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 2005

Corporate Boards

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(*) Secretary

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Substitute Statutory Auditors
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Francesco Vittadini

External Auditors

Reconta Ernst & Young SpA

Mondadori Group

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Mondadori Group

Report of the Board of Directors

The Mondadori Group's business activities

In general macroeconomic terms, both internally and internationally, the weaknesses evident in the first quarter of the year continued for the whole of the first half. In particular, in the sectors in which Mondadori operates, there was a slow down in demand compared with the previous year. However, some positive signals began to emerge on the print media advertising front.

In this context, the Mondadori Group recorded performances that were in line with its respective benchmarks.

The Mondadori Group's consolidated interim report for the year to 30 June 2005 has been prepared using the IAS/IFRS international accounting procedures. Comparison with the corresponding period of 2004 is made on a like-for-like basis, the income statement and balance sheet for the period to 30 June 2004 and at 31 December 2004 have been recalculated using the new accounting principles.

Also in line with Consob resolution N° 5025723 of 15 April 2005, Arnoldo Mondadori SpA has commissioned Reconta Ernst & Young S.p.A. (the auditing firm that conducted the audit on the consolidated full-year accounts to 31 December 2004) to conduct a full audit to verify the reclassification and adjustments at 1 January and at 31 December 2004, as foreseen by IFRS 1.

In the first six months of 2005 **consolidated revenues** amounted to €825.5 million, an increase of 1.8% on the €810.8 million of the same period of the previous year.

Gross operating profit came to €107.4 million, up by 1.5% on the €105.8 million to 30 June 2004. Compared with last year, this result includes the impact of the acquisition of the radio station R101, which took place in January. As a proportion of revenues, gross operating profit for the period is unchanged at 13%.

Operating profit came to €90.3 million, an increase of 5.6% on the €85.5 million of the same period of the previous year, in particular as a result of reduced amortizations in the printing area; as a proportion of revenues an increase from 10.5% to 10.9%.

Net profit showed a marked improvement, closing the period at €51.9 million, up from the €43.8 of the first half of 2004, an increase of 18.5% above all as a result of lower taxation in the period.

The Group's **net financial position** at 30 June 2005 showed a deficit of €28.8 million, compared with a surplus of €0.7 million for the corresponding period of 2004, recalculated as per IAS/IFRS. The figure for the first half of the year also takes account of dividend payments of €85.4 million and the investment of €39.6 million for the acquisition of the radio station R101.

We therefore now move on to a more detailed analysis of the consolidated results for the first half of 2005.

Results for the period

The following table presents the Group's reclassified income statement:

Consolidated reclassified income statement	**€m 30 June 2005**	**€m 30 June 2004**	**Change %**
Revenues	825.5	810.8	1.8%
Personnel costs	135.4	127.7	6.0%
Cost of sales and management	587.4	577.1	1.8%
Income (charges) from investments	4.7	(0.2)	n.a.
Gross operating profit	**107.4**	**105.8**	**1.5%**
-as a proportion of revenues	*13.0%*	*13.0%*	
Depreciations of fixed assets	16.1	19.0	(15.3%)
Depreciations of intangible assets	1.0	1.3	(23.1%)
Operating profit	**90.3**	**85.5**	**5.6%**
-as a proportion of revenues	*10.9%*	*10.5%*	
Net financial income (charges)	(5.9)	(3.4)	73.5%
Profit before taxation	**84.4**	**82.1**	**2.8%**
Tax charges (income)	31.9	37.8	(15.6%)
Minority interest	0.6	0.5	20.0%
Net profit	**51.9**	**43.8**	**18.5%**

Consolidated revenues amounted to €825.5 million, an increase of 1.8%. The following table illustrates the business volumes for each business area.

Business volumes by business area	**€m 30 June 2005**	**€m 30 June 2004**	**Change %**
Books	188.0	184.9	1.7%
Magazines	425.7	407.2	4.5%
Advertising services	173.6	168.4	3.1%
Printing	224.1	231.3	(3.1%)
Direct	14.5	17.3	(16.2%)
Retail	58.2	47.2	23.3%
Radio	1.6	-	n.s.
Corporate and other business	7.7	8.0	3.7%
Total sales	**1,093.4**	**1,064.3**	**2.7%**
Intergroup sales	(267.9)	(253.5)	5.7%
Total consolidated revenues	**825.5**	**810.8**	**1.8%**

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

Revenues by geographical area	€m 30 June 2005	€m 30 June 2004	Change %
Italy	777.4	764.6	1.7%
EU countries	35.7	37.9	(5.8%)
USA	3.4	5.1	(33.3%)
Others	9.0	3.2	181.2%
Total consolidated revenues	**825.5**	**810.8**	**1.8%**

Book division

	€m 30 June 2005	€m 30 June 2004
Book sales	185.7	181.5
Other revenues	2.3	3.4
	188.0	**184.9**
Operating costs	(167.7)	(171.1)
Gross operating profit	**20.3**	**13.8**
Amortisations & depreciations	(1.5)	(1.6)
Operating profit	**18.8**	**12.2**

Demoskopea figures for the period show a situation for the overall book market that is essentially stable; with growth in the sector of 0.6% in terms of value and a 0.5% fall in terms of copies.
In this context, the Mondadori Group recorded a performance that was essentially in line with the market, while firmly confirming the Group's leadership with growth of +0.4% in terms of value and +0.1 in terms of copies. In fact, the Group's market share in this sector reached 27.9% in terms of value and 30.6% in terms of copies. This result was achieved, despite slower sales at Einaudi and Sperling & Kupfer, thanks to good results from Edizioni Mondadori and Piemme.

Publisher	Volume market share 1st half of 2005	Volume market share 1st half of 2004	Change
Mondadori	18.4%	17.9%	0.5
Einaudi	5.1%	5.6%	(0.5)
Sperling & Kupfer + Frassinelli	2.9%	3.0%	(0.1)
Piemme	4.0%	3.6%	0.4
Other Mondadori Group companies	0.2%	0.4%	(0.2)
Total Mondadori Group	**30.6%**	**30.5%**	**0.1**
Rizzoli Group	13.6%	13.0%	0.6
Longanesi Group	7.9%	7.7%	0.2
Feltrinelli	5.3%	5.3%	0.0

In the first half of 2004 the Book Division registered net sales of €188 million, an increase of 1.7% compared with the same period in 2004.

Operating profitability was 10.0% on revenues, compared with 6.6% in the first six months of the previous year.
This resulted benefited, as well as from positive sales, from the contribution of editorial investments, among which Random House Mondadori, that operates in Spain and South America, was particularly notable passing from -€1.7 to +€2.4 million.

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

Books	**€m 30 June 2005**	**€m 30 June 2004**	**Change %**
Edizioni Mondadori	73.7	75.7	(2.6%)
Einaudi	21.8	22.4	(2.7%)
Art books and exhibition organisation	21.0	16.2	29.6%
Sperling & Kupfer Group	14.7	15.7	(6.4%)
Piemme	19.5	18.3	6.6%
School textbook sector	16.8	15.5	8.4%
Book distribution	18.2	17.7	2.8%
Total consolidated sales	**185.7**	**181.5**	**1.8%**

Edizioni Mondadori

Edizioni Mondadori recorded a slight fall in sales compared with the same period of 2004 (-2.6% to €73.7 million), largely attributable to different publication date planning in the second quarter, from that of last year.

The first half of 2005 saw the confirmation of a number of big names in foreign fiction, such as Gabriel Garcìa Màrquez with *Memoria delle mie puttane tristi* and Patricia Cornwell with *La traccia* (200,000 copies).

In Italian fiction, Edizioni Mondadori published the revelation of 2005: *Con le peggiori intenzioni*, by Alessandro Piperno, a book which attracted wide acclaim by both critics and readers, with sales of 130,000 copies, an outstanding result for a first novel.

Il secolo cinese by Federico Rampini, the correspondent of *la Repubblica* in Beijing, with sales of 55,000 copies, can be considered the vanguard of a good performance in the non-fiction segment. Other important titles included *La verità sul codice da Vinci* by Bart Ehrman, and *Scena del crimine* by Carlo Lucarelli and Massimo Picozzi, that reached sales of 50,000 copies.

In the miscellaneous sector, of particular note was the success of the book (sold with a DVD) by Italian rock star Vasco Rossi, which has already sold more than 150,000 copies, as well as the usual positive sales of Luciano De Crescenzo, one of the publishing house's historical authors, who with *I pensieri di Bellavista* sold more than 60,000 copies.

In the paperback sector, the redesign of the Miti series should be underlined. The series now have more rigid cardboard covers and great bestsellers (from Andrea Camilleri to Dan Brown and Patricia Cornwell) were launched and regularly achieved the top positions in the Demoskopea lists.

Finally, a new feature in the newsstand sector should be highlighted; the addition of the new title *True Crime*, which collect true crime stories and will join historic brands (such as *Urania* and *Classici del Giallo*).

Giulio Einaudi Editore

The first half of 2005 showed a limited fall in sales in the retail channel (bookshops + large-scale retail outlets) and a more marked fall in instalment sales, the result of the closure of a number of agencies. Revenues, which came to €21.8 million, recorded a slight fall of 2.7% on the previous year.

There were good results from the sale of rights, which show a 49.5% increase on 2004, entirely attributable to the ongoing add-on sale of books by daily newspapers.

The titles that recorded the best sales results during the first half of the year include: *Crimini* edited by Giancarlo De Cataldo (with crime stories by Camilleri, Ammaniti, Lucarelli and many others), *Complotto contro l'America* by Philip Roth, *Album* by Marco Paolini , *I bambini sono di sinistra* by Claudio Bisio, *La mandorla* by Nedjma, as well as *Lo strano caso del cane ucciso a mezzanotte* by Mark Haddon and *Il petalo cremisi e il bianc*o di Michel Faber (both sold in budget editions).

Art books and exhibition organisation

The first six months of 2005 saw an excellent performance in the activities of the art books and exhibition organisation area, with revenues increasing by 29.6% to €21 million.

In particular the result was due to: the organisation of the exhibitions "I Miti Greci" at Palazzo Reale in Milan, "Turner and Venice" and "Lucian Freud" at the Museo Correr in Venice and "Magna Græcia - Archeologia di un Sapere" at the Complesso di San Giovanni in Catanzaro; contract publishing in the period which saw an increase in revenues of 31% and editorial activities for the add-on sale of books with newspapers ("Le grandi arti" for *Panorama*, the "City Book" series for *Corriere della Sera* and "Grandi Musei" for *Il Sole 24 ore*.

Among the most significant events during the period was the renewal, for the next four years, of the services licence for the Soprintendenza Archeologica in Roma. And finally, the subsidiary Electa Napoli recorded stable revenues.

Sperling & Kupfer Group

In the first half of 2005 the net revenues of the Sperling & Kupfer Group came to €14.7 million, a fall of 6.4% compared with the same period of the previous year.

Successful titles under the Sperling & Kupfer imprint in the period included *I Segreti del Codice* by Dan Burstein. The cut-price promotion of "Il club delle prime donne'' achieved good results and the increase of add-on sales linked to newspapers and magazines should also be highlighted.

Frassinelli, meanwhile, recorded good results for the re-supply of the book by Sparks *Le pagine della nostra vita*, following the release of the film of the same name.

Edumond Le Monnier

In the first half of 2005 Edumond Le Monnier SpA generated combined net sales of €16.8 million, an increase of 8.4% compared with the same period of last year.

As usual, it is worth underlining the particular seasonal nature of the school textbook business, in which sales are concentrated in the second half of the year, making the figures for the first half unrepresentative.

The companies activities have been concentrated on the production of new titles and the promotion of all the titles on the list to teachers at all levels. The production of new titles has been entirely satisfactory. The majority of titles were distributed to the sales network as planned, an important factor in the promotional phase.

In terms of formal adoptions of set texts, AIE figures, which are still incomplete, indicate a positive performance in the high schools segment and a stable performance in the middle schools segment. Results were less brilliant in the primary segment, in a year that was characterised by considerable turbulence in the market.

Piemme

In the first six months of the year Piemme recorded revenues of €19.5 million, an increase of 6.6% compared with 2004.

In terms of the different editorial lines, the *Linea Adulti* (fiction/non-fiction/religion and the Linea Pocket) showed an increase of 6%, with stable sales in fiction and non-fiction (+1.6%) which held up against the previous year where the first half was characterised by the unexpected success of *Bruciata Viva* by Suad, as well as a net recovery in religion (+56% on 2004) due to the extraordinary sales following the death of Pope John Paul II and the success of works such as *Mistero Medjugorie*, by Antonio Socci, now in its fifth edition.

For the *Linea Junior*, overall the growth trend continued: in fact there was a 4% increase on the previous year, large attributable to *Geronimo Stilton series* (+6%) and to a lesser degree, to *Il Battello a Vapore* (+1.8%). *Geronimo Stilton* in the first half of 2005 continued to diversify editorial production which, along with an increase in the average price, will form the basis of the forecasted growth in the second half of the year.

The *Il Battello a Vapore* line, in 2005, the success of *Scooby Doo*, has been joined by the confirmation of a character produced by the editorial team of *Il Battello* in 2004, *Ulysses Moore*, and the launch of a new series, *Milla e Sugar*, also entirely created by Edizioni Piemme.

Distribution and Logistics

Progressive revenues January/June 2005 in the Distribution and Logistics area recorded an increase 2.8% on the same period of the previous year.

Magazine Division

	€m 30 June 2005	**€m 30 June 2004**
Magazine revenues	420.9	401.0
Other revenues	4.8	6.2
	425.7	**407.2**
Operating costs	(353.4)	(336.9)
Gross operating profit	**72.3**	**70.3**
Amortizations and depreciations	(0.8)	(1.2)
Operating profit	**71.5**	**69.1**

Circulation

The circulation market in which Mondadori competes grew by around 6.8% in the first half of the year, thanks to the launch of a number of new titles, particularly concentrated in the TV listings segment, which saw the launch of four new titles in the period.

This ferment in the market also affected the performance of existing titles in other segments. On a like-for-like basis, i.e. excluding the new launches, the circulation market was in fact in decline, in line with the trend in recent years.

In this context of increased competition, **Mondadori** reacted promptly to the moves of competitors with the launch of the entertainment and listings weekly *Star+TV* and a test of the fortnightly formula with *2TV*.

Consequently, Mondadori saw an overall increase in total circulation in the TV listings segment, given that the new titles more than compensated for the fall off in existing titles. Among these, it should be pointed out that *TV Sorrisi e canzoni* was able to substantially maintain its position, in spite of the changes in the segment, and there was outstanding success for the sale of products in the add-on sales formula with the title, leading to an increase in average revenues per reader.

As for the other segments, almost all of the titles that existed in 2004 saw a more or less marked fall in circulation, both for Mondadori and the rest of the market. The titles which bucked the trend were *Chi* (+2.5%), *Flair* (+17.5%), *Economy* (+1.9%), *Cosmopolitan* (+17%) and *Men's Health* (+3%). The historic weeklies, meanwhile, were those that had the least positive results: *Donna Moderna* (-1.9%), *Grazia* (-9%), *Panorama* (-7%) and *Tu* (-11%). However, already in the third quarter of this year, a number of editorial initiatives have been planned to counteract the trend of the early part of the year.

Overall, Mondadori saw a fall in circulation of 2%, due, apart from the changes in the competitive scenario, to a number of differences compared with the previous year. In fact a close re-examination of the product portfolio is underway and has already led to the closure of *Living* and *Grand Gourmet* and the sale of the Gruner & Jahr/Mondadori title *Vera*. Moreover, there is also the non-comparability of figures due to the launch in 2004 of *Focus Junior* which had a positive impact also on the sales of *Focus* in the last year.

Add-on sales

During the first half the excellent trend in add-on sales continued, with growth of 27%, thanks to the selection of products that were increasingly in harmony with the reference target of the various titles.
Of particular significance were the results of:

- the *Garzantine* encyclopaedia, sold under separate cover with *TV Sorrisi e canzoni*, with sales of more than 7 million copies in the 25 issues of the period;
- the *Diabolik* series with *Panorama*, which received braod consensus and sold more than 1 million copies;
- the beauty cards with *Tu*, with sales of more than 1.6 million copies.

Overall, Mondadori holds the absolute leadership in all products in add-sales with magazines. In terms of the type of goods sold, there was particular growth in the sale of editorial products and DVDs while there was a fall in the sale of miscellaneous goods and music CDs.

Advertising services

	€m 30 June 2005	€m 30 June 2004
Advertising revenues	169.9	166.5
Other revenues	3.7	1.9
	173.6	**168.4**
Operating costs	(172.5)	(166.1)
Gross operating profit	**1.1**	**2.3**
Amortizations and depreciations	(0.1)	(0.2)
Operating profit	**1.0**	**2.1**

As can be seen from the table, in the first half of 2005 the sector was characterised by moderate growth in advertising investments, with an increase of 2.2% on the same period of 2004.

Changes within the different media were varied, even if much less marked than last year. While television consolidated its growth with an increase of 2.6%, print media grew in the same period by an overall 2.7% with newspapers recording +2.4% and magazines +3.3% (also if the increase was the result of new launches).

Radio, after a decidedly slow start, recovered towards the end of the period, ending the first half at -3.2% compared with 2004.

Advertising market	**€m 30 June 2005**	**€m 30 June 2004**	**Change %**
Television	2,643.6	2,576.4	2.6%
Total print media	1,508.5	1,468.2	2.7%
- Magazines	594.6	575.7	3.3%
- Newspapers	913.9	892.5	2.4%
of which: National sales	494.2	476.6	3.7%
Radio	204.1	210.9	(3.2%)
Outdoor	103.1	104.9	(1.7%)
Cinema	38.7	40.8	(4.9%)
Total advertising market	**4,498.0**	**4,401.2**	**2.2%**

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

In particular in the magazine sector, the market, in terms of space, was driven by family titles, especially the new titles that were launched in the period, or during the second half of 2004. Male lifestyle titles also performed well, while women's titles saw a reduction in pages, largely due to a fall in investments from the cosmetics and FMCG sectors.

Mondadori Pubblicità ended the first half of 2005 positively, recovering the shortfall of the first months of the year; advertising sales, including radio, recorded an increase of 2.0%, reaching €169.9 million.

Sales in the first half of the year, compared with 2004, were affected by a fall in investments in the cosmetics, furnishing and FMCG sectors, which was compensated by a positive performance in the business and finance, car and leisure sectors.
In consequence, sales were good for *Chi* and *Casaviva*, stable for *Panorama* and *TV Sorrisi e canzoni*, and in decline for *Donna Moderna*, *Flair* and *Grazia*.

The product portfolio in the first six months of the year, compared with the same period of 2004, show some signs of discontinuity, such as the January launch of two new TV titles, *Star+Tv e 2TV*, and the loss of some titles, the most significant being *Controcampo* and *Vera Magazine* and finally the inclusion of the radio with R101 and Rock FM, recent acquisitions and undergoing further development in terms of territorial coverage.

Printing Division

	€m 30 June 2005	€m 30 June 2004
Printing revenues	224.1	230.4
Other revenues	-	0.9
	224.1	**231.3**
Operating costs	(202.8)	(206.0)
Gross operating profit	**21.3**	**25.3**
Amortizations and depreciations	(11.5)	(14.3)
Operating profit	**9.8**	**11.0**

During the first half of 2005 the Printing division saw a fall in revenues of 3.1% to €224.1 million.

Operating profit as a proportion of revenues went from 4.8% to 4.3%.

The positive results of the previous year continued in the market for hardback and paperback books, also as a result of the continued success of books sold as add-ons with newspapers and magazines.

There was a significant fall in print volumes for illustrated books, strongly influenced by competition from printers in the Far East and an unfavourable exchange rate against the US dollar.

The foreign market continues to be characterised by a high level of competition between printers in Europe; in this context, moreover, the Group improved margins and consolidated its market share for the printing of magazines and catalogues.

The level of activity of the plants is better represented by the revenue figures net of the cost of paper and transport, as can be seen in the following table:

Printing revenues net of paper costs	**€m 30 June 2005**	**€m 30 June 2004**	**Change %**
Magazines	57.2	63.1	(9.4%)
Books	49.9	48.6	2.7%
Catalogues & promotional materials	13.2	12.9	2.3%
Directories	1.9	2.8	(32.1%)
Total printing revenues net of paper costs	**122.2**	**127.3**	**(4.0%)**

Direct marketing

	€m 30 June 2005	**€m 30 June 2004**
Revenues from sales	14.5	17.3
Other revenues	-	-
	14.5	**17.3**
Operating costs	(13.0)	(14.7)
Gross operating profit	**1.5**	**2.6**
Amortizations and depreciations	(0.2)	(0.3)
Operating profit	**1.3**	**2.3**

Under sales revenues, the figures for **Mondolibri S.p.A.,** the joint venture with the Bertelsmann Group, are no longer included. Previously, this company was consolidated proportionally, as per Italian accounting principles. Now, as per IAS/IFRS, the company is dealt with on a net equity basis.

In the second quarter, **Cemit** was affected by the slowdown in revenues from habitual clients, while in the same period of the previous year the company recorded a big increase in revenues from non-recurring business. Turnover for the period came to €14.5 million, a fall of 16.2% compared with the previous year.

Operating profit went from 13.3% to 8.9% of revenues.

Retail

	€m 30 June 2005	€m 30 June 2004
Revenues from sales	58.2	47.2
Other revenues	-	-
	58.2	**47.2**
Operating costs	(57.8)	(47.3)
Gross operating profit	**0.4**	**(0.1)**
Amortizations and depreciations	(1.2)	(1.1)
Operating profit	**(0.8)**	**(1.2)**

Compared with the first half of 2004, **Mondadori Franchising** again recorded a marked increase in revenues (+25.4% to €15.8 million), thanks above all to new affiliations in the twelve month period of reference. The number of outlets increased from 141 to 155.
The Edicolè project, launched at the end of 2004, became operational and 11 sales outlets have already been opened under the new formula.

Mondadori Retail achieved a substantial increase in revenues (+22.5%), in spite of the generally difficult trading climate for retailers in general, thanks to the already well-established stores around the country and the new openings that took place in 2004 (the Multicenter in Bologna and the book store in Varese).

The overall revenues of the Retail area grew by 23.3% to €58.2 million, with an improvement in the negative operating result from –2.6% to –1.4%.

Radio

	€m 30 June 2005	€m 30 June 2004
Revenues from sales	1.6	-
Other revenues	-	-
	1.6	**-**
Operating costs	(3.8)	-
Gross operating profit	**(2.2)**	**-**
Amortizations and depreciations	(0.2)	-
Operating profit	**(2.4)**	**-**

In January 2005 the Mondadori Group entered the radio business with the acquisition of Radio 101, a national broadcaster with a 30-year history of success (Radio 101 was in fact created from Italy's first commercial radio operator, Radio Milano International). The aim is to create a radio broadcaster that is fully integrated with the Group's activities, developing, from the outset, synergies with the Magazine, Retail and Book Divisions and with different companies within the Group.

Activities in the first quarter were concentrated on defining the organisational structure and putting in place the new management. While the subsequent months were characterised by an intense efforts to re-focus and relaunch the business of Radio 101, efforts that will continue over the two-year period 2005-2006.

The first step in the development process was the change in the name; from Radio 101 to R101, an innovative and distinctive name in the panorama of Italian radio, but a name that maintains the station's traditions and its links to its weekly average of 5.5 million listeners.

The second important step in the process concerns programming (music, shows and presenters). In terms of presenters, it has been decided to combine the established voices of the station with new important presenters, many of whom are established TV personalities.

The re-launch of R101 has also been accompanied by a significant advertising campaign which began in June and initially planned across the Group's magazine titles, before being extended across other media.

At the same time new frequencies have been bought with the aim of increasing signal distribution in Italy and extending coverage from the initial 56% to more than 80% of the population. Total investments for frequencies during 2005 have amounted to more than €30 million.

Corporate and other business

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

Financial situation

The Mondadori Group's financial situation as of 30 June 2005 showed a deficit of €2.8 million, as illustrated in the following table:

Net financial position	**€m 30 June 2005**	**€m 31 December 2004**	**€m 30 June 2004**
Short-term bank deposits	55.3	135.4	194.3
Short-term borrowings from banks	(6.1)	(2.4)	(38.2)
Financing (short and medium/long term)	(188.6)	(115.4)	(146.4)
	(139.4)	17.6	9.7
Fixed interest securities	545.6	485.9	388.9
Bonds	(301.2)	(295.7)	(295.7)
Convertible bonds	(103.6)	(109.6)	(109.5)
Cash, cheques, net financial receivables from Group companies and third parties and accrued interest income	(30.2)	(9.2)	7.3
Net financial position	**(28.8)**	**89.0**	**0.7**

The interim 2005 figure includes dividend payments of €85.4 million (€72.5 million Euro in 2004) and the investment of €39.6 million for the acquisition of the radio station R101.

Trends in interest and exchange rates

In 2005, as in 2004, world growth, currently forecast at an annual 4%, has been sustained largely by the United States and China.

In the Euro zone, after the positive growth rate of 2004 (around +2%) expectations for 2005 are, as already indicated, disappointing: +1.2% on an annual basis, with a figure of +0.5% in the first quarter and +0.2% in the second.
A slight improvement in the figures for industrial production and business confidence is, in fact, countered by a continuous fall in consumer confidence and negative expectations regarding employment. All of which contributes to depressing internal consumption, with a consequently negative impact, given the continuing un-competitiveness on foreign markets, and a slowdown in the demand from foreign customers.
Investment levels, meanwhile, have not grown and cannot grow beyond a certain level given the low level of plant utilisation recorded so far and the situation in internal consumption, factors that do not encourage business optimism.
The modesty of this performance is without doubt the result of a combination of unfavourable factors, both internal and external, in which the rise in the value of the euro and increases in the cost of raw materials (especially oil) are added to the lack of necessary response in both fiscal and monetary economic policy.

The Central European Bank continues to take no action to support growth and has maintained the minimum rate applied to operations or principal re-financing in the eurosystem unchanged at 2.00% (the same level since June 2003).

Inflation forecasts remain at known levels of around 2%, as does the figure for unemployment (around 8.9%), except where growth in employment, in the average of the euro zone countries, offers comforting signals.
In this macroeconomic context, also sterling has strengthened against the euro, going from 0.70798 at the beginning of the year to 0.66824 at the end of June (+6.3%).

In terms of interest rates relevant for the Mondadori Group, 3-month Euribor (act/360) in the period January-June ranged between 2.154% at the beginning of the year, and 2.106% at the end of the period (an average of 2.132%). In the same period, the average cost of money for the Mondadori Group (including structures aimed at neutralising exchange rate risks and soft loans) was 2.513%.
The overall credit lines available to the Group (€ 622 million) at 30 June 2005 came to more than €1 billion.
Around 28% of the Group's short-term borrowing facilities were used as at 30 June 2005, through self-liquidating credit lines (disconting of cash orders) and stand-by loans with a duration of less than 18 months minus one day.
Medium-long-term lines of €420 million are made up of €296.4 million from a private placement in dollars in the U.S.A., over three tranches expiring in 2013/2015/2018, and €109.9 million in convertible bonds, guaranteed by Mondadori shares, expiring in 2008. As at 30 June medium/long-term lines of facilitated credit for publishers, amounted to €13.6 million.

Mondadori International

The Group's financial surplus is managed by Mondadori International and the subsidiary companies, Mondadori Finance and Misa Finance Fund.
As at 30 June 2005, the Group's financial surplus amounted to €515.6 million, (€562.0 million at the end of June 2004). This reduction was largely the result of the company's acquisition of a further 20% of the Greek publisher Attica Publications (€24.7 million) in the second half of 2004 and a share buy-back (€25.1 million). At 30 June the portfolio was made up as follows:

- money market investments, bonds and bank deposits for €434.9 million;
- hedge fund investmenst for €80.6 million.

Money market investments and bonds are mainly allocated within the ABS Finance Fund (a Luxemburg-based dedicated SICAV, using SEB, Banca Intesa Group, as the depository bank). The main managers of the SICAV are Morgan Stanley, Lazard, BNP Paribas, HSBS and West AM).

A portion of the cash products and bonds with variable interest rates is managed directly by Mondadori International (around €80 million). In this case, the depository banks are Morgan Stanley, Barclays and Banca Intesa London. Hedge fund deposits (€80.6 million) are managed mainly by GLG Partners, Morgan Stanley and Hamilton/Citco Group. Such funds are widely diversified by manager and strategy and are characterised by an average level of volatility, in line with that of Euro-zone short-term bonds.

More than 90% of the portfolio can be converted to cash in a few days, the remainder within three months.

Personnel

As of 30 June 2005 Group companies employed 4,526 people (4,492 at 31 December 2004), while the average number of personnel during the period amounted to 4,520 (4,498 in the same period in 2004).
It should be noted that the figures here include fixed-term contracts, while the figures for the previous periods have been reclassified in line with changes in the area of consolidation (Mondolibri is consolidated at net assets rather than proportionately) following the introduction of the new IFRS principles.

The increase in staff since 31 December 2004 (+34) is essentially the result of the activities of Monradio (29) and residual changes in Italian subsidiaries.

The following table shows details of Group personnel as of 30 June 2005:

Personnel	**30 June 2005**	**31 December 2004**	**30 June 2004**
Arnoldo Mondadori Editore SpA:			
- Managers, journalists and office staff	1,486	1,491	1,514
- Manual workers	109	109	110
	1,595	**1,600**	**1,624**
Italian subsidiaries:			
- Managers, journalists and office staff	1,594	1,559	1,524
- Manual workers	1,189	1,187	1,195
	2,783	**2,746**	**2,719**
Foreign subsidiaries:			
- Managers, journalists and office staff	44	42	39
- Manual workers	104	104	107
	148	**146**	**146**
Total	**4,526**	**4,492**	**4,489**

The cost of personnel amounted to €135.4 million, an increase of 6.0% compared with June 2004.

The increase in costs, apart from the increase in the number of employees in normal remuneration dynamics, was affected by extraordinary charges for severance payments and the charges related to the application of the new international accounting principles concerning severance indemnities.

Results of Arnoldo Mondadori Editore SpA

On 30 June 2005, the balance sheet of the parent company, Arnoldo Mondadori Editore SpA, prepared in line with IAS/IFRS principles, showed a net profit of €59.7 million, an increase on the same period of the previous year (€55.4). The balance sheet to 30 June 2004 has been reclassified and adjusted for comparative purposes following the introduction of the new international accounting principles.
It should be noted that the mandatory balance sheet of Arnoldo Mondadori Editore SpA to 31 December 2005 will be prepared according to IAS/IFRS principles.

Other information

The following section deals with information about the specific subjects:

Relations with linked companies

We would inform you that 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

The Shareholders' Meeting of 20 April 2005 passed resolution, following the expiry of the previous authorisation granted by the Shareholders' Meeting of 26 April 2004 and in accordance with article 2357 of the Civil Code, 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 any shares held 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 18,695,445 ordinary shares, the new authorisation gave the Board of Directors the authority to purchase on the market a maximum of a further 7,247,538 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 2004.

During the first half of 2005 Arnoldo Mondadori Editore acquired on the market 20,000 company shares, and a further 989,766 Mondadori shares were bought on the market by the subsidiary Mondadori International S.A.

In the same period Arnoldo Mondadori Editore sold, within the context and under the conditions established by the 2003/2005 stock option plan, 942,794 shares at a unit price of €6.85 and 45,000 shares at a unit price of €6.56.

As of 30 June 2005 the number of company shares in the portfolio amounted to 19,328,511 (or 7.45% of the share capital) of which 15,439,326 are directly held in the portfolio of Arnoldo Mondadori Editore S.p.A. and 3,889,185 are held by the subsidiary Mondadori International S.A.

Acquisition of the business activities relating to Radio 101 One-O-One (now known as R 101)
In January, through the subsidiary Monradio S.r.l., the acquisition was defined of the business activities relating to:

- the radio broadcasting activities of ***Radio 101 One-O-One*** resulting from the commercial radio national broadcasting licence;
- radio broadcasting activities relating to foreign signal repetition.

The operation, which obtained legal authorisation from the Italian monopolies commission and other competent authorities, is part of a previously announced Group strategy to move into an area that is consistent with Mondadori's development and diversification strategies.

The final price – established after the satisfactory conclusion of technical, legal, accounting and fiscal due diligence, carried out prior to the acquisition - was €39.6 million.

The development and relaunch of R 101.

In the first half of 2005 and in the subsequent months, a number of initiatives have been launched aimed at the development and relaunch of Radio 101, which, since June, has had new name, R 101.

The relaunch process for R 101 also includes a programme of frequency acquisitions, aimed at extending national coverage and, consequently, the number of listeners reached.

The most significant elements of the plan have been the following:

- the acquisition, in May, at an overall cost of €7.5 million, of 17 transmission stations and the relative frequencies. Previously belonging to *Radio ’80,* a radio broadcaster held by Beta S.r.l., with extensive coverage of the Veneto region and the main urban centres of Friuli Venezia Giulia, a combined population of more than 5 million.
- the acquisition, in July, from Tecninvest S.r.l., Lattemiele Lombardia S.r.l., Lattemiele Toscana S.r.l., Lattemiele S.r.l., Lattemiele Sardegna S.r.l. and Idee Vincenti 2 S.r.l., of 62 transmission stations and the relative frequencies, at an overall cost of €20.4 million, strengthening the reach of R 101 mainly in Emilia Romagna, Marche, Tuscany, Lombardy and Lazio.

Probable development 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

Mondadori Group

Consolidated Financial Statements at 30 June 2005

Consolidated Balance Sheet

Assets	Note	Period up to 30 June 2005	Year ended 31 December 2004
Intangible assets	1	**214,223**	**144,800**
Fixed assets	2	**5,393**	**12,686**
Land and buildings		87,445	90,645
Plant and machinery		80,985	87,273
Other fixed assets		26,910	19,252
Property, plant and machinery	3	**195,340**	**197,170**
Investments valued at net equity		101,181	100,951
Other investments		2,491	2,473
Total investments	4	**103,672**	**103,424**
Non-current financial assets	5	**5,115**	**130,531**
Advance taxes	6	**44,150**	**40,812**
Other non-current assets	7	**16,047**	**17,810**
Total non-current assets		**583,940**	**647,233**
Tax credits	8	**10,235**	**7,709**
Other current assets	9	**65,741**	**64,390**
Inventories	10	**114,975**	**120,895**
Trade receivables	11	**411,723**	**387,302**
Shares and other current financial assets	12	**565,595**	**504,288**
Cash and equivalent liquid assets	13	**56,220**	**137,190**
Total current assets		**1,224,489**	**1,221,774**
Assets destined to be sold or disposed of	14	**1,950**	**-**
Total assets		**1,810,379**	**1,869,007**

Consolidated Balance Sheet

Liabilities	Note	Period up to 30 June 2005	Year ended 31 December 2004
Share capital		**67,452**	**67,452**
Share premium reserve		**283,747**	**283,747**
Other reserves and results carried forward		**46,545**	**159,078**
Profit (loss) for the period		**51,851**	**112,023**
Total Group shareholders' equity	15	**449,595**	**622,300**
Minority capital and reserves	16	**3,641**	**3,478**
Total shareholders' equity		**453,236**	**625,778**
Reserves	17	**16,439**	**16,287**
Severance indemnities	18	**98,149**	**94,743**
Non-current financial liabilities	19	**417,895**	**418,773**
Deferred tax liabilities	20	**42,904**	**21,587**
Other non-current liabilities		**-**	**-**
Total non-current liabilities		**575,387**	**551,390**
Income tax payables	21	**12,864**	**18,769**
Other current liabilities	22	**164,258**	**179,185**
Trade liabilities	23	**366,758**	**359,899**
Debts represented by banks and other financial liabilities	24	**237,876**	**133,986**
Total current liabilities		**781,756**	**691,839**
Liabilities destined to be sold or disposed of		**-**	**-**
Total liabilities		**1,810,379**	**1,869,007**

Consolidated Income Statement

	Note	**Period up to 30 June 2005**	**Period up to 30 June 2004**
Income from sales of goods and services	25	**825,546**	**810,824**
Decrease (increase) in inventories	26	5,964	8,559
Cost of raw, ancillary and consumable materials and goods	27	255,854	245,631
Cost of services	28	329,116	320,721
Personnel costs	29	135,404	127,726
Various charges (income)	30	(3,501)	2,112
Income (charges) from investments Valued at net equity	31	4,662	(248)
Gross operating profit		**107,371**	**105,827**
Depreciation of property, plant and machinery	32	16,076	18,975
Depreciation of intangible assets	33	1,027	1,361
Operating result		**90,268**	**85,491**
Financial income (charges)	34	(5,863)	(3,406)
Income (charges) from other investments		-	-
Results before taxes and minority interests		**84,405**	**82,085**
Income taxes	35	31,937	37,811
Results pertaining to minority interests	16	(617)	(462)
Net result		**51,851**	**43,812**
Net result per share (expressed in euros)	36	0.22	0.18
Net diluted result per share (expressed in euros)	36	0.22	0.18

For the Board of Directors
Chairman
Marina Berlusconi

Mondadori Group

Variations during the first six-months of the year in the Consolidated Net Equity

Variations in Consolidated Shareholders' Equity at 30 June 2004

€ ,000	Share capital	Share premium reserve	Treasury stock reserve	Treasury stock	Legal reserve	Stock option reserve	Fair value reserve	Conversion reserve	Other reserves	Profit (loss) period	Total
Balance at 1st January 2004	**67,452**	**170,380**	**116,885**	**-**	**13,490**	**804**	**-**	**-**	**131,291** (*)	**82,101**	**582,403**
- Destination result									9,568	(9,568)	-
- Dividend payment										(72,533)	(72,533)
- Variations in consolidation area											-
- Conversion difference in foreign currency financial statements								567			567
- Operations in treasury stock		(867)	867								-
- Stock options						774					774
- Reclassifications and various movements									(146)		(146)
- Profit (loss) for period										43,812	43,812
Balance at 30 June 2004	**67,452**	**169,513**	**117,752**	**0**	**13,490**	**1,578**	**0**	**567**	**140,713**	**43,812**	**554,877**

(*) Includes €30,485 thousand due to the effect of adopting IAS/IFRS accounting principles.

Variations in Consolidated Shareholders' Equity at 30 June 2005

€ ,000	Share capital	Share premium reserve	Treasury stock reserve	Treasury stock	Legal reserve	Stock option reserve	Fair value reserve	Conversion reserve	Other reserves	Profit (loss) period	Total
Balance at 31 december 2004	**67,452**	**153,540**	**130,207**	**-**	**13,490**	**2,376**	**-**	**116**	**143,096**	**112,023**	**622,300**
- Adoption IAS 32 and IAS 39	-	130,207	(130,207)	(130,207)	-	-	(12)	-	(13,129)	-	(143,348)
Balance at 1st January 2005	**67,452**	**283,747**	**-**	**(130,207)**	**13,490**	**2,376**	**(12)**	**116**	**129,967**	**112,023**	**478,952**
- Destination result									26,642	(26,642)	-
- Dividend payment										(85,381)	(85,381)
- Variations in consolidation area											-
- Conversion difference in foreign currency financial statements								766			766
- Operations in treasury stock				547					287		834
- Stock options						1,173					1,173
- Reclassifications and various movements							(50)		1,450 (**)		1,400
- Profit (loss) for period										51,851	51,851
Balance at 30 June 2005	**67,452**	**283,747**	**-**	**(129,660)**	**13,490**	**3,549**	**(62)**	**882**	**158,346**	**51,851**	**449,595**

(**) The movement refers mainly to the increase in shareholders' equity of the subsidiary Monradio Srl following a the payment of a share premium by third-party shareholders during the six-month period.

Mondadori Group

Consolidated Financial Report at 30 June 2005

Financial statement

Financial statement	€ ,000 1st half of 2005	€ ,000 1st half of 2004
Net result for period	51,851	43,812
Adjustments		
Depreciations and writedowns	17,103	20,336
Stock option	1,173	774
Provisions to reserves and severance indemnities	8,145	6,154
Capital losses (gains) on disposal of intangible assets, property, plant and machinery	(1,032)	59
(Income) charges from companies valued at net equity	(4,662)	248
Cash generated from operational activities	**72,578**	**71,383**
(Increase) decrease in trade credit	(24,421)	(38,167)
(Increase) decrease in inventories	5,920	8,559
Increase (decrease) in trade payables	6,859	(18,412)
Net variations in tax credits/debts for income tax	(8,431)	22,185
Net variations in other current assets/liabilities	(16,278)	(26,240)
Increase in current assets/decrease in current liabilities	**(36,351)**	**(52,075)**
Net variations in advance/deferred taxes	3,146	617
Increase (decrease) reserves and severance indemnities	(4,587)	(6,802)
Net variations in other non-current assets/liabilities	1,763	2,051
Cash flow generated (absorbed) by operational activities	**36,549**	**15,174**
(Investments) disposals in intangible assets	(39)	(415)
(Investments) disposals in property, plant and machinery	(7,881)	(11,196)
(Investments) disposals in shares	4,414	3,624
(Investments) disposals in stocks and other non-current financial assets	(54,486)	158,628
Cash flow generated (absorbed) by investment activities	**(57,992)**	**150,641**
Increase (decrease) in payables to banks	24,774	32,614
Net variations in other non-current assets/liabilities	(2,083)	(2,240)
Variations in net equity reserves	3,163	1,038
Dividends paid	(85,381)	(72,533)
Cash flow generated (absorbed) by financial activities	**(59,527)**	**(41,121)**
Increase (reduction) of cash and other equivalent liquid assets	**(80,970)**	**124,694**
Cash and other equivalent liquid assets at beginning of period	**137,190**	**70,340**
Cash and other equivalent liquid assets at end of period	**56,220**	**195,034**

Composition of cash and other equivalent liquid assets		
Money, cheques and commercial papers in hand	201	174
Bank and post office deposits	56,019	194,860
	56,220	**195,034**

Mondadori Group

Accounting Principles and Notes to the Consolidated Financial Statements at 30 June 2005

General information

The main corporate purpose of Arnoldo Mondadori Editore SpA and the companies in which it has direct and indirect investments is connected to the publishing sector, in particular in the magazine, and book publishing sectors, radio and advertising sales.
The Mondadori Group is also involved in printing activities for third parties, at the Group's own printing works, retailing through a chain of its own shops and franchising outlets situated throughout Italy and direct marketing and mail-order sales of publishing products.

Arnoldo Mondadori Editore SpA has its head office in via Bianca di Savoia, 12, in Milan, Italy.
The main administrative offices are in Segrate, Milan, Italy, in Strada Privata Mondadori, where the management department, a large part of the editorial staff of the magazine titles and the book division management department are situated.

Form and content

The following is an explanation of the criteria adopted by the Mondadori Group in drawing up the half-yearly consolidated financial statements at 30 June 2005, in conformity with the regulations contained in disclosure no. 34 of the International Accounting Standards and, as far as book entries and valuations are concerned, with the IAS/IFRS issued by the IASB and ratified by the European Union in accordance with article 81 of CONSOB decree 11971 of 14 May 1999 and subsequent modifications and integrations.

The consolidated financial statements for the six-month period up to 30 June 2005 were drawn up in accordance with IAS/IFRS accounting principles currently in force. The ratification process by the European Commission and the adjustment and interpretative activities connected to this carried out by official bodies is still under way. When the first complete IAS/IFRS Consolidated Financial Statements are drawn up at 31 December 2005, new IAS/IFRS principles and IFRIC interpretations may be in force which it could be possible to apply in advance. For this reason the data produced could be subject to change in order to be able to use it, for purposes of comparison, in the first complete Consolidated Financial Statements of 31 December 2005 drawn up in accordance with IAS/IFRS principles.

Accounting principles and valuation methods

General principles

The following is an explanation of the principles adopted by the Mondadori Group in drawing up the consolidated half-year report and the attached comparative tables, in accordance with IAS/IFRS accounting principles currently in force.

Presentation of Financial Statements

The Financial Statements are drawn up in the following way:

- current and non-current assets and current and non-current liabilities are shown separately in the balance sheet;
- in the income statement the analyses of costs are carried out on the basis of the nature of the costs;
- the financial statements are drawn up using the indirect method.

Consolidation policies

The Consolidated Financial Statements of the Mondadori Group include:

- the Financial Statements for the year of the Holding Company and those of Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, the control as defined in the provisions contained in IAS 27. In these cases the full version consolidation method has been adopted, in accordance with IAS 27;
- the financial Statements for the year of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, joint control as defined in the provisions contained in IAS 31. In these cases the net equity consolidation method has been adopted, in accordance with IAS 31;
- the financial Statements for the year of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, a stake as defined in the provisions contained in IAS 28. In these cases the net equity consolidation method has been adopted, in accordance with IAS 28.

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 purchase cost of investments and companies and their net equity at the date of purchase is booked to the specific item in the Financial Statements at their current value. Any eventual residual difference is booked, if positive, under the item goodwill and, if negative, to the income statement;
- the amount of capital, reserves and the consolidated financial result, corresponding to minority interests, is booked to the specific items in the Financial Statements;
- 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.

Conversion of Financial Statements in foreign currencies

All amounts in the Consolidated Financial Statements of the Mondadori Group are expressed in euros.
The Financial Statements of companies whose working currency is not euros are converted into euros in the following way:

- assets and liabilities are converted based on the exchange rate in force at the end of the financial period in question;
- items in the income statement are converted on the basis of the average exchange rate for the period in question.

Exchange rate differences that emerge from these conversions are shown in the specific reserve in the shareholders' equity.

Sector information

In defining sector information, the Mondadori Group has calculated that the nature and source of benefits and risks for the companies involved are mainly influenced by differences in the products sold and the services offered.

Therefore the first criteria used when providing sector information is the activity of the company involved and the second criteria is the geographical area.

Intangible assets

Requirements for inclusion

In accordance with IAS 38, intangible assets include the cost, including accessory charges, of the purchase of assets or resources, without any physical presence, used in the production of goods or in the supply of services, to rent to third parties or for administrative purposes, on condition that the cost is quantifiable in a reliable manner and that the goods are clearly identifiable and controlled by the company that owns them. Goodwill is also booked to this item if it has been purchased.

Intangible assets are booked to their historical cost and any costs incurred after their initial purchase are included in the increase of the cost of the intangible assets in direct relation to how much those costs are able to generate future economic benefits.

Internal costs for producing publishing imprints and for the launch of journalistic titles are booked to the income statement for the year in question.

Valuation method

Intangible assets purchased separately and those purchased as part of associated company operations that took place before the adoption of IAS/IFRS principles are valued using the historical cost method.

Intangible assets purchased as part of associated company operations, which took place after IAS/IFRS principles were adopted, are valued when they are first booked at their fair value determined at the time of their purchase and subsequently at their purchase cost.

Intangible assets with a definite useful life

The cost of intangible assets with a definite useful life is systematically amortised during the useful life of the asset from the moment the asset is available for use. The depreciation criteria depends on the how the relative future economic benefits arrive at the company.

The depreciation rates that generally reflect the useful life attributed to intangible assets with a definite life are as follows:

Intangible assets with a definite useful life -	Depreciation rate
Transfer charges for shop rental contracts	Duration of rental contract
Goods in franchising or under licence	Duration of franchise or licence
Software	33%
Patents and rights	20% - 33%
Other intangible assets	20% - 33%

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

Intangible assets with an indefinite useful life

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

The cost of intangible assets with an indefinite useful life, which can be titles, series, imprints, franchising or frequencies as long as they satisfy the requirements referred to above, are not amortised.
If goodwill has been purchased it is not amortised.

However, the value booked to the Financial Statement of these assets is subject to an impairment test whenever it is thought that it has decreased and in any case at least once a year.

Real estate investments

Requirements for inclusion

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

Valuation method

In accordance with IAS 40, real estate investments are booked at historical cost, which includes the purchase cost and all accessory charges directly connected to them.

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

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

The depreciation rates that generally reflect the useful life attributed to the investments are as follows:

Real estate investments	**Depreciation rate**
Buildings	3%

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

Profits and losses deriving from the disposal of real estate investments are booked to the income statement for the year the operation takes place.

Property, plant and machinery

Requirements for inclusion

Any costs attributable to the purchase of property, plant and machinery are booked as assets, on condition that the costs of the asset can be reliably calculated and any relative future economic benefits can be enjoyed by the company.

Valuation method

Assets booked to property, plant and machinery are valued using the historical cost method, including any eventual accessory charges, and are shown net of the relative depreciation reserves and any eventual loss in value.

Cost which arise after the initial purchase are included in the increase in the cost in direct relation to how much those costs are able to improve the performance of the assets.

Assets booked to property, plant and machinery purchased as part of acquisition and merger operations, which took place after the IAS/IFRS principles were adopted, are valued when they are first booked at their fair value determined at the time of their purchase and subsequently at their purchase cost.

Assets booked to property, plant and machinery, with the exception of land, are amortised during the useful life of the asset from the moment the assets are available for use.

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

The depreciation rates that generally reflect the useful life attributed to property, plant and machinery are as follows:

Property, plant and machinery	**Depreciation rate**
Buildings	3%
Plant	10% - 25%
Rotary press	10%
Machinery	15.5%
Equipment	25%
Electronic office equipment	30%
Furniture and fixtures	12%
Motor vehicles and transport vehicles	20% - 30%
Improvement of third-party assets	Duration of rental contract
Other assets	20%

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

Leased assets, for which all risks and benefits have been transferred to the Group in accordance with IAS 17, are booked at their current value or, if lower, to the actual value of the minimum leasing payment.

They are classified in their respective categories under property, plant and machinery and amortised with the method referred to above.

Liabilities due to leasing contracts are booked under financial liabilities.

Loss of value of assets (impairment test)

The value of intangible assets, real estate investments and property, plant and machinery enter in the Financial Statements is subject to an impairment test whenever it is thought that it has decreased.

Impairment tests are carried out at least once a year on goodwill, other intangible assets with an indefinite useful life and on other assets that are not available for use.

The impairment test involves comparing the book value with whichever is higher between the net sales price and the use value of the asset.

If no binding sales agreement or an active market for an asset exist, the fair value is calculated on the basis of the best information available concerning the amount the asset could obtain, on the reference date of the Financial Statements, from the disposal of an asset in a free transaction between informed and available parties, after the cost of the disposal has been deducted.

The use value of an asset is determined by calculating the amount of income expected from the use of the asset, basing the forecasts of financial income on reasonable, plausible assumptions that represent the best estimates carried out by the Management department of a series of economic conditions that exist for the rest of the life of the asset, and giving more importance to external indications.
The actuarial rate used, gross of taxes, reflects the current market evaluation of money and of the specific risks connected to the asset.

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

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

If during the following financial year, when the impairment test is repeated, the reasons for the writedown are no longer valid, the asset, with the exception of goodwill, is re-valued to take into account the new recoverable value which cannot, however, exceed the value that would have been calculated had the loss due to a reduction in value not been revealed.

Investments

Investments in joint-ventures and associated companies are valued by the net equity method, for an amount equal to the corresponding part of the net equity as entered in the Financial Statements approved by the company in question, after making adjustments required by the accounting principles adopted in preparing the Consolidated Financial Statements.
The book value also contains the higher cost paid, attributable to goodwill.

Investments in other companies are valued by the fair play method or, if the fair play cannot be reliably calculated, by the historical cost method, adjusted if necessary to take into account any eventual loss in value.
If the reasons for carrying out writedowns in previous years no longer apply, investments in other companies are re-valued within the limits of the writedown carried out and booked to the income statement.

The risk deriving from any eventual losses that exceed the net equity is booked to reserves, for the same amount the investment is legally or implicitly liable .

Inventories

Inventories are valued at the lower of cost and the net market value, which is calculated on the basis of the performance of the reference market. The inventory cost includes the purchase cost, the transformation cost and the other costs involved in carrying out the inventory.

Calculation of the inventory cost is based on the average cost of raw and consumable materials and of finished products purchased for sale, while the F.I.F.O. method is used for finished products.

The valuation of work in progress and semi-finished editions is based on the average industrial cost, taking into account the progress of the production process.

Trade receivables and payables and other assets and liabilities

Receivables are booked at their estimated market value, while payables are booked at their face value.

Trade and other receivables and payables are expressed in their current value when the financial effect, linked to a forecast of when they will be collected or paid, is significant and when the date of when they will be collected or paid can be reliably forecast.

Financial assets and liabilities

Financial assets that the company has the firm intention and ability to maintain up to their expiry are valued with the amortised cost method based on actual interest rates.

Financial assets destined for negotiation and financial assets available for sale are valued with the fair play method, with the result booked to the income statement and net equity, respectively.

Loans are initially valued at a cost corresponding to a fair value of the amount received, net of accessory loan charges. After the initial valuation, loans are valued with the amortised cost method based on actual interest rates.

Derivative financial instruments

Derivative instruments are financial assets and liabilities and are valued using the fair value method.

Derivatives are classified as coverage instruments when the valuation between the derivative and the object being covered is formally documented and the coverage, which is constantly checked, is very efficient.

When coverage derivatives cover the risk of variations in the fair value of the instruments being covered, the derivatives are valued at fair value with the results booked to the income statement, therefore the instruments covered are sufficient to reflect the variations in the fair value associated with the risk covered.

When derivatives cover the risk of variations in the cash flow of the instrument being covered, variations in the fair value of the derivatives are initially booked to net equity and subsequently to the income statement under the economic effects produced by coverage operations.

Variations in fair value that do not satisfy the conditions to be qualified as cover are booked to the income statement.

Cash, liquid assets and equivalent financial assets

Requirements for inclusion

The item funds, cash and equivalent financial assets include liquid financial assets and financial investments that expire within three months and are subject to a minimal risk of variation in their face value.

Valuation method

The financial instruments referred to above are booked at their face value.

Treasury stock

Treasury stock is valued with the historical cost method and booked under net equity.

Stock option

For current equity settled stock options, the fair value of the options, which is calculated at the time they are allocated, is booked to personnel costs for the length of the maturation period of the plan with an equal amount entered in the net equity reserve.

The Mondadori Group has applied the provisions contained in IFRS 2 to all stock option plans introduced after 7 November 2002.

Reserves

Requirements for inclusion

Reserves for covering notable losses or liabilities that certainly or probably exist but whose amount or date of occurrence was impossible to establish when the Consolidated Financial Statements were drawn up, are itemised when it becomes probable that a current, legal or implicit obligation exists, as a result of events that happened in the past, when it is probable that the obligation in question is onerous and the amount can be reliably estimated.

Valuation method

Reserves are valued using the fair value method for each asset. When the financial effect linked to a forecast of when the payment will be made is significant and the payment date can be reliably estimated, the reserves include the financial component and are booked to the income statement under financial income (charges).

Severance indemnities

Severance indemnities, severance indemnities for employees and supplementary indemnities for agents are calculated using an actuarial method, based on demographic hypotheses, taking into account mortality rates and the rotation of the reference population, and on financial hypotheses, taking into account the bank rate that reflects the value of money at the time, the inflation rate and, as far as severance indemnity is concerned, future salary and wage levels.

The amount due to employees up to the end of the period and the actuarial profits or losses are booked under personnel costs, while the financial component, which represents the charges the company must pay if it were to seek a loan on the market for the amount of the indemnities, is booked under financial income (charges).

The estimated amount due to agents up to the end of the period, which can be paid under certain conditions if the work relationship is terminated, is booked under various income (charges).

Income and revenues

Requirements for inclusion

Revenues deriving from the sale of goods are booked to the Financial Statements, net of discounts, allowances and returns, when the risks and benefits connected to the ownership of the goods have been transferred to the purchaser, when it is probable that the economic benefits arising from the sale will go to the Group and when the value of the revenues can be reliably calculated.

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

Revenues deriving from services are booked to the Financial Statements on the basis of the time the services are completed, when it is probable that the economic benefits arising from the sale will go to the Group and when the value of the revenues can be reliably calculated.

Revenues from interest are itemised according to when the interest matures, royalties are itemised on the basis of the agreement that governs them and dividends are itemised when the shareholders' right to receive payment has been established.

Valuation method

All revenues are valued using the fair value method based on their amount. When the financial effect linked to a forecast of when the revenues will be received is significant and the date when the amount will be received can be reliably estimated, the relative financial component is booked under financial income (charges).

Costs and charges

Requirements for inclusion

Costs and charges are itemised when they are the result of the purchase of goods and services that have been used during the period or when they do not fulfil the requirements for being booked to equity assets.

Valuation method

All costs are valued using the fair value method based on their amount. When the financial effect linked to a forecast of when the payment will be made is significant and the payment date can be reliably estimated, the reserves include the financial component and are booked to the income statement under financial income (charges).

Current, advance and deferred taxes

Current taxes are calculated on the basis of an estimate of taxable income and in accordance with the laws in force in each country where the individual consolidated companies are resident.

Advance and deferred taxes are calculated based on the temporary differences between the value of the assets and liabilities booked to the Financial Statements and the corresponding value recognised for fiscal purposes, applying the tax rate in force at the time the temporary differences are identified.

Advance taxes are itemised on the basis of when it is probable that taxable income is produced for the purposes of which the deductible temporary difference can be used.

Share profit

Share profit is calculated by comparing the net profit of the Group with the average number of shares in circulation during the period.
In order to calculate the diluted profit per share, the average number of shares in circulation is modified assuming all the potential shares included in the dilution are converted.

Use of estimates

In compiling the attached tables and the relative notes, it has been necessary to employ estimates and assumptions in order to calculate, in particular, returns, provisions for writedown reserves and risk reserves, employee benefits and taxes.

The estimates are constantly examined and the results are entered in the income statement.

Risk management

When carrying out its business activities the Mondadori Group finds itself exposed to various financial risks, including interest rate risks, price risks, exchange rate risks, credit/counterpart risks, risk of liquid assets being unavailable and issuer risks.

In order to manage the risks represented by interest rates and exchange rates, deriving from its loan sources, the Mondadori Group uses derivative financial instruments, in particular interest rate swaps and cross currency swaps. The Group also has spot contracts for foreign currency for the production and printing of publishing products for foreign markets.

Financial risk management is regulated by a policy adopted at Group level that defines the objectives, guidelines, strategies, operational methods and operational limits and provides for derivative operations with the exclusive aim of covering financial risks the Group is exposed to.

The financial risks the Group is exposed to are explained in more detail below.

Interest rate risks

The Group's exposure to variations in interest rates mainly concerns debenture loans in American dollars (US Private Placement) underwritten by American institutional investors. In order to cover the risk of fair value on these operations, the Group has signed a Cross Currency Swap contract, for the same amount and with the same expiry date, that transforms the fixed interest rate into a variable interest rate and the dollar exposure into a euro exposure.

The Group is also exposed to a cash flow risk (financial operations with variable interest rates) that has been covered by an Interest Rate Swap operation (floating to fix), which expires in November 2005.

Currency exchange risks

In order to cover currency exchange risks deriving from the sale of American dollars and sterling, arising from the production and printing activities of subsidiary companies, the Group currently has temporary sales for the currencies in question.

The Group's policy is to cover a percentage of the positions forecast in the budget and all of the orders received.

Price risk

The price risk refers to the uncertainty associated mainly with variations in stock market prices and to the loss of value in assets/liabilities as a result of variations in commodity prices.

The Group has options linked to the 2003 stock option plan, taken out in order to neutralise any risks deriving from fluctuations on the Stock Exchange of Mondadori shares.

The Group is also exposed to the risk of fluctuations in the cost of paper. In order to reduce the variability of the market price of paper, long-term commercial contracts have been signed directly with suppliers, making it possible to fix purchase costs.

Credit/counterpart risk and risk of liquid assets proving to be unavailable

The commercial activities of the Mondadori Group do not involve any significant credit risks. When carrying out financial operations, including derivative instruments, the Mondadori Group only makes use of the most important financial institutions.

The risk of not being able to turn the financial assets held by the Mondadori Group into liquid assets is counterbalanced by diversifying investment instruments and by ensuring that they are not concentrated on the same type of instruments and are not handled by the same financial institution. More than 90% of the portfolio can be liquidated in a matter of days while the remaining part requires a maximum of three months.

Issuer risks

This risk exists if a company holds in its portfolio bonds issued by Corporate companies or financial instruments underwritten by credit portfolios.
It includes the risk of debtor insolvency and the deterioration of the debtor's credit. In order to deal with this risk, the Group has specific guidelines on financial investments that establish the minimum rating of the financial institution used.

Liquidity risk

The Group tries to maintain a constant balance and flexibility between financial and investment sources. The Group currently has medium-long term loans (bonds, convertible bonds, subsidised loans) with non-banking financial institutions. This situation makes it possible to make use, if necessary, of bank guarantees already granted to the Group.

Balance Sheet -Assets-

1 –Intangible assets

The composition and movements of intangible assets that took place during the first half of 2005 are as follows.

Intangible assets	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Titles	89,827	89,827
Series	31,509	31,509
Goodwill	17,728	13,742
Imprints	5,777	5,367
Radio frequencies and licences	65,041	-
Other intangible assets	4,341	4,355
Total intangible assets	**214,223**	**144,800**

Intangible assets € ,000	**Titles**	**Publishing imprints**	**Series**	**Radio frequencies and licences**	**Goodwill**
Balance at 31/12/2004	89,827	5,367	31,509	-	13,742
Purchases and other increases	-	411	-	65,041	3,986
Decreases	-	(1)	-	-	
Writedowns	-		-	-	
Balance at 30 June 2005	**89,827**	**5,777**	**31,509**	**65,041**	**17,728**

Titles and publishing imprints mainly refer to goodwill linked to magazines that have been acquired (the majority of which refer to the purchase of the former SBE division).

Series mainly refer to goodwill linked to purchases in the school textbook sector.

The increase during the period in radio frequencies and licences and goodwill is entirely due to the Mondadori Group entering the radio sector, with the purchase in January 2005 of Radio 101 and the purchase of other frequencies during the six-month period.

The intangible assets with an indefinite useful life referred to above are no longer subject to depreciation. At least once a year an impairment test is carried out, where the amount of income deriving from use of the asset is calculated based on the income forecasts contained in the three-year plan approved by the management. The actuarial rate used, gross of taxes, reflects the current market evaluation of money and the specific risks linked to the asset.

An impairment test was carried out on values on 31 December 2004. No events took place during the six-month period that necessitated a further test being carried out.

Other intangible assets	€ ,000 30 June 2005	€ ,000 31 December 2004
Shop leasing contracts transfer charges	1,853	2,120
Goods in franchising and under licence	8	14
Software	1,501	1,709
Patents and rights	46	90
Other intangible goods	913	374
Intangible assets under construction and advances	20	48
Total other intangible assets	**4,341**	**4,355**

Other intangible assets € ,000	Shop leasing contracts transfer charges	Software	Patents and rights	Other intangible goods	Intangible assets under construction and advances
Historical cost at 31/12/2004	4,398	8,184	902	1,484	48
Increases		456	5	792	20
Decreases	(17)	(17)			(48)
Writedowns					
Other movements		192	(252)	(1,137)	
Historical cost at 30/06/2005	**4,381**	**8,815**	**655**	**1,139**	**20**
Admin. reserve at 31/12/2004	(2,278)	(6,475)	**(812)**	**(1,110)**	
Depreciations	(267)	(646)	**(16)**	**(91)**	
Decreases					
Other movements	17	(193)	**219**	**975**	
Admin. reserve at 30/06/2005	**(2,528)**	**(7,314)**	**(609)**	**(226)**	
Net balance at 30/06/2005	**1,853**	**1,501**	**46**	**913**	**20**

Leasing contracts transfer charges refer to the costs borne by Mondadori Retail S.p.A., a Group company that is responsible for running bookshops and Multicentres, for taking over leasing contracts in prestigious locations for its business activities.

During the period in question there were no significant variations, except for the normal depreciations linked to the duration of leasing contracts.

2 –Real estate investments

Real estate investments	€ ,000 30 June 2005	€ ,000 31 December 2004
Land	954	2,624
Buildings	4,439	10,062
Total real estate investments	**5,393**	**12,686**

Investments in land are not subject to depreciations.

The decrease in the balance for real estate investments is due to the disposal of a building which was previously leased to a third party. The operation resulted in a gain of €611 thousand.

Real estate investments – Buildings - € ,000	Historical cost	Depreciations	Net value
Balance at 31 December 2004	15,128	(5,066)	10,062
Movements during 2005:			
- purchases	-		-
- increases due to company purchases	-		-
- increases due to subsequent costs	14		14
- disposals	(6,910)	1,472	(5,438)
- change of destination			
- depreciations		(199)	(199)
- conversion differences	-		
- others	-		
Balance at 30 June 2005	**8,232**	**(3,793)**	**4,439**

3 –Property, plant and machinery

Property, plant and machinery	€ ,000 30 June 2005	€ ,000 31 December 2004
Land	20,448	21,096
Buildings	66,997	69,549
Plant and machinery	80,985	87,273
Other fixed assets	26,910	19,252
Total property, plant and machinery	**195,340**	**197,170**

Property, plant and machinery – Buildings - € ,000	Historical cost	Depreciation reserve	Net value
Balance at 31 December 2004	94,748	(25,199)	69,549
- Purchases and other increases	191		191
- Disposals	-		-
- Depreciations	-	(1,443)	(1,443)
- Reclassifications	(2,591)	1,289	(1,302)
- Other movements	3	(1)	2
Balance at 30 June 2005	**92,351**	**(25,354)**	**66,997**

Movements in reclassifications is due to buildings destined to be disposed of and now entered under the corresponding item.

“Plant and machinery” refers to normal investments aimed at maintaining the qualitative level of the printing plants.

Plant and machinery € ,000	Historical costs	Depreciation reserve	Net value
Balance at 31 December 2004	382,476	(295,203)	87,273
- Purchases and other increases	4,462	-	4,462
- Disposals	(807)	749	(58)
- Depreciations	-	(10,718)	(10,718)
- Reclassifications	-	-	-
- Other movements	60	(34)	26
Balance at 30 June 2005	**386,191**	**(305,206)**	**80,985**

This item mainly refers to investments in printing machinery belonging to the subsidiaries Mondadori Printing S.p.A. and Artes Graficas Toledo S.A.

Other fixed assets	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Industrial and commercial equipment	3,193	2,508
Electronic office machines	5,330	5,949
Furniture and fixtures	4,202	4,339
Motor vehicles and transport vehicles	1,591	1,824
Cost of improving third-party goods	1,325	1,464
Other fixed assets	305	303
Fixed assets under construction and advances	10,964	2,865
Total other fixed assets	**26,910**	**19,252**

The increase in “fixed assets under construction and advances” was due to advances paid for a new rotary press by Mondadori Printing S.p.A., which has not yet entered service.

4 -Investments

Investments	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Investments valued at net equity	101,181	100,951
Other investments	2,491	2,473
Total investments	**103,672**	**103,424**

In the first six months of 2005 there were no significant operations concerning the purchase or disposal of investments, therefore the balance was more or less in line with the amount registered at the end of 2004.

Investments – Investments valued at net equity - € ,000	Net value
Balance at 31 December 2004	100,951
Movements during 2005:	
- purchases	69
- disposals	-
- revaluations	6,430
- writedowns	(700)
- dividends	(5,569)
Balance at 30 June 2005	**101,181**

Investments valued at net equity - details -	€ ,000 30 June 2005	€,000 31 December 2004
Investments in jointly-owned companies:		
- Gruner und Jahr/Mondadori SpA	3,536	4,988
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	326	429
- Harlequin Mondadori SpA	359	462
- Hearst Mondadori Editoriale Srl	91	710
- Mondadori Rodale Srl	545	832
- Edizioni Electa Bruno Mondadori Srl	237	219
- Edizioni EL Srl	1,685	1,794
- Grupo Editorial Random House Mondadori SL	29,766	26,628
- Books on line Italia SpA	-	95
- Attica Publications SA	38,952	38,448
- Aci Mondadori SpA	473	356
- Press Tv SpA	838	1,078
- Mondolibri SpA	12,431	13,541
Total investments in jointly-owned companies	**89,239**	**89,580**
Investments in associated companies:		
- Mach 2 Libri SpA	2,611	2,312
- Società Europea di Edizioni SpA	9,223	9,038
- Venezia Musei Scarl	7	7
- Venezia Musei società per i servizi museali Scarl	6	5
- Venezia Accademia Scarl	4	9
- Roccella Scarl	49	-
- Rock FM Srl	42	-
Total investments in associated companies	**11,942**	**11,371**
Total investments valued at net equity	**101,181**	**100,951**

Investments – Other investments - € ,000	Historical cost	Revaluations	Writedowns	Net value
Balance at 31 December 2004	7,798		(5,325)	2,473
Movements during 2005:				
- purchases	18			18
Balance at 30 June 2005	**7,816**	**-**	**(5,325)**	**2,491**

Other investments - details -	€ ,000 30 June 2005	€ ,000 31 December 2004
- Società Editrice Il Mulino SpA	102	102
- Euromedia Luxembourg Two SA	2,257	2,257
- Consuledit Srl	1	1
- Cons Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali Srl	52	52
- Istud – Istituto Studi Direzionali SpA	7	7
- Novamusa Val di Noto Scarl	18	18
- Novamusa Valdemone Scarl	18	18
- Novamusa Gelmar Scarl	2	2
- Novamusa Val di Mazara Scarl	18	-
- Consorzio Fridriciano	2	2
- Casa Editrice e di Distribuzione Bences	3	3
- Consorzio Forma	1	1
Total other investments	**2,491**	**2,473**

5 –Non-current financial assets

Non-current financial assets	€ ,000 30 June 2005	€ ,000 31 December 2004
Trade receivables	241	324
Receivables from associated companies	-	-
Receivables from parent companies	-	-
Receivables from affiliated companies	-	-
Receivables from others	3	-
Assets in derivative instruments	4,871	-
Treasury stock, stocks and other financial investments	-	130,207
Total non-current financial assets	**5,115**	**130,531**

The Mondadori Group opted to adopt IAS 32 and IAS 39 as from 1 January 2005 and therefore the treasury stock booked to the Consolidated Financial Statements at 31 December 2004 was classified at 30 June 2005 as a direct reduction of the net equity.

Assets in derivative instruments at 30 June 2005 refer exclusively to the fair value of the Cross Currency Swap operation implemented to deal with exchange and interest rate risks linked to the US Private Placement debenture loan of $350 million. Since the debenture loan is in dollars with a fixed interest rate, the private placement, which is for the same amount and has the same expiry date, made it possible to transform the amount into euros and to change the interest rate to variable.

6 –Advance tax assets

Advance tax assets	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
IRES advances	41,577	37,147
IRAP advances	2,573	3,665
Total advance tax assets	**44,150**	**40,812**

Advance tax assets mainly refer to the parent company and to the subsidiary Mondadori Printing SpA.

7 –Other non-current assets

Other non-current assets	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Trade receivables	12,419	13,864
Receivables from associated companies	-	-
Receivables from parent companies	-	-
Receivables from affiliated companies	-	-
Trade and other receivables	3,628	3,946
Total other non-current assets	**16,047**	**17,810**

“Trade receivables” refer almost entirely to receivables from the instalment-sale market. The valuation of these receivables was made by taking into account the financial effect linked to the date when the amounts are received.

Other non-current assets - Trade receivables and from others -	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Deposits and guarantees	325	308
Earnest money	207	207
Receivables from tax authorities for IRE on severance indemnities	2,862	3,187
Others	234	244
Total trade receivables and from others	**3,628**	**3,946**

8 –Tax receivables

Tax receivables	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Receivables from tax authorities for IRES	1,715	1,985
Receivables from Fininvest for IRES	369	-
Receivables from tax authorities for IRAP	970	32
Receivables from tax authorities for VAT to be recovered	4,402	2,944
Receivables from tax authorities for tax reimbursements	2,779	2,748
Total tax receivables	**10,235**	**7,709**

"Receivables from Fininvest" refers to the tax receivables that the companies participating in the fiscal consolidation itemised from the consolidating company, Fininvest S.p.A.

9 –Other current assets

Other current assets	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Advances to agents	5,267	1,446
Advances to authors and collaborators	47,769	42,489
Advance author writedowns	(5,139)	(4,735)
Advances to suppliers	4,086	3,199
Advances to personnel	938	605
Receivables for insurance indemnities	-	-
Advances to social security institutions	458	41
Receivable for deposits	728	2,182
Earnest money	206	206
Prepayments	2,707	10,471
Others	8,721	8,486
Total other current assets	**65,741**	**64,390**

Among "other current assets", the amounts referring to "advances to agents", "advances to authors and collaborators" and "third-party publications for sale" are strongly influenced by the seasonal nature of some sectors of the business, such as the school textbook market and books in general.

10 -Inventories

Inventories	€ ,000 30 June 2005	€ ,000 31 December 2004
Raw, ancillary and consumable materials	14,207	13,432
Reserve for writedowns of raw, ancillary and consumable materials	(478)	(466)
Total raw, ancillary and consumable materials	**13,729**	**12,966**
Work in progress and semi-finished goods	19,620	29,323
Reserve for writedowns of work in progress and semi-finished goods	(1,054)	(1,054)
Total work in progress and semi-finished goods	**18,566**	**28,269**
Contract work in progress	7,461	11,359
Reserve for writedowns of work in progress	(124)	(124)
Total work in progress	**7,337**	**11,235**
Finished products and goods	84,229	77,759
Reserve for writedowns of finished products and goods	(8,886)	(9,334)
Total finished products and goods	**75,343**	**68,425**
Advances	**-**	**-**
Total inventories	**114,975**	**120,895**

The difference in work in progress is mainly due to the magazine sector and to initiatives that are subject to seasonal factors.

Inventories- Reserve for writedowns - € ,000	Raw materials	Work in progress and semi-finished goods	Contract work in progress	Finished products and goods
Balance at 31 December 2004	466	1,054	124	9,334
Movements during period:				
- provisions	12	-	-	1,036
- utilisations	-	-	-	(1,484)
- variations in consolidation area	-	-	-	-
- other movements	-	-	-	-
Balance at 30 June 2005	**478**	**1,054**	**124**	**8,886**

11 –Commercial receivables

Commercial receivables	€ ,000 30 June 2005	€ ,000 31 December 2004
Trade receivables	360,149	338,707
Receivables from associated companies	46,876	44,923
Receivables from parent companies	-	10
Receivables from affiliated companies	4,698	3,662
Total commercial receivables	**411,723**	**387,302**

“Commercial receivables” registered an increase compared with 31 December 2004 mainly as a result of the positive impact of add-on sales linked to Group titles.

Commercial receivables - Trade receivables -	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Trade receivables	496,467	476,296
Returned goods client account	(105,837)	(107,410)
Bad debt reserve	(30,481)	(30,179)
Total trade receivables	**360,149**	**338,707**

Trade receivables – Writedowns reserve € ,000	
Balance at 31 December 2004	30,179
Movements during period:	
- provisions	4,043
- utilisations	(3,741)
- variations in consolidation area	-
- other movements	-
Balance at 30 June 2005	**30,481**

“Commercial receivables from associated companies” amounted to €46,876 thousand (€44,923 thousand at 31 December 2004). “Commercial receivables from affiliated companies” amounted to €4,698 thousand (€3,662 thousand at 31 December 2004).

Commercial transactions with associated and affiliated companies are carried out according to market conditions. Details of individual receivables can be found in the “relations with related companies" attachment.

12 –Stocks and other current financial assets

Stocks and other current financial assets	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Stocks and other financial investments	545,545	485,861
Financial receivables from clients	649	723
Financial receivables from associated companies	11,149	10,689
Financial receivables from parent companies	-	-
Financial receivables from affiliated companies	-	-
Accrued income, prepaid expenses and financial receivables from others	4,969	7,015
Assets in derivative instruments	3,283	-
Premium on loans	-	-
Total stocks and other current financial assets	**565,595**	**504,288**

"Stocks and other financial investments", which amounted to €545,545 thousand at 30 June 2005, include liquidity investments of Mondadori International SA, Mondadori Finance and Arnoldo Mondadori Editore SpA. The Group mainly invests in monetary market products and bonds with variable interest rates, using only the most important international financial institutions. The Group also has investments in hedge funds amounting to approximately €80 million, which are characterised by the widespread diversification of the financial institutions utilised and the strategy employed.

These assets were valued at 30 June 2005 at fair value, with the results booked to the income statement.

"Assets in derivative instruments" refer to the options in the 2003 stock option plan. In relation to the 1,960,000 options for the purchase of treasury stock allocated to employees, at 30 June 2005 the fair value of the purchase options and sales options of Mondadori shares amounted to €3,283 thousand and €187 thousand respectively (the latter amount was booked under derivative instrument liabilities). The derivatives in question, even though they were underwritten in order to neutralise the risk deriving from fluctuations in the price of Mondadori shares to be bought as part of the stock option plan, did not fully satisfy all the conditions imposed by the IAS/IFRS concerning hedge accounting, with the result that they have therefore been classified as trading derivatives.

"Financial receivables from associated companies" amounted to €11,149 thousand (€10,689 thousand at 31 December 2004). Details of this item can be found in the "Relations with related companies" attachment.

Financial receivables are represented by intergroup current accounts and are regulated at interest rates in line with market values.

13 –Cash and other liquid asset equivalents

The large reduction in cash at banks is mainly due to SICAV (rate securities broker), which invested a large part of the cash held at the end of 2004 in shares.

Cash at banks and other equivalents	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Cash	201	176
Cheques	-	14
Bank deposits	55,322	135,445
Post office deposits	697	1,555
Total cash at banks and other equivalents	**56,220**	**137,190**

14 –Assets due to be disposed of

This item registered an increase following the decision to dispose of a property that since April 2005 has no longer been used for production purposes.

Assets due to be disposed of	**€ ,000** **30 June 2005**	**€ ,000** **31 December 2004**
Land	648	-
Buildings	1,302	-
Total assets due to be disposed of	**1,950**	**0**

Balance sheet -Liabilities-

15 –Shareholders' equity

Amounted to €449,595 thousand (€622,300 thousand).

The share capital, fully subscribed and paid up, as of 30 June 2005 is represented by 259,429,832 ordinary shares with a par value of €0.26.

Following the adoption of IAS 32 and 39 on 1 January 2005, the treasury stock held in the portfolio are deducted from the shareholders' equity.

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".

The Mondadori Group is controlled by Fininvest SpA.

16 –Capital and third-party shareholders reserve

The third-party shareholders' equity, included in the results for the period, refers to Edizioni Piemme SpA and Electa Napoli Srl.

17 -Reserves

Reserves	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Agents' contracts risks	1,094	1,094
Legal risks	7,824	7,877
Equity investment reserve	1,038	972
Reserve for fiscal cases	2,159	2,159
Other risks	4,324	4,185
Total reserves	**16,439**	**16,287**

In conformity with international accounting principles, the long-term portion of risk reserves has been calculated in order to take into account the financial components implicitly included.

There were no significant changes in "reserves" during the six-month period.

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 €1,446 thousand and utilisations for €1,562 thousand.

18 –Severance indemnities

Severance indemnities	€ ,000 30 June 2005	€ ,000 31 December 2004
Severance indemnities for employees	92,280	88,727
Supplementary indemnity reserve for agents	5,155	5,195
Retirement reserve and similar obligations	714	821
Total severance indemnities	**98,149**	**94,743**

Severance indemnities for employees and supplementary indemnity for agents are calculated using an actuarial method.

Severance indemnities – Details - € ,000	Severance indemnity reserve	F.I.S.C.	Retirement reserve
Balance at 31 December 2004	88,727	5,195	821
Movements during 2005:			
- provisions	6,376	487	8
- utilisations	(5,508)	(981)	(115)
- reversals	-	-	-
- actuarial calculations	1,916	531	-
- variation in consolidation area	184	-	-
- others	585	(77)	-
Balance at 30 June 2005	**92,280**	**5,155**	**714**

The following demographic, financial and economic technical bases were used in calculating Severance indemnities:

- annual probability of terminating employment because of death, based on "Table RG48" drawn up by the State General Accountant;
- annual probability of terminating employment because of disability, published by INPS (National Institute of Social Insurance) in 2000;
- annual probability of terminating employment for other reasons, drawn up specifically for Group companies on the basis of the characteristics of each one, varying from a minimum of 0.5% per year to a maximum of 9% per year;
- interest rate, equal to 4.5%;
- annual rate of real salary increase, equal to 3%-4%;
- inflation, equal to 2%.

The retirement age of employees has been calculated in accordance with current INPS pension regulations.

The following demographic and financial technical bases were used in calculating the supplementary indemnity reserve for agents:

- probability of leaving employment, equal to 0.5% per year;
- average annual probability of death or disability, equal to 1% per year;
- probability of voluntary resignation, drawn up specifically for Group companies on the basis of the characteristics of each one, varying from a minimum of 0.5% per year to a maximum of 4% per year;
- annual discount rate, equal to 4.5%.

In order to calculate the average residual working life of agents, the reference age was fixed at 65.

19 –Non-current financial liabilities

Non-current financial liabilities	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Bonds	301,185	295,711
Convertible bonds	103,569	109,591
Mortgages	-	-
Loans	12,686	12,881
Amounts due to suppliers	-	-
Amounts due to associated companies	-	-
Amounts due to parent companies	-	-
Amounts due to affiliated companies	-	-
Amounts due for leasing	190	241
Amounts due to shareholders for loans	24	24
Liabilities due to derivative instruments	-	-
Other financial liabilities	241	325
Total non-current financial liabilities	**417,895**	**418,773**

Include:

- €301,185 thousand for the US Private Placement debenture loan taken out by Mondadori International in December 2003, composed of three tranches of $215 million, $40 million and $95 million at fixed interest rates of 5.42%, 5.57% and 5.82% respectively and with expiry dates of 2012/2015/2018.;
- €103,569 thousand for a debenture loan convertible in Mondadori shares issued in October 2003 by Mondadori Finance. This loan expires in October 2008 and has a 2% coupon that is payable annually.
- €12,686 thousand for a medium/long term subsidised loan for publishers.

The increase in bonds, equal to €5,474 thousand, includes the effects of the valorisation of the Private Placement operation in accordance with the provisions of IAS 39. The valuation was carried out taking into account the Cross Currency Swap operation that was implemented in order to deal with the exchange rate and interest rate risk involved in the Private Placement.

The reduction in convertible bonds, equal to €6,022 thousand, was due to the effect deriving from the division of the portion of debt (valued using the amortised cost method) and the optional component that represents the implicit derivative instrument.

Non-current financial liabilities include amounts with an expiry date of over 5 years for a total of €305,959 thousand.

20 –Deferred tax payables

Deferred tax payables	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Deferred IRES	37,339	18,382
Deferred IRAP	5,565	3,205
Total deferred tax payables	**42,904**	**21,587**

The increase compared with the previous period is mainly due to the deferred fiscal effect calculated on goodwill allocated to radio frequencies and licences purchased during the six-month period.

21 –Income tax payables

Income tax payables	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Total payables due to tax authorities for IRES	1,892	1,477
Total payables due to Fininvest for IRES	7,270	14,531
Total payables due to tax authorities for IRAP	3,702	2,761
Total income tax payables	**12,864**	**18,769**

The item “payables due to Fininvest” refers to tax payables that the companies who are part of the fiscal consolidation owe to Fininvest S.p.A.

22 –Other current liabilities

Other current liabilities include:

Other current liabilities	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Client advances	36,310	36,070
Income tax payables	8,465	10,240
Amounts due to pension funds and social security institutions	16,227	18,150
Various amounts due to others	103,256	114,725
Total other current liabilities	**164,258**	**179,185**

“Client advances” includes advances from clients for magazine subscriptions for €26,919 thousand.

Payables due to tax authorities mainly refer to IRE withholding tax to be paid (€8,292 thousand) and VAT.

The main variations in “Various amounts due to others” refers to “amounts due to agents”, which is greatly affected by the seasonal nature of the school textbook and general book sectors.

Other current liabilities - Various amounts due to others	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Payroll and other amounts due to personnel	31,972	31,199
Amounts due to authors and collaborators	46,806	45,752
Amounts due to agents	6,265	13,535
Amounts due to subscriber and instalment customers	8,986	11,517
Dividends for shareholders	1,598	140
Amounts due to directors and statutory auditors	431	3,253
Instalments for advance rent	946	1,027
Others	6,252	8,302
Total various liabilities due to others	**103,256**	**114,725**

23 –Trade payables

The increase in “trade payables” is mainly due to the magazine sector as a result of numerous operations involving add-on sales linked to Group titles.

Trade payables	**€ ,000 30 June 2005**	**€ ,000 31 December 2004**
Amounts due to suppliers	329,502	320,193
Amounts due to associated companies	31,489	33,972
Amounts due to parent companies	14	1
Amounts due to affiliated companies	5,753	5,733
Total trade payables	**366,758**	**359,899**

“Amounts due to associated companies” amounted to €31,489 thousand (€33,972 thousand at 31 December 2004), while “trade payables due to affiliated companies” amounted to €5,753 thousand (€5,733 thousand at 31 December 2004).

Commercial transactions with associated and affiliated companies are carried out according to market conditions. Precise details can be found in the attachment “relations with related companies”.

24 –Amounts due to banks and other financial payables

Amounts due to banks and other financial payables	€ ,000 30 June 2005	€ ,000 31 December 2004
Bank deposits	6,074	2,419
Loans	175,902	102,509
Amounts due to suppliers	-	-
Amounts due to associated companies	6,700	16,513
Leasing payables	91	82
Amounts due to shareholders for loans	-	-
Liabilities due to derivative instruments	415	-
Other financial payables	48,694	12,463
Total amounts due to banks and other financial payables	**237,876**	**133,986**

These include:

- €6,074 thousand for current account overdrafts;
- €175,000 thousand for loans granted by Unicredit Banca d'Impresa, Credito Bergamasco, Banca Intesa and Banca Popolare di Bergamo and €902 thousand in short-term loans as part of the subsidised loans for publishers scheme;
- €6,700 thousand for financial loans to associated companies that utilise the intergroup current account, the details of which can be found in the attachment "Relations with related companies";
- €415 thousand for derivative instruments;
- approximately €40 million for a loan for the purchase of the radio R101, which will be repaid at the beginning of 2006 (amount included in the item "other financial payables").

Payables for derivative instruments refer to the fair value of the following operations at 30 June 2005:

- currency spot contracts for a total of €6,898 thousand, underwritten in order to neutralise exchange risks deriving from the sale of publishing products in American dollars and sterling (the fair value of the derivatives in question amounted to €175 thousand). As already noted in the section "Risk management", the Group has coverage for exchange risks on the basis of the foreign sales budget. These derivatives did not fully satisfy all the conditions imposed by the IAS/IFRS concerning hedge accounting, with the result that they have therefore been classified as trading derivatives;
- options sold as part of the 2003 stock option plan (the fair value of the derivatives in question amounted to €187 thousand). Further details can be found in the section "stocks and other current assets";
- interest rate swap on a loan deriving from a specific line of credit for €50 million which expires in November 2005 (the fair value of the derivative in question amounted to €53 thousand).

Income statement

25 –Income from sales and services

Income	€m 30 June 2005	€m 30 June 2004	% Change
Books	188.0	184.9	1.7%
Magazines	425.7	407.2	4.5%
Advertising services	173.6	168.4	3.1%
Printing	224.1	231.3	(3.1%)
Direct	14.5	17.3	(16.2%)
Retail	58.2	47.2	23.3%
Radio	1.6	-	n.a.
Corporate and other business	7.7	8.0	3.7%
Total sector income	**1,093.4**	**1,064.3**	**2.7%**
Intergroup income	(267.9)	(253.5)	5.7%
Total consolidated income	**825.5**	**810.8**	**1.8%**

Comments on the income from sales are contained in the section "Report of the Board of Directors" and in the sections on the individual sectors.

26 -Decrease (increase) in inventories

Decrease (increase) in inventories	€ ,000 1st half of 2005	€ ,000 1st half of 2004
Variations in inventories of finished goods	(6,872)	(6,542)
Variations in inventories of semi-finished goods	9,703	13,941
Variations in contract work in progress	3,898	1,124
Variations in inventories of raw materials and goods	(765)	36
Total decrease (increase) in inventories	**5,964**	**8,559**

A comment on variations in inventories can be found in the relative items of the Balance Sheet.

27 –Cost of raw, ancillary and consumable materials and goods

Cost of raw, ancillary and consumable materials and goods	€ ,000 1st half of 2005	€ ,000 1st half of 2004
Paper	99,883	103,628
Electricity, water, gas, fuel	7,482	7,030
Other production materials	17,015	19,555
Total cost of raw and ancillary materials	**124,380**	**130,213**
Goods for sale	116,645	103,413
Consumption and maintenance materials	2,840	5,109
Others	11,989	6,896
Total cost of consumable materials and goods	**131,474**	**115,418**
Total cost of raw, ancillary and consumable materials and goods	**255,854**	**245,631**

"Cost of raw, ancillary and consumable materials and goods" reflect the performance of the business areas where the Group operates.

The cost of raw materials used in production processes decreased, partly as a result of a decrease in the cost of paper, while the cost of "goods for sale" increased mainly because of add-on sales linked to the most important titles of the Parent company, which continued to develop the add-on sales market, and because of the increasing number of retail sales outlets.

28 –Cost of services

The most significant increases in this item were due to the cost of launching new publishing initiatives.

The cost of "Directors' and statutory auditors' fees" represent the fees paid to Directors and Statutory Auditors for €1,399 thousand and €165 thousand, respectively.

Cost of services	€ ,000 1st half of 2005	€ ,000 1st half of 2004
Rights and royalties	68,852	70,727
Third-party consultancy and collaboration	30,812	28,793
Commissions	21,837	18,529
Third-party processing	68,280	67,698
Transport and shipping	28,758	26,768
Purchase of advertising space and publicity expenses	36,476	32,166
Travel and other expense reimbursements	5,497	5,619
Maintenance	4,934	4,557
Warehousing and porter costs	2,755	2,033
Post office and telephone	2,688	3,784
Canteen and cleaning services	3,499	3,093
Market research	3,100	3,321
Insurance	2,093	2,000
Publisher's share	30,338	31,063
Job order services	3,857	4,699
Bank services and commission	627	692
Directors' and statutory auditors' fees	1,564	1,661
Other services	13,149	13,518
Total cost of services	**329,116**	**320,721**

29 –Personnel costs

Personnel costs	€ ,000 1st half of 2005	€ ,000 1st half of 2004
Salaries and wages	96,065	91,346
Stock option	1,173	774
Social charge	29,303	28,230
Severance indemnities	5,881	5,626
Pension funds and social security institutions	8	12
Other costs	2,974	1,738
Total personnel costs	**135,404**	**127,726**

The increase in costs was due to variations in the number of employees, normal salary increases, extraordinary charges incurred for the terminating of employment contracts and charges linked to the application of new international accounting principles concerning severance indemnities.

Information about Stock Option Plans

Following the expiry of the previous Stock Option Plan for the period 2000/2001/2002, the Shareholders' Meeting of 28 April 2003 resolved to renew the Stock Option Plan concerned with the company's own shares for the three-year period 2003-2004-2005.

The Plan is destined for managers of the company, its subsidiaries and the parent company whose activities have a determining impact on the attainment of the Group's strategic objectives, together with Directors of the company and of associated companies.

The Shareholders' Meeting entrusted the "Stock Option" Committee, nominated by the Meeting itself from among Directors not employed by the company, with the task of managing the plan, granting the Committee all the powers necessary for identifying the participants, establishing performance objectives, allocating option rights and carrying out the plan itself in all its aspects. The Meeting also entrusted the Committee with the task of defining the Regulations for implementing the Stock Option Plan, which would then be presented to the Board of Directors for approval.

In particular, the regulations drawn up by the Committee provide, for every year the Plan is in force, for the allocation to the participants in the Plan of rights to options, which are personal and not transferable, for the purchase of ordinary Arnoldo Mondadori Editore S.p.A. shares in the ratio of one share, with regular dividend, for every option exercised, at a price not less than the average official price for Mondadori shares in the period from the date of the allocation of the options to the same day in the previous solar month.

The option can only be exercised, in a single action, during the period between 1 January of the third year and 31 December of the fourth year after each year of the allocation date. The options allocated in 2005 can be exercised between the 1 January of the third year and the 31 December of the fifth year after the year of allocation.

The Regulations also specify that the participants in the Plan are chosen, by the Committee, from among those managers of the company and its subsidiaries who are responsible for running an organisational unit, managers of the company and its subsidiaries whose activities have a determining impact on the attainment of the Group's strategic objectives, directors of the company who are employees, directors of the company's subsidiaries, journalists employed by the company or its subsidiaries who are editors or deputy-editors of titles and managers who work for the parent company as directors and whose function is in favour of the company.

The Regulations further specify that the Committee identifies the conditions for exercising the options allocated to the participants with reference to the performance parameters of an economic and/or financial nature on an annual basis; the fulfilment of the conditions for exercising the options will be checked by the Committee, for each year in which the Plan is in force, by the end of the first half of the year after the year the options are allocated.

The Committee has identified the performance parameters of an economic and/or financial nature for the Stock Option Plan 2003-2005 as being the ROE and the Free-cash flow, since these indicators, also in the light of past experience, respond to market expectations and institutional investors who have shown their appreciation of them.
The following table illustrates the situation as of 30 June 2005 regarding the total number of options allocated, the price and the period:

Year of allocation	Number of options allocated	Price	Period
2001	734,000 1,910,000	10.67 6.56	01/01/2004-30/06/2005 01/01/2004-30/06/2005
2002	1,620,000	6.85	01/01/2005-30/06/2006
2003	1,990,000	6.471	01/01/2006-31/12/2007
2004	2,170,000	7.749	01/01/2007-31/12/2008
2005	2,625,000	7.87	01/01/2008-31/12/2010

The cost per stock option booked to the financial statements represents the share of the fair value for the six-month period calculated at the time the options in the Stock Option Plan were allocated.

Personnel	Exact 1st half of 2005	Exact 1st half of 2004	Average 1st half of 2005	Average 1st half of 2004
Managers	169	167	168	167
Journalists	455	458	458	454
Office staff	2,500	2,452	2,493	2,460
Manual workers	1,402	1,412	1,401	1,417
Total	**4,526**	**4,489**	**4,520**	**4,498**

30 –Various charges (income)

Various charges (income)	€ ,000 1st half of 2005	€ ,000 1st half of 2004
Other income and income	(31,215)	(22,427)
Cost of use of third-party assets	12,479	11,246
Various management charges	15,235	13,290
Total various charges (income)	**(3,501)**	**2,109**

“Other revenues and income” registered a sharp increase compared with the first half of 2004. In particular, this item includes the matured share of the contribution for paper costs for approximately €6.3 million that was not booked in the financial statements in 2004, and the increased contributions obtained by Public Bodies for the management of national art treasures.

Various charges (income) - Other income and revenues -	€ ,000 1st half of 2005	€ ,000 1st half of 2004
Contribution to financial accounts	7,532	1,125
Capital gains on disposal of assets	1,116	200
Supplier bonuses and other third-party contributions	2,386	2,263
Insurance reimbursements	173	73
Administration of services to third parties	-	-
Rents	664	964
Contingent assets	2,196	703
Expenses recovered from third parties	11,251	12,486
Others	5,897	4,613
Total other income and revenues	**31,215**	**22,427**

The increase in “rent payables” is mainly due to the cost of sales outlets in museums and art galleries.

Various charges (income) - Cost of third-party assets -	€ ,000 1st half of 2005	€ ,000 1st half of 2004
Rent	9,278	8,412
Data processing, leasing and rental payments	3,178	2,813
Others	23	21
Total cost of third-party assets	**12,479**	**11,246**

The variations in various charges were due to a decrease in bad debts and a lower level of fluctuation in reserves, both for provisions and utilisations.

Various charges (income) - Other operating costs	**€ ,000 1st half of 2005**	**€ ,000 1st half of 2004**
Settlements and reimbursements	1,943	1,676
Bad debts	2,833	5,459
Provisions to reserves	6,220	7,941
Utilisation of reserves	(4,241)	(7,805)
Contributions and grants	1,371	1,145
Contingent liabilities	2,326	370
Capital losses	84	259
Information material, entertainment expenses and others	1,082	605
Taxes and dues	1,309	1,267
Other charges	2,308	2,373
Total cost of other operating costs	**15,235**	**13,290**

31 –Income (charges) from investments itemised using the net equity method

Income (charges) from investments itemised using the net equity method	**€ ,000 1st half of 2005**	**€ ,000 1st half of 2004**
- Hearst Mondadori Editoriale Srl	51	70
- Gruner und Jahr/Mondadori SpA	1,220	839
- Harlequin Mondadori SpA	165	101
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	77	44
- Aci Mondadori SpA	117	(250)
- Mondadori Rodale Srl	182	165
- Attica Publications SA	504	121
- Società Europea di Edizioni SpA	342	1,655
- Grupo Editorial Random House Mondadori SL	2,395	(1,748)
- Edizioni Electa Bruno Mondadori Srl	18	(76)
- Mach 2 Libri SpA	157	(154)
- Venezia Musei società per i servizi museali Scarl	1	1
- Edizioni EL Srl	139	112
- Press Tv SpA	(240)	(306)
- Books on line Italia SpA	(161)	(292)
- Mondolibri SpA	(527)	(199)
- Venezia Musei Scarl	-	2
- Venezia Accademia Scarl	(2)	(1)
- Rock FM Srl	22	-
- Mondadori Informatica eBisMedia Srl	-	(179)
Total result for period of investments itemised using the net equity method	**4,460**	**(95)**
Capital gains from disposals/liquidation	-	-
Capital losses from disposals/liquidation	95	(159)
Other income (charges)	107	6
Total income (charges) from investments itemised using the net equity method	**4,662**	**(248)**

32 –Depreciations of real estate investments and of property, plant and machinery

Depreciations of real estate investments and of property, plant and machinery	**€ ,000 1st half of 2005**	**€ ,000 1st half of 2004**
Buildings	1,443	1,576
Other buildings	199	128
Plant and machinery	10,718	13,449
Equipment	466	361
Electronic office machines	1,855	1,877
Furniture and fixtures	431	463
Motor vehicles and transport vehicles	472	488
Improvement of third-party assets	452	533
Other assets	40	100
Total depreciations of real estate investments and of property, plant and machinery	**16,076**	**18,975**

33 –Depreciations of intangible assets

Depreciations of intangible assets	**€ ,000 1st half of 2005**	**€ ,000 1st half of 2004**
Imprints	1	-
Shop leasing transfer charges	267	264
Franchising and licences	6	9
Software	646	608
Patents and rights	16	155
Other fixed assets	91	325
Total depreciations of intangible assets	**1,027**	**1,361**

34 –Financial income (charges)

The difference of €2,481 thousand compared with the previous period was due to:

- an increase in financial charges relative to the calculation of severance indemnities, for €517 thousand;
- an increase in negative exchange operations, for €537 thousand;
- a decrease in income from management of liquidity, for €596 thousand;
- an increase in financial charges linked to variations in the fair value of loans and operations in derivatives, for a total of €831 thousand.

Financial income (charges)	€ ,000 1st half of 2005	€ ,000 1st half of 2004
Interest from banks and post offices	394	2,241
Interest from associated companies	157	190
Interest from other companies	29	4
Interest from bonds and loans	-	-
Financial income from neutralising exchange and interest risks	4,581	3,189
Financial income from derivative instrument operations	-	-
Other interest and financial income	1,063	432
Total interest and other financial income	**6,224**	**6,056**
Interest to banks and post offices	81	256
Interest to associated companies	146	173
Interest to other companies	42	28
Interest paid for bonds, mortgages and loans	9,732	9,673
Charges for operations for neutralising exchange and interest rate risks	1,523	2,574
Charges for derivative instrument operations	1,160	-
Financial charges for calculating assets/liabilities	2,510	1,993
Other interest paid and financial charges	2,444	1,449
Total interest paid and other financial charges	**17,638**	**16,146**
Positive differences realised for exchange rates	243	498
Positive differences not realised for exchange rates	301	-
Negative differences realised for exchange rates	(956)	(394)
Negative differences not realised paid for exchange rates	(21)	-
Total profit (loss) on exchange operations	**(433)**	**104**
Financial income from shares booked to non-current assets		-
Financial income from shares booked to current assets	5,296	6,655
Capital gains on share disposals	114	878
Losses on share disposals	(369)	(1,265)
Provisions to share writedown reserve	-	(1,531)
Utilisation of share writedown reserve	943	1,843
Total financial income (charges) deriving from shares	**5,984**	**6,580**
Total financial income (charges)	**(5,863)**	**(3,406)**

35 –Income taxes

Income taxes	€ ,000 1st half of 2005	€ ,000 1st half of 2004
IRES on income for period	11,169	26,576
IRAP for period	10,287	10,652
Total current taxes	**21,456**	**37,228**
Deferred (advance) IRES taxes	10,581	57
Deferred (advance) IRAP taxes	(100)	526
Total deferred (advance) taxes	**10,481**	**583**
Total income taxes	**31,937**	**37,811**

The decrease in the total amount of income taxes compared with the previous year is partly due to the benefits deriving from the itemising of the non-taxable contribution to paper costs booked during the six-month period to other income and revenues for €6.3 million.

36 –Profit per share

The basic profit per share is calculated by dividing the net profit for the period attributable to the Group by the average number of ordinary shares in circulation during the period.

	1st half of 2005	1st half of 2004
Net result for period (€ ,000)	51,851	43,812
Average number of ordinary shares in circulation (no./000)	239,692	241,568
Basic profit per share (euro)	**0.22**	**0.18**

Profits diluted per share are calculated by dividing the net profit for the period attributable to the Group by the average number of ordinary shares in circulation during the period. The average is adjusted assuming all the potential shares deriving from the bond conversion are underwritten by the end of the period.

	1st half of 2005	1st half of 2004
Net result for period (€ ,000)	51,851	43,812
Average number of ordinary shares in circulation (no./000)	239,692	241,568
N° options with diluting effect (/000)	471	578
Profit diluted per share (euro)	**0.22**	**0.18**

Commitments

As of 30 June 2005 the Mondadori Group had underwritten commitments for a total of €122,175 thousand (€142,952 thousand at 31 December 2004).

These include €23,065 thousand for contracts to purchase plant and machinery (€21,016 thousand at 31 December 2004), while the residue is represented by sureties, letters of patronage and other guarantees issued mainly in favour of the Ministry of Production Activities for prize-giving operations and competitions, to the VAT Office for payment of the Group's VAT bill and for leasing contracts.

Mondadori Group

Effects of the adoption of IAS/IFRS accounting principles on net equity, the consolidated net result, the balance sheet and the consolidated income statement at 30 June 2004

Reconciliation of consolidated Shareholders' Equity at 30 June 2004

	Consolidated Shareholders' Equity as per Italian accounting principles	**523,434**
1.	**Reversals of intangible assets**	**(1,812)**
2.	**Depreciations of intangible assets**	**8,235**
3.	**Valuation of intangible assets as per IAS 36**	**(969)**
4.	**Effects on property, plant and machinery**	**28,469**
5.	**Depreciations of property, plant and machinery**	**471**
6.	**Valuation of inventories as per IAS 2**	**(4,263)**
7.	**Actuarial calculation of reserves**	**4,714**
8.	**Severance indemnities as per IAS 19**	**11,414**
9.	**Application of IAS/IFRS accounting principles to companies valued at net equity**	**199**
10.	**Variations in consolidation area and others**	**(614)**
11.	**Fiscal effects**	**(12,903)**
12.	**Net effect on result of different criteria used for recognising income**	**(1,498)**
	Consolidated Shareholders' Equity as per IAS/IFRS accounting principles	**554,877**

Reconciliation of consolidated Net Result at 30 June 2004

	Consolidated Net Result as per Italian accounting principles	**43,566**
13.	**Net effect on result of different criteria used for recognising income**	**(1,498)**
14.	**Variations in inventories**	**(652)**
15.	**Effects on purchase of raw materials and service**	**(549)**
16.	**Personnel costs**	**823**
17.	**Effects on various charges (income)**	**223**
18.	**Depreciations and writedowns of property, plant and machinery**	**472**
19.	**Depreciations and writedowns of intangible assets**	**8,235**
20.	**Effects on financial income (charges)**	**(1,993)**
21.	**Effects on income (charges) from investments**	**461**
22.	**Variations in consolidation area and other adjustments**	**37**
23.	**Fiscal effects**	**(5,313)**
	Consolidated Net Result as per IAS/IFRS accounting principles	**43,812**

Consolidated Balance sheet at 30 June 2004

Assets	As per Italian accounting principles	Variations in consolidation area	IAS/IFRS reclassifications	IAS/IFRS reclassifications	As per IAS/IFRS
Intangible assets	**149,217**	**(180)**	**(2,840)**	**5,454**	**151,651**
Real estate investments	**11,971**	**-**	**-**	**999**	**12,970**
Land and buildings	68,536	-	-	28,120	96,656
Plant and machinery	85,217	(300)	-	-	84,917
Other fixed assets	26,287	(515)	1,754	(179)	27,347
Property, plant and machinery	**180,040**	**(815)**	**1,754**	**27,941**	**208,920**
Investments valued at net equity	60,219	12,618	-	199	73,036
Other investments	4,966	(36)	-	-	4,930
Total investments	**65,185**	**12,582**	**0**	**199**	**77,966**
Non-current financial assets	**119,251**	**-**	**-**	**-**	**119,251**
Advance tax assets	**40,801**	**(1,120)**	**-**	**(5,776)**	**33,905**
Other non-current assets	**17,103**	**-**	**-**	**-**	**17,103**
Total non-current assets	**583,568**	**10,467**	**(1,086)**	**28,817**	**621,766**
Tax credits	**29,193**	**(4,478)**	**-**	**-**	**24,715**
Other current assets	**63,954**	**(703)**	**-**	**-**	**63,251**
Inventories	**124,812**	**(4,863)**	**-**	**(3,572)**	**116,377**
Trade receivables	**424,881**	**(1,418)**	**-**	**(9,361)**	**414,102**
Shares and other current financial assets	**573,443**	**(163,403)**	**-**	**-**	**410,040**
Cash and other equivalent liquid assets	**38,129**	**156,905**	**-**	**-**	**195,034**
Total current assets	**1,254,412**	**(17,960)**	**0**	**(12,933)**	**1,223,519**
Assets destined for sale or disposal	**-**	**-**	**-**	**-**	**-**
Total assets	**1,837,980**	**(7,493)**	**(1,086)**	**15,884**	**1,845,285**

Consolidated Balance sheet at 30 June 2004

Liabilities	As per Italian accounting principles	Variations in consolidation area	IAS/IFRS reclassifications	IAS/IFRS reclassifications	As per IAS/IFRS
Share capital	67,452	-	-	-	67,452
Share premium reserve	287,265	-	-	-	287,265
Other reserves and results brought forward	125,151	154	-	31,043	156,348
Profit (loss) for period	43,566	39	-	207	43,812
Shareholders' equity pertaining to Group	**523,434**	**193**	**0**	**31,250**	**554,877**
Third-party shareholders' capital and reserve	3,871	138	-	44	4,053
Total shareholders' equity	**527,305**	**331**	**0**	**31,294**	**558,930**
Reserves	16,312	-	-	(112)	16,200
Severance indemnities	111,981	(2,250)	-	(16,016)	93,715
Non-current financial liabilities	420,964	23	(1,086)	-	419,901
Deferred tax liabilities	12,141	(51)	-	6,236	18,326
Other non-current liabilities	-	14	-	-	14
Total non-current liabilities	**561,398**	**(2,264)**	**(1,086)**	**(9,892)**	**548,156**
Income tax payables	39,323	-	-	-	39,323
Other current liabilities	157,078	(1,615)	-	24	155,487
Trade payables	367,521	(4,592)	-	(5,542)	357,387
Payables to banks and other financial liabilities	185,355	647	-	-	186,002
Total current liabilities	**749,277**	**(5,560)**	**0**	**(5,518)**	**738,199**
Liabilities destined for sale or disposal	-		-	-	-
Total liabilities	**1,837,980**	**(7,493)**	**(1,086)**	**15,884**	**1,845,285**

Consolidated Income Statement at 30 June 2004

	As per Italian accounting principles	Variations in consolidation area	IAS/IFRS reclassifications	IAS/IFRS reclassifications	As per IAS/IFRS
Income from sales and services to third parties	**837,325**	**(17,140)**	**-**	**(9,361)**	**810,824**
Decrease (increase) in inventories	**8,702**	**(104)**	**-**	**(39)**	**8,559**
Purchase of raw, ancillary and consumable goods and materials	**248,465**	**(3,187)**	**-**	**353**	**245,631**
Purchase of services	**335,730**	**(8,925)**	**-**	**(6,084)**	**320,721**
Personnel costs	**130,812**	**(2,263)**	**-**	**(823)**	**127,726**
Various charges (income)	**4,471**	**(2,136)**	**-**	**(223)**	**2,112**
Income (charges) from investments valued at net equity	**(792)**	**83**	**-**	**461**	**(248)**
Gross operating profit	**108,353**	**(442)**	**0**	**(2,084)**	**105,827**
Depreciations of property, plant and machinery	**19,001**	**(115)**	**560**	**(471)**	**18,975**
Depreciations of intangible assets	**10,254**	**(21)**	**(637)**	**(8,235)**	**1,361**
Operating result	**79,098**	**(306)**	**154**	**6,622**	**85,491**
Financial income (charges)	**(1,689)**	**353**	**(77)**	**(1,993)**	**(3,406)**
Income (charges) from other investments	**-**	**-**	**-**	**-**	**0**
Results before tax and minority interests	**77,409**	**47**	**0**	**4,629**	**82,085**
Income taxes	**33,388**	**1**	**-**	**4,422**	**37,811**
Results pertaining to third-party shareholders	**(455)**	**(7)**	**-**	**-**	**(462)**
Net result	**43,566**	**39**	**0**	**207**	**43,812**

The previous tables show the amounts in the reconciliation between the net equity and the consolidated net result, together with the reconciliation between the balance sheet and the consolidated income statement as of 30 June 2004.

The reclassifications and adjustments made are the same as those described in the reconciliation tables drawn up on 1 January 2004 and on 31 December 2004 and contained in the document "Transition to IAS/IFRS accounting principles", with the exception of the adjustments shown in points 12 and 13 concerning the re-calculation of the economic effects of some operations at 30 June 2004.

Those adjustments, which refer to income from sales, variations in inventories and the cost of the purchase of services, have a net negative impact on the income statement and the net equity of €1,498 thousand, net of fiscal effects.

Effects of the adoption of IAS/IFRS accounting principles on the net consolidated financial position at 30 June 2004.

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

Net financial position using Italian accounting principles	**6,752**
IAS/IFRS reclassifications	1,086
Variations in the consolidation area and others	(7,168)
IAS/IFRS net financial position	**670**

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

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

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Effects of the adoption of IAS 32 and IAS 39 accounting principles on net equity and on the consolidated balance sheet at 1st January 2005

The Mondadori Group decided to apply, in conformity with the options available, IAS 32 and 39 with effect from 1 January 2005. The comparative report at 31 December 2004, as contained in IFRS 1, was not presented in conformity with IAS 32 and 39. The tables and notes showing the effects of IAS 32 and 39 on the consolidated net equity at 1 January 2005, shown net of fiscal effects, are given below. It should be noted that this data has not been audited.

	Consolidated Net Equity at 31 December 2004	**622,300**
1.	Treasury stock	(130,207)
2.	Fair value valuation of shares	2,750
3.	Financial valuation instruments and derivatives	(15,891)
	Consolidated Net Equity at 1 January 2005	**478,952**

1. Treasury stock, equal to €130,207 thousand and previously booked under assets in the financial statements, has been reclassified in compliance with IAS/IFRS as a direct reduction of net equity.

2. The item corresponds to the valuation of fair value of the shares booked to the financial assets of Mondadori International and its subsidiaries classified as held for trading. The positive effect on the net equity at 1 January 2005 amounted to €2,750 thousand.

3. The item includes the effect linked to the valuation using IAS principles 32 and 39 of loan operations and derivatives. In accordance with IAS/IFRS, the value of the bond loan (US Private Placement) was calculated by using the amortised cost method, which is the initial value (fair value) adjusted on the basis of the depreciation of the cost of the issue and taking into account the effect deriving from the adjustment of the euro/dollar exchange rate. As for the convertible debenture loan, the debt portion (valued using the amortised cost method) was divided by the optional component that represents the implicit derivative instrument. The overall effect of this was an increase in net equity of €33,940 thousand. In compliance with IAS/IFRS, derivatives are valued at fair value. When the transition was carried out, the following operations were in force: derivatives on interest and exchange rates on loans, derivatives on exchange rates for sales in foreign currencies of publishing products and derivatives connected to the stock option plans. The valuation of derivatives using the fair value method resulted in an overall decrease in net equity of €49,831 thousand.

The following tables show the amounts in the reconciliation between the consolidated balance sheet drawn up on 1 January 2005 in accordance with IAS/IFRS accounting principles, including IAS 32 and IAS 39, and the balance sheet drawn up on 31 December 2004 in accordance with IAS/IFRS accounting principles but excluding IAS 32 and IAS 39.

Consolidated Balance Sheet at 1st January 2005

Assets	**As per IAS/IFRS at 31 December 2004**	**IAS 32 reclassifications**	**IAS 32 and IAS 39 reclassifications**	**As per IAS/IFRS At 1st January 2005**
Intangible assets	**144,800**	**-**	**-**	**144,800**
Real estate investments	**12,686**	**-**	**-**	**12,686**
Land and buildings	90,645	-	-	90,645
Plant and machinery	87,273	-	-	87,273
Other fixed assets	19,252	-	-	19,252
Property, plant and machinery	**197,170**	**0**	**0**	**197,170**
Investments valued at net equity	100,951	-	-	100,951
Other investments	2,473	-	-	2,473
Total investments	**103,424**	**0**	**0**	**103,424**
Non-current financial assets	**130,531**	**(130,207)**	**-**	**324**
Advance tax assets	**40,812**	**-**	**14,068**	**54,880**
Other non-current assets	**17,810**	**-**	**-**	**17,810**
Total non-current assets	**647,233**	**(130,207)**	**14,068**	**531,094**
Tax credits	**7,709**	**-**	**-**	**7,709**
Other current assets	**64,378**	**-**	**-**	**64,378**
Inventories	**120,895**	**-**	**-**	**120,895**
Trade receivables	**387,302**	**-**	**-**	**387,302**
Shares and other current financial assets	**504,300**	**-**	**6,821**	**511,121**
Cash and other equivalent liquid assets	**137,190**	**-**	**-**	**137,190**
Total current assets	**1,221,774**	**0**	**6,821**	**1,228,595**
Assets destined for sale or disposal	**-**	**-**	**-**	**-**
Total assets	**1,869,007**	**(130,207)**	**20,889**	**1,759,689**

Consolidated Balance sheet at 1st January 2005

Liabilities	As per IAS/IFRS at 31 December 2004	IAS 32 reclassifications	IAS 32 and IAS 39 reclassifications	As per IAS/IFRS At 1st January 2005
Share capital	67,452	-	-	67,452
Share premium reserve	283,747	-	-	283,747
Other reserves and results brought forward	159,078	(130,207)	(13,141)	15,730
Profit (loss) for period	112,023	-	-	112,023
Shareholders' equity pertaining to Group	**622,300**	**(130,207)**	**(13,141)**	**478,952**
Third-party shareholders' capital and reserve	3,478	-	-	3,478
Total shareholders' equity	**625,778**	**(130,207)**	**(13,141)**	**482,430**
Reserves	16,287	-	-	16,287
Severance indemnities	94,743	-	-	94,743
Non-current financial liabilities	418,773	-	32,686	451,459
Deferred tax liabilities	21,587	-	1,344	22,931
Other non-current liabilities	-	-	-	-
Total non-current liabilities	**551,390**	**0**	**34,030**	**585,420**
Income tax payables	18,769	-	-	18,769
Other current liabilities	179,185	-	-	179,185
Trade payables	359,899	-	-	359,899
Payables to banks and other financial liabilities	133,986	-	-	133,986
Total current liabilities	**691,839**	**0**	**0**	**691,839**
Liabilities destined for sale or disposal	-	-	-	-
Total liabilities	**1,869,007**	**(130,207)**	**20,889**	**1,759,689**

Effects of the adoption of IAS 32 and IAS 39 accounting principles on the net consolidated financial position at 1 January 2005.

The application of IAS 32 and IAS 39 on the net financial position at 1 January 2005 resulted in a decrease of €25.9 million.

IAS/IFRS net financial position at 31 December 2004	**89,043**
IAS/IFRS adjustments	(25,865)
IAS/IFRS net financial position at 1 January 2005	**63,178**

Mondadori Group

Sector information

Primary information on sector: as of 30 June 2005

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Adjustments to consolidation	Consolidated financial statement
Income from sales and services from external clients	**176,398**	**316,744**	**170,627**	**86,044**	**14,286**	**57,844**	**12**	**3,591**	**-**	**825,546**
Income from sales and services from other sectors	**11,628**	**108,998**	**2,998**	**138,098**	**234**	**309**	**1,617**	**3,984**	**(267,866)**	**-**
Income (charges) from investments at net equity	3,323	1,947	-	-	(688)	-	(165)	245	-	4,662
Gross operating profit	**20,294**	**72,331**	**1,123**	**21,291**	**1,503**	**352**	**(2,220)**	**(7,303)**	**-**	**107,371**
Operating result	**18,821**	**71,460**	**1,001**	**9,753**	**1,288**	**(792)**	**(2,435)**	**(8,828)**	**-**	**90,268**
Financial income (charges)	-	-	-	-	-	-	-	(5,863)	-	(5,863)
Profit before taxes and minority interests	**18,821**	**71,460**	**1,001**	**9,753**	**1,288**	**(792)**	**(2,435)**	**(14,691)**	**-**	**84,405**
Income taxes	-	-	-	-	-	-	-	31,937	-	31,937
Result pertaining to third-party shareholders	616	-	-	-	-	-	-	1	-	617
Net result	**18,205**	**71,460**	**1,001**	**9,753**	**1,288**	**(792)**	**(2,435)**	**(46,629)**	**-**	**51,851**
Investments	824	539	145	12,250	5	492	72,540	1,043	-	87,838
Depreciations and writedowns	1,473	871	122	11,538	215	1,144	215	1,525	-	17,103
Non-monetary costs	311	1,192	-	-	-	58	208	-	-	1,769

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Adjustments to consolidation	Consolidated financial statement
Investments valued at net equity	34,724	44,761	-	-	12,431	-	42	9,223	-	101,181
Other assets	342,285	249,619	164,844	298,423	13,558	42,787	73,284	42,011	(198,928)	1,027,883
Financial assets	-	-	-	-	-	-	-	626,930	-	626,930
Fiscal assets	-	-	-	-	-	-	-	54,385	-	54,385
Total assets	**377,009**	**294,380**	**164,844**	**298,423**	**25,989**	**42,787**	**73,326**	**732,549**	**(198,928)**	**1,810,379**
Other liabilities	147,166	246,104	162,284	184,022	10,069	32,815	2,555	59,517	(198,928)	645,604
Financial liabilities	-	-	-	-	-	-	-	655,771	-	655,771
Fiscal liabilities	-	-	-	-	-	-	-	55,768	-	55,768
Total liabilities	**147,166**	**246,104**	**162,284**	**184,022**	**10,069**	**32,815**	**2,555**	**771,056**	**(198,928)**	**1,357,143**

Primary information on sector: 30 June 2004 (segment results) and 31 December 2004 (segment assets and liabilities)

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Adjustments to consolidation	Consolidated financial statement
Income from sales and services from external clients	**175,713**	**296,751**	**165,594**	**105,646**	**16,818**	**46,760**	**-**	**3,542**	**-**	**810,824**
Income from sales and services from other sectors	**9,253**	**110,419**	**2,785**	**125,629**	**445**	**455**	**-**	**4,528**	**(253,514)**	**-**
Income (charges) from investments at net equity	(1,801)	656	-	-	(491)	-	-	1,388	-	(248)
Gross operating profit	**13,772**	**70,296**	**2,251**	**25,322**	**2,620**	**(121)**	**-**	**(8,313)**	**-**	**105,827**
Operating result	**12,235**	**69,133**	**2,094**	**11,015**	**2,308**	**(1,210)**	**-**	**(10,084)**	**-**	**85,491**
Financial income (charges)	-	-	-	-	-	-	-	(3,406)	-	(3,406)
Profit before taxes and minority interests	**12,235**	**69,133**	**2,094**	**11,015**	**2,308**	**(1,210)**	**-**	**(13,490)**	**-**	**82,085**
Income taxes	-	-	-	-	-	-	-	37,811	-	37,811
Result pertaining to third-party shareholders	460	-	-	-	-	-	-	2	-	462
Net result	**11,775**	**69,133**	**2,094**	**11,015**	**2,308**	**(1,210)**	**-**	**(51,303)**	**-**	**43,812**
Investments	4,811	2,340	153	14,556	89	2,229	-	2,264	-	26,442
Depreciations and writedowns	1,537	1,163	157	14,307	312	1,089	-	1,771	-	20,336
Non-monetary costs	520	-	-	-	-	23	-	1,295	-	1,838

Primary information on sector: as of 31 December 2004

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Adjustments to consolidation	Consolidated financial statement
Investments valued at net equity	31,436	46,841	-	-	13,636	-	-	9,038	-	100,951
Other assets	319,120	252,452	152,051	300,623	15,575	44,966	-	180,652	(187,706)	1,077,733
Financial assets	-	-	-	-	-	-	-	641,802	-	641,802
Fiscal assets	-	-	-	-	-	-	-	48,521	-	48,521
Total assets	**350,556**	**299,293**	**152,051**	**300,623**	**29,211**	**44,966**	**0**	**880,013**	**(187,706)**	**1,869,007**
Other liabilities	154,633	235,445	155,096	182,872	12,918	43,749	-	53,097	(187,706)	650,104
Financial liabilities	-	-	-	-	-	-	-	552,759	-	552,759
Fiscal liabilities	-	-	-	-	-	-	-	40,356	-	40,356
Total liabilities	**154,633**	**235,445**	**155,096**	**182,872**	**12,918**	**43,749**	**0**	**646,212**	**(187,706)**	**1,243,219**

Primary information on sector: as of 30 June 2005

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Adjustments to consolidation	Consolidated financial statement
Italian market	184,131	421,892	165,944	194,935	11,033	58,153	1,629	7,575	(267,865)	777,427
EU market	1,942	1,811	5,134	23,819	3,029	-	-	-	(1)	35,734
USA market	153	130	93	3,003	-	-	-	-		3,379
Other countries	1,800	1,909	2,454	2,385	458	-	-	-	-	9,006
Income from sales and services	**188,026**	**425,742**	**173,625**	**224,142**	**14,520**	**58,153**	**1,629**	**7,575**	**(267,866)**	**825,546**
Italian market	347,240	255,428	164,844	291,189	25,989	42,787	73,326	198,651	(198,140)	1,201,314
EU market	29,769	38,952	-	7,234	-	-	-	532,837	-	608,792
USA market	-	-	-	-	-	-	-	1,061	(788)	273
Other countries	-	-	-	-	-	-	-	-	-	
Total assets	**377,009**	**294,380**	**164,844**	**298,423**	**25,989**	**42,787**	**73,326**	**732,549**	**(198,928)**	**1,810,379**
Italian market	824	539	145	12,062	5	492	72,540	1,021	-	87,628
EU market	-	-	-	188	-	-	-	20	-	208
USA market	-	-	-	-	-	-	-	2	-	2
Other countries	-	-	-	-	-	-	-	-	-	-
Total investments	**824**	**539**	**145**	**12,250**	**5**	**492**	**72,540**	**1,043**	**0**	**87,838**

Secondary information on sector: 30 June 2004 (segment results) and 31 December 2004 (segment assets and liabilities)

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Adjustments to consolidation	Consolidated financial statement
Italian market	183,105	404,932	162,451	196,497	15,851	47,215	-	8,070	(253,514)	764,607
EU market	1,338	2,073	4,362	28,920	1,227	-	-	-	-	37,920
USA market	278	-	123	4,720	-	-	-	-	-	5,121
Other countries	245	165	1,443	1,138	185	-	-	-	-	3,176
Income from sales and services	**184,966**	**407,170**	**168,379**	**231,275**	**17,263**	**47,215**	**0**	**8,070**	**(253,514)**	**810,824**
Italian market	323,925	260,845	152,051	286,260	29,211	44,966	-	348,696	-	1,445,954
EU market	26,631	38,448	-	14,363	-	-	-	530,780	(187,263)	422,959
USA market	-	-	-	-	-	-	-	537	(443)	94
Other countries	-	-	-	-	-	-	-	-	-	-
Total assets	**350,556**	**299,293**	**152,051**	**300,623**	**29,211**	**44,966**	**0**	**880,013**	**(187,706)**	**1,869,007**
Italian market	4,811	2,340	153	12,010	89	2,229	-	2,264	-	23,896
EU market	-	-	-	2,546	-	-	-	-	-	2,546
USA market	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-		-	-
Total investments	**4,811**	**2,340**	**153**	**14,556**	**89**	**2,229**	**0**	**2,264**	**0**	**26,442**

Mondadori Group

Balance Sheet of Arnoldo Mondadori Editore SpA

BALANCE SHEET

ASSETS (in thousands of euro)	PERIOD AT 30 JUNE 2005	PERIOD AT 30 JUNE 2004	YEAR ENDED 31 DECEMBER 2004
INTANGIBLE ASSETS	94,169	102,293	94,473
FIXED ASSETS	1,671	8,354	8,231
Land and buildings	16,110	16,764	16,455
Plant and machinery	5,322	5,237	5,564
Other fixed assets	6,024	7,991	6,420
PROPERTY, PLANT AND MACHINERY	**27,456**	**29,992**	**28,439**
INVESTMENTS	789,321	747,582	750,778
NON-CURRENT FINANCIAL ASSETS	4,871	115,050	108,172
ADVANCE TAX ASSETS	19,759	18,554	19,970
OTHER NON-CURRENT ASSETS	2,802	2,815	3,237
TOTAL NON-CURRENT ASSETS	**940,049**	**1,024,640**	**1,013,300**
TAX CREDITS	6,155	2,402	3,455
OTHER CURRENT ASSETS	36,861	32,762	41,584
INVENTORIES	27,973	26,897	36,072
TRADE RECEIVABLES	248,084	243,821	227,610
SHARES AND OTHER FINANCIAL ASSETS	104,790	87,259	83,704
CASH AND OTHER EQUIVALENT LIQUID ASSETS	22,989	11,995	46,439
TOTAL CURRENT ASSETS	**446,852**	**405,136**	**438,864**
ASSETS DESTINED FOR SALE OR DISPOSAL	0	0	0
TOTAL ASSETS	**1,386,901**	**1,429,776**	**1,452,164**

BALANCE SHEET

LIABILITIES (in thousands of euro)	PERIOD AT 30 JUNE 2005	PERIOD AT 30 JUNE 2004	YEAR ENDED 31 DECEMBER 2004
Share capital	67,452	67,452	67,452
Share premium reserve	283,747	283,747	283,747
Other reserves and results brought forward	22,569	140,512	141,024
Profit (loss) for period	59,717	55,400	93,080
TOTAL SHAREHOLDERS' EQUITY	**433,485**	**547,111**	**585,303**
RESERVES	11,791	11,990	11,866
SEVERANCE INDEMNITIES	43,644	40,843	41,189
NON-CURRENT FINANCIAL LIABILITIES	301,185	296,384	296,384
DEFERRED TAX LIABILITIES	8,902	7,725	8,986
OTHER NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITIES	**365,522**	**356,942**	**358,425**
INCOME TAX PAYABLES	6,919	19,439	15,216
OTHER CURRENT LIABILITIES	95,731	92,027	104,056
TRADE PAYABLES	228,600	222,749	214,199
PAYABLES TO BANKS AND OTHERS FINANCIAL LIABILITIES	256,644	191,508	174,965
TOTAL CURRENT LIABILITIES	**587,894**	**525,723**	**508,436**
LIABILITIES DESTINED FOR SALE OR DISPOSAL	0	0	0
TOTAL LIABILITIES	**1,386,901**	**1,429,776**	**1,452,164**

INCOME STATEMENT

(in thousands of euro)	PERIOD AT 30 JUNE 2005	PERIOD AT 30 JUNE 2004	YEAR ENDED 31 DECEMBER 2004
INCOME FROM SALES AND SERVICES	**564,991**	**548,838**	**1,030,852**
DECREASE (INCREASE) IN INVENTORIES	8,100	13,315	4,140
PURCHASE OF RAW, ANCILLARY AND CONSUMABLE GOODS AND MATERIALS	121,947	117,808	237,006
PURCHASE OF SERVICES	298,940	281,288	534,169
PERSONNEL COSTS	66,310	61,501	123,183
VARIOUS INCOME (CHARGES)	-8,809	-1,270	-12,615
GROSS OPERATING PROFIT	**78,503**	**76,196**	**144,969**
DEPRECIATIONS OF PROPERTY, PLANT AND MACHINERY	2,621	2,860	6,865
DEPRECIATIONS OF INTANGIBLE ASSETS	405	673	9,834
OPERATING RESULT	**75,477**	**72,663**	**128,270**
FINANCIAL INCOME (CHARGES)	-6,750	-8,134	-21,661
INCOME (CHARGES) FROM INVESTMENTS	17,655	19,900	32,194
PROFITS BEFORE TAXES	**86,382**	**84,429**	**138,803**
INCOME TAXES	26,665	29,029	45,723
NET RESULT	**59,717**	**55,400**	**93,080**

Arnoldo Mondadori Editore SpA opted to prepare the yearly balance sheet at 31 December 2005 utilising IAS/IFRS accounting principles.

For the Board of Directors
Chairman
Marina Berlusconi

Mondadori Group

Appendices

Relations with related companies at 30 June 2005

	Trade receivables	Financial receivables	Various receivables	Trade payables	Financial payables	Various payables	Income	Cost of raw materials	Cost of services	Various charges(income)	Financial income (charges)
Parent companies:											
- Fininvest SpA			369	14		7,270					
Associated companies:											
- Gruner und Jahr/Mondadori SpA	2,395			9,097	2,203		1,894	10,012	6,720	(1,187)	(67)
- Mach 2 Libri SpA	19,578			16			17,131		667		
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	738						10,948		1,032	11	
- Venezia Accademia Scarl	8	24		121			4	10	148	(4)	
- Venezia Musei Scarl	53			1				1			
- Venezia Musei Società per i servizi museali Scarl	260			490			140	2	336		
- Hearst Mondadori Editoriale Srl	1,505	695		4,041			2,285	1,870	3,331	(446)	(12)
- Harlequin Mondadori SpA	909			86	2,508		328	5,301		(186)	(32)
- Mondadori Rodale Srl	3,547			7,360	354		4,270	5,828	4,893	(1,405)	(20)
- Gruppo Attica	97						27				
- Rock FM Srl				43					35		
- Euromedia Luxembourg SA					1,262						
- Books on line Italia SpA	387			4			809	1	3	(6)	
- Edizioni Electa Bruno Mondadori Srl	569						539			(1)	7
- Edizioni EL Srl	562			2,717			190	2,149	19	(214)	
- Grupo Editorial Random House Mondadori SL	426	8,948		25			432				129
- Società Europea di Edizioni SpA	6,168			3,520			5,869		8,902	(95)	
- Aci Mondadori SpA	2,518			2,830	373		3,735	3,180	2,132	(1,039)	(13)
- Press Tv SpA	1,464	1,482		701			2,284	992	236	(264)	19
- Mondolibri SpA	5,692			437			6,583	117	952	(938)	-
Total associated companies	**46,876**	**11,149**	**0**	**31,489**	**6,700**	**0**	**57,468**	**29,463**	**29,406**	**(5,774)**	**11**

Relations with related companies at 30 June 2005

	Trade receivables	Financial receivables	Various receivables	Trade payables	Financial payables	Various payables	Income	Cost of raw materials	Cost of services	Various charges(income)	Financial income (charges)
Affiliated companies:											
- Pagine Italia SpA	2,767			20			3,300				
- RTI SpA	609			1			187			(1)	
- Publitalia 80 SpA	1,041			4,470					17,402		
- Medusa Video Srl	8			981				9	418	(3)	
- Promoservice Italia Srl	150			1						(125)	
- Finedim Italia SpA										18	
- Il Teatro Manzoni SpA				23					13	7	
- Mediolanum SpA	41						2				
- Banca Mediolanum SpA	76						152				
- Medusa Film SpA	6			94			9				
- Alba Servizi Aerotrasporti SpA											
- Radio e Reti Srl				157			9		82		
- Isim				2							
- Consorzio Aeromobili Fininvest											
- Videotime SpA											
- Mediaset SpA											
- Milan A.C. SpA											
- Eis Roma Srl				4							
- Eis Srl											
- Elettronica Industriale SpA										3	
- Medusa Cinema SpA											
Total affiliated companies	**4,698**	**0**	**0**	**5,753**	**0**	**0**	**3,659**	**9**	**17,915**	**(101)**	**0**

Relations with related companies at 31 December 2004 (segment assets and liabilities) and at 30 June 2004 (segment results)

	Trade receivables	Financial receivables	Various receivables	Trade payables	Financial payables	Various payables	Income	Cost of raw materials	Cost of services	Various charges(income)	Financial income (charges)i
Parent companies:											
- Fininvest SpA	10			1		14,531					
Associated companies:											
- Gruner und Jahr/Mondadori SpA	2,561			10,877	6,304		1,864	13,528	7,579	(1,269)	(86)
- Mach 2 Libri SpA	16,792			305	2		18,417		580		
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	189			202			10,335		700	5	
- Venezia Accademia Scarl	48	24		100				7	166	(11)	
- Venezia Musei Scarl	52			1				1	44		
- Venezia Musei Società per i servizi museali Scarl	247			395					137		
- Hearst Mondadori Editoriale Srl	1,558			2,930	846		2,038	1,645	2,985	(412)	(8)
- Harlequin Mondadori SpA	2,304			59	4,982		310	5,083		(165)	(35)
- Mondadori Rodale Srl	2,931			5,904	712		4,212	6,294	4,834	(1,451)	(26)
- Gruppo Attica											
- Rock FM Srl											
- Euromedia Luxembourg SA					1,693						
- Books on line Italia SpA	630						742	6		(14)	
- Edizioni Electa Bruno Mondadori Srl	283	654					368			(2)	15
- Edizioni EL Srl	591			2,707			167	1,694	20	(166)	
- Grupo Editorial Random House Mondadori SL	239	8,958		10			212				156
- Società Europea di Edizioni SpA	5,341			4,186			11,550		9,352	(72)	
- Aci Mondadori SpA	2,729			3,492	1,974		4,048	3,061	2,622	(880)	(15)
- Press Tv SpA	1,757	1,053		1,883			3,210	2,338	1,037	(668)	16
- Mondolibri SpA	6,671			921			7,408	60	921	(958)	
Total associated companies	**44,923**	**10,689**	**0**	**33,972**	**16,513**	**0**	**64,881**	**33,717**	**30,977**	**(6,063)**	**17**

Relations with related companies at 31 December 2004 (segment assets and liabilities) and at 30 June 2004 (segment results)

	Trade receivables	Financial receivables	Various receivables	Trade payables	Financial payables	Various payables	Income	Cost of raw materials	Cost of services	Various charges(income)	Financial income (charges)i
Affiliated companies:											
- Pagine Italia SpA	2,823			40			4,461		13,433		
- RTI SpA	396			509			1,103		402	(3)	
- Publitalia 80 SpA	159			3,257			6				
- Medusa Video Srl	67			1,281				341	249	(16)	
- Promoservice Italia Srl	150			1					18		
- Finedim Italia SpA	4			16							
- Il Teatro Manzoni SpA	1			26					13		
- Mediolanum SpA										(31)	
- Banca Mediolanum SpA	56			14			1				
- Medusa Film SpA	6			111			10		185	(3)	
- Alba Servizi Aerotrasporti SpA							1			22	
- Radio e Reti Srl				443					43		
- Isim				2							
- Consorzio Aeromobili Fininvest				2							
- Videotime SpA										(2)	
- Mediaset SpA										(2)	
- Milan A.C. SpA							1				
- Eis Roma Srl				4							
- Eis Srl				21					1		
- Elettronica Industriale SpA				4							
- Medusa Multicinema SpA				2							
Total affiliated companies	**3,662**	**0**	**0**	**5,733**	**0**	**0**	**5,583**	**341**	**14,344**	**(35)**	**0**

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

ARNOLDO MONDADORI EDITORE SPA

In accordance with art. 126 of regulations approved by CONSOB deliberation 11971 of 14/05/1999, informatin concenring prominent investments as per art.120 of Leg. Decree 58/1998

data di riferimento 30 giugno 2005

NAME	SHARE CAPITAL		TOTAL % OF SHARES HELD	SHARE MODALITY	SHAREHOLDER	% HELD	LEGAL OFFICES	TAX REG. NO.	COMPANY REG. DATE
ACI-Mondadori SpA (Italy)	EUR	590,290	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13277400159	17/11/2000
Agenzia Lombarda Distribuzione Giornali e Riviste Srl (Italy)	EUR	400,000	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Senato 18	10463540152	02/10/1991
BOL Books on Line Italia SpA (Italy)	EUR	1,000,000	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Lampedusa 13	13074160154	22/02/2000
Cemit Interactive Media SpA (Italy)	EUR	3,835,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	San Mauro Torinese (TO) - via Toscana 9	04742700018	13/12/1984
Editrice Portoria SpA (Italy)	EUR	364,000	16.785%	direct	Arnoldo Mondadori Editore SpA	16.785%	Milano - via Chiossetto 1	02305160158	26/03/1975
Edizioni EL Srl (Italy)	EUR	620,000	50%	indirect	Giulio Einaudi Editore SpA	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Edizioni Electa Bruno Mondadori Srl (Italy)	EUR	10,400	50%	indirect	Edumond Le Monnier SpA	50%	Milan - via Trentacoste 7	06976090156	05/05/1983
Edizioni Frassinelli Srl (Italy)	EUR	10,400	100%	indirect	Sperling & Kupfer Editori SpA	100%	Milan - via Durazzo 4	07254880151	12/01/1984
Edizioni Piemme SpA (Italy)	EUR	566,661	70%	direct	Arnoldo Mondadori Editore SpA	70%	Milan - viale Bianca Maria 25	00798930053	29/09/1982
Edumond Le Monnier SpA (Italy)	EUR	10,608,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03261490969	01/10/2001
Electa Napoli SpA (Italy)	EUR	155,000	60%	indirect	Mondadori Electa SpA	60%	Naples - via Giovanni Capurro 1	04230890636	27/09/1983
Fied SpA (Italy)	EUR	416,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	04591640158	26/10/1979
Giulio Einaudi Editore SpA (Italy)	EUR	23,920,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Turin - via U. Biancamano 2	08367150151	03/06/1986
Gruner and Jahr/Mondadori SpA (Italy)	EUR	2,600,000	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - corso Monforte 54	09440000157	10/09/1988
Harlequin Mondadori SpA (Italy)	EUR	258,250	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - corso Concordia 7	05946780151	15/10/1980
Hearst Mondadori Editoriale Srl (Italy)	EUR	99,600	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	12980290154	17/12/1999
Mach 2 Libri SpA (Italy)	EUR	646,250	24%	direct indirect	Arnoldo Mondadori Editore SpA	20%	Milan - via Quaranta 40	03782990158	06/05/1983
					Sperling & Kupfer Ed. SpA	4%			
Mondadori Electa SpA (Italy)	EUR	1,593,735	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Trentacoste 7	01829090123	23/02/1989
Mondadori Franchising SpA (Italy)	EUR	1,954,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Verucchio (RN) - Fraz. di Villa Verucchio - via Statale Marecchia n. 51-51/a	08853520156	28/05/1987
Mondadori Printing SpA (Italy)	EUR	45,396,000	100%	direct indirect	Arnoldo Mondadori Editore SpA	57,05%	Milan - via Bianca di Savoia 12	12319410150	28/11/1997
					Mondadori International SA	42,95%			
Mondadori Pubblicità SpA (Italy)	EUR	3,120,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	08696660151	12/02/1987
Mondadori Retail SpA (Italy)	EUR	2,700,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00212560239	19/11/1946
Mondadori Sistemi di comunicazione Srl (Italy)	EUR	95,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03864370964	19/02/2003
Mondadori-Rodale Srl (Italy)	EUR	90,000	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13066890156	25/02/2000
Mondolibri SpA (Italy)	EUR	1,040,000	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Lampedusa n. 13	12853650153	25/06/1999
Monradio Srl (Italy)	EUR	3,020,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	04571350968	15/10/2004
Novamusa Gelmar Biblioteca Nazionale Scarl (Italy)	EUR	10,200	20%	indirect	Electa Napoli	20%	Rome - Via Ennio Quirino Visconti 8	06573391007	9/04/2001
Novamusa Val di Mazara Scarl (Italy)	EUR	90,000	20%	indirect	Electa Napoli	20%	Messina - Via Acireale Z.I.R.	06727470632	19/04/2005
Novamusa Valdemone Scarl (Italy)	EUR	90,000	20%	indirect	Electa Napoli	20%	Messina - Via Acireale Z.I.R.	02704670831	16/04/2003
Novamusa Valdinoto Scarl (Italy)	EUR	90,000	20%	indirect	Electa Napoli	20%	Messina - Via Acireale Z.I.R.	02704680830	16/04/2003
PressTv SpA (Italy)	EUR	1,500,000	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	03619240967	08/07/2002
Roccella Scarl (Italy)	EUR	100,000	49,5%	indirect	Electa Napoli SpA	49,5%	Naples - via Giovanni Capurro 1	05053571211	21/03/2005
Società Europea di Edizioni SpA (Italy)	EUR	2,775,601.92	39.27%	direct indirect	Arnoldo Mondadori Editore SpA	31,28%	Milan - via G. Negri 4	01790590150	27/02/1974
					Fied SpA	7,99%			
Sperling & Kupfer Editori SpA (Italy)	EUR	388,800	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Durazzo 4	00802780155	03/11/1927
Texto SpA (Italy)	EUR	110,000	100%	indirect	Edumond Le Monnier SpA	100%	Milan - viale Bianca Maria 25	03323610968	15/11/2001
Venezia Accademia Società Consortile a rl (Italy)	EUR	15,000	26%	indirect	Mondadori Electa SpA	26%	Venice Mestre - via Manin 51	03377400274	21/03/2002
Venezia Musei Società Consortile a rl in liquidation (Italy)	EUR	10,000	34%	indirect	Mondadori Electa SpA	34%	Venice Mestre - via Manin 51	03233710270	9/05/2000
Venezia Musei Società per i servizi museali Scrl (Italy)	EUR	10,000	34%	indirect	Mondadori Electa SpA	34%	Venice Mestre - via Manin 51	03534350271	22/04/2004
ABS Finance Advisory Company SA in liquidation (Luxembourg)	EUR	125,000	99.2%	indirect	Mondadori International SA	99.2%	Luxembourg - 33, rue Notre Dame		12/12/2002
ABS Finance Fund Sicav (Luxembourg)	EUR	512,906,099.14	67.15103%	indirect	Misa Finance Fund PLC	67.15103%	Luxembourg - 19-21 Boulevard du Prince Henri		03/02/1999
Ame France S.a.r.l. (France)	EUR	20,000.00	100.00%	indirect	Mondadori International SA	100.00%	France - Paris - 9-11, avenue Franklin D. Roosevelt		23/06/2004
Ame Publishing Ltd. (USA)	USD	50,000	100%	indirect	Mondadori International SA	100%	U.S.A. - New York N.Y. - 740 Broadway		01/02/1982
Arnoldo Mondadori Deutschland GmbH (Germany)	EUR	25,564.59	100%	indirect	Mondadori International SA	100%	Germany - Munich - Tal 21		14/05/1970
Arnoweb SA (Luxembourg)	EUR	36,256,900	99.9998%	direct	Arnoldo Mondadori Editore SpA	99.9998%	Luxembourg - 33, rue Notre Dame		16/12/1999
Artes Graficas Toledo SA (Spain)	EUR	5,409,000	100%	indirect	Mondadori Printing SpA	100%	Spain - Toledo - C/Jarama S/N - Poligono Industrial		03/10/1974
Atimod Publishing Investments SA (Luxembourg9	EUR	10,373,800	100%	indirect direct	Mondadori International SA	99,99991%	Luxembourg - 19-21 Boulevard du Prince Henri		03/03/2003
					Arnoldo Mondadori Editore SpA	0,00009%			
Attica Publications SA (Greece)	EUR	4,590,000	40%	indirect direct	Atimod Publishing Investments SA	20%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
					Helit Investment SA	20%			
Casa Editrice e di distribuzione "Bences" Srl (Hungary)	FT	11,250,000	22%	indirect	Edizioni Piemme SpA	22%	Hungary 909 Pannonhalma - Var. 1.9090		01/01/1992
Euromedia Luxembourg Two SA (Luxembourg)	USD	36,337,500	11.765%	indirect	Arnoweb SA	11.765%	Luxembourg- 33, rue Notre Dame		13/03/2000
Grupo Editorial Random House Mondadori SL (Spain)	EUR	10,002,000	50.00%	indirect	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%			

NAME	SHARE CAPITAL		TOTAL % OF SHARES HELD	SHARE MODALITY	SHAREHOLDER	% HELD	LEGAL OFFICES	TAX REG. NO.	COMPANY REG. DATE
Helit Investment SA (Luxembourg)	EUR	10,373,800	100%	indirect direct	Mondadori International SA Arnoldo Mondadori Editore SpA	99,99991% 0,00009%	Luxembourg - 19-21 Boulevard du Prince Henri		03/03/2003
Misa Finance Fund PLC (Ireland)	EUR	414,884,060.27	99.9998%	indirect	Mondadori Finance SA	99.9998%	Ireland - Dublin - I.F.S.C. - 2, Harbourmaster Place		12/06/2003
Mondadori Belgium SA in liquidation (Belgium)	EUR	62,000	99.984%	direct	Arnoldo Mondadori Editore SpA	99.984%	Belgium - Brussels - Avenue Louise 109		22/03/2001
Mondadori Finance SA (Luxembourg)	EUR	4,731,000	99.978%	indirect	Mondadori International SA	99.978%	Luxembourg - 33, rue Notre Dame		12/12/2002
Mondadori International SA (Luxembourg)	EUR	393,625,900	99.99%	direct	Arnoldo Mondadori Editore SpA	99.99%	Luxembourg - 33, rue Notre Dame		18/09/1970
Mondadori.com USA Inc. (USA)	USD	1,000	100%	indirect	Arnoweb SA	100%	USA - Delaware - 1013 Centre Rd Wilmington 19805, New Castle Country		16/09/1999
News Alert Investors LLC (USA)	USD	32,750,000	13.7405%	indirect	Mondadori.com USA Inc.	13.7405%	USA - New York 10022 - 575 Lexington Avenue, Suite 410		28/06/1999
Prisco Spain SA (Spain)	EUR	60,101.30	100%	direct	Arnoldo Mondadori Editore SpA	100%	Spain - Barcelona, Calle Travessera de Gracia 47/49		06/12/1988

Consolidation area

Name	Registered offices	Business activity	Currency	Share capital expressed in local currency	Total % of shares held by Group at 30/06/05	Total % of shares held by Group at 31/12/04
Companies valued with line-by-line method						
Parent company						
Arnoldo Mondadori Editore S.p.A.	Milan	Printing, publishing	Euro	67,451,756.32		
Italian associated companies						
Cemit Interactive Media S.p.A	S. Mauro Torinese	Trade	Euro	3,835,000	100.00	100.00
Edizioni Frassinelli S.r.l.	Milan	Publishing and trade book	Euro	10,400	100.00	100.00
Edizioni Piemme S.p.A.	Milan	Publishing	Euro	566,661	70.00	70.00
Edumond Le Monnier S.p.A.	Milan	Publishing	Euro	10,608,000	100.00	100.00
Mondadori Electa S.p.A.	Milan	Publishing	Euro	1,593,735	100.00	100.00
Electa Napoli S.p.A.	Naples	Publishing	Euro	155,000	60.00	60.00
Mondadori Retail S.p.A.	Milan	Trade	Euro	2,700,000	100.00	100.00
Fied S.p.A.	Milan	Financial publishing	Euro	416,000	100.00	100.00
Giulio Einaudi Editore S.p.A.	Turin	Publishing	Euro	23,920,000	100.00	100.00
Mondadori Printing S.p.A.	Milan	Printing	Euro	45,396,000	100.00	100.00
Mondadori Pubblicità S.p.A.	Milan	Advertising agent	Euro	3,120,000	100.00	100.00
Mondadori Franchising S.p.A.	Rimini	Trade	Euro	1,954,000	100.00	100.00
Mondadori Sistemi di Comunicazione S.r.l.	Milan	Services	Euro	95,000	100.00	100.00
Monradio S.r.l.	Milan	Radio	Euro	3,020,000	100.00	100.00
Sperling & Kupfer Editori S.p.A.	Milan	Publishing	Euro	388,800	100.00	100.00
Texto S.p.A.	Milan	Publishing	Euro	110,000	100.00	100.00
Foreign associated companies						
AME France S.a.r.l.	Paris	Services	Euro	20,000	99.99	99.99
AME Publishing Ltd.	New York	Services	US $	50,000	99.99	99.99
Arnoldo Mondadori Deutschland GmbH	Munich	Services	Euro	25,564.59	99.99	99.99
Arnoweb S.A.	Luxembourg	Financial	Euro	36,256,900	99.99	99.99
Artes Graficas Toledo S.A.	Toledo	Printing	Euro	5,409,000	100.00	100.00
Atimod Publishing Investments S.A.	Luxembourg	Financial	Euro	10,373,800	99.99	99.99
Helit Investments S.A.	Luxembourg	Financial	Euro	10,373,800	99.99	99.99
Mondadori.Com. USA Inc.	Delaware	Computer publishing	US $	1,000	99.99	99.99
Mondadori Finance S.A.	Luxembourg	Financial	Euro	4,731,000	99.96	99.96
Mondadori International S.A.	Luxembourg	Financial	Euro	393,625,900	99.99	99.99
MISA Finance Fund Public Limited Company	Ireland	Financial	Euro	414,884,060.27	99.99	99.99
Prisco Spain S.A.	Barcelona	Financial	Euro	60,101.30	100.00	100.00

Name	Registered offices	Business activity	Currency	Share capital expressed in local currency	Total % of shares held by Group at 30/06/05	Total % of shares held by Group at 31/12/04

Companies valued at net equity

Name	Registered offices	Business activity	Currency	Share capital expressed in local currency	Total % of shares held by Group at 30/06/05	Total % of shares held by Group at 31/12/04
Aci Mondadori S.p.A.	Milan	Publishing	Euro	590,290	50.00	50.00
Agenzia Lombarda Distribuzione Giornali e Riviste S.r.l.	Milan	Trade	Euro	400,000	50.00	50.00
Alpha Records S.A.	Athens	Music company	Euro	390,000	20.00	20.00
Attica Media Bulgaria Ltd	Sofia	Publishing	Lev	155,000	20.40	20.40
Attica Media Serbia Ltd	Belgrade	Publishing	Euro	208,000	20.40	0.00
Attica Publications S.A.	Athens	Publishing	Euro	4,590,000	40.00	40.00
Balcan Publications Ltd	Cyprus	Financial	Cyprus Pounds	1,000	20.00	20.00
BOL Books on Line Italia S.p.A.	Milan	Trade/Publishing	Euro	1,000,000	50.00	50.00
City Servers S.A.	Athens	Digital printing	Euro	4,337,500	9.00	9.00
Civico Ltd	Cyprus	Trade	US $	1,734	40.00	0.00
Random House Mondadori S.A. (formerly Distrib.Exclusiva Grijalbo S.A.)	Bogotà (Colombia)	Trade	Pesos	2,960,900	50.00	50.00
E-One S.A.	Athens	Internet	Euro	2,054,292.01	10.00	10.00
Editorial Random House Mondadori Ltda (formerly Editorial Grijalbo Colombia Ltda)	Bogotà (Colombia)	Publishing	Pesos	779,596,000	50.00	50.00
Editorial Lumen S.A.	Barcelona	Publishing	Euro	65,999.96	50.00	50.00
Editorial Sudamericana S.A.	Buenos Aires (Argentina)	Publishing	Ars	8,366,513	50.00	50.00
Random House Mondadori S.A. (formerly Editorial Sudamericana Chilena Ltda)	Santiago (Chile)	Publishing	Pesos	4,184,124,231	50.00	50.00
Editorial Sudamericana Uruguaya S.A.	Montevideo (Uruguay)	Publishing	Pesos	9,892,775	49.95	49.95
Edizioni Electa Bruno Mondadori S.r.l.	Milan	Publishing	Euro	10,400	50.00	50.00
Edizioni EL S.r.l.	San Dorligo della valle	Publishing	Euro	620,000	50.00	50.00
Emphasis S.A.	Athens	Publishing	Euro	798,239.18	32.50	32.80
Enallaktikes S.A.	Athens	Publishing	Euro	410,858.40	19.60	19.60
G. Dragounis S.A.	Athens	Publishing	Euro	311,346	20.00	20.00
Grijalbo Editor S.A.	Montevideo (Uruguay)	Publishing	N. Pesos	500,000	50.00	50.00
Random House Mondadori S.A. (formerly Grijalbo S.A.)	Caracas (Venezuela)	Publishing	Bolivares	670,686,000	50.00	50.00
Grupo Editorial Random House Mondadori S.L. (formerly Grijalbo Mondadori S.A.)	Barcelona	Publishing	Euro	10,002,000	50.00	50.00
Gruner und Jahr / Mondadori S.p.A.	Milan	Magazine publishing	Euro	2,600,000	50.00	50.00
Harlequin Mondadori S.p.A.	Milan	Publishing	Euro	258,250	50.00	50.00
Hearst Mondadori Editoriale S.r.l.	Milan	Publishing	Euro	99,600	50.00	50.00
International Radio Networks Holdings S.A.	Luxembourg	Financial	Euro	750,000	40.00	40.00
International Radio Networks S.A.	Athens	Radio	Euro	380,000	39.88	39.88
Ionikes Publishing S.A.	Athens	Publishing	Euro	780,000	26.60	26.60
Mach 2 Libri S.p.A.	Milan	Trade	Euro	646,250	24.00	24.00
Map Media S.A.	Budapest	Publishing	Huf	60,000,000	20.00	20.00
Market Self S.A.	Buenos Aires (Argentina)	Publishing	Ars	30,200	25.00	25.00
Mondadori Rodale S.r.l.	Milan	Publishing	Euro	90,000	50.00	50.00
Mondolibri S.p.A.	Milan	Trade publishing	Euro	1,040,000	50.00	50.00
PBR Publication Ltd	Bucharest	Publishing	Rol	2,000,000	20.00	20.00
PressTV S.p.A.	Milan	Publishing	Euro	1,500,000	50.00	50.00
Prooptiki S.A.	Athens	Trade	Euro	1,760,821.72	20.00	20.00
Random House Mondadori S.A. (formerly Plaza y Janes Editores S.A.)	Barcelona	Publishing	Euro	6,824,606.24	50.00	50.00
Random House Mondadori S.A. de C.V. (formerly Editorial Grijalbo S.A. de C.V.)	Mexico	Publishing	Pesos	230,618,774	50.00	50.00
Roccella S.c.a.r.l.	Naples	Services	Euro	100,000	29.70	0.00
Rock FM S.r.l.	Milan	Radio	Euro	200,000.00	46.00	0.00
Tilerama S.A.	Athens	Newspaper publishing	Euro	1,467,351.43	20.00	20.00
Tiletheatis S.A.	Athens	Newspaper publishing	Euro	2,641,500	28.67	28.68
Società Europea di Edizioni S.p.A.	Milan	Newspaper publishing	Euro	2,775,601.92	39.27	39.27
Venezia Accademia Società Consortile a r.l.	Mestre	Services	Euro	15,000	26.00	26.00
Venezia Musei Società Consortile a r.l. (in liquidation)	Venice	Services	Euro	10,000	34.00	34.00
Venezia Musei Società per i servizi museali Scrl	Venice	Services	Euro	10,000	34.00	34.00

Name	Registered offices	Business activity	Currency	Share capital expressed in local currency	Total % of shares held by Group at 30/06/05	Total % of shares held by Group at 31/12/04

Companies valued at cost

Name	Registered offices	Business activity	Currency	Share capital expressed in local currency	Total % of shares held by Group at 30/06/05	Total % of shares held by Group at 31/12/04
Casa Editrice e di Distribuzione "Bences" S.r.l.	Pannonhalma (Hungary)	Trade	Ft	11,250,000	15.40	15.40
Consuledit S.r.l.	Milan	Services	Euro	20,000	9.54	9.54
Consorzio Sistemi Informativi Editoriali Distributivi	Milan	Services	Euro	103,291.38	10.00	10.00
Editrice Portoria S.p.A.	Milan	Publishing	Euro	364,000	16.78	16.78
Editrice Storia Illustrata S.r.l. (in liquidation)	Milan		Lire	20,000,000	8.39	8.39
Euromedia Luxembourg Two S.A.	Luxembourg	Financial	US $	36,337,500	11.76	11.76
Giulio Einaudi Editore S.p.A. (in receivership)	Turin		Lire	3,000,000,000	7.35	7.35
Immobiliare Editori Giornali S.r.l.	Rome	Real Estate	Euro	830,462	7.88	7.88
Istud - Istituto Studi Direzionali S.p.A.	Milan	Services	Euro	985,094	0.59	0.59
News Alert Investors llc	New York	Computer publishing	US $	32,750,000	13.74	11.21
Novamusa Gelmar Biblioteca Nazionale Società Consortile a r.l.	Rome	Services	Euro	10,200	12.00	12.00
Novamusa Val di Noto Società Consortile a r.l.	Messina	Services	Euro	90,000	12.00	12.00
Novamusa Valdemone Società Consortile a r.l.	Messina	Services	Euro	90,000	12.00	12.00
Novamusa Val di Mazara Società Consortile a r.l.	Messina	Services	Euro	90,000	12.00	0.00
Selcon S.r.l.	Milan	Services	Euro	20,800	17.60	17.60
Società Editrice Il Mulino S.p.A.	Bologna	Publishing	Euro	1,175,000	7.05	7.05
Argos S.A.	Athens	Trade	Euro	2,203,327	2.00	0.00

Mondadori Group

Report of the External Auditors

ERNST & YOUNG

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Auditors' report on the review of the management half-yearly report in accordance with article 81 of CONSOB regulations contained in resolution 11971 of 14 May 1999 and subsequent modifications.

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 30 June 2005, represented by the Consolidated Balance Sheet and Consolidated Income Statement 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 E.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 of a number of associated companies, which represent approximately 66% of investments and approximately 4% of total consolidated assets, is the responsibility of other auditors. A review consists mainly of obtaining information with respect to the accounts 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 that a full scope audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the half-yearly report as we do for the annual consolidated financial statements.

■ Reconta Ernst & Young S.p.A.
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3. With respect to the comparative date relative to the consolidated financial statements of the previous year included in the tables, reference should be made to our audit and report issued on 25 October 2005.
   The comparative data contained in the half-year report for the previous year calculated in accordance with IFRS international accounting principles and the relative IFRS reconciliation tables derive from half-year report data prepared in accordance with legal requirements and with the accounting principles in force at the time that were previously subjected by us to a limited review, as contained in our report issued on 21 September 2004.

4. Based on our review, we did not become aware of any significant modifications that should be made to the consolidated statements and related Notes identified in paragraph 1 of this report, in order for them to be in conformity with criteria for the presentation of the half-year Management Report, specified by article 81 of CONSOB regulations in resolution No. 11971 of 14 May 1999 and subsequent modifications.

5. As explained in the Notes, the consolidated statements have been prepared in accordance with international accounting principles in force at the time the half-year report was prepared. These principles may not conform to the IFRS provisions in force at 31 December 2005 as a result of future decisions taken by the European Commission concerning the consistency of international accounting principles, and of new principles or interpretations issued by the competent authorities.

Milan, 25 October 2005

Mondadori Group

Transition to IAS/IFRS accounting principles

Mondadori Group

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Transition to international accounting principles (IAS/IFRS)

As a consequence of the effects of the introduction of European Regulation 1606/2002 by the European Parliament and the Council of Europe in July 2002, companies with shares admitted to stock exchange markets regulated by member states of the European Union must, from 2005, draw up their consolidated Financial Statements in conformity with the international accounting principles (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union.

The Mondadori Group, exercising the option contained in CONSOB resolution 14990 of 14 April 2005, decided to begin publishing its quarterly consolidated situation compiled in conformity with international accounting principles from 30 June 2005.

Therefore, in compliance with IFRS 1, the quantitative and qualitative information regarding the effects of the transition to IAS/IFRS accounting principles are explained below.

In particular, the attachments to the respective explanatory notes contain reconciliations between the consolidated net equity drawn up in accordance with the accounting principles previously used and those drawn up in accordance with IAS/IFRS accounting principles at 1 January 2004, the date of the transition, together with reconciliations between the net equity and the consolidated economic result drawn up in accordance with Italian accounting principles and the same reconciliations drawn up in accordance with the new accounting principles at 31 December 2004.

The IAS/IFRS balance sheets and the IAS/IFRS income statements have been obtained by introducing the appropriate IAS/IFRS adjustments and reclassifications to the consolidated final balance, drawn up in accordance with Italian legal requirements, in order to highlight the modifications introduced to the presentation, entry and valuation criteria requested by IAS/IFRS.

The financial tables and reconciliations have been drawn up only in order to compile the first Consolidated Financial Statement, completed at 31 December 2005, in accordance with IAS/IFRS regulations ratified by the European Commission. The statements in question therefore do not contain comparative data nor the necessary explanatory notes that would normally be required in order to attest to the reliability of the economic-financial situation and the consolidated economic result of the Mondadori Group in accordance with IAS/IFRS accounting principles.

The adjustments have been implemented in accordance with current IAS/IFRS accounting principles. The Commission is currently carrying out the necessary ratifications, and adaptations and interpretations are being made by other official bodies.

When the first complete IAS/IFRS Consolidated Financial Statements are drawn up at 31 December 2005, it is possible that new IAS/IFRS accounting principles and IFRIC interpretations will have been introduced which can be applied in advance. For this reason the data shown in the financial tables and in the reconciliation tables could be changed in order to be able to use, for comparative purposes, the first complete Consolidated Financial Statements drawn up in accordance with IAS/IFRS principles.

The Mondadori Group has entrusted the complete audit of the reconciliation tables as of 1 January 2004 and 31 December 2004 to the outside auditing company Reconta Ernst & Young SpA.

First application of international accounting principles (IFRS 1)

As required by IFRS 1, as from the date of transition to the new principles (1 January 2004), a consolidated asset and liability statement has been drawn up where:

- assets and liabilities that should be shown in accordance with IAS/IFRS principles have been entered;
- items that had previously been entered in the Financial Statements in accordance with principles that are different from IAS/IFRS principles have been reclassified;
- IAS/IFRS accounting principles have been applied in evaluating all assets and liabilities.

The effect of the adoption of the new accounting principles has been entered under items in net equity, taking into account the relative fiscal effects entered under advance tax assets and deferred tax liabilities.

The conversion of the consolidated asset and liability statements of 1 January 2004 and the consolidated financial tables of 31 December 2004 has involved choosing certain options from among those available in IAS/IFRS accounting principles, as outlined below.

Optional exemptions utilised by the Mondadori Group

Re-calculating data entered in the Financial Statements in accordance with IFRS 3

The Mondadori Group exercised its option not to apply retrospectively the provisions contained in IFRS 3, therefore data concerning the purchase of companies, company sectors and investments that took place before 1 January 2004, when IAS/IFRS accounting principles were adopted, has not been re-entered.

Fair value evaluation and utilisation of this method instead of historical cost, with regard to real estate investments and property, plant and machinery, in accordance with the provisions contained in IAS 40 and IAS 16.

The Mondadori Group exercised its option to utilise the criteria of fair play to replace that of historical cost as from 1 January 2004, when evaluating certain goods booked under real estate investments and property, plant and machinery that have a value in the Financial Statements that is significantly different from their current value.
These operations were carried out on the basis of specific appraisal from independent, third-party experts.
After the initial entry, the Group opted for the utilisation of the historical cost method when valuating these items.

Re-calculating data concerning personnel benefits entered in the Financial Statements in accordance with IAS 19

The Mondadori Group has not utilised the “corridor method” for entering actuarial profits and losses deriving from the application of IAS 19.

Valuation and booking of values relative to complex financial instruments in accordance with IAS 32

The Mondadori Group exercised its option to apply the provisions contained in IAS 32 and IAS 39 as from 1 January 2005, without providing comparative data relative to fiscal year 2004.

Accumulated conversion differences

The accumulated conversion differences, entered in the Consolidated Financial Statements in accordance with the accounting principles previously used, as of 1 January 2004 have not been itemised for IAS/IFRS purposes. Only those referring to after this date have been entered.

Stock option

The Mondadori Group has applied the provisions contained in IFRS 2 to all stock option plans introduced after 7 November 2002.

Accounting principles and valuation methods

General principles

The following is an explanation of the principles adopted by the Mondadori Group in drawing up the consolidated half-year report and the attached comparative tables, in accordance with IAS/IFRS accounting principles currently in force.

Presentation of Financial Statements

The Financial Statements are drawn up in the following way:
- current and non-current assets and current and non-current liabilities are shown separately in the balance sheet;
- in the income statement the analyses of costs are carried out on the basis of the nature of the costs;
- the financial statements are drawn up using the indirect method.

Consolidation policies

The Consolidated Financial Statements of the Mondadori Group include:
- the Financial Statements for the year of the Holding Company and those of Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, the control as defined in the provisions contained in IAS 27. In these cases the full version consolidation method has been adopted, in accordance with IAS 27;
- the Financial Statements for the year of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, joint control as defined in the provisions contained in IAS 31. In these cases the net equity consolidation method has been adopted, in accordance with IAS 31;
- the Financial Statements for the year of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, a stake as defined in the provisions contained in IAS 28. In these cases the net equity consolidation method has been adopted, in accordance with IAS 28.

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 purchase cost of investments and companies and their net equity at the date of purchase is booked to the specific item in the Financial Statements at their current value. Any eventual residual difference is booked, if positive, under the item goodwill and, if negative, to the income statement;

- the amount of capital, reserves and the consolidated financial result, corresponding to minority interests, is booked to the specific items in the Financial Statements;
- 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.

Conversion of Financial Statements in foreign currencies

All amounts in the Consolidated Financial Statements of the Mondadori Group are expressed in euros.
The Financial Statements of companies whose working currency is not euros are converted into euros in the following way:

- assets and liabilities are converted based on the exchange rate in force at the end of the financial period in question;
- items in the income statement are converted on the basis of the average exchange rate for the period in question.

Exchange rate differences that emerge from these conversions are shown in the specific reserve in the shareholders' equity.

Intangible assets

Requirements for inclusion

In accordance with IAS 38, intangible assets include the cost, including accessory charges, of the purchase of assets or resources, without any physical presence, used in the production of goods or in the supply of services, to rent to third parties or for administrative purposes, on condition that the cost is quantifiable in a reliable manner and that the goods are clearly identifiable and controlled by the company that owns them. Goodwill is also booked to this item if it has been purchased.

Intangible assets are booked to their historical cost and any costs incurred after their initial purchase are included in the increase of the cost of the intangible assets in direct relation to how much those costs are able to generate future economic benefits.

Internal costs for producing publishing imprints and for the launch of journalistic titles are booked to the income statement for the year in question.

Valuation method

Intangible assets purchased separately and those purchased as part of associated company operations that took place before the adoption of IAS/IFRS principles are valued using the historical cost method.

Intangible assets purchased as part of associated company operations, which took place after IAS/IFRS principles were adopted, are valued when they are first booked at their fair value determined at the time of their purchase and subsequently at their purchase cost.

Intangible assets with a definite useful life

The cost of intangible assets with a definite useful life is systematically amortised during the useful life of the asset from the moment the asset is available for use. The depreciation criteria depends on the how the relative future economic benefits arrive at the company.

The depreciation rates that generally reflect the useful life attributed to intangible assets with a definite life are as follows:

Intangible assets with a definite useful life -	**Depreciation rate**
Transfer charges for shop rental contracts	Duration of rental contract
Goods in franchising or under licence	Duration of franchise or licence
Software	20% - 30%
Patents and rights	20% - 33%
Other intangible assets	20% - 33%

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

Intangible assets with an indefinite useful life

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

The cost of intangible assets with an indefinite useful life, which can be titles, series, imprints, franchising or frequencies as long as they satisfy the requirements referred to above, are not amortised.
If goodwill has been purchased it is not amortised.

However, the value booked to the Financial Statement of these assets is subject to an impairment test whenever it is thought that it has decreased and in any case at least once a year.

Real estate investments

Requirements for inclusion

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

Valuation method

In accordance with IAS 40, real estate investments are booked at historical cost, which includes the purchase cost and all accessory charges directly connected to them.

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

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

The depreciation rates that generally reflect the useful life attributed to the investments are as follows:

Real estate investments	**Depreciation rate**
Buildings	3%

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

Profits and losses deriving from the disposal of real estate investments are booked to the income statement for the year the operation takes place.

Property, plant and machinery

Requirements for inclusion

Any costs attributable to the purchase of property, plant and machinery are booked as assets, on condition that the costs of the asset can be reliably calculated and any relative future economic benefits can be enjoyed by the company.

Valuation method

Assets booked to property, plant and machinery are valued using the historical cost method, including any eventual accessory charges, and are shown net of the relative depreciation reserves and any eventual loss in value.

Cost which arise after the initial purchase are included in the increase in the cost in direct relation to how much those costs are able to improve the performance of the assets.

Assets booked to property, plant and machinery purchased as part of acquisition and merger operations, which took place after the IAS/IFRS principles were adopted, are valued when they are first booked at their fair value determined at the time of their purchase and subsequently at their purchase cost.

Assets booked to property, plant and machinery, with the exception of land, are amortised during the useful life of the asset from the moment the assets are available for use.

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

The depreciation rates that generally reflect the useful life attributed to property, plant and machinery are as follows:

Property, plant and machinery	**Depreciation rate**
Buildings	3%
Plant	10% - 25%
Rotary press	10%
Machinery	15.5%
Equipment	25%
Electronic office equipment	30%
Furniture and fixtures	12%
Motor vehicles and transport vehicles	20% - 30%
Improvement of third-party assets	Duration of rental contract
Other assets	20%

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

Leased assets, for which all risks and benefits have been transferred to the Group in accordance with IAS 17, are booked at their current value or, if lower, to the actual value of the minimum leasing payment.

They are classified in their respective categories under property, plant and machinery and amortised with the method referred to above.

Liabilities due to leasing contracts are booked under financial liabilities.

Loss of value of assets (impairment test)

The value of intangible assets, real estate investments and property, plant and machinery enter in the Financial Statements is subject to an impairment test whenever it is thought that it has decreased.

Impairment tests are carried out at least once a year on goodwill, other intangible assets with an indefinite useful life and on other assets that are not available for use.

The impairment test involves comparing the book value with whichever is higher between the net sales price and the use value of the asset.

If no binding sales agreement or an active market for an asset exist, the fair value is calculated on the basis of the best information available concerning the amount the asset could obtain, on the reference date of the Financial Statements, from the disposal of an asset in a free transaction between informed and available parties, after the cost of the disposal has been deducted.

The use value of an asset is determined by calculating the amount of income expected from the use of the asset, basing the forecasts of financial income on reasonable, plausible assumptions that represent the best estimates carried out by the Management department of a series of economic conditions that exist for the rest of the life of the asset, and giving more importance to external indications.
The actuarial rate used, gross of taxes, reflects the current market evaluation of money and of the specific risks connected to the asset.

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

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

If during the following financial year, when the impairment test is repeated, the reasons for the writedown are no longer valid, the asset, with the exception of goodwill, is re-valued to take into account the new recoverable value which cannot, however, exceed the value that would have been calculated had the loss due to a reduction in value not been revealed.

Investments

Investments in joint-ventures and associated companies are valued by the net equity method, for an amount equal to the corresponding part of the net equity as entered in the Financial Statements approved by the company in question, after making adjustments required by the accounting principles adopted in preparing the Consolidated Financial Statements.
The book value also contains the higher cost paid, attributable to goodwill.

Investments in other companies are valued by the fair play method or, if the fair play cannot be reliably calculated, by the historical cost method, adjusted if necessary to take into account any eventual loss in value.
If the reasons for carrying out writedowns in previous years no longer apply, investments in other companies are re-valued within the limits of the writedown carried out and booked to the income statement.

The risk deriving from any eventual losses that exceed the net equity is booked to reserves, for the same amount the investment is legally or implicitly liable .

Inventories

Inventories are valued at the lower of cost and the net market value, which is calculated on the basis of the performance of the reference market. The inventory cost includes the purchase cost, the transformation cost and the other costs involved in carrying out the inventory.

Calculation of the inventory cost is based on the average cost of raw and consumable materials and of finished products purchased for sale, while the F.I.F.O. method is used for finished products.

The valuation of work in progress and semi-finished editions is based on the average industrial cost, taking into account the progress of the production process.

Trade receivables and payables and other assets and liabilities

Receivables are booked at their estimated market value, while payables are booked at their face value.

Trade and other receivables and payables are expressed in their current value when the financial effect, linked to a forecast of when they will be collected or paid, is significant and when the date of when they will be collected or paid can be reliably forecast.

Financial assets and liabilities

Financial assets that the company has the firm intention and ability to maintain up to their expiry are valued with the amortised cost method based on actual interest rates.

Financial assets destined for negotiation and financial assets available for sale are valued with the fair play method, with the result booked to the income statement and net equity, respectively.

Loans are initially valued at a cost corresponding to a fair value of the amount received, net of accessory loan charges. After the initial valuation, loans are valued with the amortised cost method based on actual interest rates.

Derivative financial instruments

Derivative instruments are financial assets and liabilities and are valued using the fair value method.

Derivatives are classified as coverage instruments when the valuation between the derivative and the object being covered is formally documented and the coverage, which is constantly checked, is very efficient.

When coverage derivatives cover the risk of variations in the fair value of the instruments being covered, the derivatives are valued at fair value with the results booked to the income statement, therefore the instruments covered are sufficient to reflect the variations in the fair value associated with the risk covered.

When derivatives cover the risk of variations in the cash flow of the instrument being covered, variations in the fair value of the derivatives are initially booked to net equity and subsequently to the income statement under the economic effects produced by coverage operations.

Variations in fair value that do not satisfy the conditions to be qualified as cover are booked to the income statement.

Cash, liquid assets and equivalent financial assets

Requirements for inclusion

The item funds, cash and equivalent financial assets include liquid financial assets and financial investments that expire within three months and are subject to a minimal risk of variation in their face value.

Valuation method

The financial instruments referred to above are booked at their face value.

Treasury stock

Treasury stock is valued with the historical cost method and booked under net equity.

Stock option

For current equity settled stock options, the fair value of the options, which is calculated at the time they are allocated, is booked to personnel costs for the length of the maturation period of the plan with an equal amount entered in the net equity reserve.

The Mondadori Group has applied the provisions contained in IFRS 2 to all stock option plans introduced after 7 November 2002.

Reserves

Requirements for inclusion

Reserves for covering notable losses or liabilities that certainly or probably exist but whose amount or date of occurrence was impossible to establish when the Consolidated Financial Statements were drawn up, are itemised when it becomes probable that a current, legal or implicit obligation exists, as a result of events that happened in the past, when it is probable that the obligation in question is onerous and the amount can be reliably estimated.

Valuation method

Reserves are valued using the fair value method for each asset. When the financial effect linked to a forecast of when the payment will be made is significant and the payment date can be reliably estimated, the reserves include the financial component and are booked to the income statement under financial income (charges).

Severance indemnities

Severance indemnities, severance indemnities for employees and supplementary indemnities for agents are calculated using an actuarial method, based on demographic hypotheses, taking into account mortality rates and the rotation of the reference population, and on financial hypotheses, taking into account the bank rate that reflects the value of money at the time, the inflation rate and, as far as severance indemnity is concerned, future salary and wage levels.

The amount due to employees up to the end of the period and the actuarial profits or losses are booked under personnel costs, while the financial component, which represents the charges the company must pay if it were to seek a loan on the market for the amount of the indemnities, is booked under financial income (charges).

The estimated amount due to agents up to the end of the period, which can be paid under certain conditions if the work relationship is terminated, is booked under various income (charges).

Income and revenues

Requirements for inclusion

Revenues deriving from the sale of goods are booked to the Financial Statements, net of discounts, allowances and returns, when the risks and benefits connected to the ownership of the goods have been transferred to the purchaser, when it is probable that the economic benefits arising from the sale will go to the Group and when the value of the revenues can be reliably calculated.

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

Revenues deriving from services are booked to the Financial Statements on the basis of the time the services are completed, when it is probable that the economic benefits arising from the sale will go to the Group and when the value of the revenues can be reliably calculated.

Revenues from interest are itemised according to when the interest matures, royalties are itemised on the basis of the agreement that governs them and dividends are itemised when the shareholders' right to receive payment has been established.

Valuation method

All revenues are valued using the fair value method based on their amount. When the financial effect linked to a forecast of when the revenues will be received is significant and the date when the amount will be received can be reliably estimated, the relative financial component is booked under financial income (charges).

Costs and charges

Requirements for inclusion

Costs and charges are itemised when they are the result of the purchase of goods and services that have been used during the period or when they do not fulfil the requirements for being booked to equity assets.

Valuation method

All costs are valued using the fair value method based on their amount. When the financial effect linked to a forecast of when the payment will be made is significant and the payment date can be reliably estimated, the reserves include the financial component and are booked to the income statement under financial income (charges).

Current, advance and deferred taxes

Current taxes are calculated on the basis of an estimate of taxable income and in accordance with the laws in force in each country where the individual consolidated companies are resident.

Advance and deferred taxes are calculated based on the temporary differences between the value of the assets and liabilities booked to the Financial Statements and the corresponding value recognised for fiscal purposes, applying the tax rate in force at the time the temporary differences are identified.

Advance taxes are itemised on the basis of when it is probable that taxable income is produced for the purposes of which the deductible temporary difference can be used.

Share profit

Share profit is calculated by comparing the net profit of the Group with the average number of shares in circulation during the period.
In order to calculate the diluted profit per share, the average number of shares in circulation is modified assuming all the potential shares included in the dilution are converted.

Use of estimates

In compiling the attached tables and the relative notes, it has been necessary to employ estimates and assumptions in order to calculate, in particular, returns, provisions for writedown reserves and risk reserves, employee benefits and taxes.

The estimates are constantly examined and the results are entered in the income statement.

Mondadori Group

Effects of the adoption of IAS/IFRS accounting principles on consolidated net equity at 1st January 2004

Reconciliation of consolidated Shareholders' Equity at 1st January 2004

	Consolidated Shareholders' Equity as per Italian accounting principles	**551,918**
1.	**Reversals of intangible assets**	**(1,449)**
2.	**Valuation of intangible assets as per IAS 36**	**(969)**
3.	**Separation of value of land and value of buildings**	**4,794**
4.	**Fair value valuation of land and buildings**	**23,854**
5.	**Valuation of property, plant and machinery as per IAS 36**	**(179)**
6.	**Valuation of inventories as per IAS 2**	**(3,611)**
7.	**Actuarial calculation of reserves**	**4,470**
8.	**Severance indemnities as per IAS 19**	**11,304**
9.	**Application of IAS/IFRS accounting principles to companies valued at net equity**	**(249)**
10.	**Variation in consolidation area and others**	**110**
11.	**Fiscal effects**	**(7,590)**
	Consolidated Shareholders' Equity as per IAS/IFRS accounting principles	**582,403**

The following comments refer to the items and amounts in the reconciliation table (see previous page) between the value of consolidated net equity at 1 January 2004 prepared in accordance with Italian accounting principles and the value of consolidated net equity prepared in accordance with IAS/IFRS accounting principles.

1. The costs that according to IAS/IFRS accounting principles do not satisfy the requirements for being booked under intangible assets have been eliminated from the value of intangible assets. These include the cost of plant and expansion, the cost of software and long-term charges that do not have the characteristics necessary to be recognised by IAS 38. The adjustments introduced resulted in a reduction of the value of intangible assets equal to €1,449 thousand.

2. Following the application of an impairment test, designed to verify eventual losses in value in accordance with IAS 36, the Mondadori Group wrotedown an imprint and some goodwill not supported by their relative value in use for a total of €969 thousand.

3. Using Italian accounting principles, land linked to buildings is amortised together with the buildings themselves while according to IAS/IFRS accounting principles it must be classified separately and it is no longer amortised. This difference has resulted in the depreciation reserve calculated on land being written off and the value of the land and the net equity increasing, to the tune of €873 thousand under real estate investments and €3,921 thousand under property, plant and machinery.

4. Land and buildings, which are entered in the Financial Statements at a value that is significantly different from their current value, was valued using the fair value method, on the basis of appraisals carried out by independent, third-party experts. After the initial financial statements, the Mondadori Group opted to utilise the historical cost method of valuation for this item. The adjustments introduced resulted in an increase in the value of land and buildings and in net equity for €87 thousand under intangible assets and for €23,767 thousand under property, plant and machinery.

5. The adjustment in question, which amounted to €179 thousand, refers to the writedown of other fixed assets as a result of the application of the impairment test accordance with IAS/IFRS accounting principles.

6. The value of inventories is correctly shown in accordance with IAS/IFRS accounting principles. In particular, where the L.I.F.O. method is utilised, the average cost method has been utilised to evaluate raw material inventories. The adjustment also includes the effect deriving from the re-calculation of the reversals in profits made inside the Group. The total value of adjustments and net equity registered a decrease of €3,611 thousand.

7. The provisions made for risk reserves with a duration of more than 12 months deriving from court cases and contentions for which the pay-out date can be reliably estimated, has been re-calculated on the basis of an estimate of the time when the pay-out will be made. The adjustment has reduced the amount of risk reserves and increased net equity by €112 thousand. In addition, the supplementary indemnity for agents has been re-calculated utilising an actuarial method of valuation, with a positive impact on net equity of €4,358 thousand.
8.
9. Italian accounting principles require any liabilities arising from severance indemnities (TFR) to be booked according to the accounting regulations in force when the Financial Statements are drawn up, while IAS/IFRS accounting principles require such liabilities to be valued using the actuarial method. This difference has resulted in a reduction of liabilities and an increase in net equity of €11,304 thousand.
10.
11. Following the application of IAS/IFRS accounting principles, the book value of associated companies and joint ventures, valued at net equity, decreased by €249 thousand, which was mainly due to the economic effects deriving from the reversals in intangible assets that do not satisfy the requirements contained in IAS 38 and to the valuation of severance indemnities utilising the actuarial method.
12.
13. The effect deriving from the variation in the consolidation area regarding investments in companies that were not consolidated in the Financial Statements prepared in accordance with Italian accounting principles because they were considered to be irrelevant in terms of representing the financial and economic situation of the Mondadori Group. With the adoption of international accounting principles, these companies have now been consolidated. The adjustment produced an increase in consolidated net equity of €133 thousand. The item also includes reversals in third-party adjustments in the Group's net equity for €23 thousand.
14.
15. The item in question includes the fiscal adjustment made when re-calculating the values in the financial statements following application of IAS/IFRS principles.

Mondadori Group

Effects of adoption of IAS/IFRS accounting principles on consolidated balance sheet at 1st January 2004

Consolidated Balance Sheet at 1st January 2004

Assets	As per Italian accounting principles (*)	Variations in consolidation area	IAS/IFRS reclassifications	IFS/IFRS adjustments	As per IAS/IFRS
Intangible assets	**158,426**	**(113)**	**(3,298)**	**(2,418)**	**152,597**
Real estate investments	**12,181**	**-**	**-**	**960**	**13,141**
Land and buildings	70,266	-	-	27,688	97,954
Plant and machinery	92,978	(307)	-	-	92,671
Other fixed assets	24,453	(494)	2,182	(179)	25,962
Property, plant and machinery	**187,697**	**(801)**	**2,182**	**27,509**	**216,587**
Investments valued at net equity	64,092	12,271	-	(249)	76,114
Other investments	5,888	(164)	-	-	5,724
Total investments	**69,980**	**12,107**	**0**	**(249)**	**81,838**
Non-current financial assets	**118,769**	**-**	**-**	**-**	**118,769**
Advance tax assets	**39,140**	**(1,152)**	**-**	**(5,155)**	**32,833**
Other non-current assets	**19,351**	**(180)**	**-**	**-**	**19,171**
Total non-current assets	**605,544**	**9,861**	**(1,116)**	**20,647**	**634,936**
Tax credits	**19,833**	**(4,372)**	**-**	**-**	**15,461**
Other current assets	**59,854**	**(174)**	**-**	**-**	**59,680**
Inventories	**133,521**	**(4,974)**	**-**	**(3,611)**	**124,936**
Trade receivables	**376,874**	**(939)**	**-**	**-**	**375,935**
Shares and other current financial assets	**604,266**	**(35,598)**	**-**	**-**	**568,668**
Cash and other equivalent liquid assets	**42,685**	**27,655**	**-**	**-**	**70,340**
Total current assets	**1,237,033**	**(18,402)**	**0**	**(3,611)**	**1,215,020**
Assets destined for sale or disposal	**-**	**-**	**-**	**-**	**-**
Total assets	**1,842,577**	**(8,541)**	**(1,116)**	**17,036**	**1,849,956**

(*) In all tables dealing with financial statements, attached, this column refers to data expressed as per Italian accounting principles reclassified as per IAS/IFRS indications.

Figures in € ,000

Consolidated Balance sheet at 1st January 2004

Liabilities	As per Italian accounting principles	Variations in consolidation area	IAS/IFRS reclassifications	IAS/IFRS reclassifications	As per IAS/IFRS
Share capital	67,452	-	-	-	67,452
Share premium reserve	287,265	-	-	-	287,265
Other reserves and results brought forward	115,100	133	-	30,352	145,585
Profit (loss) for period	82,101	-	-	-	82,101
Shareholders' equity pertaining to Group	**551,918**	**133**	**0**	**30,352**	**582,403**
Third-party shareholders' capital and reserve	3,282	131	-	23	3,436
Total shareholders' equity	**555,200**	**264**	**0**	**30,375**	**585,839**
Reserves	17,748	-	-	(112)	17,636
Severance indemnities	110,888	(2,299)	-	(15,662)	92,927
Non-current financial liabilities	422,752	23	(1,116)	-	421,659
Deferred tax liabilities	14,248	(46)	-	2,435	16,637
Other non-current liabilities	31	-	-	-	31
Total non-current liabilities	**565,667**	**(2,322)**	**(1,116)**	**(13,339)**	**548,890**
Income tax payables	7,832	52	-	-	7,884
Other current liabilities	178,869	(713)	-	-	178,156
Trade payables	381,780	(5,981)	-	-	375,799
Payables to banks and other financial liabilities	153,229	159	-	-	153,388
Total current liabilities	**721,710**	**(6,483)**	**0**	**0**	**715,227**
Liabilities destined for sale or disposal	-	-	-	-	-
Total liabilities	**1,842,577**	**(8,541)**	**(1,116)**	**17,036**	**1,849,956**

The following comments refer to the items and amounts in the reconciliation table (see previous page) between the consolidated balance sheet at 1 January 2004 prepared in accordance with Italian accounting principles and the one prepared in accordance with IAS/IFRS accounting principles.

IAS/IFRS reclassifications

The reclassified column includes:
- €2,182 thousand for the cost of improvements made to third-party goods which, not having the requirements referred to, have been classified under other fixed assets;
- €1,116 thousand for accessory charges due to loans (private placement and convertible debenture bonds) entered as a reduction of the respective loan payables.

IAS/IFRS adjustments

In addition to those mentioned in the comments on reconciliations of items with an impact on net equity, the variation in consolidation area column mainly includes the effect:
- of the Mondolibri SpA joint venture, which was previously consolidated using the proportional method and valued in accordance with IAS/IFRS principles at net equity. The result of this was the booking of €12,306 thousand under “investments” and a variation in net assets for the same amount that had previously been booked to other items under assets and liabilities;
- of the SICAV Misa Finance Fund, held by Mondadori Finance and booked in accordance with Italian accounting principles as financial investments in shares valued at the lesser value between cost and market value, entirely consolidated in accordance with IAS/IFRS principles. In view of the fact that the Mondadori Group applied IAS/IFRS principles as from 1 January 2005, the effect of the consolidation has mainly resulted in an increase of €28,809 thousand in “cash and other equivalent liquid assets” and a reduction of €28,287 thousand in the balance of “shares and other current financial assets”.

Mondadori Group

Effects of adoption of IAS/IFRS accounting principles on consolidated net equity at 31 December 2004

Reconciliation of consolidated shareholders' equity at 31 December 2004

	Consolidated Shareholders' Equity as per Italian accounting principles	**584,499**
1.	Reversals of intangible assets	(2,323)
2.	Depreciations of intangible assets	16,686
3.	Valuation of intangible assets as per IAS 36	(2,094)
4.	Effects on property, plant and machinery	23,596
5.	Depreciations of property, plant and machinery	957
6.	Valuation of inventories as per IAS 2	(4,126)
7.	Actuarial calculation of reserves	4,839
8.	Severance indemnities as per IAS 19	11,758
9.	Application of IAS/IFRS accounting principles to companies valued at net equity	606
10.	Variations in consolidation area and others	(258)
11.	Fiscal effects	(11,840)
	Consolidated Shareholders' Equity as per IAS/IFRS accounting principles	**622,300**

The following comments refer to the items and amounts in the reconciliation table (see previous page) between the value of consolidated net equity at 31 December 2004 prepared in accordance with Italian accounting principles and the value prepared in accordance with IAS/IFRS accounting principles.

1. The costs that according to IAS/IFRS accounting principles do not satisfy the requirements for being booked under intangible assets have been eliminated from the value of intangible assets. These include the cost of plant and expansion, the cost of software and long-term charges that do not have the characteristics necessary to be recognised by IAS 38. The adjustments introduced resulted in a reduction of the value of intangible assets equal to €2,323 thousand.

2. Some intangible assets, among titles, series and imprints, have been qualified as having an indefinite life, therefore they are no longer subject to depreciations but to an impairment test. This has resulted in an increase of €16,686 thousand in net equity.

3. Following the application of an impairment test, designed to verify eventual losses in value in accordance with IAS 36, the Mondadori Group wrotedown an imprint, some titles and some goodwill not supported by their relative value in use for a total of €2,094 thousand.

4. The effects on property, plant and machinery include an increase in net equity relative to land and buildings that existed at 31 December 2004 that were valued at fair value at €19,409 thousand at 1 January 2004, and the separation of land from the buildings linked to it which produced a total of €4,794 thousand. They also include a writedown of other fixed assets of €179 thousand and other movements that resulted in a decrease of € 428 thousand in net equity.

5. Depreciations in property, plant and machinery changed as a result of the economic effect of the utilisation of the fair value method for some land and buildings, when IAS/IFRS accounting principles were first applied, and for the elimination of depreciations on land for a total of €957 thousand.

6. The value of inventories is correctly shown in accordance with IAS/IFRS accounting principles. In particular, where the L.I.F.O. method is utilised, the average cost method has been utilised to evaluate raw material inventories. The adjustment also includes the effect deriving from the re-calculation of the reversals in profits made inside the Group. The total value of adjustments and net equity registered a decrease of €4,126 thousand.

7. The provisions made for risk reserves with a duration of more than 12 months deriving from court cases and contentions for which the pay-out date can be reliably estimated, has been re-calculated on the basis of an estimate of the time when the pay-out will be made. The adjustment has reduced the amount of risk reserves and increased net equity by €94 thousand. In addition, the supplementary indemnity for agents has been re-calculated utilising an actuarial method of valuation, with a positive impact on net equity of €4,745 thousand.

8. Italian accounting principles require any liabilities arising from severance indemnities (TFR) to be booked according to the accounting regulations in force when the Financial Statements are drawn up, while IAS/IFRS accounting principles require such liabilities to be valued using the actuarial method. This difference has resulted in a reduction of liabilities and an increase in net equity of €11,758 thousand.

9. Following the application of IAS/IFRS accounting principles, the book value of associated companies and joint ventures, valued at net equity, decreased by €606 thousand, which was mainly due to the economic effects deriving from the reversals in the depreciation of the goodwill of some companies, the reversals in intangible assets that do not satisfy the requirements contained in IAS 38 and to the valuation of severance indemnities utilising the actuarial method.

10. The effect deriving from the variation in the consolidation area regarding investments in companies that were not consolidated in the Financial Statements prepared in accordance with Italian accounting principles because they were considered to be irrelevant in terms of representing the financial and economic situation of the Mondadori Group. With the adoption of international accounting principles, these companies have now been consolidated. The adjustment produced a decrease in consolidated net equity of €185 thousand. The item also includes reversals in third-party adjustments in the Group's net equity for €73 thousand.

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

Mondadori Group

Effects of adoption of IAS/IFRS accounting principles on consolidated balance sheet at 31 December 2004

Consolidated Balance Sheet at 31 December 2004

Assets	**As per Italian accounting principles**	**Variations in consolidation area**	**IAS/IFRS reclassifications**	**IAS/IFRS reclassifications**	**As per IAS/IFRS**
Intangible assets	**133,874**	**1,173**	**(2,516)**	**12,269**	**144,800**
Real estate investments	**11,650**	**-**	**-**	**1,036**	**12,686**
Land and buildings	66,949	-	-	23,696	90,645
Plant and machinery	87,510	(237)	-	-	87,273
Other fixed assets	18,386	(509)	1,554	(179)	19,252
Property, plant and machinery	**172,845**	**(746)**	**1,554**	**23,517**	**197,170**
Investments valued at net equity	87,052	13,293	-	606	100,951
Other investments	4,485	(2,012)	-	-	2,473
Total investments	**91,537**	**11,281**	**0**	**606**	**103,424**
Non-current financial assets	**130,531**	**-**	**-**	**-**	**130,531**
Advance tax assets	**45,029**	**(1,087)**	**-**	**(3,130)**	**40,812**
Other non-current assets	**17,963**	**(153)**	**-**	**-**	**17,810**
Total non-current assets	**603,429**	**10,468**	**(962)**	**34,298**	**647,233**
Tax credits	**11,545**	**(3,836)**	**-**	**-**	**7,709**
Other current assets	**64,463**	**(73)**	**-**	**-**	**64,390**
Inventories	**129,521**	**(4,500)**	**-**	**(4,126)**	**120,895**
Trade receivables	**388,832**	**(1,530)**	**-**	**-**	**387,302**
Shares and other current financial assets	**566,726**	**(62,438)**	**-**	**-**	**504,288**
Cash and other equivalent liquid assets	**80,344**	**56,846**	**-**	**-**	**137,190**
Total current assets	**1,241,431**	**(15,531)**	**0**	**(4,126)**	**1,221,774**
Assets destined for sale or disposal	**-**	**-**	**-**	**-**	**-**
Total assets	**1,844,860**	**(5,063)**	**(962)**	**30,172**	**1,869,007**

Consolidated Balance Sheet at 31 December 2004

Liabilities	As per Italian accounting principles	Variations in consolidation area	IAS/IFRS reclassifications	IAS/IFRS reclassifications	As per IAS/IFRS
Share capital	67,452	-	-	-	67,452
Share premium reserve	283,747	-	-	-	283,747
Other reserves and results brought forward	129,186	133	-	29,759	159,078
Profit (loss) for period	104,114	(318)	-	8,227	112,023
Shareholders' equity pertaining to Group	**584,499**	**(185)**	**0**	**37,986**	**622,300**
Third-party shareholders' capital and reserve	3,269	136	-	73	3,478
Total shareholders' equity	**587,768**	**(49)**	**0**	**38,059**	**625,778**
Reserves	16,381	-	-	(94)	16,287
Severance indemnities	113,568	(2,322)	-	(16,503)	94,743
Non-current financial liabilities	419,731	4	(962)	-	418,773
Deferred tax liabilities	12,965	(88)	-	8,710	21,587
Other non-current liabilities	-	-	-	-	0
Total non-current liabilities	**562,645**	**(2,406)**	**(962)**	**(7,887)**	**551,390**
Income tax payables	18,878	(109)	-	-	18,769
Other current liabilities	179,792	(607)	-	-	179,185
Trade payables	364,799	(4,900)	-	-	359,899
Payables to banks and other financial liabilities	130,978	3,008	-	-	133,986
Total current liabilities	**694,447**	**(2,608)**	**0**	**0**	**691,839**
Liabilities destined for sale or disposal	-	-	-	-	-
Total liabilities	**1,844,860**	**(5,063)**	**(962)**	**30,172**	**1,869,007**

The following comments refer to the items and amounts in the reconciliation table (see previous page) between the value of consolidated balance sheet at 31 December 2004 prepared in accordance with Italian accounting principles and the one prepared in accordance with IAS/IFRS accounting principles.

IAS/IFRS reclassifications

The reclassified column includes:

- €1,554 thousand for the cost of improvements made to third-party goods which, not having the requirements referred to, have been classified under other fixed assets;
- €962 thousand for accessory charges due to loans (private placement and convertible debenture bonds) entered as a reduction of the respective loan payables.

IAS/IFRS adjustments

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

- of the Mondolibri SpA joint venture, which was previously consolidated using the proportional method and valued in accordance with IAS/IFRS principles at net equity. The result of this was the booking of €13,336 thousand under "investments" and a variation in net assets for the same amount that had previously been booked to other items under assets and liabilities;
- of the SICAV Misa Finance Fund, held by Mondadori Finance and booked in accordance with Italian accounting principles as financial investments in shares valued at the lesser value between cost and market value, entirely consolidated in accordance with IAS/IFRS principles. In view of the fact that the Mondadori Group applied IAS/IFRS principles as from 1 January 2005, the effect of the consolidation has mainly resulted in an increase of €65,436 thousand in "cash and other equivalent liquid assets" and a reduction of €62,003 thousand in the balance of "shares and other current financial assets".

Mondadori Group

Effects of adoption of IAS/IFRS accounting principles on consolidated net result for 2004

Reconciliation of consolidated Shareholders' Equity at 31 December 2004

	Consolidated net result as per Italian accounting principles	**104,114**
12.	**Variations in inventories**	**(515)**
13.	**Effects on purchase of raw materials and service**	**(907)**
14.	**Personnel costs**	**2,604**
15.	**Effects on various charges (income)**	**(4,477)**
16.	**Depreciations and writedowns of property, plant and machinery**	**957**
17.	**Depreciations and writedowns of intangible assets**	**15,561**
18.	**Effects on financial income (charges)**	**(3,774)**
19.	**Effects on income (charges) from investments**	**2,876**
20.	**Variations in consolidation area and other adjustments**	**(368)**
21.	**Fiscal effects**	**(4,048)**
	Consolidated net result as per IAS/IFRS accounting principles	**112,023**

The following comments refer to the items and amounts in the reconciliation table (see previous page) between the Group's net result at 31 December 2004 prepared in accordance with Italian accounting principles and the one prepared in accordance with IAS/IFRS accounting principles.

12. The economic variation in inventories decreased by €515 thousand, producing a contraction in the result, as a result of the utilisation of the average cost method of valuation and of the effect deriving from the re-calculation of the reversals of the Group's entire profit.

13. The adjustments shown in the reconciliation refer to costs entered in the income statement which, in accordance with Italian accounting principles, were booked to intangible assets (€874 thousand) and other minor amounts.

14. Personnel costs decreased by €4,175 thousand as a result of the application of IAS 19, and these were partially compensated for by an increase of €1,571 thousand due to stock option plans. This amount represents the fair value of stock options assigned during the year.

15. Adjustments to various charges (income) refer to the lower capital gains registered for the disposal of land, valued at fair value when IAS/IFRS accounting principles were first applied, for a total of €4,445 thousand. They also include other minor effects.

16. Depreciations of property, plant and machinery changed as a result of the economic effect of the separation of the value of land and of the fair value valuation, when IAS/IFRS accounting principles were first applied, of some buildings for €957 thousand.

17. Adjustments made to the depreciations and writedowns of intangible assets include the elimination of depreciations and writedowns for the impairment of goods with an indefinite life, such as titles, series and imprints, for €16,686 thousand and €1,125 thousand respectively.

18. Adjustments refer to increased charges relative to the financial portion of severance indemnities (€3,721 thousand) and to risk reserves for legal cases (€53 thousand).

19. The increase in income from investments is the result of the write off of depreciations of goodwill for some joint ventures, for €3,257 thousand, and lower results for the period from companies valued at net equity, for €381 thousand, as a consequence of the application of IAS/IFRS accounting principles.

20. This item includes the effect on the income statement of the consolidation of companies that are not consolidated when Italian accounting principles are utilised. It also includes the effect of adjustments to the net result of third-party interests, equal to €50 thousand.

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

Mondadori Group

Effects of adoption of IAS/IFRS accounting principles on consolidated income statement for 2004

Consolidated Income Statement at 31 December 2004

	As per Italian accounting principles	Variations in consolidation area	IAS/IFRS reclassifications	IAS/IFRS reclassifications	As per IAS/IFRS
Income from sales and services to third parties	**1,652,798**	**(33,089)**	**-**	**-**	**1,619,709**
Decrease (increase) in inventories	**4,014**	**436**	**-**	**515**	**4,965**
Purchase of raw, ancillary and consumable goods and materials	**507,531**	**(4,842)**	**-**	**561**	**503,250**
Purchase of services	**648,824**	**(17,618)**	**-**	**346**	**631,552**
Personnel costs	**259,096**	**(4,179)**	**-**	**(2,604)**	**252,313**
Various charges (income)	**(8,016)**	**(3,183)**	**-**	**4,477**	**(6,722)**
Income (charges) from investments valued at net equity	**2,604**	**718**	**-**	**2,876**	**6,198**
Gross operating profit	**243,953**	**(2,985)**	**0**	**(419)**	**240,549**
Depreciations of property, plant and machinery	**34,755**	**(310)**	**1,181**	**(957)**	**34,669**
Depreciations of intangible assets	**28,302**	**(41)**	**(1,335)**	**(15,561)**	**11,365**
Operating result	**180,896**	**(2,634)**	**154**	**16,099**	**194,515**
Financial income (charges)	**(8,979)**	**1,256**	**(154)**	**(3,774)**	**(11,651)**
Income (charges) from other investments	**(2,411)**	**-**	**-**	**-**	**(2,411)**
Results before tax and minority interests	**169,506**	**(1,378)**	**0**	**12,325**	**180,453**
Income taxes	**64,926**	**(1,072)**	**-**	**4,048**	**67,902**
Results pertaining to third-party shareholders	**(466)**	**(12)**	**-**	**(50)**	**(528)**
Net result	**104,114**	**(318)**	**0**	**8,227**	**112,023**

The following comments refer to the items and amounts in the reconciliation table (see previous page) between the consolidated income statement at 31 December 2004 prepared in accordance with Italian accounting principles and the one prepared in accordance with IAS/IFRS accounting principles.

IAS/IFRS reclassifications

The reclassified column includes:

- the depreciations relating to the cost of improvements made to third-party goods (€1,181 thousand) reclassified from depreciations of intangible assets to depreciations of property, plant and machinery;
- depreciations of accessory charges due to loans (private placement and convertible debenture bonds) for €154 thousand booked to financial charges instead of to depreciations of intangible assets.

IAS/IFRS adjustments

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

- of the Mondolibri SpA joint venture, consolidated in accordance with IAS/IFRS principles at net equity instead of with the proportional method. This change resulted in €721 thousand being booked to investment income (charges) and a corresponding net variation in the other items in the income statement;
- of the SICAV Misa Finance Fund, held by Mondadori Finance and booked in accordance with Italian accounting principles as financial investments in shares valued at the lesser value between cost and market value, entirely consolidated in accordance with IAS/IFRS principles. In view of the fact that the Mondadori Group applied IAS/IFRS principles as from 1 January 2005, the effect of the consolidation was an increase of €1,417 thousand in financial income (charges) and a corresponding increase in service costs (€1,018 thousand)) and various charges (income) (€399 thousand).

Effects of the adoption of IAS/IFRS accounting principles on the consolidated net financial position

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

	1st January 2004	31 December 2004
Net financial position as per Italian accounting principles	**72,854**	**96,685**
IAS/IFRS reclassifications	1,116	962
Variations in the consolidation area and others	(8,125)	(8,604)
IAS/IFRS net financial position	**65,845**	**89,043**

The reclassifications item refers to accessory charges sustained for loans (private placement and convertible debenture bonds), classified under intangible assets using Italian accounting principles and booked as a reduction in the relative financial losses using IAS/IFRS principles.

The item "variations in the consolidation area and others" mainly includes the effect of the valuation of the Mondolibri SpA joint venture, using the net equity method instead of the proportional method, used in accordance with Italian accounting principles.

Mondadori Group

Report of the External Auditors

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Auditors report on the IFRS reconciliation with illustrations of the effects of the transition to International Financial Reporting Standards (IFRS).

To the Board of Directors
Of Arnoldo Mondadori Editore S.p.A.

1. We have performed the review of the reconciliation tables comprising the consolidated financial statements at 1st January 2004 and 31 December 2004 and the consolidated income statements for the year ended 31 December 2004, together with the consolidated net equity at 1st January 2004 and 31 December 2004 and the consolidated economic result for the year ended 31 December 2004 (henceforth referred to as "IFRS reconciliation tables") of the Mondadori Group and the relative Notes presented in the document "Transition to IAS/IFRS accounting principles" attached to the half-year report at 30 June 2005. These IFRS reconciliation tables derive from the consolidated financial statements of Arnoldo Mondadori Editore S.p.A. as of 31 December 2004 prepared in accordance with the regulations that govern the principles used in preparing financial statements that we audited and for which we issued our report on 1 April 2005. The IFRS reconciliation tables have been prepared in the context of the transition to International Financial Reporting Standards (IFRS) introduced by the European commission. The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for preparing the IFRS reconciliation tables, while we are responsible for expressing a professional opinion, based on an audit, on these table.

2. Our examination was conducted in accordance with statutory auditing principles. In conformity with these principles, the review was planned and carried out with the objective of acquiring the elements necessary to establish if the IFRS reconciliation tables contain any significant errors. The review procedure includes an examination of probative elements, based on a sample, in support of the balances and the information contained in the IFRS reconciliation tables, together with an evaluation of the adequacy and correctness of the accounting principles utilised and the reasonableness of the estimates made the Directors. We consider the work carried out provides a reasonable basis for the expression of our professional opinion.

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3. In our opinion the IFRS reconciliation tables referred to in paragraph 1 have been prepared in conformity with the criteria and principles defined in article 81 of Issuing Regulations 11971/1999 adopted by CONSOB with resolution 14990 of 14 May 2005.

4. It should be noted that, as described in the document "Transition to IAS/IFRS accounting principles", the IFRS reconciliation tables, since they are only compiled as part of a transition project for the first complete consolidated financial statements as of 31 December 2005 drawn up in accordance with IAS/IFRS accounting principles recognised by the European Commission, do not contain comparative data nor the necessary Notes that would be required in order to present reliable financial statements and consolidated results for the Mondadori Group in conformity with IAS/IFRS principles.

   In addition, as described in the document "Transition to IAS/IFRS accounting principles, the data presented in the IFRS reconciliation tables may be subject to change in order to allow it to be used as comparative data in the first complete consolidated financial statements as of 31 December 2005 drawn up in accordance with IAS/IFRS accounting principles, if any international accounting principles are reviewed or modified before the aforementioned financial statements are published.

Milan, 25 October 2005

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