes it especially difficult to make forecasts for companies' 2008 results, however Mondadori's track record in recent years makes it possible to hypothesise operating results for the current year, net of development costs and extraordinary items, in line with the positive results of 2007.

Significant events after the end of the year

It should be noted that there were no significant events after the close of the period herein reported.

Information concerning the ownership structure

The information concerning the ownership structure required by article 123-bis of Legislative Decree 58 of 24 February 1998 is outlined below.

a) **The structure of the share capital, including stocks that are not traded on markets that are regulated by a country belonging to the European Union, indicating the various types of shares, the rights and obligations connected to every type of share and the percentage of the share capital they represent.**
At 31 December 2007 the share capital, entirely underwritten and paid up, amounted to €67,451,756.32, divided up into 259,429,832 ordinary shares of a par value of €0.26 each. The shares are issued and traded electronically in the Blue Chip segment of the automated stock market organised and managed by Borsa Italiana SpA.
The shares are nominative, indivisible and freely transferable.
There are no other types of shares or not negotiated bonds on regulated markets.

b) **Restrictions on the transfer of stocks such as, for example, limits on the possession of stocks or the necessity to obtain the approval of the company or of other stockholders.**
Not applicable.

c) **Significant investments in the share capital, either direct or indirect, as per article 120 of Legislative Decree 58/98.**
Significant investments, either direct or indirect, of more than 2% of the underwritten share capital represented by shares with the right to vote, as indicated in the shareholders' register and in compliance with the information received as per article 120 of Legislative Decree 58 of 24 February 1998 are:

Shareholder	n. ordinary shares held	% of share capital held
Silvio Berlusconi (indirectly through Fininvest SpA)	130,065,514	50.135%
Silchester International Investors Ltd (in its role of administer of, among others, the Silchester International Investors International Value Equity Group Trust that holds 2.504% and the Silchester International Investors International Value Equity Trust that holds 5.175%)	25,961,632	10.007%
Tweedy Browne Company LLC (in its role of administrator of, among other, the Tweedy Browne Global Fund that holds 3.096%)	13,090,134	5.045%

d) **Possessors of each share that confers special control rights.**
Not applicable.

e) **Mechanism relating to exercising the right to vote contained in any eventual employee share option system, when the right to vote is not directly exercised by the employees in question.**
Not applicable.

f) **Any form of restriction on the right to vote, for example limiting the right to vote to an established percentage or to an established number of votes, time limits imposed on exercising the right to vote or systems where, with the cooperation of the company, the financial rights connected to the shares are separated from the possession of the shares.**
Not applicable.

g) **Agreements communicated to the company in compliance with article 122 of Legislative Decree 58/98.**
The company is not aware of any shareholders group agreements as referred to in article 122 of Legislative Decree 58 of 24 February 1998 concerning exercising the right to vote linked to shares or to the transfer of shares.

h) **Regulations governing the nomination and replacement of directors and the modification of the statute, where different from those applied as per supplementary norms.**

Nomination and replacement of directors.

The regulations governing the nomination and replacement of Directors are contained in article 17 of the company statute, which was modified by the Board of Directors during 2007.
The modifications to the statute were carried out in compliance with the provisions relating to the election and composition of a Board of Directors introduced by Legislative Decree 58 of 24 February 1998, Law 262 of 28 December 2005 and Legislative Decree 303/2006. Below is the text of the article of the company statute referred to.

Article 17

1. The Company is run by the Board of Directors composed of between three and fifteen members, who must be in possession of the necessary requirements in compliance with current *pro tempore* primary and secondary regulations and can be re-elected.
2. Before nominating the Directors, the Shareholders' Meeting determines the exact number of members of the Board and its duration in compliance with the duration limits established by the law.
3. The Board of Directors is nominated by the Shareholders' Meeting on the basis of lists containing the names of a maximum of 15 candidates per list, with each candidate allocated a number.
Each candidate can only appear on one list, otherwise they will be disqualified.
Lists can only be presented by those shareholders who have the right to vote and who, either individually or together with other shareholders, represent at least the percentage of the share capital underwritten on the date the lists are presented as established and published by CONSOB in compliance with the regulations contained in resolution 11971 of 14 May 1999 and subsequent modifications and additions (henceforth referred to as "Issuer Regulations"). The exact percentage of the share capital required for the presentation of candidate lists for the election of the Board of Directors is contained in the convocation of the Shareholders' Meeting called to decide on the nomination of that body.
Each shareholder must not present or vote for more than one list, not even through a third party or a trust company. Shareholders who belong to the same group – meaning in this case the parent company, subsidiary companies and companies jointly controlled – and shareholders who belong to the same shareholders group as per article 122 of Legislative Decree 58/1998 with the objective of holding shares in the issuer cannot present or vote for more than one list, even through a third party or a trust company.
Every list that contains seven or less candidates must identify at least one candidate who has the necessary requisites to be elected an Independent Director for a quoted company (henceforth referred to as "Independent Directors as per Legislative Decree 58/1998").
Every list that contains more than seven candidates must identify at least two candidates who have the necessary requisites to be elected Independent Directors, as per Legislative decree 58/1998.
The lists must be deposited at the company's head office at least fifteen days before the date fixed for the first calling of the Shareholders' Meeting called to pass resolution on the nominations for statutory

auditors, together with:
a) information about the identity of the shareholders presenting the lists, the percentage of the total shares held and a document testifying to the ownership of those shares;
b) a declaration made by the shareholders presenting the lists and different from those who hold either individually or together with other shareholders a controlling or majority stake, attesting to the absence or presence of business relations with the shareholders, in compliance with the provisions of article 144-quinquies, first paragraph, of the Issuer Regulations;
c) detailed information about the personal and professional characteristics of the candidates, together with a declaration by the candidates that they are in possession of the requisites required by law, that they accept their candidature and, if applicable, that they are in possession of the requisites for independent directors as laid out in article 148, paragraph 3 of Legislative decree 58/1998.
Any list that does not conform to the above requirements will not be voted on.
The nominations for candidates will be made available to the public in compliance with the terms and conditions required by law.
Before opening the voting, the Chairman of the Shareholders' Meeting will read out any declarations made in compliance with point b) and will invite any shareholders who are taking part in the meeting who have not deposited or cooperated in depositing any lists to declare any business relations they may have, as described above.
If an individual who is linked to one or more shareholders votes for a minority list, that relationship will only become relevant if his vote determines the election of a director.
When counting the votes, any list that does not obtain at least half the number of votes necessary for presenting a list will be discounted.
When the vote has been completed, the votes obtained by the lists are divided up starting from number one up to the number of directors to be elected.
The quotient obtained in this way is then attributed to the candidates on each list, according to the fixed order of the list.
The quotients attributed to the candidates on the various lists are then listed in descending order. Those candidates who obtain the highest number of votes are then elected, up to the number of directors required, bearing in mind that the candidate placed in first place on the second list that obtains the most number of votes and who is neither directly or indirectly linked to the shareholders who presented or voted for the list that obtains the highest number of votes must be elected.
Therefore if this candidate does not obtain the quotient necessary to be elected, the candidate who obtains the lowest quotient from the list that obtains the highest number of votes is not elected and the position of director is awarded to the candidate in first position on the second list that obtains the highest number of votes.
The candidate in first place on the list that obtains the highest number of votes is also nominated Chairman of the Board of Directors.
Should, when completing the full Board of Directors, more than one candidate obtain the same quotient, the candidate from the list that has not already elected any director or that has elected the lowest number of directors is elected.
In cases where none of these lists have elected any directors or where they have all elected the same number of directors, the successful candidate is the one who obtained the most number of votes on those lists.
Should the number of votes and the quotients be the same, the Shareholders' Meeting votes again and the successful candidate is the one who obtains a simple majority of the votes.
If after voting in this way for a Board of Directors with either up to seven or more than seven members at least one or two directors do not have the prerequisites laid down by Legislative Decree 58/1998 for independent directors for quoted companies, the following procedure applies:
a) in the case of a Board of Directors composed of up to seven members, the candidate elected last on the basis of the progressive quotient and who belongs to the first list that obtains the majority of votes is replaced by the first candidate who obtains the lower progressive quotient, satisfies the requirements and is on the same list;
b) in the case of a Board of Directors composed of more than seven members, the two candidates elected last on the basis of the highest number of votes are replaced by the first two candidates who obtain the lower progressive quotient, satisfy the requirements and are on the same list;
c) in the case of a Board of Directors composed of more than seven members where only one of the nominees has the necessary requisites, the second candidate is nominated in compliance with the procedure outlined in point a) above.
4. If only one list is presented, the Shareholders' Meeting votes on the names contained on that list and if that list obtains the majority as per article 2368 of the Civil Code, those candidates listed in progressive order are elected up until the correct number of directors established by the Shareholders' Meeting has been reached.
The candidate indicated in first place on that list is elected Chairman of the Board of Directors.
If after voting in this way for a Board of Directors with either up to seven or more than seven members at least one or two directors do not have the prerequisites laid down by Legislative Decree 58/1998 for independent directors for quoted companies, the candidate or the two candidates elected last on the basis of the progressive order of the list when only one list is presented are replaced by either the first or the first two candidates in the lower progressive order who have the necessary requisites and are on the same list.
5. If no lists are presented or if when the lists are voted on the number of candidates elected is lower than the number established by the Shareholders' Meeting, the Board of Directors is nominated or integrated by the Shareholders' Meeting on the basis

of a legal majority.

6. If for any reason whatsoever one or more directors resign their position, the remaining directors are responsible for replacing them by co-opting new directors in compliance with article 2386 of the Civil Code, while respecting the minimum numbers of Independent Directors required as per Legislative Decree 58/1998.

The nomination of directors to replace directors no longer in office, including co-opting replacement directors, is carried out on the basis of a legal majority vote, as long as the minimum number of Independent Directors is respected as per Legislative Decree 58/1998.

Modifications to the statute.

Modifications to the statute are resolved by extraordinary Shareholders' Meetings. In compliance with the previsions of article 16 of the current statute, referring to the constitution and resolutions of Extraordinary Shareholders' Meetings, the provisions of the law are applied both in first and second calling.

With reference to the provisions of article 2365 of the Civil Code and article 23 of the current company statute, the Board of Directors is authorised to adopt resolutions concerning the merger, in those cases provided for in article 2505 of the Civil Code, setting up or closure of secondary branches, for which the directors are responsible, the reduction of capital in the case of withdrawal of partners, the adjustment of the statute in order to comply with new laws and the issue of non-convertible bonds within the limits referred to in article 2412 of the Civil Code and in any case up to a maximum of €400,000,000 it being understood that only Extraordinary Shareholders' Meetings have the authority to issue bonds for a total that exceeds that limit. Such Shareholders' Meetings also have the sole authority to issue warrants for the underwriting of company shares.

i) Existence of authorisation to increase the share capital as per article 2443 of the Civil Code and for directors to issue financial investment instruments and authorise the purchase of company shares.

Authorisation as per article 2443 of the Civil Code.

The Extraordinary Shareholders' Meeting of 26 April 2004, following revocation of the previous authorisation granted by the extraordinary Shareholders' Meeting of 29 April 1999, resolved:

a) to grant the Board of Directors, in compliance with art. 2443 of the Civil Code, the authority to increase the share capital, in one or more stages within a period of five years of the date of the resolution, up to a maximum of €78,000,000 (seventy-eight million), by issuing shares, with the authority to establish when necessary the price of the shares, including the share premium, the dividend and the eventual destination of the increase in the share capital to the service of the conversion of bonds, including those issued by third parties either in Italy or abroad, and warrants;

b) without in any way affecting, within the limit referred to in article 23, the competence of the Board of Directors, as per article 2410 of the Civil Code concerning the issue of non-convertible bonds, to grant the Board of Directors, in compliance with art. 2420 ter of the Civil Code, the authority for a bond issue, in one or more stages within a period of five years of the date of the resolution, that can be converted into shares with a subsequent increase in share capital, for an amount that, taking into consideration the number of bonds in circulation at the time of each issue, does not exceed the limit allowed by law and in any case does not exceed a maximum of €260,000,000 determining the modality, terms, conditions and regulations governing such bond issues.

Authorisation for the purchase of company shares.

The Shareholders' Meeting of 23 April 2007, following the expiry of the previous authorisation granted by the Shareholders' Meeting of 26 April 2006, made provision, in compliance with article 2357 of the Civil Code, to renew the authorisation to purchase company shares up to the legal limit – taking into consideration the company shares already held in the company's portfolio and the shares held by the parent company - of 10% of the share capital. The authorisation granted by the Shareholders' Meeting is valid until the approval of the Financial Statements at 31 December 2007.

Given that 10% of the share capital represents 25,942,983 ordinary shares and that at the time of the resolution passed by the Shareholders' Meeting the company already held, either directly or indirectly through the subsidiary company Mondadori International SA, a total of 17,382,691 shares equal to 6.7% of the share capital, the new authorisation in effect granted the Board of Directors the authorisation to purchase on the market a maximum of 8,560,292 ordinary shares.

The minimum and maximum purchase price was established using the same conditions applied when the previous authorisation was granted and, specifically, at a price not less than the official stock exchange price on the day before the purchase operations, decreased by 20%, and not more than the official stock exchange price on the day before the purchase operations, increased by 10%.

The purchase operations are carried out on regulated markets in compliance with article 132 of Legislative Decree 58 of 24 February 1998 and article144-bis, paragraph 1, b) of Consob regulation 11971/1999, in accordance with the operational methods established by the regulations concerning the organisation and management of markets, which do not allow the direct linking of purchase negotiations with predetermined proposals for sales negotiations.

The Shareholders' Meeting also authorised the Board to effect buy-backs and utilise company shares purchased or already in the company's portfolio.

The authorisation to buy-back and utilise company shares in particular provides the Board of Directors with the power to:

- utilise company shares in order to meet the demand from individuals who exercise their right to buy shares as part of the Stock Option Plan voted on by the Shareholders' Meeting;
- utilise the company shares purchased or already held in the portfolio to finance any eventual purchase of shares required by the company's investment policy;
- utilise the company shares purchased or already held in the portfolio for dealing with the eventuality of any subsidiary company or third party exercising their rights, including conversion rights, deriving from financial instruments issued by the company;
- dispose, when it is deemed to be strategic, of an investment opportunity, also in relation to the available liquidity.

During 2007 Arnoldo Mondadori Editore SpA purchased a total of 2,729,896 company shares on the market.

During the same period Arnoldo Mondadori Editore SpA disposed of 450,000 shares at a price of €6.471 each and 675,000 shares at a price of €7.749 each, in order to meet the demands of the Stock Option Plan.

At 31 December 2007, the total number of company shares held amounted to 20,097,587 (7.747% of the share capital), 15,580,101 of which are directly held in the portfolio of Arnoldo Mondadori Editore SpA and 4,517,486 held by the subsidiary Mondadori International SA.

l) Significant agreements signed by the company or its subsidiaries which come into effect, are modified or are cancelled should control of the company change, and their effects.
Not applicable.

m) Agreements between the company and directors that provide for the payment of compensation in the case of resignation or termination without just cause or if employment is terminated as a result of a take-over bid.
Not applicable.

Other information

The following section deals with information about the items indicated:

Related party transactions

Information is hereby given, as per CONSOB communications 97001574 of 20 February 1997 and 98015375 of 27 February 1998, that no operations of an atypical or unusual nature were carried out during the year.

The operations carried out between related parties of the Group are based on normal market conditions: those carried out with companies of the Mondadori Group are of a commercial or financial nature and are accounted for through the intragroup current account managed by Arnoldo Mondadori Editore SpA, in which the various subsidiaries and associated companies take part, leading to a series of intercompany receivable and payable balances.

For more detailed information reference should be made to the notes to the Group's Consolidated Financial Statements.

Tax consolidation

As a consequence of the introduction of new legislation - pursuant to articles 117 and following of DPR n. 917/1986 - Arnoldo Mondadori Editore SpA has elected to take part in the tax consolidation of Finivest SpA in view of its position as a jointly consolidated entity with that company.

The election of the companies of the Mondadori Group to participate in the "tax consolidation of Fininvest" was subordinate, in the consolidation agreement, to a clause safeguarding the Mondadori Group from being obliged to pay income taxes for amounts greater than that which the Group would have made if Arnoldo Mondadori Editore SpA had opened its own tax consolidation position.

Moreover, on the basis of the transferred taxable income of all of the companies of the Fininvest Group included in the fiscal consolidation, the contract recognises that a part of the fiscal advantage pertaining to Fininvest SpA is due to Arnoldo Mondadori Editore SpA in view of the Mondadori Group's participation in the consolidation.

Payables and receivables deriving from the consolidation are recognised as payables to and receivables from parent companies.

Fiscal transparency

Arnoldo Mondadori Editore SpA and the following companies have jointly adopted the "fiscal transparency option" pursuant to article 115 of DPR n. 917/1986:

- Gruner + Jahr/Mondadori SpA
- Harlequin Mondadori SpA

As a result of this, the taxable income and tax losses of these companies are included on a pro-rata basis in the taxable income of Arnoldo Mondadori Editore SpA.

Management and coordination (article 2497 and following of the Civil Code)

While holding a majority interest, as per art. 2359 of the Civil Code, Fininvest SpA does not exercise any management and coordination functions ex art. 2497 bis and subsequent of the Civil Code over Arnoldo Mondadori Editore SpA, limiting itself to the management of its financial interest in the same.

In line with legal requirements and given that the Board of Directors of Arnoldo Mondadori Editore SpA determines, in general terms, the strategic and organisational guidelines also for subsidiary companies, the Board has confirmed that the company carries out management and coordination activities, as per articles 2497 and following of the Civil Code, for the following companies, as per article 2359 of the Civil Code:

Cemit Interactive Media SpA
Edizioni Frassinelli Srl
Edizioni Piemme SpA
Edumond Le Monnier SpA
Fied SpA
Giulio Einaudi Editore SpA
Mondadori Electa SpA
Mondadori Franchising SpA
Mondadori Printing SpA
Mondadori Pubblicità SpA
Mondadori Retail SpA
Press-Di Distribuzione Stampa e Multimedia Srl
Sperling & Kupfer Editori SpA
Monradio Srl
Mondadori Iniziative Editoriali SpA

These companies have consequently implemented the necessary disclosure requirements envisaged by article 2497 bis of the Civil Code.

Security Procedural Document (privacy)

In regard to Legislative Decree n. 196/2003, the holder, Arnoldo Mondadori Editore SpA, being obliged, declares and guarantees that it has prepared a Security Procedural Document as required by rule n. 19 of the norm regarding minimum security measures (enclosure B, Legislative Decree n. 196/2003), as per the terms and according to the procedures laid out in the norm.

Agreement with SEEC Media Group Limited for the creation of a joint-venture in China

In September an agreement was drawn up, through the subsidiary Mondadori Pubblicità SpA, for the creation of a 50-50 joint venture with SEEC Media Group Limited in China, based in Beijing and subject to Chinese law, for the sale of magazine advertising in the country. The initial investment by Mondadori Pubblicità in terms of the capitalisation of the company will amount to €1 million.

With this operation the Mondadori Group has gained access to the Chinese magazine advertising market, one of the most dynamic in the world, with an estimated 2007 value of €400 million. Growth rates over the last ten years in the sector have been very high, with annual growth of around 30% and over 24% for the current year.

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

Extension of the contract for the auditing of the company accounts

The Annual General Meeting of 23 April 2007, on the basis of a proposal from the Statutory Auditors, as per art. 159, para. 1 of the Legislative Decree of 24 February 1958, n. 58, resolved to extend the contract of Reconta Ernst & Young SpA for the years 2007/2008/2009 – as per art. 8, para. 7 of the Legislative Decree of 29 December 2006, n. 303 – for the auditing of the company's accounts.

The AGM also resolved to extend the contract of Reconta Ernst & Young SpA for the years 2007/2008/2009, for the limited audit of interim financial reports for each of the three years.

Modifications to the statute

During the year the Board of Directors deliberated, as per art. 2365 of the Civil Code, modifications to the company statute in line with the dispositions of Legislative Decree 58/1998 (TUF), law n. 262 of 28 December 2005 and legislative decree n. 303/2006.

In particular, such modifications concern:
- the nomination process and professional requisites of executives responsible for the preparation of the company's accounts, as per art. 154-bis of the TUF;
- in line with the above mentioned norms and the regulations for issuers outlined by CONSOB (the Italian stock exchange commission), rules regarding the nomination of the Board of Directors and the Board of Statutory Auditors by means of a voting list system.

As regards the minimum stake required for the presentation of lists, the statute refers to the percentage which, as per regulations for issuers, will be determined annually by the CONSOB on the basis of the average market capitalisation of the companies in the last quarter of each year.

In practice, as per current conditions, the minimum stake required for the presentation of lists for the nomination of Mondadori's Board of Directors is 2% of the share capital.

Allocation of options for the Stock Option Plan for the three-year period 2006-2007-2008

On 25 June 2007, the Board of Directors of Arnoldo Mondadori Editore SpA approved the allocation of option rights for the 2007 Stock Option Plan, for options pertaining to the three-year period 2006-2008, as resolved by the AGM of 26 April 2006.

The plan, which has already been communicated to the market, involves the allocation to participants of, personal and non-transferable, option rights, for the acquisition, on a one-share-per-option basis, of Mondadori ordinary shares from treasury stock.

The Board of Directors has approved the allocation of a total of 2,940,000 option rights to a total of 74 participants, from the categories identified by the AGM resolution of 26 April 2006 (executives of the company and its subsidiaries whose responsibilities have a significant impact on the attainment of the company's strategic objectives, directors of the company or one of its subsidiaries; journalists employed by the company or one of its subsidiaries with the position of editor-in-chief or co-editor; executives of the parent company with the position of director who carry out their functions in the interest of the company).
The allocated shares amount to a total of 1.13% of the company's share capital.
The Board of Directors has established attainment of the performance indicators relating to ROE and free-cash flow, as the condition for the exercise of such options allocated for 2007.
Subordinate to these requirements, the exercise of options on allocated shares for 2007 may be made only after a period of 36 months from the date of the allocation.
The exercise price is equal to the arithmetic average reference price for Mondadori shares, between the period from the date of allocation (i.e. today) to the same date of the previous month.

Further information on the Stock Option Plans can be found in section 25 of the notes to the annual report.

Information concerning compliance with the Code of Conduct promoted by Borsa Italiana SpA (art. 89 bis, CONSOB regulation 11971/1999)

The "Corporate Governance Report" containing, as per art. 89 bis of CONSOB regulation 11971/1999, information concerning compliance on the part of Arnoldo Mondadori Editore SpA with the code of conduct for companies listed by Borsa Italiana SpA has been published, along with this management report, on the web site www.mondadori.it - in the Corporate Governance section – as well as in accordance with the indications of the aforementioned art. 89 bis of CONSOB regulation n.11971/1999.

Shares held by Directors, Statutory Auditors and General Managers

In accordance with art. 79 of CONSOB resolution 11971 of 14 May 1999, and with reference to the year 2007, we disclose the following shares held in Arnoldo Mondadori Editore SpA and subsidiary companies by the company's Directors and Statutory Auditors.

The same information, in aggregate form, is also supplied for executives with strategic responsibilities as identified by the Group's Management Committee.

Name	Company shares	Number of shares owned at end of previous year	Number of shares bought	Number of shares sold	Number of shares owned at end of current year
Berlusconi Marina	Arnoldo Mondadori Editore	-	-	-	-
Costa Maurizio	Arnoldo Mondadori Editore	324,700	25,300	-	350,000
Berlusconi Pier Silvio	Arnoldo Mondadori Editore	172,000	-	-	172,000
Cannatelli Pasquale	Arnoldo Mondadori Editore	-	40,000	40,000	-
Ermolli Bruno	Arnoldo Mondadori Editore	-	-	-	-
Forneron Mondadori Martina	Arnoldo Mondadori Editore	167,127	-	-	167,127
Poli Roberto	Arnoldo Mondadori Editore	-	-	-	-
Resca Mario	Arnoldo Mondadori Editore	-	-	-	-
Spadacini Marco	Arnoldo Mondadori Editore	4,000 (1)	-	-	4,000
Veronesi Umberto	Arnoldo Mondadori Editore	-	-	-	-
Vismara Carlo Maria	Arnoldo Mondadori Editore	-	25,000	-	25,000
Superti Furga Ferdinando	Arnoldo Mondadori Editore	-	-	-	-
Frattini Achille	Arnoldo Mondadori Editore	-	-	-	-
Papa Franco Carlo	Arnoldo Mondadori Editore	-	-	-	-
Giampaolo Francesco	Arnoldo Mondadori Editore	-	-	-	-
Vittadini Francesco	Arnoldo Mondadori Editore	-	-	-	-
Executives with strategic responsibilities	Arnoldo Mondadori Editore	1,000	220,000 (2)	220,000 (2)	1,000

(1) shares held by spouse

(2) shares bought in the exercise of stock options

Proposals of the Board of Directors

Resolution proposal

The Financial Statements at 31 December 2007 closed with a net profit for the year of €89,965,025.12.

We submit the following text to you for the motion:

"The ordinary Shareholders' General Meeting of Arnoldo Mondadori Editore S.p.A., having taken note of the Report of the Board of Statutory Auditors and the Report of the Independent Auditors,

resolves

1. *to approve the Report of the Board of Directors on the company's performance and the Financial Statements at 31 December 2007, together with the notes, in all their parts and findings;*
   to distribute to shareholders a dividend of €0.35, stated gross of taxes, for each ordinary share (excluding treasury shares) in circulation at the date of coupon detachment, using the residual profit and, if and where necessary, from the extraordinary reserve (as per the item "Other reserves(*)").
   The dividend will be paid in accordance with the provisions of the "Regulations for markets organised and managed by Borsa Italiana S.p.A." as follows: detachment date 19 May 2008, with payment from 22 May 2008;

2. *to allocate to the extraordinary reserve (as per the item "Other reserves") a sum equal to the residual amount for dividend distribution as at 1 (above)".*

(*) It should be noted that, on the basis of the number of ordinary shares in circulation on the date of the approval of this Report by the Board of Directors, the dividend would be paid exclusively from the residual profit for the year.

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Financial Statements of Arnoldo Mondadori Editore SpA at 31 December 2007

Balance sheet

Assets (in €)	Note	31 December 2007	31 December 2006
INTANGIBLE ASSETS	1	91,839,898	91,717,602
INVESTMENT PROPERTY	2	1,525,069	1,578,985
Land and buildings		9,730,940	18,894,051
Plant and machinery		6,159,188	5,373,942
Other tangible fixed assets		5,828,397	6,072,412
PROPERTY, PLANT AND EQUIPMENT	3	**21,718,525**	**30,340,405**
INVESTMENTS	4	760,536,299	748,353,069
NON-CURRENT FINANCIAL ASSETS		0	0
DEFERRED TAX ASSETS	5	15,147,542	16,521,073
OTHER NON-CURRENT ASSETS	6	777,116	1,291,702
TOTAL NON-CURRENT ASSETS		**891,544,449**	**889,802,836**
TAX RECEIVABLES	7	10,725,075	16,757,397
OTHER CURRENT ASSETS	8	39,000,700	43,584,215
INVENTORIES	9	40,036,665	43,908,158
TRADE RECEIVABLES	10	241,052,029	241,197,579
OTHER CURRENT FINANCIAL ASSETS	11	103,280,880	54,671,265
CASH AND CASH EQUIVALENTS	12	96,018,664	73,598,492
TOTAL CURRENT ASSETS		**530,114,013**	**473,717,106**
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**1,421,658,462**	**1,363,519,942**

Liabilities (in €)	Note	31 December 2007	31 December 2006
Share capital		67,451,756	67,451,756
Share premium reserve		286,875,536	285,466,652
Treasury shares		(104,001,848)	(93,160,114)
Other reserves and retained earnings		92,544,160	85,578,060
Profit (loss) for the year		89,965,025	90,239,564
TOTAL SHAREHOLDERS' EQUITY	13	432,834,629	435,575,918
PROVISIONS	14	19,776,817	10,466,676
EMPLOYEES' LEAVING ENTITLEMENT AND TERMINATION INDEMNITIES	15	36,079,214	45,164,931
NON-CURRENT FINANCIAL LIABILITIES	16	296,449,463	296,255,728
DEFERRED TAX LIABILITIES	5	17,797,852	13,866,856
OTHER NON-CURRENT LIABILITIES		0	0
TOTAL NON-CURRENT LIABILITIES		370,103,346	365,754,191
INCOME TAXES PAYABLE	17	29,513,875	36,272,309
OTHER CURRENT LIABILITIES	18	70,709,839	98,509,753
TRADE PAYABLES	19	184,332,185	208,129,995
PAYABLES TO BANKS AND OTHER FINANCIAL LIABILITIES	16	334,164,588	219,277,776
TOTAL CURRENT LIABILITIES		618,720,487	562,189,833
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,421,658,462	1,363,519,942

Income statement

(in €)	Note	2007	2006
REVENUES FROM SALES AND SERVICES	20	**949,341,608**	**1,021,548,997**
DECREASE (INCREASE) IN INVENTORIES	9	3,481,168	(1,724,377)
COST OF RAW MATERIALS AND CONSUMABLES AND GOODS FOR RESALE	21	184,911,526	232,366,970
COST OF SERVICES	22	520,602,875	542,809,434
PERSONNEL COSTS	23	134,999,781	128,367,700
OTHER INCOME (EXPENSE)	24	(12,990,536)	(8,232,435)
GROSS OPERATING PROFIT		**118,336,794**	**127,961,705**
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	2/3	4,514,068	4,792,485
AMORTISATION AND WRITEDOWNS OF INTANGIBLE ASSETS	1	263,543	1,339,665
OPERATING PROFIT		**113,559,183**	**121,829,555**
FINANCIAL INCOME (EXPENSE)	25	(19,820,989)	(12,831,285)
INCOME (EXPENSE) FROM INVESTMENTS	26	39,187,471	29,185,972
PROFIT BEFORE INCOME TAXES		**132,925,665**	**138,184,242**
INCOME TAXES	27	42,960,640	47,944,678
NET PROFIT		**89,965,025**	**90,239,564**

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Changes in shareholders' equity at 31 December 2007

(€,000)	Note	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other riserve	Profit (loss) for the year	Total shareholders' equity
At 1/1/2006		67,452	283,747	(102,824)	4,715	123,577	101,290	477,957
Movements:								
- Allocation of net profit						33	(33)	
- Dividends paid						(43,380)	(101,257)	(144,637)
- Treasury share operations	13			9,664		(26)		9,638
- Stock options	23		1,720		658			2,378
- Net profit for the year							90,240	90,240
At 12/31/2006		67,452	285,467	(93,160)	5,373	80,204	90,240	435,576

(€,000)	Note	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other riserve	Profit (loss) for the year	Total shareholders' equity
At 1/1/2007		67,452	285,467	(93,160)	5,373	80,204	90,240	435,576
Movements:								
- Allocation of net profit						5,518	(5,518)	
- Dividends paid							(84,722)	(84,722)
- Treasury share operations	13			(10,842)		531		(10,311)
- Stock options	23		1,409		863	55		2,327
- Net profit for the year							89,965	89,965
At 12/31/2007		67,452	286,876	(104,002)	6,236	86,308	89,965	432,835

Cash flow statement

Cash flow statement (€,000)	Note	31 December 2007	31 December 2006
Net profit for the year		89,965	90,240
Adjustments			
Depreciation, amortisation and impairment		19,508	9,025
Stock options	23	1,837	1,730
Charges to provisions, employees' leaving entitlement and termination indemnities		5,350	8,869
Capital (gains) losses on disposal of intangible assets, property, plant and equipment		(12,287)	(481)
Income from investments – dividends	26	(53,918)	(32,122)
Cash from operating activities		**50,455**	**77,261**
(Increase) decrease in trade receivables		(4,589)	(10,642)
(Increase) decrease in inventories		3,482	(1,324)
Increase (decrease) in trade payables		(22,338)	2,786
Net change in income tax receivables/payables	7-17	(726)	24,163
Net changes in other assets/liabilities		(11,035)	(6,328)
Net changes in deferred tax assets and liabilities	5	5,306	1,660
Increase (decrease) to provisions, employees' leaving entitlement and termination indemnities		(5,643)	(6,121)
Cash flow from (used in) investing activities		**14,912**	**81,455**
(Investments in) disposals of intangible assets		(224)	(264)
(Investments in) disposals of property, plant and equipment		8,006	(6,996)
(Investments in) disposals of equity investments		(25,629)	(52,043)
Income from investments – dividends	26	53,918	32,122
(Investments) disposals of shares and other financial assets	11	(48,609)	46,249
Cash flow from (used in) investing activities		**(12,538)**	**19,068**
Increase (decrease) in payables to banks		114,887	64,394
(Purchase) disposal of treasury stock	13	(10,311)	9,664
Net change in other financial assets/liabilities	16	193	210
Dividends paid	13	(84,722)	(144,637)
Cash flow from (used in) financing activities		**20,047**	**(70,369)**
Increase (decrease) in cash and cash equivalents		**22,421**	**30,154**
Cash and cash equivalents at beginning of year	12	**73,598**	**43,444**
Cash and cash equivalents at end of year	12	**96,019**	**73,598**
Composition of cash and cash equivalents			
Cash, cheques and valuables in hand		21	16
Bank and post office deposits		95,998	73,582
	12	**96,019**	**73,598**

Balance sheet as per CONSOB deliberation n. 15519 of 27 July 2006

Assets (€,000)	Note	2007	Including correlated part (note 30)	2006	Including correlated part (note 30)
Intangible assets	1	**91,840**		**91,718**	
Investment property	2	**1,525**		**1,579**	
Land and buildings		9,731		18,894	
Plant and machinery		6,159		5,374	
Other tangible fixed assets		5,828		6,072	
Property, plant and equipment	3	**21,718**		**30,340**	
Investments	4	760,536		748,353	
Non-current financial assets		0		0	
Advance tax assets	5	15,148		16,521	
Other non-current assets	6	777		1,292	
Total non-current assets		**891,544**		**889,803**	
Tax receivables	7	10,725		16,757	
Other current assets	8	39,001		43,584	
Inventories	9	40,037		43,908	
Trade receivables	10	241,052	153,902	241,198	148,727
Other current financial assets	11	103,281	94,494	54,671	54,230
Cash and cash equivalents	12	96,018		73,599	
Total current assets		**530,114**	**248,396**	**473,717**	**202,957**
Assets held for sale		0		0	
Total assets		**1,421,658**	**248,396**	**1,363,520**	**202,957**

Liabilities and shareholders' equity (€,000)	Note	2007	Including correlated part (note 30)	2006	Including correlated part (note 30)
Share capital		67,452		67,452	
Share premium reserve		286,876		285,467	
Treasury shares		(104,002)		(93,160)	
Other reserves and retained earnings		92,544		85,577	
Profit (loss) for the year		89,965		90,240	
Total shareholders' equity	13	**432,835**		**435,576**	
Provisions	14	19,777		10,467	
Employees' leaving entitlement and termination indemnities	15	36,079		45,164	
Non-current financial liabilities	16	296,449	296,449	296,256	296,256
Deferred tax liabilities	5	17,798		13,867	
Other non-current liabilities					
Total non-current liabilities		**370,103**	**296,449**	**365,754**	**296,256**
Income tax payables	17	29,514	29,514	36,272	36,272
Other current liabilities	18	70,710		98,510	
Trade payables	19	184,332	105,045	208,130	126,494
Payables to banks and other financial liabilities	16	334,164	200,582	219,278	137,269
Total current liabilities		**618,720**	**335,141**	**562,190**	**300,035**
Liabilities held for sale		0		0	
Total liabilities and shareholders' equity		**1,421,658**	**631,590**	**1,363,520**	**596,291**

Income statement as per CONSOB deliberation n. 15519 of 27 July 2006

(€,000)	Note	2007	Including correlated part (note 30)	Including non-recurring charges (income) (note 29)	2006	Including correlated part (note 30)	Including non-recurring charges (income) (note 29)
Revenues from sales and services to third parties	20	**949,342**	**745,810**		**1,021,549**	**320,680**	
Decrease (increase) in inventories	9	3,481			(1,724)		
Purchase of raw materials and consumables and goods for resale	21	184,912	144,408		232,367	170,611	
Purchase of services	22	520,603	287,380		542,809	265,417	
Personnel costs	23	135,000		(2,120)	128,367		
Other (income) expense	24	(12,991)	(8,183)	(12,203)	(8,232)	(21,108)	
Gross operating profit		**118,337**	**322,205**	**(14,323)**	**127,962**	**(94,240)**	
Depreciation and impairment of property, plant and equipment	2/3	4,514			4,792		
Amortisation and impairment of intangible assets	1	264			1,340		
Operating result		**113,559**	**322,205**	**(14,323)**	**121,830**	**(94,240)**	
Financial income (expenses)	25	(19,821)	(18,877)		(12,831)	(16,640)	
Income (expenses) from other investments	26	39,188	53,918		29,186	32,122	
Results before taxes		**132,926**	**357,246**	**(14,323)**	**138,185**	**(78,758)**	
Income taxes	27	42,961		5,137	47,945		
Net result		**89,965**	**357,246**	**(9,186)**	**90,240**	**(78,758)**	

Report on the performance for the year

The "Report of the Board of Directors on 2007" contains details of the business activities and the results of Arnoldo Mondadori Editore SpA, information on the workforce, a forecast of business activities for the current year and details of the significant events that occurred after the end of the year.

The present section contains details of the transfer that took place on 1 January 2007 of the magazine distribution and subscription division of the company to Press-Di Distribuzione Stampa e Multimedia Srl (formerly Mondadori Sistemi di Comunicazione Srl). This extraordinary operation was a result of the decision taken by Arnoldo Mondadori Editore SpA to set up an independent company for the distribution of newspapers and magazines through newsstands and subscriptions. The company division where the magazine distribution and subscription division was transferred to, which for all of 2006 had been an integral part of Arnoldo Mondadori Editore SpA, made it possible for Press-Di Distribuzione Stampa e Multimedia Srl to offer improved integrated solutions for magazine publishing services, including circulation, marketing information, trade marketing, subscriptions, logistics and shrink wrapping.

Accounting principles and notes to the Financial Statements

1. General information

The main corporate purpose of Arnoldo Mondadori Editore SpA is to carry out business activities connected with the book and magazine publishing sectors and the sale of advertising.

Arnoldo Mondadori Editore SpA has its registered office in via Bianca di Savoia 12, in Milan, Italy, while the main administrative offices are in Segrate, Milan, in Strada privata Mondadori.

Arnoldo Mondadori Editore SpA, is listed on the MTA (automated stock market) of Borsa Italiana SpA

The values shown in the tables and in the notes are expressed in thousands of euros unless otherwise indicated.

The Financial Statements of Arnoldo Mondadori Editore SpA for the year ended 31 December 2007 was approved by the Shareholders' Meeting of 20 March 2008.
The Financial Statements will be published by depositing them at the companies registry office within 30 days of the Shareholders' Meeting of 22 April 2008 called to approve the Financial Statements for 2007.

2. Form and content

The Financial Statements as of 31 December 2007 have been drawn up in conformity with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU and in conformity with the interpretations of the International Financial Reporting Interpretations Committee (SIC/IFRIC).

Arnoldo Mondadori Editore SpA adopted the body of the principles as of 1 January 2005, following the introduction of European Regulation 1606 of 19 July 2002.

The information required by IFRS concerning the impact of the first adoption of International Accounting Standards was included in the attachment "Transition to IAS/IFRS accounting standards" to the six-month Report for 2005 and to the Consolidated Financial Statements of 31 December 2005.

The Financial Statements as of 31 December 2007 have been drawn up in conformity with the accounting standards used for preparing the IAS/IFRS Consolidated Financial Statements as of 31 December 2006, taking into account the amendments and new principles that came into force as of 1 January 2007, which are referred to in note 3.25.

Some of the comparative data referring to 2006 included in the cash flow statement has been reclassified.

The Financial Statements have been prepared in the following way:

- current and non-current assets and current and non-current liabilities are shown separately in the balance sheet;
- in the income statement, the analysis of costs is carried out on the basis of the nature of the costs, since the Group has decided that this method is more representative than an analysis by function;
- the cash flow statement has been prepared using the indirect method.

With reference to the requirements of CONSOB Resolution 15519 of 27 July 2006 concerning the tables used in financial statements, specific supplementary tables have been included that highlight relations with "Related parties" and "Non-current operations".

The amounts shown in the tables and in the notes are expressed in thousands of euros unless specifically indicated.

3. Accounting principles and policies

What follows are indications regarding the IAS/IFRS principles adopted in the preparation of the company's Financial Statements at 31 December 2007.

3.1 Intangible assets

When it is probable that costs will generate future economic benefits, intangible assets include the cost, including accessory charges, of the purchase of assets or resources, without any physical form, used in the production of goods or in the supply of services, to rent to third parties or for administrative purposes, on condition that the cost is quantifiable in a reliable manner and that the goods are clearly identifiable and controlled by the company that owns them.

Any costs incurred after the initial purchase are included in the increase of the cost of intangible assets in direct relation to the extent to which those costs are able to generate future economic benefits.

Internal costs for producing mastheads and for the launch of newspapers, magazines or other journals are recognised in the income statement for the year in question.

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses.

Intangible assets purchased separately and those purchased as part of business combinations that took place before the adoption of IAS/IFRS are initially booked at cost, while those purchased as part of business combination operations that took place after the adoption of IAS/IFRS are initially recognised at their fair value.

Intangible assets with a finite useful life
The cost of intangible assets with a finite useful life is systematically amortised over the useful life of the asset from the moment the asset is available for use. The amortisation criteria depend on how the company will receive the relative future economic benefits.

The amortisation rates that generally reflect the useful lives attributed to intangible assets with a finite life are as follows:

Intangible assets with a finite useful life	Amortisation period
Goods under concession or licence	Term of franchise or licence
Software	Straight-line over 3 years
Patents and rights	Straight line over 3 – 5 years
Other intangible assets	Straight line over 3 – 5 years

Intangible assets with a finite useful life are subject to an impairment test every time there is an indication of a possible loss of value. The period and method of amortisation applied is reviewed at the end of each year or more frequently if necessary.

Variations in the expected useful life or in the way future economic benefits linked to intangible assets are expected to be earned by the company are recognised by modifying the period or method of amortisation, and are treated as changes in accounting estimate.

Intangible assets with an indefinite useful life
Intangible assets are considered to have an indefinite useful life when, on the basis of a thorough analysis of the relevant factors, there is no foreseeable limit to the length of time the assets may generate income for the company.

The intangible assets identified by the company as having an indefinite useful life are shown in the following table:

Intangible assets with an indefinite useful life
Titles
Trade marks
Goodwill

Goodwill represents the excess of the cost of a business combination over the share purchased by the Group of the fair value of the assets, liabilities and contingent liabilities acquired, identifiable at the time of purchase. Goodwill and the other intangible assets with an indefinite useful life are not subject to amortisation but to an impairment test of their carrying value. This test concerns the value of the individual assets or of the business unit that generates the financial income (the cash generating unit) and is carried out whenever it is believed that the value has decreased, and in any case at least once a year.

In cases where goodwill is attributed to a cash generating unit (or to a group of units) whose assets are partially disposed of, the goodwill associated with the asset disposed of is reviewed in order to determine any capital gains or capital losses resulting from the operation. In these circumstances the goodwill disposed of is measured on the basis of the value of the assets disposed of compared with the asset still included in the cash generating unit in question.

3.2 Investment property

A property investment is considered an asset when it is held in order to earn income from its rental or in order for the invested capital to increase, on condition that the cost of the asset can be reliably measured and that future economic benefits will flow to the company.

Real estate investments are stated at cost, which includes the purchase cost and all accessory charges directly connected to the purchase.

Costs which arise after the initial purchase are included in the increase of the cost of the property investment in direct relation to how much those costs are able to generate future economic benefits higher than those originally assessed.

The cost of real estate investments, except for that part pertaining to the cost of the land, is systematically amortised during the useful life of the asset. The depreciation criteria depend on the how the relative future economic benefits arrive at the company.

The depreciation rates that reflect the useful life attributed to the company's investments are as follows:

Investment property	Depreciation rate
Buildings not used in business activities	3%

Both the useful life and the depreciation criteria are constantly reviewed and if any significant changes are found in the assumptions previously adopted, the depreciation rate for the period in question and for successive periods is adjusted.

Gains and losses deriving from the disposal of real estate investments are recognised in the income statement in the year the operation takes place.

Investment property is reclassified when there is a change of use highlighted by specific events.

3.3 Property, plant and equipment

Any costs attributable to the purchase of property, plant and equipment are recognised as assets, on condition that the cost of the asset can be reliably calculated and any related future economic benefits will flow to the company.

Assets booked to property, plant and equipment are valued at cost, including any accessory charges, and are stated net of accumulated depreciation and any loss in value.

Costs which arise after the initial purchase are recognised as an increase in cost in direct relation to the extent that these costs are able to improve the performance of the asset.

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are initially recognised at their fair value at the time of their purchase and subsequently at cost.
Assets recognised as property, plant and equipment, with the exception of land, are depreciated during the useful life of the asset from the moment the assets are available for use.

If the assets include more than one significant component and the components have different useful lives, each individual component is depreciated separately.

The depreciation rates that generally reflect the useful lives attributed to the company's property, plant and equipment are as follows:

Property, plant and equipment	Depreciation rate
Buildings used in business activities	3%
Plant	10% - 25%
Equipment	15.5%
Machinery	25%
Electronic office equipment	30%
Furniture and fixtures	12%
Motor vehicles and transport vehicles	20% - 30%
Other assets	20%

The residual value of assets, useful lives and the depreciation criteria applied, are reviewed on an annual basis and adjusted, if necessary, at the end of every year.

Leasehold improvements are booked to fixed assets and depreciated over the lower of the residual useful life of the fixed asset and the residual term of the lease contract.

3.4 Assets acquired under finance leases

Assets acquired under finance leases, which transfer all the risks and benefits connected with the asset to the company, are booked at their market value or, if lower, at the present value of the minimum lease payments, including the amount to be paid for exercising any purchase option.

Liabilities arising from leasing contracts are recognised as financial liabilities.

These assets are booked under their respective categories in the item property, plant and equipment and depreciated over the lower of the contract term and the useful life of the asset in question.

A lease where the lessor retains substantially all the risks and benefits linked to the property is recognised as an operating lease and the relative costs are recognised in the income statement over the contract term.

3.5 Borrowing costs

The carrying value of intangible assets, investment property and property, plant and machinery is subject to an impairment test whenever it is believed that it may have decreased.

3.6 Loss in value of assets (*Impairment*)

The carrying value of intangible assets, investment property and property, plant and machinery is subject to an impairment test whenever it is believed that it may have decreased.

Impairment tests are carried out at least once a year on goodwill, other intangible assets with an indefinite useful life and on other assets that are not available for use, and are performed by comparing the carrying value with whichever is higher between the fair value less the sales cost and the value in use of the asset.

If no binding sales agreement or an active market for an asset exist, the fair value is calculated on the basis of the best information available concerning the amount the Group could obtain, at the balance sheet date, from the disposal of an asset in a free transaction between informed and willing parties, after the costs of disposal have been deducted.

The value in use of an asset is determined by calculating the amount of income expected from the use of the asset, basing the forecasts of financial income on reasonable, plausible assumptions that represent the best estimates carried out by management of a series of economic conditions that exist for the remainder of the life of the asset, giving more importance to external indicators.

The pre-tax discount rate used reflects the current market value of money and the specific risks connected to the asset.

The valuation is carried out either for each individual asset or for the smallest cash generating unit of assets that generate income from the use of the assets in question.

If the value calculated by the impairment test is lower than cost, the loss is recognised as a reduction of the asset and as a cost in the income statement.

If during the subsequent financial years, when the impairment test is repeated, the reasons for the writedown no longer exist, the value of the asset, with the exception of the goodwill, is reinstated to take into account the new recoverable value which does not, however, exceed the value that would have been calculated had no loss in value been recognised.

3.7 Investments in subsidiaries, joint ventures and associated companies

Subsidiary companies are companies where the company has the power to determine, either directly or indirectly, administrative and management decisions and obtains the relative benefits. Generally it is presumed that a company has control of another when the company holds, either directly or indirectly, more than half of the voting rights at ordinary shareholders' meetings, including potential voting rights deriving from convertible shares.

Joint ventures are companies where the company has joint control, with one or more parties, of the economic activities. Joint control presupposes that strategic, financial and management decisions are taken with the unanimous consent of the parties who exercise control.

Associated companies are companies where the company has a significant influence in determining administrative and management decisions, even though it does not have control. Generally significant influence is presumed to mean that the company holds, either directly or indirectly, at least 20% of the voting rights at ordinary shareholders' meetings.

Investments in subsidiary companies, joint ventures and associated companies are valued at cost and subsequently adjusted as a consequence of changes in the value if, after a suitable impairment test, it is found that the conditions for adjusting the carrying value to the effective economic value of the investment exist. The original cost is restored in subsequent years if the reasons for carrying out the adjustments no longer exist. Adjustments and any reinstatements of value are booked to the income statement.

The risk deriving from any losses that exceed cost are booked to liabilities, for the amount that the company is legally or constructively liable for.

3.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Inventory cost includes the purchase cost, the transformation cost and the other costs involved in bringing an item to the location and condition necessary without taking into consideration financial charges.

The calculation of cost is based on the weighted average cost of raw and consumable materials and of finished products purchased for resale, while the FIFO method is used for finished products.

The valuation of goods under construction and semi-finished products and work in progress to order is based on the cost of the materials and other costs incurred, taking into account the progress of the production process.

The presumed net value for raw, subsidiary and consumer materials is represented by replacement cost while for semi-finished and finished products by the normal estimated sales price net of, respectively, the estimated cost to completion and the sales cost.

3.9 Financial assets

Financial assets are initially measured at cost, plus the accessory purchase charges that represent the fair value of the amount paid. The purchase and sale of financial assets are valued as of the trading date, which is the date the company agreed to purchase the asset in question. After initial measurement, financial assets are valued according to their classification as outlined below:

Financial assets at fair value with changes recognised in the income statement

This category includes financial assets held for trading that have been acquired with the intention of selling them in the short term. Derivatives are recognised as financial instruments held for trading, with the exception of effective hedge derivatives.

Profits and losses deriving from measuring assets held for trading at fair value are booked to the income statement.

Held-to-maturity investments

When the Group intends to hold financial assets in its portfolio to maturity, it classifies these assets, which have fixed or determinable payments with fixed maturity, as "held-to-maturity investments".

Long-term financial investments that are held to their maturity, such as bonds, are valued after the initial valuation using the amortised cost method based on the effective interest rates, which represent the rates that will apply to the future payments or returns estimated for the entire life of the financial instrument.

The amortised cost is calculated taking into consideration any eventual discounts or premiums that will be applied during the entire period of time up to maturity.

Those financial assets that the Group decides to keep in its portfolio for an indefinite period do not come into this category.

Loans and receivables
This item includes non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

These assets are valued at amortised cost method using the effective discount rate method. Profits and losses are recognised in the income statement when the loans and receivables are eliminated or when a loss of value occurs, as well as through the amortisation process.

Available-for-sale financial assets
Available-for-sale financial assets consist of all of those assets that do not fall into any of the categories mentioned above.

After being initially measured at cost, available-for-sale financial assets are measured at fair value. The profits and losses resulting from valuations are recognised in a separate item in shareholders' equity for as long as the assets are held in the portfolio and for as long as there is no loss of value.

In the case of shares widely traded on regulated markets, fair value is determined by referring to the value established at the close of trading on the balance sheet date.

For investments where an active market does not exist, fair value is determined by valuations based on recent trading prices between independent parties, on the basis of the current market value of a financial instrument that is substantially similar or from an analysis of up-to-date cash flows or of option pricing models.

Available-for-sale financial assets also include shares in other companies.

3.10 Trade receivables and other receivables

Trade receivables and other receivables are initially measured at cost, or at the fair value of the amount received during the transaction. Receivables are measured at their present values when the financial effect linked to the collection date forecast is significant and the collection date can be reliably estimated.
Receivables are subsequently recognised in the financial statements at their estimated realisable value.

3.11 Treasury shares

Treasury shares are booked in shareholders' equity in the relative reserve.
No profit or loss is recognised in the income statement on the purchase, sale, issue, cancellation or any other operation concerned with treasury shares.

3.12 Cash and cash equivalents

The item cash and cash equivalents includes liquid financial assets and financial investments with due date falling within three months and which are subject to a minimal risk of variation in their face value.

3.13 Financial liabilities

Financial liabilities include financial payables, derivative instruments, payables linked to financial leasing contracts and trade payables. All financial liabilities, unlike derivative financial instruments, are initially valued at fair value as increased by any cost of the related transaction and are subsequently valued at amortised cost using the effective interest rate method. Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges) are measured at fair value in accordance with the methodology outlined in IAS 39 for hedge accounting. Profits and losses resulting from subsequent variations in fair value are recognised in the income statement. The portions of these changes linked to the efficient portion of the hedge are compensated for by changes in value of derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in the cash flow (cash flow hedges), are measured at amortised cost in accordance with the methodology outlined in IAS 39 for hedge accounting.

3.14 Derecognition of financial assets and liabilities

A financial asset or, where applicable, a part of a financial asset or parts of a group of similar financial assets, is derecognised when:

- the right to receive cash flows from the asset has been extinguished;
- the company still has the right to receive cash flows from the asset but has taken on a contractual obligation to transfer the entire cash flow immediately to a third party;
- the company has transferred the right to receive cash flows from an asset and has transferred substantially all the risks and benefits deriving from the ownership of the financial asset or has transferred control of the financial asset.

A financial asset is derecognised from the balance sheet when the obligation relating to the asset is discharged, is cancelled or expires.

3.15 Loss in value of financial assets (impairment)

The company performs a review to determine whether a financial asset or group of financial assets has undergone a loss of value every time the financial statements are prepared.

Financial assets measured at amortised cost

If there is objective evidence that there is a reduction in the value of loans and receivables, the amount of the loss is booked to the income statement and is calculated as the difference between the asset's carrying value and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.
If, in a subsequent period, the amount of the loss of value decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised loss of value is reversed up to the amount the asset would have had, taking into account the amortisation, at the date of the reversal.

Available-for-sale financial assets

If an available-for-sale financial asset suffers an effective reduction in value, the accumulated loss is recognised in the income statement. The reversal of values relative to equity instruments recognised as available-for-sale are not recognised in the income statement. The reversal of values relative to debt instruments are recognised in the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the loss was recognised in the income statement.

Financial assets measured at cost
If there is objective evidence that a loss of value has been incurred on an unquoted equity instrument that is not booked at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and settled by delivery of that unquoted equity instrument, the amount of the loss of value is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

3.16 Derivative financial instruments
Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When a hedge operation is entered into, the company designs and formally documents the hedge relationship to which it intends to apply the hedge accounting, its objectives in managing the risk and the strategy carried out. The documentation includes the identification of the hedging instrument, element or operation that is being hedged, the nature of the risk and the way the company intends to evaluate the effectiveness of the hedge in compensating the exposure to the variations of the fair value of the element hedged or of the cash flows linked to the risk hedged.
It is expected that this hedge is sufficiently effective to compensate for the exposure of the element hedged to variations in fair value or in cash flows attributable to the risk hedged. The evaluation of whether or not this hedge is in reality sufficiently effective is carried out on a continuous basis during the year.
Operations that satisfy the criteria of hedge accounting are accounted for as follows:

Fair value hedge
If a derivative financial instrument is designated as a hedge for the exposure to variations in the fair value of an asset or liability attributable to a particular risk, the profit or loss deriving from subsequent variations in the fair value of the hedge instrument is recognised in the income statement. The profit or loss deriving from the adjustment of the fair value of the item hedged, for the part attributable to the risk hedged, modifies the carrying value of the item and is recognised in the income statement.

Cash flow hedge
If a derivative financial instrument is designated as an instrument for hedging the exposure to variations in cash flows of an asset or of a liability included in the financial statement or of a highly probable forecast transaction, the effective portion of the assets or of the losses deriving from the adjustment of the fair value of the derivative instrument is recognised in a special reserve in equity. The accumulated profit and loss is transferred from the equity reserve and recognised in the income statement when the results of the hedge operation are recognised in the income statement. The profit or loss associated with the ineffective part of a hedge is recognised in the income statement. If a hedging instrument is terminated but the hedging operation has not yet been carried out, the accumulated profits and losses remain in the reserve in the equity and are reclassified to the income statement when the relative operation is carried out. If the hedging operation is

no longer considered probable, the profits and losses not yet realised and recognised in equity are recognised in the income statement.

If hedge accounting cannot be applied, profits and losses resulting from the valuation at fair value of the derivative financial instrument are recognised in the income statement.

3.17 Provisions

Provisions against significant losses or liabilities that are certain or probable but whose amount or date of occurrence is impossible to establish when the financial statements are prepared, are recognised when it becomes probable that a present, legal or constructive obligation exists as the result of events that happened in the past, when the obligation in question is onerous and when the amount can be reliably estimated.

Provisions are valued at fair value for each obligation. When the time value of money linked to a forecast of when the payment will be made is significant and the payment date can be reliably estimated, the provision includes the financial component which is recognised in the income statement under financial income (expense).

3.18 Employees' leaving entitlement

Benefits due to employees on leaving a company may be separated into:

- defined contribution plans, representing the share matured as of 1 January 2007;
- defined benefit plans, representing the severance indemnity fund matured as of 31 December 2006 for the other Group companies.

In defined contribution plans, the legal or constructive obligation of a company is limited to the amount of the contributions it has paid to the plan, and as a result the actuarial risk and the investment risks fall on the employee. In defined benefit plans, the obligation of a company consists in granting and guaranteeing agreed benefits to employees, therefore the actuarial and investment risks fall on the company itself.

The TFR obligation (the mandatory leaving entitlement) is determined, based on the TFR fund matured at 31 December 2006, using an actuarial method, based on demographic assumptions taking into account mortality rates and the turnover of the workforce, and on financial assumptions, taking into account the discount rate that reflects the time value of money and the inflation rate.

The amount recognised as a liability for defined benefit plans is represented by the present value of the obligation at the balance sheet date, net of the present value of any plan assets.

The amount that is recognised as costs in the income statement also includes the following:

- social security costs relative to the current work;
- interest costs;
- actuarial gains or losses;
- the return expected from any plan assets.

The company does not apply the corridor method and therefore recognises all actuarial gains and losses directly in the income statement.

The charge for the amount accruing to employees during the year and the actuarial gains or losses are booked under personnel costs, while the financial component, which represents the cost the company would have to incur if it were to seek a loan on the market for the amount of the obligation, is booked under financial income (expense).

The termination indemnity for agents is also determined on an actuarial basis. The charge for the estimated amount accruing to agents during the year, which becomes payable only under certain conditions if the agency relationship is terminated, is booked under other income (expense).

3.19 Stock options

The company grants additional benefits to certain directors and managers who carry out functions that are relevant for the attainment of the company's strategic results, through equity-settled stock option plans. In accordance with IFRS 2, these stock options are measured at their fair value at the time they are granted. Fair value is determined on the basis of a binomial model, taking into consideration the regulations of the individual plans.

The company applies the provisions of IFRS 2 for all stock option plans granted after 7 November 2002.

The cost of these benefits is booked during the period of service to personnel costs and is recognised over the vesting period from the date the options are granted, with an equal amount being recognised in the "Reserve for stock options" in shareholders' equity.

Benefits which are directly granted by the parent company Arnoldo Mondadori Editore SpA to the employees or directors of subsidiary companies, are recognised as an increase in the cost of the relative investment, with an equal amount recognised in the "Reserve for stock options".

After the grant date, any variation in the number of options results in an adjustment to the overall cost of the plan, which is then made in accordance with the method referred to above. At the end of every year, the previously calculated fair value of every option is neither reviewed nor updated, but remains unchanged in shareholders' equity, although the estimate of the number of options that mature up to the expiry date (and therefore the number of employees who have the right to exercise these options) is updated at that time. Any change in this estimate is recognised in the "Reserve for stock options" and in personnel costs in the income statement.

When the option is exercised, the part of the "Reserve for stock options" relating to the exercised options is reclassified under "Share premium reserve" while the part of the "Reserve for stock options" relating to cancelled or expired options is reclassified under "Other reserves".

3.20 Recognition of revenues and costs

Revenues earned from the sale of goods are recognised net of discounts, allowances and returns when it is probable that the economic benefits arising from the sale will flow to the company and when the amount of the revenues can be reliably determined.

Revenues earned from the sale of magazines and the relative advertising space are recognised on the basis of the date of publication of the magazines.

Revenues deriving from services are recognised on the basis of the time the services are completed, when it is probable that the economic benefits arising from the sale will flow to the company and when the amount of the revenues can be reliably calculated.

Revenues from interest are recognised on a temporal basis using the method of effective interest; royalties are recognised on an accrual basis and on the basis of the details of the respective agreements; dividends are recognised when the shareholder's right to receive payment has been established.

Costs are recognised in the same way as income and on an accrual basis.

3.21 Current and deferred taxation

Current taxes are calculated on the basis of an estimate of taxable income and in accordance with the laws prevailing in the country in which the company is resident.

Deferred tax assets and liabilities are calculated on all the temporary differences between the tax base of assets and liabilities and their relative carrying values in the financial statements, with the exception of the following:

- temporary taxable differences deriving from the initial recognition of goodwill;
- temporary taxable or deductible differences resulting from the initial recognition of an asset or a liability in an operation that is not a business combination and which does not influence either the result or the taxable income at the time of the operation in question;
- for investments in subsidiary, associated and jointly-controlled companies when:
  - the company is able to control the timing of the reversal of temporary taxable differences and it is probable that these differences will not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at the end of every period and is reduced if it is no longer probable that sufficient taxable profit will be available in the future for realising all or part of the assets.
Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply to the period when the assets are realised or the liabilities settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Taxation relating to items recognised directly in equity is recognised directly in equity and not in the income statement.

3.22 Operations in foreign currencies

Revenues and costs relating to operations in foreign currencies are expressed in the money of account using the exchange rates ruling on the day the operation was carried out.
Monetary assets and liabilities in foreign currencies are converted at the exchange rate ruling at the balance sheet date and any exchange differences are recognised in the income statement, with the exception of those deriving from loans in foreign currencies that are hedged by a net investment in a foreign company, which are recognised directly in equity until the net investment is disposed of.
Non-monetary items valued at historical cost in foreign currencies are converted using the exchange rates ruling at the time the transaction was carried out. Non-monetary items booked at fair value in foreign currencies are converted using the exchange rates ruling at the time that fair value was calculated.

3.23 Grants and contributions

Grants and contributions are recognised if there is a reasonable certainty that they will be received and if all the conditions referring to them are satisfied. When the grants are linked to cost items, they are recognised as income and recognised on a systematic basis so that they are in proportion to the costs they are intended to set off or partially set off. In the cases where a grant is linked to an asset, the relative fair value is deferred in long-term liabilities and is recognised in the income statement at a constant rate over the useful life of the asset in question.

3.24 Assets and liabilities held for sale (discontinued operations)

Non-current assets and groups of assets and liabilities whose carrying value will be mainly recovered through disposal instead of continuous use, are presented separately from other assets and liabilities in the balance sheet. These assets and liabilities are recognised as "assets and liabilities held for sale" and are measured at the lower of their carrying value and their fair value less probable disposable costs. Gains and losses, net of their relative fiscal effects, resulting from the valuation or disposal of the assets or liabilities in question are recognised in a specific item in the income statement.

3.25 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2007 and applicable to Arnoldo Mondadori Editore SpA

IFRS 7 – Financial instruments: information disclosures

This amendment, adopted by the European Union in January 2006 (EC Regulation n. 108/2006), takes into account the disclosures sections contained in IAS 32 (Financial Instruments: Disclosures and Presentations) with modifications and integrations.

In particular, the new principle requires information about the exposure to risks deriving from the utilisation of financial instruments and the procedures adopted by the management to deal with these risks.

IAS 1 – Presentation of the financial statements: information about the capital

The modification issued by the IASB in August 2005 introduced the requirement to provide information about a company's capital.

IFRIC 9 – Evaluation of implicit derivatives

The interpretation issued by the IFRIC in March 2006 requires the evaluation of the existence of derivatives implicit in the primary contract to be revealed and entered separately. Subsequently, the company cannot carry out this evaluation unless there are significant changes made to the contract that affect the cash flow. Since the Group does not hold any implicit derivatives theses interpretations are not applied.

IFRIC 10 – Intermediary financial statements and long-term reductions of value

This interpretation requires that the company does not recoup any long-term reduction in value itemised in a previous period on capital instruments, financial instruments held at cost and goodwill.

This interpretation is not applied.

IFRIC 11 – Treasury stock transactions

This interpretation requires stock-based payment plans, where the company receives services in exchange for treasury stock, to be booked as capital instruments even when the company buys the instruments from a third party.

3.26 New standards and interpretations adopted by the European Union but not yet effective and applicable to Arnoldo Mondadori Editore SpA

As required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the possible impact of new standards or interpretations on the financial statements in their first year of application are listed below.
Those standards and interpretations which came into effect after 31 December 2007 are indicated and briefly illustrated.

IFRS 2 – Payment based on shares-Expiry and cancellation conditions
This change to IFRS 2, Payment based on shares, was published in January 2008 and will come into effect from 1 January 2009.
The amendment restricts the definition of “expiry conditions” to a condition that includes either a specific or an implied obligation to provide a service.
Any other condition is a non-vesting condition and must be taken into consideration when determining the fair value of the representative instrument of the assigned capital. If a premium does not mature because it does not satisfy a non-vesting condition that is under the control of the company or the opposite party, it must be recognised as a cancellation.
The company has not undertaken operations with payment based on shares with non-vesting conditions and, consequently, it does not expect any significant effects in recognising the agreements for payment based on shares.

IFRS 3R – Business combinations and IAS 27R - Consolidated and separate financial statements
The two amendments were ratified in January 2008 and will come into effect as from 1 July 2009.
IFRS 3R introduces a number of changes to recognising business combinations that will effect the amount of goodwill entered, the result of the year the purchase takes place and the results of subsequent years.
IAS 27R requires that any change in the amount of shares held in a subsidiary company is recognised as a capital transaction. Consequently, this change will not have any impact on goodwill and will not produce either profits or losses. In addition, the amendment introduces changes to recognising a loss sustained by a subsidiary and to losing control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied in perspective and must be applied to future purchases and transactions with minority shareholders.

IAS 32 and IAS 1 modifications – Transferable Financial instruments
The changes to IAS 32 and IAS 1 were ratified in February and will come into effect as from 1 January 2009.
The change to IAS 32 requires that transferable financial instruments and bonds that arise at the time of disposal are recognised as capital instruments if specific conditions apply.
The change to IAS 1 requires that information about transfer options that are recognised as capital is given in the notes to the financial statements. The company does not expect this modification to have any impact on the company’s financial statements.

IFRS 8 – Operational segment
The new principle, which replaced IAS 14, requires the company to identify the operational segments on the basis of the internal reporting regulations used by the management for analysing performances.

IFRIC 12 – Service contracts in concession
This interpretation is applicable from 1 January 2008 but has not yet been ratified by the European Union.

IFRIC 13 – Customer loyalty programmes
This interpretation is applicable from 1 January 2009 and has not yet been ratified by the European Union.

IFRIC 14 – Defined benefit plans and minimum hedge criteria
This interpretation is applicable from 1 January 2008 but has not yet been ratified by the European Union.

IAS 1 – Presentation of financial statements
The amendment of IAS 1, Presentation of Financial Statements, was ratified in September 2007 and will come into effect as from 1 January 2009. The amendment separates the changes made to shareholders' equity into those for shareholders and those for non-shareholders. The table of changes to shareholders' equity will only include the details of transactions with shareholders while all the changes relating to transactions with non-shareholders will be illustrated in a single line. The amendment also introduces a "comprehensive income" table which will contain all the items pertaining to revenues and costs for the period registered in the income statement, together with every other revenue and cost item recognised. The "comprehensive income" table can be presented either as a single table or as two connected tables. The company has still to decide whether to use one or two tables.

IAS 23 – Financial expense
On 29 March 2007 IASB issued a new version of IAS 23 – Financial Expense – that will be applicable as from 1 January 2009. The new version has removed the option open to companies to immediately recognise in the income statement any financial expense sustained for business activities for which it is normally necessary for a specific period of time to pass before the activity in question is ready for use or for sale. The amendment will be applied in perspective to financial expense referring to goods recognised as from 1 January 2009.

The company is evaluating the impact of the standards and interpretations referred to above, all of which came into effect on 1 January 2008.

4. Use of estimates
In preparing the attached tables and the relative notes, it has been necessary to use estimates and assumptions in order to calculate, in particular, the provision for returns for published products, provisions for the writedowns of assets, for risks, employee benefits and taxation, and the value of intangible assets (including goodwill).

These estimates are constantly reviewed and any effects are recognised in the income statement.

5. Business combinations
Business combinations are recognised using the purchase method envisaged by IFRS 3. Under the purchase method, cost is determined as the sum of the fair values of the as-

sets and liabilities acquired, including any contingent liabilities assumed and equity instruments issued at the date of the operation, plus any costs directly attributable to the purchase.

Any excess of purchase cost over the Group's share of the fair value of the assets, liabilities and contingent liabilities acquired and identifiable at the time of purchase is booked as goodwill under assets. If this difference is negative it is recognised directly in the income statement.

6. Risk management

The company is responsible for managing the financial risks of all the Italian subsidiaries in the Mondadori Group. A more detailed analysis of the Group's financial risks is contained in the relevant section of the consolidated financial statements.

Details of the items in the Financial Statements

In the part of the notes that follows all amounts are expressed in thousands of euros, with the exception of certain amounts expressed in millions of euros. Amounts in brackets refer to the corresponding amounts for 2006.

Transfer of company's magazine distribution and subscription division

As already referred to in the report on the performance for the year, on 1 January 2007 ownership of the company's magazine distribution and subscription division was transferred to Press-Di Distribuzione Stampa e Multimedia Srl.
The following table shows the balance of the assets transferred.

Assets (in €)		
Assets:		
- Fixed	48,750	
- Intangible	1,897	**50,647**
Investments:		
- In associated companies	206,583	**206,583**
Current assets:		
- Prepayments on third-party editions	4,607,294	
- Other current assets	45,667	**4,652,961**
Warehouse stock:		
- Finished products	390,325	**390,325**
Trade receivables:		
- Receivables from subscription customers	9,891,853	
- Receivables from customers	2,541,206	**12,433,059**
Cash and equivalents:		
- Cash and equivalents	24,513,906	**24,513,906**
Total assets		**42,247,481**

Liabilities (in €)		
Severance indemnities:		
- TFR	2,536,060	
- Agent indemnities	191,269	**2,727,329**
Current liabilities:		
- Payables to subscription customers	35,437,085	
- Other current payables	1,624,485	**37,061,570**
Trade payables:		
- Trade payables to suppliers	1,458,582	**1,458,582**
Total liabilities		**41,247,481**
Net value of assets/liabilities transferred		**1,000,000**

The net difference between the assets and liabilities transferred, equal to the capital increase carried out by the subsidiary company, was booked to an increase in the value of the investment in Press-Di Distribuzione Stampa e Multimedia Srl, as illustrated in note 4.

1. Intangible assets

Intangible assets and their changes are described and commented on below:

Intangible assets (€,000)	31 December 2007	31 December 2006
Intangible assets with a finite useful life	486	364
Intangible assets with an indefinite useful life	91,354	91,353
Total intangible assets	**91,840**	**91,717**

The following two tables show the changes in intangible assets in 2006 and 2007.

There is no restriction on the availability or use of intangible assets.

Intangible assets with finite useful lives (€,000)	Software	Selling rights	Total
Cost at 1 January 2006	5,808	650	6,458
Investments	264		264
Disposals	(1)		(1)
Other changes			
Cost at 31 December 2006	6,071	650	6,721
Accumulated amortisation and impairment losses at 1 January 2006	5,298	620	5,918
Amortisation	422	18	440
Writedowns/reinstatement of value			
Disposals	(1)		(1)
Other changes			
Accumulated amortisation and impairment losses at 31 December 2006	5,719	638	6,357
Net book value at 1 January 2006	510	30	540
Net book value at 31 December 2006	**352**	**12**	**364**

Intangible assets with finite useful lives (€,000)	Software	Selling rights	Total
Cost at 1 January 2007	6,071	650	6,721
Investments	224		224
Disposals	(184)		(184)
Other changes	164		164
Cost at 31 December 2007	6,275	650	6,925
Accumulated amortisation and impairment losses at 1 January 2007	5,719	638	6,357
Amortisation	252	12	264
Writedowns/reinstatement of value			
Disposals	(182)		(182)
Other changes			
Accumulated amortisation and impairment losses at 31 December 2007	5,789	650	6,439
Net book value at 1 January 2007	352	12	364
Net book value at 31 December 2007	**486**	**0**	**486**

Investments during the year of €388 thousand, including assets of €164 thousand that had not come into operation at 12/31/2007, refer to the purchase of software.

The following two tables present the changes in intangible assets with indefinite useful lives in 2006 and 2007.

Intangible assets with indefinite useful lives (€,000)	Titles	Publishing imprints	Goodwill	Total
Cost at 1 January 2006	93,031	7,980	731	101,742
Investments				
Disposals				
Other changes				
Cost at 31 December 2006	93,031	7,980	731	101,742
Impairment at 1 January 2006	(9,454)	(35)		(9,489)
Writedowns/reinstatement of value		(900)		(900)
Impairment at 31 December 2006	(9,454)	(935)		(10,389)
Net book value at 1 January 2006	83,577	7,945	731	92,253
Net book value at 31 December 2006	**83,577**	**7,045**	**731**	**91,353**

Intangible assets with indefinite useful lives (€,000)	Titles	Publishing imprints	Goodwill	Total
Cost at 1 January 2007	83,577	7,045	731	91,353
Investments				
Disposals				
Other changes			1	1
Cost at 31 December 2007	83,577	7,045	732	91,354
Impairment at 1 January 2007				
Writedowns/reinstatement of value				
Impairment at 31 December 2007				
Net book value at 1 January 2007	83,577	7,045	731	91,353
Net book value at 31 December 2007	**83,577**	**7,045**	**732**	**91,354**

Intangible assets with indefinite useful lives relate mainly to magazines (including, in particular, *TV Sorrisi e Canzoni* and *Chi*, each of which represents a different cash generating unit) included in the purchase of the SBE business in 1994.

Amortisation, impairment and reinstatement of value of intangible assets

The following table summaries the amounts charged to the income statement, under the item "Amortisation and impairment of intangible assets", for the amortisation of intangible assets with definite useful lives and the writedown and restoration of value of intangible assets with indefinite lives.

Amortisation and impairment of intangible assets (€,000)	31 December 2007	31 December 2006
Software	252	422
Selling rights	12	18
Total amortisation and impairment of intangible assets	**264**	**440**
Writedowns of intangible assets	0	900
Reinstatement in value of intangible assets	0	0
Total writedowns (reinstatement) of intangible assets	**0**	**900**
Total amortisation and impairment of intangible assets	**264**	**1,340**

When carrying out the annual impairment test for magazine titles, imprints and goodwill, the recoverable amount of an asset was estimated by determining its value in use.

When estimating the value in use, use was made of the forecast data included in the plans approved by the management, which expresses the best forecast based on the financial conditions that exist for the remaining useful life of the asset. The cash flow was considered to be constant for the period beyond the forecast.

The calculation of the cash flow relating to the individual assets or cash generating units included in the impairment test was based on a bank rate gross of taxes of 7.79%, which also took into account the Capital Asset Pricing Model.

With reference to the impairment test, an analysis of the sensitivity of the results was carried out based on a 1% increase in the rate referred to above. The values in use are higher than the carrying value.

2. Investment property

The composition of and changes in investment property are described and commented on below:

Investment property (€,000)	Land	Non-business buildings	Total
Cost at 1 January 2006	458	2,507	2,965
Investments	0	0	0
Disposals	0	0	0
Other changes	0	(254)	(254)
Cost at 31 December 2006	458	2,253	2,711
Accumulated depreciation and impairment losses at 1 January 2006	0	1,074	1,074
Depreciation	0	59	59
Writedowns/reinstatement of value	0	0	0
Disposals	0	0	0
Other changes	0	0	0
Accumulated depreciation and impairment losses at 31 December 2006	0	1,133	1,133
Net book value at 1 January 2006	458	1,433	1,891
Net book value at 31 December 2006	**458**	**1,120**	**1,578**

Investment property (€,000)	Land	Non-business buildings	Total
Cost at 1 January 2007	458	2,253	2,711
Investments	0	0	0
Disposals	0	0	0
Other changes	0	1	1
Cost at 31 December 2007	458	2,254	2,712
Accumulated depreciation and impairment losses at 1 January 2007	0	1,133	1,133
Depreciation	0	54	54
Writedowns/reinstatement of value	0	0	0
Disposals	0	0	0
Other changes	0	0	0
Accumulated depreciation and impairment losses at 31 December 2007	0	1,187	1,187
Net book value at 1 January 2007	458	1,120	1,578
Net book value at 31 December 2007	**458**	**1,067**	**1,525**

The fair value of investment property amounted to approximately €7 million.

Depreciation of investment property

The depreciation charge for the year amounted to €54 thousand, recognised under the item “Depreciation of property, plant and equipment”, compared to €59 thousand in 2006.

There are no restrictions on the use of assets recognised as investment property.
Land is not depreciated.

3. Property, plant and equipment

The composition of and changes in property, plant and equipment are described and commented on in the following table:

Property, plant and equipment (€,000)	Land	Business buildings	Plant and equipment	Other tangible assets	Total
Cost at 1 January 2006	1,114	27,820	17,679	42,845	89,458
Investments	0	2,610	1,196	2,415	6,221
Disposals	0	0	0	(790)	(790)
Other changes	0	(88)	(373)	761	300
Cost at 31 December 2006	1,114	30,342	18,502	45,231	95,189
Accumulated depreciation and impairment losses at 1 January 2006	0	11,679	11,990	37,181	60,850
Depreciation	0	882	1,139	2,713	4,734
Writedowns/reinstatement of value	0	0	0	0	0
Disposals	0	0	0	(736)	(736)
Other changes	0	0	0	0	0
Accumulated depreciation and impairment 31 December 2006	0	12,561	13,129	39,158	64,848
Net book value at 1 January 2006	1,114	16,141	5,689	5,664	28,608
Net book value at 31 December 2006	**1,114**	**17,781**	**5,373**	**6,073**	**30,341**

Property, plant and equipment (€,000)	Land	Business buildings	Plant and equipment	Other tangible assets	Total
Cost at 1 January 2007	1,114	30,342	18,502	45,231	95,189
Investments	0	498	2,040	2,277	4,815
Disposals	0	(14,489)	(573)	(3,492)	(18,554)
Other changes	0	0	0	83	83
Cost at 31 December 2007	1,114	16,351	19,969	43,933	81,367
Accumulated depreciation and impairment losses at 1 January 2007	0	12,561	13,129	39,158	64,848
Depreciation	0	920	1,202	2,338	4,460
Writedowns/reinstatement of value	0	0	0	0	0
Disposals	0	(5,747)	(521)	(3,391)	(9,659)
Other changes	0	0	0	0	0
Accumulated depreciation and impairment losses at 31 December 2007	0	7,734	13,810	38,105	59,649
Net book value at 1 January 2007	1,114	17,781	5,373	6,073	30,341
Net book value at 31 December 2007	**1,114**	**8,617**	**6,159**	**5,828**	**21,718**

Other tangible fixed assets consist of the following:

Other tangible fixed assets (€,000)	31 December 2007	31 December 2006
Industrial and commercial equipment	450	533
Electronic office machines	1,954	2,343
Furniture and fixtures	1,465	1,122
Motor vehicles and transport vehicles	781	771
Leasehold improvements	3	47
Assets under construction and advances	1,175	1,257
Total other tangible fixed assets	**5,828**	**6,073**

Investments during the year refer to:
- the updating of technology in the book and magazine offices;
- the updating of data processing systems (personal computers and local networks) and the purchase of transportation vehicles.

Investments during the year, including other tangible fixed assets, of €5,990 thousand, €1,175 thousand of which was for assets that had not entered into use at 31 December 2007, refer to:
– the Verona factory (Publishing Warehouse plant/ Magazine Distribution and buildings) .... €2,483 thousand
– the Milan head office (office automation, furniture/fixtures and vehicles)... €3,507 thousand

Disposals, including those relating to Other Tangible Fixed Assets, for a total of €18,554 thousand, mainly relate to the disposal of part of a property in Corso Europa in Milan, the disposal of office equipment (furniture, fixtures, electronic office machinery) and vehicles.

Depreciation of property, plant and equipment

The depreciation charge for the year, recognised as "Depreciation and impairment of property, plant and equipment", amounted to €4,460 thousand, and was made up as follows:

Depreciation of property, plant and equipment (€,000)	31 December 2007	31 December 2006
Business buildings	920	882
Plant and machinery	1,202	1,138
Equipment	238	199
Electronic office machines	1,381	1,808
Furniture and fixtures	291	233
Motor vehicles and transport vehicles	384	388
Leasehold improvements	44	85
Total depreciation of property, plant and equipment	**4,460**	**4,733**

No impairment losses or reinstatements of value were recognised in 2007 as a result of impairment tests.

There is no restriction on the availability or use of property, plant and equipment.

Leased assets

The following table shows the value of leased assets at 31 December 2007 and booked under fixed assets.

(€,000)	31 December 2007 Gross value	Accumulated depreciation	Net book value	31 December 2006 Gross value	Accumulated depreciation	Net book value
Business buildings	0	0	0	0	0	0
Non-business buildings	0	0	0	2,148	806	1,342
Plant and machinery	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
Total leased assets	**0**	**0**	**0**	**2,148**	**806**	**1,342**

The above amounts relate to assets acquired in previous years under bargain purchase options for which the lease agreements had terminated by the balance sheet date. During 2007 the leasing contracts were terminated following the disposal of a portion of a property in Corso Europa in Milan.

4. Investments

The composition of and changes in investments amounting to €760,536 thousand (€748,353 thousand) are described and commented on below.

Total investments, net of accumulated depreciation and impairment losses of €15,288 thousand, consist of *shares and quotas in limited liability companies* for an amount of €721,963 thousand and *capital contributions* of €35,919 thousand.

Investments also include the effect of €2,654 thousand resulting from the application of IFRS 2 to the Stock Options granted by Arnoldo Mondadori Editore SpA to managers and directors of subsidiary companies who carry out functions that are important for the attainment of the Group's results. The details of each subsidiary and associated company are included in attachments "A" and "B", which also contain a comparison between the amounts stated in the financial statements and the relative share of net equity.

Shares and joint ventures in companies

The most important operations that took place during the year are outlined below:

Balance at 31 December 2006	**699,776**
Increases:	
– Purchases, establishment of companies and capital increases	19,468
– Payments for cover for losses	17,657
Decreases:	
– Writedowns	(1,524)
– Cover for losses	(17,657)
– Other changes	(207)
Value of shares and joint ventures	
Loss/writedown provision:	
– provisions	(14,355)
– utilisations/reclassifications	18,805
Net value of shares and joint ventures at 31 December 2007	**721,963**

Increases refer to:

- the purchase of additional shares in Monradio Srl for €8,950 thousand;
- the purchase of additional shares in Edizioni Piemme SpA for €5,450 thousand;
- the transfer of the "magazine distribution" company division to Press-Di Distribuzione Stampa e Multimedia Srl for €1,000 thousand;
- the increase of the share capital of Mondadori Iniziative Editoriali SpA for €250 thousand;
- the purchase of additional shares in Mach 2 Libri SpA for €3,818 thousand.

Decreases include a hedge loss in Monradio Srl for €15,623 thousand and in Mondadori Retail SpA for €2,034 thousand.

In accordance with IAS/IFRS, if there are indications of a potential loss of value the carrying amount of investments is reviewed. Their carrying value was compared with either the relative fair value or the reinstated value represented by the estimated future cash flows for each individual subsidiary and associated company with reference to company plans. This examination resulted in writedowns for a total of €14,355 thousand (relating to investments in Società Europea di Edizioni SpA for €12,682 thousand and in Fied SpA for €1,673 thousand).

A comment on the main differences that emerged between the carrying values of the investments and the Group's share of net equity is given below.

The excess of the carrying values of the investments in Cemit Interactive Media SpA, Edumond Le Monnier SpA, Mondadori Printing SpA and Sperling & Kupfer Editori SpA, compared with a corresponding valuation based on the net equity of these companies, represents the value of their production and commercial potential as supported by the three-year plans for 2008-2010.

For Fied SpA, the carrying value of €4,774 thousand was maintained unchanged, confirming the increased value of the investment in the capital of Società Europea di Edizioni SpA, publishers of the newspaper "Il Giornale". In determining the valuation of that investment using the equity method, the higher value attributed to that newspaper was taken into consideration.

The higher carrying value of Random House Mondadori SA compared with the Group's share of its net equity is attributable to the publishing potential and income prospects of the "Random House Mondadori Group" in the Spanish language book market, as supported by the three-year plan for 2008-2010.

For Arnoweb SA and Prisco Spain SA, the higher carrying value compared with a valuation using the equity method represents the value of the investment in Random House Mondadori SA.

For Edizioni Piemme SpA, the higher carrying value of the investment is due to the income generating capacity of publishing production supported by the company's three-year plans.

For Monradio Srl the higher carrying value of the investment is due to the value of the frequencies, the fair value of which, established by the management, has been confirmed by independent experts.

Capital contributions
The balance at 31 December 2007 of €35,919 thousand (€46,415 thousand), refers to Monradio Srl for €24,077 thousand, Mondadori Retail SpA for €1,305 thousand, Mondadori Franchising SpA for €2,001 thousand, Fied SpA for €2,000 thousand, Hearst Mondadori Editoriale Srl for €49 thousand, Mondadori Iniziative Editoriali SpA for €700 thousand and Società Europea di Edizioni SpA for €5,787 thousand.

The variation is essentially due to capital contributions of €5,161 thousand in favour of Società Europea di Edizioni SpA and €2,000 thousand in favour of Fied SpA, and to the utilisation of hedge losses for Mondadori Retail SpA for €2,034 thousand and for Monradio Srl for €15,623 thousand.

5. Deferred tax assets and liabilities
Deferred tax assets of €15,148 thousand (€16,521 thousand) and deferred tax liabilities of €17,798 thousand (€13,867 thousand) are calculated on the basis of the temporary differences between the book values and tax bases of assets and liabilities as shown in the table below:

(€,000)	31 December 2007	31 December 2006
Deferred tax assets - IRES	14,010	15,292
Deferred tax assets - IRAP	1,138	1,229
Total deferred tax assets	**15,148**	**16,521**
Deferred tax liabilities - IRES	15,634	12,540
Deferred tax liabilities - IRAP	2,164	1,327
Total deferred tax liabilities	**17,798**	**13,867**

Deferred tax assets and liabilities are calculated on the basis of the tax rates expected to apply when the temporary differences reverse (currently 27.50% for IRES and 3.9% for IRAP).

The following tables set out the temporary differences between the book values and tax bases of assets and liabilities that generated deferred tax assets and liabilities.

Description of temporary differences that led to the recognition of deferred tax assets

	31 December 2007			31 December 2006		
(€,000)	Amount of temporary difference	Tax rate	Deferred tax assets	Amount of temporary difference	Tax rate	Deferred tax assets
Difference between book value and tax basis of non-current assets	7,004	27.50%	1,926	8,382	33%	2,766
Provision for bad debts	9,397	27.50%	2,584	6,997	33%	2,309
Inventory provision	3,785	27.50%	1,041	3,173	33%	1,047
Other provisions	24,474	27.50%	6,730	22,682	33%	7,485
Other temporary differences	6,285	27.50%	1,729	5,105	33%	1,685
Total for IRES purposes	**50,945**		**14,010**	**46,339**		**15,292**
Difference between book value and tax basis of non-current assets	7,004	3.9%	272	8,376	4.25%	356
Inventory provision	3,785	3.9%	148	3,173	4.25%	135
Other provisions	10,219	3.9%	398	13,153	4.25%	559
Other temporary differences	8,217	3.9%	320	4,216	4.25%	179
Total for IRAP purposes	**29,225**		**1,138**	**28,918**		**1,229**

Description of temporary differences that led to the recognition of deferred tax liabilities

	31 December 2007			31 December 2006		
(€,000)	Amount of temporary difference	Tax rate	Deferred tax liabilities	Amount of temporary difference	Tax rate	Deferred tax liabilities
Difference between book value and tax basis of non-current assets	36,823	27.50%	10,126	22,424	33%	7,400
Employee's leaving entitlement/FISC	5,152	27.50%	1,417	3,552	33%	1,172
Application IAS 17 Leasing	0	27.50%	0	1,345	33%	444
Other temporary differences	14,877	27.50%	4,091	10,679	33%	3,524
Total for IRES purposes	**56,852**		**15,634**	**38,000**		**12,540**
Differences between book value and tax basis of non-current assets	36,823	3.9%	1,436	22,424	4.25%	953
Application IAS 17 Leasing	0	3.9%	0	1,345	4.25%	57
Other temporary differences	17,818	3.9%	696	7,455	4.25%	317
FISC	826	3.9%	32			
Total for IRAP purposes	**55,467**		**2,164**	**31,224**		**1,327**

Net changes in deferred tax assets and liabilities resulted in a charge of €5,647 thousand for the year, as described in note 27.

Deferred tax liabilities have not been recognised for temporary differences arising from investments in joint ventures, subsidiaries and associated companies as the company is able to control the timing of the reversal of such differences and it is not probable that those differences will reverse in the foreseeable future.

6. Other non-current assets

The composition of and changes in other non-current assets, which amounted to €777 thousand at (€1,292 thousand), are described and commented on below.

Other non-current assets (€,000)	31 December 2007	31 December 2006
Guarantee deposits	171	155
Advance IRE withholding tax on the employees' leaving entitlement	0	575
Trade receivables	428	366
Others	178	196
Total other non-current assets	777	1,292

Trade receivables of €428 thousand (€366 thousand) refer to bookshop customers.

7. Tax receivables

The composition of and changes in tax receivables which amounted to €10,725 thousand (€16,757 thousand) are described and commented on below.

Receivables from tax authorities for VAT include VAT of €9,237 thousand (€14,873 thousand) which include accrued interest, requests for reimbursements relating to prior years and €51 thousand (€1,098 thousand at 12/31/2006) for VAT credits relating to 2007 to carry forward.
During the year €5,873 thousand was reimbursed for capital and interest relating to the 1st and 3rd quarters of 2006 and €151 thousand for capital interest relating to various tax credits from tax authorities for previous years.

Tax receivables (€,000)	31 December 2007	31 December 2006
Receivables from tax authorities for IRES	9	9
Receivables from tax authorities for VAT to be recovered	9,288	15,971
Receivables from tax authorities for tax reimbursements	96	247
Receivables from tax authorities for IRAP	1,332	530
Total tax receivables	10,725	16,757

8. Other current assets

The composition of and changes in other current assets which amount to €39,001 thousand (€43,584 thousand) are described and commented on below.

Other current assets (€,000)	31 December 2007	31 December 2006
Advances to agents	267	267
Advances to authors and consultants	31,328	30,713
Advances to suppliers	1,855	2,710
Advances to personnel	373	477
Earnest money	413	413
Prepayments	2,513	6,711
Other	2,252	2,293
Total other current assets	**39,001**	**43,584**

Prepayments of €2,513 thousand (€6,711 thousand) refer to:

(€,000)	31 December 2007	31 December 2006
Third-party editions for issues sold in 2008	2,293	6,588
Rental agreements	16	36
Other prepayments (rents, subscriptions)	204	87
Total prepayments	**2,513**	**6,711**

The reduction in prepayments for third-party editions for issues sold in 2008 for €4,295 thousand mainly refers to the absence in 2007 of prepayments for editions as part of the joint venture with Gruner + Jahr/Mondadori, following transfer of the magazine distribution division to Press-Di Distribuzione Stampa e Multimedia Srl.

9. Inventories

The composition of and changes in inventories which amounted to €40,036 thousand (€43,908 thousand) are described and commented on below.

Inventories (€,000)	31 December 2007	31 December 2006
Raw materials and consumables	81	82
Provision for raw materials and consumables	0	0
Total raw materials and consumables	**81**	**82**
Work in progress and semi-finished goods	27,085	31,159
Provision for work in progress and semi-finished goods	(516)	(516)
Total work in progress and semi-finished goods	**26,569**	**30,643**
Finished products and goods for resale	16,654	16,451
Provisions for finished products and goods for resale	(3,268)	(3,268)
Total finished products and goods for resale	**13,386**	**13,183**
Total inventories	**40,036**	**43,908**

The decrease of €4,074 thousand is essentially due to publishing products not yet finished.

Inventories – Provisions (€,000)	Raw materials	Work in progress and semi-finished goods	Finished products and goods for sale
Balance at 1 January 2006	0	516	3,669
Movements during period:			
– provisions	0	0	0
– utilisations	0	0	(400)
– other movements	0	0	0
Balance at 31 December 2006	**0**	**516**	**3,269**

Inventories – Provisions (€,000)	Raw materials	Work in progress and semi-finished goods	Finished products and goods for sale
Balance at 1 January 2007	0	516	3,269
Movements during period:			
– provisions	0	0	0
– utilisations	0	0	0
– other movements	0	0	0
Balance at 31 December 2007	**0**	**516**	**3,269**

Decrease (increase) in inventories

The following table summaries the changes in inventories recognised in the income statement for the year.

Decrease (increase) in inventories (€,000)	31 December 2007	31 December 2006
Changes in finished products	593	(2,491)
Charge to finished products provision	0	0
Utilisation of finished products provision	0	400
	593	**(2,091)**
Changes in semi-finished products	(4,073)	3,845
Charge to finished products provision	0	0
Utilisation of finished products provision	0	0
	(4,073)	**3,845**
Changes in raw material and goods	(1)	(31)
Charge to finished products provision	0	0
Utilisation of finished products provision	0	0
	(1)	**(31)**
Total decrease (increase) in inventories	**(3,481)**	**1,724**

There are no inventories used to secure liabilities.

10. Trade receivables

The composition of and change in trade receivables which amounted to €241,052 thousand (€241,198 thousand) are described and commented on below.

Trade receivables (€,000)	31 December 2007	31 December 2006
Receivables from customers	87,692	92,999
Receivables from associated companies	25,937	28,145
Receivables from subsidiaries	127,420	120,048
Receivables from parent company	3	6
Total trade receivables	**241,052**	**241,198**

The reduction of receivables from customers is mainly due to the transfer of the magazine distribution and subscription division to Press-Di Distribuzione Stampa e Multimedia Srl. In addition, as of 31 December 2007 there was a reclassification of provisions for expenses for advertising receivables for €5,000 thousand and provisions for expenses for subscription receivables for €343 thousand from receivables from customers to various risk provisions.
There are no trade receivables with a due date over five years; the average collection period during 2007 was 77.3 days (71.5 days in 2006).

Details by geographical area are contained in the supplementary schedules.

Receivables from subsidiaries of €127,420 thousand (€120,048 thousand) and receivables from associated companies of €25,937 thousand (€28,145 thousand) refer to commercial transactions carried out at market prices. The details of each company and the variations compared with 2006 are contained in appendix "C1".

Receivables from customers include receivables from Fininvest Group companies for €542 thousand (€528 thousand) and mainly refer to Publitalia '80 SpA, for €212 thousand (€90 thousand), RTI SpA, for €267 thousand (€408 thousand) and other companies for a total of €63 thousand. Trading relations with the Fininvest Group are carried out under normal market conditions.

Trade receivables, amounting to €87,692 thousand (€92,999 thousand), decreased by €5,307 thousand and are made up as follows:

Trade receivables - Receivables from customers (€,000)	31 December 2007	31 December 2006
Receivables from customers	121,410	220,854
Customers - returns to be received	(24,639)	(113,504)
Provision for bad debts	(9,079)	(9,351)
Contract risk provision	0	(5,000)
Total receivables from customers	**87,692**	**92,999**

The change in receivables from customers and in returns to be received were influenced by the transfer of the magazine distribution and subscription division to Press-Di Distribuzione Stampa e Multimedia Srl.

Movements in the provision for bad debts for the year, which amounted to €9,079 thousand (€9,351 thousand), were as follows:

Trade receivables Receivables from customers - Provision (€,000)	31 December 2007	31 December 2006
Balance at beginning of year	9,351	7,668
Movements during period:		
– provisions	2,300	2,449
– utilisations	(1,373)	(766)
– other movements	(1,199)	0
Total receivables from customers	**9,079**	**9,351**

The other movements of - €1,199 thousand refer to - €856 thousand for the transfer to Press-Di Distribuzione Stampa Multimedia Srl and to - €343 thousand for the reclassification of expense provisions on subscription receivables booked under various risk provisions in Liabilities.
The provision is considered adequate to cover any expected risk of insolvency and is determined by analysing doubtful receivables and, for other receivables, by assessing the likelihood of non-recovery.

11. Other current financial assets

The composition of and changes in other current financial assets which amounted to €103,281 thousand (€54,671 thousand), are described and commented on below.

Other current financial assets (€,000)	31 December 2007	31 December 2006
- Financial receivables from subsidiaries	86,636	44,969
- Financial receivables from associated companies	7,858	9,260
- Other financial receivables	8,787	442
Total financial receivables	**103,281**	**54,671**
Financial assets at fair value with changes through the income statement	0	0
Securities and financial investments	0	0
Total current financial assets	**103,281**	**54,671**

Financial receivables from subsidiaries of €86,636 thousand (€44,969 thousand) and those from associated companies of €7,858 thousand (€9,260 thousand) mainly refer to current accounts bearing interest in line with market rates.

The details for each company and the changes with 2006 are provided in appendix “C1”.

Other financial receivables, totalling €8,787 thousand, include:
- financial receivables for €8,400 thousand refers to the last instalment due in May 2008 for the disposal of the a company property in Corso Europa in Milan;
- accrued income/prepaid expenses of €213 thousand (€141 thousand) regarding financial items referring to 2008;

- other financial receivables of €174 thousand (€131 thousand) mainly referring to current accounts with third-party companies at market conditions.

Assets and liabilities resulting from derivative instruments

The following table illustrates the assets and liabilities resulting from derivative instruments held at 31 December 2007:

Assets and liabilities resulting from derivative instruments - Detail (€,000)	Type of derivative	Fair value at 31 December 2007	Fair value at 31 December 2006
Current financial assets			
– Exchange rate derivatives	Trading	83	24
Non-current financial liabilities			
– Cross Currency Swap	Fair value hedge	(54,433)	(36,435)

<u>Currency derivatives</u>

The company currency derivative agreements to hedge against the risk of fluctuations in exchange rates. The currency derivatives utilised are exclusively forward contracts for the purchase and sale of foreign currencies.

The main type of exchange risks affecting the Group are linked to the purchase of the author's rights to books in markets outside the EU and the sale of printed publishing products in markets outside the EU. In the second case, the Group initially partially covers the annual budget for forecasted sales and all the orders for sales.

As of 31 December 2007, there were following outstanding operations to hedge currency exchange risks:

- forward contracts for the sale of US $3,900 thousand (€2,685 thousand);
- forward contracts for purchase of US $1,800 thousand (€1,265 thousand);
- forward contracts for the sale of £1,400 thousand (€1,957 thousand)

<u>Cross Currency Swap</u>

This refers to an operation set up in 2003 to cover exchange rate risks linked to the US Private Placement debenture loan taken out in that year.

The loan of US $350 million is made up of three tranches of US $215 million, US $40 million and US $95 million with fixed rates of, respectively, 5.42%, 5.57% and 5.85% and expiry dates of 2013, 2015 and 2018.

The Cross Currency Swap derivative made it possible to transform the notional into Euro and the interest rates from fixed to floating. The floating interest rates obtained for the three tranches are equal to the three-month Euribor rate plus, respectively, 0.66%, 0.59% and 0.60%.

In accordance with international accounting standards, the profit (loss) from the variations in value of this derivative instrument are recognised in the income statement in line with the variation of an equal amount recognised together with the debt.

The table below illustrates the impact in the income statement of the changes to value of the derivative and the relevant debt:

Fair value hedge (€,000)	31 December 2007	31 December 2006
Profit (loss) of hedge derivative	(17,863)	(35,669)
Profit (loss) recognised on financial debt	17,804	35,646

12. Cash and cash equivalents

Cash and other cash equivalents, amounting to €96,019 thousand (€73,598 thousand), include money in post office accounts for €14 thousand (€522 thousand) and in banks for €95,984 thousand (€73,060 thousand), together with €21 thousand (€16 thousand) in cheques and petty cash.

Cash and cash equivalents (€,000)	31 December 2007	31 December 2006
Cash and cheques	21	16
Bank deposits	95,984	73,060
Post office deposits	14	522
Total cash and cash equivalents	**96,019**	**73,598**

Short-term deposits mainly have expiry dates of between one week and three months, in keeping with the financial needs of the company, and mature interest at the respective short-term rates. The fair value of cash and cash equivalents at 31 December 2007 is equal to their carrying value at that date.

The recognition of payables for €5,917 thousand for the purchase of the R101 radio station from Radio Milano International SpA, is guaranteed by a bank deposit for the same amount.

Liabilities

13. Shareholders' equity

Share capital of €67,452 thousand, fully subscribed and paid up, is represented by 259,429,832 ordinary shares each with a par value of €0.26.
Changes over the last two years in shareholders' equity are set out below:

(€,000)	Share capital	Share premium reserve	Treasury share reserve	Stock option reserve	Other reserves	Profit (loss) for the year	Total shareholders' equity
As of 1 January 2006	**67,452**	**283,747**	**(102,824)**	**4,715**	**123,577**	**101,290**	**477,957**
Changes:							
- Adoption of IAS 32 and IAS 39							
- Allocation of net profit					33	(33)	0
- Dividend payment					(43,380)	(101,257)	(144,637)
- Operations in treasury shares			9,664		(26)		9,638
- Stock options		1,720		658			2,378
- Net profit for the year						90,240	90,240
At 31 December 2006	**67,452**	**285,467**	**(93,160)**	**5,373**	**80,204**	**90,240**	**435,576**

(€,000)	Share capital	Share premium reserve	Treasury share reserve	Stock option reserve	Other reserves	Profit (loss) for the year	Total shareholders' equity
At 31 December 2006	**67,452**	**285,467**	**(93,160)**	**5,373**	**80,204**	**90,240**	**435,576**
Changes:							
- Adoption of IAS 32 and IAS 39							
- Allocation of net profit					5,518	(5,518)	0
- Dividend payment						(84,722)	(84,722)
- Operations in treasury shares			(10,842)		531		(10,311)
- Stock options		1,409		863	55		2,327
- Net profit for the year						89,965	89,965
At 31 December 2007	**67,452**	**286,876**	**(104,002)**	**6,236**	**86,308**	**89,965**	**432,835**

Following the adoption of IAS 32 and IAS 39 on 1 January 2005, treasury shares held in portfolio are recognised as a deduction from shareholders' equity. This portfolio, equal to 6% of the share capital, consists of:

- 1,957,332 ordinary shares (1,221,726 of which came from the conversion of savings shares resolved by shareholders on 29 April 1999) with a par value of €0.26 each for a total of €3,519 thousand, resulting from buy-backs exercised by shareholders of the former AMEF following the change in corporate purpose as a result of the merger with the former AME;

- 13,622,769 ordinary shares with a par value of €0.26 each purchased for €100,483 thousand in accordance with the resolutions of various shareholders' meetings, the last of which took place on 23 April 2007. During the year 2,729,896 ordinary shares were purchased and 1,125,000 treasury shares were disposed of in operations connected with the exercising of options by beneficiaries of the Stock Option Plan.

The following table provides an analysis of shareholders' equity, showing the origin, availability and distribution of each item.

(€,000) Name/description	Amount	Possibility of utilisation	Portion available available	Summary of utilisations carried out in past years for distribution of profits	for other reasons
Share capital	**67,452**				
Capital reserves:					
– from share premium	259,898	A,B,C	157,073		
– from conversion of saving shares	26,978	A,B,C	26,978		
– capital grants reserve	5,335	B			
Revenue reserves:					
– evaluation reserves					
• law n. 72 of 19/3/1983	12,022	A,B			
• law n. 413 of 30/12/1991	4,689	A,B			
– legal reserve	13,490	B			
– extraordinary reserve	59,799	A,B,C	29,380	195,426	784
– reserve law n. 675 of 12/8/1977	351	A,B			
– reserve law n. 904 of 16/12/1977	751	A,B			3,329
– reserve article 13 of law n. 124/93	159	A,B			
– merger reserve	478	A,B,C	478		
– reserve law n. 576 of 2/12/1975					3,128
– reserve for unrealised exchange gains					
– reserve for unclaimed dividends	4,292	B	4,292		
IAS/IFRS transactions:					
– positive transaction reserve	16,476		55		
– negative transaction reserve	(25,297)		(25,297)		
Treasury shares	**(104,002)**				
Total	**342,870**		**192,959**	**195,426**	**7,241**
Non-distributable portion (1)					
Distributable portion					

Key: A: for increases in capital - B: for covering losses - C: for distribution to shareholders

(1) Represents the non-distributable portion determined in accordance with Legislative Decree n. 38/2005.

Details of the changes in the individual components of shareholders' equity are shown in the statement of changes in shareholders' equity, which shows in particular:

The **share premium reserve and the reserve for the conversion of savings shares** of €286,876 thousand (€285,467 thousand) includes:

- €15,289 thousand, of which €13,278 thousand resulting from the conversion into shares of the debenture loan 6.5% 1987/1991of the former AMEF and €2,011 thousand from the merger of the former AMEF on 29 November 1991;
- €238,603 thousand resulting from the €17,043 thousand increase in capital completed on 27 June 1994 in conformity with a resolution of the Extraordinary Shareholders' Meeting of 30 May 1994 that provided for the issue of 33,000,000 ordinary shares with a par value of €0.52 (1,000 lire) at a price of €7.75 (15,000 lire) per share, €7.23 (14,000 lire) of which was share premium;
- €384 thousand resulting from the increase in capital completed on 23 November 1998;
- €692 thousand resulting from the increase in capital completed on 17 September 1999;
- €1,801 thousand resulting from the increase in capital completed on 18 July 2000;
- €26,978 thousand generated from the conversion into ordinary shares of 13,929,942 savings shares, in conformity with a resolution of the Shareholders' Meeting of 30 May 1994 that enabled holders of savings shares to convert these into ordinary shares in the ratio of one to one with a par value of €0.52 (1,000 lire), to be exercised during the period 16 June to 31 July 1994 with payment of a balance of €1.94 (3,750 lire) for every share converted;
- €3,129 thousand resulting from the Stock Option Plan agreed on by the company and assigned to the management.

The **capital grants reserve** of €5,335 thousand (€5,335 thousand) includes €1,148 thousand for amounts paid out by the Agenzia per la Promozione dello Sviluppo del Mezzogiorno (Ministerial Decrees of 28 June 1979 and 3 May 1989) for the purposes of industrial investments carried out at the plant in Pomezia (RM) and, for a total amount of €4,187 thousand (including €283 thousand conferred by Mondadori Electa SpA following the separation of the "magazines" division), the amounts for grants paid out by the State in previous years pursuant to Publishing Law n. 416 of 5 August 1981. The accounting treatment of these latter two items follows the requirements of ministerial provisions which recognise these as capital grants. Under this treatment, tax is not payable on these grants unless they are used for purposes other than for covering losses.

Reserves are recognised as follows for tax purposes:

(€,000)	a	b	c	Total
Share - Premium reserve	-	-	259,898	259,898
- Conversion of savings shares	-	-	26,978	26,978
				286,876
Legal reserve n. 72 of 19 March 1983	-	12,022	-	12,022
Legal reserve n. 413 of 30 December 1991	-	4,689	-	4,689
				16,711
Legal reserve	13,490	-	-	13,490
Treasury shares reserve	-	-	-	-
Extraordinary reserve	59,799	-	-	59,799
Reserve law n. 675 of 12 August 1977	-	351	-	351
Reserve law n. 904 of 16 December 1977	-	751	-	751
Capital grants reserve	-	5,335	-	5,335
Reserve law n.124/93 article 13	-	159	-	159
Merger reserve	478	-	-	478
Reserve for unrealised exchange gains	-	-	-	-
Reserve for unclaimed dividends	4,292	-	-	4,292
				71,165
Total reserves	**78,059**	**23,307**	**286,876**	**388,242**
Total free capital increases with utilisation of reserves	**784**	**6,457**	**-**	**7,241**

a. Reserves that, if distributed, do not form part of shareholders' taxable income for 95% of the total (art. 89 D.P.R. n. 917/86 as modified by Legislative Decree n. 344/2003 which established IRES – corporate income tax).

b. Reserves that, if distributed, form part of the company's taxable income.

c. Reserves that, if distributed, do not form part of shareholders' taxable income.

Details of the reserves utilised for bonus increases in share capital in previous years are as follows:

Reserves utilised (Euros)	Date of shareholders' resolution	Amounts transferred to capital
Legal reserve n. 576 of 2 December 1975	30/4/1980	1,292,433
Legal reserve n. 576 of 2 December 1975	25/5/1981	1,291,142
Legal reserve n. 576 of 2 December 1975	30/4/1982	543,943
Legal reserve n. 904 of 16 December 1977	30/4/1982	3,329,483
		6,457,001
Reserve for stock options	25/9/1998	66,365
Reserve for stock options	7/7/1999	105,873
Reserve for stock options	12/5/2000	152,045
Extraordinary reserve (conversion of share capital into euros)	24/4/2001	459,593
		783,876

14. Provisions

The composition of and changes in provisions, amounting to €19,777 thousand (€10,466 thousand), are described and commented on below:

Provisions (€,000)	31 December 2006	Charge	Utilisations	Other movements	31 December 2007
Various collection risks	1,126				1,126
Litigation	6,513	950	1,057	29	6,435
Dispute over INPGI contributions	1,000	3,532			4,532
Tax disputes	1,827				1,827
Expense for advertising receivables		700	696	5,000	5,004
Expense for subscription receivables		1,040	530	343	853
Total provisions	**10,466**	**6,222**	**2,283**	**5,372**	**19,777**

The purpose of these balances is to provide against probable liabilities resulting from litigation, various collection risks, contract commitments and commitments and disputes over social security payables.

In particular, provisions for €3,532 thousand for dispute over INPGI contributions is in order to align the overall value of the provisions to the estimated risk of future payments for disputes with the INPGI.

The other movements of €5,372 thousand are specifically influenced by the reclassification of provisions for expense for advertising receivables (for €5,000 thousand) and provisions for expense for subscription receivables (for €343 thousand) booked in the previous year to reduce customer receivables.

The long-term portion of provisions, whose payment date can be reliably estimated, has been discounted to take account of implicit interest.

15. Employees' leaving entitlement and termination indemnities

The composition of and changes in of the employees' leaving entitlement and termination indemnities are described and commented on below:

Leaving entitlements and termination indemnities (€,000)	31 December 2007	31 December 2006
Employees' leaving entitlement (TFR)	34,618	43,406
Agents' termination indemnity (FISC)	899	1,082
Termination indemnity for journalists (IFGP)	562	677
Total leaving entitlements and termination indemnities	**36,079**	**45,165**

Changes in the two years are due to the following:

Employees' leaving entitlement – Details (€,000)	TFR	FISC	IFGP	Total
Balance at 31 December 2006	43,406	1,082	677	45,165
Changes during 2007:				
- provisions	1,905	147	21	2,073
- utilisations	(9,147)	(48)	(146)	(9,341)
- reversals	(337)	(191)		(528)
- discounting	(1,244)	(91)		(1,335)
- others	35		10	45
Balance at 31 December 2007	**34,618**	**899**	**562**	**36,079**

The employees' leaving entitlement and the agents' termination indemnity are determined, in accordance with IAS 19 and IAS 37, by applying an actuarial method.

The following assumptions were used when determining the actuarial value of the employees' leaving entitlement:

Actuarial assumptions used for the employees' leaving entitlement	31 December 2007	31 December 2006
Economic assumptions:		
- increase in cost of living	2.0%	1.5%
- discount rate	4.50%	4.0%
- salary increases	3.0%-4.0%	3.0%-4.0%
Demographic assumptions:		
- probability of death	IPS 55 tables	IPS 55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	6.07%	From 6.07% a 7.20%
- pensionable age	Current regulations	Current regulations

The following assumptions were used when determining the agents' termination indemnity:

Assumptions for actuarial calculation of supplementary indemnities for agents reserve (FISC)	31 December 2007	31 December 2006
Economic assumptions:		
- discount rate	4.50%	4.0%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	1.0%	1.0%
- probability of voluntary resignation	1.5%	1.5%
- average age of terminating the agency agreement	65	65

The other termination liabilities were not discounted as the effects would not be significant.

Charges to the income statement for the employees' leaving entitlement were as follows:

Cost of employees' leaving entitlement (€,000)	31 December 2007	31 December 2006
Cost of TFR destined for supplementary pension	5,949	
Current cost of employees' leaving entitlement/retirement	1,927	7,343
Actuarial (gains) losses	(2,697)	1,271
	5,179	**6,072**
Interest charge	1,453	1,613
Total cost of employees' leaving entitlement	**6,632**	**7,685**

The "current cost of the employees' leaving entitlement" together with the "actuarial (gain)/loss" are booked in the income statement under "personnel costs" while the financial component is booked under financial expense for the year. In addition, following the change in the regulations governing employees' leaving entitlements introduced by the government in the 2006 Budget and the relative decrees, the introduction of the cost of TFR destined for supplementary pensions has resulted in a change in the method of calculating the TFR reserve in accordance with actuarial criteria. This change in the criteria used for the actuarial calculation has resulted in a net benefit of €2,120 thousand.

16. Financial liabilities

The composition of and changes in financial liabilities, amounting to €296,449 thousand (€296,256 thousand), are described and commented on below.

Non-current financial liabilities (€,000)	Effective interest rate	Due after 5 years	31 December 2007	31 December 2006
Bonds	Eur3M+0.667%	x	242,016	259,820
Liabilities from derivative instruments	-	x	54,433	36,435
Total non-current financial liabilities	-	-	**296,449**	**296,256**

The carrying value of €242,016 thousand of the non-convertible bonds of US$350 million, whose issue on 23 June 2004 was resolved by shareholders on 16 June 2004, was determined using the amortised cost method in accordance with IAS/IFRS.

The valuation of the bonds was made in line with the Cross Currency Swap taken out to hedge foreign exchange and interest rate risks. The average spread paid on three-month Euribor was 0.636%, which corresponds to an effective three-month Euribor spread of 0.667%.

The features of the bonds are as follows:

- the bonds were offered to and reserved for the subsidiary Mondadori International SA;
- the loan consists of 3,500 bonds having a total nominal value of US$100,000 each issued at par;
- repayment at par on consignment of bonds on the following due dates :
  - "tranche A", US$ 215 million on 18 December 2013
  - "tranche B", US$ 40 million on 18 December 2015
  - "tranche C", US$ 95 million on 18 December 2018
- annual fixed gross interest, calculated on the par value of the bonds, payable on 18 June and 18 December of every year of the loan:
  - 5.42% per year up to due date of "tranche A"
  - 5.57% per year up to due date of "tranche B"
  - 5.82% per year up to due date of "tranche C"

The fair value of the Cross Currency Swap derivative acquired as a hedge on the debt is €54,433 thousand.

Amounts due to banks and other financial payables amount to €334,165 thousand (€219,278 thousand) and include:

Amounts due to banks and other financial payables

(€,000)	31 December 2007	31 December 2006
Amounts due to banks	27,119	12,603
Amounts due to associated companies	10,456	13,553
Amounts due to subsidiaries	190,126	123,716
Liabilities resulting from derivative instruments	0	0
Other financial payables	105,989	69,382
Accrued expense and deferred income	475	24
Total amounts due to banks and other financial payables	**334,165**	**219,278**

Amounts due to banks of €27,119 thousand (€12,603 thousand) consist of current account overdrafts.

Amounts due to subsidiary companies of €190,126 thousand (€123,716 thousand) and those due to associated companies of €10,456 thousand (€13,553 thousand) mainly refer to current accounts bearing interest in line with market rates.
Details by company and the changes compared with 31 December 2006 are contained in appendix "D1".

Other financial payables of €105,989 thousand (€69,382 thousand) include €100 million of stand-by credit lines utilised in December, €5,917 thousand of debt for the purchase of the R101 radio station from Radio Milano International SpA a current account for the same amount was locked-up and €72 thousand for third-party debts in group current accounts.

Accrued liabilities and deferred income of €475 thousand (€24 thousand) refer to interest on stand-by loans.

The company's overall financial situation at 31 December 2007, as set out in the table below, shows net debt of €431,314 thousand (€387,265 thousand)

Net financial position (€,000)		31 December 2007	31 December 2006
A.	Cash	21	16
	– Bank deposits	95,984	73,060
	– Post office deposits	14	522
B.	Other cash and cash equivalents	95,998	73,582
C.	**Cash and cash equivalents and other financial assets (A+B)**	**96,019**	**73,598**
D.	Stocks held for negotiation	-	-
	– Financial receivables from subsidiaries	86,636	44,969
	– Financial receivables from associated companies	7,858	9,260
	– Financial assets measured at fair value	-	-
	– Derivative instruments and other financial assets	8,787	442
E.	Receivables and other current financial assets	103,281	54,671
F.	**Current financial assets (D+E)**	**103,281**	**54,671**
G.	Current bank payables	27,119	12,603
	– Bonds	-	-
	– Mortgages	-	-
	– Loans	100,000	50,000
H.	Current part of non-current payables	100,000	50,000
	– Payables due to subsidiaries	190,126	123,716
	– Payables due to associated companies	10,456	13,553
	– Derivatives instruments and other financial payables	6,464	19,406
I.	Other current financial payables	207,046	156,675
L.	**Payables to banks and other current financial payables (G+H+I)**	**334,165**	**219,278**
M.	**Current net financial position (C+F-L)**	**(134,865)**	**(91,009)**
	– Bonds	242,016	259,821
	– Mortgages	-	-
	– Loans	-	-
N.	Part of non-current payables	242,016	259,821
O.	Other non-current financial payables	54,433	36,435
P.	**Non-current financial payables (N+O)**	**296,449**	**296,256**
Q.	**Net financial position (M-P)**	**(431,314)**	**(387,265)**

An analysis of the net financial position of the company and of the relative movements is given in the cash flow statement included in the financial statements for the year and in the comment on the Group's financial position, which is included in the Report of the Board of Directors.

17. Income taxes payable

The composition of and changes in income tax payables, amounting to €29,514 thousand (€36,272 thousand), is described and commented on below.

Income tax payables (€,000)	31 December 2007	31 December 2006
Payables due to Fininvest for IRES	29,514	36,272
Total income tax payables	**29,514**	**36.272**

Payables to Fininvest SpA represent the amounts due from Mondadori for IRES as a result of the tax consolidation introduced by Legislative Decree n. 344/2003 as a modification of the regulations concerning income taxes, in which the company has elected to participate.

The tax consolidation provides the parent company and its subsidiary companies with the option of choosing a consolidated tax system headed by the parent company. The system has a single taxable base as far as IRES is concerned, that is calculated as the sum of the taxable income and the tax losses of the Group companies that take part in the consolidation. The parent/consolidating company therefore presents, on the basis of the returns supplied by the individual companies taking part in the consolidation, a consolidated income tax return and is responsible for the payment of the total amount of tax due. The individual companies involved in the consolidation then pay the amount of IRES due, where applicable, to the parent company, and not to the tax authorities as in the past, which subsequently is responsible for paying the total amount of consolidated tax due.
The company's taxable income has been finalised, and all taxes paid, up to 2002, with the exception of the following:

- 1979: the case before the Central Tax Commission is pending after the Second Grade Tax Commission accepted the Company's defence and declared the additional taxable income deemed by the tax authorities to be illegitimate.
- 1991: the position taken by the authorities that the company should have paid tax on the difference that arose on the merger of Arnoldo Mondadori Editore SpA into AME Finanziaria (AMEF), that was used to re-value a number of shares held by the merged company, is challenged.
  The Regional Tax Commission has concluded that the company acted correctly, but the tax authorities have appealed against this decision to the High Court.
- 1996-1997-1998-1999: following an inspection by the National Journalists' Social Security Association, the company has been notified that it is being investigated and that it may be sanctioned for failure to apply withholding tax. The company has appealed to the Provincial Tax Commission. This investigation is part of a wider investigation being carried out by the Financial Police dealing with:
  - withholding taxes for the years 1995 to 1999. At the present date a decision has been reached in the company's favour regarding the investigation concerning 1995, but decisions on the years from 1996 to 1998 are still pending. An appeal has been launched for 1999 in the Regional Tax commission following the favourable result in the Regional Tax commission.
- 2004: following an inspection, the Lombardy Regional Tax commission found a number of anomalies but up to the present time the company has not been notified that it is being investigated. The company does not believe that there is much likelihood of having to make any future payment for the dispute in question, therefore no reserve has been created.

For those years still open for fiscal purposes, taxes have been accrued and paid on the basis of the taxable income and the tax regulations prevailing at the time the provisions were made.

18. Other current liabilities

The composition of and changes in other current liabilities, amounting to €70,710 thousand (€98,509 thousand), are described and commented on below.

Other current liabilities (€,000)	31 December 2007	31 December 2006
Customer advances	799	26,439
Income tax payables	8,002	5,281
Amounts due to pension funds and social security institutions	13,044	9,435
Other payables	44,167	51,839
Accrued expense and deferred income	4,698	5,515
Total other current liabilities	**70,710**	**98,509**

Customer advances of €799 thousand (€26,439 thousand) have decreased by €25,640 thousand compared with last year as a result of the transfer of the "Magazine Distribution" division to Press-Di Distribuzione Stampa e Multimedia Srl, in particular with reference to the subscription customer advances for €25,545 thousand.

Income tax payables of €8,002 thousand (€5,281 thousand) refer to withholding tax on employee wages and salaries and on consultant's fees which were paid in January 2008.

Amounts due to pension funds and social security institutes of €13,044 thousand (€9,435 thousand) refer for €5,799 thousand (€5,337 thousand) to contributions relating to wages and salaries for December and for the thirteenth month's salary paid in January 2008, for €2,357 thousand for pension funds (mostly journalists' TFR fund) where the TFR has been directed, and which was also paid in January, and for €4,888 thousand (€4,098 thousand) to accruals for contributions relating to deferred remuneration.

Other payables of €44,167 thousand (€51,839 thousand) refer to:

Other current liabilities - Other payables (€,000)	31 December 2007	31 December 2006
Payroll and other amounts due to employees	17,025	15,013
Due to authors and collaborators	25,403	23,661
Due to agents	1,186	1,411
Due to subscription and instalment customers	0	9,892
Due to shareholders for dividends	213	177
Due to directors and statutory auditors	286	1,267
Due to others	54	418
Total other payables	**44,167**	**51,839**

Payables for subscriptions for €9,892 thousand, and the relative receivables, have been transferred to Press-Di Distribuzione Stampa e Multimedia Srl as part of the transfer of the magazine distribution and subscription division that took place on 31 December 2006.

Accrued expense and deferred income, amounting to €4,698 thousand (€5,515 thousand), are made up as follows:

(€,000)	31 December 2007	31 December 2006
Deferred remuneration and relative charges	1,622	1,722
Deferred remuneration and relative charges	753	652
Total accrued expense	**2,375**	**2,374**
Magazine advertising revenues relating to 2008 editions	1,832	1,967
Rent payable	491	654
Other	0	520
Total deferred income	2,323	3,141
Total accrued expense and deferred income	**4,698**	**5,515**

19. Trade payables

The composition of and changes in trade payables is described and commented on below:

Trade payables (€,000)	31 December 2007	31 December 2006
Suppliers	79,885	86,329
Subsidiaries	100,340	107,948
Associated companies	4,100	13,836
Parent companies	7	17
Total trade payables	**184,332**	**208,130**

Trade payables amounted to €79,885 thousand (€86,329 thousand) and include amounts for the purchase of assets for €2,099 thousand (€2,322 thousand).
This item includes:
- trade payables to various affiliated companies for €120 thousand (€139 thousand), relating to Editrice Portoria SpA
- trade payables to Fininvest Group companies for a total of €684 thousand (€4,692 thousand), the most significant of which concern Publitalia '80 SpA for €483 thousand (€1,839 thousand), Medusa Video Srl for €117 thousand (€760 thousand), R.T.I. SpA for €17 thousand (€1,994 thousand) and other minor payables for a total of €67 thousand (€99 thousand).

Payables to affiliated companies refer to commercial transactions carried out at market prices.

Trade payables to subsidiaries for €100,340 thousand (€107,948 thousand) and those payable to associated companies of €4,100 thousand (€13,836 thousand) refer to commercial transactions carried out at market rates.

Details for each company and the variations compared with 2006 are contained in appendix “D1”, while information by geographical area is contained in the supplementary tables in the appendix.

There are no trade payables with a due date of more than 5 years and the average payment period in 2007 was 116.7 days (106.00 days in 2006).

(Details of intragroup transactions with related parties in 2007 are provided in appendices "C2" and "D2").

20. Revenues from sales and services

Details of sales in the individual sectors are given in the report on operations.

An analysis of revenues is set out in the following table:

Revenues from sales and services (€,000)	2007	2006	Change %
Revenues from the sale of goods:			
– books	290,440	261,095	11.24
– magazines/publications	373,243	450,702	(17.19)
– magazines/subscriptions	29,724	49,468	(39.91)
– corporate and other business			
Reproduction rights	9,444	8,720	8.30
Commercial articles and special initiatives	2,644	2,818	(6.17)
By-products and recovered products	1,762	1,609	9.51
Warehouse materials and various others	3	10	(70.00)
Revenues from services:			
– advertising services	212,632	216,213	(1.66)
– corporate and other business:			
On-line income, content deals, management of websites	1,416	1,231	15.03
Various services, consultation and assistance	28,034	29,683	(5.56)
Courses and conventions	0	0	0
Total revenues	**949,342**	**1,021,549**	**(7,07)**

The reduction in revenues from the sale of magazines/publications and magazines/subscriptions was a result of the transfer of the magazine distribution and subscription division to Press-Di Distribuzione Stampa e Multimedia Srl. This extraordinary operation resulted in Arnoldo Mondadori Editore SpA losing the sales from third-party publishers, directly managed by Press-Di Distribuzione Stampa e Multimedia Srl.

Revenues by geographical area are set out as follows:

Geographic area	Books	Magazines	Rights	Advertising and other	2007	2006
Italy	287,959	402,868	5,598	245,980	942,405	1,003,359
Other EU countries	702	5	3,290	414	4,411	8,123
U S A	73	1	76	2	152	487
Switzerland	1,461	0	7	3	1,471	4,069
Other countries	245	93	473	92	903	5,511
Total	**290,440**	**402,967**	**9,444**	**246,491**	**949,342**	**1,021,549**

21. Cost of raw materials and consumables and goods for resale

The composition of this item is illustrated in the following table:

Cost of raw materials and consumables and goods for resale (€,000)	2007	2006
Paper for special initiatives	92	39
Electricity, water, gas, fuel	1,779	1,946
Total cost of raw materials	**1,871**	**1,985**
Goods for resale	168,574	214,188
Consumption and maintenance materials	14,467	16,194
Total cost of consumables and goods for resale	**183,041**	**230,382**
Total cost of raw materials and consumables and goods for resale	**184,912**	**232,367**

22. Cost of services

The composition of this item is illustrated in the following table:

(€,000)	2007	2006
Rights and royalties	102,521	106,863
Third party collaboration	25,329	24,497
Consultancy	13,773	10,988
Commissions	5,790	7,717
Contracted-out printing:		
– printing, packaging and other	143,395	154,006
– paper	100,019	108,535
Transport and shipping	35,182	41,929
Advertising services	46,781	46,292
Other services	16,278	13,530
Travel and other expense reimbursements	6,322	6,358
Maintenance	2,824	2,888
Postal and telephone	3,649	3,929
Canteen and cleaning services	3,281	3,326
Market research	1,456	4,309
Insurance	1,899	1,942
Subscription management	9,008	2,375
Information agency	768	1,040
Expense for company boards:		
– Chairman and Board of Directors (*)	2,182	2,163
– Board of Statutory Auditors (*)	146	122
Total cost of services	**520,603**	**542,809**

(*) Details on an individual basis of remuneration for the year is given in appendix "H" (CONSOB decree n. 11971 of 14 May 1999).

23. Personnel costs

The composition of this item is described and commented on below:

Personnel costs (€,000)	2007	2006
Salaries and wages	101,000	94,278
Stock options	1,837	1,729
Social charges	26,984	26,289
Leaving entitlements, termination indemnities and pensions	7,876	7,343
Discounting (excluding interest costs)	(2,697)	(1,271)
Total personnel costs	**135,000**	**128,368**

Cost per category may be analysed as follows:

(€,000)	2007	2006
Managers	31,069	26,213
White-collars	40,009	43,245
Journalists	60,057	55,194
Blue-collars	3,865	3,716
Total	**135,000**	**128,368**

The company employed 1,475 people at 31 December 2007, a decrease of 103 compared with 31 December 2006, as illustrated in the table below.

Personnel	31 December 2007	31 December 2006	Average 2007	Average 2006
Managers	87	89	86	89
Journalists	464	453	467	459
White-collars and intermediates	816	935	815	933
Blue-collars	108	101	108	102
Total	**1,475**	**1,578**	**1,476**	**1,583**

The average number of employees for the year was 1,476 (1,583 in 2006).

Information about Stock Option Plans

Following the expiry of the Stock Option Plan for the period 2003-2004-2005, the Shareholders' Meeting of Arnoldo Mondadori Editore SpA of 26 April 2006 resolved to set up a new three-year Stock Option Plan regarding the company's shares commencing in 2006. The Plan is directed at managers of the company and its subsidiaries whose activities have a determining impact on the attainment of the Group's strategic objectives, together with directors of the company and of associated companies, journalists employed by the company and its subsidiaries who are editors or deputy editors of titles and managers of the parent company who carry out their activities in favour of the company.

The Shareholders' Meeting entrusted the Board of Directors with the task of managing the Plan, granting the Board all the powers necessary for identifying the participants, establishing performance objectives, allocating option rights and carrying out the plan itself in all its aspects. Shareholders also entrusted the Board with the task of defining the Regulations for implementing the Stock Option Plan.

In particular, the regulations for the Plan for 2006/2007/2008, approved by the Board of Directors, provide, for every year the Plan is in force, for the allocation to the participants in the Plan of rights to options, which are personal and not transferable, for the purchase of ordinary Arnoldo Mondadori SpA shares in the ratio of one share, with regular dividend, for every option exercised.

The price of the options for the year are established by the Board of Directors with reference, in accordance with the appropriate fiscal regulations, to the "normal value" of the shares and corresponding to the average reference price for Mondadori shares in the period from the grant date of the options to the same day in the previous calendar month.

The option can be exercised, in a single act, during the course of the financial year – as specified in the table below – beginning from the vesting period up to 36 months after the granting of the options. The Regulations further specify that the Board identifies the conditions for exercising the options granted to the participants with reference to the performance parameters of an economic and/or financial nature on an annual basis; the fulfilment of the conditions for exercising the options is verified by the Board, for each year in which the Plan is in force, by the end of the first half of the year after that in which the options are granted.

As with the Plans referring to previous years, the Board has identified the performance parameters of an economic and/or financial nature for the Stock Option Plan 2006/2007/2008 as being ROE and Free-cash flow.

In 2007 the period for exercising the options relatives to the Stock Option Plans approved by the Shareholders' Meeting for the three-year period 2003/2004/2005,and more precisely:

- options assigned in 2003 can be exercised between 1 January 2006 and 31 December 2007;
- options assigned in 2004 can be exercised between 1 January 2007 and 31 December 2008.

No provision was made for granting loans or other subsidies for the purchase of shares, in accordance with article 2358, paragraph 3 of the Civil Code.

The following table illustrates the situation at 31 December 2007 regarding the total number of options that have been granted and can still be exercised, the price and the exercise term:

Stock option	2003	2004	2005	2006	2007
In circulation at 1/1/2007	545,000	2,110,000	2,565,000	2,630,000	-
– granted during year	-	-	-	-	2,940,000
– cancelled during year	-	(50,000)	(80,000)	(60,000)	(80,000)
– exercised during year	(450,000)	(675,000)	-	-	-
– expired during year	(95,000)	-	-	-	-
In circulation at 12/31/2007	-	1,385,000	2,485,000	2,570,000	2,860,000
Exercise term	1/1/2006- 12/31/2007	1/1/2007- 12/31/2008	6/24/2008- 6/23/2011	7/18/2009- 7/17/2012	6/26/2010- 6/25/2013
Exercise price in Euros	6.471	7.749	7.87	7.507	7.458
Exercisable at 12/31/2007		1,385,000			

The weighted average price of the shares at the exercise date for the options exercised during the period was €7.271.

Those options assigned after 7 November 2002 have been measured at their fair value on the basis of a numerical calculation using binomial trees based on the following parameters:

Parameters for option measuring model	2003	2004	2005	2006	2007
Exercise price of the option	6.471	7.749	7.87	7.507	7.458
Option term (residual period)	1	1	3.54	4.6	5.5
Market price of the underlying shares at the grant date in Euros	6.234	7.793	7.865	7.415	7.15
Expected volatility of share price	30.00%	20.00%	18.45%	19.45%	17.00%
Dividend yield	4.00%	4.00%	4.45%	4.72%	4.90%
Risk free interest rate for the option term	2.80%	3.50%	2.65%	4.00%	4.80%

The cost in the income statement, booked under "Personnel costs", relating to operations with payment based on shares amounted to €1,837 thousand.

24. Other (income) expense

This item is made up as follows:

Other (income) expense (€,000)	2007	2006
Other revenues and income	(43,085)	(35,397)
Cost of use of third party assets	12,950	12,508
Various operating costs	17,144	14,657
Total other (income) expense	**(12,991)**	**(8,232)**

"Other revenues and income", amounting to €43,085 thousand (€35,397 thousand), refers to:

Other (income) expense - Other revenues and income (€,000)	2007	2006
Capital gains and prior year items	12,378	914
Supplier rebates and other third party contributions	111	238
Recovery of expense from third parties:		
– development and distribution expense	9,150	8,848
– expense for producing advertising	3,842	5,463
– cost of work for personnel loans	5,513	4,174
– other recoveries	9,994	12,369
Company rent	35	35
Others (promotional sales, publishing subsidiaries)	2,062	3,356
Total other revenues and income	**(43,085)**	**(35,397)**

"Other revenues and income" increased mainly due to capital gains from the sale of the property in Corso Europa in Milan for €12,203 thousand.

The cost of third party assets, amounting to €12,950 thousand (€12,508 thousand), consists of:

Other (income) expense - Cost of third party assets (€,000)	2007	2006
Rental expense	8,190	8,483
Hire of vehicles and other hire	3,036	2,912
Printing machinery rental and other rentals	1,724	1,113
Total cost of third party assets	**12,950**	**12,508**

Other charges, amounting to €17,144 thousand (€14,657 thousand), include:

(€,000)	2007	2006
Compensation, settlements and discounts	2,643	2,601
Bad debts	1,373	1,411
Contributions and grants	1,918	1,882
Personnel on loan	559	443
Information material	1,242	1,204
Entertainment expense	1,359	1,348
Others and various	415	1,399
Capital losses/prior year costs	115	95
Charge to/utilisation of bad debt provisions	927	1,684
Charge to/utilisation of provisions for legal risks	(107)	(45)
Charge to/utilisation of provisions for other risks	5,302	1,145
Council property tax	162	169
Taxes and dues	1,236	1,321
Total	**17,144**	**14,657**

25. Financial income (expense)

This item, amounting to - €19,821 thousand (- €12,831 thousand) consists of the following:

Financial income (expense) (€,000)	2007	2006
Interest from banks and post offices	2,901	605
Interest from associated companies	142	188
Interest from subsidiaries	2,836	1,573
Financial income from derivative instrument operations	2,036	6,164
Other interest and financial income	1,001	2,082
Total interest and other financial income	**8,916**	**10,612**
Interest to banks	(4,979)	(2,373)
Interest to associated companies	(391)	(322)
Interest to subsidiaries	(21,225)	(18,068)
Financial expense from derivative instrument operations	(59)	(414)
Financial expense from discounting assets/liabilities	(1,481)	(1,613)
Other interest paid and financial expense	(598)	(679)
Total interest paid and other financial expense	**(28,733)**	**(23,469)**
Realised foreign exchange differences	(20)	52
Unrealised foreign exchange differences	16	(26)
Total gains (losses) on foreign exchange operations	**(4)**	**26**
Total financial income (expense)	**(19,821)**	**(12,831)**

Net income from derivatives mainly refers to Cross Currency Swap operations for the purpose of hedging exchange and interest rate risks on the company's bond. The relative financial expense is included as "Interest to subsidiaries".

The rates applied to receivables from and payables to subsidiary and associated companies are in line with Mondadori's average borrowing cost.

Financial charges represented 2.08% of turnover in 2007, as illustrated in the following table:

(€,000)		2007	2006
Interest and financial expense on short-term loans		26,609	20,949
Other financial expense (commission/bank charges, cover for exchange/interest rate risks, discounting expense)		2,124	2,520
		28,733	23,469
Interest on loans		+2,987	+2,434
Other financial income (receivables/securities as non-current assets,hedging of exchange/interest rate risks)		+5,929	+8,178
Total	(A)	**19,817**	**12,857**
Revenues from sales	(B)	**949,342**	**1,021,549**
Percentage	(A/B)	**2.08%**	**1.25%**

26. Income (expense) from other investments

The details of this item are illustrated in the following table:

Income (expense) from other investments (€,000)	2007	2006
Dividends	53,918	32,122
Writedowns	(14,731)	(3,373)
Capital losses/gains on corporate operations	0	437
Total income (expense) from other investments	**39,187**	**29,186**

Dividends received during the year were as follows:

(€,000)	2007	2006
Subsidiary companies:		
Mondadori International SA	0	6,500
Mondadori Pubblicità SpA	780	1,020
Giulio Einaudi Editore SpA	5,980	5,520
Sperling & Kupfer Editori SpA	2,500	2,022
Edumond Le Monnier SpA	12,772	7,752
Cemit Interactive Media SpA	1,889	1,622
Mondadori Electa SpA	3,433	1,103
Edizioni Piemme SpA	4,620	0
Mondadori Franchising SpA	3,009	1,964
Mondadori Printing SpA	9,572	0
Total	**44,555**	**27,503**
Associated companies:		
Gruner + Jahr/Mondadori SpA	2,240	2,525
Mondolibri SpA	5,400	575
ACI Mondadori SpA	301	-
Mondadori Rodale Srl	637	639
Harlequin Mondadori SpA	150	225
Mach 2 Libri SpA	320	300
Agenzia Lombarda Distribuzione Giornali e Riviste Srl	0	65
Hearst Mondadori Srl	315	290
Total	**9,363**	**4,619**
Total dividends	**53,918**	**32,122**

Writedowns of €14,731 thousand (€3,373 thousand) refer to the impairment test carried out to adjust the cost of investments to their recoverable value.

Details are given in the balance sheet item "Investments", while the table below sets out the nature of the writedowns.

(€,000)	2007	2006
Cover for losses	17,657	480
Reduction of capital and reserves	1,524	755
	19,181	1,235
Provisions for losses/write-downs		
– provisions	14,355	8,931
– utilisations	(18,805)	(6,793)
	(4,450)	2,138
Other		
Total	14,731	3,373

27. Income taxes

"Income taxes" amounted to €42,961 thousand (€47,945 thousand). The main components of income taxes for the years ended 31 December 2007 and 2006 were as follows:

Income taxes (€,000)	2007	2006
IRES tax on income for the year	27,663	35,198
IRAP tax for the year	9,651	11,097
Total current taxes	37,314	46,295
Deferred tax (income) expense - IRES	4,701	1,475
Deferred tax (income) expense - IRAP	946	175
Total deferred tax (income) expense	5,647	1,650
Total income taxes	42,961	47,945

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

	2007			2006		
(€,000)	Profit before taxes	Taxes	Current tax rate	Profit before taxes	Taxes	Current tax rate
Theoretical IRES tax charge	132,926	43,865	33.00%	138,184	45,601	33.00%
Theoretic IRAP tax charge		5,649	4.25%		5,873	4.25%
Total theoretical tax charge /rate	**132,926**	**49,515**	**37.25%**	**138,184**	**51,474**	**37.25%**
Actual IRES tax charge	132,926	32,364	24.35%	138,184	36,673	26.54%
Actual IRAP tax charge		10,597	7.97%		11,272	8.16%
Actual tax charge/effective tax rate	**132,926**	**42,961**	**32.32%**	**138,184**	**47,945**	**34.70%**
Theoretic tax charge/rate	**132,926**	**49,515**	**37.25%**	**138,184**	**51,474**	**37.25%**
Dividend effect	(51,532)	(17,006)	(12.79%)	(30,654)	(10,116)	(7.32%)
Effect of provisions for investment losses	14,247	4,702	3.54%	10,166	3,355	2.43%
Net effect of other permanent IRES differences	16,336	5,391	4.06%	9,130	3,014	2.18%
Effect of different IRAP tax base (cost of labour, collaboration, financial and extraordinary income/expense, losses on receivables)	116,404	4,947	3.72%	127,039	5,399	3.91%
Other	(13,902)	(4,588)	(3.46%)	(15,696)	(5,181)	(3.75%)
Actual tax charge/effective tax rate		**42,961**	**32.32%**		**47,945**	**34.70%**

28. Commitments and contingent liabilities

The composition of commitments and contingent liabilities is described and commented on below.

Commitments are made up as follows:

(€,000)	Sureties	Other guarantees	Total 12/31/2007	Total 12/31/2006
Guarantees, sureties and endorsements				
– in favour of subsidiaries		52,020	52,020	60,562
– in favour of associated companies		1,575	1,575	2,580
– in favour of other companies	48,273		48,273	49,435
	48,273	53,595	101,868	112,577
Other commitments			11,815	20,749
Total			**113,683**	**133,326**

Guarantees, sureties and endorsements

– ***in favour of subsidiaries:*** €52,020 thousand (€60,562 thousand) refers to undertakings given to the Milan VAT office on behalf of subsidiary companies, in respect of their VAT credits offset in the Group settlement;

– ***in favour of associated companies:*** €1,575 thousand (€2,580 thousand) for letters of patronage issued to Banco Santander Central Hispano for guarantees given to Grupo Editorial Random House Mondadori;

– *in favour of other companies:* €48,273 thousand (€49,435 thousand) refers to counter-guarantees given by the company for sureties issued by banks:
  - to the Lombardy Region Tax Authorities and the Ministry of Industry for competitions in magazines for €7,777 thousand;
  - to authorised competition procedures for €34,000 thousand;
  - to tax authorities for VAT reimbursements for €5,743 thousand;
  - to other authorities and companies for a total of €753 thousand.

29. Non-recurring expense (income)

In accordance with CONSOB resolution n. 15519 of 27 July 2006, during the year the company carried out the following non-current operations.

- the disposal of a building used for business activities in Corso Europa in Milan, for a profit of €12,203 thousand;
- a change in TFR regulations which produced a profit of €2,120 thousand;
- a change in IRES rates (from 33% to 27.5%) and IRAP (from 4.25% to 3.90%) for calculating the advanced tax credits and deferred tax losses booked to the financial statements, which produced a loss of €151 thousand.

The above operations, net of their relative fiscal effects, increased the year's result by €9,186 thousand.

30. Related parties

Operations carried out with related parties, including intragroup operations, cannot be qualified as either atypical or unusual since they are part of the normal business activities of the Group companies. These operations, when they are not carried out under normal conditions or if they are dictated by specific regulations, are in any case carried out under market conditions.
Attachments "C1", "C2", "D1" and "D2" contain details of the economic and financial effects of operations with parent, subsidiary, associated and affiliated companies that took place in 2006 and 2007.

31. Financial risk management and other information required by the application of IFRS 7

When carrying out its business activities the company finds itself exposed to various financial risks, such as interest rate risk, exchange rate risk, price risk, credit/counterparty risk, issuer risk and liquidity risk.

The Group has drawn up a "General Policy for Financial Risk Management" aimed at regulating and defining financial risk management, and it has also made provision for setting up a Risk Committee whose task it will be to define any eventual modifications. The Policy has been adopted by the parent company, Arnoldo Mondadori Editore SpA, and all Group companies.

The company analyses and measures its exposure to financial risks in order to define its management and hedge strategies. The company uses the following means of measuring the risks it is liable to:

- sensitivity analyses of potential financial risks involve an analysis of the mark to market and/or future cash flow variations in relation to small fluctuations in the risk factors;
- value at risk, to measure the maximum possible loss for a specific position or a specific portfolio in a specific temporal period and with a specific level of probability.

The overall objective of the Policy is to minimise financial risks by using the best instruments offered by the market. Transactions in financial derivative instruments are only used to hedge the financial risks the company is exposed to, arising directly from Arnoldo Mondadori Editore SpA or from companies belonging to the subsidiary.
Transactions in financial instruments that are merely speculative are not permitted.

The management and monitoring of risks is carried out by company employees and representatives who produce specific reports at pre-established times.

Interest rate risk

Interest rate risks can be defined as the possibility that losses may be incurred in financial management, in terms of a decrease in returns from a business activity or an increase in the costs of a liability (either already existing or potential) as a consequence of variations in interest rates.

Interest rate risk therefore represents the uncertainty associated with interest rates. The fundamental objective of interest rate risk management is to immunize the company's financial position from variations in market taxes by keeping the volatility of interest rates under constant surveillance and managing in a prudent manner the risk and return profiles of business activities and of the Group's financial liabilities, within the framework of asset and liability management.
The company's exposure to this type of risk mainly arises from its medium-long term loans, in particular the bond denominated in US dollars (US Private Placement) underwritten by American institutional investors.

In order to hedge the fair value risk, in October 2003 the company entered a Cross Currency Swap agreement for the same amount and with the same due date, that converts the fixed interest rate into a floating interest rate and the dollar exposure into a euro exposure.

The following table illustrates the results of the sensitivity analysis carried out on interest rate risks, with an indication of the impact on the income statement, as requested by IFRS 7.

Sensitivity analysis (€ m)	Underwritten	Increase/(decrease) in interest rates	Revenues (charges)
2007	(476.5)	1%	(1.3)
2006	(368.4)	1%	(0.4)
2007	(476.5)	(1%)	1.3
2006	(368.4)	(1%)	0.4

In identifying the potential impact linked to positive and negative variations in interest rate taxes, floating-rate loans (short-term loans) were analysed separately from fixed-rate loans (US Private Placement).

With floating-rate loans, the impact of the sensitivity analysis refers to the future cash flow while in the case of fixed-rate liabilities it refers to variations of fair value.

The basic assumptions of the sensitivity analysis are:
- an initial parallel shift of the interest curve of ± 100 basis points;
- in calculating the variations associated with floating-rate financial instruments, it is assumed that no interest rates have already been fixed;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for comparative reasons, the same measurements are carried out on both the current year and the previous year.

Exchange rate risk

Exchange rate risks can be defined as an accumulation of negative effects on profit margins or the value of an asset or a liability as a result of variations in exchange rates.

The fundamental objective of exchange rate risk management is to hedge exchange risks for subsidiary companies, in order to protect the Group's operational profitability when faced with negative exchange rate movements. With this aim, the company has underwritten forward purchase/sales contracts for American dollars and sterling for an amount of between 50% and 100% of its exposure to exchange rate risks deriving from anticipated commercial transactions.

Exchange rate risks deriving from bond loans in American dollars is completely covered, as outlined above, by a cross currency swap agreement.

During 2006 and 2007 the type of exposure and the hedge policy adopted for exchange rate risks was similar to previous years.

The results of the sensitivity analysis carried out on exchange rate risks showed that there was no significant economic impact, as a result of the low level of the average exposure in 2006 and 2007.

Shareholders' equity was not affected since the derivative instruments used for managing the exchange rate risk were not subject to hedge accounting.

The basic assumptions of sensitivity analyses are:

- the exchange rate shock at the time the financial statements were drawn up was the same for all the currencies where the company has exposures and was equal to ± 10%;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for comparative reasons, the same measurements are carried out on both the current year and the previous year.

Liquidity risk

Liquidity risk is defined as the possibility that the company may not be able to honour its payment commitments as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby forcing it to bear very high costs in meeting its financial commitments. The company's exposure to this risk is represented above all by current financial operations. The company currently has medium-long term loans (bonds) with non-banking financial institutions, while if necessary the company can use the short-term bank guarantees that have already been granted.

The company's objective is to constantly maintain balance and flexibility between financial sources and commitments. Details of the characteristics of current and non-current financial liabilities are contained in note 16, "Financial liabilities".
At 31 December 2007, the company's liquidity risk could be managed by using both its own financial resources and the financial resources of the subsidiary companies. In particular, the overall resources available to the Group can be summarised in the following way:

- bank and post office deposits totalling €225.1 million;
- an investment portfolio in liquidity held by Editions Mondadori France, for a total of €11.6 million;
- an investment portfolio managed by a Luxemburg rate securities broker, 80% of which can be turned into cash within one month;
- committed credit lines (guarantees) for around €1,050.90 million (€200 million of which has not been used) and uncommitted credit lines for €432.2 million (€402.7 million of which has not been used);
- cash pooling contracts.

The following table illustrates the company's exposure to liquidity risks and an analysis of the maturity periods.

Liquidity risk	Analysis of maturity periods at 31 December 2007						
(€ m)	< 6 months	6 – 12 months	1 – 2 years	2 – 5 years	5 – 10 years	> 10 years	Total
Trade payables	79.9	-	-	-	-	-	79.9
Medium-long term intergroup loans	6.6	6.6	13.2	39.5	204.4	68.3	338.6
Other financial liabilities:							
- committed lines	2.3	101.8	-	-	-	-	104.1
- uncommitted lines	27.9	5.9	-	-	-	-	33.8
Other liabilities	30.8	-	-	-	-	-	30.8
Intergroup payables	305.0	-	-	-	-	-	305.0
Total	**452.5**	**114.3**	**13.2**	**39.5**	**204.4**	**68.3**	**892.2**
Cross Currency Swap	1.7	1.4	1.2	6.0	48.5	16.7	75.5
Total exposure	**454.2**	**115.7**	**14.4**	**45.6**	**252.9**	**85.0**	**967.9**

Liquidity risk	Analysis of maturity periods at 31 December 2006						
(€ m)	< 6 months	6 – 12 months	1 – 2 years	2 – 5 years	5 – 10 years	> 10 years	Total
Trade payables	86.3	-	-	-	-	-	86.3
Medium-long term loans	7.4	7.4	14.7	44.2	239.1	80.5	393.3
Other financial liabilities:							
- committed lines	1.0	50.6	-	-	-	-	51.6
- uncommitted lines	22.2	10.0	-	-	-	-	32.2
Other liabilities	31.3	-	-	-	-	-	31.3
Intergroup payables	259.1	-	-	-	-	-	259.1
Total	**407.3**	**68.0**	**14.7**	**44.2**	**239.1**	**80.5**	**853.8**
Cross Currency Swap	(0.7)	(0.3)	(0.6)	(2.3)	20.3	7.9	24.3
Total exposure	**406.6**	**67.7**	**14.1**	**41.9**	**259.4**	**88.4**	**878.1**

The maturity periods were analysed using undiscounted cash flows and the amounts were entered taking into account the first date that payment could be requested, which is why the uncommitted lines of credit were entered in the first column.

From the tables in the appendices and from analyses of guarantees and managed liquidity it emerged that the company will have no problem in meeting the next financial maturity date.

Credit risk

Credit risks can be defined as the possibility of suffering financial losses as a result of a counterparty defaulting on contractual obligations.
A particular type of credit risk is represented by a counterparty defaulting on financial derivative exposures, in which case the risk is connected to capital gains position where there is the possibility of not receiving the cash flow due from a defaulting counterparty. For the company, this potential risk is very limited since the counterparties in financial derivative operations are always primary financial institutions with high ratings.
The objective is to limit the risk of losses due to the unreliability of market counterparties or to the difficult of converting or replacing current financial positions, therefore there are no operations with non-authorised counterparties.
When approving the Policy, the Board of Directors also approved a list of authorised coun-

terparties that can be used in financial risk hedging operations. Operations with authorised counterparties are constantly monitored and reports are regularly made of these operations.
The management of commercial credit is the responsibility of the individual company divisions, in compliance with the financial objectives, the pre-established commercial strategies and the operational procedures of the company that limit the sale of products and services to customers without an adequate credit profile or collateral guarantees. Credit balances are monitored throughout the year to ensure that the amount of exposure to losses is not significant.
The following table illustrates the maximum exposure to credit risks for the components of the financial statements. The maximum exposure to risk is indicated before the effects of mitigation deriving from compensation agreements and guarantees.

Credit risk (€ m)	12/31/2007	12/31/2006
Deposits	96.0	73.6
Receivables and loans		
- trade receivables and other current financial assets	321.1	309.1
- trade receivables and other non-current financial assets	25.8	0.4
Guarantees	1.6	2.6
Total of maximum exposure to credit risks	**444.5**	**385.7**

The company's exposure to credit risks is distributed in the following way:

Concentration of credit risk	12/31/2007 (€ m)	12/31/2006 (€ m)	12/31/2007 %	12/31/2006 %
Business area:				
Various books	122.3	117.5	52.1%	48.7%
Magazines	108.4	115.3	43.5%	47.7%
Other	10.4	8.7	4.4%	3.6%
Total	**241.1**	**241.5**	**100.0%**	**100.0%**
Distribution area:				
Italy	238.2	237.6	98.8%	98.4%
Other countries	2.9	3.9	1.2%	1.6%
Total	**241.1**	**241.5**	**100.0%**	**100.0%**

The method of managing the main business activity sectors is described below.

Various books
The company employs a specific procedure for defining the risk profile of every new customer by collecting the commercial information necessary for evaluating their reliability before any lines of credit are opened. This reliability is constantly monitored.

Magazines
Magazine sales and distribution through newsstands and subscription is handled by the subsidiary company, Press-Di Distribuzione Stampa e Multimedia Srl.
With reference to sales through newsstands, the company is not exposed to any credit risks since any eventual losses are the responsibility of the subsidiary company, which is also responsible for defining and managing these risks.
With reference to subscription sales, however, any credit losses suffered by Press-Di

Distribuzione Stampa e Multimedia Srl are the responsibility of the company. Given the fragmentation of the credit balances and the small amounts involved, the credit management procedure does not include any guarantees but is aimed at limiting the amount of exposure for each individual subscriber.

Advertising
Advertising credits refer to sales of advertising in magazines belonging to the company. Advertising sales are managed by the subsidiary, Mondadori Pubblicità SpA, which is therefore responsible for defining credit policy and monitoring its efficiency.

With reference to provisions for bookshop commercial credits, the company makes provisions for the positions that are particularly significant. The total amount of these provisions takes into consideration an estimate of the recoverable amount, the date of receipt, the expense,and cost of recovery and any eventual guarantees received.

The company establishes a fund for those positions that are not subject to any specific provisions, based on historical data and statistics.

Price risk
The price risk refers to the uncertainty associated mainly with variations in the market price of equity instruments and to the loss of value in assets/liabilities as a result of variations in commodity prices. The fundamental objective of price risk management is to reduce the impact of the fluctuation of the price of raw materials on the company's financial results.
Due to the nature of its business, the company is exposed to the variations in the price of paper. In order to reduce the variability of the market price of paper the subsidiary, Mondadori Printing SpA, signs long-term commercial contracts directly with the suppliers so as to amortise any eventual increases on purchase costs. The company does not currently have any financial derivative contracts to cover this type of risk.

Other information required by IFRS 7

The following table illustrates the financial assets and liabilities, divided into the categories defined by IAS 39.

Classification				Carrying value			Fair value	
		Total	current		non-current			
(€ m)	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Receivables and loans:								
- cash and cash equivalents	96.0	73.6	96.0	73.6			96.0	73.6
- trade receivables	87.7	93.0	87.7	93.0			87.7	93.0
- other financial assets	40.1	27.2	39.7	26.8	0.7	0.7	40.1	27.2
- receivables from subsidiary and associated companies	247.9	202.4	222.9	202.4	25.0		247.9	202.4
Financial assets available for sale (investments)	0.2	0.2	0.2	0.2			0.2	0.2
Total financial assets	**471.9**	**396.4**	**446.5**	**396**	**25.7**	**0.7**	**471.9**	**396.4**
Amortised cost of financial assets:								
- trade liabilities	79.9	86.3	79.9	86.3			79.9	86.3
- liabilities due to banks and other financial payables	406.3	372.7	164.3	112.9	242.0	259.8	406.3	372.7
- liabilities due to subsidiary and associated companies	305.0	259.1	305.0	259.1			305.0	259.1
Interest rate swap	54.4	36.4			54.4	36.4	54.4	36.4
Total financial liabilities	**845.6**	**754.5**	**549.2**	**458.3**	**296.4**	**296.2**	**845.6**	**754.5**

The following table illustrates the income and expense attributable to financial assets and liabilities, divided into the categories defined by IAS 39.

Profit and loss from financial instruments		
(€ m)	31 December 2007	31 December 2006
Net profit from financial liabilities at amortised cost	17.8	35.6
Interest earned on financial assets not valued at fair value		
- deposits	2.9	0.6
- intergroup receivables	3.0	1.8
- other financial assets	0.6	2.0
Total income	**24.3**	**40.0**
Net loss from financial derivative instruments	15.9	30.0
Interest paid on financial liabilities not valued at fair value:		
- deposits	1.1	0.5
- loans	20.3	18.3
- intergroup payables	5.2	2.0
- others	0.1	0.7
Losses from financial instrument writedowns		
- trade receivables	2.3	3.1
Total expense	**44.9**	**54.6**
Total	**(20.6)**	**(14.6)**

32. Information as per article 149-duodecies of CONSOB Regulations

The following table, drawn up in accordance with article149-duodecies of CONSOB Regulations, shows the fees paid during 2007 (net of accessory expense) for auditing and other services provided by Reconta Ernst & Young SpA and other companies belonging to the same network.

(€,000)	Company providing services	Amount paid for 2007
Audit	Reconta Ernst & Young SpA	391
Certification services	Reconta Ernst & Young SpA(1)	50
Other services	Reconta Ernst & Young SpA(2)	30
	Rete Ernst & Young	4
Total		475

(1) Certification of Circulation and Printing
(2) Assistance in analysis of impact of IFRS

Supplementary tables

A supplementary table containing a geographical analysis of the company's receivables and payables is contained in appendix "I".

Consolidated Financial Statements

The appendices also include the Group's Consolidated Financial Statements at 31 December 2007.

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Appendices to the Financial Statements

Appendix A: Table of investments

(€,000)

	Head office		Share capital	Shareholders' equity	Profit (loss) for 2007
Subsidiary companies:					
Arnoweb S.A.	Luxemburg	€	36,257	32,819	97
Cemit Interactive Media S.p.A.	S. Mauro Torinese (TO)		3,835	7,422	2,735
Edizioni Piemme S.p.A.	Milan		567	11,905	7,638
Fied S.p.A.	Milan		416	2,930	-1,838
Giulio Einaudi Editore S.p.A.	Turin		23,920	30,278	6,822
Mondadori Education S.p.A.	Milan		10,608	38,705	10,493
Mondadori Electa S.p.A.	Milan		1,594	6,381	2,968
Mondadori Franchising S.p.A.	Rimini		1,954	5,744	3,680
Mondadori Iniziative Editoriali S.p.A.	Milan		500	1,049	15
Mondadori International S.A.	Luxemburg		393,626	438,220	7,321
Mondadori Printing S.p.A.	Milan		45,396	103,746	3,948
Mondadori Pubblicità S.p.A.	Milan		3,120	5,108	1,622
Mondadori Retail S.p.A.	Milan		2,700	12,367	2,420
Press-Di Distribuzione Stampa e Multimedia S.r.l.	Milan		95	1,504	3,530
Monradio S.r.l.	Milan		3,030	56,441	-14,258
Prisco Spain S.A.	Barcelona		60	52	-3
Sperling & Kupfer Editori S.p.A.	Milan		1,556	2,338	143
Total					
Associated companies:					
ACI Mondadori S.p.A.	Milan	€	590	1,681	1,090
Gruner + Jahr/Mondadori S.p.A.	Milan		2,600	8,946	
Random House Mondadori S.A.	Barcelona		6,825	32,416	13,872
Harlequin Mondadori S.p.A.	Milan		258	314	679
Hearst Mondadori Editoriale S.r.l.	Milan		100	256	928
Mach 2 Libri S.p.A.	Peschiera Borromeo (MI)		646	10,033	1,716
Mondadori Rodale S.r.l.	Milan		90	334	1,440
Mondolibri S.p.A.	Milan		1,040	16,038	863
Rock FM S.r.l.	Milan		200	137	-238
Società Europea di Edizioni S.p.A.	Milan		2,776	25,901	-23,251
Total					
Other companies:					
Consorzio Sistemi Informativi Editoriali Distributivi-C.S.I.E.D.	Milan	€	103	47	42
Consuledit S.r.l.	Milan		20	35	
Editrice Portoria S.p.A. (in liquidation)	Milan		364	300	
Immobiliare Editori Giornali S.r.l.	Rome		830	662	
Soc. Editrice Il Mulino S.p.A.	Bologna		1,175	1,614	
Total					
Total direct investments					
General total					

(a) Shareholders' equity at 31/12/1999
(b) Associated as to 50% through Arnoweb S.A. and Prisco Spain S.A.
(c) Formerly Officina Mondadori S.p.A.
(d) Consolidated Financial Statements
(e) Associated at 47.49% through Attica Group
(f) Formerly Edumond Le Monnier S.p.A.
Note: the values refer to to the equity and financial data prepared in accordance with accounting standards used for preparing the individual financial statements of the invested comp

Total Shareholders' equity		Share held		Attributable Shareholders' equity	Book value			
					Purchased/ Estabilished	Capital contributions	Reserve for losses/ depreciations	Total
32,916		100.00%		32,916	36,253			36,253
10,157		100.00%		10,157	15,522			15,522
19,543		80.00%		15,634	22,071			22,071
1,092		100.00%		1,092	4,447	2,000	(1,673)	4,774
37,100		100.00%		37,100	28,404			28,404
49,198	(f)	100.00%		49,198	56,197			56,197
9,349		100.00%		9,349	6,289			6,289
9,424		100.00%		9,424	1,882	2,001		3,883
1,064	(c)	100.00%		1,064	500	700	(426)	774
445,541		100.00%		445,541	392,759			392,759
107,694		57.04%		61,429	69,519			69,519
6,730		100.00%		6,730	3,803			3,803
14,787		100.00%		14,787	2,899	1,305		4,204
5,034		100.00%		5,034	1,095			1,095
42,183		100.00%		42,183	48,738	24,077		72,815
49		100.00%		49	7,856			7,856
2,481		100.00%		2,481	10,366			10,366
				744,167	**708,600**	**30,083**	**(2,099)**	**736,584**
2,771		50.00%		1,385	540			540
8,946		50.00%		4,472	1,203			1,203
46,288	(d)	6.01%	(b)	2,782	13,842			13,842
993		50.00%		497	402			402
1,184		50.00%		592	50	49		99
11,749		20.00%		2,350	3,947			3,947
1,774		50.00%		887	45			45
16,901		50.00%		8,451	3,010			3,010
-101		10.00%	(e)	-10	20			20
2,650		31.28%		829	8,647	5,161	(13,129)	679
				22,234	**31,706**	**5,210**	**(13,129)**	**23,787**
89		10.00%		9	10			10
35		9.54%		3	1			1
300	(a)	16.78%		50	61		(60)	1
662		7.88%		52	52			52
1,614		7.05%		114	101			101
				229	**225**	**0**	**(60)**	**165**
				766,631	**740,531**	**35,293**	**(15,288)**	**760,536**

anies.

Appendix B1: Main indirect subsidiary and associated companies at 31 December 2007

(€,000)

Name	Head office		Share capital	Shareholders' equity
Subsidiary companies:				
ABS Finance Fund SICAV	Luxemburg	€	225,847	225,847
AME Publishing Ltd	New York	US$/000	50	243
AME France S.A.S.	Paris	€	489	94
Arnoldo Mondadori Deutschland GmbH	Munich		25	83
Artes Graficas Toledo S.A.	Toledo		5,409	5,903
Diana S.A.S.	Issy Moulineaux		16,337	33,082
Diana Publications S.A.S.	Issy Moulineaux		17,258	17,250
Edizioni Frassinelli S.r.l.	Milan		10	262
Editions Mondadori France S.A.S.	Issy Moulineaux		753,877	752,617
Editions Taitbout S.A.	Issy Moulineaux		3,049	40,876
Electa Napoli S.p.A.	Naples		155	1,756
Excelsior Publications S.A.S.	Paris		1,717	55,422
Mondadori France S.A.S.	Paris		50,000	256,217
Mondadori France Digital S.N.C.	Issy Moulineaux		50	-745
Mondadori Magazines France S.A.S.	Issy Moulineaux		476,036	467,299
Star Presse Hollande B.V.	Amsterdam		-	868
Total				

Figures in currency (,000)

Name	Head office		Share capital	Shareholders' equity
Associated companies:				
companies belonging to the Group				
Random House Mondadori S.A. (Colombia)	Bogotà	Pesos colom	15,000	
Random House Mondadori S.A. de C.V. (Mexico)	Mexico D.F.	Pesos	86,988	
Editorial Random House Mondadori Ltda (Colombia)	Bogotà	Pesos colom	779,596	
Editorial Sudamericana S.A. (Argentina)	Buenos Aires	Australes	8,367	
Random House Mondadori S.A. (Chile)	Santiago	Pesos	4,184,124	
Editorial Sudamericana Uruguaya S.A. (Uruguay)	Montevideo	N. Pesos	9,893	
Random House Mondadori S.A. (Venezuela)	Caracas	Bolivares	3,533,787	
Market Self S.A.	Buenos Aires	Australes	30	
Random House Mondadori S.A.	Barcelona	€	6,825	
(Data from Consolidated Financial Statements of Random House Mondadori Group)		€	6,825	32,416

Profit (loss) for 2007	Total shareholders' equity	Share held by group	Attributable shareholders' equity in currency	Attributable shareholders' equity in euros (b)
-	225,847	85.43%	192,941	192,941
36	279	100.00%	279	190
2	96	100.00%	96	96
8	91	100.00%	91	91
-1,821	4,082	100.00%	4,082	4,082
2,097	35,179	100.00%	35,179	35,179
4,488	21,738	100.00%	21,738	21,738
-140	122	100.00%	122	122
2,695	755,312	100.00%	755,312	755,312
7,598	48,474	100.00%	48,474	48,474
-564	1,192	80.00%	954	954
2,624	58,046	100.00%	58,046	58,046
-14,457	241,760	100.00%	241,760	241,760
-	-745	100.00%	-745	-745
22,811	490,110	100.00%	490,110	490,110
-269	599	100.00%	599	599
				1,848,349

		50.00%		
		50.00%		
		50.00%		
		50.00%		
		50.00%		
		49.95%		
		50.00%		
		25.00%		
		50.00%		
13,872	46,288	50.00%	23,143	23,143

(follows)

Appendix B1: Main indirect subsidiary and associated companies at 31 December 2007

(follow)

Figures in currency (,000)

Name	Head office		Share capital	Shareholders' equity
Companies belonging to Attica Group:				
Argos S.A.	Athens	€	2,203	
Attica Publications S.A.	Athens	€	4,590	
Alpha Records S.A.	Athens	€	390	
Attica Media Bulgaria Ltd	Sofia	Lev	155	
Attica Media Serbia Ltd	Belgrade	€	208	
Attica Imako Media Ltd	Bucharest	Ron	700	
Balcan Publications Ltd	Cyprus	Cyprus Pounds	1	
City Serves S.A.	Athens	€	4,338	
Civico Ltd	Cyprus	US$	2	
E-One S.A.	Athens	€	2,054	
Emphasis S.A.	Athens	€	798	
Enallaktikes S.A.	Athens	€	411	
G. Dragounis S.A.	Athens	€	311	
International Radio Networks Holdings S.A.	Luxemburg	€	750	
International Radio Networks S.A.	Athens	€	380	
Ionikes Publishing S.A.	Athens	€	780	
Map Media S.A.	Budapest	Huf	60,000	
PBR Publications Ltd	Bucharest	Ron	2,000	
Rock FM S.r.l.	Milan	€	200	
Tilerama S.A.	Athens	€	1,467	
Tiletheatis S.A.	Athens	€	2,641	
(Data from Consolidated Financial Statements of Attica)		€	4,590	5,121
Consorzio Covar	Rome	€	15	13
Consorzio Forma	Pisa	€	4	3
Edizioni EL S.r.l.	Trieste	€	620	
Edizioni Electa Bruno Mondadori S.r.l.	Milan	€	10	355
Novamusa Gelmar Biblioteca Nazionale S.c. a r.l.	Rome	€	10	10
Novamusa Val di Mazara S.c. a r.l.	Messina	€	90	18,000
Novamusa Val di Noto S.c. a r.l.	Messina	€	90	
Novamusa Valdemone S.c. a r.l.	Messina	€	90	
Roccella S.c. a r.l.	Naples	€	100	10,000
Selcon S.r.l.	Milan	€	21	
Venezia Accademia S.c. a r.l.	Mestre (VE)	€	15	
Venezia Accademia Società per i servizi Museali S.c. a r.l.	Mestre (VE)	€	10	
Venezia Musei Società per i servizi Museali S.c. a r.l.	Venice	€	10	18
Total				

(a) see also appendix "A" - Table fo investments

(b) exchange rate:

US$ Euro 1.472

Profit (loss) for 2007	Total shareholders' equity	Share held by group	Attributable shareholders' equity in currency	Attributable shareholders' equity in euros (b)
		2.10%		
		41.66%		
		20.83%		
		28.68%		
		37.49%		
		20.83%		
		41.66%		
		9.37%		
		41.66%		
		10.41%		
		33.85%		
		20.41%		
		20.83%		
		41.66%		
		41.53%		
		27.70%		
		20.83%		
		41.66%		
		47.49%		
		20.83%		
		29.85%		
3,698	8,819	41.66%	3,674	3,674
	13	25.00%		
	3	25.00%		
		50.00%		
	355	50.00%	178	178
	10	16.00%	2	2
	18,000	16.00%	2,880	2,880
		16.00%		
		16.00%		
	10,000	39.60%	3,960	3,960
		25.60%		
		26.00%		
		25.00%		
	18	34.00%	6	6
				33,844

Appendix B2: Table of significant investments as per article 120 of Legislative Decree n. 58/1998

Arnoldo Mondadori Editore S.p.A.

The following information refers to significant investments as referred to in article 120 of Legislative decree n. 58/1998, pursuant to article 126 of CONSOB regulation n. 11971 of 14/05/1999

Name		Share capital	Total share % held	Direct/ indirect holding	
ACI Mondadori S.p.A. (Italy)	€	590,290	50.00%	direct	
Agenzia Lombarda Distribuzione Giornali e Riviste S.r.l. (Italy)	€	400,000	50.00%	indirect	Pre
Aranova Freedom S.c. a r.l. (Italy)	€	19,200	16.67%	indirect	
Campania Arte S.c. a r.l. (Italy)	€	100,000	22.00%	indirect	
Cemit Interactive Media S.p.A. (Italy)	€	3,835,000	100.00%	direct	
Editrice Portoria S.p.A. in liquidation (Italy)	€	364,000	16.79%	direct	
Edizioni EL S.r.l. (Italy)	€	620,000	50.00%	indirect	
Edizioni Electa Bruno Mondadori S.r.l. (Italy)	€	10,400	50.00%	indirect	
Edizioni Frassinelli S.r.l. (Italy)	€	10,400	100.00%	indirect	
Edizioni Piemme S.p.A. (Italy)	€	566,661	90.00%	direct	
Mondadori Education S.p.A. (ex Edumond Le Monnier) (Italy)	€	10,608,000	100.00%	direct	
Electa Napoli S.p.A. (Italy)	€	155,000	80.00%	indirect	
Fied S.p.A. (Italy)	€	416,000	100.00%	direct	
Giulio Einaudi Editore S.p.A. (Italy)	€	23,920,000	100.00%	direct	
Gruner + Jahr/Mondadori S.p.A. (Italy)	€	2,600,000	50.00%	direct	
Harlequin Mondadori S.p.A. (Italy)	€	258,250	50.00%	direct	
Hearst Mondadori Editoriale S.r.l. (Italy)	€	99,600	50.00%	direct	
Mach 2 Libri S.p.A. (Italy)	€	646,250	34.91%	direct indirect	
Mondadori Electa S.p.A. (Italy)	€	1,593,735	100.00%	direct	
Mondadori Franchising S.p.A. (Italy)	€	1,954,000	100.00%	direct	
Mondadori Printing S.p.A. (Italy)	€	45,396,000	100.00%	direct indirect	
Mondadori Pubblicità S.p.A. (Italy)	€	3,120,000	100.00%	direct	
Mondadori Retail S.p.A. (Italy)	€	2,700,000	100.00%	direct	
Mondadori Rodale S.r.l. (Italy)	€	90,000	50.00%	direct	
Mondolibri S.p.A. (Italy)	€	1,040,000	50.00%	direct	
Monradio S.r.l. (Italy)	€	3,030,000	100.00%	direct	
Novamusa Gelmar Biblioteca Nazionale S.c. a r.l. (Italy)	€	10,000	16.00%	indirect	
Novamusa Val di Mazara S.c. a r.l. (Italy)	€	90,000	16.00%	indirect	
Novamusa Valdemone S.c. a r.l. (Italy)	€	90,000	16.00%	indirect	
Novamusa Valdinoto S.c. a r.l. (Italy)	€	90,000	16.00%	indirect	
Press-Di Distribuzione Stampa e Multimedia S.r.l. (Italy)	€	1,095,000	100.00%	direct	
Mondadori Iniziative Editoriali S.p.A. (ex Officina Mondadori) (Italy)	€	500,000	100.00%	direct	
Roccella S.c. a r.l. (Italy)	€	100,000	39.60%	indirect	
Società Europea di Edizioni S.p.A. (Italy)	€	2,775,602	39.27%	direct indirect	
Sperling & Kupfer Editori S.p.A. (Italy)	€	1,555,800	100.00%	direct	
Venezia Accademia S.c. a r.l. (Italy) in liquidation	€	15,000	26.00%	indirect	
Venezia Musei Società per i servizi Museali S.c. a r.l. (Italy)	€	10,000	34.00%	indirect	

at 31 December 2007

Shareholder	% held	Head office	Tax code	Establishment date
Arnoldo Mondadori Editore S.p.A.	50.00%	Milan - via Bianca di Savoia 12	13277400159	11/17/2000
ess-Di Distribuzione Stampa e Multimedia S.r.l.	50.00%	Milan - via Senato 18	10463540152	10/02/1991
Monradio S.r.l.	16.67%	Bologna - via Guinizelli 3	02532501208	01/24/2005
Mondadori Electa S.p.A.	22.00%	Rome - via Tunisi 4	09086401008	07/18/2006
Arnoldo Mondadori Editore S.p.A.	100.00%	San Mauro Torinese (TO) - via Toscana 9	04742700018	12/13/1984
Arnoldo Mondadori Editore S.p.A.	16.786%	Milan - via Chiossetto 1	02305160158	03/26/1975
Giulio Einaudi Editore S.p.A.	50.00%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	05/07/1984
Edumond Le Monnier S.p.A.	50.00%	Milan - via Trentacoste 7	06976090156	05/05/1983
Sperling & Kupfer Editori S.p.A.	100.00%	Milan - via Bianca di Savoia 12	07254880151	01/12/1984
Arnoldo Mondadori Editore S.p.A.	90.00%	Milan - viale Bianca Maria 25	00798930053	09/29/1982
Arnoldo Mondadori Editore S.p.A.	100.00%	Milan - via Bianca di Savoia 12	03261490969	10/01/2001
Mondadori Electa S.p.A.	80.00%	Naples - via Giovanni Capurro 1	04230890636	09/27/1983
Arnoldo Mondadori Editore S.p.A.	100.00%	Milan - via Bianca di Savoia 12	04591640158	10/26/1979
Arnoldo Mondadori Editore S.p.A.	100.00%	Turin - via U. Biancamano 2	08367150151	06/03/1986
Arnoldo Mondadori Editore S.p.A.	50.00%	Milan - corso Monforte 54	09440000157	09/10/1988
Arnoldo Mondadori Editore S.p.A.	50.00%	Milan - via Marco D'Aviano 2	05946780151	10/15/1980
Arnoldo Mondadori Editore S.p.A.	50.00%	Milan - via Bianca di Savoia 12	12980290154	12/17/1999
Arnoldo Mondadori Editore S.p.A.	30.91%	Peschiera Borromeo (MI) - via Galileo Galilei 1	03782990158	05/06/1983
Sperling & Kupfer Editori S.p.A.	4.00%			
Arnoldo Mondadori Editore S.p.A.	100.00%	Milan - via Trentacoste 7	01829090123	02/23/1989
Arnoldo Mondadori Editore S.p.A.	100.00%	Verucchio (RN) - Fraz. di Villa Verucchio - via Statale Marecchia 51-51/a	08853520156	05/28/1987
Arnoldo Mondadori Editore S.p.A.	57.05%	Milan - via Bianca di Savoia 12	12319410150	11/28/1997
Mondadori International S.A.	42.95%			
Arnoldo Mondadori Editore S.p.A.	100.00%	Milan - via Bianca di Savoia 12	08696660151	02/12/1987
Arnoldo Mondadori Editore S.p.A.	100.00%	Milan - via Bianca di Savoia 12	00212560239	11/19/1946
Arnoldo Mondadori Editore S.p.A.	50.00%	Milan - via Bianca di Savoia 12	13066890156	02/25/2000
Arnoldo Mondadori Editore S.p.A.	50.00%	Milan - via Lampedusa 13	12853650153	06/25/1999
Arnoldo Mondadori Editore S.p.A.	100.00%	Milan - via Bianca di Savoia 12	04571350968	10/15/2004
Electa Napoli S.p.A.	20.00%	Rome - via Ennio Quirino Visconti 8	06573391007	04/09/2001
Electa Napoli S.p.A.	20.00%	Messina - via Acireale Z.I.R.	02812180830	04/20/2005
Electa Napoli S.p.A.	20.00%	Messina - via Acireale Z.I.R.	02704680830	04/16/2003
Electa Napoli S.p.A.	20.00%	Messina - via Acireale Z.I.R.	02704670831	04/16/2003
Arnoldo Mondadori Editore S.p.A.	100.00%	Milan - via Bianca di Savoia 12	03864370964	02/19/2003
Arnoldo Mondadori Editore S.p.A.	100.00%	Milan - via Bianca di Savoia 12	03619240967	07/08/2002
Electa Napoli S.p.A.	49.50%	Naples - via Giovanni Capurro 1	05053571211	03/21/2005
Arnoldo Mondadori Editore S.p.A.	31.28%	Milan - via G. Negri 4	01790590150	02/27/1974
Fied S.p.A.	7.99%			
Arnoldo Mondadori Editore S.p.A.	100.00%	Milan - via Bianca di Savoia 12	00802780155	11/03/1927
Mondadori Electa S.p.A.	26.00%	Venice - via Luigi Einaudi 74	03377400274	03/21/2002
Mondadori Electa S.p.A.	34.00%	Venice - via Luigi Einaudi 74	03534350271	04/22/2004

(follows)

Appendix B2: Table of significant investments as per article 120 of Legislative Decree n. 58/1998

(*follow*)

Name		Share capital	Total share % held	Direct/ indirect holding
ABS Finance Fund Sicav (Luxemburg)	€	225,847,073	85.43%	indirect
Ame Publishing Ltd (USA)	USD	50,000	100.00%	indirect
Ame France S.A.S. (ex Ame Service S.A.S.) (France)	€	489,140	100.00%	indirect
Arnoldo Mondadori Deutschland GmbH (Germany)	€	25,565	100.00%	indirect
Arnoweb S.A. (Luxemburg)	€	36,256,900	100.00%	direct
Artes Graficas Toledo S.A. (Spain)	€	5,409,000	100.00%	indirect
Attica Publications S.A. (Greece)	€	4,590,000	41.66%	indirect
Diana S.A.S. (France)	€	16,336,680	100.00%	indirect
Diana Publications S.A.S. (France)	€	17,257,900	100.00%	indirect
EMAS Editions Mondadori Axel Springer S.N.C. (France)	€	152,500	50.00%	indirect
Editions Mondadori France S.A.S. (France)	€	753,876,750	100.00%	indirect
Editions Taitbout S.A. (France)	€	3,048,980	100.00%	indirect
Excelsior Publications S.A.S. (France)	€	1,717,360	100.00%	indirect
Mondadori France Digital S.N.C. (France)	€	50,000	100.00%	indirect
				indirect
Mondadori France S.A.S. (ex Ame France Sarl) (France)	€	50,000,000	100.00%	indirect
Mondadori Independent Media (Russia)	RUB	6,800,000	50.00%	indirect
Mondadori International S.A. (Luxemburg)	€	393,625,900	100.00%	direct
Mondadori Magazines France S.A.S. (France)	€	476,035,510	100.00%	indirect
Prisco Spain S.A. (Spain)	€	60,101	100.00%	direct
Random House Mondadori S.A. (Spain)	€	6,824,601	50.00%	indirect
				direct
				indirect
Star Presse Hollande BV (Holland)	€	18,151	100.00%	indirect
Top Santé VOF (Holland)	€	91,000	50.00%	indirect

at 31 December 2007

Shareholder	% held	Head office	Tax code	Establishment date
Mondadori International S.A.	85.431%	Luxemburg - 19-21 Boulevard du Prince Henri		02/03/1999
Mondadori International S.A.	100.00%	U.S.A. - New York N.Y. - 740 Broadway		02/01/1982
Mondadori France S.A.S.	100.00%	France - Paris - 9-11, Avenue Franklin D. Roosevelt		06/29/2006
Mondadori International S.A.	100.00%	Germany - Munich - Tal 21		05/14/1970
Arnoldo Mondadori Editore S.p.A.	100.00%	Luxemburg - 25C, Boulevard Royal		12/16/1999
Mondadori Printing S.p.A.	100.00%	Spain - Toledo - C/Jarama S/N - Poligono Industrial		10/03/1974
Mondadori International S.A.	41.66%	Greece - Athens - Maroussi, 40 Kifissias Avenue		08/01/1994
Editions Mondadori France S.A.S	35.73%	France - Issy les Moulineaux Cedex 9 - 48 Rue Guynemer		01/12/1990
Diana Publications S.A.S.	64.27%			
Editions Mondadori France S.A.S.	100.00%	France - Issy les Moulineaux Cedex 9 - 48 Rue Guynemer		03/29/2001
Editions Mondadori France S.A.S.	50.00%	France - Issy les Moulineaux Cedex 9 - 48 Rue Guynemer		12/09/1999
Mondadori France S.A.S.	100.00%	France - Issy les Moulineaux Cedex 9 - 48 Rue Guynemer		02/23/1993
Editions Mondadori France S.A.S.	99.997%	France - Issy les Moulineaux Cedex 9 - 48 Rue Guynemer		01/31/1989
Editions Mondadori France S.A.S	100.00%	France - Issy les Moulineaux Cedex 9 - 48 Rue Guynemer		01/05/1932
Editions Mondadori France S.A.S.	98.00%	France - Issy les Moulineaux Cedex 9 - 48 Rue Guynemer		11/08/2000
Mondadori Magazines France S.A.S.	2.00%			
Mondadori International S.A.	100.00%	France - Paris - 9-11, Avenue Franklin D. Roosevelt		06/23/2004
Arnoweb S.A.	50.00%	Russia - Moscow - 3, Bldg. 1, Polkovaya Str.		12/26/2007
Arnoldo Mondadori Editore S.p.A.	100.00%	Luxemburg - 25C, Boulevard Royal		09/18/1970
Editions Mondadori France S.A.S.	100.00%	France - Issy les Moulineaux Cedex 9 - 48 Rue Guynemer		03/30/2004
Arnoldo Mondadori Editore S.p.A.	100.00%	Spain - Barcelona, Calle Travessera de Gracia 47/49		12/06/1988
Arnoweb S.A.	33.99%	Spain - Barcelona, Calle Travessera de Gracia 47/49		08/05/1959
Arnoldo Mondadori Editore S.p.A.	6.01%			
Prisco Spain S.A.	10.00%			
Editions Mondadori France S.A.S.	100.00%	Holland - Amsterdam - Rokin 55		09/28/1994
Star Presse Hollande BV	50.00%	Holland - Hoofdoorp - Cappellalaan 65		05/10/1994

Appendix C1: Receivables from subsidiary and associated companies at 31 December 2007

(€,000)

	31 December 2007	31 December 2006
Current accounts and financial receivables:		
Subsidiary companies:		
Arnoweb S.A.	2,532	3,936
Edizioni Frassinelli S.r.l.	1,606	1,296
Electa Napoli S.p.A..	1,579	742
Mondadori International S.A.	6	7
Mondadori Retail S.p.A.	24,000	13,425
Monradio S.r.l.	52,265	25,193
Mondadori Iniziative Editoriali S.p.A.	1,741	2,181
Sperling & Kupfer Editori S.p.A.	2,907	370
Associated companies:		
Gruner + Jahr/Mondadori S.p.A.	1,809	1,477
Harlequin Mondadori S.p.A.	168	110
Mach 2 Libri S.p.A.		2,597
Mondadori Rodale S.r.l.	2,407	-
Rock FM S.r.l.	3,474	2,896
Other companies for amounts lower than €52 thousand (*)	-	-
Total	**94,494**	**54,230**
As a proportion of the item in the Financial Statements	**91.5%**	**99.2%**

(*) Amounts for the previous year also include receivables from companies who left the Group during 2007.

(€,000)	31 December 2007	31 December 2006
Trade relations:		
Subsidiary companies:		
Cemit Interactive Media S.p.A.	467	804
Edizioni Frassinelli S.r.l.	101	86
Edizioni Piemme S.p.A.	1,691	1,650
Mondadori Education S.p.A. (ex Edumond Le Monnier S.p.A.)	605	680
Electa Napoli S.p.A.	13	13
Giulio Einaudi Editore S.p.A.	2,690	2,196
Mondadori Electa S.p.A.	932	764
Mondadori France S.A.S.	-	60
Mondadori Magazines France S.A.S.	888	-
Mondadori Franchising S.p.A.	7,443	6,766
Mondadori International S.A.		-
Mondadori Printing S.p.A.	991	947
Mondadori Pubblicità S.p.A.	99,400	100,389
Mondadori Retail S.p.A.	4,202	3,652
Monradio S.r.l.	687	778
Mondadori Iniziative Editoriali S.p.A.	68	45
Press-Di Distribuzione Stampa e Multimedia S.r.l.	5,720	-
Sperling & Kupfer Editori S.p.A.	1,522	1,263
Associated companies:		
ACI Mondadori S.p.A.	386	800
Agenzia Lombarda Distrib. Giornali e Riviste S.r.l.	3	534
Attica Media Bulgaria Ltd	36	13
Attica Media Serbia Ltd	50	11
Attica Publications S.A.	57	-
G. Dragounis Publications S.A.	2	99
Edizioni EL S.r.l.	293	250
Gruner + Jahr/Mondadori S.p.A.	327	1,893
Grupo Editorial Random House Mondadori S.L.		-
Harlequin Mondadori S.p.A.	1,306	1,789
Hearst Mondadori Editoriale S.r.l.	461	714
Mach 2 Libri S.p.A.	19,956	18,290
Mondadori Rodale S.r.l.	728	1,638
Mondolibri S.p.A.	2,076	1,882
Random House Mondadori S.A.	81	52
Rock FM S.r.l.	9	-
Società Europea di Edizioni S.p.A.	166	125
Parent companies:		
Fininvest S.p.A.	3	6
Affiliated companies:		
RTI S.p.A.	267	408
Publitalia ’80 S.p.A.	212	90
Other companies for amounts lower than €52 thousand (*)	63	40
Total	**153,902**	**148,727**
As a proportion of the item in the Financial Statements	**63.8%**	**61.7%**

Appendix C2: Intragroup economic relations 2007

(€,000)

Related parties	Revenues from sales and services	Other income	Income from investments	Investements income	Total
Parent companies					
Fininvest S.p.A.	3				3
Subsidiary companies:					
Arnoweb S.A.			175		175
Cemit Interactive Media S.p.A.	1,103	184		1,889	3,176
Edizioni Frassinelli S.r.l.	197	14	49		260
Edizioni Piemme S.p.A.	4,163	460	33	4,620	9,276
Mondadori Education S.p.A. (ex Edumond Le Monnier S.p.A.)	1,414	591	18	12,772	14,795
Electa Napoli S.p.A.	25		69		94
Fied S.p.A.			7		7
Giulio Einaudi Editore S.p.A.	4,665	182		5,980	10,827
Mondadori Electa S.p.A.	1,938	768		3,433	6,139
Mondadori France Digital S.N.C.		4			4
Mondadori France S.A.S.		6			6
Mondadori Franchising S.p.A.	17,909	619	33	3,009	21,570
Mondadori International S.p.A.		1	178		179
Mondadori Iniziative Editoriali S.p.A.	301	21	84		406
Mondadori Magazines France S.A.S.	89	1,118			1,207
Mondadori Printing S.p.A.	2,070	543	37	9,572	12,222
Mondadori Pubblicità S.p.A.	213,333	8,467	205	780	222,785
Mondadori Retail S.p.A.	12,594	428	201		13,223
Press-Di Distribuzione Stampa e Multimedia S.r.l.	436,880	3,104			439,984
Monradio S.r.l.	279	1,509	1,725		3,513
Sperling & Kupfer Editori S.p.A.	2,212	1,088	91	2,500	5,891
Total	**699,172**	**19,107**	**2,905**	**44,555**	**765,739**
Associated companies:					
ACI Mondadori S.p.A.	896	463		301	1,660
Agenzia Lombarda Distrib. Giornali e Riviste S.r.l.		2			2
Attica Media Bulgaria Ltd	42				42
Attica Media Serbia Ltd	62	5			67
Attica Media Publications S.A.	66				66
Edizioni EL S.r.l.	690	3			693
Grupo Editorial Random House Mondadori S.L.	6				6
Gruner + Jahr/Mondadori S.p.A.	17	141	1	2,240	2,399
G. Dragounis Publications S.A.	5				5
Harlequin Mondadori S.p.A.	26	125		150	301
Hearst Mondadori Editoriale S.r.l.	854	355	1	315	1,525
Mach 2 Libri S.p.A.	34,783			320	35,103
Mondadori Rodale S.r.l.	1,904	368	2	637	2,911
Mondolibri S.p.A.	5,938	636		5,400	11,974
Rock FM S.r.l.	12	8	137		157
Random House Mondadori S.A.	56	3			59
Società Europea di Edizioni S.p.A.	279	3			282
Total	**45,636**	**2,112**	**141**	**9,363**	**57,252**

(€,000)

Related parties	Revenues from sales and services	Other income	Income from investment	Investments income	Total
Fininvest Group companies:					
Alba Servizi Aerotrasporti S.p.A.					0
Banca Mediolanum S.p.A.	3				3
Consorzio Campus Multimedia		15			15
Elettronica industriale S.p.A.	5				5
Finedim Italia S.p.A.					0
Fininvest Gestione Servizi S.p.A.	2				2
Il Teatro Manzoni S.p.A.	2				2
Milan A.C. S.p.A.					0
Mediaset S.p.A.	2	36			38
Media Shopping S.p.A.	22				22
Mediolanum S.p.A.					0
Medusa Cinema S.p.A.	3				3
Medusa Film S.r.l.	1				1
Medusa Video S.p.A.					0
Medusa MultiCinema S.p.A.	1				1
Pagine Italia S.p.A.					0
Publitalia ’80 S.p.A.	224				224
RTI Reti Televisive Italiane S.p.A.	724	184			908
Video Time S.p.A.	10	6			16
Total	999	241	0	0	1,240
Grand total	745,810	21,460	3,046	53,918	824,234
As a proportion of the item in the Financial Statements	78.56%	49.81%	34.51%	100%	78.11%

Appendix D1: Payables to parent, subsidiary and associated companies at 31 December 2007

(€,000)

	31 December 2007	31 December 2006
Current accounts and financial payables:		
Subsidiary companies:		
Cemit Interactive Media S.p.A.	13,973	7,524
Edizioni Piemme S.p.A.	7,076	1,697
Mondadori Education S.p.A. (ex Edumond Le Monnier S.p.A.)	38,847	30,771
Fied S.p.A.	843	344
Giulio Einaudi Editore S.p.A.	15,174	13,857
Mondadori Electa S.p.A.	1,188	7,399
Mondadori Franchising S.p.A.	390	1,025
Mondadori International S.A.	242,022	296,263
Mondadori Pubblicità S.p.A.	13,781	54,181
Mondadori Printing S.p.A.	38,567	6,493
Mondadori Retail S.p.A.	11,291	-
Press-Di Distribuzione Stampa e Multimedia S.r.l.	48,990	709
Associated companies:		
ACI Mondadori S.p.A.	3,187	3,077
Gruner + Jahr/Mondadori S.p.A.	706	2,903
Harlequin Mondadori S.p.A.	5,445	5,133
Hearst Mondadori Editoriale S.r.l.	170	589
Mondadori Rodale S.r.l.	948	1,551
Other companies for amounts lower than €52 thousand (*)	-	9
Total	**442,598**	**433,525**
Percentage of Financial Statements	**70.2%**	**84.1%**

(*) Amounts for the previous year also include payables to companies who left the Group during 2007

(€,000)

	31 December 2007	31 December 2006
Trade relations:		
Subsidiary companies:		
Ame France S.p.A.	79	-
Ame Publishing Ltd	276	314
Artes Graficas Toledo S.A.	592	1.121
Cemit Interactive Media S.p.A.	191	418
Edizioni Frassinelli S.r.l.	910	926
Edizioni Piemme S.p.A.	16,315	21,478
Edumond Le Monnier S.p.A.	150	238
Electa Napoli S.p.A.	42	130
Giulio Einaudi Editore S.p.A.	15,007	13,985
Mondadori Electa S.p.A.	5,535	4,082
Mondadori France S.A.S.	-	20
Mondadori Franchising S.p.A.	22	-
Mondadori Magazines France S.A.S.	106	-
Mondadori Printing S.p.A.	49,996	55,893
Mondadori Pubblicità S.p.A.	1,835	1,747
Mondadori Retail S.p.A.	155	236
Mondadori Iniziative Editoriali S.p.A.	3	75
Monradio S.r.l.	34	30
Press-Di Distribuzione Stampa e Multimedia S.r.l.	4,747	-
Sperling & Kupfer Editori S.p.A.	4,345	7,324
Associated companies:		
ACI Mondadori S.p.A.	-	911
Edizioni EL S.r.l.	3,660	3,224
Gruner + Jahr/Mondadori S.p.A.	15	7,393
Hearst Mondadori Editoriale S.r.l.	5	243
Mach 2 Libri S.p.A.	60	452
Mondadori Rodale S.r.l.	17	908
Mondolibri S.p.A.	271	509
Random House Mondadori S.A. (Spain)	53	116
Random House Mondadori S.A. de CV (Mexico)	6	-
Società Europea di Edizioni S.p.A.	13	4
Parent companies:		
Fininvest S.p.A.	7	17
Affiliated companies:		
RTI S.p.A.	17	1,994
Publitalia ’80 S.p.A.	483	1,839
Medusa Video S.r.l.	117	760
Other companies for amounts lower than 52 thousand (*)	60	107
Total	**105,045**	**126,494**
Percentage of financial statements	**57.0%**	**60.8%**
Income tax payables		
Parent companies:		
Fininvest S.p.A.	29,514	36,272
Total	**29,514**	**36,272**

Appendix D2: Intragroup economic relations in 2007

(€,000)

Related parties	Raw materials and consumable	Services	Other expense	Financial expense	Expense from investments	Total
Parent companies:						
Fininvest S.p.A.		10	34			44
Subsidiary companies:						
Ame Publishing Ltd	49	1,912	391			2,352
Arnoldo Mondadori Deutschland GmbH		6				6
Artes Graficas Toledo S.A.		1,868				1,868
Cemit Interactive Media S.p.A.		841		307		1,148
Edizioni Frassinelli S.r.l.	2,408	85				2,493
Edizioni Piemme S.p.A.	52,290	179		141		52,610
Mondadori Education S.p.A. (ex Edumond Le Monnier S.p.A.)	702	157	54	633		1,546
Electa Napoli S.p.A.	181					181
Fied S.p.A.				5		5
Giulio Einaudi Editore S.p.A.	36,143	466	9	386		37,004
Mondadori Electa S.p.A.	12,424	1,988	105	140		14,657
Mondadori France S.A.S.		402	9			411
Mondadori Franchising S.p.A.		18		63		81
Mondadori Iniziative Editoriali S.p.A.	1,214	2				1,216
Mondadori International S.A.		185		16,437		16,622
Mondadori Printing S.p.A.	457	219,404	100	1,430		221,391
Mondadori Pubblicità S.p.A.	1,251	3,135	1,298	83		5,767
Mondadori Retail S.p.A.	65	267	159	139		630
Mondadori Rodale S.r.l						0
Press-Di Distribuzione Stampa e Multimedia S.r.l.	3	38,950	635	1,758		41,346
Monradio S.r.l.		56				56
Sperling & Kupfer Editori S.p.A.	20,706	801		10		21,517
Total	**127,893**	**270,722**	**2,760**	**21,532**	**0**	**422,907**
Associated companies:						
ACI Mondadori S.p.A.	9			85		94
Agenzia Lombarda Distrib. Giornali e Riviste S.r.l.						0
Attica Media Serbia Ltd		5				5
Edizioni EL S.r.l.	5,750					5,750
Gruner + Jahr/Mondadori S.p.A.	13	15		92		120
Harlequin Mondadori S.p.A.	10,713			147		10,860
Hearst Mondadori Editoriale S.r.l.	3	35		27		65
Mach 2 Libri S.p.A.		261		3		264
Mondadori Rodale S.r.l.	9	70		37		116
Mondolibri S.p.A.	1	423	36			460
Random House Mondadori S.A.		101				101
Società Europea di Edizioni S.p.A.		9	11			20
Total	**16,498**	**919**	**47**	**391**	**0**	**17,855**

(€,000)

Related parties	Raw materials and consumable	Services	Other expense	Financial expense	Expense from investments	Total
Other companies:						
Consorzio Sistemi Informativi Editoriali Distributivi						0
Consuledit S.r.l.						0
Istud S.p.A.						0
Soc. Editrice Il Mulino S.p.A.						0
Total	**0**	**0**	**0**	**0**	**0**	**0**
Fininvest Group companies:						
Alba Servizi Aerotrasporti S.p.A.			104			104
Consorzio Campus Multimedia		15				15
Il Teatro Manzoni S.p.A.		26	8,250			8,276
Fininvest Gestione Servizi S.p.A.			21			21
Mediaset S.p.A.						0
Media Shopping S.p.A.						0
Mediolanum Vita S.p.A.						0
Medusa Film S.p.A.		23				23
Medusa Video S.r.l.		590				590
Milan A.C. S.p.A.			13			13
Promoservice Italia S.r.l.		191				191
Publitalia '80 S.p.A.		14,745				14,745
Radio e Reti S.r.l.		38				38
R.T.I. Reti Televisive Italiane S.p.A.	17	111				128
Total	**17**	**15,739**	**8,388**	**0**	**0**	**24,144**
Grand total	**144,408**	**287,390**	**11,229**	**21,923**	**0**	**464,950**
Percentage of financial statements	**78.10%**	**55.20%**	**37.31%**	**76.30%**	**0.00%**	**59.68%**

Appendix E: Significant details from the financial statements of subsidiaries prepared in accordance with Italian accounting principles

(€,000)

	Arnoweb	Fied	Mondadori International	Monradio	Mondadori Iniziative Edit.
Year ended	12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007
Balance sheet					
Assets					
Intangible assets			1,226	81,636	
Tangible fixed assets			67	6,515	
Financial assets	30,321	32	347,979	73	
Total assets	30,321	32	349,272	88,224	0
Inventories					1,225
Receivables from customers				5,548	
Receivables from Group companies		843	596,384	21	3
Receivables from others		6	1,431	9,921	3,181
Financial activities (not non-current)	5,065		222,720		
Cash and cash equivalents	110	216	26,560		
Total current assets	5,175	1,065	847,095	15,490	4,409
Prepayments and accrued income			44	51	4
Total assets	**35,496**	**1,097**	**1,196,411**	**103,765**	**4,413**
Liabilities and shareholders' equity					
Share capital	36,257	416	393,626	3,030	500
Reserves	(3,438)	514	44,594	39,549	
Shareholder contributions		2,000		13,862	548
Profit (loss) for the year	97	(1,838)	7,321	(14,258)	15
Total shareholders' equity	32,916	1,092	445,541	42,183	1,063
Provisions for risks and charges	34		287	742	50
Employees' leaving entitlement				249	
Payables due to banks			748,284		
Trade payables				4,851	1,454
Payables due to Group companies				52,952	1,809
Other payables	2,546	5	2,213	2,683	37
Accrued liabilities and deferred income			86	105	
Total liabilities and shareholders' equity	**35,496**	**1,097**	**1,196,411**	**103,765**	**4,413**

(€,000)

Year ended	Arnoweb 12/31/2007	Fied 12/31/2007	Mondadori International 12/31/2007	Monradio 12/31/2007	Mondadori Iniziative Edit. 12/31/2007
Income statement					
Revenues from sales				11,306	1,181
Changes in finished goods inventories					1,225
Other revenues			171	3,290	77
Total value of production	0	0	171	14,596	2,483
Purchases and services	44	21	985	18,843	2,317
Personnel				1,766	
Depreciation, amortisation and writedowns			267	10,898	
Changes in inventory of raw materials					
Accruals and charges to provisions				255	50
Other operating expense		1	56	968	16
Total cost of production	44	22	1,308	32,730	2,383
Income from investments			7,335		
Financial income (expense)	141	(2)	1,277	(1,725)	(82)
Total financial income (expense)	141	(2)	8,612	(1,725)	(82)
Revaluations (writedowns)		(1,814)			
Extraordinary income (expense)				106	
Profit before tax	97	(1,838)	7.475	(19,753)	18
Income tax			154	(5,495)	3
Profit (loss) for the year	**97**	**(1,838)**	**7,321**	**(14,258)**	**15**

Appendix E: Significant details from the financial statements of subsidiaries prepared in accordance with IAS

(€,000)

	Cemit Interactive Media	Edizioni Piemme	Mondadori Education ex. Ed. Le Monnier	Giulio Einaudi Editore	Mondadori Electa
Year ended	12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007
Balance sheet					
Assets					
Intangible assets	0	583	23,320	80	101
Investment property	0	0	0	0	0
Property, plant and equipment	286	1,152	7,100	362	552
Investments	0	0	144	2,395	1,022
Non-current financial assets	0	0	0	0	0
Deferred tax assets	176	2,059	1,752	4,153	1,252
Other non-current assets	15	9	0	0	64
Total non-current assets	477	3,803	32,316	6,990	2,991
Tax receivables	28	2,398	356	36	120
Other current assets	67	3,493	777	7,618	1,401
Inventories	239	4,968	10,501	5,572	11,852
Trade receivables	7,725	18,530	9,723	29,741	18,378
Securities and other current financial assets	13,973	8,409	39,367	15,189	1,432
Cash and cash equivalents	32	6	171	102	17
Total current assets	22,064	37,804	60,895	58,258	33,200
Assets held for sale	0	0	0	0	0
Total assets	**22,541**	**41,607**	**93,211**	**65,248**	**36,191**
Liabilities and shareholders' equity					
Share capital	3,835	567	10,608	23,920	1,594
Reserves	3,587	11,338	28,097	7,269	4,787
Profit (loss) for the year	2,735	7,638	10,493	6,949	2,968
Total shareholders' equity	10,157	19,543	49,198	38,138	9,349
Provisions	305	834	2,376	1,996	2,539
Employees' leaving entitlement	1,580	808	6,414	3,509	1,297
Non-current financial liabilities	0	23	0	0	259
Deferred tax liabilities	824	410	3,112	82	114
Other non-current liabilities	0	0	0	0	0
Total non-current liabilities	2,709	2,075	11,902	5,587	4,209
Income tax payables	1,218	632	5,631	4,492	1,884
Other current liabilities	1,681	11,404	18,654	11,400	3,786
Trade payables	6,775	7,905	7,779	5,617	16,060
Debts due to banks and other financial liabilities	1	48	47	13	903
Total current liabilities	9,675	19,989	32,111	21,522	22,633
Liabilities held for sale	0	0	0	0	0
Total liabilities and shareholders' equity	**22,541**	**41,607**	**93,211**	**65,247**	**36,191**

	Mondadori Franchising	Mondadori Printing	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Retail	Prisco Spain	Sperling & Kupfer Editori
	12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007
	51	627	0	8	31,972	0	18
	0	0	0	0	0	0	0
	1,767	142,370	574	69	15,936	0	93
	0	4,082	0	417	0	18	208
	0	0	0	0	0	0	0
	532	2,606	790	309	1,486	0	643
	183	100	33	5	342	0	12
	2,533	149,785	1,397	808	49,736	18	974
	0	1,576	35	109	1,077	1	201
	57	578	177	12,397	353	0	3,716
	22,247	22,539	0	489	27,578	0	4,213
	11,992	120,662	151,903	28,202	3,377	0	4,859
	0	39,062	13,782	48,990	11,291	0	0
	400	6,854	6	908	2,067	30	21
	34,696	191,271	165,903	91,095	45,743	31	13,010
	0	0	0	0	0	0	0
	37,229	**341,056**	**167,300**	**91,903**	**95,479**	**49**	**13,984**
	1,954	45,396	3,120	1,095	2,700	60	1,556
	3,790	58,350	1,988	409	9,667	(8)	782
	3,680	3,948	1,622	3,530	2,420	(3)	143
	9,424	107,694	6,730	5,034	14,787	49	2,481
	29	253	800	0	99	0	0
	473	26,095	5,059	2,489	2,705	0	588
	0	37,850	0	0	0	0	0
	251	2,098	191	127	735	0	63
	0	0	0	0	0	0	0
	753	66,296	6,050	2,616	3,539	0	651
	314	2,205	1,784	2,266	4,517	0	13
	858	18,769	11,026	38,279	4,314	0	3,344
	25,880	139,485	140,622	43,701	44,322	0	4,563
	0	6,607	1,088	7	24,000	0	2,932
	27,052	167,066	154,520	84,253	77,153	0	10,852
	0	0	0	0	0	0	0
	37,229	**341,056**	**167,300**	**91,903**	**95,479**	**49**	**13,984**

(follows)

Appendix E: Significant details from the financial statements of subsidiaries prepared in accordance with IAS

(follow)

(€,000)

	Cemit Interactive Media	Edizioni Piemme	Mondadori Education ex Ed. Le Monnier	Giulio Einaudi Editore	Mondadori Electa
Year ended	12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007
Income statement					
Revenues from sales and services	23,920	55,910	88,984	49,921	50,757
Decrease (increase) in inventories	560	(611)	1,743	(259)	(830)
Purchase of raw materials and consumables	7,057	863	4,493	1,837	4,508
Purchase of services	9,189	37,013	55,288	29,983	33,646
Personnel costs	4,894	3,358	10,233	6,254	5,020
Other (income) expense	(2,606)	1,982	274	1,334	2,501
Result of investments using the equity method	0	0	0	(469)	0
Gross operating profit	4,826	13,305	16,953	11,241	5,912
Depreciation of property, plant and equipment	250	228	487	167	244
Amortisation of intangible assets	0	32	25	21	50
Operating result	4,576	13,045	16,441	11,053	5,618
Financial income (expense)	243	28	514	1,043	61
Income (expense) from investments	0	0	115	0	(1)
Result before tax	4,819	13,073	17,070	12,096	5,678
Income tax	2,084	5,435	6,577	5,147	2,710
Net result	**2,735**	**7,638**	**10,493**	**6,949**	**2,968**

Mondadori Franchising 12/31/2007	Mondadori Printing 12/31/2007	Mondadori Pubblicità 12/31/2007	Press-Di Distrib. Stampa e Multimedia 12/31/2007	Mondadori Retail 12/31/2007	Prisco Spain 12/31/2007	Sperling & Kupfer Editori 12/31/2007
60,054	426,784	349,455	65,941	124,669	0	22,843
(3,385)	(2,548)	0	(99)	(5,327)	0	(149)
48,103	236,173	0	3,133	91,799	0	396
6,000	108,112	328,279	57,502	11,205	0	19,954
2,632	65,974	13,819	5,596	14,029	0	2,037
(74)	(15,883)	3,122	(4,601)	11,525	3	180
0	0	0	0	0	0	0
6,778	34,956	4,235	4,410	1,438	(3)	425
462	23,850	293	26	2,729	0	49
37	245	0	1	3,688	0	12
6,279	10,861	3,942	4,383	(4,979)	(3)	364
14	(2,808)	(246)	1.333	(287)	0	(103)
0	(1,821)	0	0	0	0	214
6,293	6,232	3,696	5,716	(5,266)	(3)	475
2,613	2,284	2.074	2.186	(7,686)	0	332
3,680	**3,948**	**1,622**	**3,530**	**2,420**	**(3)**	**143**

Appendix F: Significant details from the financial statements of the most significant indirect subsidiary companies

(€,000)

	Artes Graficas Toledo (100% owned by Mondadori Printing S.p.A.)	Edizioni Frassinelli (100% owned by Sperling & Kupfer Editori S.p.A.)
Year ended	12/31/2007	12/31/2007
Balance sheet		
Assets		
Intangible assets		
Investment property		
Property, plant and equipment	5,623	2
Investments		
Non-current financial assets		
Deferred tax assets		91
Other non-current assets	1	
Total non-current assets	5,624	93
Tax receivables	274	31
Other current assets	10	1,018
Inventories	1,300	566
Trade receivables	7,991	1,066
Securities and other current financial assets		
Cash and cash equivalents	150	3
Total current assets	9,725	2,684
Assets held for sale		
Total assets	**15,349**	**2,777**
Liabilities and shareholders' equity		
Share capital	5,409	10
Reserves	494	252
Profit (loss) for the year	(1,821)	(140)
Total shareholders' equity	4,082	122
Provisions		
Employees' leaving entitlement		42
Non-current financial liabilities	3,532	
Deferred tax liabilities		7
Other non-current liabilities		
Total non-current liabilities	3,532	49
Income tax payables		
Other current liabilities	915	476
Trade payables	5,828	522
Payable to banks and other financial liabilities	992	1,608
Total current liabilities	7,735	2,606
Liabilities held for sale		
Total liabilities and shareholders' equity	**15,349**	**2,777**

(€,000)

	Artes Graficas Toledo (100% owned by Mondadori Printing S.p.A.)	Edizioni Frassinelli (100% owned by Sperling & Kupfer Editori S.p.A.)
Year ended	12/31/2007	12/31/2007
Income statement		
Revenues from sales and services	20,061	2,739
Decrease (increase) in inventories	(73)	(50)
Purchase of raw materials and consumables	8,032	2
Purchase of services	6,858	2,578
Personnel costs	5,068	267
Other (income) expense	380	14
Gross operating profit	(204)	(72)
Depreciation of property, plant and equipment	1,349	1
Amortisation of intangible assets		
Operating result	(1,553)	(73)
Financial income (expense)	(268)	(48)
Income (expense) from investments		
Result before tax	(1,821)	(121)
Income tax	0	19
Net result	**(1,821)**	**(140)**

Appendix G: Significant details from the financial statements of associated companies

(€,000)

	ACI Mondadori	Ag. Lomb. Distr. Giorn. Riviste	Edizioni Electa Bruno Mondadori	Gruner + Jahr/Mondadori
Year ended	12/31/2007	12/31/2007	12/31/2007	12/31/2007
Balance sheet				
Assets				
Receivable from shareholders				
Intangible assets	12	0	0	285
Tangible fixed assets	25	72	0	185
Financial assets	4	0	0	179
Total assets	41	72	0	649
Inventories	221	1,888	290	987
Receivable from customers	3,168	727	0	14,489
Receivable from Group companies	3,623	6	0	0
Receivable from others	107	865	1,034	8,921
Financial assets (not non-current assets)	0	0	0	0
Cash and cash equivalents	323	1,738	0	3,306
Total current assets	7,442	5,224	1,324	27,703
Prepayments and accrued income	1	1,548	0	143
Total assets	**7,484**	**6,844**	**1,324**	**28,495**
Liabilities and shareholders' equity				
Share capital	590	400	10	2,600
Reserves	1,091	358	48	1,865
Shareholders' contributions	0	0	0	0
Profit (loss) for the year	1,090	(346)	231	6,339
Total shareholders' equity	2,771	412	289	10,804
Provisions for risks and charges	330	0	0	550
Employees' leaving entitlement	786	249	0	2,609
Payables due to banks	0	0	94	0
Trade payables	2,437	703	2	7,960
Payables due to Group companies	388	139	0	0
Other payables	692	341	939	5,118
Accrued liabilities and deferred income	80	5,000	0	1,454
Total liabilities and shareholders' equity	**7,484**	**6,844**	**1,324**	**28,495**

(*) Prepared as per IAS/IFRS.

Grupo Editorial Random House Mondadori (consolidated financial statements)*	Harlequin Mondadori	Hearst Mondadori	Mach 2 Libri	Mondadori Rodale	Mondolibri	Rock FM	Società Europea di Edizioni
12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007	2/31/2007
5,441	53	0	785	10	2,817	4,763	14,397
4,919	70	10	666	32	1,098	164	1,800
9,528	42	0	250	0	221	7	448
19,888	165	10	1,701	42	4,136	4,934	16,645
22,358	278	227	14,078	880	7,102	0	2,615
78,047	2,916	4,052	44,160	5,837	11,713	319	33,459
1,070	0	175	868	965	264	0	1,393
50	257	102	8,473	145	9,979	0	2,671
0	424	0	0	0	0	0	11,137
12,514	811	57	1,046	106	10,922	171	358
114,039	4,686	4,613	68,625	7,933	39,980	490	51,633
146	409	1	313	2	253	0	2,265
134,073	**5,260**	**4,624**	**70,639**	**7,977**	**44,369**	**5,424**	**70,543**
6,825	258	100	646	90	1,040	200	2,776
25,591	56	59	9,387	19	11,383	(63)	4,625
0	0	97	0	224	3,615	0	18,500
13,872	679	928	1,716	1,440	863	(238)	(23,251)
46,288	993	1,184	11,749	1,773	16,901	(101)	2,650
0	0	339	1,649	276	35	0	2,500
0	535	395	1,513	734	4,731	31	7,808
1,982	0	0	3,235	0	0	0	30,453
47,823	2,972	1,081	28,390	2,368	17,417	0	20,138
4,559	0	613	22,310	1,316	1,979	0	454
33,421	715	823	1,790	1,104	3,297	5,494	6,347
0	45	189	3	406	9	0	193
134,073	**5,260**	**4,624**	**70,639**	**7,977**	**44,369**	**5,424**	**70,543**

(follows)

Appendix G: Significant details from the financial statements of associated companies

(follow)

(€,000)

	ACI Mondadori	Ag. Lomb. Distr. Giorn. Riviste	Edizioni Electa Bruno Mondadori	Gruner + Jahr/Mondadori
Year ended	12/31/2007	12/31/2007	12/31/2007	12/31/2007
Income statement				
Revenues from sales	14,697	3,653	1,490	48,689
Changes in product inventories	(144)	0	(295)	(117)
Other revenues	170	96	1	2,663
Total value of production	14,723	3,749	1,196	51,235
Purchases and services	11,269	3,068	742	27,371
Personnel	1,966	872	0	12,369
Depreciation, amortisation and write-downs	30	69	0	288
Changes in inventory of raw materials	0	0	0	1
Accruals and charges to provisions	59	0	0	104
Other expense	269	190	16	537
Total cost of production	13,593	4,199	758	40,670
Income from investments	0	0	0	0
Financial income (expense)	102	(9)	(56)	385
Total financial income (expense)	102	(9)	(56)	385
Revaluations (writedowns)	0	0	0	0
Extraordinary income (expense)	0	0	0	0
Result before tax	1,232	(459)	382	10,950
Income tax	142	(113)	151	4,611
Profit (loss) for the year	**1,090**	**(346)**	**231**	**6,339**

(*) Prepared as per IAS/IFRS.

Grupo Editorial Random House Mondadori (consolidated financial statements)*	Harlequin Mondadori	Hearst Mondadori	Mach 2 Libri	Mondadori Rodale	Mondolibri	Rock FM	Società Europea di Edizioni
12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007	12/31/2007	2/31/2007
114,128	10,872	10,215	188,648	18,097	87,334	192	80,372
1,081	153	(41)	0	(62)	205	0	0
6,892	589	204	1,546	196	1,756	0	3,998
122,101	11,614	10,378	190,194	18,231	89,295	192	84,370
36,049	8,580	6,888	180,606	13,053	69,488	781	78,723
23,800	1,861	1,573	5,497	2,558	11,533	95	23,355
2,358	0	11	730	32	6,115	259	3,154
0	0	0	(494)	0	5	0	(845)
2,538	78	201	186	83	35	0	1,085
45,864	51	67	347	98	351	6	1,648
110,609	10,570	8,740	186,872	15,824	87,527	1,141	107,120
0	0	0	73	0	0	0	0
(415)	167	34	(8)	64	722	(132)	(1,071)
(415)	167	34	65	64	722	(132)	(1,071)
0	0	0	0	0	0	0	0
507	0	0	0	0	510	843	114
11,584	1,211	1,672	3,387	2,471	3,000	(238)	(23,707)
(2,288)	532	744	1,671	1,031	2,137	0	(456)
13,872	**679**	**928**	**1,716**	**1,440**	**863**	**(238)**	**(23,251)**

Appendix H: Fees paid to directors, statutory auditors, general managers and managers with strategic responsibilities (art. 78 of CONSOB resolution 11971 of 14 May 1999). Figures relating to managers with strategic responsabilites are aggregate.

	Description			Fee (€,000)			
Surname and name	Position held	Term for which the position is held	Expiry date of position held	Emoluments/ fees for position	Non-monetary benefits	Bonuses and other incentives	Other fees
Berlusconi Marina	Chairman	1/1 - 12/31/2007	Approval of 2008 financial statements	515.0	-	-	-
Costa Maurizio	Deputy Chairman and Chief Executive	1/1 - 12/31/2007	Approval of 2008 financial statements	1,510.0*	14.9	546.0	1,274.8(1)
Berlusconi Pier Silvio	Director	1/1 - 12/31/2007	Approval of 2008 financial statements	10.0	-	-	-
Cannatelli Pasquale	Director	1/1 - 12/31/2007	Approval of 2008 financial statements	10.0	-	-	-
Ermolli Bruno	Director	1/1 - 12/31/2007	Approval of 2008 financial statements	25.0	-	-	-
Forneron Mondadori Martina	Director	1/1 - 12/31/2007	Approval of 2008 financial statements	10.0	-	-	-
Poli Roberto	Director	1/1 - 12/31/2007	Approval of 2008 financial statements	10.0	-	-	-
Resca Mario	Director	1/1 - 12/31/2007	Approval of 2008 financial statements	25.0	-	-	-
Spadacini Marco	Director	1/1 - 12/31/2007	Approval of 2008 financial statements	25.0	-	-	-
Veronesi Umberto	Director	1/1 - 12/31/2007	Approval of 2008 financial statements	10.0	-	-	-
Vismara Carlo Maria	Director	1/1 - 12/31/2007	Approval of 2008 financial statements	10.0	6.0	218.4	369.4(1)
Managers with strategic responsibilities		1/1 - 12/31/2007	-	548.0(2)	181.5	5,529.2	4,418.9(1)
Superti Furga Ferdinando	Chairman of Mondadori Statutory Auditors	1/1 - 12/31/2007	Approval of 2008 financial statements	60	-	-	-
Frattini Achille	Mondadori Standing Statutory Auditor	1/1 - 12/31/2007	Approval of 2008 financial statements	40.0	-	-	-
Frattini Achille	Standing Statutory Auditor of Subsidiaries	1/1 - 12/31/2007	-	58.4(2)	-	-	-
Papa Franco Carlo	Mondadori Standing Statutory Auditor	1/1 - 12/31/2007	Approval of 2008 financial statements	40.0	-	-	-

(*) €500,000 for extraordinary remuneration
(1) Salary
(2) Fee from subsidiary company

Appendix H: Stock options granted to directors, general managers and managers with strategic responsibilities

		Options held at beginning of year			Options granted during year			Options exercise during year			Options expired during year	Options held at end of year		
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=1+4-7-10	(12)	(13)
Name and surname	Position held	Number of options	Average exercice price	Average expiry date	Number of options	Average exercice price	Average expiry date	Number of options	Average exercice price	Average market price at exercice date	Number of options	Number of options	Average exercice price	Average expiry date
Marina	Chairman	150,000*2	7.749	12/31/2008								150,000	7.749	12/31/2008
Berlusconi		300,000*3	7.87	06/23/2011								300,000	7.87	06/23/2011
		300,000*4	7.507	07/17/2012								300,000	7.507	07/17/2012
					360,000	7.458	06/15/2013					360,000	7.458	06/25/2013
											Tot.	1,110,000		
Maurizio	Deputy	110,000*2	7.749	12/31/2008								110,000	7.749	12/31/2008
Costa	Chairman	330,000*3	7.87	06/23/2011								330,000	7.87	06/23/2011
	and Chief	330,000*4	7.507	07/17/2012								330,000	7.507	07/17/2012
	Executive				450,000	7.458	06/25/2013					450,000	7.458	06/25/2013
											Tot.	1,220,000		
Carlo Maria	Director	70,000*4	7.507	07/17/2012								70,000	7.507	07/17/2012
Vismara					70,000	7.458	06/25/2013					70,000	7.458	06/25/2013
											Tot.	140,000		
Managers		50,000*1	6.47	12/31/2007				50,000	6.47	8.410(o)				
with strategic		460,000*2	7.749	12/31/2008				170,000	7.749	8.619(o)		290,000	7.749	12/31/2008
responsibilities		480,000*3	7.87	06/23/2011								480,000	7.87	06/23/2011
		500,000*4	7.507	07/17/2012								500,000	7.507	07/17/2012
					600,000	7.458	06/25/2013					600,000	7.458	06/25/2013
											Tot.	1,870,000		
											Tot.	4,340,000		

*1 options assigned in 2003
*2 options assigned in 2004
*3 options assigned in 2005
*4 options assigned in 2006
(o) average price at date when options exercised

A description of the main terms of the Stock Option Plan is provided in the notes to the Consolidated Financial Statements.

Appendix I: Distribution of receivables and payables by geographical area

(€,000)

	Italy	Other EU countries	USA	Switzerland	Canada	Other countries	Total
Receivables:							
Non-current assets:							
Non-current financial assets							0
Deferred tax assets	15.148						15.148
Other non-current assets	777						777
Current assets:							
Tax receivables	10,725						10,725
Other current assets	18,222	5,672	12,867	799	200	1,241	39,001
Trade receivables	238,219	1,732	81	746	20	254	241,052
Securities and other current financial assets	100,743	2,538					103,281
Total receivables	**383,834**	**9,942**	**12,948**	**1,545**	**220**	**1,495**	**409,984**
Payables:							
Non-current payables:							
Non-current financial liabilities	54,433	242,016					296,449
Deferred tax liabilities	17,798						17,798
Other non-current liabilities							
Current payables:							
Income tax payables	29,514						29,514
Other non-current liabilities	66,496	2,002	1,805	28	13	366	70,710
Trade payables	180,268	3,132	362	56	1	513	184,332
Payables to banks and other financial liabilities	334,157	7					334,165
Total payables	**682,667**	**247,157**	**2,167**	**84**	**14**	**879**	**932,968**

Certification of the Financial Statements for the year as per article 81-ter of CONSOB regulation 11971 of 14 May 1999 and subsequent modifications and integrations

1. The undersigned Maurizio Costa, in his role as Deputy Chairman and Chief Executive, and Carlo Maria Vismara, in his role as Director responsible for compiling the company financial documents of Arnoldo Mondadori Editore S.p.A., certify, in accordance with article 154-bis, paragraphs 3 and 4 of Legislative Decree n. 58 of 24 February 1998:

- the appropriateness in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures for representing the Financial Statements during 2007.

2. The evaluation of the appropriateness of the administrative and accounting procedures for representing the Financial Statements at 31 December 2007 is based on a process established by Arnoldo Mondadori Editore S.p.A. that conforms to the *Internal Control – Integrated Framework* model issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which represents an internationally accepted general reference framework.

3. It is also certified that the Financial Statements at 31 December 2007:

a) correspond to the result contained in the account books and book entries;

b) have been compiled in conformity with the International Financial Reporting Standards adopted by the European Union and to the measures contained in article 9 of Legislative decree n. 38/2005, and provide a true and correct representation of the company's asset and liability, economic and financial situation.

20 March 2008

Deputy Chairman and Chief Executive
Maurizio Costa

Director responsible for compiling
the company's financial documents
Carlo Maria Vismara

Consolidated Financial Statements at 31 December 2007

Consolidated balance sheet

Assets (€,000)	Note	31 December 2007	31 December 2006
Intangible assets	2	**943,847**	**918,075**
Investment property	3	**1,525**	**4,744**
Land and buildings		73,833	86,878
Property, plant and equipment		87,376	98,010
Other tangible fixed assets		48,408	36,979
Property, plant and equipment	4	**209,617**	**221,867**
Investments accounted for using the equity method		127,026	120,230
Other investments		273	2,174
Total investments	5	**127,299**	**122,404**
Non-current financial assets	12	**3,671**	**1,533**
Deferred tax assets	6	**39,727**	**46,100**
Other non-current assets	7	**3,019**	**3,525**
Total non-current assets		1,328,705	1,318,248
Tax receivables	8	**28,701**	**29,854**
Other current assets	9	**77,600**	**72,204**
Inventories	10	**150,900**	**141,126**
Trade receivables	11	**486,873**	**479,018**
Securities and other current financial assets	12	**144,910**	**206,713**
Cash and cash equivalents	13	**225,098**	**105,507**
Total current assets		1,114,082	1,034,422
Assets held for sale		-	-
Total assets		2,442,787	2,352,670

Liabilities and shareholders' equity (€,000)	Note	31 December 2007	31 December 2006
Share capital		67,452	67,452
Share premium reserve		286,876	285,467
Treasury shares		(138,840)	(127,998)
Other reserves and retained earnings		176,475	148,532
Profit (loss) for the year		112,639	108,960
Total shareholders' equity attributable to the Group	14	504,602	482,413
Capital and reserves attributable to minorities	15	1,932	4,020
Total shareholders' equity		506,534	486,433
Provisions	16	33,278	35,187
Employees' leaving entitlement and termination indemnities	17	90,638	104,182
Non-current financial liabilities	18	741,166	744,706
Deferred tax liabilities	6	88,213	102,240
Other non-current liabilities		-	-
Total non-current liabilities		953,295	986,315
Income tax payables	19	44,253	49,682
Other current liabilities	20	293,083	272,168
Trade payables	21	477,775	434,316
Payables to banks and other financial liabilities	18	167,847	123,756
Total current liabilities		982,958	879,922
Liabilities held for sale		-	-
Total liabilities and shareholders' equity		2,442,787	2,352,670

Consolidated income statement

(€,000)	Note	2007	2006
Revenues from sales and services	22	**1,958,604**	**1,750,206**
Decrease (increase) in inventories	10	(9,437)	(1,110)
Cost of raw materials and consumables and goods for resale	23	487,542	502,360
Cost of services	24	834,252	729,607
Personnel costs	25	372,952	302,051
Other (income) expense	26	13,759	(14,648)
Income (expense) from investments accounted for using the equity method	27	9,341	8,355
Gross operating profit		**268,877**	**240,301**
Depreciation and impairment of property, plant and equipment	3-4	36,435	34,897
Amortisation and impairment of intangible assets	2	7,236	3,995
Operating result		**225,206**	**201,409**
Financial income (expense)	28	(35,717)	(12,457)
Income (expense) from other investments	29	10	25
Profit before taxes		**189,499**	**188,977**
Income taxes	30	76,065	78,864
Profit from continuing activities		**113,434**	**110,113**
Income (expense) from assets/liabilities held for sale		-	-
Result attributable to minorities	15	(795)	(1,153)
Net profit		**112,639**	**108,960**
Earnings per share (€)	31	0.467	0.453
Diluted earnings per share (€)	31	0.456	0.442

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Changes in consolidated shareholders' equity for the year ended 31 December 2006

(€,000)	Note	Share capital	Share premium	Treasury shares
At 1 January 2006		**67,452**	**283,747**	**(137,662)**
– Transfer profit				
– Dividends paid				
– Changes in scope of consolidation				
– Transfer of financial statements in foreign currencies	14			
– Treasury share options	14			9,664
– Stock options	25		1,720	
– Other changes	14			
– Profit (loss) for the year				
At 31 December 2006		**67,452**	**285,467**	**(127,998)**

Changes in consolidated shareholders' equity for the year ended 31 December 2007

(€,000)	Note	Share capital	Share premium	Treasury shares
At 1 January 2007		**67,452**	**285,467**	**(127,998)**
- Transfer profit				
- Dividends paid				
- Changes in scope of consolidation				
- Transfer of financial statements in foreign currencies	14			
- Treasury share options	14			(10,842)
- Stock options	25		1,409	
- Other changes	14			
- Profit (loss) for the year				
At 31 December 2007		**67,452**	**286,876**	**(138,840)**

Stock option reserve	Cash flow hedge	Translation reserve	Other reserves	Profit (loss) for the year	Total group	Minority interests	Total
4,715	**-**	**1,373**	**172,075**	**114,724**	**506,424**	**4,026**	**510,450**
			13,467	(13,467)			-
			(43,380)	(101,257)	(144,637)		(144,637)
							-
		(1,002)			(1,002)		(1,002)
			(25)		9,639		9,639
658					2,378		2,378
	950		(299)		651	(1,159)	(508)
				108,960	108,960	1,153	110,113
5,373	**950**	**371**	**141,838**	**108,960**	**482,413**	**4,020**	**486,433**

Stock option reserve	Cash flow hedge	Translation reserve	Other reserves	Profit (loss) for the year	Total group	Minority interests	Total
5,373	**950**	**371**	**141,838**	**108,960**	**482,413**	**4,020**	**486,433**
			24,238	(24,238)			-
				(84,722)	(84,722)		(84,722)
							-
		(667)			(667)		(667)
			531		(10,311)		(10,311)
863			55		2,327		2,327
	2,072		851		2,923	(2,883)	40
				112,639	112,639	795	113,434
6,236	**3,022**	**(296)**	**167,513**	**112,639**	**504,602**	**1,932**	**506,534**

Cash flow statement

Cash flow statement (€,000)	Note	31 December 2007	31 December 2006
Net profit for the year		112,639	108,960
Adjustments			
Depreciations and writedowns	2-3	43,671	38,892
Stock options	25	2,327	2,378
Charges to provisions, employees' leaving entitlement and termination indemnities		7,450	18,083
Capital (gains) losses on disposal of intangible assets, property, plant and equipment, investments		(16,801)	(2,316)
Capital (gains) losses on disposal of financial assets		-	(860)
Capital (gains) losses on valuation of financial assets	28	(2,783)	(9,043)
(Income) expense from companies accounted for using the equity method	27	(9,341)	(8,355)
Cash from operating activities		**137,162**	**147,739**
(Increase) decrease in trade receivables		(7,912)	22,366
(Increase) decrease in inventories		(9,883)	(3,982)
Increase (decrease) in trade payables		41,945	(30,772)
Net change in income tax receivables/payables		(864)	23,600
Advances for and settlements of employees' leaving entitlement		(14,882)	(16,602)
Net change in deferred tax assets and liabilities		(7,654)	7,317
Net change in other assets/liabilities		8,487	1,439
Cash flow from (used in) operating activities		**146,399**	**151,105**
Fee paid for business combinations net of cash acquired	1	(128)	(555,601)
(Investments in) disposals of intangible assets		(33,141)	(17,115)
(Investments in) disposals of property, plant and equipment		(5,649)	(41,168)
(Investments in) disposals of equity investments		1,952	6,971
(Investments in) disposals of financial assets	a)	64,520	287,393
Cash flow from (used in) financing activities		**27,554**	**(319,520)**
Net change in financial liabilities	a)	40,671	335,839
(Purchase) disposal of treasury stocks	14	(10,311)	9,664
Dividends paid	14	(84,722)	(144,637)
Cash flow from (used in) financing activities		**(54,362)**	**200,866**
Increase (decrease) in cash and cash equivalents		**119,591**	**32,451**
Cash and cash equivalents at beginning of year	13	**105,507**	**73,056**
Cash and cash equivalents at end of year	13	**225,098**	**105,507**
Composition of cash and cash equivalents			
Cash, cheques and valuables in hand		2,527	2,204
Bank and post office deposits		222,571	103,303
	13	**225,098**	**105,507**

The items for 2006 include disinvestments of financial assets for approximately €260 million and underwriting a five-year pool loan for the purchase of the Emap France Group.

Consolidated balance sheet as per CONSOB deliberation n. 15519 of 27 July 2006

Assets

(€,000)	Note	31 December 2007	Including correlated part (Note 34)	31 December 2006	Including correlated part (Note 34)
Intangible assets	2	**943,847**	-	**918,075**	-
Investment property	3	**1,525**	-	**4,744**	-
Land and buildings		73,833	-	86,878	-
Plant and machinery		87,376	-	98,010	-
Other tangible fixed assets		48,408	-	36,979	-
Property, plant and equipment	4	**209,617**	0	**221,867**	0
Investments accounted for using the equity method		127,026	-	120,230	-
Other investments		273	-	2,174	-
Total investments	5	**127,299**	0	**122,404**	0
Non-current financial assets	12	**3,671**	-	**1,533**	-
Deferred tax assets	6	**39,727**	-	**46,100**	-
Other non-current assets	7	**3,019**	-	**3,525**	-
Total non-current assets		1,328,705	0	1,318,248	0
Tax receivables	8	**28,701**	-	**29,854**	-
Other current assets	9	**77,600**	-	**72,204**	-
Inventories	10	**150,900**	-	**141,126**	-
Trade receivables	11	**486,873**	43,492	**479,018**	47,013
Securities and other current financial assets	12	**144,910**	11,558	**206,713**	18,443
Cash and cash equivalents	13	**225,098**	-	**105,507**	-
Total current assets		1,114,082	55,050	1,034,422	65,456
Assets held for sale		-	-	-	-
Total assets		2,442,787	55,050	2,352,670	65,456

Liabilities and shareholders' equity					
(€,000)	Note	31 December 2007	Including correlated part (Note 34)	31 December 2006	Including correlated part (Note 34)
Share capital		67,452	-	67,452	-
Share premium reserve		286,876	-	285,467	-
Treasury shares		(138,840)	-	(127,998)	-
Other reserves and retained earnings		176,475	-	148,532	-
Profit (loss) for the year		112,639	-	108,960	-
Total shareholders' equity attributable to the Group	14	504,602	0	482,413	0
Capital and reserves attributable to minorities	15	1,932	-	4,020	-
Total shareholders' equity		506,534	0	486,433	0
Provisions	16	33,278	-	35,187	-
Employees' leaving entitlement and termination indemnities	17	90,638	-	104,182	-
Non-current financial liabilities	18	741,166	-	744,706	-
Deferred tax liabilities	6	88,213	-	102,240	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		953,295	0	986,315	0
Income tax payables	19	44,253	44,768	49,682	47,869
Other current liabilities	20	293,083	-	272,168	-
Trade payables	21	477,775	38,648	434,316	38,026
Payables to banks and other financial liabilities	18	167,847	22,452	123,756	27,096
Total current liabilities		982,958	105,868	879,922	112,991
Liabilities held for sale		-	-	-	-
Total liabilities and shareholders' equity		2,442,787	105,868	2,352,670	112,991

Consolidated income statement as per CONSOB deliberation n. 15519 of 27 July 2006

(€,000)	Note	2007	Including correlated part (Note 34)	Including non-recurring charges (income) (Note 33)	2006	Including correlated part (Note 34)	Including non-recurring charges (income) (Note 33)
Revenues from sales and services to third parties	22	**1,958,604**	**92,118**	-	**1,750,206**	**113,862**	-
Decrease (increase) in inventories	10	(9,437)	-	-	(1,110)	-	-
Purchase of raw materials and consumables and goods for resale	23	487,542	17,539	-	502,360	72,923	-
Purchase of services	24	834,252	77,400	-	729,607	77,206	-
Personnel costs	25	372,952	-	(4,491)	302,051	-	-
Other (income) expense	26	13,759	(7,267)	(15,946)	(14,648)	(12,010)	(13,530)
Income (expense) from investments accounted for using the equity method	27	9,341	-	-	8,355	-	-
Gross operating profit		**268,877**	**4,446**	**20,437**	**240,301**	**(24,257)**	**13,530**
Depreciation and impairment of property, plant and equipment	3-4	36,435	-	-	34,897	-	-
Amortisation and impairment of intangible assets	2	7,236	-	-	3,995	-	-
Operating result		**225,206**	**4,446**	**20,437**	**201,409**	**(24,257)**	**13,530**
Financial income (expenses)	28	(35,717)	(505)	-	(12,457)	(86)	-
Income (expenses) from other investments	29	10	-	-	25	-	-
Results before taxes		**189,499**	**3,941**	**20,437**	**188,977**	**(24,343)**	**13,530**
Income taxes	30	76,065	-	(929)	78,864	-	1,716
Results attributable to functioning business activities		**113,434**	**3,941**	**21,366**	**110,113**	**(24,343)**	**11,814**
Income (expenses) from assets/liabilities held for sale		-	-	-	-	-	-
Results attributable to minorities	15	(795)	-	6	(1,153)	-	53
Net result		**112,639**	**3,941**	**21,372**	**108,960**	**(24,343)**	**11,867**

The amounts relating to related parties cannot be compared with the data from the previous year as a result of the different method used for recognising the magazine distribution assets, which were recognised at a premium rather than under costs and revenues.

Accounting principles and notes to the Financial Statements

1. General information

The main corporate purpose of Arnoldo Mondadori Editore SpA and the companies in which it has direct and indirect investments (henceforth referred to as the "Mondadori Group" or the "Group") is in business activities connected with the book and magazine publishing sectors, radio and the sale of advertising.
The Group is also involved in printing activities at its own printing works, retailing through a chain of its own shops and franchising outlets situated throughout Italy and direct marketing and mail-order sales of publishing products.

Arnoldo Mondadori Editore SpA has its head office in via Bianca di Savoia 12, in Milan, Italy, while the main administrative offices are in Segrate, Milan, in Strada privata Mondadori.

The Parent Company, Arnoldo Mondadori Editore SpA, is quoted on the MTA (automated stock markets) of Borsa Italiana SpA, and is included in the S&P/MIB index and the MIDEX index.

The publication of the Consolidated Financial Statements of the Mondadori Group for the year ended 31 December 2007 was authorised by a resolution of the Board of Directors on 20 March 2008.

2. Form and content

The Consolidated Financial Statements at 31 December 2007 was prepared in accordance with International Accounting Standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and adopted by the EU, and in accordance with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The Mondadori Group adopted the standards with effect from 1 January 2005, following the introduction of European regulation 1606 of 19 July 2002.

The information required by IFRS 1, concerning the impact of the first adoption of International Accounting Standards, was included in the appendix "Transition to IAS/IFRS accounting standards" in the half-yearly report for 2005 and in the Consolidated Financial Statements at 31 December 2005, to which you are referred.

The Consolidated Financial Statements at 31 December 2007 were prepared in accordance with the accounting standards used for preparing IAS/IFRS consolidated financial statements at 31 December 2006, taking into consideration the new amendments and standards introduced with effect from 1 January 2007, which are referred to in note 6.26.

The Financial Statements have been prepared in the following way:
- current and non-current assets and current and non-current liabilities are shown separately in the balance sheet;
- in the income statement, costs are analysed by their nature since the Group has decided that this method is more representative than an analysis by function;
- the cash flow statement has been prepared using the indirect method.

With reference to the requirements of CONSOB resolution n. 15519 of 27 July 2006 concerning financial statement tables, specific supplementary tables have been inserted in order to highlight significant operations with “Related parties“ and “Non-recurring operations”.

The values shown in the tables and in the notes are expressed in thousands of euros unless specifically indicated otherwise.

3. Consolidation policies

The Consolidated Financial Statements of the Mondadori Group include:

- the financial statements for the year of the Parent Company and those of Italian and foreign companies in which Arnoldo Mondadori Editore SpA has control, direct or indirect, as defined in IAS 27. In these cases the financial statements are consolidated on a line-by-line basis in accordance with IAS 27;
- the financial statements for the year of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA has joint control, direct or indirect, as defined in IAS 31. In these cases investments are accounted for using the equity method in accordance with IAS 31;
- the financial statements for the year of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA has, directly or indirectly, an investment in an associated company as defined in IAS 28. In these cases investments are accounted for using the equity method in accordance with IAS 28.

The application of the above mentioned consolidation techniques involves the following adjustments:

- the net carrying value of investments in companies included in the scope of consolidation is eliminated against the related net equity;
- any excess of the purchase cost of investments and the Group’s share of net equity at the date of purchase is allocated to the specific assets and liabilities acquired in order to state them at their fair value. Any residual excess is classified as goodwill; if the difference is negative, this is recognised immediately in the income statement;
- the amounts of capital, reserves and the consolidated financial result attributable to minority interests are recognised as separate items in equity and the income statement;
- in preparing the consolidated financial statements, receivables and payables and income and expense resulting from transactions between companies included in the scope of consolidation are eliminated, as are any unrealised gains or losses on intragroup operations.

The financial statements of companies included in the scope of consolidation are prepared at the same balance sheet date as those of Arnoldo Mondadori Editore SpA, in accordance with IAS/IFRS.
In cases where the balance sheet date is different from the Parent Company’s balance sheet date, adjustments are made in order to recognise the effects of significant operations or events that occurred between that date and the Parent Company’s balance sheet date.

The main changes in the consolidation area of the Mondadori Group were as follows:

- the purchase of the remaining 50% of Press TV and the subsequent change of name to Mondadori Iniziative Editoriali SpA,
- the purchase of 10% of Edizioni Piemme SpA,

- the purchase of 20% of Electa Napoli SpA,
- the purchase of 10.91% of Mach 2 Libri SpA,
- the merger of Messaggerie Musicali SpA into Mondadori Retail SpA,
- the liquidation of Misa Finance Fund Plc and Euromedia Luxembourg Two SA.

Name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 31 December 2007	% held as of 31 December 2006
Companies consolidated using the line-by-line method						
Arnoldo Mondadori Editore SpA	Milan	Publishing	€	67,451,756.32		
Italian subsidiaries						
Cemit Interactive Media SpA	S. Mauro (TO)	Trade	€	3,835,000.00	100.00	100.00
Edizioni Frassinelli Srl	Milan	Publishing	€	10,400.00	100.00	100.00
Edizioni Piemme SpA	Milan	Publishing	€	566,661.00	90.00	80.00
Edumond Le Monnier SpA	Milan	Publishing	€	10,608,000.00	100.00	100.00
Mondadori Electa SpA	Milan	Publishing	€	1,593,735.00	100.00	100.00
Electa Napoli SpA	Naples	Publishing	€	155,000.00	80.00	60.00
Mondadori Retail SpA	Milan	Trade	€	2,700,000.00	100.00	100.00
Fied SpA	Milan	Financial publishing	€	416,000.00	100.00	100.00
Giulio Einaudi Editore SpA	Turin	Publishing	€	23,920,000.00	100.00	100.00
Messaggerie Musicali SpA						100.00
Mondadori Printing SpA	Milan	Printing	€	45,396,000.00	100.00	100.00
Mondadori Pubblicità SpA	Milan	Advertising agent	€	3,120,000.00	100.00	100.00
Mondadori Franchising SpA	Rimini	Trade	€	1,954,000.00	100.00	100.00
Mondadori Iniziative Editoriali SpA	Milan	Publishing	€	500,000.00	100.00	50.00
Press-Di Distr. Stampa e Multimedia Srl	Milan	Services	€	1,095,000.00	100.00	
Monradio Srl	Milan	Radio	€	3,020,000.00	100.00	100.00
Sperling & Kupfer Editori SpA	Milan	Publishing	€	1,555,800.00	100.00	100.00
Foreign subsidiaries						
ABS Finance Fund Sicav	Luxemburg	Finance	€	225,847,072.71	85.43	83.61
AME France SAS (formerly AME Service SAS)	Paris	Services	€	37,000.00	100.00	99.99
Arnoldo Mondadori Deutschland GmbH	Munich	Services	€	25,564.50	100.00	99.99
Ame Publishing Ltd	New York	Services	USD	50,000.00	100.00	99.99
Arnoweb SA	Luxemburg	Finance	€	36,256,900.00	100.00	99.99
Artes Graficas Toledo SA	Toledo	Printing	€	5,409,000.00	100.00	100.00
Editions Mondadori France SAS	Paris	Publishing	€	753,876,750.00	100.00	100.00
Misa Finance Fund Plc						99.99
Mondadori International SA	Luxemburg	Finance	€	393,625,900.00	100.00	99.99
Prisco Spain SA	Barcelona	Finance	€	60,101.30	100.00	100.00

Name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 31 December 2007	% held as of 31 December 2006
Companies valued using the proportional method						
ACI Mondadori Srl	Milan	Publishing	€	590,290.00	50.00	50.00
Ag. Lombarda Distrib. Giornali e Riviste Srl	Milan	Trade	€	400,000.00	50.00	50.00
Attica Publications Group	Athens	Publishing	€	4,590,000.00	41.66	41.66
Campania Arte Scarl	Rome	Services	€	100,000.00	22.00	22.00
Consorzio Covar	Rome	Services	€	15,493.70	25.00	25.00
Consorzio Forma	Pisa	Services	€	3,615.00	25.00	25.00
Edizioni Electa Bruno Mondadori Srl	Milan	Publishing	€	10,400.00	50.00	50.00
Edizioni EL Srl	Trieste	Publishing	€	620,000.00	50.00	50.00
Random House Mondadori SA	Barcelona	Publishing	€	6,824,606.24	50.00	50.00
Gruner + Jahr / Mondadori SpA	Milan	Publishing	€	2,600,000.00	50.00	50.00
Harlequin Mondadori SpA	Milan	Publishing	€	258,250.00	50.00	50.00
Hearst Mondadori Editoriale Srl	Milan	Publishing	€	99,600.00	50.00	50.00
Mach 2 Libri SpA	Peschiera Borromeo (MI)	Trade	€	646,250.00	34.91	24.00
Mondadori Rodale Srl	Milan	Publishing	€	90,000.00	50.00	50.00
Mondolibri SpA	Milan	Trade publishing	€	1,040,000.00	50.00	50.00
Press TV SpA						50.00
Roccella Scarl	Naples	Services	€	100,000.00	39.60	29.70
Rock FM Srl	Milan	Radio	€	200,000.00	47.49	47.49
Società Europea di Edizioni SpA	Milan	Publishing	€	2,775,601.92	39.27	39.27
Venezia Accademia Scarl (in liquidation)	Venice	Services	€	15,000.00	26.00	26.00
Venezia Musei per i servizi museali Scarl	Venice	Services	€	10,000.00	34.00	34.00
Venezia Accademia per i servizi museali Scarl	Venice	Services	€	10,000.00	25.00	-
Companies valued at cost						
Aranova Freedom Scarl	Bologna	Radio	€	19,200.00	16.66	-
Audiradio	Milan	Services	€	258,000.00	2.32	2.32
Consuledit Srl	Milan	Services	€	20,000.00	9.54	9.54
Consorzio Editoriale Fridericiana	Naples	Services	€	12,396.51	11.43	8.57
Cons. Sistemi Informativi Editoriali Distributivi	Milan	Services	€	103,291.38	10.00	10.00
Editrice Portoria SpA	Milan	Publishing	€	364,000.00	16.78	16.78
Editrice Storia Illustrata Srl (in liquidation)	Milan	Publishing	Lire	20,000,000	8.39	8.39
Euromedia Luxembourg Two SA						11.76
Giulio Einaudi Editore SpA (in administration)	Turin		Lire	3,000,000,000	7.35	7.35
Immobiliare Editori Giornali Srl	Rome	Real estate	€	830,462.00	7.88	7.88
Novamusa Gelmar Biblioteca Nazionale Scarl	Rome	Services	€	10,000.00	16.00	12.00
Novamusa Val di Noto Scarl	Messina	Services	€	90,000.00	16.00	12.00
Novamusa Valdemone Scarl	Messina	Services	€	90,000.00	16.00	12.00
Novamusa Val di Mazara Scarl	Messina	Services	€	90,000.00	16.00	12.00
SCABEC SpA	Naples	Services	€	1,000,000.00	10.78	10.78
Selcon Srl	Milan	Services	€	20,800.00	25.60	17.60
Società Editrice Il Mulino SpA	Bologna	Publishing	€	1,175,000.00	7.05	7.05

4. Conversion of Financial Statements in foreign currencies

All amounts in the Consolidated Financial Statements of the Mondadori Group are expressed in Euros, which is the functional and presentation currency of the Mondadori Group.
The financial statements of companies whose functional currency is not the Euro are converted into Euros in the following way:

- assets and liabilities are converted at the exchange rate ruling at the balance sheet date;
- income statement items are converted at the average exchange rate for the period.

Currency exchange rate differences that arise from these conversions are recognised in a specific reserve in shareholders' equity.

5. Segment information

In defining segment information, the Mondadori Group has determined that the nature and source of benefits and risks for the companies involved are mainly influenced by the differences in the products sold and the services offered.

Therefore the primary format used for providing segment information is the activity of the company involved and the secondary format is by geographical segment. As far as assets and liabilities which are not attributable to any specific segment are concerned, specific attribution parameters have been determined, while assets and liabilities that cannot be allocated by means of specific parameters are presented separately.

Primary and secondary segment reporting for 2006 and 2007 is included in the notes that follow.

6. Accounting principles and valuation methods

The following is an explanation of the principles adopted by the Mondadori Group in preparing the IAS/IFRS Consolidated Financial Statements at 31 December 2007.

6.1 Intangible assets

When it is probable that costs will generate future economic benefits, intangible assets include the cost, including accessory charges, of the purchase of assets or resources, without any physical form, used in the production of goods or in the supply of services, to rent to third parties or for administrative purposes, on condition that the cost is quantifiable in a reliable manner and that the goods are clearly identifiable and controlled by the company that owns them.

Any costs incurred after the initial purchase are included in the increase of the cost of the intangible assets in direct relation to the extent to which those costs are able to generate future economic benefits.

Internal costs for producing mastheads and for the launch of newspapers, magazines or other journals are recognised in the income statement for the year in question.

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses.

Intangible assets purchased separately and those purchased as part of business combinations that took place before the adoption of IAS/IFRS are initially recognised at cost, while those purchased as part of business combination operations that took place after the adoption of IAS/IFRS are initially recognised at their fair value.

Intangible assets with a definite useful life

The cost of intangible assets with a finite useful life is systematically amortised over the useful life of the asset from the moment that the asset is available for use. The amortisation criteria depend on how the Group will receive the relative future economic benefits.

The amortisation rates that generally reflect the useful lives attributed to intangible assets with a finite life are as follows:
Intangible assets with a finite useful life are subject to an impairment test every time there is an indication of a possible loss of value. The period and method of amortisation applied is reviewed at the end of each year or more frequently if necessary.

Intangible assets with a finite useful life	Amortisation rate
Titles	Term of licence
Costs of taking over lease contracts	Term of rental contract
Goods under concession or licence	Term of franchise or licence
Software	Straight line over 3 years
Patents and rights	Straight line over 3 to 5 years
Other intangible assets	Straight line over 3 to 5 years

Variations in the expected useful life or in the way future economic benefits linked to intangible assets are expected to be earned by the Group are recognised by modifying the period or method of amortisation, and are treated as changes in accounting estimate.

Intangible assets with an indefinite useful life

Intangible assets are considered to have an indefinite useful life when, on the basis of a thorough analysis of the relevant factors, there is no foreseeable limit to the length of time the assets may generate income for the Group.

The intangible assets identified by the Group as having an indefinite useful life include:

Intangible assets with an indefinite useful life
Titles
Series
Radio frequencies
Imprints
Goodwill

Goodwill represents the excess of the cost of a business combination over the share purchased by the Group of the fair value of the assets, liabilities and contingent liabilities acquired, identifiable at the time of purchase. Goodwill and the other intangible assets with an indefinite useful life are not subject to amortisation but to an impairment test of their carrying value. This test concerns the value of the individual assets or of the business unit that generates the financial income (the cash generating unit) and is carried out whenever it is believed that the value has decreased, and in any case at least once a year.

In cases where goodwill is attributed to a cash generating unit (or to a group of units) whose assets are partially disposed of, the goodwill associated with the asset disposed of is reviewed in order to determine any capital gains or capital losses resulting from the operation. In these circumstances the goodwill disposed of is measured on the basis of the value of the assets disposed of compared with the asset still included in the cash generating unit in question.

6.2 Investment property

A property investment is considered an asset when it is held in order to earn income from its rental or in order for the invested capital to increase, on condition that the cost of the asset can be reliably measured and that future economic benefits will flow to the Group.

Investment property stated at cost, which includes the purchase cost and all accessory charges directly connected to this.

Costs which arise after the initial purchase are included in the increase of the cost of the property in direct relation to how much those costs are able to generate future economic benefits higher than those originally assessed.

The cost of investment property, except for that part pertaining to the cost of the land, is systematically amortised over the useful life of the asset. The depreciation criteria depend on the how the relative future economic benefits are earned by the Group.

The depreciation rates that reflect the useful life attributed to the investments are as follows:

Investment property	Depreciation rate
Buildings not used in business activities	3%

Both the useful life and the depreciation criteria are constantly reviewed and, if any significant changes are found in the assumptions previously adopted, the depreciation rate for the period in question and for subsequent periods is adjusted.

Gains and losses deriving from the disposal of investment property are recognised in the income statement in the year the operation takes place.

Investment property is reclassified when there is a change of use determined by specific events.

6.3 Property, plant and equipment

Any costs attributable to the purchase of property, plant and equipment are recognised as assets, on condition that the costs of the asset can be reliably calculated and any relative future economic benefits and the relative future economic benefits will flow to the Group.

Assets booked to property, plant and equipment are valued at cost, including any accessory charges, and are stated net of accumulated depreciation and any impairment.

Costs which arise after the initial purchase are recognised as an increase in cost in direct relation to the extent that these costs are able to improve the performance of the asset.

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are recognised when they are first recognised at their fair value determined at the time of their purchase and subsequently at cost.

Assets recognised as property, plant and equipment, with the exception of land, are depreciated over the useful life of the asset from the moment the assets are available for use.

If the assets include more than one significant component and the components have different useful lives, each individual component is depreciated separately.

The depreciation rates that generally reflect the useful lives attributed to property, plant and equipment are as follows:

Property, plant and equipment	Depreciation rate
Buildings used in business activities	3%
Plant	10% - 25%
Rotary press	10%
Machinery	15.5%
Equipment	25%
Electronic office equipment	30%
Furniture and fixtures	12%
Motor vehicles and transport vehicles	20% - 30%
Other assets	20%

The residual value of assets, useful lives and the depreciation criteria applied, are reviewed on an annual basis and adjusted, if necessary, at the end of every year.

Leasehold improvements are recognised as fixed assets and depreciated over the lower of the residual useful life of the asset and the residual term of the lease contract.

6.4 Finance lease assets

Assets held under finance leases, which transfer all the risks and benefits connected with the asset to the company, are booked at their market value or, if lower, at the present value of the minimum lease payments, including the amount to be paid for exercising any purchase option.

Liabilities arising from leasing contracts are recognised as financial liabilities.

These assets are booked under their respective categories in the item property, plant and equipment and depreciated over the lower of the contract term and the useful life of the asset in question.

A lease where the lessor retains substantially all the risks and benefits linked to the property is classified as an operating lease and the relative costs are recognised in the income statement over the contract term.

6.5 Borrowing costs

The Group does not capitalise any financial charges connected with the purchase, construction or production of assets that can be capitalised. These charges are recognised in the income statement in the year in which they are incurred.

6.6 Impairment

The carrying value of intangible assets, investment property and property, plant and machinery is subject to an impairment test whenever it is believed that it may have decreased.

Impairment tests are carried out at least once a year on goodwill, other intangible assets with an indefinite useful life and on other assets that are not available for use, and are performed by comparing the carrying value with whichever is the higher of the fair value less the sales cost and the value in use of the asset.

If no binding sales agreement or an active market for an asset exist, the fair value is calculated on the basis of the best information available as to the amount the Group could obtain, at the balance sheet date, from the disposal of an asset in a free transaction between informed and willing parties, after the costs of disposal have been deducted.

The value in use of an asset is determined by calculating the amount of income expected from the use of the asset, basing the forecasts of financial income on reasonable, plausible assumptions that represent the best estimates carried out by management of a series of economic conditions that exist for the remainder of the life of the asset, giving more importance to external indicators.

The pre-tax discount rate used reflects the current market value of money and the specific risks connected to the asset.

The valuation is carried out either for each individual asset or for the smallest cash generating unit of assets that generate income from the use of the assets in question.

If the value calculated by the impairment test is lower than cost, the loss is recognised as a reduction of the asset and as a cost in the income statement.

If during the subsequent financial years, when the impairment test is repeated, the reasons for the writedown no longer exist, the value of the asset, with the exception of the goodwill, is reinstated to take into account the new recoverable value which does not however, exceed the value that would have been calculated had no loss in value been recognised.

6.7 Investments in joint ventures and associated companies

This item refers to investments in companies where the control of the business activity is shared and where financial and management decisions require the unanimous consensus of all the parties who share control; and to investments in companies where the Group has a significant influence that enables it to take part in determining the financial and management policies of the company even though it does not have control or joint control.

Investments in joint ventures and associated companies are initially measured at cost and subsequently adjusted as a consequence of any changes in the share the Group holds in the equity of the companies in question.
The Group's share of any profits and losses of such companies is recognised in the income statement.
The carrying value of these investments also contains any excess cost paid and attributed to goodwill.

The risk resulting from any losses that exceed the investee's equity is recognised as a liability to the extent that the Group is has a legal or constructive obligation or has made payments on behalf of the company in question.

6.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Inventory cost includes the purchase cost, the transformation cost and the other costs involved in bringing an item to the location and condition necessary without taking into consideration financial charges.

The calculation of cost is based on the average cost of raw and consumable materials and of finished products purchased for sale, while the FIFO method is used for finished products.

The valuation of goods under construction and semi-finished products and work in progress to order is based on the cost of the materials and other costs incurred, taking into account the progress of the production process.

The presumed net value for raw, subsidiary and consumer materials is represented by replacement cost while for semi-finished and finished products by the normal estimated sales price net of, respectively, the estimated cost to completion and the sales cost.

6.9 Financial assets

Financial assets are measured at fair value, plus the accessory purchase charges. The purchase and sale of financial assets are valued as of the trading date, which is the date the Group agreed to purchase the asset in question. After initial measurement, financial assets are valued according to their classification as outlined below:

Financial assets at fair value with changes recognised in the income statement
This category includes the following, in accordance with IAS 39:
- financial assets/liabilities which when they are first valued are designated by the Group at fair value in the income statement;
- financial assets/liabilities that are held for trading are those that:
  - are held with the sole purpose of gaining short-term benefits from price fluctuations when buying and selling them;
  - are part of a portfolio of specific financial instruments that are managed en block and for which there is recent, reliable evidence that a short-term profit can be made
  - are derivatives (with the exception of those that are designated and considered to be effective hedge instruments).

The Group designated shares held in its investment portfolio and derivatives for currency exchange rate risks as assets held for trading. Financial assets are mainly liquidity investments held by Mondadori International in the Luxembourg Sicav ABS Finance Fund. Derivative financial instruments for currency exchange rate risks are considered as hedge instruments against currency sales but are not recognised as hedge accounting because of the expense entailed. There are no financial assets/liabilities at fair play with an impact on the income designated as such at the initial valuation.

In an active market, the fair value of these instruments is calculated by referring to the market value on the closing date of the period, while if there is no active market the fair value is calculated using financial evaluation techniques. Profit and losses deriving from the fair value evaluation of assets held for trading are recognised in the income statement.

Held-to-maturity investments
When the Group intends to hold financial assets in its portfolio to maturity, it classifies these assets, which have fixed or determinable payments with fixed maturity, as "held-to-maturity investments".

Long-term financial investments that are held to their maturity, such as bonds, are valued after the initial valuation using the amortised cost method based on the effective interest rates, which represent the rates that will apply to the future payments or returns estimated for the entire life of the financial instrument.
The amortised cost is calculated taking into consideration any eventual discounts or premiums that will be applied during the entire period of time up to maturity.

Those financial assets that the Group decides to keep in its portfolio for an indefinite period do not come into this category.

Loans and receivables
IAS 39 defines these financial assets as having fixed or determinable payments that are not quoted on an active market, with the exception of those designated as being held for trading or as being available for sale. These assets are valued at amortised cost method using the effective discount rate method. Profits and losses are recognised in the income statement when the loans and receivables are eliminated or when a loss of value occurs, as well as through the amortisation process.

The Group has inserted in this category trade receivables, both financial and various. These assets mature within 12 months and are therefore recognised at their nominal value (net of an eventual provisions), and include the item "Cash and other cash equivalents".

Available-for-sale financial assets
Available-for-sale financial assets consist of all of those assets that do not fall into any of the categories mentioned above.

After being initially measured at cost, available-for-sale financial assets are measured at fair value. The profits and losses of the valuations are recognised in a separate item in shareholders' equity for as long as the assets are held in the portfolio and for as long as there is no loss of value.

In the case of shares widely traded on regulated markets, fair value is determined by referring to the value established at the close of trading on the balance sheet date.

For investments where an active market does not exist, fair value is determined by valuations based on recent trading prices between independent parties, on the basis of the current market value of a financial instrument that is substantially similar or from an analysis of up-to-date cash flows or of option pricing models.

Available-for-sale financial assets also include shares in other companies, which are valued at cost since the fair value cannot be reliably calculated.

6.10 Trade receivables and other receivables

Trade receivables and other receivables are initially measured at cost, or at the fair value of the amount received during the transaction. Receivables are measured at their present values when the financial effect linked to the collection date forecast is significant and the collection date can be reliably estimated.
Receivables are subsequently recognised in the financial statements at their estimated realisable value.

6.11 Treasury shares

Treasury shares are booked in shareholders' equity in the relative reserve.
No profit or loss is recognised in the income statement on the purchase, sale, issue, cancellation or any other operation concerned with treasury shares.

6.12 Cash and cash equivalents

The item cash and cash equivalents includes liquid financial assets and financial investments with due date falling within three months and which are subject to a minimal risk of variation in their face value.

They are booked at their face value.

6.13 Financial liabilities

Financial liabilities include financial payables, derivative instruments, payables linked to financial leasing contracts and trade payables. All financial liabilities, unlike derivative financial instruments, are initially valued at fair value as increased by any cost of the related transaction and are subsequently valued at amortised cost using the effective interest rate method.
Financial instruments consisting of bonds that can be converted into shares of Arnoldo Mondadori Editore SpA are recognised by separating the liability component from the option component. The liability component is recognised in the financial statements under financial liabilities applying the amortised cost method while the option value, calculated as the difference between the value of the liability component and the nominal value of the financial instrument issued, is recognised in a reserve in net equity.
Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges), are valued at fair value, in accordance with the methodology outlined in IAS 39 for hedge accounting. Profits and losses resulting from subsequent variations in fair value are recognised in the income statement. The portions of these changes linked to the efficient portion of the hedge are compensated for by changes in value of derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in the cash flow (cash flow hedges), are valued at amortised cost, in accordance with the methodology outlined in IAS 39 for hedge accounting.

6.14 Derecognition of financial assets and liabilities

A financial asset or, where applicable, a part of a financial asset or parts of a group of similar financial assets, is derecognised when:

- the right to receive cash flows from the asset has been extinguished;
- the Group still has the right to receive cash flows from the asset but has taken on a contractual obligation to transfer the entire cash flow immediately to a third party;
- the Group has transferred the right to receive cash flows from an asset and has transferred substantially all the risks and benefits deriving from the ownership of the financial asset or has transferred control of the financial asset.

A financial asset is derecognised from the balance sheet when the obligation relating to the asset is discharged, is cancelled or expires.

6.15 Impairment of financial assets

The Group performs a review to determine whether a financial asset or group of financial assets has undergone a loss of value every time the financial statements are prepared.

Financial assets valued at amortised cost

If there is objective evidence that there is a reduction in the value of loans and receivables, the amount of the loss is recognised in the income statement and is calculated as the difference between the asset's carrying value and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.
If, in a subsequent period, the amount of the loss of value decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised loss of value is reversed up to the amount the asset would have had, taking into account the amortisation, at the date of the reversal.

Available-for-sale financial assets

If an available-for-sale financial asset suffers an effective reduction in value, the accumulated loss is recognised in the income statement. The reversal of values relative to equity instruments classified as available-for-sale are not recognised in the income statement. The reversal of values relative to debt instruments are recognised in the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the loss was recognised in the income statement.

Financial assets valued at cost

If there is objective evidence that a loss of value has been incurred on an unquoted equity instrument that is not booked at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and settled by delivery of that unquoted equity instrument, the amount of the loss of value is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

6.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When a hedge operation is entered into, the company designs and formally documents the hedge relationship to which it intends to apply the hedge accounting, its objectives in managing the risk and the strategy carried out. The documentation includes the

identification of the hedging instrument, element or operation that is being hedged, the nature of the risk and the way the Group intends to evaluate the effectiveness of the hedge in compensating the exposure to the variations of the fair value of the element hedged or of the cash flows linked to the risk hedged.
It is expected that this hedge is effective enough to compensate for the exposure of the element hedged to variations in fair value or in cash flows attributable to the risk hedged. The evaluation of whether or not this hedge is in reality sufficiently effective is carried out on a continuous basis over the years in question.
Operations that satisfy the criteria of hedge accounting are accounted for as follows:

Fair value hedge
If a derivative financial instrument is designated as a hedge for the exposure to variations in the fair value of an asset or liability attributable to a particular risk, the profit or loss deriving from subsequent variations in the fair value of the hedge instrument is recognised in the income statement. The profit or loss deriving from the adjustment of the fair value of the item hedged, for the part attributable to the risk hedged, modifies the carrying value of the item and is recognised in the income statement.

As for the fair value hedge of items recognised at amortised cost, the adjustment of the carrying value is amortised in the income statement throughout the period before maturity. Any eventual adjustments to the carrying value of a hedged financial instrument where the effective interest rate method is applied are amortised in the income statement.

The amortisation can begin as soon as an adjustment exists but not after the date the item being hedged ceases to be adjusted for the variations in its fair value attributable to the risk of the hedged item. If the hedged item is cancelled, the fair value that has not been amortised is immediately recognised in the income statement.

Cash flow hedge
If a derivative financial instrument is designated as an instrument for hedging the exposure to variations in cash flows of an asset or of a liability included in the financial statement or of a highly probable forecast transaction, the effective portion of the assets or of the losses deriving from the adjustment of the fair value of the derivative instrument is recognised in a special reserve in net equity. The accumulated profit and loss are transferred from the equity reserve and recognised in the income statement when the results of the hedge operation are recognised in the income statement.

The profit and loss associated with the ineffective part of a hedge are recognised in the income statement. If a hedging instrument is terminated but the hedging operation has not yet been carried out, the accumulated profits and losses remain in the reserve in the net equity and are reclassified to the income statement when the relative operation is carried out. If the hedging operation is no longer considered probable, the profits and losses not yet realised and recognised in equity are recognised in the income statement.
If hedge accounting cannot be applied, profits and losses deriving from the valuation of the fair value of the derivative financial instrument are recognised in the income statement.

6.17 Provisions

Provisions against significant losses or liabilities that are certain or probable but whose amount or date of occurrence is impossible to establish when the financial statements are prepared, are recognised when it becomes probable that a present, legal or constructive obligation exists as the result of events that happened in the past, when the obligation in question is onerous and when the amount can be reliably estimated.

Provisions are valued at fair value for each obligation. When the time value of money linked to a forecast of when the payment will be made is significant and the payment date can be reliably estimated, the provision includes the financial component which is recognised in the income statement under financial income (expense).

6.18 Employees' leaving entitlement

Benefits due to employees on leaving a company may be separated into:

- defined contribution plans, represented by the amount matured at 1 January 2007 for Group companies that have more than 50 employees;
- defined benefit plans, represented by the TFR (Employees's leaving entitlement) fund of companies that have less than 50 employees and by the TFR fund that matured at 31 December 2006 for the other Group companies.

In defined contribution plans, the legal or constructive obligation of a company is limited to the amount of the contributions it has paid to the plan, and as a result the actuarial risk and the investment risks fall on the employee. In defined benefit plans, the obligation of a company consists in granting and guaranteeing agreed benefits to employees, therefore the actuarial and investment risks fall on the company itself.

The TFR obligations for companies with more than 50 employees is calculated, on the TFR fund matured at 31 December 2006, using an actuarial method based on demographic assumptions, taking into account mortality rates and the turnover of the workforce, and on financial assumptions, taking into account the discount rate that reflects the time value of money and the inflation rate.

The TFR obligation for companies with less than 50 employees is calculated using the same actuarial method but also taking into account the future salary and wage levels.

The amount recognised as a liability for defined benefit plans is represented by the present value of the obligation at the balance sheet date, net of the present value of any plan assets. The amount that is recognised as costs in the income statement also includes the following:

- social security costs relative to the current work;
- interest costs;
- actuarial gains or losses;
- the return expected from any plan assets.

The Group does not apply the corridor method and therefore recognises all actuarial gains and losses directly in the income statement.

The charge for the amount accruing to employees during the year and the actuarial gains or losses are booked under personnel costs, while the financial component, which repre-

sents the cost the company would have to incur if it were to seek a loan on the market for the amount of the obligation, is booked under financial income (expense).
The termination indemnity for agents is also determined on an actuarial basis. The charge for the estimated amount accruing to agents during the year, which becomes payable only under certain conditions is booked under other income (expense).

6.19 Stock options

The Group grants additional benefits to certain directors and managers who carry out functions that are relevant for the attainment of the company's strategic results, through equity-settled stock option plans.
In accordance with IFRS 2, these stock options are measured at their fair value at the time they are granted. Fair value is determined on the basis of a binomial model, taking into consideration the regulations of the individual plans.

The cost of these benefits is booked during the period of service to personnel costs and is recognised over the vesting period from the date the options are granted, with an equal amount being recognised in the "Reserve for stock options" in shareholders' equity.

At the end of every year, the previously calculated fair value of every option is neither reviewed nor updated, but remains unchanged in shareholders' equity, although the estimate of the number of options that mature up to the expiry date (and therefore the number of employees who have the right to exercise these options) is updated at that time. Any change in this estimate is recognised in the "Reserve for stock options" and in personnel costs in the income statement.

When the option is exercised, the amount booked under "Reserve for stock options" is reclassified in the following way: the part of shareholders' equity that refers to options that have been exercised is reclassified to the "Share premium reserve", while the part of the "Reserve for stock options" that refers to options that have been cancelled or that have not been exercised is reclassified to "Other reserves".

The dilutive effect of options that have not yet been exercised is reflected in the calculation of the diluted earnings per share.

The Group has applied the provisions contained in IFRS 2 for all stock option plans assigned after 7 November 2002.

6.20 Recognition of revenues and costs

Revenues earned from the sale of goods are recognised net of discounts, allowances and returns when it is probable that the economic benefits arising from the sale will flow to the Group and when the amount of the revenues can be reliably determined.

Revenues earned from the sale of magazines and the relative advertising space are recognised on the basis of the date of publication of the magazines.

Revenues deriving from services are recognised on the basis of the time the services are completed, when it is probable that the economic benefits arising from the sale will flow to the Group and when the amount of the revenues can be reliably calculated.
Revenues from interest are recognised on a temporal basis using the method of effective

interest; royalties are recognised on an accrual basis and on the basis of the details of the respective agreements; dividends are recognised when the shareholder's right to receive payment has been established.

Costs are recognised in the same way as income and on an accrual basis.

6.21 Current and deferred taxes

Current taxes are calculated on the basis of an estimate of taxable income and in accordance with the laws prevailing in each country where the individual consolidated companies are resident.

Deferred tax assets and liabilities are calculated on all the temporary differences between the tax base of assets and liabilities and their relative carrying values in the consolidated financial statements, with the exception of the following:

- temporary taxable differences deriving from the initial recognition of goodwill;
- temporary taxable or deductible differences resulting from the initial recognition of an asset or a liability in an operation that is not a business combination and which does not influence either the result or the taxable income at the time of the operation in question;
- for investments in subsidiary, associated and jointly-controlled companies when:
  - the Group is able to control the timing of the reversal of temporary taxable differences and it is probable that these differences will not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at the end of every period and is reduced if it is no longer probable that sufficient taxable profit will be available in the future for realising all or part of the assets.

Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply to the period when the assets are realised or the liabilities settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Taxation relating to items recognised directly in equity is recognised directly in equity and not in the income statement.

6.22 Operations in foreign currencies

Revenues and costs relating to operations in foreign currencies are expressed in the money of account using the currency exchange rates ruling on the day the operation was carried out.

Monetary assets and liabilities in foreign currencies are converted at the currency exchange rate ruling at the balance sheet date and any currency exchange differences are recognised in the income statement, with the exception of those deriving from loans in foreign currencies that are hedged by a net investment in a foreign company, which are recognised directly in equity until the net investment is disposed of.

Non-monetary items valued at historical cost in foreign currencies are converted using the currency exchange rates ruling at the time the transaction was carried out. Non-monetary items booked at fair value in foreign currencies are converted using the currency exchange rates ruling at the time that fair value was calculated.

6.23 Grants and contributions

Grants and contributions are recognised if there is a reasonable certainty that they will be received and if all the conditions referring to them are satisfied. When the grants are linked to cost items, they are recognised as income and recognised on a systematic basis so that they are in proportion to the costs they are intended to set off or partially set off. In the cases where a grant is linked to an asset, the relative fair value is deferred in long-term liabilities and is recognised in the income statement at a constant rate over the useful life of the asset in question.

6.24 Earnings per share

Earnings per share is as the ratio between the Group's net profit and the average number of shares outstanding during the period.
In order to calculate diluted earnings per share, the average number of shares outstanding is modified on the assumption that all potential shares with dilutive effect are converted.

6.25 Assets and liabilities held for sale and discontinued operations

Non-current assets and groups of assets and liabilities whose carrying value will be mainly recovered through disposal instead of continuous use, are presented separately from other assets and liabilities in the consolidated balance sheet. These assets and liabilities are classified as "assets and liabilities held for sale" and are valued at the lower of their carrying value and their fair value less probable disposable costs. Gains and losses, net of the related tax effect, resulting from the valuation or disposal of the assets or liabilities in question are recognised in a specific item in the income statement.

6.26 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2007 and applicable to the Mondadori Group

IFRS 7 – Financial instruments: information disclosures
This amendment, adopted by the European Union in January 2006 (EC Regulation 108/2006), takes into account the disclosures sections contained in IAS 32 (Financial Instruments: Disclosures and Presentations) with modifications and integrations.
In particular, the new principle requires information about the exposure to risks deriving from the utilisation of financial instruments and the procedures adopted by the management to deal with these risks.
The information required is contained in the relevant section of the Notes.

IAS 1 – Presentation of the financial statements: information about the capital
The modification issued by the IASB in August 2005 introduced the requirement to provide information about a company's capital.

IFRIC 9 – Evaluation of implicit derivatives
The interpretation issued by the IFRIC in March 2006 requires the evaluation of the existence of derivatives implicit in the primary contract to be revealed and entered separately.
Subsequently, the company cannot carry out this evaluation unless there are significant changes made to the contract that affect the cash flow. Since the Group does not hold any implicit derivatives theses interpretations are not applied.

IFRIC 10 – Intermediary financial statements and long-term reductions of value
This interpretation requires that the company does not recoup any long-term reduction in

value itemised in a previous period on capital instruments, financial instruments held at cost and goodwill.
This interpretation is not applied.

IFRIC 11 – Treasury stock transactions
This interpretation requires stock-based payment plans, where the company receives services in exchange for treasury stock, to be booked as capital instruments even when the company buys the instruments from a third party.

6.27 New standards and interpretations adopted by the European Union but not yet effective and applicable to Arnoldo Mondadori Editore SpA

As required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the possible impact of new standards or interpretations on the financial statements in their first year of application are listed below.
Those standards and interpretations which came into effect after 31 December 2007 are indicated and briefly illustrated.

IFRS 2 – Payment based on shares - Expiry and cancellation conditions
This change to IFRS 2, "Payment based on shares", was published in January 2008 and will come into effect from 1 January 2009.

The amendment restricts the definition of "expiry conditions" to a condition that includes either a specific or an implied obligation to provide a service.

Any other condition is a non-vesting condition and must be taken into consideration when determining the fair value of the representative instrument of the assigned capital. If a premium does not mature because it does not satisfy a non-vesting condition that is under the control of the company or the opposite party, it must be recognised as a cancellation. The Group has not undertaken operations with payment based on shares with non-vesting conditions and, consequently, it does not expect any significant effects in recognising the agreements for payment based on shares.

IFRS 3R – Business combinations and IAS 27R - Consolidated and separate financial statements
The two amendments were ratified in January 2008 and will come into effect as from 1 July 2009.

IFRS 3R introduces a number of changes to recognising business combinations that will effect the amount of goodwill entered, the result of the year the purchase takes place and the results of subsequent years.

IAS 27R requires that any change in the amount of shares held in a subsidiary company is recognised as a capital transaction. Consequently, this change will not have any impact on goodwill and will not produce either profits or losses. In addition, the amendment introduces changes to recognising a loss sustained by a subsidiary and to losing control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied in perspective and must be applied to future purchases and transactions with minority shareholders.

IAS 32 and IAS 1 modifications – Transferable Financial instruments
The changes to IAS 32 and IAS 1 were ratified in February and will come into effect as from 1 January 2009.
The change to IAS 32 requires that transferable financial instruments and bonds that arise at the time of disposal are recognised as capital instruments if specific conditions apply.
The change to IAS 1 requires that information about transfer options that are recognised as capital is given in the notes to the financial statements. The Group does not expect this modification to have any impact on the Group's financial statements.

IFRS 8 – Operational segment
The new principle, which replaced IAS 14, requires the company to identify the operational segments on the basis of the internal reporting regulations used by the management for analysing performances.

IFRIC 12 – Service contracts in concession
This interpretation is applicable from 1 January 2008 but has not yet been ratified by the European Union.

IFRIC 13 – Customer loyalty programmes
This interpretation is applicable from 1 January 2009 and has not yet been ratified by the European Union.

IFRIC 14 – Defined benefit plans and minimum hedge criteria
This interpretation is applicable from 1 January 2008 but has not yet been ratified by the European Union.

IAS 1 – Presentation of financial statements
The amendment of IAS 1, "Presentation of Financial Statements", was ratified in September 2007 and will come into effect as from 1 January 2009. The amendment separates the changes made to shareholders' equity into those for shareholders and those for non-shareholders. The table of changes to shareholders' equity will only include the details of transactions with shareholders while all the changes relating to transactions with non-shareholders will be illustrated in a single line. The amendment also introduces a "comprehensive income" table which will contain all the items pertaining to revenues and costs for the period registered in the income statement, together with every other revenue and cost item recognised. The "comprehensive income" table can be presented either as a single table or as two connected tables. The Group has still to decide whether to use one or two tables.

IAS 23 – Financial expense
On 29 March 2007 IASB issued a new version of IAS 23 "Financial Expense" that will be applicable as from 1 January 2009. The new version has removed the option open to companies to immediately recognise in the income statement any financial expense sustained for business activities for which it is normally necessary for a specific period of time to pass before the activity in question is ready for use or for sale. The amendment will be applied in perspective to financial expense referring to goods recognised as from 1 January 2009.

The Group is evaluating the impact of the standards and interpretations referred to above, all of which came into effect on 1 January 2008.

7. Use of estimates

In preparing the attached tables and the relative notes, it has been necessary to use estimates and assumptions in order to calculate, in particular, the provision for returns for published products, provisions for the writedowns of assets and for risks, employee benefits and taxation and the value of some non-current assets included in the goodwill.

These estimates are constantly reviewed and any effects are recognised in the income statement.

8. Business combinations and other acquisitions

Business combinations are recognised using the purchase method envisaged by IFRS 3. Under the purchase method, cost is determined as the sum of the fair values at the date of the operation of the assets and liabilities acquired, including any contingent liabilities assumed and equity instruments issued by the purchaser in exchange for the control of the company purchased, plus any costs directly attributable to the purchase.

Any excess of purchase cost over the Group's share of the fair value of the assets, liabilities and contingent liabilities acquired and identifiable at the time of purchase is recognised as goodwill under assets. If this difference is negative it is recognised directly in the income statement.

1- Business combinations and other operations concerning the purchase of minority shares

The operations carried out in 2007 are described below.

1.1 Purchase of 50% of Press TV SpA (now Officina Mondadori SpA)

The operation

At 1 January 2007, Arnoldo Mondadori Editore SpA formalised the purchase of 50% of the share capital of Press TV SpA.
The operation gave the Group 100% control of the company, thereby allowing it to use it for new publishing initiatives.

Cost of purchase and calculation of the fair value of the assets and liabilities purchased

The cost of the operation amounted to €250 thousand, while the fair value of the assets and liabilities of Press TV SpA at the time of purchase, illustrated below, was equal to the relative carrying value.
Therefore the operation produced badwill of €274 thousand, recognised as income in the income statement of the period.

€,000	Note	Carrying value	Fair value
Intangible assets		1	1
Property investments		-	-
Property, plant and equipment		-	-
Investments		-	-
Non-current financial assets		-	-
Advance tax assets		-	-
Other non-current assets		-	-
Total non-current assets		1	1
Tax credits		3,412	3,412
Other current assets		1	1
Inventories		-	-
Trade receivables		108	108
Other current financial assets		-	-
Cash and cash equivalents		122	122
Total current assets		3,643	3,643
Total assets		3,644	3,644
Reserves		94	94
Employees' leaving entitlements and termination indemnities		-	-
Non-current financial liabilities		-	-
Deferred tax liabilities		-	-
Other non-current liabilities		-	-
Total non-current liabilities		94	94
Income tax liabilities		-	-
Other current liabilities		39	39
Trade liabilities		282	282
Bank loans and other financial liabilities		2,181	2,181
Total current liabilities		2,502	2,502
Total liabilities		2,596	2,596

Other information

In accordance with IFRS 3 accounting principles, the economic and financial effects of the purchase of 50% of Press TV SpA are shown in the Consolidated Financial Statements of the Mondadori Group as from 1 January 2007, the date when Mondadori took control of the company.

1.2 Purchase of 10% of Edizioni Piemme SpA

In February 2007 Arnoldo Mondadori Editore SpA purchased 10% of the share capital of Edizioni Piemme SpA from Pietro Marietti.

Since before the transaction Mondadori already held 80% of the share capital of Edizioni Piemme SpA, and therefore held the financial and management control of the company, in accordance with IFRS 3 accounting principles, the operation is not classified as a business combination.

The difference between the amount paid, equal to €5,450 thousand, and the net assets acquired, equal to €1,703 thousand, was recognised as goodwill under intangible assets.

1.3 Purchase of 20% of Electa Napoli SpA with a put option for a further 20%
In April 2007 Arnoldo Mondadori Editore SpA, through its subsidiary Mondadori Electa SpA, purchased 20% of the share capital of Electa Napoli SpA from Prismi Editrice Politecnica Napoli Srl.

The purchase contract also included a put option in favour of the seller, to be exercised within 3 years of the contract, allowing them to dispose of a further 20% of the share capital, and a clause granting Mondadori Electa SpA the right, if the put option is not exercised and at the end of the expiry date, to a call option, to be exercised within 60 days.

Since Mondadori already held 60% of the share capital of Electa Napoli SpA before the transaction in question, and therefore held the financial and management control of the company, in accordance with IFRS 3 accounting principles, the operation is not classified as a business combination.

In accordance with international accounting principles, and taking into account that the seller exercised the put option in January 2008, in relation to the operation described above, on 31 December 2007 the following was recognised under goodwill:
- the difference between the amount paid in April 2007, equal to €600 thousand, and the net assets acquired, equal to €351 thousand;
- the difference between the amount paid in January 2008, equal to €600 thousand, and the net assets acquired, equal to €238 thousand.

In addition, the €600 thousand liability relating to the transaction of January 2008 was recognised under "Payables to banks and other financial liabilities".

1.4 Purchase of 10.91% of Mach 2 Libri SpA
In June 2007, Arnoldo Mondadori Editore SpA purchased 10.91% of the share capital of Mach 2 Libri SpA from Messaggerie Italiane.

Before the transaction, Mondadori directly held 20% of the share capital Mach 2 Libri SpA in addition to a further 4% held through its 100% owned subsidiary Sperling & Kupfer SpA. The operation increased the total share held in the company to 34.91%.

The difference between the amount paid, equal to €3,818 thousand, and the net assets acquired, equal to €1,134 thousand, was recognised as goodwill and increased the value of the investment, which was consolidated using the net equity method.

1.5 Purchase of Emap France and Messaggerie Musicali SpA
The analysis and study of the assets and liabilities acquired in 2006 have been completed and have not resulted in any adjustments to the value initially recognised.

2- Intangible assets

Intangible assets are described and commented on below.

Intangible assets	€,000 31 December 2007	€,000 31 December 2006
Intangible assets with finite useful lives	52,110	56,331
Intangible assets with indefinite useful lives	891,737	861,744
Total intangible assets	**943,847**	**918,075**

The following two tables show the changes in intangible assets in 2006 and 2007.

In 2006 the main operations concerned the purchase of the Emap France Group and Messaggerie Musicali SpA, as can be seen in the item "Changes in consolidation area", which mainly refers to the fair value of the magazine titles, goodwill and the expense for taking over shop rental contracts.

Magazine titles with an definite life, regulated by a licence contract, are amortised on the basis of their relative duration.

On the basis of the results of impairment tests on assets with a definite life, no writedowns were necessary either during the current year or the previous year.

There is no restriction on the availability or use of intangible assets.

Intangible assets with finite useful lives (€,000)	Titles	Expenses for taking over shop leasing contracts	Software	Licences, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31 December 2005	-	4,381	9,156	731	102	0	14,370
Investments	-	628	1,630	75	10	75	2,418
Disposals	-	-	(8)	-	(1)	-	(9)
Changes to consolidation area	15,000	33,194	10,113	3,351	-	255	61,913
Other changes	-	-	9	-	(2)	(217)	(210)
Cost at 31 December 2006	15,000	38,203	20,900	4,157	109	113	78,482
Accumulated amortisation and impairment losses at 31 December 2005	-	2,795	8,027	684	52	-	11,558
Amortisation	167	465	1,248	318	21	-	2,219
Writedowns/reinstatement of value	-	-	-	-	-	-	0
Disposals	-	-	(8)	-	(1)	-	(9)
Changes to consolidation area	-	-	8,176	330	-	-	8,506
Other changes	-	-	(121)	-	(2)	-	(123)
Accumulated amortisation and impairment losses at 31 December 2006	167	3,260	17,322	1,332	70	0	22,151
Net book value at 31 December 2005	0	1,586	1,129	47	50	0	2,812
Net book value at 31 December 2006	**14,833**	**34,943**	**3,578**	**2,825**	**39**	**113**	**56,331**

Intangible assets with finite useful lives (€,000)	Titles	Expenses for taking over shop leasing contracts	Software	Licences, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31 December 2006	15,000	38,203	20,900	4,157	109	113	78,482
Investments	-	419	2,192	20	34	260	2,925
Disposals	-	-	(75)	-	-	-	(75)
Changes in consolidation area	-	-	(540)	-	-	-	(540)
Other changes	-	66	(294)	(3,000)	2,996	(75)	(307)
Cost at 31 December 2007	15,000	38,688	22,183	1,177	3,139	298	80,485
Accumulated amortisation and impairment losses at 31 December 2006	167	3,260	17,322	1,332	70	-	22,151
Amortisation	500	3,616	1,824	39	1,223	-	7,202
Writedowns/reinstatement of value	-	-	-	-	-	-	0
Disposals	-	-	(75)	-	-	-	(75)
Changes in consolidation area	-	-	(540)	-	-	-	(540)
Other changes	-	-	(348)	(294)	279	-	(363)
Accumulated amortisation and impairment losses at 31 December 2007	667	6,876	18,183	1,077	1,572	0	28,375
Net book value at 31 December 2006	14,833	34,943	3,578	2,825	39	113	56,331
Net book value at 31 December 2007	**14,333**	**31,812**	**4,000**	**100**	**1,567**	**298**	**52,110**

The following data refer to intangible assets with an indefinite useful life.

During 2007 investments were concentrated on radio frequencies to strengthen the signal for Radio R101 throughout the country. The increase in goodwill was due to the purchase of 10% of Edizioni Piemme SpA and 20% of Electa Napoli SpA, in addition to the impact of the exercising of the put option on the remaining 20% of Electa Napoli SpA.

Intangible assets with indefinite useful lives (€,000)	Titles	Series	Imprints	Radio frequencies	Goodwill	Total
Cost at 31 December 2005	98,158	31,509	5,949	77,102	13,727	226,445
Investments	-	-	-	12,924	-	12,924
Disposals	-	-	-	(3,490)	-	(3,490)
Change in consolidation area	223,200	-	-	-	414,285	637,485
Other changes	-	-	-	-	-	0
Cost at 31 December 2006	321,358	31,509	5,949	86,536	428,012	873,364
Impairment at 31 December 2005	9,454	-	214	180	-	9,848
Writedown/reinstatement of value	772	-	900	68	36	1,776
Other changes	-	-	-	(4)	-	(4)
Impairment at 31 December 2006	10,226	0	1,114	244	36	11,620
Net book value at 31 December 2005	88,704	31,509	5,735	76,922	13,727	216,597
Net book value at 31 December 2006	**311,132**	**31,509**	**4,835**	**86,292**	**427,976**	**861,744**

Intangible assets with indefinite useful lives (€,000)	Titles	Series	Imprints	Radio frequencies	Goodwill	Total
Cost at 31 December 2006	321,358	31,509	5,949	86,536	428,012	873,364
Investments	-	-	-	30,806	3,996	34,802
Disposals	-	-	-	(5,188)	-	(5,188)
Change in consolidation area	-	-	-	-	413	413
Other changes	-	-	-	-	-	0
Cost at 31 December 2007	321,358	31,509	5,949	112,154	432,421	903,391
Impairment at 31 December 2006	10,226	-	1,114	244	36	11,620
Writedown/reinstatement of value	-	-	-	-	34	34
Other changes	-	-	-	-	-	0
Impairment at 31 December 2007	10,226	0	1,114	244	70	11,654
Net book value at 31 December 2006	311,132	31,509	4,835	86,292	427,976	861,744
Net book value at 31 December 2007	**311,132**	**31,509**	**4,835**	**111,910**	**432,351**	**891,737**

Amortisation, impairment and reinstatement of value of intangible assets

The following table summaries the amounts charged to the income statement under the item "Amortisation and impairment of intangible assets" for the amortisation of intangible assets with definite useful lives and the writedown and reinstatement in value of intangible assets with indefinite lives.

Amortisation and impairment of intangible assets	€,000 31 December 2007	€,000 31 December 2006
Titles	500	167
Expense for taking over shop leasing contracts	3,616	465
Software	1,824	1,248
Licences, patents and rights	39	318
Other intangible assets	1,223	21
Total amortisation and impairment of intangible assets	**7,202**	**2,219**
Writedowns of intangible assets	34	1,776
Reinstatement of value of intangible assets	-	-
Total writedowns (reinstatement) of intangible assets	**34**	**1,776**
Total amortisation and impairment of intangible assets	**7,236**	**3,995**

The value of Titles and Imprints with an indefinite life, each one of which is a cash generating unit, mainly refers to:

- €83.6 million for the purchase of Silvio Berlusconi Editore in 1994 (the main titles acquired were *TV Sorrisi e Canzoni, Chi* and *Telepiù*);
- €2.2 million for the purchase of the Elemond Group in different tranches between 1989 and 1994 (the main titles acquired were *Interni* and *Casabella*);
- €223.2 million for the magazines belonging to the French Group Emap France (now Mondadori France) purchased in 2006. The main titles were *Téléstar, Closer, Pleine Vie* and *Autoplus, Le Chasseur Francais*.

Following impairment tests, the goodwill for the above operations were allocated either to the individual cash generating units or to groups of cash generating units in the Magazine sector, as outlined below:

- €0.7 million to a group of cash generating units for the purchase of Silvio Berlusconi Editore;
- €0.3 million to a group of cash generating units for the purchase of the Elemond Group;
- €412.9 million to groups of cash generating units represented by women's, men's, television and leisure magazines for the purchase of the Emap France Group.

With reference to the assets of Emap France, the value of the titles and goodwill was confirmed by independent experts.

Series mainly refer to the purchase on the market of the school textbook division of Edumond Le Monnier SpA (Mondadori Education SpA since 1 January 2008), which has been identified as a cash generating unit in the education sector.
This cash generating unit was assigned a Series value of €19 million.

The same class includes Series values for Giulio Einaudi Editore (€3 million), Sperling & Kupfer Editori (€1.8 million) and Edizioni Piemme (€7.8 million), which represent separate cash generating units.

The goodwill allocated to the cash generating units referred to above amounts to €11.6 million (Educational), €0.3 million (Giulio Einaudi Editore), €0.7 million (Sperling & Kupfer Editori) and €5.1 million (Edizioni Piemme).

When carrying out the annual impairment tests on Titles, Imprints, Series and Goodwill for estimating the recoverable value, the value in use was also calculated.
The value in use was estimated using the forecast data included in the plans approved by the management of the Mondadori Group, which expresses the best forecasts based on the financial conditions that will exist for the remaining useful life of the assets. The cash flow was considered to be constant for the period beyond the forecast.

The calculation of the cash flow relating to the individual assets or cash generating units included in the impairment test was based on a bank rate of 7.79%, which also took into account the Capital Asset Pricing Model.

With reference to the impairment tests, an analysis of the sensitivity of the results was carried out using the bank rate referred to above increased by 1%. The values in use were higher than the carrying values.

The criteria used for the impairment test for radio frequencies is represented by their fair value (net of sales costs), supported by independent appraisals carried out by third party experts as of the acquisition date and by an update of the value as of the balance sheet date which confirm their carrying value.
In 2006, following tests carried out to verify any eventual reduction in value, based on estimates of value in use, provisions for a total of €1.8 million were made for a minor title, its relative goodwill and an imprint.
The 2007 impairment test did not reveal any loss of value to be recognised in the financial statements.

3- Investment property

The composition of and changes in investment property are described and commented on below.

Investment property **€,000**	Land	Non-business buildings	Total
Cost at 31 December 2005	954	8,485	9,439
Investments	-	-	0
Disposals	-	-	0
Other changes	-	(581)	(581)
Cost at 31 December 2006	954	7,904	8,858
Accumulated depreciation and impairment losses at 31 December 2005	-	3,916	3,916
Depreciation	-	228	228
Writedowns/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	(30)	(30)
Accumulated depreciation and impairment losses at 31 December 2006	0	4,114	4,114
Net book value at 31 December 2005	954	4,569	5,523
Net book value at 31 December 2006	**954**	**3,790**	**4,744**

The decrease in investment property over the year is the result of the disposal of two properties which were considered non-strategic for the Group. This operation produced capital gains of approximately €1,961 thousand.

Investment property **€,000**	Land	Non-business buildings	Total
Cost at 31 December 2006	954	7,904	8,858
Investments	-	-	0
Disposals	(496)	(5,651)	(6,147)
Other changes	-	-	0
Cost at 31 December 2007	458	2,253	2,711
Accumulated depreciation and impairment losses at 31 December 2006	-	4,114	4,114
Depreciation	-	181	181
Writedowns/reinstatement of value	-	-	0
Disposals	-	(3,109)	(3,109)
Other changes	-	-	0
Accumulated depreciation and impairment losses at 31 December 2007	0	1,186	1,186
Net book value at 31 December 2006	954	3,790	4,744
Net book value at 31 December 2007	**458**	**1,067**	**1,525**

The fair value of investment property at 31 December 2007 was approximately €7.0 million.

Depreciation of investment property

The depreciation charge for the year amounted to €181 thousand, included in the income statement under "Depreciation and impairment of property, plant and equipment", compared to €228 thousand in 2006.

There are no restrictions on the use of assets classified as investment property.

4- Property, plant and equipment

The following table shows the changes in 2006 and 2007.

Property, plant and equipment **€,000**	Land	Business buildings	Plant and equipment	Other assets	Total
Cost at 31 December 2005	20,546	94,841	384,534	118,623	618,544
Investments	-	2,697	18,095	18,534	39,326
Disposals	-	(1,137)	(3,881)	(5,143)	(10,161)
Changes in consolidation area	-	-	11,077	25,180	36,257
Other changes	-	1,126	12,172	(24,210)	(10,912)
Cost at 31 December 2006	20,546	97,527	421,997	132,984	673,054
Accumulated depreciation and impairment losses at 31 December 2005	-	27,988	308,231	73,412	409,631
Depreciation	-	3,022	22,534	7,872	33,428
Writedowns/reinstatement of value	-	500	740	-	1,240
Disposals	-	(375)	(3,762)	(3,971)	(8,108)
Changes in consolidation area	-	-	6,330	18,852	25,182
Other changes	-	60	(10,086)	(160)	(10,186)
Accumulated depreciation and impairment losses at 31 December 2006	0	31,195	323,987	96,005	451,187
Net book value at 31 December 2005	20,546	66,853	76,303	45,211	208,913
Net book value at 31 December 2006	**20,546**	**66,332**	**98,010**	**36,979**	**221,867**

The main investments during the year were in the Group's printing facilities, for approximately €15 million, in fitting out new bookshops opened by Mondadori Retail SpA, for approximately €10 million and in the normal replacement of obsolete office equipment, vehicles and furniture by other Group companies.

During the year it was not necessary to carry out any writedowns following the impairment tests.

Disposals included a building in Corso Europa in Milan, which produced capital gains of €12,258 thousand, and a building in Bologna, which produced capital gains of €233 thousand.

Property, plant and equipment €,000	Land	Business buildings	Plant and equipment	Other assets	Total
Cost at 31 December 2006	20,546	97,527	421,997	132,984	673,054
Investments	-	445	10,346	24,595	35,386
Disposals	(648)	(16,342)	(20,162)	(5,135)	(42,287)
Changes in consolidation area	-	-	-	-	0
Other changes	-	78	(7,264)	(2,979)	(10,165)
Cost at 31 December 2007	19,898	81,708	404,917	149,465	655,988
Accumulated depreciation and impairment losses at 31 December 2006	-	31,195	323,987	96,005	451,187
Depreciation	-	3,005	22,888	10,361	36,254
Writedowns/reinstatement of value	-	-	-	-	0
Disposals	-	(6,427)	(19,889)	(4,607)	(30,923)
Changes in consolidation area	-	-	-	-	0
Other changes	-	-	(9,445)	(702)	(10,147)
Accumulated depreciation and impairment losses at 31 December 2007	0	27,773	317,541	101,057	446,371
Net book value at 31 December 2006	20,546	66,332	98,010	36,979	221,867
Net book value at 31 December 2007	**19,898**	**53,935**	**87,376**	**48,408**	**209,617**

Property, plant and equipment includes buildings and plant for a carrying value of €97,436 thousand (€114,181 thousand at 31 December 2006), which acts as a security for loans recognised under financial liabilities.

Other tangible fixed assets include:

Other tangible fixed assets €,000	31 December 2007	31 December 2006
Industrial and commercial equipment	11,049	7,965
Electronic office machines	5,393	6,398
Furniture and fixtures	8,262	7,116
Motor vehicles and transport vehicles	2,271	2,235
Leasehold improvements	6,312	3,325
Other assets	239	300
Assets under construction and advances	14,882	9,640
Total other tangible fixed assets	**48,408**	**36,979**

Depreciation of property, plant and equipment

The depreciation charge for the year, included in the income statement under "Depreciation and impairment of property, plant and equipment" amounted to €36,254 thousand, and was made up as follows:

Depreciation of property, plant and equipment €,000	31 December 2007	31 December 2006
Buildings used in business activities	3,005	3,022
Plant and machinery	22,888	22,534
Equipment	2,695	1,409
Electronic office machines	3,838	3,502
Furniture and fixtures	1,479	1,085
Motor vehicles and transport vehicles	1,092	1,031
Leasehold improvements	1,184	783
Other assets	73	63
Total depreciation of property, plant and equipment	**36,254**	**33,429**
Writedowns of fixed assets	-	1,240
Recovery of value for fixed assets	-	-
Total writedowns (recovery) of fixed assets	**0**	**1,240**
Total depreciation and loss of value of fixed assets	**36,254**	**34,669**

Leased assets

The following table shows the value of leased assets at 31 December 2007 classified under fixed:

	31 December 2007			31 December 2006		
€,000	Gross value	Accumulated depreciation	Net book value	Gross value	Accumulated depreciation	Net book value
Buildings not used in business activities	-	-	0	-	-	0
Buildings used in business activities	775	(198)	577	2,923	(980)	1,943
Plant and machinery	57,484	(57,461)	23	68,186	(68,001)	185
Other assets	1,291	(1,256)	35	1,392	(1,339)	53
Total leased assets	**59,550**	**(58,915)**	**635**	**72,501**	**(70,320)**	**2,181**

At 31 December 2007 there were no assets that had not already been redeemed.

5- Investments

Investments in companies accounted for using the equity method and in other companies amounted to €127,299 thousand.

Investments €,000	31 December 2007	31 December 2006
Investments accounted for using the equity method	127,026	120,230
Investments in other companies	273	2,174
Total investments	**127,299**	**122,404**

Changes over the past two years in investments accounted for using the equity method are set out below.
After the previous year characterised by the purchase of the Emap France Group, which had a number of associated companies that brought in a significant increase in the value of investments, in 2007 the most significant operation was the purchase of 10.91% of Mach 2 Libri SpA.

Investments – Investments accounted for using the equity method

€,000	Net value
Balance at 31 December 2005	106,649
Movements during 2006:	
- purchases and changes in consolidation area	17,727
- disposals and other movements	(1,098)
- revaluations	14,281
- writedowns	(5,926)
- dividends	(11,403)
Balance at 31 December 2006	**120,230**
Movements during 2007:	
- purchases and changes in consolidation area	10,095
- disposals and other movements	(290)
- revaluations	19,891
- writedowns	(10,550)
- dividends	(12,350)
Balance at 31 December 2007	**127,026**

The following table sets out details of investments accounted for using the equity method, which increased mainly thanks to the positive result of almost all the companies (see Note 27).

Investments accounted for using the equity method – Detail €,000	31 December 2007	31 December 2006
Investments in joint ventures:		
- Gruner + Jahr/Mondadori SpA	5,593	4,649
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	204	175
- Harlequin Mondadori SpA	552	354
- Hearst Mondadori Editoriale Srl	627	453
- Mondadori Rodale Srl	929	828
- Edizioni Electa Bruno Mondadori Srl	144	177
- Edizioni EL Srl	2,395	2,174
- Random House Mondadori SL	41,772	35,503
- Campania Arte	22	22
- Attica Publications SA	37,556	36,196
- ACI Mondadori SpA	1,449	1,179
- Press TV SpA	-	524
- Mondolibri SpA	8,630	13,497
- Mondadori Independent Media	100	-
- Editions Mondadori Axel Springer SNC	13,217	11,337
- Top Santé Vof	205	991
Total investments in joint ventures	**113,395**	**108,059**
Investments in associated companies:		
- Mach 2 Libri SpA	6,818	2,868
- Società Europea di Edizioni SpA	6,739	9,212
- Venezia Musei Scarl (in liquidation)	-	-
- Venezia Musei società per i servizi museali Scarl	6	6
- Venezia Accademia Scarl	0	20
- Venezia Accademia per i servizi museali Scarl	2	-
- Consorzio Covar (in liquidation)	2	3
- Consorzio Forma	1	1
- Roccella Scarl	40	30
- Rock FM Srl	23	31
Total investments in associated companies	**13,631**	**12,171**
Total investments accounted for using the equity method	**127,026**	**120,230**

With reference to the investment in the Attica Group, quoted on the Athens Stock Exchange, the quoted value of the shares is not considered representative of the fair value since only a limited number of shares are floated and the volume of trading during the year was limited in terms of both quantities and amount. Following an impairment test to determine the eventual reduction in the value in use, further writedowns were not necessary.

The following tables illustrate the movements in investments in other companies, stated at cost.

Investments – Investments in other companies	
€,000	Net book value
Balance at 31 December 2005	2,156
Movements during 2006:	
- purchases and changes in consolidation area	25
- disposals and other movements	(7)
- revaluations	-
- writedowns	-
- dividends	-
Balance at 31 December 2006	**2,174**
Movements during 2007:	
- purchases and changes in consolidation area	28
- disposals and other movements	(1,927)
- revaluations	-
- writedowns	(2)
- dividends	-
Balance at 31 December 2007	**273**

The following table illustrates details of investments in other companies.

Investments in other companies – Detail **€,000**	31 December 2007	31 December 2006
Investments in other companies:		
- Società Editrice Il Mulino SpA	101	101
- Euromedia Luxembourg Two SA	-	1,927
- Consuledit Srl	1	1
- Cons. Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali Srl	52	52
- Istud - Istituto Studi Direzionali SpA	-	-
- Novamusa Val di Noto Scarl	18	18
- Novamusa Valdemone Scarl	18	18
- Novamusa Gelmar Scarl	2	2
- Novamusa Val di Mazara Scarl	18	18
- Consorzio Editoriale Fridericiana	-	2
- Audiradio	21	21
- Aranova Freedom Scarl	28	-
- CTAV	1	1
- Sem Issy Media	3	3
Total investments in other companies	**273**	**2,174**

The variations are mainly due to the liquidation of Euromedia Luxembourg Two SA, which did not have any significant effect on the income statement for the year.

6- Deferred tax assets and liabilities

The following tables sets out details of deferred tax assets and liabilities.

€,000	31 December 2007	31 December 2006
Deferred tax assets - IRES	36,444	43,176
Deferred tax assets - IRAP	3,283	2,924
Total deferred tax assets	**39,727**	**46,100**
Deferred tax liabilities - IRES	85,128	98,624
Deferred tax liabilities - IRAP	3,085	3,616
Total deferred tax liabilities	**88,213**	**102,240**

Description of temporary differences that led to the recognition of deferred tax assets

	31 December 2007			31 December 2006		
€,000	Amount of temporary difference	Tax rate	Deferred tax assets	Amount of temporary difference	Tax rate	Deferred tax assets
Difference between book value and tax basis of intangible assets	15,285	(*)	4,202	17,979	(*)	5,934
Difference between book value and tax basis of investment property and property, plant and equipment	2,849	(*)	783	13,504	(*)	4,457
Provision for bad debts	17,671	(*)	4,945	13,964	(*)	4,626
Inventory provision	15,151	(*)	4,165	14,513	(*)	4,790
Writedowns of advances to authors	12,946	(*)	3,561	5,293	(*)	1,746
Provisions	23,836	(*)	6,739	30,383	(*)	10,125
Agents' termination indemnity	4,647	(*)	1,147	1,614	(*)	533
Unused tax losses	-	(*)	-	-	(*)	-
Elimination of unrealised intragroup profits	12,007	(*)	3,302	10,827	(*)	3,573
Other temporary differences	26,004	(*)	7,600	22,152	(*)	7,392
Total for IRES purposes	**130,396**		**36,444**	**130,229**		**43,176**
Difference between book value and tax basis of intangible assets	15,285	(*)	597	10,047	(*)	427
Difference between book value and tax basis of investment property and property, plant and equipment	2,849	(*)	111	3,734	(*)	159
Inventory provision	15,151	(*)	590	14,513	(*)	617
Writedowns of advances to authors	7,646	(*)	298	5,193	(*)	221
Provisions	13,964	(*)	545	16,339	(*)	694
Agents' termination indemnity	4,647	(*)	181	374	(*)	16
Elimination of unrealised intragroup profits	12,007	(*)	468	10,800	(*)	459
Other temporary differences	12,663	(*)	493	7,797	(*)	331
Total for IRAP purposes	**84,212**		**3,283**	**68,797**		**2,924**

(*) With regard to income taxes, each company in the Group has applied the tax rate in force in the country of residence.
As for IRAP, each company in the Group has applied the tax rate in force taking into account the distribution of the basic tax per region.

Description of temporary differences that led to the recognition of deferred tax liabilities

	31 December 2007			31 December 2006		
€,000	Amount of temporary difference	Tax rate	Deferred tax liabilities	Amount of temporary difference	Tax rate	Deferred tax liabilities
Capital gains	13,033	(*)	3,584	6	(*)	2
Difference between book value and tax basis of intangible assets	266,362	(*)	73,249	232,710	(*)	76,794
Difference between book value and tax basis of investment property and property, plant and equipment	12,222	(*)	3,362	43,255	(*)	14,274
Employees' leaving entitlement	11,451	(*)	3,147	8,256	(*)	2,727
Agents' termination indemnity	1,186	(*)	326	163	(*)	54
Leased assets	543	(*)	149	1,988	(*)	655
Other temporary differences	4,767	(*)	1,311	12,485	(*)	4,118
Total for IRES purposes	309,564		85,128	298,863		98,624
Capital gains	13,033	(*)	508			
Difference between book value and tax basis of intangible assets	45,208	(*)	1,762	41,736	(*)	1,775
Difference between book value and tax basis of investment property and property, plant and equipment	12,222	(*)	476	33,508	(*)	1,425
Agents' termination indemnity	1,186	(*)	45	163	(*)	8
Leased assets	543	(*)	21	1,988	(*)	85
Other temporary differences	6,974	(*)	273	7,610	(*)	323
Total for IRAP purposes	79,166		3,085	85,005		3,616

(*) With regard to income taxes, each company in the Group has applied the tax rate in force in the country of residence.
As for IRAP, each company in the Group has applied the tax rate in force taking into account the distribution of the basic tax per region.

The net change in deferred tax assets and liabilities led to a tax charge €7,211 thousand recognised as described in note 30.

The decrease in the tax burden is mainly due to the effects of the absorption of the deficit from the merger of Mondadori Shop SpA into Mondadori Retail SpA and to the absorption of the higher value of fixed assets recognised in the financial statements of Mondadori Printing SpA compared with the fiscal values, as a result of the option exercised as per the 2008 Finance Law.
To balance the recognition of substitutive tax, for a total of €6.3 million, the relative deferred taxes recognised in previous years, for approximately €13.6 million, were released.

The adjustment of advanced and deferred taxes to the new tax rates introduced by the 2008 Finance Law produced a difference of €0.4 million.

The following table illustrates the total progressive fiscal losses pertaining to companies which up to 2007 did not belong to the fiscal consolidation.

Unrecognised deferred taxes €,000	31 December 2007	31 December 2006
Temporary differences excluded from the determination of deferred tax assets and liabilities	-	-
Unused tax losses available for carry forward	3,678	-

7- Other non-current assets

The balance of other non-current assets decreased as a result of the utilisation of prepaid withholding tax on the employees' leaving entitlement and increased as a result of changes in the consolidation area.

Other non-current assets €,000	31 December 2007	31 December 2006
Guarantee deposits	2,387	2,187
Earnest money	-	-
Advance IRE withholding tax on the employees' leaving entitlement	109	792
Other	523	546
Total other non-current assets	**3,019**	**3,525**

8- Tax receivables

The composition of and changes in tax receivables are described and commented on below:

Tax receivables €,000	31 December 2007	31 December 2006
Receivables from tax authorities for IRAP	2,687	661
Receivables from tax authorities for IRES	4,595	4,987
Receivables from Fininvest for IRES	-	-
Receivables from tax authorities for VAT to be recovered	11,240	3,578
Receivables from tax authorities for tax reimbursements	10,179	20,628
Total tax receivables	**28,701**	**29,854**

The balance is in line with the previous year and includes a decrease in "Receivables from tax authorities for reimbursements", thanks to collection of VAT credits, and in "Receivables from tax authorities for VAT to be recovered" due to credit matured in the last part of the year.

9- Other current assets

The composition of and changes in other current assets are described and commented on below:

Other current assets €,000	31 December 2007	31 December 2006
Advances to agents	672	788
Advances to authors and collaborators	47,021	46,145
Advances to suppliers	8,710	4,300
Advances to personnel	663	768
Receivables for insurance compensation	-	5
Advances to social security institutions	471	149
Receivable for guarantee deposits	294	307
Earnest money	423	413
Prepayments	7,992	7,312
Other	11,354	12,017
Total other current assets	**77,600**	**72,204**

The increase in the total is due to "Advances from suppliers", which include advances from third-party publishers for goods distributed by Press-Di Distribuzione Stampa e Multimedia Srl, including Walt Disney and Editoriale Libero Srl.

10- Inventories

The increase compared with the previous year is due to "Raw materials and consumables", where Mondadori Printing SpA registered approximately €2.5 million in increased value, and "Finished products and goods for resale", which is mainly due to the opening of new sales outlets in the Retail sector.

The composition of and changes in inventories are described and commented on below:

Inventories €,000	31 December 2007	31 December 2006
Raw materials and consumables	21,959	18,536
Provision for raw materials and consumables	(605)	(676)
Total raw materials and consumables	**21,354**	**17,860**
Work in progress and semi-finished goods	35,710	38,663
Provision for work in progress and semi-finished goods	(1,534)	(1,183)
Total work in progress and semi-finished goods	**34,176**	**37,480**
Contract work in progress	10,544	11,340
Provision for contract work in progress	-	-
Total work in progress	**10,544**	**11,340**
Finished products and goods for resale	101,040	90,838
Provision for finished products and goods for resale	(16,214)	(16,392)
Total finished products and goods for resale	**84,826**	**74,446**
Advances	-	-
Total inventories	**150,900**	**141,126**

Provisions against inventories are made by taking into account the saleability of finished products and the extent to which work in progress and semi-finished products may not produce margins.

Inventories – Provisions €,000	Raw materials	Work in progress and semi-finished goods	Contract work in progress	Finished products and goods for resale
Balance at 31 December 2005	463	1,054	30	10,253
Movements during period:				
- provisions	33	129	-	7,898
- utilisations	(126)	-	(30)	(5,033)
- other movements	306	-	-	3,274
Balance at 31 December 2006	**676**	**1,183**	**0**	**16,392**
Movements during period:				
- provisions	60	351	-	4,740
- utilisations	(118)	-	-	(4,924)
- other movements	(13)	-	-	6
Balance at 31 December 2007	**605**	**1,534**	**0**	**16,214**

There are no inventories used to secure liabilities.

Decrease (increase) in inventories

The following table summaries the changes in inventories recognised in the income statement for the year.

Decrease (increase) in inventories €,000	31 December 2007	31 December 2006
Changes in finished products	(10,535)	(3,395)
Charge to finished products provision	4,740	7,898
Utilisation of finished products provision	(4,924)	(5,033)
Total change in inventories of finished products	**(10,719)**	**(530)**
Changes in semi-finished products	4,165	(4,439)
Charge to finished products provision	351	129
Utilisation of finished products provision	-	-
Total change in inventories of semi-finished products	**4,516**	**(4,310)**
Changes in work in progress	(1,488)	871
Charge to finished products provision	-	-
Utilisation of finished products provision	-	(30)
Total change in inventories of work in progress	**(1,488)**	**841**
Changes in raw materials and goods	(1,688)	2,982
Charge to finished products provision	60	33
Utilisation of finished products provision	(118)	(126)
Total change in inventories of raw materials and consumables	**(1,746)**	**2,889**
Total decrease (increase) in inventories	**(9,437)**	**(1,110)**

11- Trade receivables

The increase in the total of "Trade receivables" is mainly due to the good performance of the Book Division and increased exposures in printing and graphics.

Details of receivables from associated, parent and affiliated companies are contained in the "Relations with related parties" attachment.
Commercial transactions with these companies are carried out in accordance with normal market conditions.

Trade receivables €,000	31 December 2007	31 December 2006
Receivables from customers	443,381	432,005
Receivables from associated companies	40,977	43,559
Receivables from parent companies	5	13
Receivables from affiliated companies	2,510	3,441
Total trade receivables	**486,873**	**479,018**

There are no trade receivables with a due date over five years; the average collection period during 2007 was 84.2 days (86.1 days in 2006).

The following table contains details of "Trade receivables", which shows an increase in the exposure and an alignment in returns to be received and provisions compared with 2006.

Trade receivables - Receivables from customers €,000	31 December 2007	31 December 2006
Trade receivables	607,642	594,990
Customers - returns to be received	(132,030)	(131,681)
Provision for bad debts	(32,231)	(31,304)
Total receivables from customers	**443,381**	**432,005**

With reference to "Provisions for bad debts", it should be noted that every company in the Group carries out an accurate analysis of the debt position in order to calculate the amount to be allocated.

Utilisation of the provisions carried out in previous years is made for the purpose of registering losses in the income statement. "Other movements" include the utilisation of the initial balance because of abundance, which in the income statement is recognised under various income.

Trade receivables - Receivables from customers - provision €,000	31 December 2007	31 December 2006
Balance at beginning of year	31,304	25,221
Movements during period:		
- provisions	8,030	6,985
- utilisations	(6,017)	(5,749)
- changes in scope of consolidation	32	4,847
- other movements	(1,118)	-
Total receivables from customers	**32,231**	**31,304**

12- Financial assets

The following table illustrates both current and non-current financial assets:

Non-current financial assets €,000	31 December 2007	31 December 2006
- Financial receivables from others	649	583
Financial assets at fair value with changes through the income statement	-	-
Available-for-sale financial assets	-	-
Assets resulting from derivative instruments	3,022	950
Total other non-current financial assets	**3,671**	**1,533**

"Non-current financial assets" includes various receivables for €649 thousand and the fair value of hedging operations for the five-year bank pool loan that expires in July 2011 which was granted for the purchase of the Emap France publishing group.

Other current financial assets €,000	31 December 2007	31 December 2006
Financial receivables from customers	8	7,000
Financial receivables from associated companies	11,558	18,443
Financial receivables from parent companies	-	-
Financial receivables from affiliated companies	-	-
Financial receivables from others	24,774	28,759
Total financial receivables	**36,340**	**54,202**
Financial assets at fair value with changes through the income statement	108,487	152,487
Available-for-sale financial assets	-	-
Assets resulting from derivative instruments	83	24
Total other current financial assets	**144,910**	**206,713**

"Financial assets at fair value" and "Financial receivables from others" include investments of liquidity made by Mondadori International inside the Luxembourg Sicav ABS Finance Fund and by Editions Mondadori France. The investments refer to monetary products, bonds and hedge funds for a total of €110.9 million (€2.4 million of which is recognised under financial receivables from others). "Financial receivables from others" also includes investments of €12 million of liquidity by Editions Mondadori France with a Sicav with return equal to the EONIA.

The reduction in current financial assets for €61.8 million, compared with 31 December 2006, is due to the different composition of the financial assets of the Luxembourg Sicav AB Finance Fund that, at 31 December 2007, included a decrease in shares for €51.0 million and an increase in short-term bank deposits recognised in liquid assets.

All of the assets referred to above are measured at fair value. For quoted assets the reference is market prices, while for non-quoted assets the price is either supplied by the banks that are custodians of the shares themselves or by the respective market makers.

Assets and liabilities resulting from derivative instruments

The following table illustrates the assets and liabilities resulting from derivative instruments held at 31 December 2007.

Assets and liabilities in derivative instruments – Details

€,000	Type of derivatives	Fair value at 31 December 2007	Fair value at 31 December 2006
Non-current financial assets			
-Tax derivatives	Cash flow hedge	3,022	950
Other financial assets			
-Currency derivatives	Trading	83	24
Non-current financial liabilities			
-Cross Currency Swap	Fair value hedge	(54,433)	(36,435)

Trading derivatives refer to instruments that, even though they were set up as hedge operations, do not fully satisfy all the requisites of international accounting standards to qualify for hedge accounting. In the case of the Mondadori Group, this only refers to currency exchange risk management.

The Group has adopted a Policy on the Management of Financial Risks. The utilisation of derivative instruments is in line with the guidelines contained in that document

In order to verify the efficiency of the hedge operations, the Group carries out at least once every quarter a series of prospect and retrospective tests.

Forecast tests are used to check if at the beginning of every hedge operation, and for the entire duration of the operations, every hedge is sufficiently efficient, which means that the variations in the fair value or cash flow of the hedged item must compensate "almost completely" for the variations in the fair value or cash flow of the hedged instrument.
Retrospective tests are used to check if hedge is sufficiently efficient, which means it must produce results between the range 80% and 125%. The tests can either be carried out on the basis of a certain period of time, with each test beginning immediately after the end of the previous one, or on a cumulative basis starting from a specific date.

The main methods used by the Group for verifying the efficiency are statistic regression analyses, the Dollar Offset Method or Ration Analyses.

Every month the Group also calculates the fair value of current hedge operations. These values can be obtained either by using the mark to market, when the financial instruments employed are quoted on active markets, or, when the prices of the financial instruments employed are not available from the market, by obtaining an independent evaluation from a market counterparty and/or by using appropriate mark to models.

For the fair value of instruments from non-active markets, the Mondadori Group carries out independent checks of the values provided by the banks, verifying for comparative purposes that the evaluation provided by the counterparty is reasonable/sustainable compared with the Group's internal evaluation. The Group has drawn up "internal evaluation models” that are used for calculating the fair value of these instruments.

Tax derivatives

The derivative consists of an Interest Rate Swap (IRS) contract signed in August 2006 for €150 million, equal to 50% of the Term Loan (€300 million) part of the nominal €500 million loan obtained by Mondadori International SA.

The hedge operation made it possible to convert the floating interest rate (3-month Euribor) into a fixed interest rate of 3.845%.

The operation was carried out in light of the change in the Group’s net financial position as a result of the purchase of the Emap France Group, in order to counteract the exposure to the risk of interest rate fluctuations.

The table below shows the impact in the income statement and in net equity of current hedge operations:

Cash flow hedge reserves €,000	31 December 2007	31 December 2006
Initial reserves	950	-
Amount revealed during year	2,576	694
Amount taken from reserve and recognised - expense (income)	(504)	256
Final reserves	**3,022**	**950**
Inefficient part of hedge	0	0

Currency derivatives

The Group enters currency derivative agreements to hedge against the risk of fluctuations in currency exchange rates. The currency derivatives utilised are exclusively forward contracts for the purchase and sale of foreign currencies.

The main type of currency exchange risks affecting the Group are linked to the purchase of the author’s rights to books in markets outside the EU and the sale of printed publishing products in markets outside the EU. In the second case, the Group initially partially covers the annual budget for forecasted sales and all the orders for sales.
At 31 December 2007 there were the following outstanding operations to hedge currency exchange risks:

- forward contracts for the sale of US $3,900 thousand (€2,685 thousand);
- forward contracts for the purchase of Us $1,800 thousand (€1,265 thousand);
- forward contracts for the sale of £1,400 thousand (€1,957 thousand).

Cross Currency Swap

This refers to an operation set up in 2003 to cover exchange rate risks linked to the US Private Placement debenture loan taken out in that year.

The loan of US $350 million is made up of three tranches of $215 million, $40 million and $95 million with fixed rates of, respectively, 5.42%, 5.57% and 5.85% and expiry dates of 2013, 2015 and 2018.

The Cross Currency Swap derivative made it possible to transform the notional into Euro and the interest rates from fixed to floating. The floating interest rates obtained for the three tranches are equal to the three-month Euribor rate plus, respectively, 0.66%, 0.59% and 0.60%.

In accordance with International Accounting Standards, the profit (loss) from the variations in value of this derivative instrument are recognised in the income statement in line with the variation of an equal amount recognised together with the debt.

The following table shows the impact on the income statement of changes to the value of the derivatives referred to above and to the relevant debt:

Fair value hedge €,000	31 December 2007	31 December 2006
Profit (loss) of hedge derivatives	(17,863)	(35,669)
Profit (loss) recognised in financial debt	17,804	35,646

13- Cash and cash equivalents

"Bank deposits" include cash and cash equivalent investments of Arnoldo Mondadori Editore SpA (€80 million) Mondadori Printing SpA (approximately €7 million), Mondadori International SA (€27 million) and the Luxembourg Sicav ABS Finance Fund (€82.7 million). Short-term deposits mainly have expiry dates of between one week and three months, in keeping with the financial needs of the Group, and mature interest at the respective short-term rates.

The fair value of cash and cash equivalents at 31 December 2007 is equal to their carrying value at that date.

Cash and cash equivalents €,000	31 December 2007	31 December 2006
Cash and valuables	2,162	1,539
Cheques	365	665
Bank deposits	221,532	102,598
Post office deposits	1,039	705
Total cash and cash equivalents	**225,098**	**105,507**

The recognition of payables for €5,917 thousand for the purchase of the R101 radio station from Radio Milano International SpA, is guaranteed by a bank deposit for the same amount.

The following table illustrates the individual components of the net financial position set out in accordance with CONSOB recommendations.

Net financial position €,000		31 December 2007	31 December 2006
A	Cash	2,527	2,204
	-Bank deposits	221,532	102,598
	-Post office deposits	1,039	705
B	Other cash and cash equivalents	222,571	103,303
C	**Cash and cash equivalents and other financial assets (A+B)**	**225,098**	**105,507**
D	Stocks held for negotiation		
	-Financial receivables from associated companies	11,558	18,443
	-Financial assets measured at fair value	108,487	152,487
	-Derivative instruments and other financial assets	24,865	35,783
E	Receivables and other current financial assets	144,910	206,713
F	**Current financial assets (D+E)**	**144,910**	**206,713**
G	Current bank payables	29,533	15,667
	-Bonds	-	-
	-Mortgages	100,000	50,071
	-Loans	7,354	7,873
H	Current part of non-current payables	107,354	57,944
	-Payables due to associated companies	22,452	27,096
	-Derivative instruments and other financial payables	8,508	23,049
I	Other current financial payables	30,960	50,145
L	**Payables to banks and other current financial payables (G+H+I)**	**167,847**	**123,756**
M	**Current net financial position (C+F-L)**	**202,161**	**188,464**
	-Bonds	349,582	364,892
	-Mortgages	-	-
	-Loans	337,128	343,346
N	Part of non-current payables	686,710	708,238
O	Other non-current financial payables	54,456	36,468
P	**Non-current financial payables (N+O)**	**741,166**	**744,706**
Q	**Net financial position (M-P)**	**(539,005)**	**(556,242)**

If the balance of "Non-current financial assets" was added to the data illustrated in the above table (which is not included in the CONSOB recommendations), the net financial position would show a loss of €535,334 thousand.

Further details of the net financial position are contained in notes 12, 13 and 18.

14- Shareholders' equity

More detailed information concerning the composition of and changes in shareholders' equity is contained in the section "Changes in consolidated shareholders' equity".

The Mondadori Group is controlled by Fininvest SpA.

Share capital

The share capital of the parent company, Arnoldo Mondadori Editore SpA, amounting to €67,452 thousand, is fully subscribed and paid up and is represented by 259,429,832 ordinary shares with a par value of €0.26. No new share issues took place during the year.

Share premium reserve

The share premium reserve of Arnoldo Mondadori Editore SpA shares, amounting to

€286,876 thousand, includes:
- €15,289 thousand, €13,278 thousand of which deriving from the conversion of the former AMEF 6.5% 1987/1991 debenture bond into shares and €2,011 thousand from the merger of the former AME on 29 November 1991;
- €238,603 thousand deriving from the €17,043 thousand increase in capital completed on 27 June 1994 in conformity with a resolution of shareholders in Extraordinary Meeting on 30 May 1994 that provided for the issue of 33,000,000 ordinary shares with a par value of €0.52 (1,000 lire) at a price of €7.75 (15,000 lire) per share, €7.23 (14,000 lire) of which was share premium;
- €384 thousand deriving from the increase in capital completed on 23 November 1998;
- €692 thousand deriving from the increase in capital completed on 17 September 1999;
- €1,801 thousand deriving from the increase in capital completed on 18 July 2000;
- €26,978 thousand generated from the conversion into ordinary shares of 13,929,942 savings shares, in conformity with a resolution of shareholders of 30 May 1994 that provided for holders of savings shares to convert them into ordinary shares in the ratio of one-to-one with a par value of €0.52 (1,000 lire), to be exercised during the period 16 June to 31 July 1994 with payment of a balance of €1.94 (3,750 lire) for every share converted;
- €3,129 thousand deriving from stock options being exercised.

Treasury shares

This item, which amounts to €138,840 thousand (€127,998 thousand at 31 December 2006), represents the value at the balance sheet date of treasury shares in portfolio, with 15,580,101 ordinary shares held by Arnoldo Mondadori Editore SpA and 4,517,486 ordinary shares held by Mondadori International SA.

Reserve for stock options

This reserve, which at 31 December 2007 amounted to €176,475 thousand, is made up as follows:
- a legal reserve for €13,490 thousand;
- a reserve of €5,335 thousand for amounts paid out by the Agenzia per la Promozione dello Sviluppo del Mezzogiorno (Ministerial Decrees of 28/6/1979 and 3/5/1989) for the purposes of industrial investments carried out at the plant in Pomezia (RM) and paid out by the State pursuant to Publishing Law 416 of 5/8/1981;
- a cash flow hedge reserve for €3,022 thousand for the evaluation of a hedge derivative;
- a stock option reserve, amounting to €6,236 thousand, has been set up for the purposes of the Stock Option Plans assigned to directors and managers of the Group. Further details of this item are provided in note 25;
- a conversion reserve which, at 31 December 2007 showed a deficit of €296 thousand (+ €371 thousand at 31 December 2006), deriving from the conversion of the financial statements of companies belonging to the Random House Mondadori Group, operating Latin America, the Attica Group, with offices in East European countries, and AME Publishing Ltd, which has a representative office in New York.

The exchange rates used for the conversion of financial statements in foreign currencies are summarised in the following table:

	Exchange rate at 31 December 2007		Exchange rate at 31 December 2006	
	average	spot	average	spot
US dollars	1.47	1.32	1.26	1.32
Argentinian pesos	4.64	4.03	3.86	4.03
Chilean pesos	733.40	702.45	664.28	702.45
Colombian pesos	2,972.17	2,950.08	2,959.67	2,950.08
Mexican pesos	16.06	14.24	13.67	14.24
Uruguayan pesos	31.69	32.16	30.20	32.16
Venezuelan bolivares	3,161.04	2,827.99	2,698.26	2,828.00
Cypriot lire	-	-	0.58	0.58
Rumanian new leu	3.34	3.61	3.53	3.38
Bulgarian leva	1.96	1.96	1.96	1.96
Serbian dinars	79.99	79.77	83.09	79.00
Hungarian florins	251.35	253.73	264.26	251.77

The residual balance represents retained earnings.

Capital management

The Mondadori Group's capital is managed in relation to the overall financial structure of the Group, with particular attention paid to a correct balance between net debt and capital.

The main objective is to maximise the value of the company and minimise the adjusted average cost of debt and capital, in respect of the limits imposed by the covenants on various forms of finance (bonds and bank loans). A correct balance between debt and capital must be able to support the development of the company's business activities and provide adequate remuneration for shareholders.

The main indicator used by the Group for measuring the adequacy of the capital compares the net debt with the capitalisation of the financial statements (net debt plus capital). The net debt includes all the onerous loans (bonds and bank loans) net of the liquid assets and equivalents. The capital also includes the shareholders part of convertible debenture loans.

The Group's objective is to ensure that net debt does not exceed 60% of capitalisation. In order to verify that the restraints imposed by the financial covenants on debt are respected, the value of treasury stock held in the portfolio is added to the value of the capital.

Capital management €,000	31 December 2007	31 December 2006
Net debt	535.3	554.7
Capital (net equity)	506.5	486.4
Total capital and net debt	1,041.8	1,041.1
Ratio of net debt/capital to net debt	51.4%	53.3%
Treasury stock in portfolio	138.8	128.0

15- Capital and reserves attributable to minorities

This item refers to the non-controlling interests in Edizioni Piemme SpA and Electa Napoli SpA, as set out below:

Capital and reserves attributable to minorities		
€,000	Edizioni Piemme SpA	Electa Napoli SpA
Equity at 31 December 2006	3,299	721
Result for 2006	973	180
Equity at 31 December 2007	1,932	-
Result for 2007	795	-

16- Provisions

The composition of and changes in provisions for risks and charges is described and commented on below:

Provisions €,000	31 December 2006	Charge	Utilisations	Other movements	31 December 2007
Agents' contractual risks	1,282	1,273	(40)	-	2,515
Litigation	9,947	2,520	(1,732)	(51)	10,684
Equity investment provision	1,052	14	-	(70)	996
Tax disputes	1,834	433	(7)	105	2,365
Other risks	21,072	9,731	(11,706)	(2,379)	16,718
Total provisions	**35,187**	**13,971**	**(13,485)**	**(2,395)**	**33,278**

"Litigation" has been created mainly to deal with libel cases arising from articles published in titles and from requests for damages from authors and third parties.

"Other risks" mainly include amounts for onerous contracts signed by Group companies and disputed over social security contributions relating to INPGI.

17- Employees' leaving entitlement and termination indemnities

The composition of and changes in of the employees' leaving entitlement and termination indemnities are described and commented on below:

Leaving entitlements and termination indemnities €,000	31 December 2007	31 December 2006
Employees' leaving entitlement (TFR)	83,429	97,649
Agents' termination indemnity (FISC)	6,647	5,856
Termination indemnity for journalists (IFGP)	562	677
Total leaving entitlements and termination indemnities	**90,638**	**104,182**

The 2006 government Budget and its relative decrees introduced important modifications to employees' leaving entitlements (TFR), including the possibility for employees to choose where to invest their pension entitlements that mature as from 1 January 2007.

The application of the new regulations resulted in a re-calculation of the TFR fund matured at 31 December 2006, which produced a surplus of €4.5 million that was recognised in the income statement.

Employees' leaving entitlement – Details			
€,000	TFR	FISC	IFGP
Balance at 31 December 2006	97,649	5,856	677
Changes during 2007:			
- provisions	(1,871)	1,622	21
- utilisations	(14,548)	(334)	-
- reversals	-	-	-
- discounting	3,364	-	-
- change in scope of consolidation and other changes	(1,165)	(497)	(136)
Balance at 31 December 2007	**83,429**	**6,647**	**562**

The employees' leaving entitlement and the agents' termination indemnity are determined, in accordance with IAS 19 and IAS 37, by applying an actuarial method.

The following assumptions were used when determining the actuarial value of the employees' leaving entitlement:

Actuarial assumptions used for the employees' leaving entitlement (TFR)	31 December 2007	31 December 2006
Economic assumptions:		
- increase in cost of living	2.0%	1.5%
- discount rate	4.5%	4.0%
- salary increases	3.0%-4.0%	3.0%-4.0%
Demographic assumptions:		
- probability of death	IPS 55 tables	IPS 55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	From 0.50% to 8.16%	From 0.50% to 8.16%
- pensionable age	Current regulations	Current regulations

The cost of employee's leaving entitlements, recognised in the income statement, are shown in the following table:

Cost of employees' leaving entitlement (TFR) €,000	31 December 2007	31 December 2006
Current cost of the employees' leaving entitlement	4,964	15,458
Financial charges	3,364	3,491
Actuarial (gains) losses	(6,835)	(2,184)
Total cost of employees' leaving entitlement	**1,493**	**16,765**

The "current cost of the employees' leaving entitlement" together with the "actuarial (gains)/losses" are booked in the income statement under "personnel costs" while the financial component is booked under financial expense for the year.

The following assumptions were used when determining the provision for the agents' termination indemnity:

Actuarial assumptions used for the agents' termination indemnity (FISC)	31 December 2007	31 December 2006
Economic assumptions:		
- discount rate	4.5%	4.0%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	1.0%	1.0%
- probability of voluntary resignation	1.5%-2.0%	1.5%-2.0%
- average retirement age	65	65

The other termination liabilities were not discounted as the effect would not be significant.

18- Financial liabilities

The following table sets out current and non-current financial liabilities:

Non-current financial liabilities €,000	Effective interest rate	Due between 1 and 5 years	Due after 5 years	31 December 2007	31 December 2006
Bonds	Eur3M+0.667%	-	-	241,255	258,975
Convertible bonds	4.37%	-	-	108,327	105,917
Loans	4.195%	-	-	337,128	343,346
Amounts due to suppliers		-	-	-	-
Amounts due to associated companies		-	-	-	-
Amounts due to parent companies		-	-	-	-
Amounts due to affiliated companies		-	-	-	-
Amounts due for lease agreements		-	-	23	33
Amounts due to shareholders for loans		-	-	-	-
Liabilities resulting from derivative instruments		-	-	54,433	36,435
Other financial liabilities		-	-	-	-
Total non-current financial liabilities		**0**	**0**	**741,166**	**744,706**

Financial liabilities include:

- €241,255 thousand representing the amortised cost of the US Private Placement bond issued by Mondadori International SA in December 2003 for an amount of $350 million and composed of three tranches of $215 million, $40 million and $95 million at fixed interest rates of 5.42%, 5.57% and 5.82% respectively having due dates of 2013, 2015 and 2018.

The valuation of the US Private Placement bond was carried out in line with a Cross Currency Swap taken out to hedge foreign exchange and interest rate risks.
The average spread paid on three-month Euribor was 0.636% which corresponds to an effective three-month Euribor spread of 0.667%;

- €54,433 thousand for the fair value of the Cross Currency Swap on US Private Placement debenture loans;
- €108,327 thousand, the amortised cost of the debenture loan convertible into ordinary Mondadori shares issued in October 2003 by Mondadori International SA. Tale, with expiry in October 2008, has a par value of €109.9 million and an annual coupon of 2%.

The conversion can take place for a price equal to €8.2183 for a total number of 13,372,587 Mondadori shares.

The effective interest rate is the result of the application of IAS 32 that requires the separation of the equity option from the debt component, from which the effective financial charges were calculated. This rate is equal to the market rate that would be applied to the issue of non-convertible bonds:

- €37,850 thousand (under loans) for a subsidised long term loan for publishers;
- €299,012 thousand (under loans) for the amortised cost of the pool Term Loan obtained by Mondadori International SA for the purchase of the Emap France Group (approximately €0.6 million of which is recognised under current financial liabilities).

The effective interest rate shown under the item Loans, is the average of the subsidised loans currently held and the effective interest rate on the Term loan.

Amounts payable to banks and other financial payables €,000	Effective interest rate	31 December 2007	31 December 2006
Bank overdrafts		29,537	15,667
Bonds		-	-
Convertible bonds		-	-
Loans	4.482%	107,354	57,944
Amounts due to suppliers		644	575
Amounts due to associated companies		22,452	27,096
Amounts due to parent companies		-	-
Amounts due to affiliated companies		-	-
Amounts due for lease agreements		10	155
Amounts due to shareholders for loans		-	-
Liabilities resulting from derivative instruments		-	-
Other financial payables		7,850	22,319
Total amounts payable to banks and other financial payables		**167,847**	**123,756**

These include:

- €29,537 thousand for current account overdrafts;
- €107,354 thousand for a subsidised short-term loan granted in accordance with the law for publishers and a stand by loan used by Arnoldo Mondadori Editore SpA in December. The stand by lines of credit in existence at 31 December 2007 amounted to €100,000 thousand and were completely used;
- €22,452 thousand for loans to associated companies that utilise the intergroup current account, details of which can be found in the attachment "Balances and transactions with related parties" and financial loans (approximately €12 million) due to associated companies of the Editions Mondadori France Group;
- €7,850 thousand of other debts, including €5,917 thousand for the purchase of the R101 radio station, which is guaranteed by a bank account for the same amount.

All loans granted to the Group are expressed in euros with the exception of the US Private Placement loan which is expressed in US dollars.

No mortgage securities have been given in respect of the US Private Placement debenture loan or the Facility Agreement loan but there exists the obligation to respect of a number of financial covenants that could result, should the obligations not be respected, in the loan being reimbursed in advance.

Financial covenants for the US Private Placement debenture loan are set out below:
- consolidated equity (including treasury shares but excluding minority interests) must be greater than or equal to the sum of €400 million plus 20% of the annual consolidated net profit (beginning with the consolidated net profit for 2003);
- the ratio of net debt to gross operating profit (EBITDA) (calculated for a period of 12 consecutive months) must be less than or equal to 3.00 (for the calculation from 31 December 2007 until 31 March 2008);
- the ratio of net debt to net capitalisation must be less than or equal to 60%.

Net debt is defined as the sum of the Group's gross debt less cash and cash equivalents, that is liquid funds and all financial investments with a duration of less than or equal to 1 year and an average rating of greater than or equal to A-.

The financial covenant for the Facility Agreement loan is as follows:
- the ratio of net debt to gross operating profit (EBITDA) (calculated for a period of 12 consecutive months) must be less than or equal to 3.5.

The quarterly analyses carried out in accordance with the contract have shown that the Mondadori Group has always respected the financial parameters established by the contract.
The subsidised loans were drawn up in accordance with subsidiary loan Law n. 62/01, Law n. 46 of 17 February 1982 (the technology innovation fund) and provincial Law n. 4/81 Chap. II, paragraph III (for the printing works in Cles). These loans are secured by mortgages/sureties and in certain cases require that covenants (or financial parameters) be respected regarding possible variations in the interest rates applied to the loans.

The interest rates for each period are determined on the basis of a fixed rate equal to 50 basis points and a floating rate equal to the six-month Euribor rate. The fixed rate may be subject to variations if the thresholds of the financial parameters described below are exceeded:
- the ratio between net financial debt and gross operating profit must be less than 1.50 (if higher than 1.50, the fixed rate will equal 60 basis points; if higher than 2.25, the fixed rate will equal 75 basis points; if higher than 2.75, the fixed rate will equal 90 basis points);
- the ratio between net financial debt and net equity must be less than 0.95 (if higher than 0.95, the fixed rate will equal 60 basis points; if higher than 1.40, the fixed rate will equal 75 basis points; if higher than 1.70, the fixed rate will equal 90 basis points).

The calculation of these parameters began in December 2005 as a result of the new loan terms introduced in October 2005, and this confirmed that the financial parameters established in the contract were being respected.

Information concerning derivative financial instruments is contained in section 12 – Non-current financial assets.

19- Income tax payables

Income tax payables are made up as follows:

Income tax payables €,000	31 December 2007	31 December 2006
Payables due to tax authorities for IRAP	517	834
Payables due to tax authorities for IRES	950	979
Tax payables due to Fininvest for IRES	42,786	47,869
Total income tax payables	**44,253**	**49,682**

The item "tax payables due to Fininvest for IRES" refers to tax payables owed to Fininvest SpA by the companies participating in the tax consolidation.

20- Other current liabilities

The increase is mainly due to amounts due to pension funds partly as a result of the TFR reforms, the increase in amounts due to tax authorities for VAT and to the amount due for substitutive taxes (€6.3 million) based on the absorption of the deficit from the merger of Mondadori Shop SpA into Mondadori Retail SpA and the absorption of the higher value of fixed assets recognised in the financial statements of Mondadori Printing SpA compared with the fiscal value.

Other current liabilities €,000	31 December 2007	31 December 2006
Customer advances	37,829	42,796
Income tax payables	30,340	15,359
Amounts due to pension funds and social security institutions	38,038	31,950
Other payables	186,876	182,063
Total other current liabilities	**293,083**	**272,168**

The main changes in "Other payables" is due to increases in amounts to payable to authors and collaborators as a result of the good performance in the Book Division.

Other current liabilities - Other payables €,000	31 December 2007	31 December 2006
Payroll and other amounts due to personnel	45,945	40,931
Due to authors and collaborators	55,427	50,749
Due to agents	13,081	13,688
Due to subscription and instalment customers	58,570	61,616
Due to directors and statutory auditors	804	1,689
Prepaid rental income	505	698
Other payables, accrued expense and deferred income	12,544	12,692
Total other payables	**186,876**	**182,063**

21- Trade payables

The composition of and movements in trade payables is described and commented on below:

Trade payables €,000	31 December 2007	31 December 2006
Suppliers	439,127	396,290
Associated companies	36,730	32,800
Parent companies	7	17
Affiliated companies	1,911	5,209
Total trade payables	**477,775**	**434,316**

The increase in accounts due to suppliers is mainly due to an increase in the activities of some business sectors. Precise details of the payables to associated, parent and affiliated companies are contained in the attachment "Balances and transactions with related parties".

There are no trade payables with a due date of more than 5 years and the average payment period in 2007 was 113.8 days (114.8 days in 2006).

22- Revenues from sales and services

It should be noted that on 1 September 2006, the purchase date, the Mondadori France Group was consolidated, therefore it is not possible to make a comparison with the data in the income statement for year 2007.

Revenues from sales and services €,000	2007	2006	Change %
Revenues from the sale of goods:			
- books	356,351	353,351	0.8%
- magazines	708,974	607,745	16.7%
- direct	4,906	1,772	176.9%
- retail	182,118	136,091	33.8%
- other goods	3,280	4,010	(18.2%)
Revenues from services:			
- sales of publishing rights	17,576	16,764	4.8%
- advertising services	454,718	378,966	20.0%
- printing and graphic work	161,494	189,746	(14.9%)
- direct	22,971	22,530	2.0%
- tickets and exhibition organisation	11,207	11,696	(4.2%)
- other services	35,009	27,535	27.1%
Total revenues from sales and services	**1,958,604**	**1,750,206**	**11.9%**

As the table above shows:

- revenues from the sale of books increased slightly thanks to the positive performance of all the publishing houses with the exception of Sperling & Kupfer, which had a very difficult 2007;
- magazines registered a positive performance thanks to Mondadori France. On a like-for-like basis, also taking into account the different ways of recognising third-party magazine distribution compared with 2006 (increased revenues in the previous year for €73.8 million), the data for 2007 would be in line with the previous year;

- the increase in direct marketing thanks to the contribution from Mondadori France. On a like-for-like basis this would be equal to a 59% decrease;
- the increase in the retail sector is due to the opening of nine new sales outlets, but above all to the consolidation of Mondadori Shop SpA (formerly Messaggerie Musicali SpA), without which the increase would be around 10.6%.

Among revenues from services there was a decrease in those from printing and packaging, which allowed the Group's plant to increase captive production. The increase in advertising revenues was due to the French subsidiary, without which the figure would be 2.3%.

23- Costs of raw materials and consumables and goods for resale

Despite the increase due to the consolidation of Mondadori France, which mainly concerns "Paper", there was a decrease in this item mainly as a result of a decrease in the volume of add-on sales linked to titles edited by the Group and to the different method of recognising third-party magazine distribution, which in 2007 was recognised at a premium rather than under costs and revenues. This criteria resulted in an increase in costs in 2006 for €73.8 million.

Cost of raw materials and consumables and goods for resale €,000	2007	2006
Paper	229,082	207,581
Electricity, water, gas, fuel	20,712	19,574
Other production materials	38,319	37,469
Total cost of raw materials	**288,113**	**264,624**
Goods for resale	166,128	207,019
Consumption and maintenance materials	6,098	6,037
Others	27,203	24,680
Total cost of consumable materials and goods for resale	**199,429**	**237,736**
Total cost of raw materials and consumables and goods for resale	**487,542**	**502,360**

24- Cost of services

The "Cost of services" increased compared with 2006, mainly due to the contribution from Mondadori France, particularly in the cost of printing and finishing, subscription costs and in advertising costs.

Cost of services €,000	2007	2006
Rights and royalties	149,979	146,590
Third-party consultancy and collaboration	77,895	64,145
Commissions	52,724	54,618
Third-party processing	180,558	155,879
Transport and shipping	60,939	62,803
Purchase of advertising space and publicity expense	72,255	59,804
Travel and other expense reimbursements	14,963	11,975
Maintenance	14,120	10,288
Warehousing and porter costs	11,172	6,780
Postal and telephone	10,124	7,299
Catering and cleaning services	10,928	9,977
Market research	5,621	5,402
Insurance	5,318	4,852
Subscriptions management	55,843	25,805
Publisher's share	63,374	58,018
Job order services	6,275	7,083
Bank services and commission	2,161	1,470
Directors' and statutory auditors' fees	4,576	4,380
Other services	35,427	32,439
Total cost of services	**834,252**	**729,607**

"Directors' and statutory auditors' fees" represent the fees paid to Directors and Statutory Auditors for €4,107 thousand and €469 thousand respectively.

25- Personnel costs

These are made up of:

Personnel costs €,000	2007	2006
Salaries and wages	256,566	211,731
Stock options	2,327	2,378
Social charges	76,986	61,469
Leaving entitlement and increase in TFR fund	(1,871)	13,274
Leaving entitlement destined to supplementary pensions	11,493	-
Termination indemnities and similar	21	11
Other	27,430	13,188
Total personnel costs	**372,952**	**302,051**

"Personnel costs" increased by 23.4%, due to the presence of Mondadori France and Mondadori Shop SpA, purchased in the second half of 2006. On a like-for-like basis the cost of personnel would have increased by around 4%, partly as a result of the positive effects of the different accounting methods introduced as a result of the new regulations concerning leaving entitlements, equal to approximately €4.5 million.

The data relating to the number of personnel is entered using different consolidation perimeters, making it of little significance. However, there is a decrease of over 80 in the overall figures, mainly due to company reorganisation at the Verona and Melzo printing plant.

Personnel	At 31 December 2007	At 31 December 2006	Average 2007	Average 2006
Managers	188	193	188	183
Journalists	998	950	994	940
White-collars and intermediates	3,179	3,221	3,168	2,651
Blue-collars	1,221	1,304	1,251	1,325
Total	**5,586**	**5,668**	**5,601**	**4,799**

Information about Stock Option Plans

Following the expiry of the Stock Option Plan for the period 2003-2004-2005, the Shareholders' Meeting of Arnoldo Mondadori Editore SpA of 26 April 2006 resolved to set up a new three-year Stock Option Plan regarding the company's shares commencing in 2006. The Plan is directed at managers of the company and its subsidiaries whose activities have a determining impact on the attainment of the Group's strategic objectives, together with directors of the company and of associated companies, journalists employed by the company and its subsidiaries who are editors or deputy editors of titles and managers of the parent company who carry out their activities in favour of the company.

The Shareholders' Meeting entrusted the Board of Directors with the task of managing the Plan, granting the Board all the powers necessary for identifying the participants, establishing performance objectives, allocating option rights and carrying out the Plan itself in all its aspects. Shareholders also entrusted the Board with the task of defining the Regulations for implementing the Stock Option Plan.

In particular, the regulations for the plan for 2006/2007/2008, approved by the Board of Directors in July 2006, provide, for every year the Plan is in force, for the allocation to the participants in the Plan of rights to options, which are personal and not transferable, for the purchase of ordinary Mondadori SpA shares in the ratio of one share, with regular dividend, for every option exercised.
The price of the options are determined by the Board of Directors with reference, in accordance with the relevant fiscal regulations, to the "normal value" of the shares and corresponding to the average official price for Mondadori shares in the period from the grant date of the options to the same day in the previous calendar month.
The options can only be exercised, in a single act, during the specified period, as illustrated in the table below, beginning from the specific vesting period of 36 months after the assignment of the options. The Regulations further specify that the Board identifies the conditions for exercising the options granted to the participants with reference to the performance parameters of an economic and/or financial nature on an annual basis; the fulfilment of the conditions for exercising the options is verified by the Board, for each year in which the Plan is in force, by the end of the first half of the year after that in which the options are granted.

As with the Plans referring to previous years, the Board has identified the performance parameters of an economic and/or financial nature for the Stock Option Plan 2006-2008 as being ROE and Free-cash flow.
In 2007 the period for exercising the options relatives to the previous Stock Option Plans approved by the Shareholders' Meeting for the three-year periods 2003/2004/2005 was established as:

- options assigned in 2003 can be exercised between 1 January 2006 and 31 December 2007;
- options assigned in 2004 can be exercised between 1 January 2007 and 31 December 2008.

No provision was made for granting loans or other subsidies for the purchase of shares, in accordance with article 2358, paragraph 3 of the Civil Code.

The following table illustrates the situation at 31 December 2007 regarding the total number of options that have been granted and can still be exercised, the price and the exercise term:

Stock option	2003	2004	2005	2006	2007
In circulation at 1/1/2007	545,000	2,110,000	2,565,000	2,630,000	-
- assigned during year	-	-	-	-	2,940,000
- cancelled during year	-	(50,000)	(80,000)	(60,000)	(80,000)
- exercised during year	(450,000)	(675,000)	-	-	-
- expired during year	(95,000)	-	-	-	-
In circulation at 31/12/2007	-	1,385,000	2,485,000	2,570,000	2,860,000
Exercise term	1/1/2006-31/12/2007	1/1/2007-31/12/2008	24/6/2008-23/6/2011	18/7/2009-17/7/2012	26/6/2010-25/6/2013
Exercise price in €	6.471	7.749	7.87	7.507	7.458
Exercisable at 31/12/2007	-	1,385,000	-	-	-

The weighted average price of the shares at exercise date, for the options exercised during the year, was €7,271.

Options granted after 7 November 2002 have been measured at their fair value on the basis of a numerical calculation based on binomial trees and utilising the following parameters:

Parameters for the option measuring model	2003	2004	2005	2006	2007
Exercise price of the option	6.471	7.749	7.87	7.507	7.458
Option term (residual period)	0	1	3.5	4.6	5.5
Market price of the underlying shares at the grant date in euros	6.234	7.793	7.865	7.415	7.15
Expected volatility of share price	30.00%	20.00%	18.45%	19.45%	17.00%
Dividend yield	4.00%	4.00%	4.45%	4.72%	4.90%
Risk free interest rate for the option term	2.80%	3.50%	2.65%	4.00%	4.80%

The cost of share-based payments recognised in the income statement for the year, booked under the item "Personnel costs", amounted to €2,327 thousand.

26- Other (income) expense

This item is made up as follows:

Other (income) expense €,000	2007	2006
Other revenues and income	(66,281)	(70,296)
Cost of use of third-party assets	44,336	29,855
Various operating costs	35,704	25,793
Total other (income) expense	**13,759**	**(14,648)**

"Other revenues and income" decreased mainly as a result of the decrease in "Recovery of third-party expense", which is due to the different methods of valuing third-party magazine distribution.

The balance for 2007 includes capital gains of €15.9 million, from the disposal of real estate and a magazine title. In 2006 there were capital gains of €13.1 million from the disposal of the leasing contract for the shop in Milan in Corso Vittorio Emanuele.

Other (income) expense - Other revenues and income €,000	2007	2006
Revenue grants	14	1,471
Capital gains on disposal of fixed assets	16,872	1,770
Supplier rebates and other third-party contributions	6,516	5,450
Insurance reimbursements	136	170
Rental income	1,664	1,446
Prior year income	5,041	2,916
Expense recovered from third parties	18,725	28,636
Others	17,313	28,437
Total other revenues and income	**66,281**	**70,296**

The increase in "Rent payable" was partly due to Mondadori France and partly to the new bookshops opened by Mondadori Retail SpA, including the logistically important Multicenter in Piazza Duomo in Milan.

Other (income) expense - Cost of third party assets €,000	2007	2006
Rental expense	35,636	22,730
Data processing, leasing and hire purchase payments	7,376	5,722
Others	1,324	1,403
Total cost of third party assets	**44,336**	**29,855**

The increase in "Various management expense" was largely due to the different consolidation period compared with the previous year for the French subsidiary, and also included increased provisions for risks and future losses.

Other (income) expense - Other operating costs €,000	2007	2006
Compensation and settlements	2,007	2,088
Bad debts	7,866	5,333
Charges to provisions	22,055	16,335
Utilisation of provisions	(15,954)	(16,239)
Contributions and grants	2,552	2,454
Prior year expense	2,440	1,428
Capital losses on the sale of fixed assets	83	59
Information material, entertainment expense and gifts	5,630	4,721
Taxes and dues	6,202	6,039
Other expense	2,823	3,575
Total other operating costs	**35,704**	**25,793**

27- Results of investments accounted for using the equity method

The table below shows the details of the results for 2007 and 2006 of companies valued at net equity. In 2007 no impairment test provisions were made, while in 2006 provisions of €4 million were made for Attica Publications.

Income (expense) from investments accounted for using the equity method €,000	2007	2006
- Hearst Mondadori Editoriale Srl	489	317
- Gruner + Jahr/Mondadori SpA	3,184	2,022
- Harlequin Mondadori SpA	348	145
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	(181)	(77)
- ACI Mondadori SpA	571	341
- Mondadori Rodale Srl	738	464
- Attica Publications SA	1,472	(4,250)
- Società Europea di Edizioni SpA	(8,953)	653
- Grupo Editorial Random House Mondadori SL	6,936	5,810
- Edizioni Electa Bruno Mondadori Srl	115	148
- Mach 2 Libri SpA	517	432
- Venezia Musei Società per i servizi museali Scarl	-	1
- Edizioni EL Srl	469	388
- Press TV SpA	-	(896)
- BoL Books on Line Italia SpA	-	615
- Mondolibri SpA	533	477
- Venezia Musei Scarl (in liquidation)	-	(6)
- Venezia Accademia Scarl	(14)	-
- Rock FM Srl	(376)	(313)
- Consorzio Forma	-	(1)
- Consorzio Covar	(1)	-
- Editions Mondadori Axel Springer SNC	4,280	2,111
- Top Santé VOF	(786)	(26)
Total income (expense) from investments accounted for using the equity method	**9,341**	**8,355**

28- Financial income (expense)

The net negative balance of €35,717 thousand is linked to the decrease in income from stocks, due to a reduction in the cash and cash equivalents invested compared with 2006 and to financial expense deriving from the increase in financial debt (both of which are linked to the purchase of the Emap France Group).

This item is made up as follows:

Financial income (expense) €,000	2007	2006
Interest from banks and post offices	4,089	1,912
Interest from associated companies	439	402
Interest from other companies	42	305
Interest from bonds and loans	-	-
Financial income from derivative instrument operations	3,604	6,041
Other interest and financial income	2,218	3,479
Total interest income and other financial income	**10,392**	**12,139**
Interest to banks	1,112	538
Interest to associated companies	956	488
Interest to other companies	468	193
Interest paid for bonds, mortgages and loans	40,220	27,696
Financial expense from derivative instrument operations	217	458
Financial charges from discounting assets/liabilities	3,392	3,491
Other interest paid and financial expense	1,315	1,450
Total interest expense and other financial expense	**47,680**	**34,314**
Realised foreign exchange gains	276	536
Unrealised foreign exchange gains	26	108
Realised foreign exchange losses	(917)	(639)
Unrealised foreign exchange losses	(597)	(190)
Total profit (loss) on foreign exchange operations	**(1,212)**	**(185)**
Income (expense) from share valuations	2,783	9,043
Capital gains on share disposals	-	1,322
Losses on share disposals	-	(462)
Total financial income (expense) deriving from shares	**2,783**	**9,903**
Total financial income (expense)	**(35,717)**	**(12,457)**

29- Income (expense) from other investments

The following table includes expense and income from third-party investments, while capital gains relate to the liquidation of Euromedia Luxembourg Two SA.

Income (expense) from other investments €,000	2007	2006
Dividends	-	-
Revaluations	-	-
Writedowns	(2)	(3)
Capital gains from disposals/liquidations of investments and businesses	12	32
Capital losses on disposals/liquidations of investments and businesses	-	(4)
Total income (expense) from other investments	**10**	**25**

30- Income taxes

Income taxes for 2007 and 2006 are set out in the following table:

Income taxes €,000	2007	2006
IRES tax on income for the year	65,240	50,998
IRAP for the year	18,036	19,864
Total current taxes	**83,276**	**70,862**
Deferred tax (income) expense - IRES	(6,316)	8,395
Deferred tax (income) expense - IRAP	(895)	(393)
Total deferred tax (income) expense	**(7,211)**	**8,002**
Total income taxes	**76,065**	**78,864**

The total decreased compared with the previous year due to the following factors:

- the consolidation for the entire year of the Mondadori France Group that resulted in an increase in the tax burden for approximately €6.8 million;
- the combined effect of substitutive taxes recognised to offset the absorption of the deficit from the merger of Mondadori Shop SpA into Mondadori Retail SpA and from the absorption of the higher value of the fixed assets recognised in the financial statements of Mondadori Printing SpA compared with the fiscal values, as well as the utilisation of the relative deferred tax recognised in previous years;
- the adjustment of advanced and deferred taxes to the new fiscal rates introduced by the 2008 Finance Law.

Reconciliation between the tax charge in the Consolidated Financial Statements and the theoretical tax charge

Amounts expressed in €,000	2007 Profits before taxes	2007 Taxes	2007 Current tax rate	2006 Profits before taxes	2006 Taxes	2006 Current tax rate
Theoretical IRES tax charge	189,499	62,535	33.00%	188,977	62,362	33.00%
Theoretic IRAP tax charge	189,499	8,053	4.25%	188,977	8,032	4.25%
Total theoretical tax charge/rate		**70,588**	**37.25%**		**70,394**	**37.25%**
Actual IRES tax charge		58,924	31.09%		59,393	31.43%
Actual IRAP tax charge		17,141	9.05%		19,471	10.30%
Actual tax charge/effective tax rate		**76,065**	**40.14%**		**78,864**	**41.73%**
Theoretic tax charge/rate		**70,588**	**37.25%**		**70,394**	**37.25%**
Effect relative to loss-making subsidiaries		336	0.18%		-	-
Effect deriving from absorption of higher value of intangible assets and materials net of substitutive taxes		(8,536)	(4.50%)		-	-
Effect of utilisation of tax losses from previous years		-	-		(2,749)	(1.45%)
Effect of differences of tax rates on taxable income of foreign subsidiaries		1,084	0.57%		(2,617)	(1.38%)
Net effect of other permanent differences		3,505	1.84%		2,397	1.27%
Effect of different IRAP tax base		9,088	4.80%		11,439	6.04%
Actual tax charge/effective tax rate		**76,065**	**40.14%**		**78,864**	**41.73%**

If the distribution of dividends proposed by the Board of Directors on 20 March 2008 is approved by shareholders, this will not result in any tax charge for the Mondadori Group, since all tax obligations have already been paid on the profits in question.

31- Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the Group by the average number of ordinary shares outstanding during the period.

	2007	2006
Net profit for the period (€,000)	112,639	108,960
Average number of ordinary shares outstanding (thousands)	241,030	240,656
Basic profit per share (€)	**0.467**	**0.453**

Diluted earnings per share is calculated by dividing the net profit for the period attributable to the Group by the average number of ordinary shares outstanding during the period. The average is adjusted by assuming that all the potential shares arising from the convertible bond are converted and subscribed by the end of the period.

	2007	2006
Net profit for the period (€,000)	112,639	108,960
Average number of ordinary shares outstanding (thousands)	241,030	240,656
Number of options with dilutive effect (thousands)	13,373	13,457
Diluted earnings per share (€)	**0.456**	**0.442**

32- Commitments and contingent liabilities

At 31 December 2007 the Mondadori Group had made commitments for a total of €133,871 thousand (€155,036 thousand at 31 December 2006), including €1,690 thousand represented by purchase contracts for plant and machinery (€8,661 thousand at 31 December 2006).

The decrease in the amount compared with the previous year is mainly due to the value of sureties issued for requests for the reimbursement of VAT credits (€66,380 thousand in 2007 and €58,603 thousand in 2006) and for future purchase/sales contracts for foreign currencies (€10,375 thousand in 2007 and €5,907 thousand in 2006).

33- Non-recurring expense (income)

In accordance with CONSOB resolution n. 15519 of 27 July 2006, during the year the Mondadori Group earned net non-recurring income of €21,372 thousand from:

- the disposal of real estate and titles (€15.9 million);
- the application of new TFR regulations from the beginning of the year (€4.5 million);
- overall fiscal effects (€0.9 million) due to:
  - the operations described;
  - the effect of the substitutive taxes recognised in the absorption of the deficit from the merger of Mondadori Shop SpA into Mondadori Retail SpA and from the absorption of the higher value of fixed assets recognised in the financial statements of Mondadori Printing SpA compared with the fiscal values, as well as the utilisation of the relative deferred taxes recognised in previous years;
  - the adjustment of advanced and deferred taxes to the new fiscal rates introduced in the 2008 Finance Law.

The data referring to 2006 mainly includes income from the disposal of company divisions and real estate.

34- Related parties

Operations carried out with related parties, including intragroup operations, cannot be qualified as either atypical or unusual since they are part of the normal business activities of the Group companies. These operations, when they are not carried out under normal conditions or if they are dictated by specific regulations, are in any case carried out under market conditions.

Compared with 2006, the economic balances relating to related parties cannot be compared with the data from the previous year due to the different method of recognising magazine distribution, which was recognised at a premium rather than under costs and revenues.

Benefits for managers with strategic responsible for companies

Managers who are responsible for planning, managing and controlling the business activities of the Mondadori Group form the Group's Management Committee.

Directors	
Maurizio Costa	Deputy Chairman and Chief Executive
Carlo Maria Vismara	Chief Financial Officer
Managers	
Roberto Briglia	General Manager of Magazine Division
Rossella Citterio	Head of External Relations and Communications
Alberto De Matthaeis	Managing Director of Mondadori Printing
Arnaud de Puy Fontaine	Chairman of Mondadori France SAS
Ernesto Mauri	General Manager of Mondadori France SAS
Gianarturo Ferrari	General Manager of Book Division
Eduardo Giliberti	Chairman of Mondadori Pubblicità
Angelo Sajeva	Managing Director of Mondadori Pubblicità
Carlo Luigi Mandelli	Managing Director of Monradio
Gianfranco Righi	Head of Personnel, Organisation and IT
Renato Rodenghi	Head of Direct Division, Managing Director of the companies of the Direct Division and Chairman of Mondadori Franchising
Gianni Vallardi	General Manager of Magazines Italy

The total remuneration made by Arnoldo Mondadori Editore SpA of the Group's subsidiary companies to executives with strategic responsabilities amounted to €14.6 million.

Balances and transactions with related parties at 31 December 2007

(€,000)	Trade receivables	Financial receivables	Trade payables
Parent companies:			
- Fininvest SpA	5	-	7
Associated companies:			
- Gruner + Jahr/Mondadori SpA	2,399	1,809	13,989
- Mach 2 Libri SpA	20,364	-	388
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	281	-	-
- Venezia Accademia Scarl	-	24	101
- Venezia Musei Società per i servizi museali Scarl	553	-	433
- Hearst Mondadori Editoriale Srl	1,287	-	4,031
- Harlequin Mondadori SpA	1,618	168	5
- Mondadori Rodale Srl	2,275	2,407	5,836
- Group Attica	146	-	1
- Rock FM Srl	93	3,474	52
- Euromedia Luxembourg SA (liquidated)	-	-	-
- BoL Books on Line Italia Srl (liquidated)	-	-	-
- Edizioni Electa Bruno Mondadori Srl	289	520	73
- Edizioni EL Srl	631	-	3,668
- Grupo Editorial Random House Mondadori SL	212	1,523	60
- Società Europea di Edizioni SpA	1,682	-	3,005
- ACI Mondadori SpA	2,073	-	3,012
- Consorzio COVAR	4	-	-
- Mondolibri SpA	5,680	-	1,254
- Roccella Scarl	75	228	119
- Campania Arte Scarl	17	134	31
- EMAS SNC	1,298	1,271	672
- Top Santé VOF	-	-	-
Total associated companies	40,977	11,558	36,730

Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other income expense	Financial income expense
-	42,786	3	-	10	34	-
706	-	5,297	153	13,877	(893)	(151)
-	-	34,789	79	1,726	-	(3)
-	-	-	-	1,107	(1)	-
-	-	-	-	170	-	-
-	-	529	251	856	(3)	-
170	-	4,251	4	7,320	(470)	(31)
5,445	-	959	10,714	11	(200)	(147)
948	-	8,787	9	9,932	(593)	(51)
-	-	174	-	5	(5)	-
-	-	111	-	148	(180)	137
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	541	-	73	-	27
-	-	703	5,750	29	(556)	-
-	-	312	-	101	(3)	147
-	-	5,718	276	18,148	(213)	-
3,187	-	7,196	50	4,717	(583)	(94)
-	-	-	-	-	-	-
-	-	12,916	208	2,854	(1,450)	-
-	-	(29)	5	9	-	-
-	-	17	-	57	-	-
11,996	-	3,834	20	279	(1,998)	(339)
-	-	-	-	-	-	(12)
22,452	**0**	**86,105**	**17,519**	**61,419**	**(7,148)**	**(517)**

Balances and transactions with related parties at 31 December 2007

(€,000)	Trade receivables	Financial receivables	Trade payables
Affiliated companies:			
- Pagine Utili Srl	699	-	-
- RTI SpA	820	-	860
- Publitalia '80 SpA	212	-	483
- Medusa Video SpA	25	-	385
- Promoservice Italia Srl	183	-	134
- Fininvest Gestione Servizi SpA (formerly Finedim Italia SpA)	2	-	-
- Il Teatro Manzoni SpA	2	-	10
- Mediolanum Vita SpA	-	-	-
- Mediolanum SpA	194	-	-
- Banca Mediolanum SpA	58	-	-
- Medusa Film SpA	12	-	12
- Alba Servizi Aerotrasporti SpA	-	-	-
- Radio e Reti Srl	14	-	24
- Isim SpA	-	-	2
- Consorzio Aeromobili Fininvest	-	-	-
- Videotime SpA	11	-	-
- Mediaset SpA	63	-	-
- A.C. Milan SpA	-	-	1
- Eis Roma Srl	-	-	-
- Eis Srl	-	-	-
- Elettronica Industriale SpA	5	-	-
- Medusa Multicinema Srl	1	-	-
- Publieurope Ltd	-	-	-
- Consorzio Campus Multimedia In-Formazione	-	-	-
- Media Shopping SpA	206	-	-
- Medusa Cinema SpA	3	-	-
- Mediolanum Comunicazione SpA	-	-	-
Total affiliated companies	**2,510**	**0**	**1,911**
Total related parties	**43,492**	**11,558**	**38,648**
Percentage of financial statements	**9.0%**	**7.8%**	**8.1%**

Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other income expense	Financial income expense
-	-	1,791	-	-	(15)	-
-	-	2,894	17	120	(201)	-
-	-	233	-	14,948	-	-
-	-	5	3	591	(5)	-
-	-	26	-	194	-	-
-	-	-	-	-	-	-
-	-	7	-	26	8	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	324	-	-	-	-
-	-	26	-	23	-	-
-	-	-	-	-	104	-
-	-	31	-	41	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	10	-	-	(6)	-
-	-	3	-	-	(36)	-
-	-	-	-	-	13	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5	-	-	-	-
-	-	1	-	-	-	-
-	-	-	-	-	-	-
-	-	30	-	15	(15)	-
-	-	458	-	13	-	-
-	-	3	-	-	-	-
-	-	163	-	-	-	-
0	0	6,010	20	15,971	(153)	0
22,452	42,786	92,118	17,539	77,400	(7,267)	(517)
13.4%	96.7%	4.7%	3.6%	9.3%	47.6%	1.6%

Balances and transactions with related parties at 31 December 2006

(€,000)	Trade receivables	Financial receivables	Trade payables
Parent companies:			
- Fininvest SpA	13	-	17
Associated companies:			
- Gruner + Jahr/Mondadori SpA	2,604	1,476	13,186
- Mach 2 Libri SpA	18,763	2,597	455
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	534	-	-
- Venezia Accademia Scarl	-	2	122
- Venezia Musei Società per i servizi museali Scarl	167	-	136
- Hearst Mondadori Editoriale Srl	1,595	-	3,435
- Harlequin Mondadori SpA	1,834	110	-
- Mondadori Rodale Srl	3,133	-	5,440
- Attica Group	152	-	1
- Rock FM Srl	60	2,897	54
- Euromedia Luxembourg SA	-	-	-
- BoL Books on Line Italia Srl	-	-	-
- Edizioni Electa Bruno Mondadori Srl	214	681	-
- Edizioni EL Srl	591	-	3,239
- Grupo Editorial Random House Mondadori SL	167	3,937	117
- Società Europea di Edizioni SpA	4,622	-	2,088
- ACI Mondadori SpA	2,541	-	2,715
- Press TV SpA	55	2,181	85
- Consorzio COVAR	4	-	-
- Mondolibri SpA	5,273	-	640
- Roccella Scarl	-	225	96
- Campania Arte Scarl	-	134	-
- EMAS SNC	1,250	4,203	991
Total associated companies	**43,559**	**18,443**	**32,800**

Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other income expense	Financial income expense
-	47,869	12	-	7	13	-
2,903	-	3,893	35,176	13,753	(3,018)	(103)
-	-	36,348	-	1,766	(4)	-
-	-	17,593	-	1,848	6	-
-	-	(3)	-	234	-	-
-	-	289	22	756	(6)	-
589	-	4,717	3,100	7,593	(1,033)	(17)
5,133	-	290	10,173	-	(340)	(92)
1,551	-	8,752	9,875	10,638	(2,777)	(53)
-	-	105	-	1	(31)	-
-	-	131	-	181	-	77
1,916	-	-	-	-	-	-
9	-	-	-	-	-	-
-	-	719	-	-	-	16
-	-	480	5,080	46	(480)	-
-	-	405	-	183	-	195
-	-	12,713	222	17,380	(172)	-
3,077	-	6,889	5,285	4,566	(1,573)	(51)
291	-	1,863	1,793	181	(301)	104
-	-	-	-	-	-	-
-	-	13,503	191	2,327	(1,425)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,627	-	-	2	20	(317)	(162)
27,096	**0**	**108,687**	**70,919**	**61,473**	**(11,471)**	**(86)**

Balances and transactions with related parties at 31 December 2006

(€,000)	Trade receivables	Financial receivables	Trade payables
Affiliated companies:			
- Pagine Utili Srl	949	-	15
- RTI SpA	1,541	-	2,009
- Publitalia '80 SpA	90	-	1,838
- Medusa Video SpA	17	-	1,104
- Promoservice Italia Srl	380	-	10
- Fininvest Gestione Servizi SpA (formerly Finedim Italia SpA)	5	-	-
- Il Teatro Manzoni SpA	2	-	13
- Mediolanum Vita SpA	-	-	-
- Mediolanum SpA	46	-	-
- Banca Mediolanum SpA	-	-	-
- Medusa Film SpA	25	-	-
- Alba Servizi Aerotrasporti SpA	-	-	43
- Radio e Reti Srl	142	-	153
- Isim SpA	-	-	2
- Consorzio Aeromobili Fininvest	-	-	-
- Videotime SpA	5	-	-
- Mediaset SpA	47	-	-
- A.C. Milan SpA	-	-	-
- Eis Roma Srl	-	-	-
- Eis Srl	-	-	-
- Elettronica Industriale SpA	-	-	4
- Medusa Multicinema Srl	-	-	-
- Publieurope Ltd	-	-	3
- Consorzio Campus Multimedia In-Formazione	15	-	15
- Media Shopping SpA	177	-	-
Total affiliated companies	3,441	0	5,209
Total related parties	47,013	18,443	38,026
Percentage of financial statements	9.8%	8.9%	8.8%

Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other income expense	Financial income expense
-	-	2,650	-	15	(41)	-
-	-	1,285	1,888	371	(435)	-
-	-	110	-	13,626	-	-
-	-	12	116	1,257	(5)	-
-	-	-	-	8	(250)	-
-	-	5	-	-	18	-
-	-	6	-	26	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	258	-	-	-	-
-	-	48	-	(42)	-	-
-	-	-	-	-	163	-
-	-	560	-	408	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	6	-	-	(7)	-
-	-	48	-	-	-	-
-	-	-	-	-	13	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	7	-
-	-	-	-	-	-	-
-	-	-	-	4	-	-
-	-	-	-	30	(15)	-
-	-	175	-	23	-	-
0	0	5,163	2,004	15,726	(552)	0
27,096	47,869	113,862	72,923	77,206	(12,010)	(86)
21.9%	96.4%	6.5%	14.5%	10.6%	82.0%	0.7%

35- Financial risk management and other information required by the application of IFRS 7

When carrying out its business activities the Mondadori Group finds itself exposed to various financial risks, such as interest rate risk, exchange rate risk, price risk, credit/counterparty risk, issuer risk and liquidity risk.

The Group has drawn up a "General Policy for Financial Risk Management" aimed at regulating and defining financial risk management, and it has also made provision for setting up a Risk Committee whose task it will be to define any eventual modifications. The Policy has been adopted by the parent company, Arnoldo Mondadori Editore SpA, and all Group companies.

The Mondadori Group analyses and measures its expose to financial risks in order to define its management and hedge strategies. The Group uses the following means of measuring the risks it is liable to:

- sensitivity analyses of positions subject to risk, which consist in analysing mark to market variations and/or future cash flow variations in relation to small variations in risk factors;
- value at risk, to measure the maximum possible loss for a specific position or a specific portfolio in a specific temporal period and with a specific level of probability.

The overall objective of the Policy is to minimise financial risks by using the best instruments offered by the market. Transactions in financial derivative instruments are only used to hedge the financial risks the company is exposed to, arising directly from Arnoldo Mondadori Editore SpA or from companies belonging to the subsidiary.
Transactions in financial instruments that are merely speculative are not permitted.

The management and monitoring of risks is carried out by company employees and representatives who produce specific reports at pre-established times.

<u>Interest rate risk</u>
Interest rate risks can be defined as the possibility that losses may be incurred in financial management, in terms of a decrease in returns from a business activity or an increase in the costs of a liability (either already existing or potential) as a consequence of variations in interest rates.

Interest rate risk therefore represents the uncertainty associated with interest rates. The fundamental objective of interest rate risk management is to immunize the Group's financial position from variations in market taxes by keeping the volatility of interest rates under constant surveillance and managing in a prudent manner the risk and return profiles of business activities and of the Group's financial liabilities, within the framework of asset and liability management.
The Group's exposure to this type of risk mainly arises from its medium-long term loans, in particular the bond denominated in US dollars (US Private Placement) underwritten by American institutional investors and the loan granted by a pool of international banks for the purchase of the Emap France Group (hereafter referred to as "Club Deal").

In the case of the former, in order to hedge the fair risk value, in October 2003 the Group entered a Cross Currency Swap agreement for the same amount and with the same due date, that converts the fixed interest rate into a floating interest rate and the dollar exposure into a Euro exposure. Given the changes in the Group's net financial position due to the purchase of the Emap France Group, during 2006 it was decided to balance the exposure to interest rate risks through an interest rate swap operation on 50% of the Club Deal, an operation that transformed part of the floating rate into a fixed rate. The characteristics of the debit are detailed in note 18, "Financial liabilities".

The following table illustrates the results of the sensitivity analysis carried out on interest rate risks, with an indication of the impact on the income statement, as requested by IFRS 7.

Sensitivity analysis (€m)	Underwritten	Increase/(decrease) in interest rates	Revenues (charges)	Increase/ (decrease) in net equity
2007	(372.4)	1%	(0.3)	4.5
2006	(97.9)	1%	2.3	5.8
2007	(372.4)	(1%)	0.3	(4.5)
2006	(97.9)	(1%)	(2.3)	(5.8)

In identifying the potential impact linked to positive and negative variations in interest rate taxes, floating-rate loans (subsidised loans for publishers, short-term lines of credit), non-hedged notional loans for the Club Deal are analysed separately from fixed-rate loans (US Private Placement).
With floating-rate loans, the impact of the sensitivity analysis refers to the future cash flow while in the case of fixed-rate liabilities it refers to variations of fair value.

The basic assumptions of the sensitivity analysis are:
- an initial parallel shift of the interest curve of ± 100 basis points;
- in calculating the variations associated with floating-rate financial instruments, it is assumed that no interest rates have already been fixed;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for comparative reasons, the same measurements are carried out on both the current year and the previous year.
- the sensitivity analysis on shares held for trading, managed by the Luxembourg Sicav ABS Finance Fund and concerning monetary investments with floating interest rates, was carried out by applying an initial parallel shift of the interest rate curve of ± 100 base points.

Exchange rate risk

Exchange rate risks can be defined as an accumulation of negative effects on profit margins or the value of an asset or a liability as a result of variations in exchange rates . While the Mondadori Group is present on the international stage, it does not have a significant exposure to currency exchange rate risks since the Euro is the currency used by the main business areas of the Group.

In order to hedge the currency exchange risk deriving from the sale of American dollars and sterling, as a result of the production and printing of publishing products by subsidiaries, the Group has underwritten forward sales contracts for the currencies in question.

Even though these contracts refer to hedging operations, they do no fully satisfy the requirements of international accounting principles to be recognised as hedge accounting, therefore they are recognised as derivative trading.

The Group's policy is to hedge a percentage of the positions included in the budget and all orders received.

The fundamental objective of exchange rate risk management is to hedge exchange risks for Group companies and divisions in order to protect the Group's operational profitability when faced with negative exchange rate movements. With this aim, the company has underwritten forward purchase/sales contracts for American dollars and sterling for an amount of between 50% and 100% of its exposure to exchange rate risks deriving from anticipated commercial transactions.

Exchange rate risks deriving from bond loans in American dollars is completely covered, as outlined above, by a cross currency swap agreement.

During 2006 and 2007 the type of exposure and the hedge policy adopted for exchange rate risks was similar to previous years.

The results of the sensitivity analysis carried out on exchange rate risks showed that there was no significant economic impact, as a result of the low level of the average exposure in 2006 and 2007.

Shareholders' equity was not affected since the derivative instruments used for managing the exchange rate risk were not subject to hedge accounting.

The basic assumptions of sensitivity analyses are:
- the exchange rate shock at the time the financial statements were drawn up was the same for all the currencies where the company has exposures and was equal to ± 10%;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for comparative reasons, the same measurements are carried out on both the current year and the previous year.

Liquidity risk

Liquidity risk is defined as the possibility that the Group may not be able to honour its payment commitments as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby forcing it to bear very high costs in meeting its financial commitments. The Group's exposure to this risk is represented above all by current financial operations. The company currently has medium-long term loans (bonds, convertible bonds, subsidised loans) with banks and non-banking financial institutions, while if necessary the company can use the short-term bank guarantees that have already been granted. The Group's objective is to constantly maintain balance and flexibility between financial sources and commitments. Details of the characteristics of current and non-current financial liabilities are contained in note 18, "Financial liabilities".
At 31 December 2007, the Mondadori Group's liquidity risk could be managed by using the following resources:

- bank and post office deposits totalling €225.1 million;
- an investment portfolio in liquidity held by Editions Mondadori France, for a total of €11.6 million;
- an investment portfolio managed by the Luxembourg Sicav ABS Finance Fund, 80% of which can be turned into cash within one month;
- committed credit lines (guarantees) for around €1,050.9 million (€200 million of which has not been used) and uncommitted credit lines for €432.2 million (€402.7 million of which has not been used);
- cash pooling contracts.

The following table illustrates the company's exposure to liquidity risks and an analysis of the maturity periods.

Liquidity risk	**Analysis of maturity periods at 31 December 2007**						
(€m)	< 6 months	6 – 12 months	1 – 2 years	2 – 5 years	5 – 10 years	> 10 years	Total
Trade payables	441.0	-	-	-	-	-	441.0
Medium-long term loans	18.7	129.9	34.7	383.7	220.6	68.2	855.8
Other financial liabilities:							
- committed lines	2.3	101.8	-	-	-	-	104.1
- uncommitted lines	32.0	6.0	0.1	-	-	-	38.1
Other liabilities	95.0	-	-	-	-	-	95.0
Payables to associated companies	59.1	-	-	-	-	-	59.1
Total	**648.1**	**237.7**	**34.8**	**383.7**	**220.6**	**68.2**	**1,593.1**
Cross Currency Swap	1.7	1.4	1.2	6.0	48.5	16.7	75.5
Total exposure	**649.8**	**239.1**	**36.0**	**389.7**	**269.1**	**84.9**	**1,668.6**

Liquidity risk	**Analysis of maturity periods at 31 December 2006**						
(€m)	< 6 months	6 – 12 months	1 – 2 years	2 – 5 years	5 – 10 years	> 10 years	Total
Trade payables	401.5	-	-	-	-	-	401.5
Medium-long term loans	18.3	20.4	148.5	400.9	261.6	80.5	930.2
Other financial liabilities:							
- committed lines	1.0	50.6	-	-	-	-	51.6
- uncommitted lines	28.6	10.2	-	-	-	-	38.8
Other liabilities	96.7	-	-	-	-	-	96.7
Payables to associated companies	59.9	-	-	-	-	-	59.9
Total	**606.0**	**81.2**	**148.5**	**400.9**	**261.6**	**80.5**	**1,578.7**
Cross Currency Swap	(0.7)	(0.2)	(0.6)	(2.3)	20.3	7.9	24.4
Total exposure	**605.3**	**81.0**	**147.9**	**398.6**	**281.9**	**88.4**	**1,603.1**

The maturity periods were analysed using undiscounted cash flows and the amounts were entered taking into account the first date that payment could be requested, which is why the uncommitted lines of credit were entered in the first column.

From the tables in the appendices and from analyses of guarantees and managed liquidity it emerged that the company will have no problem in meeting the next financial maturity date.

<u>Credit risk</u>

Credit risks can be defined as the possibility of suffering financial losses as a result of a counterparty defaulting on contractual obligations.

A particular type of credit risk is represented by a counterparty defaulting on financial de-

rivative exposures, in which case the risk is connected to capital gains position where there is the possibility of not receiving the cash flow due from a defaulting counterparty. For the Mondadori Group, this potential risk is very limited since the counterparties in financial derivative operations are always primary financial institutions with high ratings.
The objective is to limit the risk of losses due to the unreliability of market counterparties or to the difficult of converting or replacing current financial positions, therefore there are no operations with non-authorised counterparties.
When approving the Policy, the Board of Directors also approved a list of authorised counterparties that can be used in financial risk hedging operations. Operations with authorised counterparties are constantly monitored and reports are regularly made of these operations.

The management of commercial credit is the responsibility of the individual Group companies, in compliance with the financial objectives, the pre-established commercial strategies and the operational procedures of the Group that limit the sale of products and services to customers without an adequate credit profile or collateral guarantees. Credit balances are monitored throughout the year to ensure that the amount of exposure to losses is not significant.
The following table illustrates the maximum exposure to credit risks for the components of the financial statements, including derivative instruments. The maximum exposure to risk is indicated before the effects of mitigation deriving from compensation agreements and guarantees.

Credit risk (€m)	12/31/2007	12/31/2006
Deposits	222.9	103.9
Financial assets at fair value with changes recognised in the trading income statement	120.9	174.3
Receivables and loans		
- trade receivables and other current financial assets	521.6	516.7
- trade receivables and other non-current financial assets	23.5	24.1
Receivables for hedged derivative financial instruments	3.0	1.0
Guarantees	1.6	2.6
Total of maximum exposure to credit risks	**893.5**	**822.6**

The company's exposure to credit risks is distributed in the following way:

Concentration of commercial credit risk	12/31/2007 (€m)	12/31/2006 (€m)	12/31/2007 %	12/31/2006 %
Business area:				
Various books	140.7	128.0	27.1%	25.1%
School textbooks	9.5	8.9	1.8%	1.7%
Instalment books	19.3	20.4	3.7%	4.0%
Magazines	62.3	53.9	12.0%	10.6%
Advertising	214.8	225.3	41.4%	44.1%
Printing	61.5	61.0	11.9%	12.0%
Direct Marketing	8.2	9.8	1.6%	1.9%
Other	2.8	3.0	0.5%	0.6%
Total	**519.1**	**510.3**	**100.0%**	**100.0%**
Distribution area:				
Italy	428.9	414.5	82.6%	81.2%
France	87.3	93.1	16.8%	18.2%
Other countries	2.9	2.7	0.6%	0.6%
Total	**519.1**	**510.3**	**100.0%**	**100.0%**

The management of commercial credit is the responsibility of the individual companies, in compliance with the established commercial strategies and Group procedures that aim to contain credit risk by using different types of instruments according to the type of business activity involved.

The method of managing the main business activity sectors is described below.

Various books
The Group employs a specific procedure for defining the risk profile of every new customer by collecting the commercial information necessary for evaluating their reliability before any lines of credit are opened. This reliability is constantly monitored.

Magazines
The Group's exposure in the Italian market is with local distributors, which are mainly small- and medium-sized.
Contractual agreements provide for significant advances for supplying products, which means that the exposure is for the remaining revenues in December.
In addition, the Group has taken out an insurance policy to minimise credit risk.

The French magazine distribution market is characterised by having only two country-wide operators, which are controlled by the country's main publishing companies.
The Group therefore believes that the solidity and solvency of the counterparties precludes any significant credit risk.

Advertising
The majority of the Group's exposure is with small/medium-sized advertising investors. When dealing with significant investments, the credit risk relating to these companies is controlled by means of reliability analyses carried out before any business is done and constant monitoring through the sales outlet network.
Exposure relating to media centres, which mange advertising investments on behalf of their

own customers, has a more significant concentration of credit risk. For this reason the Group constantly monitors its exposure and collects commercial information about the solvency of these media centres.

Printing

The Group studies the risk profile of every new customer by collecting commercial information that allows it to evaluate their reliability before opening any lines of credit.
In addition, the Group takes out an insurance policy in order to minimise credit risks and, if necessary, requests advanced payment when orders are formalised.

With reference to provisions adopted by the Group, it should be noted that each company makes its own individual provisions for the positions that are particularly significant. The total amount of these provisions takes into consideration an estimate of the recoverable amount, the date of receipt, the expense and cost of recovery and any eventual guarantees received.

Group companies establish a fund for those positions that are not subject to any specific provisions, based on historical data and statistics.

Price risk

The price risk refers to the uncertainty associated mainly with variations in the market price of equity instruments and to the loss of value in assets/liabilities as a result of variations in commodity prices. The fundamental objective of price risk management is to reduce the impact of the fluctuation of the price of raw materials on the financial results of the interested companies.

Due to the nature of its business, the Group is exposed to the variations in the price of paper. In order to reduce the variability of the market price of paper the subsidiary, long-term commercial contracts are signed directly with the suppliers so as to amortise any eventual increases on purchase costs. The company does not currently have any financial derivative contracts to cover this type of risk.

Other information required by IFRS 7

The following table illustrates the financial assets and liabilities, divided into the categories defined by IAS 39.

Classification	Carrying value						Fair value	
	Total		current		non-current			
(€m)	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Financial assets at fair value with changes recognised in the trading income statement	120.9	174.3	120.9	174.3	-	-	120.9	174.3
Receivables and loans:								
- cash and cash equivalents	225.1	105.6	225.1	105.6	-	-	225.1	105.6
- trade receivables	445.9	435.4	434.7	423.7	11.2	11.8	445.9	435.4
- other financial assets	46.6	43.3	43.0	40.0	3.6	3.3	46.6	43.3
- receivables from associated companies and joint ventures	52.5	62.0	52.5	62.0	-	-	52.5	62.0
Financial assets available for sale (investments)	0.3	2.2	0.3	2.2	-	-	0.3	2.2
Cross Currency Swap	3.0	1.0	-	-	3.0	1.0	3.0	1.0
Total financial assets	**894.3**	**823.8**	**876.5**	**807.8**	**17.8**	**16.1**	**894.3**	**823.8**
Amortised cost of financial assets:								
- trade liabilities	441.0	401.5	441.0	401.5	-	-	441.0	401.5
- liabilities due to banks and other financial payables	927.1	901.6	240.4	193.4	686.7	708.3	927.1	901.6
- liabilities due to associated companies and joint ventures	59.2	59.9	59.2	59.9	-	-	59.2	59.9
Interest rate swap	54.4	36.4	-	-	54.4	36.4	54.4	36.4
Total financial liabilities	**1,481.7**	**1,399.4**	**740.6**	**654.8**	**741.1**	**744.7**	**1,481.7**	**1,399.4**

The following table illustrates the income and expense attributable to financial assets and liabilities, divided into the categories defined by IAS 39.

Profit and loss from financial instruments (€m)	12/31/2007	12/31/2006
Net profit from fair value instruments with changes recognised in the trading income statement	3.5	10.1
Net profit from receivables and loans	1.0	1.0
Net profit from financial liabilities at amortised cost	17.9	35.6
Interest earned on financial assets not valued at fair value:		
- deposits	4.1	2.0
- other financial assets	1.8	3.1
Total income	**28.3**	**51.8**
Net loss from financial derivative instruments	15.4	30.3
Interest paid on financial liabilities not valued at fair value:		
- deposits	1.1	0.5
- bonds	16.7	16.5
- convertible bonds	4.6	4.5
- loans	19.0	6.7
- others	2.5	1.9
Losses from financial instrument writedowns:		
- trade receivables	9.4	6.6
Expense and commission not included in effective interest rates	0.2	0.2
Total expense	**68.9**	**67.2**
Total	**-40.6**	**-15.4**

36- Information as per article 149-duodecies of CONSOB Regulations

The following table, drawn up in accordance with article149-*duodecies* of CONSOB Regulations, shows the fees paid during 2007 (net of accessory expense) for auditing and other services provided by Reconta Ernst & Young SpA and other companies belonging to the same network.

Service	Company providing service	Company receiving service		Amount €,000
Audit	Reconta Ernst & Young SpA	Arnoldo Mondadori Editore SpA	(1)	391
	Reconta Ernst & Young SpA	Subsidiary company		586
	Ernst & Young Network	Subsidiary company		230
Certification services	Reconta Ernst & Young SpA	Arnoldo Mondadori Editore SpA	(2)	50
	Reconta Ernst & Young SpA	Subsidiary company		3
	Ernst & Young Network	Subsidiary company		2
Other services	Reconta Ernst & Young SpA	Arnoldo Mondadori Editore SpA	(3)	30
	Ernst & Young Network	Arnoldo Mondadori Editore SpA		4
	Ernst & Young Network	Subsidiary company	(4)	62
Total				**1,358**

(1) Includes audit of Consolidated Financial Statements and half-yearly financial statements
(2) Certification of Circulation and Printing
(3) Assistance in analysis of impact of IAS/IFRS
(4) Other services

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Segment information

Primary segment information for the year ended 31 December 2007

(€,000)	Books	Magazines	Advertising services	Printing
Revenues from sales and services to external customers	**388,846**	**852,456**	**344,663**	**160,710**
Revenues from sales and services to other sectors	**56,174**	**195,208**	**4,792**	**279,161**
Income (expense) from investments using equity method	8,370	9,767	-	-
Gross operating profit	**87,805**	**155,195**	**4,236**	**34,842**
Operating result	**85,119**	**149,235**	**3,943**	**11,011**
Financial income (expense)	-	-	-	-
Profit before taxes and minority interests	**85,117**	**149,235**	**3,943**	**11,011**
Income taxes	-	-	-	-
Result attributable to minority interests	795	-	-	-
Net result	**84,322**	**149,235**	**3,943**	**11,011**
Depreciation, amortisation and impairment	2,686	5,960	293	23,831
Non-monetary costs	13,481	14,626	1,926	658
Investments	**7,074**	**3,685**	**338**	**15,459**
Investments accounted for using the equity method	51,754	59,880	-	-
Other assets	335,283	1,012,036	152,685	296,298
Financial assets	-	-	-	-
Tax assets	-	-	-	-
Total assets	**387,037**	**1,071,916**	**152,685**	**296,298**
Other liabilities	166,883	433,294	157,507	188,286
Financial liabilities	-	-	-	-
Tax liabilities	-	-	-	-
Total liabilities	**166,883**	**433,294**	**157,507**	**188,286**

Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
23,351	**182,118**	**798**	**5,662**	**-**	**1,958,604**
569	**1,037**	**10,508**	**11,044**	**(558,493)**	**0**
533	-	(376)	(8,953)	-	9,341
5,558	**7,071**	**(8,110)**	**(17,720)**	**-**	**268,877**
5,308	**157**	**(9,308)**	**(20,259)**	**-**	**225,206**
-	-	-	(35,717)	-	(35,717)
5,308	**157**	**(9,308)**	**(55,964)**	**-**	**189,499**
-	-	-	76,065	-	76,065
-	-	-	-	-	795
5,308	**157**	**(9,308)**	**(132,029)**	**-**	**112,639**
250	6,914	1,198	2,539	-	43,671
(190)	130	270	26	-	30,927
211	**10,795**	**33,499**	**2,413**	**-**	**73,474**
8,630	-	23	6,739	-	127,026
8,333	107,598	126,879	29,026	(194,484)	1,873,654
-	-	-	373,679	-	373,679
-	-	-	68,428	-	68,428
16,963	**107,598**	**126,902**	**477,872**	**(194,484)**	**2,442,787**
10,340	83,152	9,103	40,693	(194,484)	894,774
-	-	-	909,013	-	909,013
-	-	-	132,466	-	132,466
10,340	**83,152**	**9,103**	**1,082,172**	**(194,484)**	**1,936,253**

Primary segment information for the year ended 31 December 2006

(€,000)	Books	Magazines	Advertising services	Printing
Revenues from sales and services to external customers	**408,822**	**648,768**	**337,569**	**188,566**
Revenues from sales and services to other sectors	**30,717**	**218,427**	**5,301**	**259,311**
Income (expense) from investments using equity method	6,917	6	-	-
Gross operating profit	**86,666**	**124,912**	**2,243**	**34,353**
Operating result	**83,433**	**121,225**	**1,958**	**9,562**
Financial income (expense)	-	-	-	-
Profit before taxes and minority interests	**83,433**	**121,222**	**1,958**	**9,562**
Income taxes	-	-	-	-
Result attributable to minority interests	1,153	-	-	-
Net result	**82,280**	**121,222**	**1,958**	**9,562**
Depreciation, amortisation and impairment	3,233	3,687	285	24,791
Non-monetary costs	16,168	10,815	2,601	5,271
Investments	**6,550**	**666,282**	**552**	**23,762**
Investments accounted for using the equity method	41,158	56,332	-	-
Other assets	328,245	1,009,493	153,838	300,711
Financial assets	-	-	-	-
Tax assets	-	-	-	-
Total assets	**369,403**	**1,065,825**	**153,838**	**300,711**
Other liabilities	162,809	407,141	153,893	186,654
Financial liabilities	-	-	-	-
Tax liabilities	-	-	-	-
Total liabilities	**162,809**	**407,141**	**153,893**	**186,654**

	Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
	23,464	136,333	743	5,941	-	1,750,206
	540	958	8,561	8,330	(532,145)	0
	1,092	-	(313)	653	-	8,355
	3,766	15,372	(11,495)	(15,516)	-	240,301
	3,480	13,267	(12,480)	(18,228)	(808)	201,409
	-	-	-	(12,457)	-	(12,457)
	3,480	13,267	(12,480)	(30,657)	(808)	188,977
	-	-	-	78,864	-	78,864
	-	-	-	-	-	1,153
	3,480	13,267	(12,480)	(109,521)	(808)	108,960
	286	2,105	985	2,712	808	38,892
	404	2,523	399	2,990	-	41,171
	110	41,202	15,030	3,147	-	756,635
	13,497	-	31	9,212	-	120,230
	13,760	92,724	97,598	39,039	(192,675)	1,842,733
	-	-	-	313,753	-	313,753
	-	-	-	75,954	-	75,954
	27,257	92,724	97,629	437,958	(192,675)	2,352,670
	11,175	68,280	8,936	39,640	(192,675)	845,853
	-	-	-	868,462	-	868,462
	-	-	-	151,922	-	151,922
	11,175	68,280	8,936	1,060,024	(192,675)	1,866,237

Secondary segment information for the year ended 31 December 2007

(€,000)	Books	Magazines	Advertising services	Printing
Italian market	438,413	652,654	334,505	357,979
France	576	366,051	2,787	19,114
Other EU markets	2,629	23,045	11,395	54,351
USA market	667	366	146	5,831
Other countries	2,735	5,548	622	2,596
Revenues from sales and services	**445,020**	**1,047,664**	**349,455**	**439,871**
Italian market	360,037	262,106	152,685	284,417
France	-	772,154	-	-
Other EU markets	27,000	37,656	-	11,881
USA market	-	-	-	-
Other countries	-	-	-	-
Total assets	**387,037**	**1,071,916**	**152,685**	**296,298**
Italian market	7,074	909	338	15,388
France	-	2,776	-	-
Other EU markets	-	-	-	71
USA market	-	-	-	-
Other countries	-	-	-	-
Total investments	**7,074**	**3,685**	**338**	**15,459**

Secondary segment information for the year ended 31 December 2006

(€,000)	Books	Magazines	Advertising services	Printing
Italian market	433,234	719,703	329,007	365,652
France	445	136,312	1,567	10,824
Other EU markets	2,537	6,608	11,138	61,568
USA market	819	403	124	5,512
Other countries	2,504	4,169	1,034	4,321
Revenues from sales and services	**439,539**	**867,195**	**342,870**	**447,877**
Italian market	347,918	251,383	153,838	286,963
France	-	778,246	-	-
Other EU markets	21,485	36,196	-	13,748
USA market	-	-	-	-
Other countries	-	-	-	-
Total assets	**369,403**	**1,065,825**	**153,838**	**300,711**
Italian market	6,550	791	552	20,954
France	-	665,491	-	-
Other EU markets	-	-	-	2,808
USA market	-	-	-	-
Other countries	-	-	-	-
Total investments	**6,550**	**666,282**	**552**	**23,762**

Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
18,173	183,155	11,306	16,706	(550,037)	1,462,854
1,552	-	-	-	(8,456)	381,624
3,836	-	-	-	-	95,256
-	-	-	-	-	7,010
359	-	-	-	-	11,860
23,920	183,155	11,306	16,706	(558,493)	1,958,604
16,963	107,598	126,902	215,885	(191,634)	1,334,959
-	-	-	35,700	(129)	807,725
-	-	-	225,698	(2,298)	299,937
-	-	-	589	(423)	166
-	-	-	-	-	0
16,963	107,598	126,902	477,872	(194,484)	2,442,787
211	10,795	33,499	2,375	-	70,589
-	-	-	-	-	2,776
-	-	-	37	-	108
-	-	-	1	-	1
-	-	-	-	-	0
211	10,795	33,499	2,413	0	73,474

Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
20,097	137,291	9,304	14,271	(532,144)	1,496,415
1,261	-	-	-	-	150,409
2,064	-	-	-	(1)	83,914
9	-	-	-	-	6,867
573	-	-	-	-	12,601
24,004	137,291	9,304	14,271	(532,145)	1,750,206
27,257	92,724	97,629	217,300	(189,205)	1,285,807
-	-	-	42,708	-	820,954
-	-	-	177,246	(3,112)	245,563
-	-	-	704	(358)	346
-	-	-	-	-	0
27,257	92,724	97,629	437,958	(192,675)	2,352,670
110	41,202	15,030	3,140	-	88,329
-	-	-	-	-	665,491
-	-	-	-	-	2,808
-	-	-	7	-	7
-	-	-	-	-	0
110	41,202	15,030	3,147	0	756,635

Certification of the Consolidated Financial Statements for the year as per article 81-ter of CONSOB regulation n. 11971 of 14 May 1999 and subsequent modifications and integrations

1. The undersigned Maurizio Costa, in his role as Deputy Chairman and Chief Executive, and Carlo Maria Vismara, in his role as Director responsible for compiling the company financial documents of Arnoldo Mondadori Editore SpA, certify, in accordance with article 154-bis, paragraphs 3 and 4 of Legislative Decree n. 58 of 24 February 1998:

- the appropriateness in relation to the characteristics of the company
- the effective application

of the administrative and accounting procedures for representing the Consolidated Financial Statements during 2007.

2. The evaluation of the appropriateness of the administrative and accounting procedures for representing the Consolidated Financial Statements at 31 December 2007 is based on a process established by Arnoldo Mondadori Editore SpA that conforms to the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally accepted general reference framework.

3. It is also certified that the Consolidated Financial Statements at 31 December 2007:

a) correspond to the result contained in the account books and book entries;

b) have been compiled in conformity with the International Financial Reporting Standards adopted by the European Union and to the measures contained in article 9 of Legislative Decree n. 38/2005, and provide a true and correct representation of the asset and liability, economic and financial situation of the company and of all the companies included in the consolidation.

20 March 2008

Deputy Chairman and Chief Executive
Maurizio Costa

Director responsible for compiling the
company's financial documents
Carlo Maria Vismara

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2007 (art. 153, Legislative Decree n. 58/98)

Shareholders,
during the year we have performed the oversight activities envisaged by the law taking into consideration the principles of conduct recommended by the National Councils of *Dottori Commercialisti e Ragionieri* (the Italian accounting profession).
In particular, we have:

- ensured that legal requirements have been fulfilled and that the articles of association and the principles of correct administration have been adhered to;
- taken part in all Meetings of Shareholders, of the Board of Directors and subcommittees of the Board, obtaining from the Directors information on the general performance of the company, the probable future development of business activities and the significant operations affecting the company's economic and financial position, ensuring that resolutions taken and implemented are not manifestly imprudent, risky, potentially in conflict or contrast with the resolutions of the Shareholders' Meetings or likely to compromise the integrity of the company's equity;
- become acquainted with the company's structures and overseen their adequacy, to the extent of our responsibility, by direct observation, by the examination of information provided by the company and through meetings with the independent auditors, Reconta Ernst & Young SpA, held for the exchange of information and data, from which no significant aspects emerged;
- assessed and overseen the company's internal control system, the activities carried out as part of the control system and the administrative-accounting system, as well as checking the extent to which the latter is able to represent correctly the company's operations, by means of obtaining information, examining company documents and analysing the results of the work carried out by the independent auditors. We have also had periodic meetings with the head of internal control, with whom we have exchanged information on the results of the procedures performed by him at subsidiary companies and have taken part in meetings of the internal control committee;
- ensured that the method of implementing the company governance regulations contained in the self-regulation code adopted by the company has been respected. In particular, we have, on an annual basis, verified the effective requirements for the independence of non-executive directors, the external auditors and the Board of Statutory Auditors;
- assessed and overseen the adequacy of the instructions given to subsidiary companies. These instructions have enabled the subsidiaries to provide the Parent Company with

the information it needs to comply with the communication obligations envisaged by prevailing legislation;

- checked that the company's financial statements and the Group's consolidated financial statements, together with the reports on the year's results for the year ended 31 December 2007 have been prepared in accordance with IAS/IFRS, through direct checks and discussions with the independent auditors;
- during the performance of the activities described above, no significant omissions, illegal acts or irregularities emerged such as to require us to report these either to the competent external supervisory authorities or discuss them in this report.

In 2007 the body entrusted with overseeing the effectiveness of the organisational, management and control model and ensuring that it is observed and updated, pursuant to Legislative Decree n. 231/01, has not advised us of any important matters.

Likewise, the annual report of the Board of Directors on corporate governance did not reveal anything that need be brought to your attention.

Furthermore, in line with CONSOB recommendations, the Board of Statutory Auditors states the following:

- we did not find any atypical and/or unusual operations, including intragroup operations and related party transactions;
- the information provided by the Board of Directors, including information concerning intragroup operations and transactions with related parties, is considered complete. In particular, intragroup operations were connected with and were relevant to the corporate purpose, and the nature and economic effects of these ordinary operations are reported in the notes to the financial statements and are to be considered appropriate and in line with the company's business interests.

  In addition, we did not identify in this context any conflict of interest or any operations able to have a significant impact on the company's economic or financial position;
- with the adoption of the self-regulation code, the company is in compliance with that of the Committee of Corporate Governance of companies listed by Borsa Italiana SpA, as indicated in the Management Report;
- during the year:
  - regular meetings were held to exchange information with representatives of Reconta Ernst & Young SpA and, while we have yet to see the reports of the independent auditors on the financial statements and consolidated financial statements, we have

reason to believe that the auditors' opinions will not be qualified;

- the Board of Statutory Auditors issued opinions pursuant to article 2389, paragraph 3, of the Civil Code, regarding the extraordinary compensation attributed by the Board of Directors to the chief executive, the proposal of the Annual General Meeting of 23 April 2007, as per article 159, paragraph 1, of Legislative Decree n. 58/98, with regard to the appointment for carrying out the audit for the period 2007-2009 to Reconta, Ernst & Young SpA, which is, as previously noted, and on the professional prerequisites and process for the nomination of the executive responsible for the preparation of the company's financial statements, as per article 154-bis, of Legislative Decree n. 58/98;
- 6 meetings of the Board of Directors and 10 meetings of the Board of Statutory Auditors were held;
- the company appointed Reconta Ernst & Young SpA, already appointed as auditors of the annual financial statements, the consolidated financial statements and the half year report, to also be responsible for an Accertamento Diffusione Stampa (ADS) circulation audit, for a cost of €50,150 and the role of assisting in the analysis of the impact of the application of the new IFRS accounting principles, for a cost of €30,000;
- the company appointed Studio Legale e Tributario, which is connected to Reconta Ernst & Young SpA and is part of the same international network, to provide legal assistance in the legal area, for a cost of €3,640;
- the Board of Statutory Auditors has received no indications or complaints pursuant to article 2408 of the Civil Code.

After taking into account the above matters and to the extent of its responsibility, the Board of Statutory Auditors is able to state that it has found no impediment to approving the financial statements at 31 December 2007, which show net profit for the year of €89,965,025 or to the payment of a dividend in the manner formulated by the Board of Directors, also in consideration of the reserves available.

Segrate, 28 March 2008

The Board of Statutory Auditors
Prof. Ferdinando Superti Furga, Chairman
Dott. Achille Frattini
Dott. Franco Papa

Independent Auditors' Report

Independent Auditors' Reports
pursuant to art. 156 of Legislative Decree n. 58 of February 24, 1998
(Translation from the original Italian text)

RECONTA ERNST & YOUNG

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

1. We have audited the financial statements of Arnoldo Mondadori Editore S.p.A., as of and for the year ended December 31, 2007, comprising the balance sheet, the statement of operations, changes in shareholder's equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 5, 2007.

3. In our opinion, the financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of Arnoldo Mondadori Editore S.p.A. as of December 31, 2007 and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.

Milan, Italy
April 4, 2008

Reconta Ernst & Young S.p.A.
Signed by Luca Pellizzoni (Partner)

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

1. We have audited the consolidated financial statements of Arnoldo Mondadori Editore S.p.A. and its subsidiaries (the "Mondadori Group"), as of and for the year ended December 31, 2007, comprising the consolidated balance sheet, the consolidated statement of operations, changes in shareholder's equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 5, 2007.

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of Mondadori Group as of December 31, 2007 and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.

Milan, Italy
April 4, 2008

Reconta Ernst & Young S.p.A.
Signed by Luca Pellizzoni (Partner)

Graphic design: Bob Noorda