ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital €67,451,756.32

Head Offices in Milan

Administrative Offices in Segrate (MI)

Report on the first half of 2004

Corporate Boards

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(*) Secretary

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Achille Frattini

Acting Statutory Auditors
Antonio Aiello
Ferdinando Superti Furga

Substitute Statutory Auditors
Francesco A. Giampaolo
Francesco Vittadini

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The Mondadori Group's business activities

In the first half of 2004 the Italian economic situation, despite the first signs of an economic recovery at an international level, was characterised by uncertainty and contrasting signals. Demand continued to be weak while an increase in advertising investments was less noticeable in the print media than in other types of media.

In this scenario, the Mondadori Group recorded a marked increase in revenues in all sectors in the first half of 2004 and was able to achieve a substantial improvement in its management results and levels of profitability.

In the first six months of 2004 **consolidated revenues** came to **€836.2 million**, an increase of 10.9% on the €753.9 million in the same period of the previous year. On a like-for-like basis, excluding the contribution of Piemme (consolidated since December 2003), the increase was 8.6%.

Gross operating profit rose to **€110 million**, compared with €93.7 million in the first half of 2003 (an increase of 17.4%), mainly thanks to the containment of labour costs. As a proportion of revenues, a rise from 12.4% to 13.2%.

Operating profit came to €91.2 million, an increase of 21.3% compared with €75.2 million in 2003; as a proportion of revenues a rise from 10.0% to 10.9%.

Profit before taxes rose from €64.1 million of the first half of 2003 to **€77.4 million** this time, an increase of 20.7%.
Of special note was the improvement registered in the internet area where, during the six month-period, losses were reduced by 40% from -€2.5 million of the previous year to -€1.5 million for the first half of 2004.
The opposite tendency was registered in the balance between charges and income from extraordinary operations which in the first half of 2003 were characterised by the income from the disposal of Ricciardi Editore.

The Group's overall **net financial position** at the end of June showed a surplus of **€6.8 million** compared with €6.3 million at the same stage of last year, after having made dividend payments for a total of €72.5 million.

We therefore now move on to a more detailed analysis of the consolidated results for the first half of 2004.

Results for the period

The following table illustrates the Group's reclassified income statement. As in the last years, the data regarding the costs and revenues of the Internet activities has been entered separately.

Consolidated reclassified income statement	**Millions of euros 30 June 2004**	**Millions of euros 30 June 2003**	**% change**
Revenues	836.2	753.9	10.9%
Personnel costs	130.1	125.4	3.7%
Product and management costs	596.1	534.8	11.5%
Gross operating profit	**110.0**	**93.7**	**17.4%**
Gross operating profit as a % of revenues	*13.2%*	*12.4%*	
Depreciations of fixed assets	18.8	18.5	1.6%
Operating profit	**91.2**	**75.2**	**21.3%**
Operating result as a % of revenues	*10.9%*	*10.0%*	
Depreciations of intangible assets	10.2	11.2	(8.9%)
Net financial income (charges)	(1.2)	0.5	n.a.
Other income (charges), net	(0.9)	0.8	n.a.
Extraordinary income (charges), net	0	1.3	n.a.
Internet activities	(1.5)	(2.5)	(40.0%)
Profit before taxation	**77.4**	**64.1**	**20.7%**
Profit before taxation as a % of revenues	*9.3%*	*8.5%*	

Consolidated revenues amounted to €836.2 million, an increase of 10.9%. The following table illustrates the business volumes for each business category.

Business volumes for each business category	**Millions of euros 30 June 2004**	**Millions of euros 30 June 2003**	**% change**
Books	184.0	161.7	13.8%
Magazines	465.4	429.7	8.3%
Printing	233.9	214.9	8.8%
Direct marketing	85.6	72.9	17.4%
Others	8.1	8.1	-
Total sales	**977.0**	**887.3**	**10.1%**
Intergroup sales	(140.8)	(133.4)	5.5%
Total consolidated sales	**836.2**	**753.9**	**10.9%**

Consolidated revenues are broken down into the following geographical areas:

Business volume by geographical area	**Millions of euros 30 June 2004**	**Millions of euros 30 June 2003**	**% change**
Italy	790.0	696.7	13.4%
EU countries	37.9	46.1	(17.8%)
USA	5.1	5.5	(7.3%)
Other countries	3.2	5.6	(42.8%)
Total consolidated revenues	**836.2**	**753.9**	**10.9%**

Book division

Data released by Demoskopea show that there was an increase in the book market in the first half of 2004. Compared with the same period in the previous year, the total market increased by 10.6% in terms of value and 5.9% in terms of copies.

Among large publishing groups the Mondadori Group was the only one to follow this encouraging market trend, increasing its overall share by 0.8% in terms of value and 0.2% in terms of copies mainly thanks to the excellent results achieved by Einaudi and Piemme.

Publisher	Market share 1st half of 2004	Market share 1st half of 2003	% change
Mondadori	17.9%	18.9%	-1.0
Einaudi	5.6%	5.1%	0.5
Sperling & Kupfer + Frassinelli	3.0%	2.8%	0.2
Piemme	3.6%	3.1%	0.5
Other Mondadori Group companies	0.4%	0.4%	0.0
Total for the Mondadori Group	**30.5%**	**30.3%**	**0.2**
Rizzoli Group	13.0%	13.2%	-0.2
Longanesi Group	7.7%	7.9%	-0.2
Feltrinelli	5.3%	6.2%	-0.9

In the first half of 2004 the Book division registered total sales of €184.0 million, an increase of 13.8% compared with the same period in 2003.

Books	Millions of euros 30 June 2004	Millions of euros 30 June 2003	% change
Edizioni Mondadori	75.3	68.6	9.8%
Einaudi	22.4	22.2	0.9%
Art books and exhibition organisation	16.2	16.2	-
Sperling & Kupfer Group	15.7	13.8	13.8%
School textbook sector	18.0	20.0	(10.0%)
Piemme	17.6	-	n.a.
Book distribution	19.4	21.3	(8.9%)
Total sales	**184.6**	**162.1**	**13.9%**
Intergroup sales	(0.6)	(0.4)	50.0%
Total consolidated sales	**184.0**	**161.7**	**13.8%**

Edizioni Mondadori

During the first half of 2004 Mondadori Books registered an increase of 9.8% in sales compared with same period in 2003. This excellent result was due to both the notable success of new initiatives launched in the first part of the year and to the continuing success of some established titles.

The most important new title in the first half of the year was undoubtedly *Alzatevi, andiamo*, the new book by Pope John Paul II that sold 600,000 copies.

In the fiction sector, the most important titles were *La Prima Indagine di Montalbano* by Andrea Camilleri (300,000 copies), *L'ultimo Giurato* by John Grisham (200,000 copies) and *Calliphora* by Patricia Cornwell (200,000 copies). *The Da Vinci Code* by Dan Brown continued to be a top seller with 600,000 copies sold since November 2003, 160,000 of which in the last two months.

Special mention should also be made of the excellent results achieved by humorous books led by the second book of Francesco Totti jokes (400,000 copies) and *Katartico 3* by Flavio Oreglio (150,000 copies), as well as the success in the Miti imprints of Luciana Littizzetto (*La Principessa sul Pisello*) and, once again, of Oreglio (*Bis*). Both titles sold about 180,000 copies each.

Zorro, the latest book by Margaret Mazzantini, proved an immediate success after its launch in June, selling 150,000 copies in its first three weeks and proving to be one of the top best sellers of the summer.

Giulio Einaudi Editore

The first half of 2004 registered positive performances both in the bookshop sector (bookshops + large-scale retail outlets), where there was an excellent increase compared with the same period in the previous year, and in the instalment sector, where there was an increase in the total of available products.
Despite this, however, overall sales of Giulio Einaudi Editore only increased by 0.9% as a result of the notable decrease in sales of books linked to newspapers (which registered an important increase in the first half of 2003), producing a fall in revenues from the disposal of rights for the publication of these books.

Among the titles that were the most popular and made a significant contribution to the results for the first half of the year, special mention should be made of *Lo Strano Caso del Cane Ucciso a Mezzanotte* by Mark Haddon, *Io Non Ho Paura* by Nicolò Ammaniti, (which were first published in 2003 and 2001 respectively), *Nuovi Misteri d'Italia* by Carlo Lucarelli, *Noi* by Richard Mason, *Sotto la Pelle* and *Il Petalo Cremisi e il Bianco* by Michel Faber, *Storia d'Italia Annale Fotografico* and *Arte e Storia del Medioevo III*.

Art books and exhibition organisation

Sales in the art books and exhibition organisation sector were in line with those for the first half of 2003, highlighting an increase in publishing initiatives and a decrease in revenues from the organisation of exhibitions.

Publishing initiatives included the successful launch of two new series under the Mondadori imprint, *Top Ten*, with ten tourist guides to the cities that attract most visitors, and *Ricette Testate*, with two cookery books. On the other hand, the Electa imprint launched two successful publishing initiatives in *Filippino Lippi*, a richly illustrated, fundamental book on the artist's work published in a numbered, limited edition, and *Divina Commedia illustrata da John Flaxman*, an important English designer and sculptor.

Sperling & Kupfer Group

Net sales for the Sperling & Kupfer Group for the first half of 2004 amounted to €15.7 million, an increase of 13.8% compared with June 2003.

The good results were mainly due to sales in the paperback sector thanks to "Le signore del best-seller", a campaign launched in March, which doubled the sales of the titles in the promotion, and to the summer promotional campaign which is still continuing.

Excellent sales were also registered in the non-fiction sector thanks to *Un Gitano Sedentario* by Alberto Granado and to the continued success of *Il sangue dei Vinti* by Giampaolo Pansa, which sold even more copies in the first months of 2004. Good results were also registered by the subsidiary Frassinelli thanks to *Pamela*, the romance on which the successful television serial "Elisa di Rivombrosa" was based, and direct sales both in Italy and abroad produced excellent results.

Edumond Le Monnier

During the first six months of 2004 Edumond Le Monnier Spa registered net sales of approximately €18.0 million, compared with €20.0 million registered in the same period in the previous year.

The decrease in revenues compared with 2003 was almost entirely due to the performance of the elementary school sector, which was linked to factors that should not have a negative influence on figures for the whole year, and sales are expected to recover for the four-month period September-December.

During the first half of the year, the company's business activities were as ever concentrated on the production of new publishing initiatives and on the promotion of these in schools.

In both these areas the emphasis in 2004 has been on concentrating on adjusting to the reforms introduced to the primary school cycle and to the first three years of the secondary school cycle (formerly the lower middle school sector). These changes have resulted in less time being available for the production of textbooks, a failure to increase the spending ceiling and in the teaching body opposing the reforms themselves.

Despite this, the performance of Edumond Le Monnier was generally satisfactory, with data provided by the Italian Publishing Association concerning textbooks adopted by schools forecasting an overall increase compared with the previous year in the number of books published by Edumond Le Monnier that will be adopted.

Finally, it should be noted that a project to reorganise the company was approved. This project began in June with the creation of a General Management Department and the introduction of a new complex administrative structure to replace the geographically-based structure that was previously centred on Milan and Florence.

Piemme

Net sales for Edizioni Piemme in the first half of 2004 amounted to €17.6 million.

The performance was extremely positive thanks to the good results registered by both the Fiction and the Junior fiction sectors.

In both the Fiction and the Non-fiction areas the success of new titles (*Bruciata Viva, Il Diavolo Veste Prada)* and a reduction in returns resulted in excellent sales figures, while the new series *I Maestri del Thriller* and the "3 for 2 promotion" in May helped the Pocket series to achieve good results. Religious books registered a recovery after a difficult start to the year.

In the Junior sector, the Geronimo Stilton series once again registered the biggest increases, even bigger than expected.

Distribution and logistics

Between January and June 2004 revenues from the Distribution division, which also handles work for third-party publishers, amounted to €19.4 million compared with €21.3 million in the previous year. This reduction was due to a decrease in sales of Baldini & Castoldi Dalai titles, which in 2003 benefited from the success of *Io Uccido*.

The introduction of a second sorter improved service levels, reducing the average number of days for consignment from 3.5 to 2.5 and increasing the productive distribution capacity from 331 copies/hour in 2003 to 553 copies/hour in 2004.

Magazine division

The Magazine division registered consolidated sales of €465.4 million, an increase of 8.3% compared with 2003.

Magazines	**Millions of euros 30 June 2004**	**Millions of euros 30 June 2003**	**% change**
Circulation	292.0	258.7	12.9%
Advertising	173.4	171.0	1.4%
Total magazines	**465.4**	**429.7**	**8.3%**

The following paragraphs give an overall picture of the situation:

Circulation

Circulation	**Millions of euros 30 June 2004**	**Millions of euros 30 June 2003**	**% change**
Mondadori titles	249.5	218.7	14.1%
Third-party titles	42.5	40.0	6.3%
Total circulation	**292.0**	**258.7**	**12.9%**

The first half of 2004 was characterised by a strong increase in circulation revenues (+12.9%), mainly thanks to the success of add-on sales.
For Mondadori titles revenues deriving from this initiative amounted to €113 million, representing an increase of 38.5%.

This amazing increase was due to a wide-ranging programme of innovative initiatives and to an increasingly larger range of products on offer.

Special mention should be made of the positive results obtained by DVD sales, with almost 5 million DVDs sold in the first six months of 2004 compared with a little less than 2 million in the same period in 2003. The *Panorama DVDteca collection* (24 films issued during the first six months and over 45,000 sold) was particularly successful, as was the DVD of the television series "Elisa di Rivombrosa", issued with *TV Sorrisi e Canzoni* and sold an average of 120,000 copies. DVDs are progressively replacing VHS cassettes, which decreased from 4.5 million to 2.2 million copies sold.

Add-on sales of printed material also registered large increases with, in particular, the excellent success obtained by cookery cards issued with *Tu* and *Donna Moderna* and the humorous books issued with *TV Sorrisi e Canzoni.*

While the music CD sector registered an overall decrease in sales, *TV Sorrisi e Canzoni* maintained its position of undisputed market leader with a total of 4.6 million copies sold in just six months.

As for sales of titles, the reference market remained substantially stable in terms of number of copies with just 2 million more copies sold (+0.7%) despite the launch of two new titles from the Company's large-circulation competitors.

In this delicate context Mondadori was also able to register an increase (+1.3%), mainly due to the launch of *Per Me* and *Focus Junior* and to the re-styling and re-positioning of *Villegiardini.* Important contributions to this increase were also provided by *Chi*, *Cosmopolitan*, *Top Girl*, *Cucina Moderna* and *Casaviva*.

The average sales of *Tv Sorrisi e Canzoni*, *Casa Facile, Sale & Pepe* and *Starbene* were stable, while *Panorama*, *Grazia* and *Donna Moderna* registered slight decreases.

Advertising

There was a great deal of activity in the advertising market throughout the first six months of the year, although the various sectors did not register the same positive results. While overall investments in advertising registered a 9.5% increase compared with the same period in 2003, the television (+11.9%) and radio (+28.3%) sectors registered even bigger increases and the printed advertising registered a more modest increase of +3.1%, once again losing ground to the other forms of advertising.

Advertising market	**Millions of euros 30 June 2004**	**Millions of euros 30 June 2003**	**% change**
Television	2,576.4	2,301.5	11.9%
Magazines	575.6	567.5	1.4%
Newspapers	890.9	854.3	4.3%
Radio	211.1	164.5	28.3%
Placards	104.9	97.0	8.1%
Cinema	43.9	36.1	21.6%
Total advertising market	**4,402.8**	**4,020.9**	**9.5%**

Source: Nielsen

As far as Mondadori Pubblicità is concerned, overall results for the first six months of 2004 were positive, in line with forecasts, with an increase in revenues of 1.4% compared with the first half of

2003 despite the negative trends seen in the large-scale consumption and cosmetics sectors and the difficult registered in the fashion sector.

Among the titles the most significant increases concerned *Chi*, *Casaviva*, *TV Sorrisi e Canzoni* and *Cosmopolitan*.

Printing division

In the first half of 2004 the signs of a recovery in the Mondadori Printing division that were initially seen in the first quarter continued.

As for printing services, there was an increase in the quantity of orders for commercial products (catalogues and brochures) and magazines, and these were sufficient for the capacity of the printing equipment installed.

Despite the increase in the quantity of orders for catalogues and magazines, the strong competition between European printing companies was not reduced. However, in the illustrated books sector the situation for Italian printing companies is more critical since it is linked to the appreciation of the euro in comparison with the currencies of our reference markets (UK-USA).

The favourable situation in the printing of monochrome hardback books continued thanks to the popularity of the add-on sales of books linked to newspapers.

The cost of paper did not register any particular changes during the period and continues to favour publishers and producers of large-scale catalogues.

In the first half of 2004 total revenues increased by 8.8%, amounting to €233.9 million. The following table illustrates the sales figures for the different types of printed products:

Printing revenues net of paper costs	Millions of euros 30 June 2004	Millions of euros 30 June 2003	% change
Magazines	63.1	61.7	2.3%
Books	43.8	36.1	21.3%
Catalogues and promotional material	12.9	12.2	5.7%
Directories	2.8	2.8	-
Total printing revenues net of paper costs	**122.6**	**112.8**	**8.7%**

The increase in printing revenues amounted to 8.7% while the performances achieved for the different types of products are in line with the table above.

Direct division

In this area the Mondadori Group's revenues increased by 17.4% during the six-month period.

Direct marketing

Mondolibri registered an increase in sales compared with the same period in 2003 (+1.4%).
The introduction of new privacy regulations (which make it more difficult to collect names) was one of the main reasons for a sluggish recruiting performance during the first months of the year, and this had a negative influence on sales.

The new initiatives aimed at increasing membership through the agent network will not produce results until the second half of the year.

In the first half of 2004, **Cemit** continued with the policy of increasing turnover that initially began in the final part of last year, registering a 27.2% increase in the first six months of the year.
In the second quarter of the year, a slow-down in orders from regular commercial clients coincided with an important increase in sales from occasional clients.

The Company's technological development programmes continued throughout the six-month period, with particular emphasis placed on databases that represent the Company's main asset.
It should be noted that at the end of March the Company successfully completed the process for obtaining an ISO 9001 certificate for its business activities.

Retail

Mondadori Franchising registered another important increase in sales compared with the first half of 2003 (+18.9%), mainly thanks to new affiliations that came into operation in the twelve months in question (with the number of sales outlets increasing from 122 to 141).
The new logistics system is currently being perfected (with the introduction of a sorter), enabling the Company to recover efficiency in the next few months and consequently making it possible to deal with the increasingly complex situation that will be generated by an increase in the volume of sales.

Mondadori Retail also registered an important increase in sales (+23.9%), thanks to the consolidated presence of its shops throughout the country (+4.8% compared with the previous year), the opening of new outlets in 2003 and to the revenues from large clients. The Company also improved profitability compared with the same period in 2003.
In June a new sales outlet was opened in Varese.

Direct	**Millions of euros 30 June 2004**	**Millions of euros 30 June 2003**	**% change**
Mondolibri SpA (proportional)	21.0	20.7	1.4%
Cemit Interactive Media SpA	17.3	13.6	27.2%
Total direct marketing	**38.3**	**34.3**	**11.7%**
Mondadori Franchising SpA	12.6	10.6	18.9%
Mondadori Retail Srl	34.7	28.0	23.9%
Total retail	**47.3**	**38.6**	**22.5%**
Total direct	**85.6**	**72.9**	**17.4%**

Financial situation

The Mondadori Group's financial situation as of 30 June 2004 showed a profit of €6.8 million, as illustrated in the following table:

Net financial position	Millions of euros 30 June 2004	Millions of euros 31 December 2003	Millions of euros 30 June 2003
Short-term bank and Post Office deposits	37.3	42.3	24.7
Short-term borrowing from banks	(38.2)	(28.4)	(29.3)
Financing (short and medium/long term)	(146.4)	(123.1)	(468.0)
	(147.3)	(109.2)	(472.6)
Fixed interest securities, bonds and shares	548.0	580.3	464.7
Bonds	(296.4)	(296.4)	-
Convertible bonds	(109.9)	(109.9)	-
Other borrowing	(1.4)	(1.4)	-
Cash, cheques, net financial receivables from Group companies and third parties and accrued interest income	14.2	9.9	14.2
Net financial receivables (payables)	**7.2**	**73.3**	**6.3**
Leasing debts	(0.4)	(0.4)	-
Net financial position	**6.8**	**72.9**	**6.3**

Cash flow summary	Millions of euros 30 June 2004	Millions of euros 31 December 2003	Millions of euros 30 June 2003
Initial net financial position	**72.9**	**109.3**	**109.3**
Result of period	77.4	82.1	64.1
Depreciations	29.3	62.3	30.0
Self-finance	**106.7**	**144.4**	**94.1**
Changes in working capital	(52.2)	(11.4)	(37.3)
Net investments	(7.4)	(64.3)	(33.5)
Severance indemnities	1.1	(1.1)	1.9
Buy-back of company shares, net of sales	(0.9)	(57.4)	(11.4)
Other assets/liabilities	(41.4)	15.5	(55.1)
Operating surplus (requirement)	**5.9**	**25.7**	**(41.3)**
Dividends	(72.5)	(62.4)	(62.4)
Other capital movement	0.5	0.3	0.7
Financial surplus (requirement)	**(66.1)**	**(36.4)**	**(103.0)**
Final net financial position	**6.8**	**72.9**	**6.3**

Interest and exchange rates

The overall worldwide economy – led by the Asian countries and a slight recovery in the economy of the United States – increased by 4.8% in the first quarter of 2004 and by 2.9% in the second quarter.

In the U.S.A. the macroeconomic data offered signs of a recovery with the economy increasing by 4% during the first quarter and GDP increasing by 3% in the second quarter. Forecasts for the whole of 2004 put the increase at 4%. The increase in the second quarter, which was expected to be higher, was mainly due to the slight increase in consumer spending (also as a result of dearer petrol). The America Stock Exchange (the Dow Jones Industrial Average) was more or less at the same level as at the beginning of the year (-0.2%), while the retail price index rose by 2.8% (compared with 2% in the first quarter) and unemployment was running at 5.6%.

In the euro zone the economic situation was less favourable (low internal demand and a fall in exports). In the fist half of the year the economy increased by 2% (2.3% in the first quarter and 1.9% in the second), with forecasts for an increase for 2004 at 2% and for 2005 at 2.3%. The DJ Stoxx 50 European share index registered a slight increase during the first half of the year (+1.8%), while the consumer price index for the euro zone registered a 2.3% increase in the second quarter (compared with 1.8% in the first quarter). In June the unemployment rate in the euro zone was 9%.

The FOMC increased the Federal Funds rate by 25 bps to 1.25% on 30 June and by a further 25 bps to 1.50% on 10 August. The European Central Bank, however, did not introduce any new monetary policies, with the minimum rate applied to the main refinancing operations in the Eurosystem remaining at 2% (the last cut of 50 bps being on 5 June 2003).

In this macroeconomic context the dollar was reinforced, gaining over 3% compared with the euro and moving from 1.255 at the beginning of the year to 1.215 at the end of June. Sterling also became stronger, gaining 5% since January in moving from 0.705 to 0.67 during the six-month period.

As far as market interest rates are concerned, at the end of June the three-month Euribor rate (act/360) returned to the level of 2.12% it had at the beginning of the year.
During the same period the average cost of money for the Mondadori Group (including the risk cover structure for interest and exchange rates) amounted to 3.21%.

As of 30 June 2004, the Group’s overall lines of credit amounted to over €1,100 million.

As of 30 June 2004, 23% of the Group’s short-term credit facilities, amounting to €689 million, had been by means of self-liquidating lines of credit (bank discount bills) and stand-by financing of less than 18 months minus a day.

The medium/long term lines of credit of €422.6 million were made up by €296.4 million from a private placement in dollars in the U.S.A., divided into three tranches with expiry dates in

2013/2015/2018, and by €109.9 million from a convertible debenture loan in ordinary Mondadori shares with an expiry date of 2008. As of 30 June the Group also had subsidised medium/long term loans for publishers amounting to €16.3 million.

Mondadori International

Mondadori International, which is responsible for the Group's financial activities, closed the first half of 2004 with profits before taxes of €6.6 million (€6.1 million in 2003).

The Company's financial profit at 30 June 2004 amounted to €562 million (€452 million in 2003). This increase was mainly due to the issue of bonds convertible into ordinary Mondadori shares amounting to €109.9 million with an expiry date of 2008.

Cash return during the first half of 2004 amounted to 2.63%.

Personnel

As of 30 June 2004 Group companies employed 4,624 people (4,751 at 31 December 2003), while the average number of personnel during the period amounted to 4,633 (4,791 in the same period in 2003).
The numbers referred to above include temporary staff.

The decrease in the average number of employees was spread throughout the various Group companies.

The following table shows details of Group personnel as of 30 June 2004:

Personnel	**30 June 2004**	**31 December 2003**	**30 June 2003**
Arnoldo Mondadori Editore SpA:			
- Managers, journalists and office staff	1,514	1,550	1,546
- Manual workers	110	144	146
	1,624	**1,694**	**1,692**
Italian subsidiaries:			
- Managers, journalists and office staff	1,643	1,649	1,590
- Manual workers	1,211	1,253	1,301
	2,854	**2,902**	**2,891**
Foreign subsidiaries:			
- Managers, journalists and office staff	39	38	38
- Manual workers	107	117	122
	146	**155**	**160**
Total	**4,624**	**4,751**	**4,743**

The cost of personnel amounted to €130.8 million, representing an increase of 3.6% (2.0% on a like-for-like basis without Piemme) compared with June 2003.

As of 30 June 2004 the remuneration part and the conditions of the National Contract for Industrial Managers expired, while all other labour contracts expire after 31 December 2004.

Investments

During the first half of 2004 the Group made investments of €11.6 million in technical assets, €6 million of which were for plant and machinery mainly in the Printing division.

The majority of investments that have not entered production yet, for a value of €2.8 million, were also made in the Printing division.

Other investments concerned the normal replacement of company cars and the purchase of new office furniture and equipment.

Disinvestments during the period amounted to €4.3 million, with €3 million concerning the Printing division and the residue relating to the normal turnover of other assets.

Results of Arnoldo Mondadori Editore SpA

As of 30 June 2004 Arnoldo Mondadori Editore SpA registered profits before taxes of €84.3 million, representing a large increase compared with the same period in 2003.

This result was due to improvements in the Book and Magazine divisions, where both revenues and profitability increased, and to increased dividends of €10 million.

Other information

The following section deals with information about the specific subjects:

Relations with linked companies

We would inform you that with reference to CONSOB communication 97001574 of 20 February 1997 and 98015375 of 27 February 1998, no operations of an atypical or unusual nature were carried out.

The operations carried out between correlated parts 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, being concerned with the intergroup current account, managed by Arnoldo Mondadori Editore SpA, relating to the various debt and credit positions of the different subsidiary and affiliated companies.

All dealings of a commercial nature with the Fininvest Group are based on normal market conditions.

For more detailed information you are referred to the Notes to the Group's financial statements.

Purchase of Company's own shares

Following the expiry of the previous authorisation granted by the Shareholder's Meeting of 28 April 2003 and in accordance with the article 2357 for the Civil Code, the Shareholder's Meeting of 26 April 2004 passed a resolution to renew the authorisation to purchase the Company's own shares up to the limit allowed by law (taking into account the number of Company shares already held in the portfolio and the shares eventually purchased by subsidiary companies) of 10% of the share capital.

Given that 10% of the share capital amounts to 25,942,983 ordinary shares and that at the date of the shareholders' resolution the company held 17,653,311 ordinary shares, the new authorisation gave the Board of Directors the authority to purchase on the market a maximum of 8,289,672 ordinary shares.

The corresponding minimum and maximum purchase prices were established as being the same as those contained in the previous shareholders' authorisation and in particular at an individual price not less than the official stock exchange price quoted on the day before the purchase operations, minus 20%, and not more than the official stock exchange price quoted on the day before the purchase operations, plus 10%.

The buy-back plan authorised by the Shareholders' Meeting is intended to provide the market with an important demonstration of the Company's confidence in the potential of Mondadori shares.

The Shareholders' Meeting also authorised the Board of Directors to dispose of the Company's own shares purchased or those already held in the portfolio either by means of disposal operations, by using them to purchase shares as part of the Company's investment policy or for the purposes of the three-year stock option plan for 2003/2004/2005 that was explained in detail in the report on the year for 2003.

Following the Shareholders' Meeting and up to the time the present report was drawn up, Arnoldo Mondadori Editore had purchased on the market a total of 298,809 ordinary shares, for a total cost of €2,354,452. During the same period a total of 576,478 ordinary shares were disposed of 296,478 of which were for the purposes of the Stock option plan.

The Company therefore currently holds 17,375,642 of its own shares, equal to 6.697% of the share capital. A further 2,824,619 Mondadori shares (1.088% of the share capital) have been purchased on the market by the subsidiary Mondadori International S.A.

Intergroup debenture loans reserved for the subsidiary Mondadori International S.A.

On 16 June 2004 the Board of Directors passed resolution – in accordance with article 2410 of the Civil Code – on the issue of a non-convertible debenture loan for a total value of $350 million entirely and exclusively reserved for the subsidiary Mondadori International S.A. - Luxembourg.

The operation is linked to the issue, on the part of Mondadori International S.A. between October and December 2003, of a private placement operation for $350 million that was reserved exclusively for American institutional investors.
It should be noted that the private placement operation is divided into three tranches of US $215 million, US $40 million and US $95 million, with expiry of 10, 12 and 15 years and six-monthly fixed coupons equal to 5.42%, 5.57% and 5.82%, corresponding to an average Euribor rate plus approximately 60 base points.
Mondadori International channelled the financial resources generated by the private placement to the holding company, Arnoldo Mondadori Editore S.p.A., by means of an intergroup loan which has the same characteristics as the private placement as far as amount, expiry dates and interest rates are concerned, and the funds will be used to refinance existing bank loans and prolong their expiry dates.
The private placement that the Board of Directors decided to set up for Mondadori International is exclusively intended to replace intergroup loans, since it has the same characteristics as those referred to above, and therefore will not have any impact whatsoever on either the financial structure of the two companies involved or on the consolidated financial structure.

Adjustments of the statute to the provisions of the reform to company law introduced by Legislative Decree 6/2003 and subsequent modifications

With reference to the introduced provisions - with the implementation of Law no. 366 of 3 October 2001, "*AUTHORISATION TO THE GOVERNMENT TO REFORM COMPANY LAW*" – of Legislative Decree no. 6 of 17 January 2003 and subsequent modifications, the Extraordinary Shareholders' Meeting of 26 April 2004 adopted a series of modifications to the company statute in order to incorporate the new legal provisions and to take account of the concessions and operating allowances provided for by the reform, with specific regard to the convocation, management and function of company bodies.

The adopted statute maintains (in particular for reasons of continuity with the corporate governance model already set up by the company in accordance with the regulations regarding the self-regulation code for quoted companies), the current "traditional" governance system characterised by the Board of Directors, the Board of Statutory Auditors and the External Auditors who are collectively entrusted with carrying out audits, in accordance with the combined provisions of article 2409 – bis of the Civil Code and article 155 of Legislative Decree 58/98.

Significant events during the second half of the year

Offer for the acquisition of the business activities relating to Radio 101 One–O–One

In July Arnoldo Mondadori Editore SpA, in pursuit of its long-held desire to enter a sector which the company believes is consistent with its strategy of diversification and development, presented an offer aimed at verifying the possibility of purchasing either all or part of the business activities owned by Radio Milano International SpA, General Broadcasting Radio SpA and One-O-One Radio Service Srl, currently under preventive sequestration.

The offer was accepted by the receiver and the legal representatives of the interested companies, following approval granted by the competent authorities at the end of July.
Following the acceptance of the offer a series of verifications activities began (and are currently still being carried out) to define the operation. These verification activities refer in particular to:

- verifying and attaining all necessary authorisation from judicial bodies and relevant administrative authorities;
- the positive results of technical, legal, administrative-audit and fiscal due diligence;
- a definitive transitive agreement for all the bankruptcy procedures that involve credit positions for the companies that currently own the company organisation.

The operation, which will probably entail an economic investment of around €42 million, is expected to be concluded at the end of the current year.

Probable developments of business activities

In the first few months of the second half of the year there were no important developments in the general economic situation. In this context the Group expects to be able to improve the results obtained for the previous year.

For the Board of Directors
Chairman
Marina Berlusconi

Arnoldo Mondadori Editore S.p.A.

Balance Sheet and Income Statement

BALANCE SHEET

ASSETS

(in thousands of euros)		PERIOD AT 30 JUNE 2004			PERIOD AT 30 JUNE 2003	YEAR ENDED 31 DECEMBER 2003
		Sub total 1	Sub total 2	TOTAL 3		
A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL						
B) NON-CURRENT ASSETS						
I- INTANGIBLE ASSETS						
1 start up and expansion costs						
2 research, development and advertising costs						
3 industrial patents and intellectual property rights			1,011		726	785
4 concessions, licences and trade marks			96,194		100,527	100,566
5 goodwill			366		1,609	731
6 assets under construction and advances						320
7 others			2,031		2,082	2,655
TOTAL				99,602	104,944	105,057
II- FIXED ASSETS						
1 land and buildings			24,129		24,220	23,660
2 plant and machinery			5,237		2,969	2,816
3 industrial and commercial equipment			351		174	150
4 other assets			6,803		3,549	3,626
5 assets under construction and advances			158		282	633
TOTAL				36,678	31,194	30,885
III- FINANCIAL ASSETS						
1 investments in:						
a) subsidiary companies			720,659		701,350	720,340
b) associated companies			26,741		27,067	27,345
c) parent companies						
d) other companies			182		703	187
TOTAL			747,582		729,120	747,872
	Within 12 months	***Over 12 months***				
2 current receivables:						
a) subsidiary companies			0			
b) associated companies			0			
c) parent companies			0			
d) other companies	419	2,211	2,630		3,287	2,875
TOTAL	419	2,211	2,630		3,287	2,875
3 other securities						
4 treasury stock			115,050		70,879	116,885
TOTAL				865,262	803,286	867,632
TOTAL NON-CURRENT ASSETS (B)				**1,001,542**	**939,424**	**1,003,574**

ASSETS

(in thousands of euros)			PERIOD AT 30 JUNE 2004		PERIOD AT	YEAR ENDED
		Sub total 1	Sub total 2	TOTAL 3	30 JUNE 2003	31 DECEMBER 2003
C) CURRENT ASSETS						
I- INVENTORIES						
1 raw materials			115		127	118
2 semi-finished products			13,530		10,215	24,594
3 contract work in progress						
4 finished products and goods			13,252		14,117	15,500
5 advances						
TOTAL				26,897	24,459	40,212
	Within 12 months	***Over 12 months***				
II- RECEIVABLES						
1 trade accounts	106,275	101	106,376		97,053	80,023
2 due from subsidiaries	206,396		206,396		220,224	162,733
3 due from associated companies	23,612		23,612		23,020	21,742
4 due from parent companies			0			2
4 bis tax credits	11,014		11,014		25,258	9,542
4 ter advance taxes	15,523		15,523		27,640	15,523
5 others	36,870	292	37,162		33,435	31,887
TOTAL	399,690	393		400,083	426,630	321,452
III- FINANCIAL ASSETS (CURRENT)						
1 investments in subsidiaries						
2 investments in associated companies						
3 investments in parent companies						
4 other investments						
5 treasury stock						
6 other securities					20,000	28,993
TOTAL				0	20,000	28,993
IV- CASH AND EQUIVALENTS						
1 cash, banks and postal accounts			11,957		5,854	15,830
2 cheques						
3 cash and commercial papers in hand			38		165	19
TOTAL				11,995	6,019	15,849
TOTAL CURRENT ASSETS (C)				**438,975**	**477,108**	**406,506**
D) ACCRUED INCOME AND PREPAID EXPENSES						
1 accrued income						
2 prepaid expenses			2,449		3,340	100
3 premium on loans					726	6,503
TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)				**2,449**	**4,066**	**6,603**
TOTAL ASSETS				**1,442,966**	**1,420,598**	**1,416,683**

BALANCE SHEET

LIABILITIES

(in thousands of euros)		PERIOD AT 30 JUNE 2004			PERIOD AT 30 JUNE 2003	YEAR ENDED 31 DECEMBER 2003
		Sub total 1	Sub total 2	TOTAL 3		
A) SHAREHOLDERS' EQUITY						
I- SHARE CAPITAL				67,452	67,452	67,452
II- SHARE PREMIUM RESERVE				172,215	216,387	170,380
III- REVALUATION RESERVE				16,712	16,711	16,711
IV- LEGAL RESERVE				13,490	13,490	13,490
V- STATUTORY RESERVE						
VI- RESERVE FOR TREASURY STOCK				115,050	70,879	116,885
VII- OTHER RESERVES						
1) Extraordinary reserve			90,980		89,077	89,077
2) Reserve law 675 of 12/8/1977			351		351	351
3) Conferral reserve Law 904 of 16/12/1977			751		751	751
4) Capital account contribution reserve			5,335		5,335	5,335
5) Reserve Law 124/93 art. 13			99		73	73
6) Merger reserve			478		479	479
7) Other reserves						
				97,994	96,066	96,066
VIII- PROFIT (LOSS) CARRIED FORWARD						
IX- PROFIT (LOSS) FOR PERIOD						
1) Gross profit for period				84,344	61,739	
2) Profit for year						74,461
TOTAL SHAREHOLDERS' EQUITY (A)				**567,257**	**542,724**	**555,445**
B) RESERVE FOR RISKS AND CHARGES						
1 retirement benefits			2,607		2,510	2,704
2 income taxes including deferred taxes			5,541		3,149	3,150
3 others			20,161		18,814	20,286
TOTAL RESERVE FOR RISKS AND CHARGES (B)				**28,309**	**24,473**	**26,140**
C) RESERVE FOR SEVERANCE INDEMNITIES				**44,732**	**44,426**	**44,335**
	Within 12 months	***Over 12 months***				
D) DEBTS AND OTHER PAYABLES						
1 bonds		296,384	296,384			
2 convertible bonds			0			
3 due to shareholders' for loans			0			
4 due to banks	159,866		159,866		476,366	123,203
5 due to other financiers			0			
6 advances	27,926		27,926		27,018	24,966
7 trade accounts	119,918		119,918		110,949	109,436
8 debts represented by credit instruments			0			
9 due to subsidiaries	119,948		119,948		111,151	434,740
10 due to associated companies	13,048		13,048		14,610	20,241
11 due to parent companies	6		6		6	
12 income taxes payable	5,929		5,929		11,502	13,107
13 due to pension funds and social security institutions	8,059		8,059		7,652	9,084
14 others	47,185		47,185		44,486	49,540
TOTAL DEBTS AND OTHER PAYABLES (D)	**501,885**	**296,384**		**798,269**	**803,740**	**784,317**
E) ACCRUED LIABILITIES AND DEFERRED INCOME						
1 accrued liabilities			1,027		1,854	2,422
2 deferred income			3,372		3,381	4,024
3 discounts on loans						
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)				**4,399**	**5,235**	**6,446**
TOTAL LIABILITIES				**1,442,966**	**1,420,598**	**1,416,683**
MEMORANDUM ACCOUNTS						
1 GUARANTEES AND SURETIES						
a) in favour of subsidiaries				68,879	51,960	68,879
b) in favour of associated companies				2,673	2,865	2,771
c) in favour of parent companies						
d) in favour of third parties				11,127	10,688	10,845
2 COMMITMENTS				15,944	44,178	24,895
3 RISKS						
4 OTHERS				289,357	326,054	268,269
TOTAL MEMORANDUM ACCOUNTS				**387,980**	**435,745**	**375,659**

1) Total items preceded by lowercase letters and (in certain cases) by Arabic numerals
2) Total items preceded by Arabic numerals and (in certain cases) by lowercase letters
3) Total items preceded by roman numerals and uppercase letters

For the Board of Directors
Chairman
Marina Berlusconi

INCOME STATEMENT

(in thousands of euros)	PERIOD AT 30 JUNE 2004 Sub total 1	Sub total 2	TOTAL 3	PERIOD AT 30 JUNE 2003	YEAR ENDED 31 DECEMBER 2003
A) PRODUCTION VALUE					
1 REVENUES FROM SALES OF GOODS AND SERVICES		548,838		501,051	948,698
2 CHANGES IN INVENTORY OF SEMI-FINISHED GOODS		-13,313		-11,596	2,382
3 CHANGES IN CONTRACT WORK IN PROGRESS					
4 INCREASE IN COMPANY-PRODUCED ADDITIONS TO FIXED ASSETS					
5 OTHER INCOME AND REVENUES					
a) operating grants					
b) other income and revenues	17,118			16,504	33,620
		17,118			
TOTAL PRODUCTION VALUE (A)			**552,643**	**505,959**	**984,700**
B) PRODUCTION COSTS					
6 RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		117,452		117,874	222,070
7 SERVICES		281,288		247,003	494,127
8 USE OF THIRD PARTY ASSETS		6,480		6,641	12,724
9 PERSONNEL					
a) wages and salaries	44,499			40,909	84,793
b) social contributions	13,043			11,876	24,580
c) severance indemnities	3,601			3,452	7,216
d) retirement benefits	12			9	25
e) other costs	695			734	3,143
TOTAL		61,850		56,980	119,757
10 DEPRECIATIONS, AMORTISATION AND WRITEDOWNS					
a) amortisation of intangible assets	5,779			5,886	12,681
b) depreciation of fixed assets	2,643			1,600	5,484
c) other writedowns of assets					
d) writedowns of doubtful accounts	1,320			1,509	1,691
TOTAL		9,742		8,995	19,856
11 CHANGES IN INVENTORY OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		2		2	12
12 PROVISIONS FOR RISKS		3,795		1,020	3,478
13 OTHER PROVISIONS					
14 OTHER OPERATING EXPENSES		3,563		3,435	7,637
TOTAL PRODUCTION COSTS (B)			**484.172**	**441,950**	**879,661**
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)			**68,471**	**64,009**	**105,039**
C) FINANCIAL INCOME AND CHARGES					
15 INCOME FROM EQUITY INVESTMENTS					
a) Subsidiaries	17,896			6,541	20,650
b) Associated companies	4,993			5,562	6,368
c) Other companies					15,169
TOTAL		22,889		12,103	42,187
16 OTHER FINANCIAL INCOME					
a) from long term receivables					
* Subsidiaries					
* Associated companies					
* Parent companies					
* Other companies	36			52	92
TOTAL	36			52	92
b) from long term securities					
c) from short term securities					
d) Other income					
* Subsidiaries	1,240			1,379	2,947
* Associated companies	18			26	61
* Parent companies					
* Other companies	3,511			6,837	10,584
	4,769			8,242	13,592
TOTAL		4,805		8,294	13,684
17 INTEREST AND FINANCIAL CHARGES					
a) Subsidiaries	8,583			287	1,134
b) Associated companies	173			201	326
c) Parent companies					
d) Other companies	3,311			13,413	23,987
TOTAL		12,067		13,901	25,447
17bis PROFIT (LOSS) ON CURRENCY EXCHANGE		-40		43	42
TOTAL FINANCIAL INCOME AND CHARGES (C)			**15,587**	**6,539**	**30,466**

INCOME STATEMENT (continued)

(in thousands of euros)	PERIOD AT 30 JUNE 2004 Sub total 1	Sub total 2	TOTAL 3	PERIOD AT 30 JUNE 2003	YEAR ENDED 31 DECEMBER 2003
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS					
18 REVALUATIONS					
a) equity investments					
b) other long term financial assets					
c) securities					
TOTAL		0		0	0
19 WRITEDOWNS					
a) equity investments	2,989			8,826	6,841
b) other long term financial assets					
c) securities					1,007
TOTAL		2,989		8,826	7,848
TOTAL ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS (D)			**-2,989**	**-8,826**	**-7,848**
E) EXTRAORDINARY INCOME AND CHARGES					
20 INCOME					
a) Gains on disposals					1,200
b) Others	4,048			98	202
TOTAL		4,048		98	1,402
21 CHARGES					
a) Losses on disposals	772				1
b) Taxation relative to prior years					
c) Others	1			82	88
TOTAL		773		82	89
TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)			**3,275**	**16**	**1,313**
PROFIT BEFORE TAX			**84,344**	**61,738**	**128,970**
22 INCOME TAX FOR PERIOD					
a) Current taxes					42,406
b) Deferred/advance taxes					12,103
TOTAL					54,509
23 PROFIT (LOSS) FOR PERIOD					**74,461**

1) Total of items preceded by lowercase letters
2) Total of items preceded by Arabic numerals
3) Total of items preceded by uppercase letters and (in certain cases) Arabic numerals

For the Board of Directors
Chairman
Marina Berlusconi

Mondadori Group

Balance Sheet and Consolidated Income Statement

BALANCE SHEET

ASSETS

(in thousands of euros)	PERIOD AT 30 JUNE 2004				PERIOD AT 30 JUNE 2003	YEAR ENDED 31 DECEMBER 2003
		Sub total 1	Sub total 2	TOTAL 3		
A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL						
B) NON-CURRENT ASSETS						
I- INTANGIBLE ASSETS						
1 start up and expansion costs			419		160	489
2 research, development and advertising costs						
3 industrial patents and intellectual property rights			1,323		1,115	1,120
4 concessions, licences and trade marks			128,733		127,061	134,369
5 goodwill			6,754		9,902	7,919
6 assets under construction and advances			43		5	319
7 others			4,993		5,357	5,829
8 consolidation differences			6,952		9,876	8,381
TOTAL				149,217	153,476	158,426
II- FIXED ASSETS						
1 land and buildings			80,507		81,314	82,447
2 plant and machinery			85,217		95,075	92,978
3 industrial and commercial equipment			2,235		2,394	2,409
4 other assets			15,749		17,628	16,659
5 assets under construction and advances			8,303		6,844	5,385
TOTAL				192,011	203,255	199,878
III- FINANCIAL ASSETS						
1 investments in:						
a) subsidiary companies			205		837	461
b) associated companies			64,747		71,356	69,281
c) parent companies						
d) other companies			233		862	238
TOTAL			65,185		73,055	69,980
	Within 12 months	***Over 12 months***				
2 current receivables:						
a) subsidiary companies			0			
b) associated companies			0			
c) parent companies			0			
d) other companies	1,480	3,787	5,267		6,861	5,746
TOTAL	1,480	3,787	5,267		6,861	5,746
3 other securities						
4 treasury stock			117,752		70,879	116,885
TOTAL				188,204	150,795	192,611
TOTAL NON-CURRENT ASSETS (B)				**529,432**	**507,526**	**550,915**

ASSETS

(in thousands of euros)	PERIOD AT 30 JUNE 2004				PERIOD AT 30 JUNE 2003	YEAR ENDED 31 DECEMBER 2003
	Sub total 1		Sub total 2	TOTAL 3		
C) CURRENT ASSETS						
I- INVENTORIES						
1 raw materials			13,810		13,645	13,851
2 semi-finished products			20,868		18,491	34,640
3 contract work in progress			8,365		7,662	9,489
4 finished products and goods			81,769		81,208	75,534
5 advances						7
TOTAL				124,812	121,006	133,521
	Within 12 months	***Over 12 months***				
II- RECEIVABLES						
1 trade accounts	382,214	12,810	395,024		375,751	350,226
2 due from subsidiaries	433		433		155	625
3 due from associated companies	59,193		59,193		50,606	56,404
3bis due from affiliated companies	3,220		3,220		4,112	5,166
4 due from parent companies			0		9	2
4 bis tax credits	29,193		29,193		37,278	19,833
4 ter advance taxes	39,127		39,127		46,420	29,714
5 others	72,808	1,455	74,263		65,275	65,321
TOTAL	586,188	14,265		600,453	579,606	527,291
III- FINANCIAL ASSETS (CURRENT)						
1 investments in subsidiaries						
2 investments in associated companies						
3 investments in parent companies						
4 other investments						
5 treasury stock						
6 other securities			547,953		464,657	580,330
TOTAL				547,953	464,657	580,330
IV- CASH AND EQUIVALENTS						
1 cash, banks and postal accounts			37,891		25,435	42,263
2 cheques						261
3 cash and commercial papers in hand			238		283	161
TOTAL				38,129	25,718	42,685
TOTAL CURRENT ASSETS (C)				**1,311,347**	**1,190,987**	**1,283,827**
D) ACCRUED INCOME AND PREPAID EXPENSES						
1 accrued income			876		476	565
2 prepaid expenses			5,342		5,220	8,574
3 premium on loans					726	
TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)				**6,218**	**6,422**	**9,139**
TOTAL ASSETS				**1,846,997**	**1,704,935**	**1,843,881**

BALANCE SHEET

LIABILITIES

(in thousands of euros)		PERIOD AT 30 JUNE 2004			PERIOD AT	YEAR ENDED
		Sub total 1	Sub total 2	TOTAL 3	30 JUNE 2003	31 DECEMBER 2003
A) SHAREHOLDERS' EQUITY						
I- SHARE CAPITAL				67,452	67,452	67,452
II- SHARE PREMIUM RESERVE				169,513	216,386	170,380
III- REVALUATION RESERVE				16,712	16,712	16,712
IV- LEGAL RESERVE				13,490	13,490	13,490
V- STATUTORY RESERVE					,	
VI- RESERVE FOR TREASURY STOCK				117,752	70,879	116,885
VII- OTHER RESERVES						
1) Extraordinary reserve			11,166		9,264	9,264
2) Reserve law 675 of 12/8/1977			351		351	351
3) Conferral reserve Law 904 of 16/12/1977			751		751	751
4) Capital account contribution reserve			5,335		5,335	5,335
5) Reserve Law 124/93 art. 13			99		73	73
6) Merger reserve			478		478	478
7) Other reserves			-3,660		-3,237	-4,223
				14,520	13,015	12,029
VIII- PROFIT (LOSS) CARRIED FORWARD				80,429	72,317	72,869
IX- PROFIT (LOSS) FOR PERIOD						
1) Gross profit for period				77,364	64,064	
2) Profit for year						82,101
CONSOLIDATED GROUP SHAREHOLDERS' EQUITY				557,232	534,315	551,918
MINORITY INTEREST				3,416	357	3,282
TOTAL SHAREHOLDERS' EQUITY (A)				**560,648**	**534,672**	**555,200**
B) RESERVE FOR RISKS AND CHARGES						
1 retirement benefits			10,164		9,364	10,166
2 income taxes including deferred taxes			16,178		15,032	14,769
3 others			25,176		26,427	26,651
TOTAL RESERVE FOR RISKS AND CHARGES (B)				**51,518**	**50,823**	**51,586**
C) RESERVE FOR SEVERANCE INDEMNITIES				**101,817**	**103,681**	**100,722**
	Within 12 months	***Over 12 months***				
D) DEBTS AND OTHER PAYABLES						
1 bonds		296,384	296,384			296,384
2 convertible bonds		109,900	109,900			109,900
3 due to shareholders' for loans			0			
4 due to banks	171,637	13,038	184,675		497,311	151,547
5 due to other financiers		1,360	1,360			1,360
6 advances	35,007		35,007		33,163	35,831
7 trade accounts	332,841	282	333,123		323,039	336,957
8 debts represented by credit instruments			0			
9 due to subsidiaries	308		308		6	689
10 due to associated companies	36,690		36,690		39,283	43,824
10bis due to affiliated companies	4,445		4,445		6,608	9,595
11 due to parent companies	6		6		6	
12 income taxes payable	13,216		13,216		9,004	19,537
13 due to pension funds and social security institutions	15,559		15,559		15,202	17,853
14 others	92,405		92,405		81,472	101,136
TOTAL DEBTS AND OTHER PAYABLES (D)	**702,114**	**420,964**		**1,123,078**	**1,005,094**	**1,124,613**
E) ACCRUED LIABILITIES AND DEFERRED INCOME						
1 accrued liabilities			5,902		4,918	5,986
2 deferred income			4,034		5,747	5,774
3 discounts on loans						
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)				**9,936**	**10,665**	**11,760**
TOTAL LIABILITIES				**1,846,997**	**1,704,935**	**1,843,881**
MEMORANDUM ACCOUNTS						
1 GUARANTEES AND SURETIES						
a) in favour of subsidiaries						
b) in favour of associated companies						
c) in favour of third parties				112,122	89,967	108,459
2 COMMITMENTS				7,972	28,426	12,448
3 RISKS						
4 OTHERS				104,034	92,405	95,785
TOTAL MEMORANDUM ACCOUNTS				**224,128**	**210,798**	**216,692**

1) Total of items preceded by lowercase letters and (in certain cases) by Arabic numerals
2) Total of items preceded by Arabic numerals and (in certain cases) by lowercase letters
3) Total of items preceded by Roman numerals and uppercase letters

For the Board of Directors
Chairman
Marina Berlusconi

INCOME STATEMENT

(in thousands of euros)	PERIOD AT 30 JUNE 2004 Sub total 1	Sub total 2	TOTAL 3	PERIOD AT 30 JUNE 2003	YEAR ENDED 31 DECEMBER 2003
A) PRODUCTION VALUE					
1 REVENUES FROM SALES OF GOODS AND SERVICES		837,325		754,936	1,538,144
2 CHANGES IN INVENTORY OF SEMI-FINISHED GOODS		-7,542		-56	6,116
3 CHANGES IN CONTRACT WORK IN PROGRESS		-1,124		-1,018	809
4 INCREASE IN COMPANY-PRODUCED ADDITIONS TO FIXED ASSETS		96		89	143
5 OTHER INCOME AND REVENUES					
a) operating grants	1,125			1,222	4,736
b) other income and revenues	20,634			18,787	44,313
		21,759			
TOTAL PRODUCTION VALUE (A)			**850,514**	**773,960**	**1,594,261**
B) PRODUCTION COSTS					
6 RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		248,465		236,554	486,463
7 SERVICES		336,121		297,156	598,537
8 USE OF THIRD PARTY ASSETS		11,793		11,381	22,927
9 PERSONNEL					
a) wages and salaries	92,841			89,662	177,738
b) social contributions	28,842			27,821	55,425
c) severance indemnities	7,890			7,363	15,258
d) retirement benefits	12			9	25
e) other costs	1,227			1,440	4,025
TOTAL		130,812		126,295	252,471
10 DEPRECIATIONS, AMORTISATION AND WRITEDOWNS					
a) amortisation of intangible assets	10,254			11,294	23,494
b) depreciation of fixed assets	19,001			18,726	38,813
c) other writedowns of assets					
d) writedowns of doubtful accounts	4,802			4,722	7,975
TOTAL		34,057		34,742	70,282
11 CHANGES IN INVENTORY OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		36		-1,118	-815
12 PROVISIONS FOR RISKS		4,350		1,148	4,870
13 OTHER PROVISIONS		13		15	30
14 OTHER OPERATING EXPENSES		5,207		6,288	13,240
TOTAL PRODUCTION COSTS (B)			**770,854**	**712,461**	**1,448,005**
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)			**79,660**	**61,499**	**146,256**
C) FINANCIAL INCOME AND CHARGES					
15 INCOME FROM EQUITY INVESTMENTS					
a) Subsidiaries					
b) Associated companies					201
c) Other companies					
TOTAL		0		0	201
16 OTHER FINANCIAL INCOME					
a) from long term receivables					
* Subsidiaries					
* Associated companies					
* Parent companies					
* Other companies	39			57	101
TOTAL	39			57	101
b) from long term securities					
c) from short term securities	8,312			9,601	20,512
d) Other income					
* Subsidiaries	1				5
* Associated companies	190			214	426
* Parent companies					
* Other companies	4,747			7,736	12,692
	4,938			7,950	13,123
TOTAL		13,289		17,608	33,736
17 INTEREST AND FINANCIAL CHARGES					
a) Subsidiaries	3			27	29
b) Associated companies	173			201	326
c) Parent companies					
d) Other companies	12,757			16,412	28,973
TOTAL		12,933		16,640	29,328
17bis PROFIT (LOSS) ON CURRENCY EXCHANGE		99		108	-1,725
TOTAL FINANCIAL INCOME AND (CHARGES) (C)			**455**	**1,076**	**2,884**

INCOME STATEMENT (continued)

(in thousands of euros)	PERIOD AT 30 JUNE 2004 Sub total 1	Sub total 2	TOTAL 3	PERIOD AT 30 JUNE 2003	YEAR ENDED 31 DECEMBER 2003
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS					
18 REVALUATIONS					
a) equity investments	2,852			2,522	4,997
b) other long term financial assets					
c) securities					
TOTAL		2,852		2,522	4,997
19 WRITEDOWNS					
a) equity investments	3,256			4,898	8,365
b) other long term financial assets					
c) securities	1,531				3,772
TOTAL		4,787		4,898	12,137
TOTAL ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS (D)			**-1,935**	**-2,376**	**-7,140**
E) EXTRAORDINARY INCOME AND CHARGES					
20 INCOME					
a) Gains on disposals				2,181	3,929
b) Others	633			1,876	6,587
TOTAL		633		4,057	10,516
21 CHARGES					
a) Losses on disposals	772				66
b) Taxation relative to prior years	45			22	436
c) Others	632			170	1,837
TOTAL		1449		192	2,339
TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)			**-816**	**3,865**	**8,177**
PROFIT BEFORE TAX			**77,364**	**64,064**	**150,177**
22 INCOME TAX FOR PERIOD					67,499
23 RESULT FOR PERIOD					82,678
PROFIT (LOSS) FOR PERIOD PERTAINING TO MINORITY INTERESTS					577
PROFIT (LOSS) FOR PERIOD					**82,101**

1) Total of items preceded by lowercase letters
2) Total of items preceded by Arabic numerals
3) Total of items preceded by uppercase letters and (in certain cases) Arabic numerals

For the Board of Directors
Chairman
Marina Berlusconi

Mondadori Group

Notes to the Consolidated Financial Statements

Form and Contents of the Consolidated Financial Statements

General policies

The financial statements for the six-month period from 1 January–30 June 2004, including the notes which form an integral part of them, have been drawn up in accordance with accounting principles and evaluation criteria that conform to the regulations contained in the Civil Code.

The structure and content of the Balance Sheet and the Income Statement conforms to the regulations contained in Legislative Decree no. 127 of 9/4/1991.

The principles employed in drawing up the financial statements for the first half of 2004 are the same as those employed for drawing up the financial statements for the first half of 2003 and for the final report of 2003;

- the variations between assets and liabilities are highlighted in the comments on the financial statements. As for the reserves, in particular, the provisions and utilisations during the six-month period are highlighted;
- risks and losses sustained during the period were taken into consideration, even if they only became apparent after the closing date;
- the result for the first half of 2004 was calculated gross of tax, adjustments and provisions for the period in accordance with CONSOB regulation 11971 of 14/5/1999 and successive modifications. Consequently, deferred tax deriving from the application of accounting principles relative to income tax was not included;
- economic facts that are not proportional to those concerning the entire year but relevant in order to present the results of the Group in the first half of 2004, were adjusted by means of appropriate accounting practices in accordance with CONSOB recommendations concerning the content and method of drawing up reports on half-yearly financial statements and financial positions.

The significant events that took place during the first half of 2004 in the sectors where the Group operates have been commented on in the Report of the Board of Directors.

A “Reconciliation between the Holding Company’s Accounts and the Consolidated Financial Statements” has also been provided.

Consolidation area

The Consolidated Financial Statements of the Mondadori Group include:

- the accounts of the Holding Company and those of Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, the majority of the votes allocated to the Ordinary Shareholders’ Meeting. In these cases the full version consolidation method has been adopted, in accordance with Legislative decree no. 127 of 9 April 1991 and Document no. 17 of the Accounting Principles Commission set up by the Italian Accounting Profession;
- the financial statements of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, 50% of the share capital and controls the management: these investments have been consolidated by the proportional method;
- the financial statements of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, either 50 % of the share capital but does not control the management, or a minority interest: these investments have been consolidated by the net equity method.

The consolidation does not include those companies whose inclusion would be immaterial in representing the true, correct financial situation and results of the period year.
These companies have been valued at cost.

The companies belonging to the consolidation area of the Mondadori Group are as follows:

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 30/06/04	% held as of 31/12/03
Companies consolidated using the line-by-line method						
Holding company						
Arnoldo Mondadori Editore SpA	Milan	Publishing	Euro	67,451,756.32		
Italian subsidiaires						
Cemit Interactive Media SpA	S.Mauro Torinese	Trade	Euro	3,835,000.00	100.00	100.00
Edizioni Frassinelli Srl	Milan	Publishing	Euro	10,400.00	100.00	100.00
Edizioni Piemme SpA	Milan	Publishing	Euro	566,661.00	70.00	70.00
Edumond Le Monnier SpA	Milan	Publishing	Euro	10,608,000.00	100.00	100.00
Mondadori Electa SpA	Milan	Publishing	Euro	1,593,735.00	100.00	100.00
Electa Napoli Srl	Naples	Publishing	Euro	155,000.00	60.00	60.00
Mondadori Retail Srl	Milan	Trade	Euro	2,700,000.00	100.00	100.00
Fied SpA	Milan	Financial publishing	Euro	416,000.00	100.00	100.00
Giulio Einaudi Editore SpA	Turin	Publishing	Euro	23,920,000.00	100.00	100.00
Mondadori Printing SpA	Milan	Printing	Euro	45,396,000.00	100.00	100.00
Mondadori Pubblicità SpA	Milan	Advertising agent	Euro	3,120,000.00	100.00	100.00
Mondadori Franchising SpA	Rimini	Trade and publishing	Euro	1,954,000.00	100.00	100.00
Mondadori Sistemi di Comunicazione Srl	Milan	Services	Euro	95,000.00	100.00	(*)
Promopi Libri Srl	Milan	Trade and publishing	Euro	46,800.00	70.00	70.00
Sperling & Kupfer Editori SpA	Milan	Publishing	Euro	388,800.00	100.00	100.00
Foreign subsidiaries						
ABS Finance Advisory Company	Luxembourg	Financial	Euro	125,000.00	99.19	99.19
Arnoweb SA	Luxembourg	Financial	Euro	36,256,900.00	99.99	99.99
Artes Graficas Toledo SA	Toledo	Printing	Euro	5,409,000.00	100.00	100.00
Atimod Publishing Investments SA	Luxembourg	Financial	Euro	10,373,800.00	99.99	99.99
Mondadori Finance SA	Luxembourg	Financial	Euro	3,031,000.00	99.96	99.96
Mondadori International SA	Luxembourg	Financial	Euro	393,625,900.00	99.99	99.99

(*) Mondadori Sistemi di Comunicazione Srl at 31 December 2003 was consolidated using the historical cost method.

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 30/06/04	% held as of 31/12/03
Companies valued using the proportional method						
Mondolibri SpA	Milan	Trade and publishing	Euro	1,040,000.00	50.00	50.00
Companies valued using the net equity method						
Aci Mondadori Srl	Milan	Publishing	Euro	1,080,000.00	50.00	50.00
Ag. Lombarda Distrib. Giornali e Riviste Srl	Milan	Trade	Euro	400,000.00	50.00	50.00
Alpha Records SA	Athens	Music recording	Euro	390,000.00	10.00	10.00
Attica Media Bulgaria Ltd	Sofia	Publishing	Lev	155,000.00	10.20	10.20
Attica Publishing Investments SA	Athens	Publishing	Euro	4,590,000.00	20.00	20.00
Balcan Publications Ltd	Cyprus	Financial	Cyprus pounds	1,000	10.00	10.00
BOL Books on Line Italia SpA	Milan	Trade	Euro	1,000,000.00	50.00	50.00
City Servers SA	Athens	Printing	Euro	4,337,500.00	4.50	4.50
Random House Mondadori SA	Bogota	Trade	Pesos	2,960,900	50.00	50.00
E-One SA	Athens	Internet	Euro	2,054,292.01	5.00	5.00
Editorial Random House Mondadori Ltda	Bogota	Publishing	Pesos	779,596,000	50.00	50.00
Editorial Lumen SA	Barcelona	Publishing	Euro	65,999.96	50.00	50.00
Editorial Sudamericana SA	B. Aires	Publishing	Pesos	1,000,000	50.00	50.00
Random House Mondadori SA	Santiago	Publishing	Pesos	3,652,935,967	50.00	50.00
Editorial Sudamericana Uruguaya SA	Montevideo	Publishing	Pesos	3,483,900	49.88	49.88
Edizioni Electa Bruno Mondadori Srl	Milan	Publishing	Euro	10,400.00	50.00	50.00
Edizioni EL Srl	Trieste	Publishing	Euro	620,000.00	50.00	50.00
Emphasis SA	Athens	Publishing	Euro	798,239.18	16.40	16.40
Enallaktikes SA	Athens	Publishing	Euro	410,858.40	9.80	9.80
G. Dragounis SA	Athens	Publishing	Euro	311,346.00	10.00	10.00
Grijalbo Editor SA	Montevideo	Publishing	N. Pesos	500,000	50.00	50.00
Random House Mondadori SA	Caracas	Publishing	Bolivares	670,536,000	50.00	50.00
Grupo Editorial Random House Mondadori SL	Barcelona	Publishing	Euro	10,002,000.00	50.00	50.00
Gruner und Jahr / Mondadori SpA	Milan	Publishing	Euro	2,600,000.00	50.00	50.00
Harlequin Mondadori SpA	Milan	Publishing	Euro	258,250.00	50.00	50.00
Hearst Mondadori Editoriale Srl	Milan	Publishing	Euro	99,600.00	50.00	50.00
International Radio Networks Holding SA	Luxembourg	Financial	Euro	750,000.00	20.00	20.00
International Radio Networks SA	Athens	Publishing	Euro	380,000.00	19.94	19.94
Ionikes Publishing SA	Athens	Publishing	Euro	780,000.00	13.30	13.30
Mach 2 Libri SpA	Milan	Trade	Euro	646,250.00	24.00	24.00
Map Media SA	Budapest	Publishing	Huf	60,000,000	10.00	10.00
Market Self SA	B. Aires	Publishing	Ars	30,200	25.00	24.78
Mondadori Informatica e-BisMedia Srl	Milan	Services	Euro	920,920.00	100.00	50.00
Mondadori Rodale Srl	Milan	Publishing	Euro	90,000.00	50.00	50.00
Nueva Galaxia Gutenberg SL	Barcelona	Publishing	Euro	60,200.14	50.00	50.00
PBR Publication Srl	Bucharest	Publishing	Rol	2,000,000	10.00	10.00
Press Tv SpA	Milan	Publishing	Euro	1,500,000.00	50.00	50.00
Prooptiki SA	Athens	Trade	Euro	1,760,821.72	10.00	10.00
Random House Mondadori SA	Barcelona	Publishing	Euro	6,824,606.24	50.00	50.00
Random House Mondadori SA de CV	Mexico	Publishing	Pesos	122,846,651	50.00	50.00
Prisco Spain SA	Barcelona	Financial	Euro	60,101.30	100.00	100.00
Società Europea di Edizioni SpA	Milan	Publishing	Euro	2,775,601.92	39.27	39.27
Tilerama SA	Athens	Publishing	Euro	1,467,351.43	10.00	10.00
Tiletheatis SA	Athens	Publishing	Euro	2,641,500.00	14.34	14.34

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 30/06/04	% held as of 31/12/03
Companies valued at cost						
AME France Sarl	Paris	Services	Euro	20,000.00	99.99	(**)
AME Publishing Ltd	New York	Services	US $	50,000	99.99	99.99
Arnoldo Mondadori Deutschland GmbH	Munich	Services	Euro	25,564.50	99.99	99.99
Casa Editrice e di Distribuzione Bences	Pannonhalma	Trade	Ft	11,250,000	15.40	15.40
Consuledit Srl	Milan	Services	Euro	20,000.00	9.54	9.54
Consorzio Aeromobili Fininvest	Milan	Services	Euro	520,000.00	2.00	3.00
Cons. Sistemi Informativi Editoriali Distributivi	Milan	Services	Euro	103,291.38	10.00	10.00
Editrice Portoria SpA	Milan	Publishing	Euro	364,000.00	16.78	16.78
Editrice Storia Illustrata Srl (in liq.)	Milan	Publishing	Lire	20,000,000	8.39	8.39
Euromedia Luxembourg Two SA	Luxembourg	Finance	US $	42,500,000	11.76	11.76
Giulio Einaudi Editore SpA (extr. admn.)	Turin		Lire	3,000,000,000	7.35	7.35
Immobiliare Editori Giornali Srl	Rome	Real estate	Euro	830,462.00	7.88	7.88
Istud – Istituto Studi Direzionali SpA	Milan	Services	Euro	1,136,212.00	0.59	0.59
Marchgrange Ltd	Dublin	Finance	£ irl.	12	99.99	99.99
Mondadori Belgium SA	Brussels	Finance	Euro	62,000.00	99.98	99.98
Mondadori.Com. USA Inc	Delaware	Services	US $	1,000	99.99	99.99
News Alert Investors Inc	New York	Services	US $	20,528,461	11.21	11.21
Novamusa Gelmar Biblioteca Nazionale Scarl	Rome	Services	Euro	10,200.00	12.00	12.00
Novamusa Val di Noto Scarl	Messina	Services	Euro	90,000.00	12.00	12.00
Novamusa Valdemone Scarl	Messina	Services	Euro	90,000.00	12.00	12.00
Selcon Srl	Milan	Services	Euro	20,800.00	17.60	17.60
Società Editrice Il Mulino SpA	Bologna	Publishing	Euro	1,175,000.00	7.05	7.05
Veleno SpA					(***)	24.00
Venezia Accademia Scarl	Venice	Services	Euro	15,000.00	26.00	26.00
Venezia Musei Scarl	Venice	Services	Euro	10,000.00	34.00	34.00
Venezia Musei soc. per i servizi museali Scarl	Venice	Services	Euro	10,000.00	34.00	(****)

(**) AME France Sarl was set up during the first half of 2004.

(***) Veleno SpA was liquidated during the first half of 2004.

(****) Venezia Musei soc. was set up during the first half of 2004 to deal with Scarl museum services.

Financial Statements used

The Financial Statements used in the consolidation are those drawn up by the individual companies in the Group as of 30 June 2004 in accordance with Group accounting principles.

Consolidation policies

In drawing up the Consolidated Financial Statements, assets and liabilities in the Balance Sheet, as well as profits and losses of companies included in the consolidation using the line-by-line method, have been fully assimilated.

Investments in associated companies have been consolidated on either a proportional or net equity basis.

The application of the above mentioned consolidation techniques involves the following adjustments:

- the net book value of investments in companies included in the consolidated area is eliminated against the related net equity;
- the positive difference between the purchase cost of investments and their net equity at the date of acquisition is booked to adjustments in the specific item on the basis of the value of the title or series. Any eventual residue is booked to intangible assets under "Consolidation differences".

Negative differences are booked to net equity under the title "Consolidation reserve";

- the amount of capital and reserves of companies consolidated on a line-by-line basis, corresponding to minority interests, is booked to net equity under "Minority interest capital and reserves". The share of the consolidated financial result for the year, corresponding to third party investments, is booked under "Net profit (loss) for the year pertaining to minority interest";
- receivables and payables, together with charges and income resulting from transactions between companies included in the consolidation area are cancelled. Profits and losses resulting from transactions between these companies and included in their equity are eliminated;
- value adjustments and provisions made exclusively in application of tax regulations are eliminated.

Accounting principles and valuation methods

The accounting principles and valuation methods adopted in preparing the Consolidated Financial Statements as of 30 June 2004 are in accordance with current regulations and are based on those issued by the Italian Accounting Profession.

Historical cost has been adopted as a basic principle in most cases, except for the revaluation of fixed assets as referred to in specific legal regulations. Arnoldo Mondadori Editore S.p.A., now amalgamated, also re-valued certain of its fixed assets on the basis of a sworn expert appraisal in its 1984 financial statements.

The more significant accounting principles have been applied on a consistent basis over time and are explained below.

a) Intangible assets

Intangible assets are booked at acquisition or internal production cost, including accessory charges.

Goodwill is booked under assets if it has been bought, at a value up to the cost incurred.

The value attributed to titles and series includes part of the difference between the purchase cost of certain investments and their book net equity, and the cost incurred for buying or creating new titles and series.

The value of titles is constantly reviewed in the light of economic prospects.

Consolidation differences emerge when the Consolidated Financial Statements are drawn up and the value of investments is eliminated, the first time, with the corresponding portion of the shareholders' equity of the investment.

Research, development and advertising costs are charged to the Income Statement in the year they are incurred, with the exception of the cost of "launch campaigns" for new products and new company activities, since their utility and capacity to generate a corresponding influx of income will be felt in future years.

Intangible assets are systematically amortised at a constant rate, for the period of their foreseeable future utility.

The period of depreciations is shown in comparison with the reference period in the following table:

Fiscal category	**Depreciation period**
Start-up and expansion costs	5 years
Industrial patents and intellectual property rights	3 – 5 years
Concessions, licences, trade marks and similar	5 – 20 years
Goodwill	10 years
Others	3 – 5 years
Consolidation differences	10 years

Assets whose value at the end of the financial year are notably inferior to the depreciation cost based on the methods outlined above, are written down to their residual value. If in subsequent periods the forecasts on which the writedowns were based prove to be unfounded, the original cost is restored.

b) Fixed assets

Fixed assets are valued at purchase or production cost, with the exception of some assets that have been re-valued in previous years in accordance with relevant Laws.

The balances from these revaluations are booked under net equity and are called “Revaluation reserves”.

Maintenance costs which increase the value and useful life of the assets are charged to the asset concerned, while ordinary maintenance costs are booked to the Income statement during the year in which they are incurred.

Financial leasing contracts for capital goods have been accounted for under fixed assets, according to the relevant category, at the market value of the assets in accordance with I.A.S. international accounting principle no. 17.

Fixed assets are systematically amortised every year at a constant rate, on the basis of an economic-technical rate that depends on the residual useful life of the assets, which is periodically checked in order to take into account the technical-economic condition of the assets themselves.
The annual depreciation rate is compared with the reference period in the following way:

Fiscal category	**% rate**
Land and buildings	3.00
Plant and machinery	10.00 – 25.00
Industrial and commercial equipment	25.00
Other assets:	
- works of art	-
- electronic office equipment	20.00
- furniture and fixtures	12.00
- various small equipment	25.00
- motor vehicles	20.00 – 25.00

The above rates are reduced by 50% for all assets that enter into service for the first time during the financial year.

Assets whose value at the end of the period are notably inferior to the depreciation cost based on the methods outlined above, are written down to their residual value.

c) Financial assets

Consistent assets in investments in associated companies are valued by the net equity method, for an amount equal to the corresponding part of the net equity according to the last economic-equity report approved by the companies in question, after making the adjustments required by the accounting principle adopted in preparing the Consolidated Financial Statements.

The book value also contains the higher cost paid, attributable to goodwill.
Profits and losses deriving from the application of the net equity method are booked to the Income Statement, under “Revaluation of investments” and “Investment writedowns”.

Other investments are valued at cost.

The company’s own shares bought in accordance with art. 2357 of the Civil Code and in accordance with the deliberations of the Shareholders’ Meetings of 16 March 1998, 29 April 1999,

3 May 2000, 24 April 2001, 22 April 2002, 28 April 2003 and 26 April 2004, are valued at purchase price, while those that come from the former shareholders of AMEF who exercised their right to sell their shares following the change of corporate purpose as a result of its merger with the former Arnoldo Mondadori Editore S.p.A., are valued at the price fixed by the Shareholders' Meeting of 30 July 1991. LIFO evaluation criteria is applied.
The cost is reduced if there is a long-term loss.

d) Inventory

Inventory is valued at the lower of purchase cost, including overheads, or production cost and the market value, net of any writedowns and obsolescence risk reserves.

The cost is established:

- for raw and consumable materials, based on the L.I.F.O. method;
- for work in progress and semi-finished editions, based on the average industrial cost, taking into account the progress of the work;
- for finished products purchased for sale, based on average costs;
- for finished products, based on the F.I.F.O. method, with the average production cost for the year progressively reduced in order to take into account obsolescence. The following percentages are shown in comparison to the reference period:

Year of publication	School editions	Scientific editions	Various editions
First	-	-	-
Second	50%	-	33%
Third	75%	25%	67%
Fourth	94%	50%	90%
Fifth	100%	75%	90%
Sixth and successive	100%	90%	90%

e) Receivables and payables

Receivables are booked at face value, according to their estimated realizable value and net of a reserve for doubtful accounts in order to take into account their collectability. Payables are booked at their face value.

f) Financial activities that do not constitute assets

Financial activities that do not constitute assets, represented by other investments and fixed-income shares, are booked at the lower of purchase cost and the market value.

g) Accruals and prepaid expenses

Accruals only refer to costs and income that are common to two or more periods. Accruals and prepayments are calculated on an accrual basis.

h) Reserves for risks and charges

The provisions for risks and charges are to cover notable losses or liabilities that certainly or probably exist, but whose amount or date of occurrence was impossible to establish when the accounts were drawn up.

The risks for which a contingent liability is only possible are disclosed in the "Notes to the Consolidated Financial Statements", without setting up a "Reserve for risks and charges" for them.

i) Reserve for severance indemnities

The reserve for severance indemnities reflects the full amount due to employees up to the end of the period on the basis of current laws, labour contracts and any eventual company agreements in force in the individual countries where the consolidated companies operate.

l) Revenues, costs, income and charges

Revenues are recognised when ownership is transferred, which normally coincides with delivery or shipping, while for magazines delivery or shipping corresponds to the date or period indicated on the cover and to the time services are rendered or completed.

Revenues, costs, income and charges are booked in the financial statement net of returns, discounts and allowances.

m) Commitments and guarantees

Commitments and guarantees are booked to the suspense account at their contractual value.

n) Income taxes

Income taxes for the year referable to the companies included in the consolidation are provided on the basis of the laws in force in each country where the individual companies are resident.

Deferred tax is calculated by the companies included in the consolidation based on the temporary differences between the tangible net worth booked to the financial statement and the corresponding value recognised for fiscal purposes, applying the tax rate in force at the time the differences are identified.

Deferred and advance taxes relative to the consolidation are also itemised.

Deferred tax assets are itemised on the basis of prudence and only if there is the reasonable certainty that, in the years in which the deductible temporary differences that resulted in the advance taxes being booked are itemised, there exists taxable income not less than the differences that are to be written off.

Liabilities for deferred taxes are entered under B2, "Reserve for risks and charges – tax reserves", while deferred tax assets are entered under C4ter, "Receivables from others". The offset between deferred taxes and advance taxes is applied by the individual companies in the consolidation only if there is a legal right to a balance offset. In the Consolidated Financial Statements the balances relative to the individual companies included in the consolidation are not offset if there is no legal right to this.

The charges/income that refer to the taxable/deductible differences from prior financial years are booked to extraordinary charges/income, while the part relative to the year under review is booked under E 22, "Income Taxes".

o) Covering operations

Financial instruments used for covering operations – from the risk of exchange losses in foreign currency, commodity risks and the risk of fluctuations in interest rates – are itemised by booking the relevant income or charges, following accrual basis accounting.

Other information

With reference to the assessment notice received on 11 April 1995, with which the local direct tax office maintained, with reference to 1991, that the merger deficit in relation to the merger of AMEF (Arnoldo Mondadori Editore S.p.A.) was subject to taxation, it should be noted that the Milan Regional Tax Commission rejected the appeal by the Tax Office and that no other news was heard about the matter during the first half of 2004.

We therefore confirm that the Consolidated Financial Statements as of 30 June 2004 are correct in terms of form and substance and that the Consolidated Financial Statements provide a fair representation of the Group's economic and financial position.

Details of items in the Consolidated Financial Statements

In the following sections the amounts, which are expressed in thousands of euros, refer to the Consolidated Financial Statements as of 31 December 2003.

Assets

B) NON-CURRENT ASSETS

B.I. Intangible assets

Amounted to €149,217 thousand (€158,426 thousand). Movements of intangible assets and amortisation are as follows:

Intangible assets	**Gross value**	**Amortisation fund**	**Net book value**
Balance at 31/12/2003	341,190	(182,764)	158,426
Additions during the period	1,240		1,240
Amortisation		(10,254)	(10,254)
Reclassifications and reversals	(25,670)	25,499	(171)
Disposals and other movements	(110)	86	(24)
Total intangible assets	**316,650**	**(167,433)**	**149,217**

The capitalised costs of €1,240 thousand for the period mainly concern the cost of purchasing software and renovating offices and buildings.

The residual amount as of 30 June 2004 is made up as follows:

Intangible assets	Start-up and expansion costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks	Goodwill	Assets under construction	Others	Consolidation differences	Total
Start-up costs/changes in statutes	4							4
Capital increase/reconstruction	10							10
Set-up costs	405							405
Patents/rights		493						493
Software		830						830
Titles and publishing brands			98,702					98,702
Series			29,934					29,934
Licences			97					97
Goodwill				6,754				6,754
Assets under construction and advances					43			43
Cost of software purchase						1,309		1,309
Building, office and other renovation						1,709		1,709
Leasehold acquisition costs						45		45
Others						1,930		1,930
Consolidation differences							6,952	6,952
Total intangible assets	**419**	**1,323**	**128,733**	**6,754**	**43**	**4,993**	**6,952**	**149,217**

The titles acquired in 1994 from Silvio Berlusconi Editore are amortised over a period of 20 years in accordance with the recommendations expressed by the National Board of Accountants.

This value is periodically reviewed in the light of economic prospects

Residual goodwill is mainly due to the purchase of "Mursia Scuola" for €3,414 thousand, the purchase of the company division responsible for the retail outlets owned by Mondadori Retail Srl for €2,974 thousand and the purchase of the former Silvio Berlusconi Editore for €366 thousand.

Consolidation differences concern the purchase of the Elemond Group for €626 thousand, the Sperling & Kupfer Group for €549 thousand, the Le Monnier Group for €5,734 thousand and Edizioni Piemme SpA for €43 thousand.

B.II. Fixed assets

Amounted to €192,011 thousand (€199,878 thousand) and are made up as follows:

Fixed assets	Opening balance (=)	Additions (+)	Disposals (-)	Changes in work in progress (+o-)	Changes in consolidation area	Other changes (+o-)	Closing balance (=)	Amortisation reserve (-)	Net closing balance (=)
Land and buildings	146,509	207	-	28	-	-	146,744	(66,237)	80,507
Plant and machinery	372,076	6,044	(2,957)	317	-	(755)	374,725	(289,508)	85,217
Equipment	9,304	182	(65)	14	-	-	9,435	(7,200)	2,235
Furniture and office machines	58,905	1,331	(954)	253	22	755	60,312	(46,847)	13,465
Motor vehicles	7,455	321	(307)	22	-	(1)	7,490	(5,206)	2,284
Assets under construction	5,385	3,552	-	(634)	-	-	8,303	-	8,303
Total fixed assets	**599,634**	**11,637**	**(4,283)**	**0**	**22**	**(1)**	**607,009**	**(414,998)**	**192,011**

Investments made during the period, amounting to €11,637 thousand, were concerned with Mondadori Printing SpA and Artes Graficas Toledo SA (€7,782 thousand), Arnoldo Mondadori Editore SpA (€2,530 thousand) and other companies in the Group.

Investments made during the period by Mondadori Printing SpA and Artes Graficas Toledo SA were mainly for the purchase of new printing and rotary equipment to replace obsolete machinery, while other Group companies invested mainly in office automation (personal computer and local networks), as a result of the normal turnover of these assets and in order to equip new sales outlets.

Disposals during the period concerned Mondadori Printing SpA and Artes Graficas Toledo SA (€1,756 thousand), Arnoldo Mondadori Editore SpA (€1,909 thousand) and other companies in the Group.

The gross value of the fixed assets shown in the Consolidated Financial Statements includes the following amounts relating to revaluations carried out in accordance with current laws:

Revaluations	Law no. 576/1975	Law no. 72/1983	Voluntary reduction in 1984	Law no. 408/1990	Law no. 413/1991
Land and buildings	68	3,615	39,780	163	8,106
Plant and machinery	1,171	2,714	4,631	-	-
Furniture and office equipment	-	3	-	-	-
Other assets	-	2	-	-	-
Total revaluation	**1,239**	**6,334**	**44,411**	**163**	**8,106**

Movements of accumulated depreciations were as follows:

Accumulated depreciations	Balance at 31/12/2003 (=)	Depreciation for period (+)	Disposals (-)	Variations in consolidation area (+o-)	Other changes (+o-)	Balance at 30/06/2004 (=)
Land and buildings	64,062	2,175	-		-	66,237
Plant and machinery	279,098	13,482	(2,586)		(486)	289,508
Equipment	6,895	367	(62)		-	7,200
Furniture and office equipment	44,730	2,483	(715)		349	46,847
Motor vehicles	4,971	494	(259)		-	5,206
Total	**399,756**	**19,001**	**(3,622)**	**0**	**(137)**	**414,998**

B.III.Non-current financial assets

B.III.1) Investments amounted to €65,185 thousand (€69,980 thousand) and were made up as follows:

	€ ,000 30 June 2004	€ ,000 31 December 2003
Investments valued at net equity	60,136	63,920
Investments valued at cost	5,049	6,060
Total investments	**65,185**	**69,980**

Movements during the year were as follows:

	Valued at net equity	Valued at cost	Total
Balance at 31 December 2003	63,920	6,060	69,980
Movements during the year:			
- result of equity investments	702	-	702
- acquisitions, start-ups and increases in capital	1,219	23	1,242
- dividends	(4,689)	-	(4,689)
- change from net equity to cost	-	(95)	(95)
- changes to investments in working capital	-	-	-
- writedowns, disposals and other adjustments	(1,016)	(939)	(1,955)
Total investments	**60,136**	**5,049**	**65,185**

No significant investment operations took place during the first half of 2004. The difference from the previous year was due to results from associated companies.

The following table shows details of the balance at 30 June 2004:

	€ ,000 30 June 2004	€ ,000 31 December 2003
Investments in subsidiary companies:		
- Ame Publishing Ltd	33	33
- Mondadori Sistemi di Comunicazione Srl	-	95
- A. M. Deutschland Gmbh	20	20
- Ame France Sarl	20	-
- Prisco Spain SA	51	53
- Mondadori Informatica e-Bismedia Srl	76	255
- Mondadori Belgium SA	5	5
Total investments in subsidiary companies	205	461
Investments in associated companies:		
- Gruner und Jahr/Mondadori SpA	3,070	5,420
- Mach 2 Libri SpA	2,122	2,210
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	295	316
- Harlequin Mondadori SpA	259	509
- Hearst Mondadori Editoriale Srl	405	338
- Mondadori Rodale Srl	500	885
- Edizioni Electa Bruno Mondadori Srl	65	141
- Edizioni EL Srl	1,594	1,669
- Editrice Portoria SpA	0	0
- Grupo Editorial Random House Mondadori SL	23,278	25,259
- Società Europea di Edizioni SpA	9,906	8,437
- Books on line Italia Srl	343	110
- Aci Mondadori Srl	6	253
- Veleno SpA	-	934
- Press Tv SpA	445	56
- Euromedia Luxembourg Two SA	4,713	4,713
- Venezia Musei Scarl	3	3
- Venezia Accademia Scarl	4	4
- Venezia Musei Società Servizi Museali Scarl	3	-
- Consorzio Forma	1	1
- Consorzio Covar	1	1
- Casa Editrice e di Distribuzione Bences	13	13
- Attica Publications SA	17,721	18,009
Total investments in associated companies	64,747	69,281
Investments in other companies:		
- Società Editrice Il Mulino SpA	113	113
- Consuledit Srl	1	1
- Consorzio Aeromobili Fininvest	10	15
- Cons Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali Srl	52	52
- Istud – Istituto Studi Direzionali SpA	7	7
- Novamusa Gelmar Scarl	2	2
- Novamusa Val di Noto Scarl	18	18
- Novamusa Valdemone Scarl	18	18
- Consorzio Fridriciano	2	2
Total investments in other companies	233	238
Total investments	**65,185**	**69,980**

B.III.2.d) Other receivables amounted to €5,267 thousand (€5,746 thousand), representing a decrease compared with 31 December 2003 as a result of the use of tax credits for severance indemnities for the advanced payment of tax on severance pay.

	€ ,000		**€ ,000**	
	30 June 2004		**31 December 2003**	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Guarantee deposits	416	261	378	385
Earnest money	206	207	206	207
Tax credits for severance indemnity	687	3,319	579	3,905
Loans	6	-	9	-
Others	165	-	-	77
Total other receivables	**1,480**	**3,787**	**1,172**	**4,574**

B.III.4) Treasury stock amounted to €117,752 thousand (€116,885 thousand) and is represented by shares in Arnoldo Mondadori Editore SpA.

Movements of treasury stock concern purchases totalling €8,342 thousand and disposals totalling €7,475 thousand. At 30 June the portfolio of treasury stock amounted to 6.937% of the share capital.

The average book value of the treasury stock portfolio at 30 June 2004 was lower than the current Stock Market quotation.

Purchases were made on the market following authorisation given, in accordance with article 2357 of the Civil Code, by the Shareholders' Meetings of 22 April 2002, 28 April 2003 and 26 April 2004.

In particular the Shareholders' Meeting of 28 April 2003 authorised the purchase of treasury stock up to the maximum allowed by law (10% of the share capital), for the purpose of the stock option plan and also in order to give an important demonstration of its confidence in the potential of Mondadori shares to increase in value.

C) WORKING CAPITAL

C.I. INVENTORY

"Inventory" amounted to €124,812 thousand (€133,521 thousand), net of writedowns for €10,460 thousand (€10,514 thousand).

The most significant changes compared with 31 December 2003 concern "Work in progress" and "Finished products and goods", where the increases and decreases were due to seasonal nature of some business activities.

	€ ,000	**€ ,000**
	30 June 2004	**31 December 2003**
Raw, ancillary and consumable materials	14,252	14,281
Writedowns of raw, ancillary and consumable materials	(442)	(430)
Total raw, ancillary and consumable materials	13,810	13,851
Work in progress and semi-finished goods	22,116	35,888
Writedowns of work in progress and semi-finished goods	(1,248)	(1,248)
Total work in progress and semi-finished goods	20,868	34,640
Contract work in progress	8,365	9,489
Writedowns of contract work in progress	-	-
Total contract work in progress	8,365	9,489
Finished products and goods	90,539	84,370
Writedowns of finished products and goods	(8,770)	(8,836)
Total finished products and goods	81,769	75,534
Advances	-	7
Total inventory	**124,812**	**133,521**

During the period all the companies in the Group constantly monitored supplies and print runs and carried out a detailed analysis of the saleability of finished products, the use of raw materials and the feasibility of completing the work in progress.

As a consequence of this, various pulping and sell-off operations were carried out and when the financial statements were drawn up a writedown reserve was created, which for "Finished products and goods" included the direct writedown allowed by fiscal regulations, in order to rectify the "Inventory" value.

Movements in warehouse writedowns	€ ,000				
	31.12.2003	Changes in consolidation area/others	Provisions	Utilisations	30.06.2004
Writedowns of raw materials	430	-	12	-	442
Writedowns of work in progress and semi-finished products	1,248	-	-	-	1,248
Writedowns of contract work in progress	-	-	-	-	-
Writedowns of finished products and goods	8,836	-	679	(745)	8,770
Total	**10,514**	**0**	**691**	**(745)**	**10,460**

Movements of "Finished products and goods" in the writedown reserve concern various companies in the Mondadori Group. None of these amounts were particularly significant

C.II. Receivables

Trade and other receivables amounted to €600,453 thousand (€527,291 thousand), and included the following:

C.II.1) Trade receivables amounted to €395,024 thousand (€350,226 thousand) and can be broken down in the following way:

	€ ,000 30 June 2004		€ ,000 31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Book clients	127,382	479	115,952	789
Magazine clients	94,535	-	61,792	-
School clients	18,998	-	11,514	-
Instalment clients	9,714	11,982	10,233	13,052
Advertising clients	145,417	-	137,920	-
Printing work clients	53,681	-	56,658	-
Subscription clients and various	21,843	-	22,081	-
Direct marketing services clients	19,277	-	18,862	-
Invoices to be issued	19,925	-	11,900	-
Credit notes to be issued	(3,264)	-	(4,838)	-
Returned goods client account	(99,252)	-	(81,181)	-
Trade receivables	642	349	797	319
Fiscal bad debt reserve	(5,437)	-	(4,984)	-
Taxed bad debt reserve	(20,780)	-	(20,176)	-
Interest in arrears risk reserve	(467)	-	(464)	-
Total trade receivables	**382,214**	**12,810**	**336,066**	**14,160**

The changes in comparison with 31 December 2003 reflect the seasonal nature of some sectors of the business. In June “School clients” receivables were higher than in December since first shipment of new texts is made in that month.
While in other sectors receivables increased as a result of increases in sales, receivables from “Printing work clients” and “Instalment clients” decreased as result of decrease in sales in these areas.

Amounts due after 12 months (and within 5 years) mainly relate to Giulio Einaudi Editore SpA for instalment clients.

The receivable bad debt reserve, the movements of which are illustrated in the table that follows, was decided by each of the companies of the Group influenced by some Group companies after analysing the state of receivables in dispute according to how long each of them had existed and what the real chance of collectability was.
The reserve was utilised when there were losses on receivables booked to the Income Statement of the various Group companies.

Movements in bad debt reserve			**€ ,000**		
	31.12.2003	**Changes in consolidation area/others**	**Provisions**	**Utilisations**	**30.06.2004**
Fiscal bad debt reserve	4,984	(97)	1,579	(1,029)	5,437
Taxed bad debt reserve	20,176	101	3,220	(2,717)	20,780
Total	**25,160**	**4**	**4,799**	**(3,746)**	**26,217**

C.II.2) Receivables from subsidiary companies amounted to €433 thousand (€625 thousand), as illustrated in the following table:

	€ ,000		€ ,000	
	30 June 2004		31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial receivables:				
- Mondadori Sistemi di Comunicazione Srl	-	-	148	-
Financial receivables:				
- Mondadori Sistemi di Comunicazione Srl	-	-	299	-
- Mondadori Informatica e-Bismedia Srl	23	-	178	-
- Marchgrange Limited	410	-	-	-
Total receivables from subsidiary companies	**433**	**0**	**625**	**0**

Commercial transactions with subsidiary companies are carried out according to market conditions. Financial receivables are represented by intergroup current accounts and are regulated at interest rates in line with market values.

C.II.3) Receivables from associated companies amounted to €59,193 thousand (€56,404 thousand).

The most significant increase concerned the balance with Mach 2 Libri SpA due to the excellent performance of Large-scale Retail Outlets.

	€ ,000 30 June 2004		€ ,000 31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial receivables:				
- Editrice Portoria SpA	68	-	68	-
- Gruner und Jahr/Mondadori SpA	2,046	-	1,753	-
- Mach 2 Libri SpA	17,223	-	13,496	-
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	674	-	362	-
- Harlequin Mondadori SpA	661	-	1,085	-
- Hearst Mondadori Editoriale Srl	1,355	-	1,483	-
- Mondadori Rodale Srl	3,220	-	3,995	-
- Venezia Accademia Scarl	14	-	17	-
- Edizioni Electa Bruno Mondadori Srl	384	-	293	-
- Edizioni EL Srl	620	-	607	-
- Grupo Editorial Random House Mondadori SL	211	-	566	-
- Società Europea di Edizioni SpA	11,914	-	10,133	-
- Press Tv SpA	2,144	-	1,689	-
- Books on line Italia Srl	356	-	537	-
- Aci Mondadori Srl	2,507	-	2,619	-
- Mondolibri SpA	3,193	-	3,957	-
- Venezia Musei Scarl	-	-	143	-
Financial receivables:				
- Editrice Portoria SpA	131	-	131	-
- Venezia Accademia Scarl	24	-	24	-
- Mach 2 Libri SpA	209	-	145	-
- Hearst Mondadori Editoriale Srl	6	-	-	-
- Press Tv SpA	772	-	1,138	-
- Aci Mondadori Srl	-	-	380	-
- Grupo Editorial Random House Mondadori SL	10,956	-	10,961	-
- Edizioni Electa Bruno Mondadori Srl	505	-	822	-
Total receivables from associated companies	**59,193**	**0**	**56,404**	**0**

Commercial transactions with associated companies are carried out according to market conditions. Financial receivables are represented by intergroup current accounts and are regulated at interest rates in line with market values.

C.II.3 bis) Receivables from affiliated companies amounted to €3,220 thousand (€5,166 thousand) and are shown in the following table:

	€ ,000		€ ,000	
	30 June 2004		31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial receivables:				
- Pagine Italia SpA	2,817	-	4,615	-
- RTI SpA	39	-	67	-
- Publitalia 80 SpA	7	-	186	-
- Medusa Video Srl	78	-	60	-
- Promoservice Italia Srl	227	-	78	-
- Mediaset SpA	8	-	-	-
- Il Teatro Manzoni SpA	-	-	1	-
- Mediolanum SpA	-	-	60	-
- Mediolanum Gestione Fondi SpA	-	-	11	-
- Milan A.C. SpA	1	-	-	-
- Banca Mediolanum SpA	32	-	71	-
- Medusa Film SpA	11	-	15	-
- Videotime SpA	-	-	2	-
Total receivables from affiliated companies	**3,220**	**0**	**5,166**	**0**

Commercial transactions with affiliated companies are carried out according to market conditions. Financial receivables are represented by intergroup current accounts and are regulated at interest rates in line with market values.

C.II.4) Receivables from parent companies amounted to € zero (€2 thousand).

C.II.4 bis) Tax receivables amounted to €29,193 thousand (€19,833 thousand). The balance was due to the fact that tax debts were not booked for the period.

	€ ,000		€ ,000	
	30 June 2004		31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Receivables from tax authorities for VAT to be recovered	7,834	-	9,036	-
Receivables from tax authorities for IRPEG/ILOR reimbursements	326	-	296	-
Receivables from tax authorities for IRPEG/IRAP brought forward	356	-	177	-
Receivables from tax authorities for IRES advances	11,981	-	28,867	-
Receivables from tax authorities for withholding tax	71	-	16,780	-
Payables to tax authorities for IRPEG / IRES for period	-	-	(36,932)	-
Receivables from tax authorities for IRAP advances	6,491	-	9,982	-
Payables to tax authorities for IRAP for period	-	-	(10,294)	-
Other receivables from tax authorities	2,134	-	1,921	-
Total tax receivables	**29,193**	**0**	**19,833**	**0**

C.II.4 ter) Receivables for advance taxes amounted to €39,127 thousand (€29,714 thousand). Movements reflect the reclassifications carried out.

	€ ,000		€ ,000	
	30 June 2004		31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Receivables from tax authorities for IRES advances	36,301	-	26,985	-
Receivables from tax authorities for IRAP advances	2,826	-	2,729	-
Total receivables for advance taxes	**39,127**	**0**	**29,714**	**0**

C.II.5) Other receivables amounted to €74,263 thousand (€65,321 thousand). A comparison with the situation at 31 December 2003 highlights the seasonal nature of amounts to authors and agents who, in the first months of the year, receive commission advances.

	€ ,000		€ ,000	
	30 June 2004		31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Advances to agents	5,285	-	1,510	-
Advances to authors and collaborators	42,258	-	40,795	-
Advances to suppliers	4,355	-	2,449	-
Advances to personnel	1,098	296	680	339
Receivables for insurance indemnities	462	6	81	5
Receivables for deposits	247	-	326	-
Financial receivables	11,393	1,150	8,659	1,565
Others	7,710	3	8,910	2
Total other receivables	**72,808**	**1,455**	**63,410**	**1,911**

There are no receivables due in more than five years.

C.III. Financial activities that do not constitute assets

These amounted to €547,953 thousand (€580,330 thousand) and are represented by **other shares** entered in the Balance Sheet of Mondadori International and its subsidiaries.

The amounts mainly concern cash product and bonds (€469.3 million) and investments in hedge funds (€78.7 million), the latter being characterised by the widespread diversification of the financial institutes utilised and the strategy employed .

C.IV. Cash at banks

The total of liquid assets amounted to €38,129 thousand (€42,685 thousand).
These are represented by:

- deposits in bank accounts held by Group companies with banks for €37,268 thousand and in post office accounts for €623 thousand;
- cheques and cash for €238 thousand, for small day-to-day payments.

D) ACCRUED INCOME AND PREPAID EXPENSES

Amounted to €6,218 thousand (€9,139 thousand):

	€ ,000 30 June 2004	€ ,000 31 December 2003
Interest earned	419	402
Others	457	163
Total accrued income	**876**	**565**
Interest paid	-	-
Lease payments and rents	909	579
Insurance	1,183	601
Third party publications for sale	847	6,183
Commission, rights	13	22
Others	2,390	1,189
Total prepaid expenses	**5,342**	**8,574**
Premium on loans	-	-
Total prepaid expenses and accrued income	**6,218**	**9,139**

The items that make up “Accrued income and prepaid expenses” are mainly concerned with the distribution activities of the Parent Company on behalf of joint-ventures and third-party publishers. The most significant change concerns “Third-party publications for sale” as a result of the seasonal nature of some sectors of the business.

“Accrued income and prepaid expenses” do not include any amounts that mature after 12 months.

Notes to the Consolidated Financial Statements

It should be noted that all amounts are expressed in thousands of euros while the amounts in brackets refer to data from the Financial Statements at 31 December 2003.

Liabilities

A) SHAREHOLDERS' EQUITY

Amounted to €557,232 thousand (€551,918 thousand).

The share capital, fully subscribed and paid up, as of 30 June 2004 is represented by 259,429,832 ordinary shares with a par value of €0,26.

A more detailed explanation of the composition and movements of the items in the Shareholders' Equity can be found in the section entitled "Changes in Shareholders' Equity".

B) RESERVE FOR RISKS AND CHARGES

Amounted to €51,518 thousand (€51,586 thousand) and is made up as follows:

	€ ,000	**€ ,000**
	30 June 2004	**31 December 2003**
Retirement reserve and similar obligations	10,164	10,166
Tax reserve	16,178	14,769
Others:		
- legal risks	8,682	8,267
- equity investment reserve	972	973
- commitments to advertising agents	6,501	6,514
- risks for authors, collaborators and agents	5,288	5,322
- other risks	3,733	5,575
Total reserve for risks and other charges	**51,518**	**51,586**

The item "Retirement reserve and similar obligations" includes indemnities for freelance journalists and the relative contributions (during the period provisions for €7 thousand and utilisations for €160 thousand were made), and additional indemnities for clients for €9,351 thousand.
With reference to this item, "Other risks" was reclassified in order to make the data at December 2003 comparable.

The “Tax reserve” item represents deferred tax liabilities, calculated on the capital gains of each company in the Group, the payment of which may be postponed in accordance with current fiscal law, and provisions recovered from the consolidation entries.

The “Legal risks reserve ” is calculated on the basis of an analysis of potential liabilities arising from lawsuits involving former employees, collaborators or third parties in general taken out against companies belonging to the Group, and is considered to be adequate to meet any such eventualities. During the period there were provisions for €1,522 thousand and utilisations for €1,107 thousand.

The “Equity investment reserve” represents a further reserve that is necessary after an investment has been written off due to a negative net shareholders’ equity.

The “Commitments to advertising agency” item is made up of provisions made by Group companies to cover any eventual losses on advertising receivables sustained by Mondadori Pubblicità SpA. During the period this item increased by €2,500 thousand of provisions and decreased by €2,513 thousand for utilisations.

C) SEVERANCE INDEMNITIES

These amounted to €101,817 thousand (€100,722 thousand) and the changes during the period were as follows:

	€ ,000 **30 June 2004**	**€ ,000** **31 December 2003**
Total severance indemnities at beginning of the period	100,722	101,789
Movements during the year:		
- provisions	7,890	15,258
- payments	(4,388)	(12,716)
- contribution to pension fund as per Law 297/82	(411)	(909)
- transfers to/from other companies	26	147
- utilisation for pension funds	(798)	(1,190)
- utilisation for advances	(1,144)	(1,850)
- variations in consolidation area	(80)	193
Total severance indemnities at end of period	**101,817**	**100,722**

D) PAYABLES

Trade and other payables amounted to €1,123,078 thousand (€1,124,613 thousand). These are made up as follows:

D.1) Amounts due for bonds amounted to €296,384 thousand (€296,384 thousand) and represent payables for the private placement operation carried out by Mondadori International SA with American institutional investors in December 2003.
The total amount raised on the market, amounting to $350 million, is repayable in three tranches with expiry dates of 2013, 2015 and 2018 for, respectively, $215 million, $40 million and $95 million.

Investors are guaranteed a six-monthly coupon, according to the expiry date, equal to 5.42%, 5.57% and 5.82%.

Cover for exchange rate and interest rate risks was provided for the operation.

D.2) Amounts due for convertible bonds amounted to €109,900 thousand (€109,900 thousand) and concerned a convertible bond issued by Mondadori Finance SA that is convertible into ordinary Mondadori shares for a unit price of €8.4782.

The right to convert the bonds must be exercised before the expiry date (2008), and the bond gives the holder the right to subscribe to a fixed coupon of 2% per year.

Also in this case cover for exchange rate and interest rate risks was provided for the operation.

D.4) Amounts due to banks amounted to €184,675 thousand (€151,547 thousand) and concerned current account overdrafts for €38,238, financed at the bank rates shown on the bank receipts, and loans of €146,437 thousand.

		€ ,000		€ ,000	
		30 June 2004		31 December 2003	
	Interest rates	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Secured loans:					
- IMI	3.910% - 2.928%	2,736	2,625	2,688	4,004
- Mediocredito Lombardo	2.880%	85	569	85	611
- Mediocredito Trentino	3.500%	353	2,491	345	2,669
Unsecured loans:					
- Ministero Industria Commercio e Artigianato	3.630% - 3.540% 2.178%	-	6,092	-	6,094
- Banca Nazionale del Lavoro	2.327%	20,000	-	-	-
- Credito Bergamasco	2.246%	35,000	-	30,000	-
- San Paolo IMI	3.650%	-	155	58	122
- Credito Emiliano	2.201% - 2.093% - 2.227%	50,000	-	50,000	-
- Banco Bilbao Vizcaya	2.158%	25,000	-	25,000	
- Mediocredito Lombardo	3.150%	225	1,106	222	1,219
Total payable for loans		**133,399**	**13,038**	**108,398**	**14,719**

Accrued payments due for a period longer than 5 years amounted to €6,215 thousand.
As of 30 June 2004, mortgages on property owned by the Group for a total of €8,859 thousand was granted as guarantees for loans.

D.5) Amounts due to other financiers amounted to €1,360 thousand (€1,360 thousand) and are represented by payables to factoring companies.

D.6) Advances amounted to €35,007 thousand (€35,831 thousand) and include advances from customers for magazine subscriptions for €26,609 thousand, shipping expenses advanced by foreign subscribers for €114 thousand and various advances from suppliers for €8,284 thousand.

D.7) Trade payables amounted to €333,123 thousand (€336,957 thousand), of which €282 thousand is due after 12 months and within 5 years.

D.9) Amounts to subsidiary companies amounted to €308 thousand (€689 thousand) and are illustrated in the following table:

	€ ,000		€ ,000	
	30 June 2004		31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial payables:				
- Mondadori Sistemi di Comunicazione Srl	-	-	26	-
- Mondadori Informatica e-Bismedia Srl	-	-	2	-
- Ame Publishing Ltd	308	-	661	-
Total amounts due to subsidiary companies	**308**	**0**	**689**	**0**

Commercial transactions with subsidiary companies are carried out according to market conditions.

D.10) Amounts due to associated companies amounted to €36,690 thousand (€43,824 thousand) and are illustrated in the following table:

	€ ,000		€ ,000	
	30 June 2004		31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial payables:				
- Editrice Portoria SpA	120	-	120	-
- Gruner und Jahr/Mondadori SpA	8,445	-	13,725	-
- Mach 2 Libri SpA	335	-	504	-
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	-	-	145	-
- Venezia Accademia Scarl	123	-	283	-
- Venezia Musei Scarl	56	-	152	-
- Hearst Mondadori Editoriale Srl	3,390	-	2,517	-
- Mondadori Rodale Srl	7,319	-	6,225	-
- Books on line Italia Srl	-	-	21	-
- Edizioni EL Srl	2,236	-	2,742	-
- Grupo Editorial Random House Mondadori SL	10	-	6	-
- Società Europea di Edizioni SpA	3,433	-	3,606	-
- Venezia Musei Società Servizi Museali Scarl	137	-	-	-
- Aci Mondadori Srl	3,413	-	4,079	-
- Press Tv SpA	866	-	557	-
- Mondolibri SpA	120	-	261	-
Financial payables:				
- Aci Mondadori Srl	402	-	-	-
- Hearst Mondadori Editoriale Srl	-	-	631	-
- Mondadori Rodale Srl	14	-	1,561	-
- Gruner und Jahr/Mondadori SpA	1,273	-	928	-
- Euromedia Luxembourg Two SA	2,026	-	2,026	-
- Harlequin Mondadori SpA	2,972	-	3,735	-
Total amounts due to associated companies	**36,690**	**0**	**43,824**	**0**

Commercial transactions with associated companies are carried out according to market conditions. Financial payables are represented by intergroup current accounts and are regulated at interest rates in line with market values.

D.10 bis) Amounts due to affiliated companies amounted to €4,445 thousand (€9,595 thousand) and are illustrated below:

	€ ,000		€ ,000	
	30 June 2004		**31 December 2003**	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial payables:				
- Pagine Italia SpA	360	-	980	-
- RTI SpA	555	-	167	-
- Publitalia 80 SpA	2,757	-	6,035	-
- Medusa Video Srl	467	-	1,461	-
- Promoservice Italia Srl	19	-	125	-
- Eis Srl	4	-	16	-
- Eis Roma Srl	-	-	4	-
- Il Teatro Manzoni SpA	16	-	16	-
- Elettronica Industriale SpA	4	-	-	-
- Albaservizi SpA	26	-	-	-
- Consorzio Aeromobili Fininvest	-	-	70	-
- Medusa Film SpA	222	-	639	-
- Isim SpA	13	-	13	-
- Radio e Reti Srl	2	-	69	-
Total amounts due to affiliated companies	**4,445**	**0**	**9,595**	**0**

Receivables due to Publitalia 80 SpA, the most important item, refers to television advertising on Mediaset channels.

Commercial transactions with affiliated companies are carried out according to market conditions. Financial payables are represented by intergroup current accounts and are regulated at interest rates in line with market values.

D.11) Amounts due to parent companies amounted to €6 thousand (€ zero at 31 December 2003). These refer to commercial transactions carried out in line with normal market practices.

D.12)Income tax payables amounted to €13,216 thousand (€19,537 thousand). A comparison with the data at 31 December 2003 is of little significance since at 30 June 2004 the tax burden for the six-month period had not been calculated.

The increase in “Others” concerns amounts due to tax authorities for VAT to be paid.

	€ ,000		€ ,000	
	30 June 2004		31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
IRES / IRPEG on income for period	2,039	-	6,967	-
IRAP for period	57	-	865	-
Withholding taxes on wages and salaries	7,753	-	9,747	-
Substitutive tax	-	-	626	-
Other taxes withheld	3,367	-	1,332	-
Total income taxes payable	**13,216**	**0**	**19,537**	**0**

D.13) Amounts due to pension funds and social security institutions amounted to €15,559 thousand (€17,853 thousand) and include:

	€ ,000		€ ,000	
	30 June 2004		31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
INPS contributions	6,485	-	9,154	-
INAIL contributions	10	-	85	-
PREVINDAI contributions	378	-	276	-
ENASARCO contributions	256	-	372	-
Contributions on holidays due but not taken	4,954	-	4,097	-
Others	3,476	-	3,869	-
Total amounts due to pension funds and social security institutions	**15,559**	**0**	**17,853**	**0**

D.14) Other liabilities amounted to €92,405 thousand (€101,136 thousand) and include:

	€ ,000		€ ,000	
	30 June 2004		31 December 2003	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Payroll and other amounts due to personnel	28,622	-	29,172	-
Authors and collaborators	40,422	-	39,417	-
Agents	6,618	-	12,795	-
Subscriber and instalment customers	9,774	-	11,784	-
Loans payable	2,380	-	4,786	67
Dividends for shareholders	140	-	150	-
Others	4,449	-	2,965	-
Total other liabilities	**92,405**	**0**	**101,069**	**67**

The most significant changes refer to “Agents” since commission in the school textbook sector is mainly due in the second half of the year.
“Payables to subscriber and instalment customers” relate to the Group’s commitment for subscriptions taken out but not yet collected at the date of the financial statements and for instalment works that have been ordered. Subscriptions that have been taken out and paid for are shown under “Advances”.

The balance at 31 December 2003 takes into account the reclassification of additional indemnities for agents that are now booked under reserve risks in “Retirement reserve and similar obligations”.

There are no payables due for longer than 5 years.

E) ACCRUED LIABILITIES AND DEFERRED INCOME

Amounted to €9,936 thousand (€11,760 thousand) and are made up as follows:

	€ ,000	**€ ,000**
	30 June 2004	**31 December 2003**
Interest payable	3,631	1,586
Deferred payroll expenses	1,096	2,414
Others	1,175	1,986
Total accrued liabilities	**5,902**	**5,986**
Interest receivable	938	1,066
Rent payable	1,065	1,173
Others	2,031	3,535
Total deferred income	**4,034**	**5,774**
Premium on loans	-	-
Total accrued liabilities and deferred income	**9,936**	**11,760**

“Interest payables” refers mainly to Arnoldo Mondadori Editore SpA for short-term loans.

“Interest receivables” refers to amounts calculated by Giulio Einaudi Editore SpA for instalment sales.

There are no amounts with an expiry date over 12 months.

Memorandum accounts

Guarantees, sureties and endorsements

Amounted to €112,122 thousand (€108,459 thousand).

These include letters of credit for €1,142 thousand, sureties issued mainly in favour of the Tax Authorities for prize-giving operations and competitions and by banks to the VAT office for €90,129 thousand, and other guarantees for €20,851 thousand.

Commitments

Amounted to €7,972 thousand (€12,448 thousand) and refer exclusively to fixed term contracts for the purchase and disposal of foreign currency.

Others

Amounted to €104,034 thousand (€95,785 thousand) and refer to third-party goods on deposit for distribution and sale for €100,090 thousand, with the remaining amount referring to third-party paper for processing.

Commitments and risks

For a correct evaluation of the Group's balance sheet and financial position at 30/06/2004 we would inform you that the following commitments were not included in the memorandum accounts:

- an interest rate swap operation (from fixed to variable) on the debt deriving from the issue of bonds convertible in ordinary shares of the Company (€109.9 million), with a duration of 5 years (October 2003 – October 2008).
- cross currency swap operation (from fixed to variable and from dollars to euros) on the debt deriving from the private placement in US dollars in three tranches with expiry dates in 2013, 2015 and 2018 for amounts of $215 million, $40 million and $95 million respectively.

The operations have the same durations as the debts and are co-ordinated by, respectively, Banca Caboto (Banca Intesa Group) and JPMorgan Chase Bank.

It should also be noted that as a result of the 1,990,000 purchase options for Company shares allocated to employees during 2003 at a unit price of €6.471 (for the period 1\1\2006-31\12\2007), options for Mondadori shares have been purchased and sold with an expiry date of January 2006. These operations were implemented by the Company in order to neutralise the risk of price fluctuations of the Mondadori shares that must be purchased for the Stock option plan.

Notes on the items in the consolidated Income Statement

In the following sections the amounts in brackets, which are expressed in thousands of euros, refer to the Consolidated statement as of 30 June 2003.

A) PRODUCTION VALUE

A.1) Sales of goods and services

Amounted to €837,325 thousand (€754,936 thousand), a 10.9% increase compared with 30 June 2003.

Sales of "Books", "Magazines" and "Direct marketing" are shown net of VAT borne by the publisher for, respectively, €3,626 thousand, €9,294 thousand and €199 thousand.

Details of income and sales by geographical area are given in the Report of the Board of Directors on the Results of the period.

The Mondadori Group billed the Fininvest Group for €5,583 thousand, including €4,461 thousand to Pagine Italia SpA mainly for printing operations.

A.2) Changes in inventory of work in progress, semi-finished and finished products

Amounted to -€7,542 thousand (-€56 thousand). Details of the changes are given in the Balance Sheet under "Inventory".

A.3) Changes in contract work in progress

Amounted to -€1,124 thousand (-€1,018 thousand). Details of the changes are given in the Balance Sheet under "Inventory".

A.4) Increase in company produced additions to fixed assets

During the first half of the year labour costs of €96 thousand (€89 thousand) were booked under fixed assets.

A.5) Other income and revenues

Amounted to €21,759 thousand (€20,009 thousand) and included the recovery of development and distribution costs for magazines (€2,768 thousand compared with €2,110 thousand), income from the recovery of postal charges (€338 thousand compared with €548 thousand), personnel costs (€238 thousand compared with €291 thousand) and income from the sale of paper and production rejects by the Group's production divisions (€2,809 thousand compared with 2,461 thousand).

	€ ,000 **1st half of 2004**	**€ ,000** **1st half of 2003**
Expenses recovered from third parties	12,590	10,281
Capital gains on disposals of assets	200	258
Supplier bonuses and other third party contributions	2,263	1,549
Rents	449	433
Instalments	456	477
Contingent assets	517	741
Contributions for operating expenses	1,125	1,222
Others	4,159	5,048
Total other income and revenues	**21,759**	**20,009**

The Mondadori Group billed the Fininvest Group for €58 thousand, including €31 thousand to Mediolanum SpA and €16 thousand to Medusa Video Srl, mainly for the recovery of costs.

B) PRODUCTION COSTS

B.6) Raw, ancillary and consumable material and goods

Amounted to €248,465 thousand (€236,554 thousand) and are made up as follows:

	€ ,000	**€ ,000**
	1st half of 2004	**1st half of 2003**
Paper	103,628	99,220
Electricity, water, gas, fuel	7,113	7,242
Other production materials	20,535	17,295
Total purchase of raw and ancillary materials	131,276	123,757
Goods for sale	100,984	96,589
Consumption and maintenance materials	14,505	15,366
Others	1,700	842
Total cost of consumable materials and goods	117,189	112,797
Total cost of raw, ancillary and consumable materials and goods	**248,465**	**236,554**

The changes compared with the first half of 2003 are mainly concerned with the increase in the purchase of “Raw and ancillary materials” (+ 6.1%) due to the increased volume produced and the effect produced by the consolidation Piemme in 2004. On a comparable basis the increase amounts to 3.8%.

The cost of “Goods for sale” also increased due to add-on sales linked to the most important titles of the parent company.

The Mondadori Group purchased goods from the Fininvest Groups for a total of €341 thousand, all of which concerned Medusa Video Srl.

B.7) Services

Amounted to €336,121 thousand (€297,156 thousand). The increase in costs can be explained by higher industrial costs, linked to the increase in production, higher costs for rights and royalties, linked to the sales of CDs and videocassettes with magazines, and higher advertising costs, linked to the launch of new titles.

The increase was also due to the different consolidation parameters that in 2004 included Piemme. On a comparable basis the increase amounts to 10% instead of 13.1%.

“ Directors’ and statutory auditors’ fees” represent the fees paid to Directors and Statutory Auditors for €1,581 thousand and €140 thousand, respectively.

The Mondadori Group purchased services from the Fininvest group for a total of €14,343 thousand, including €13,433 thousand to Publitalia 80 SpA for advertising space, €402 thousand to RTI Reti Televisive SpA for advertising space in the magazine “La Macchina del Tempo” and rights, €185 thousand to Medusa Film SpA for the purchase of rights and €249 thousand to Radio e Reti Srl for advertising space.

	€ ,000 **1st half of 2004**	**€ ,000** **1st half of 2003**
Commissions	20,977	18,634
Rights and royalties	71,954	59,101
Third-party consultancy and collaboration	28,570	25,588
	121,501	103,323
Third-party processing	70,347	59,276
Purchase of advertising space	35,920	33,652
Transport and shipping	26,966	26,802
Advertising services	32,481	27,699
Other services	16,791	17,358
Post office and telephone	6,940	5,986
Travel and other expense reimbursements	6,005	5,185
Job order services	4,699	4,996
Maintenance	4,589	4,000
Canteen and cleaning services	2,828	2,811
Insurance	2,012	2,004
Market research	3,321	2,768
Directors’ and statutory auditors’ fees	1,721	1,296
Total cost for services	**336,121**	**297,156**

B.8) Use of third-party assets

Amounted to €11,793 thousand (€11,381 thousand) and include:

	€ ,000	€ ,000
	1st half of 2004	1st half of 2003
Rent	8,617	8,348
Lease and rental payments	3,155	3,012
Others	21	21
Total cost of use of third-party assets	**11,793**	**11,381**

The Mondadori Group had costs for the use of thirds-party assets referring to the Fininvest Group for a total of €23 thousand for the leasing to Alba Servizi Aerotrasporti SpA.

B.9) Personnel costs

Personnel costs amounted to €130,812 thousand (€126,295 thousand). At 30 June 2004 the Group employed 4,624 people, while the average number of employees for the period amounted to 4,633:

Average number of employees	1st half of 2004	1st half of 2003
Managers	170	168
Journalists	454	454
Office workers	2,575	2,562
Manual workers	1,434	1,559
Total	**4,633**	**4,743**

B.10) Depreciations and writedowns

Amounted to €34,057 thousand (€34,742 thousand). Details are given in the Balance Sheet under "Intangible assets" and "Fixed assets" for depreciations and under "Trade payables" for writedowns.

B.11) Changes in inventory of raw, ancillary and consumable materials and goods

Amounted to €36 thousand (–€1,118 thousand) A comment on "Inventory" can be found in the relative item in the Balance Sheet.

B.12) Provisions for risks

Amounted to €4,350 thousand (€1,148 thousand) and include provisions booked to the liability risk reserve. Details can be found in the Balance Sheet under "Reserve for risks and charges".

B.13) Other provisions

Amounted to €13 thousand (€15 thousand) and are represented by depreciations on capital goods utilised by the Parent Company pertaining to the company rental contract.

B.14) Other operating costs

Amounted to €5,207 thousand (€6,288 thousand). The details for the different items included here have not changed in any significant way in comparison with the previous period.

The most significant are:

- the cost of "Settlements and reimbursements" attributable mainly to the Parent Company (€1,593 thousand) for the legal expenses, and to Artes Graficas Toledo SA (€600 thousand) for delays or production problems;
- losses on bad debts booked to the Income Statement of Arnoldo Mondadori Editore SpA for €1,234 thousand, Mondolibri SpA for €1,362 thousand, Mondadori Pubblicità SpA for €3,794 thousand and other Group companies for the residue.

	€ ,000 1st half of 2004	**€ ,000 1st half of 2003**
Settlements and reimbursements	2,288	1,762
Bad debts	6,820	4,688
Contributions and grants	1,146	1,097
Capital losses	105	104
Contingent liabilities	397	461
Information material, entertainment expenses and others	2,341	3,123
Utilisation of risk reserve	(9,166)	(6,082)
Sub total	3,931	5,153
Taxes and dues	1,276	1,135
Total cost of other operating costs	**5,207**	**6,288**

C) FINANCIAL INCOME AND CHARGES

C.16) Other financial income

Amounted to €13,289 thousand (€17,608 thousand) and is made up as follows:

	€ ,000 **1st half of 2004**	**€ ,000** **1st half of 2003**
Financial income from long-term receivables	39	57
Financial income from capital gains	878	-
Financial income from short-term securities	7,434	9,601
Interest from banks	277	401
Interest from subsidiary companies	1	-
Interest from associated companies	190	214
Interest from customers	70	73
Others	4,400	7,262
Total other financial income	**13,289**	**17,608**

In comparison with the previous year, the most significant variations concern “Financial income from short-term securities” that refers to the liquidity of Mondadori International SA and is compensated for by the improvements in “Interest and other financial charges”, “Losses on share disposals” and “Utilisation of share writedown reserve”, and also in the balance of “Others” that is made up mainly of profit from operations to cover risks from interest rate changes.

C.17) Interest and other financial charges

Amounted to €12,933 thousand (€16,640 thousand).

	€ ,000 **1st half of 2004**	**€ ,000** **1st half of 2003**
Interest to banks	1,204	354
Interest to subsidiary companies	3	27
Interest to associated companies	173	201
Interest on loans	9,685	5,444
Losses on share disposals	1,265	8,827
Utilisation of share writedown reserve	(1,843)	(6,781)
Others	2,446	8,568
Total interest and other financial charges	**12,933**	**16,640**

In comparison with the previous year, the most important variations concern "Interest on loans" that should be read in conjunction with the positive balance between income and charges from interest cover operations, included under the item "Others" in income and financial charges.

D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

D.18) Revaluations

As a result of the application of the net equity consolidation method, the associated companies were re-valued at €2,852 thousand (€2,522 thousand), as illustrated in the table below:

	€ ,000 **1st half of 2004**	**€ ,000** **1st half of 2003**
- Harlequin Mondadori SpA	100	114
- Mondadori Rodale Srl	165	290
- Società Europea di Edizioni SpA	1,387	415
- Mach 2 Libri SpA	139	95
- Gruner und Jahr/Mondadori SpA	838	1,286
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	44	41
- Hearst Mondadori Srl	67	126
- Edizioni EL Srl	112	155
Total revaluations	**2,852**	**2,522**

D.19) Writedowns

Amounted to €4,787 thousand (€4,898 thousand) and are made up as follows:

	€ ,000 1st half of 2004	€ ,000 1st half of 2003
Associated companies:		
- Attica Publications	14	-
- Mondadori Informatica e-Bismedia Srl	179	348
- Books on line Italia SpA	292	362
- Grupo Editorial Random House Mondadori SL	2,130	3,223
- Prisco Spain SA	2	2
- Aci Mondadori Srl	247	385
- Press Tv SpA	305	423
- Edizioni Electa Bruno Mondadori Srl	76	127
	3,245	4,870
Companies valued at cost:		
- Venezia Accademia Scarl	-	13
- Marchgrange	11	15
	11	28
- Stocks:	1,531	-
Total writedowns	**4,787**	**4,898**

E) EXTRAORDINARY INCOME AND CHARGES

E.20) Income

Amounted to €633 thousand (€4,057 thousand) and is made up as follows:

	€ ,000 **1st half of 2004**	**€ ,000** **1st half of 2003**
Gains on disposals	-	2,181
Others	633	1,876
Total extraordinary income	**633**	**4,057**

"Others" include contingent assets of an extraordinary nature and adjustments of the results registered at 31 December 2003 of companies valued by the net equity method.

E.21) Charges

Amounted to €1,449 thousand (€192 thousand) and are made up as follows:

	€ ,000 **1st half of 2004**	**€ ,000** **1st half of 2003**
Losses on disposals	772	-
Tax for previous year	45	22
Others	632	170
Total extraordinary charges	**1,449**	**192**

"Losses on disposals" refer to the disposal of the Volftp division and to disposals of treasury stock.

"Others" include contingent assets of an extraordinary nature and adjustments of the results registered at 31 December 2003 of companies valued by the net equity method.

Mondadori Group

Reconciliation between the shareholders' equity and net profit of the Holding Company and the consolidated shareholders' equity and net profit

Reconciliation between the shareholders' equity and net profit of the Holding Company and the consolidated shareholders' equity and net profit

The reconciliation of the shareholders' equity and net profit shown in the Financial Statements of Arnoldo Mondadori Editore SpA at 30 June 2004 and those shown in the Consolidated Financial Statements is as follows:

	Shareholders' equity € ,000	Net result for period € ,000
Balances as per Holding Company's Financial Statements	**567,257**	**84,344**
Different accounting principles between Financial Statements and Consolidated - Advanced depreciations	7,447	(9,084)
- Leasing	7,187	(694)
- Valuation by net equity method of companies not included in the consolidation	(6,899)	(4,422)
Dividends received by consolidated companies	-	(18,946)
Writedowns of consolidated companies	6,377	782
Elimination of intercompany profits	(1,947)	291
Elimination of effects of intergroup company operations	(87,478)	13,345
Contribution to assets and income, net of information contained in previous items, of consolidated companies	65,288	11,748
Consolidated Financial Statements	**557,232**	**77,364**

Mondadori Group

Changes in shareholders' equity

Changes in shareholders' equity as at 31 December 2003

€ ,000	Share capital	Share premium	Law no. 72	Law no. 413/91	Legal reserve	Treasury stock	Extra. Reserve
Balances at 1/1/2003	**67,452**	**227,793**	**12,023**	**4,689**	**13,490**	**59,472**	**-**
Movements:							
- Profit destination	-	-	-	-	-	-	9,264
- Payment of dividends	-	-	-	-	-	-	-
- Reclassifications	-	(57,413)	-	-	-	57,413	-
- Currency translation increases (decreases)	-	-	-	-	-	-	-
- Other movements	-	-	-	-	-	-	-
- Net profit for the year	-	-	-	-	-	-	-
Balances at 31/12/2003	**67,452**	**170,380**	**12,023**	**4,689**	**13,490**	**116,885**	**9,264**

Changes in shareholder's equity as at 30 June 2004

€ ,000	Share capital	Share premium	Law no. 72	Law no. 413/91	Legal reserve	Treasury stock	Extra. Reserve
Balances at 1/1/2004	**67,452**	**170,380**	**12,023**	**4,689**	**13,490**	**116,885**	**9,264**
Movements:							
- Profit destination	-	-	-	-	-	-	1,902
- Payment of dividends	-	-	-	-	-	-	-
- Reclassifications	-	(867)	-	-	-	867	-
- Currency translation increases (decreases)	-	-	-	-	-	-	-
- Other movements	-	-	-	-	-	-	-
- Net profit for the period	-	-	-	-	-	-	-
Balances at 30/06/2004	**67,452**	**169,513**	**12,023**	**4,689**	**13,490**	**117,752**	**11,166**

Law no. 675	Law no. 124/93	Law no. 904	Govt. grants	Merger reserve	Other reserves	Profit (loss) carried forward	Profit (loss) for period	Total shareholders' equity
351	**53**	**751**	**5,335**	**478**	**(3,047)**	**62,017**	**81,074**	**531,931**
-	20	-	-	-	-	9,380	(18,664)	-
-	-	-	-	-	-	-	(62,410)	(62,410)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	(1,176)	-	-	(1,176)
-	-	-	-	-	-	1,472	-	1,472
-	-	-	-	-	-	-	82,101	82,101
351	**73**	**751**	**5,335**	**478**	**(4,223)**	**72,869**	**82,101**	**551,918**

Law no. 675	Law no. 124/93	Law no. 904	Govt. grants	Merger reserve	Other reserves	Profit (loss) carried forward	Profit (loss) for period	Total shareholders' equity
351	**73**	**751**	**5,335**	**478**	**(4,223)**	**72,869**	**82,101**	**551,918**
-	26	-	-	-	-	7,640	(9,568)	-
-	-	-	-	-	-	-	(72,533)	(72,533)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	563	-	-	563
-	-	-	-	-	-	(80)	-	(80)
-	-	-	-	-	-	-	77,364	77,364
351	**99**	**751**	**5,335**	**478**	**(3,660)**	**80,429**	**77,364**	**557,232**

Mondadori Group

Reclassified Consolidated Balance Sheet

Reclassified Consolidated Balance Sheet and Income Statement

Reclassified Consolidated Balance Sheet	**Millions of Euros 30 June 2004**	**Millions of Euros 31 December 2003**	**Millions of Euros 30 June 2003**
Intangible assets	149.2	158.4	153.5
Fixed assets	192.0	199.9	203.3
Financial assets	188.2	192.6	150.8
Inventories	124.8	133.5	121.0
Receivables and other assets	579.7	510.6	562.9
Cash and banks	613.1	648.9	513.5
Total assets	**1,847.0**	**1,843.9**	**1,705.0**
Shareholders' equity	557.2	551.9	534.3
Minority interests	3.4	3.3	0.4
Reserves for risks and charges	51.5	42.4	42.5
Reserve for severance indemnities	101.8	100.7	103.7
Other payables and liabilities	526.8	569.6	516.9
Financial payables	606.3	576.0	507.2
Total liabilities	**1,847.0**	**1,843.9**	**1,705.0**

Reclassified Consolidated Income Statement	**Millions of Euros 30 June 2004**	**Millions of Euros 30 June 2003**	**% change**
Revenues from sales	836.2	753.9	10.9%
Personnel costs	130.1	125.4	3.7%
Product and operating costs	596.1	534.8	11.5%
Gross operating profit	**110.0**	**93.7**	**17.4%**
Gross operating profit as % of revenues	*13.2%*	*12.4%*	
Depreciation of fixed assets	18.8	18.5	1.6%
Operating profit	**91.2**	**75.2**	**21.3%**
Operating profit as % of revenues	*10.9%*	*10.0%*	
Depreciation of intangible assets	10.2	11.2	(8.9%)
Net financial income (charges)	(1.2)	0.5	n.a.
Other income (charges), net	(0.9)	0.8	n.a.
Extraordinary income (charges), net	0	1.3	n.a.
Internet	(1.5)	(2.5)	(40.0%)
Profit before taxation	**77.4**	**64.1**	**20.7%**
Profit before taxation as a % of revenues	*9.3%*	*8.5%*	

Mondadori Group

Appendices

Table of prominent investments in accordance with art. 120 of Legs. Decree no. 58/1998

In accordance with art. 126 of regulations approved by CONSOB deliberation no. 11971 of 14/05/1999

Name (country where registered)	Share capital		Total % of shares held	Share modality
ACI-Mondadori Srl (Italy)	EUR	1,080,000	50%	Direct
Agenzia Lombarda Distribuzione Giornali e Riviste Srl (Italy)	EUR	400,000	50%	Direct
BOL Books on Line Italia SpA (Italy)	EUR	1,000,000	50%	Direct
Cemit Interactive Media SpA (Italy)	EUR	3,835,000	100%	Direct
Editrice Portoria SpA (Italy)	EUR	364,000	16.785%	Direct
Edizioni EL Srl (Italy)	EUR	620,000	50%	Indirect
Edizioni Electa Bruno Mondadori Srl (Italy)	EUR	10,400	50%	Indirect
Edizioni Frassinelli Srl (Italy)	EUR	10,400	100%	Indirect
Edizioni Piemme SpA (Italy)	EUR	566,661	70%	Direct
Edumond Le Monnier SpA (Italy)	EUR	10,608,000	100%	Direct
Electa Napoli Srl (Italy)	EUR	155,000	60%	Indirect
Fied SpA (Italy)	EUR	416,000	100%	Direct
Giulio Einaudi Editore SpA (Italy)	EUR	23,920,000	100%	Direct
Gruner + Jahr/Mondadori SpA (Italy)	EUR	2,600,000	50%	Direct
Harlequin Mondadori SpA (Italy)	EUR	258,250	50%	Direct
Hearst Mondadori Editoriale Srl (Italy)	EUR	99,600	50%	Direct
Mach 2 Libri SpA (Italy)	EUR	646,250	24%	Direct
				Indirect
Mondadori Electa SpA (Italy)	EUR	1,593,735	100%	Direct
Mondadori Franchising SpA (Italy)	EUR	1,954,000	100%	Direct
Mondadori Informatica-e.Bismedia Srl in liquidation (Italy)	EUR	920,920	100%	Direct
Mondadori Printing SpA (Italy)	EUR	45,396,000	100%	Direct
				Indirect
Mondadori Pubblicità SpA (Italy)	EUR	3,120,000	100%	Direct
Mondadori Retail SpA (Italy)	EUR	2,700,000	100%	Direct
Mondadori Sistemi di comunicazione Srl (Italy)	EUR	95,000	100%	Direct
Mondadori-Rodale Srl (Italy)	EUR	90,000	50%	Direct
Mondolibri SpA (Italy)	EUR	1,040,000	50%	Direct
Press Tv SpA (Italy)	EUR	1,500,000	50%	Direct
Promopi Libri Srl (Italy)	EUR	46,800	100%	Indirect
Società Europea di Edizioni SpA (Italy)	EUR	2,775,601.92	39.27%	Direct
				Indirect
Sperling & Kupfer Editori SpA (Italy)	EUR	388,800	100%	Direct
Venezia Accademia Società Consortile a rl (Italy)	EUR	15,000	26%	Indirect
Venezia Musei Società Consortile a rl in liquidation (Italy)	EUR	10,000	34%	Indirect
Venezia Musei Società per i servizi museali Scrl (Italy)	EUR	10,000	34%	Indirect
ABS Finance Advisory Company SA (Luxembourg)	EUR	125,000	99.2%	Indirect
ABS Finance Fund Sicav (Luxembourg)	EUR	559,621,002.68	66.79%	Indirect
Ame France S.a.r.l. (France)	EUR	20,000.00	100.00%	Indirect
Ame Publishing Ltd. (USA)	USD	50,000	100%	Indirect
Arnoldo Mondadori Deutschland GmbH (Germany)	EUR	25,564.59	100%	Indirect
Arnoweb SA (Luxembourg)	EUR	36,256,900	99.9998%	Direct
Artes Graficas Toledo SA (Spain)	EUR	5,409,000	100%	Indirect
Atimod Publishing Investments SA (Luxembourg)	EUR	10,373,800	100%	Indirect
				Direct
Attica Publications SA (Greece)	EUR	4,590,000	20%	Indirect
Casa Editrice e di distribuzione "Bences" Srl (Hungary)	FT	11,250,000	22%	Indirect
Euromedia Luxembourg Two SA (Luxembourg)	USD	42,500,000	11.765%	Indirect
Grupo Editorial Random House Mondadori SL (Spain)	EUR	10.002.000	50.00%	Indirect
				Direct
				Indirect
Misa Finance Fund PLC (Ireland)	EUR	397,599,326	100%	Indirect
Mondadori Belgium SA (Belgium)	EUR	62,000	99.984%	Direct
Mondadori Finance SA (Luxembourg)	EUR	3,031,000	99.967%	Indirect
Mondadori International SA (Luxembourg)	EUR	393,625,900	99.99%	Direct
Mondadori.com USA Inc. (USA)	USD	1,000	100%	Indirect
News Alert Investors LLC (USA)	USD	20,528,461	11.21%	Indirect
Prisco Spain SA (Spain)	EUR	60,101.30	100%	Direct

in accordance with art. 120 of Legs. Decree no. 58/1998 concerning information about prominent investments

Shareholder	**% held**	**Legal office**	**Tax Reg.n No.**	**Company Reg.n Date**
Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13277400159	17/11/2000
Arnoldo Mondadori Editore SpA	50%	Milan - via Senato 18	10463540152	02/10/1991
Arnoldo Mondadori Editore SpA	50%	Milan - via Lampedusa 13	13074160154	22/02/2000
Arnoldo Mondadori Editore SpA	100%	San Mauro Torinese (TO) - via Toscana 9	04742700018	13/12/1984
Arnoldo Mondadori Editore SpA	16.785%	Milan - via Chiossetto 1	02305160158	26/03/1975
Giulio Einaudi Editore SpA	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Edumond Le Monnier SpA	50%	Milan - via Trentacoste 7	06976090156	05/05/1983
Sperling & Kupfer Editori SpA	100%	Milan - via Borgonuovo 24	07254880151	12/01/1984
Arnoldo Mondadori Editore SpA	70%	Milan - viale Bianca Maria 25	00798930053	29/09/1982
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03261490969	01/10/2001
Mondadori Electa SpA	60%	Naples - via Francesco Caracciolo 13	04230890636	27/09/1983
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	04591640158	26/10/1979
Arnoldo Mondadori Editore SpA	100%	Turin - via U. Biancamano 2	08367150151	03/06/1986
Arnoldo Mondadori Editore SpA	50%	Milan - corso Monforte 54	09440000157	10/09/1988
Arnoldo Mondadori Editore SpA	50%	Milan - corso Concordia 7	05946780151	15/10/1980
Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	12980290154	17/12/1999
Arnoldo Mondadori Editore SpA	20%	Milan - via Quaranta 40	03782990158	06/05/1983
Sperling & Kupfer Ed. SpA	4%			
Arnoldo Mondadori Editore SpA	100%	Milan - via Trentacoste 7	01829090123	23/02/1989
Arnoldo Mondadori Editore SpA	100%	Verucchio (RN) via Statale – Marecchia n. 51-51/a	08853520156	28/05/1987
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	13430930159	11/04/2001
Arnoldo Mondadori Editore SpA	57.05%	Milan - via Bianca di Savoia 12	12319410150	28/11/1997
Mondadori International SA	42.95%			
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	08696660151	12/02/1987
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00212560239	19/11/1946
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03864370964	19/02/2003
Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13066890156	25/02/2000
Arnoldo Mondadori Editore SpA	50%	Milan - via Lampedusa n. 13	12853650153	25/06/1999
Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	03619240967	08/07/2002
Edizioni Piemme SpA	100%	Milan - viale Bianca Maria 25	01047070055	10/12/1991
Arnoldo Mondadori Editore SpA	31.28%	Milan - via G. Negri 4	01790590150	27/02/1974
Fied SpA	7.99%			
Arnoldo Mondadori Editore SpA	100%	Milan - via Borgonuovo 24	00802780155	03/11/1927
Mondadori Electa SpA	26%	Venice Mestre - via Manin 51	03377400274	21/03/2002
Mondadori Electa SpA	34%	Venice Mestre - via Manin 51	03233710270	9/05/2000
Mondadori Electa SpA	34%	Venice Mestre - via Manin 51	03534350271	22/04/2004
Mondadori International SA	99.2%	Luxembourg - 19-21 Boulevard du Prince Henri		12/12/2002
Misa Finance Fund PLC	66.79%	Luxembourg - 19-21 Boulevard du Prince Henri		03/02/1999
Mondadori International SA	100.00%	France – Paris - 9-11, avenue Franklin D. Roosevelt		23/06/2004
Mondadori International SA	100%	U.S.A. - New York N.Y. - 740 Broadway		01/02/1982
Mondadori International SA	100%	Germany - Munich – Tal 21		14/05/1970
Arnoldo Mondadori Editore SpA	99.9998%	Luxembourg - 19-21 Boulevard du Prince Henri		16/12/1999
Mondadori Printing SpA	100%	Spain - Toledo - C/Jarama S/N - Poligono Industrial		03/10/1974
Mondadori International SA	99.99991%	Luxembourg - 19-21 Boulevard du Prince Henri		03/03/2003
Arnoldo Mondadori Editore SpA	0.00009%			
Atimod Publishing Invest.s SA	20%	Greece – Athens - Maroussi, 40 Kifissias Avenue		03/08/1994
Edizioni Piemme SpA	22%	Hungary 909 Pannonhalma - Var. 1.9090		01/01/1992
Arnoweb SA	11.765%	Luxembourg - 140 Boulevard de la Petrusse		13/03/2000
Arnoweb SA	33.99%	Spain – Barcelona, Calle Travessera de Gracia 47/49		07/03/1991
Arnoldo Mondadori Editore SpA	6.01%			
Prisco Spain SA	10%			
Mondadori Finance SA	100%	Ireland – Dublin - I.F.S.C. - 2, Harbourmaster Place		12/06/2003
Arnoldo Mondadori Editore SpA	99.984%	Belgium – Brussels - Avenue Louise 109		22/03/2001
Mondadori International SA	99.967%	Luxembourg - 19-21 Boulevard du Prince Henri		12/12/2002
Arnoldo Mondadori Editore SpA	99.99%	Luxembourg - 19-21 Boulevard du Prince Henri		18/09/1970
Arnoweb SA	100%	USA–Delaware–1013 Centre Rd Wilmington 19805, New Castle Country		16/09/1999
Mondadori.com USA Inc.	11.21%	USA-New York 10022-575 Lexington Ave, Suite410		1999
Arnoldo Mondadori Editore SpA	100%	Spain – Barcelona, Calle Travessera de Gracia 47/49		06/12/1988

Relations with related companies

€ ,000	Item A1 Income	Item A5 Other income	Item B6 Cost of raw materials	Item B7 Cost of services
Parent companies:				
- Fininvest SpA				
Subsidiary companies:				
- Ame Publishing Ltd			25	1,318
- A. M. Deutschland GmbH				5
- Mondadori Informatica e-Bismedia Srl				7
- Mondadori.com Inc.				
Associated companies:				
- Gruner und Jahr/Mondadori SpA	1,864	1,269	13,528	7,579
- Mach 2 Libri SpA	18,417			843
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	10,335			700
- Venezia Accademia Scarl		11	7	166
- Venezia Società per i Servizi Museali Scarl				137
- Venezia Musei Scarl			1	44
- Hearst Mondadori Editoriale Srl	2,038	412	1,645	2,985
- Harlequin Mondadori Srl	311	165	5,083	
- Mondadori Rodale Srl			6,294	4,834
- Books on line Italia Srl	759	20	6	
- Edizioni Electa Bruno Mondadori Srl	368	2		
- Edizioni EL Srl	167	166	1,744	30
- Grupo Editorial Random House Mondadori SL	212			
- Società Europea di Edizioni SpA	11,550	73		9,352
- Aci Mondadori Srl	4,048	880	3,061	2,622
- Press Tv SpA	3,210	668	2,338	1,037
- Mondolibri SpA	3,702	513	30	460
Affiliated companies:				
- Pagine Italia SpA	4,461			
- RTI Reti Televisive Italiane SpA	1,103	3		402
- Publitalia 80 SpA	6			13,433
- Medusa Video Srl		16	341	249
- Promoservice Italia Srl				18
- Mediaset SpA		2		
- Il Teatro Manzoni SpA				13
- Mediolanum SpA		31		
- Banca Mediolanum SpA	1			
- Medusa Film SpA	10	3		185
- Videotime SpA		2		
- Radio e Reti Srl				43
- Alba Servizi Aerotrasporti SpA	1	1		
- E.I.S. Srl				1
- Milan A.C. SpA	1			
Other companies:				
- Istud – Istituto Studi Direzionali SpA				1

Relations with related companies

€ ,000	Item B8 Cost of use of third-party assets	Item B14 Various management charges	Item C15 Income from investments	Item C16 Other financial income	Item C17 Interest and other financial charges
Parent companies:					
- Fininvest SpA					
Subsidiary companies:					
- Ame Publishing Ltd	127	37			
- A. M. Deutschland Gmbh					
- Mondadori Informatica e-Bismedia Srl	1			1	
- Mondadori.com Inc.					3
Associated companies:					
- Gruner und Jahr/Mondadori SpA					86
- Mach 2 Libri SpA					
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl		5			
- Venezia Accademia Scarl					
- Venezia Musei Scarl					
- Hearst Mondadori Editoriale Srl					8
- Harlequin Mondadori Srl					35
- Mondadori Rodale Srl					26
- Books on line Italia Srl					
- Edizioni Electa Bruno Mondadori Srl				15	
- Edizioni EL Srl					
- Grupo Editorial Random House Mondadori SL				156	
- Società Europea di Edizioni SpA		1			
- Aci Mondadori Srl				1	16
- Press Tv SpA				18	2
- Mondolibri SpA	26	9			
Affiliated companies:					
- Pagine Italia SpA					
- RTI Reti Televisive Italiane SpA					
- Publitalia 80 SpA					
- Medusa Video Srl					
- Promoservice Italia Srl					
- Mediaset SpA					
- Il Teatro Manzoni SpA					
- Mediolanum SpA					
- Banca Mediolanum SpA					
- Medusa Film SpA					
- Videotime SpA					
- Radio e Reti Srl					
- Alba Servizi Aerotrasporti SpA	23				
- E.I.S. Srl					
- Milan A.C. SpA					
Other companies:					
- Istud – Istituto Studi Direzionali SpA					

Mondadori Group

Report of the external auditors

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

AUDITORS' REPORT ON THE REVIEW OF THE MANAGEMENT REPORT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004

(Translation from the original Italian version)

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

1. We have performed the review of the Management Report of Arnoldo Mondadori Editore S.p.A. for the half-year ended June 30, 2004, represented by the Consolidated Balance Sheet and Consolidated Statement of Income and related Notes (the "statements"). These statements are the responsibility of the Arnoldo Mondadori Editore S.p.A.'s management. Our responsibility is to issue the present report based on our review. We have also reviewed that part of the financial information presented by the Board of Directors in the Management Report with respect of their discussions and analyses of the consolidated operations of Arnoldo Mondadori Editore S.p.A., solely for the purpose of evaluating its consistency with the above mentioned statements and related Notes.

2. Our review was conducted in accordance with auditing standards governing the review of interim financial statements recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of July 31, 1997. The review of the data related to the six month period ended June 30, 2004 of an associated company, which represents approximately 36% of total "Financial Assets – Investments" and approximately 1% of total consolidated assets, is the responsibility of other auditors. A review consists mainly of obtaining information with respect to the accounts included in the statements identified in paragraph 1 of this report and the consistency of the accounting principles applied through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such statements. A review does not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities. Consequently, the scope of a review engagement provides significantly less assurance than a full scope audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the statements and related Notes identified in paragraph 1 of this report of Arnoldo Mondadori Editore S.p.A. as of and for the six month period ended June 30, 2004 as we do in connection with reporting on our full scope audit of the annual consolidated financial statements of Arnoldo Mondadori Editore S.p.A..

3. With respect to the consolidated comparative data as of and for the year ended December 31, 2003 and for the six month period ended June 30, 2003, reference should be made to our audit and review reports issued on April 5, 2004 and on September 16, 2003 respectively.

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
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4. Based on our review, we did not become aware of any significant modifications that should be made to the statements and related Notes identified in paragraph 1 of this report, in order for them to be in conformity with the criteria for the presentation of the half-year Management Report, specified by CONSOB regulations as approved in its resolution No. 11971 of May 14, 1999 and subsequent modifications.

5. We would point out that, as indicated in the accompanying Notes included in the statements, Arnoldo Mondadori Editore S.p.A, in line with the provisions of Art. 81, Para. 7 of the above mentioned Consob resolution N° 11971 of May 14, 1999 and subsequent modifications, has presented its consolidated results for the period before tax. Therefore, the Company has not made the adjustments and the accruals for current and deferred taxes in accordance with the tax regulations and the accounting principle related to income taxes.

Milan, September 21, 2004

Reconta Ernst & Young S.p.A.
Signed by: Maurizio Serafini
(Partner)

Information for shareholders and investors

For further information about the Mondadori Group or for a copy of the annual and interim reports, apply to:

Investor Relations
Arnoldo Mondadori Editore S.p.A.
Via Mondadori, 1
20090 Segrate (Milano)
Tel. +39.2.7542.3562
Fax. +39.2.7542.2584
e-mail: invrel@mondadori.it

Communication and External Relations
Arnoldo Mondadori Editore S.p.A.
Via Mondadori, 1
20090 Segrate (Milano)
Tel. +39.2.7542.1
Fax. +39.2.7542.3031
e-mail: corporate@mondadori.it

Mondadori Internet Site
www.mondadori.it