ARNOLDO MONDADORI EDITORE S.p.A.

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

Report on the six months to 30 June 2008

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Contents of the report on the first half of 2008

Report on the first half of the year

The Mondadori Group's business activities

The first six months of 2008 saw a sharpening of the uncertainties in the short and medium term and an acceleration in price increases for fast moving consumer goods, with a negative impact on consumer and investor confidence.

Over the last two months, in the reference market for the Mondadori Group in Italy, the downturn in magazine circulation was accompanied by a slowdown in advertising expenditure; at the same time, there was a continuation of the decline in add-on sales during the period, while the book market displayed encouraging signs of growth.

In France, magazine circulation remained essentially stable, while advertising investments were down compared to the same period of 2007.

When comparing the results for the period with those at 30 June 2008 the same considerations made at the end of the first quarter apply: the essential stability in business profitability and the growing performance of Radio R101 have made it possible to amply compensate for the investments made in development (digital and international activities), while the impact of the decline in add-on sales has been marked the effects are expected to be less significant in the second half of the year, given that at 30 June 2007 Mondadori had already generated 65% of the result for the entire year.

Consolidated revenues for the first half of 2008 came to €930.1 million, a fall of 3.2% compared with the €960.6 million in the first half of 2007. Net of add-on sales, revenues were up by 1.1%.

Consolidated gross operating profit at 30 June 2008 came to €104.5 million, compared with the €119.6 million of the same period of the previous year a fall of 12.6%. As a proportion of revenues a fall to 11.2% from the 12.4% of 2007.

Net of add-on sales (-€15.6 million compared with 30 June 2007) and discontinuous non-recurring factors (higher capital gains of €0.6 million; lower personnel costs of -€2.9 million due to the application of new regulations governing leaving entitlements in 2007 and other extraordinary charges) the difference in the operating margin would be +€2.8 million, due to:
- improved business performance: +€6.8 million
- increased investments in businesses under development: -€4.0 million.

Consolidated operating profit at 30 June 2008 came to €83.8 million, a fall of 14.4% on the €97.9 million of the same period of 2007, with amortizations and depreciations of tangible and intangible assets for a total of €20.7 million (€21.7 million in 2007); as a proportion of revenues, a fall from the 10.2% of 2007 to 9.0% this time.

Consolidated profit before taxation amounted to €64.2 million, a fall of 25.3% on the €85.9 million of 2007, with an increase of €7.6 million in net financial charges, essentially due to the increased cost of borrowing (around €4.5 million) and lower returns from financial investments (around €2.7 million).

Consolidated net profit at 30 June 2008 came to €36.7 million, a fall of 20.6% on the €46.2 million for the same period of the previous year.

Gross cash flow in the first half of 2008 amounted to €57.4 million compared with €67.9 million in the first six months of 2007.

The Group's **net financial position** at 30 June 2008 showed a deficit of €680.1 million compared to a deficit of €535.3 million at the end of 2007. During the period income taxes of €54 million and dividends of €83.8 million were paid out.

What follows are comments on the Group's consolidated results for the first half of the year to 30 June 2008.

Results for the period

Income statement	**€m 30 June 2008**	**€m 30 June 2007**	**Change %**
Income from sales of goods and services	930.1	960.6	(3.2%)
Personnel costs	188.6	179.0	5.4%
Cost of sales and management (*)	641.4	662.9	(3.2%)
Income (charges) from investments calculated on a net equity basis	4.4	0.9	n.s.
Gross operating profit	**104.5**	**119.6**	**(12.6%)**
as a proportion of revenues	*11.2%*	*12.4%*	
Depreciation of property, plant and machinery	16.9	18.1	(6.6%)
Depreciation of intangible assets	3.8	3.6	5.6%
Operating profit	**83.8**	**97.9**	**(14.4%)**
as a proportion of revenues	*9.0%*	*10.2%*	
Net financial income (charges)	(19.6)	(12.0)	63.3%
Other income (charges)	-	-	
Profit for the period before taxation	**64.2**	**85.9**	**(25.3%)**
Tax charges	27.1	39.3	(31.0%)
Minority interest	0.4	0.4	-
Net profit	**36.7**	**46.2**	**(20.6%)**

(*) Includes the following items: decrease (increase) in inventory; costs of raw materials and consumables and goods for resale; cost of services; other income (expenses).

Consolidated revenues amounted to €930.1 million, a fall of 3.2% compared with the first half of 2007. The following table illustrates the business volumes for each business area.

Business volumes by business area	**€m 30 June 2008**	**€m 30 June 2007**	**Change %**
Books	192.7	192.8	(0.1%)
Magazines	514.4	549.0	(6.3%)
Advertising services	178.2	176.4	1.0%
Printing	196.1	222.4	(11.8%)
Direct	12.0	13.2	(9.1%)
Retail	86.2	77.8	10.8%
Radio	8.2	5.3	54.7%
Corporate and other business	8.6	8.4	2.4%
Total sales	**1,196.4**	**1,245.3**	**(3.9%)**
Intergroup sales	(266.3)	(284.7)	(6.5%)
Total consolidated revenues	**930.1**	**960.6**	**(3.2%)**

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

Revenues by geographical area	**€m 30 June 2008**	**€m 30 June 2007**	**Change %**
Italy	688.7	716.3	(3.9%)
France	191.3	193.0	(0.9%)
Other EU countries	42.5	41.6	2.2%
USA	3.0	3.4	(11.8%)
Others	4.6	6.3	(27.0%)
Total consolidated revenues	**930.1**	**960.6**	**(3.2%)**

Book Division

During the first half of 2008 the Book Division generated revenues of €192.7 million, a slight fall of 0.1% on the €192,8 million of the same period of 2007. The following table gives a breakdown of the Division’s performance in the period:

	€m 30 June 2008	**€m 30 June 2007**
Book sales	188.5	188.9
Other revenues	4.2	3.9
	192.7	**192.8**
Operating costs	(166.1)	(165.4)
Gross operating profit	**26.6**	**27.4**
Amortisations & depreciations	(1.4)	(1.3)
Operating profit	**25.2**	**26.1**

During the first six months of the year the Mondadori Group confirmed its leadership in the trade segment, increasing its share with a marked advantage over its main competitors. The results of Edizioni Mondadori were particularly positive, with a one percent increase in its market share compared with the same period of last year. Also Einaudi saw its share increase (+0.3%), while Piemme remained stable and the Sperling & Kupfer Group saw a slight fall (-0.6%) compared with the first half of 2007.

Publisher	Market share 1st half 2008	Market share 1st half 2007
Mondadori	14.3%	13.3%
Einaudi	5.5%	5.2%
Sperling & Kupfer + Frassinelli	2.3%	2.9%
Piemme	4.5%	4.5%
Other Mondadori Group companies	1.4%	1.4%
Total Mondadori Group	**28.0%**	**27.3%**
Rizzoli Group	12.4%	13.5%
Longanesi Group	10.1%	8.4%
Feltrinelli	4.5%	3.9%

Source: Nielsen Bookscan, figures represent value

Nielsen Bookscan, the company that since 2007 has measured market performance, refined its system of measurement during 2008, adopting a broader sample for analysis.
To above mentioned market shares, which reflect sales in medium and large bookstores, should be added the sales of the imprints of the Mondadori Group through large-scale retail outlets which are estimated at 35%.

The following table gives a breakdown of revenues by each of the Group's publishing houses.

Books	€m 30 June 2008	€m 30 June 2007	Change %
Edizioni Mondadori	68.3	68.0	0.4%
Einaudi	26.4	26.4	-
Art publishing and exhibition	20.2	24.1	(16.2%)
Sperling & Kupfer Group	13.0	14.9	(12.8%)
Mondadori Education	15.1	14.4	4.9%
Piemme	27.0	27.3	(1.1%)
Distribution	18.5	13.8	34.1%
Total consolidated sales	**188.5**	**188.9**	**(0.2%)**

Edizioni Mondadori

In the first half of 2008 Edizioni Mondadori generated revenues of €68.3 million, an increase of 0.4% on the same period of the previous year.

Among the most successful titles in the period were the new book by Andrea Camilleri, *Il tailleur grigio*, which sold some 220,000 copies, and the new book by Sophie Kinsella *Ti ricordi di me?* (150,000 copies).

Of particular note in the non-fiction sector were: the new book by Giulio Tremonti *La paura e la speranza*, which has sold more than 120,000 copies, and become a key point of reference in the political-economic. Among the other significant non-fiction titles of special note was *Chi ha paura muore ogni giorno* by Giuseppe Ayala.

The Strade Blu line recorded results in excess of its already ambitions objectives. In addition to the continuing success of *Gomorra* by Roberto Saviano, which in 2008 has remained at the top of the bestsellers lists and on which the successful film of the same name was based, *Spingendo la notte più in là* from the new author Mario Calabresi, published in 2007, increased its sales during the period, reaching a total of more than 180,000 copies. Strade Blu also published the novel by Junot Diaz, *La breve favolosa vita di Oscar Wao* who was awarded the 2008 Pulitzer Prize.

The most surprising new book of the first half was the first novel by the 25-year-old author Paolo Giordano, whose novel *La solitudine dei numeri primi* met with extraordinary public success, with sales of more than 200,000 copies, even before being awarded, in early July, the 2008 Premio Strega, Italy's most prestigious literary prize.

In foreign fiction, there was the usual success for the new novels by John Grisham *Ultima sentenza* (200,000 copies) and Patricia Cornwell *Al buio* (over 100,000 copies).
In the Paperback sector, the Oscar campaign at the beginning of spring confirmed the outstanding success of last year, without renouncing the publication of new original titles, such as *Racconti quotidiani* by Andrea Camilleri.
The Mondadori Ragazzi line of books for children saw the publication of a number of successful titles: in addition to the new book by Licia Troisi *La ragazza Drago – L'eredità di Thuban* (more than 65,000 copies sold) there were also good results for *Destinazione Tokio Hotel* by Dorotea De Spirito and *Mi piaci così* by Francesco Gungui, both of which are aimed at adolescents.

Giulio Einaudi editore

Revenues in the first half of 2008 were in line with those of the same period of 2007, with a positive performance in the bookstore channel, a shortfall in part works and a marked downturn in the sale of rights.

The increase in the bookstore channel is the result of increased sales from initial supplies and the re-supplies of new titles. As for the sale of rights, the fall is due to the downturn in add-on sales with newspapers and magazines, which were also down because compared with a year. 2007, in which the majority of sales were concentrated in the first months of the year, and for the well-known decline in this sector.

A number of new titles were particularly successful in the period: *Firmino* by Sam Savage reached sales of 175,000 copies becoming a publishing phenomenon for a wide range of readers, while the autobiographic book by the journalist Eugenio Scalfari, *L'uomo che non credeva in Dio* sold more than 85,000 copies.

Among the other titles that performed well during the period we would point to: *L'ottava vibrazione* by Carlo Lucarelli (130,000 copies), *Crimini italiani* by AA.VV. (more than 50,000 copies), *Fuoco amico* by Abraham Yehoshua (50,000 copies), *Quello che ti meriti* by Anne Holt (over 35,000 copies), *Kafka sulla spiaggia* by Haruki Murakami (30,000 copies), *Il sergente* (with DVD) by Marco Paolini (25,000 copies), *Onora il padre* di Giancarlo De Cataldo (over 35,000 copies), *Non è un paese per vecchi* by Cormac McCarthy (43,000 copies), the latter re-published to coincide with the release of the Oscar-winning film of the same name.

Art publishing and exhibitions

First half revenues in this area amounted to €20.2 million, a 16.2% fall on the same period of the previous year due mainly to the marked downturn in add-on sales (-43.1%) in a rapidly declining market.

Among the most successful titles published in the period were *I miei Giardini* by Paolo Pejrone, *Cinema e Oltre* by Morricone (in its third reprint in less than eight months), *Venti di Striscia* (with total sales of 20,000 copies). There was allos success for new titles in architecture, such as *La Moda e l'Architettura* by Gisella Giammarresi, and a number of titles had to be reprinted in the space of just a few months, *Architettura e vino* by Francesca Chiorino and *Design Anonimo Italiano* by Alberto Bassi. In the add-on sales area, in addition to a number of projects postponed until the autumn, there was a very good result for *Arte Contemporanea*, on sale with a national newspaper, which has recorded average sales of more than 35,000 copies.

The management of concessionary services, exhibition organisation and the relative production of catalogues once again achieved results in advance of expectations, despite a slight fall in revenues. Also in the first six months of 2008 the Coliseum was Italy's most visited monument, although numbers were essentially in line with those of last year. A number of exhibitions were successfully organised inside the monument and during the period official publishing activities were begun on behalf of the Design Museum at the Triennale in Milan, with the publication of 4 titles.

The Electa Napoli SpA subsidiary recorded a fall in revenues mainly due to the marked downturn in tourism that has affected the whole of the Campania region.

Sperling & Kupfer Group

Sperling & Kupfer and Frassinelli ended the first half of 2008 with net revenues of €13 million, a fall of 12.8% compared with last year.

The decline affected the non-fiction and paperback lines and can above all be traced back to a shortfall in the value of deliveries. The Sperling & Kupfer fiction line saw a positive increase, while the Frassinelli, Business and IT lines were essentially stable.

The most significant Sperling & Kupfer fiction titles included a number of books by first-time authors. The thriller *Bambino 44* by 28-year-old Tom Rob Smith was the most important of these new titles with sales of 50,000 copies. Other important titles by new authors were *La favolosa (doppia) vita di Isabel Bookbinder* by Holly McQueen (over 15,000 copies) and *Gli orfani del male* by Nicolas d'Estienne D'Orves (more than 15,000 copies).

In addition to new tiles from established authors (Danielle Steel, Stephen King, Mary Higgins Clark) there were also positive results for *La scelta* by Nicholas Sparks in the Frassinelli imprint (80,000 copies), *Perché proprio a me?* by Melania Rizzoli in the Saggistica Sperling & Kupfer series (over 20,000 copies), constantly on the bestsellers lists since its publication in April and, in the Mondadori Informatica imprint, the *"Computer Start"*series, a multimedia PC course in 20 parts, launched alongside the Mondadori magazine titles.

Mondadori Education

In the first half of 2008 Mondadori Education generated net revenues of €15.1 million, an increase of 4.9% on the first half of the previous year.

The promotion period has just finished and data is not yet available on eventual adoptions for the coming school year, nevertheless a general picture has already emerged for the year that is about to begin.
There are signs of a slight slowdown in the primary sector, after the positive trend that began in 2006 with the excellent results of *Il tempo delle ciliegie*. This year to he positive response to the reading books for the first cycle, *Re Alfabeto*, can be added under titles for 2008 in this subject, the new course on religion by Piemme Scuola for the first and second cycle.

In the first level of the secondary school, among the catalogue titles, there are two highly appreciated new titles have markedly improved their position: *Geoviaggi*, Mursia Scuola, has become the top-selling and most widely adopted geography course (from 27,500 to 51,000 copies adopted), while *L'italiano di tutti* by M. Sensini, Arnoldo Mondadori Scuola, as achieved 41,000 copies (24,000 in 2007).

In the area for scientific subjects the shortfall in the catalogue and the lack of success of new titles in 2008 have led to a disturbing loss of market share.

Adoptions in the second level secondary schools were markedly affected by the cap introduced this year for all the years of high schools by the Ministry of Education. As a result of this measure, teachers have been encouraged to make choices that have penalised certain types of text that are relevant in our catalogue.

Overall, however, market shares in strategic segments such as history and Latin in the two-year course, have been maintained, as has the grammar course and materials for professional hotel schools.

Piemme

Edizioni Piemme ended the first half of 2008 with revenues of €27 million, a slight fall of 1.1% compared with the same period of last year.

Overall revenues in the fiction and non-fiction area were up. Despite a shortfall in fiction, even if the figures are being compared with a first half which saw the publication of *Mille splendidi soli* by Khaled Hosseini, an authentic publishing phenomenon.

This downturn in fiction is, however, more than compensated by the excellent performance in the non-fiction, religion and paperback sectors, with a good start for the Bestseller series.

Significant new titles in fiction included *Avvocato di difesa* by Michael Connelly (80,000 copies), *Non c'è tempo per morire* by Sebastian Faulks (55,000 copies) and *La parrucchiera di Kabul* by Deborah Rodriguez (50,000 copies). Re-order of the two titles by Hosseini remained significant.

In non-fiction there was a positive performance for the new titles *La bambina che non esisteva* by Shakib Siba (50,000 copies) and *Il traduttore del silenzio* by Daoud Hari (more than 30,000 copies). In the Religion area there was significant success for *L'angelo della mia vita* by Dalila Di Lazzaro, which sold more than 90,000 copies.

In the Junior area revenue growth was driven by the Stilton line, with the launch of the new fantasy *Il Reame perduto* (75,000 copies). There were also good results for the publication of *Lo strano caso del tiramisù* (Storie da ridere, 35,000 copies), and the new title in the Grandi storie series, *I tre moschettieri* (32,000 copies).

The Battello a Vapore imprint (+1% on 2007) consolidated sales in its traditional series, while at the same time successfully developing the *graphic novel* line begun with the series *GOL!*, and increasing delivery revenues by 150% compared with 2007. The most recent *graphic novel* series targeted at women readers, *Scuola di Danza*, was published with a print run of 13,000 copies per title in May, and immediately went to the top of the bestsellers list.

Distribution and logistics

Revenues for Distribution & Logistics in the first half of 2008 amounted to €18.5 million, an increase of 34.1% on the same period of last year.
Overall business increased with a limited increase in costs thanks to efficiency gains. Among third-party publishers there was a good performance by Baldini e Castoldi Dalai thanks to the new book by Giorgio Faletti.
Also thanks to the technological investments made, all of the operations in the distribution-logistics area remained at an excellent level.

Magazine Division

	€m 30 June 2008	€m 30 June 2007
Magazine revenues	500.4	534.1
Other revenues	14.0	14.9
	514.4	**549.0**
Operating costs	(438.8)	(460.8)
Gross operating profit	**75.6**	**88.2**
Amortizations and depreciations	(3.0)	(2.9)
Operating profit	**72.6**	**85.3**

Italy

The first half of the year has seen a generalised downturn in the market in which the Division operates. A marked fall in consumer spending has consequently also affected the magazin sector, and most particularly and in a predominant manner, the add-on sales phenomenon, which is clearly well on the way to being progressively downsized. To a lesser extent, circulations in almost all segments have continued to display a certain weakness. Advertising, after an initially promising first quarter, was subject to a sharp downturn.

Revenues generated by the Magazine Division in Italy in the first half of 2008 amounted to €319.9 million, a 9.9% fall compared to the €355 million of the same period of last year.

This result was determined by the following factors:

- a 5.1% fall in circulation revenues, due primarily to a fall in the number of copies sold;
- a sharp reduction in revenues from add-on sales (-24.4%) in a market that in the first five months of the year fell by 26%, and whose overall value has halved compared with the record levels of 2005;
- the maintenance of advertising revenues (+1.3%) thanks to a policy based on developing volumes.

During the period Mondadori has put in place a number of actions in key titles and segments, cost controls and on business development activities.

The most important include:

- the relaunch of *Panorama,* in February, with good results in terms of circulation and, in particular, advertising;
- strong support, in a highly competitive market in a which a new low-cost competitor has been launched, for TV guides, the results of which have so far been satisfactory;
- the relaunch of *Donna Moderna,* to mark the weekly's 20th anniversary, which has achieved wide consent from both readers and advertisers;
- the relaunch of *Grazia*, completed in June with very satisfactory results, aimed at focusing and further strengthening the magazine's elements of quality in the fashion area;
- the development of internet activities that have involved a number of titles, in particular *Donna Moderna,* with the web launch at the end of June of a new hub dedicated to women (the most interesting sector of the Web market for Mondadori);
- a strong and sharper control of costs in all areas, which has made it possible to reduce the impact of the fall in revenues.

What follows is a brief overview of the situation, divided by the main determining areas.

Circulation

In the context of a general decline, there was an improvement in the competitive position of Mondadori's main titles:

- *Grazia* in the women's weekly segment;
- *Chi* in general interest family titles;
- *Tv Sorrisi e Canzoni* in the TV guides area;
- *Donna Moderna* which, despite a slightly bigger shortfall (prior to the relaunch) confirmed a circulation level that was double that of its competitors;
- *Panorama* fell more markedly than last year when it was sustained by promotional activities (leadership, however, remains unchallenged in the segment, both in terms of circulation, and, more significantly, in terms of advertising sales).

Compared with the same period of 2007, the positive performance of *Flair*, *Casaviva*, *Casabella* and *Interni* should also be noted.

Add-on sales

As mentioned above, there was a marked fall in add-on sales in the period (-26% in the first 5 months) that affected all categories of product: from editorial products to DVDs, CDs and miscellaneous goods.
In this context Mondadori, despite a fall of 24.4%, confirmed and advanced its leadership.
The most important successes were related to the numerous home video initiatives with *Panorama* and *Tv Sorrisi e Canzoni*, a number of musical products launched with *Tv Sorrisi e Canzoni*, and a number of multi-title editorial initiatives.

International activities

During the period there was a further improvement in the already notable performance of international activities.
Results across the entire *Grazia* network were very good and further launches will be officially announced during the second half of the year.
In particular *Grazia UK* confirmed its position as the publishing phenomenon of the moment, marking itself out even more in a market showing clear signs of a downturn.
Advertising planning for the first issues of *Grazia Australia*, launched on July 21, was way

beyond expectations; while there were also excellent initial results for *Grazia India* (where a contract has also been signed for the launch of *Casaviva*, the Group's leading interiors title) and the now consolidated joint venture with Sanoma, which publishes *Grazia* and *Interni* in Russia; excellent performances were also recorded by *Flair Mondadori* in Austria and *Casaviva* in Greece.

France

In the first half of 2008 the activities of the Magazine Division in France generated consolidated revenues of €194.5 million, in line with the figures for of the same period of 2007.
In general, in a context in which circulations remained essentially in line with the previous year and advertising was affected by a period of difficulty, Mondadori France nevertheless managed to hold on to its market share.
The company's efforts during the first half were concentrated on:
- the launch of a new title - *Telestar Cuisine* - a cooking monthly that sells for €1;
- the development of the project for the launch of an "upscale" title;
- the development of digital activities;
- the launch of a range of add-on sales initiatives;
- the rationalisation of the portfolio.

Against this background, the management has focused particular attention on the ongoing control of costs (production, distribution and general expenditure).

Circulation

On the circulation side, the Group's titles achieved positive results thanks to redesigns and relaunches completed during the period.
Of particular note was the exceptional performance of *Closer*, which confirmed its leadership position in the segment.

Advertising

There was a fall in the sale of advertising space in consumer magazines in France of 2.1% in terms of volume at the end of May 2008 (source: TNS-MI), while the reference market for Mondadori France saw a fall of 3.9%.
In particular, television titles have been affected by a reduction in investments by large-scale retailers and direct marketing. With the exception of *Closer,* there were also difficulties for women's titles. While those in the car segment showed signs of improvement compared to the first quarter of the year, with a result in line with the same period of 2007.

Advertising services

	€m 30 June 2008	€m 30 June 2007
Advertising revenues	175.0	174.0
Other revenues	3.2	2.4
	178.2	**176.4**
Operating costs	(177.8)	(174.7)
Gross operating profit	**0.4**	**1.7**
Amortizations and depreciations	(0.1)	(0.1)
Operating profit	**0.3**	**1.6**

The market

On the basis of the most recent figures, there was modest growth in advertising investments in Italy in the first half of 2008 compared with the same period of the previous year, confirming the trends already identified at the end of last year.

There was a slow start both for Television, on a comparable basis, and for Print media, with the Newspaper segment suffering more than Magazines, which are estimated to be essentially in line with last year.

In fact, for magazines, the first six months were characterised, particularly in the first months of the year, by intense commercial policies aimed at favouring space, in order to contrast a market that has progressively weakened. In fact, during the second quarter, there was a marked and generalised slowdown in the fashion, cosmetics, FMCG and auto sectors, which had a consequent negative impact, above all, on the performance of monthly titles, especially in the male lifestyle segment.

There was a further marked development in advertising sales for the Internet and Radio, while, among the smaller media, Cinema showed signs of difficulty.

The Company

Despite the significant slowdown that affected the overall market in the second quarter, Mondadori Pubblicità closed the first half of the year with sales that remained above the market average in many sectors.

In the Magazine area, with a portfolio essentially the same as that of the same period of 2007, sales were sustained by a good performance in Weeklies, with significant increases recorded, above all, by *Grazia* (more than 10%) and *Tv Sorrisi e Canzoni* (+10%), a good result for

Panorama (+1.6%), and more stable results by *Donna Moderna* and *Chi*, while among the Monthlies, of particular note was *Flair* (+5% ca.) and the specialised titles in the upscale Design and Interiors area (an overall increase of around +10%).

Regarding other media in the portfolio, the difficult period for Newspapers (-18%) was compensated not only by the Internet (+15%), where the standout performance was that of the *Donna Moderna* web site (the new site *donnamoderna.com*, was launched at the end of June), but also the significant increase recorded by Radio where R101, rewarded by a continuously growing audience, saw an increase well above the market average (+43.9% compared with the first half of 2007).

Printing Division

	€m 30 June 2008	€m 30 June 2007
Printing revenues	196.1	222.4
Other revenues	-	-
	196.1	**222.4**
Operating costs	(182.8)	(204.1)
Gross operating profit	**13.3**	**18.3**
Amortizations and depreciations	(10.7)	(12.0)
Operating profit	**2.6**	**6.3**

In the first six months of 2008 the Printing Division generated revenues of €196.1 million, a 11.8% fall compared with the same period of the previous year. On a comparable basis (excluding the printing activities for Mondadori Education SpA, no longer managed in 2008) the fall would be 7.4%.

The fall in like-for-like revenues was the result of:
- a marked downturn in printing contracts for add-on sales initiatives for both the Group and third parties (with an impact on margins of €2.9 million);
- and the exceptional increase in the value of the euro against the dollar and the pound (with an impact on margins of €1.6 million); while in terms of volume, the foreign market for catalogues and commercial products remained essentially stable.

During the period the cost of paper increased by between 1 and 2%, while energy costs (gas and electricity) continued to increase substantially.

The level of plant use was satisfactory and in line with the budget, having significantly reduced outsourcing activities; this was made possible also by the full use of recent investments which are now fully operational.

The level of activities of the plants is better illustrated by revenues net of the cost of paper transport, as in the following table and transport, as in the following table.

Printing revenues net of paper costs	€m 30 June 2008	€m 30 June 2007	Change %
Magazines	60.2	63.0	(4.4%)
Books	29.1	45.0	(35.3%)
Catalogues & promotional materials	15.0	15.4	(2.6%)
Directories	0.9	1.2	(25.0%)
Total printing revenues net of paper costs	**105.2**	**124.6**	**(15.6%)**

Direct Marketing

	€m 30 June 2008	€m 30 June 2007
Revenues from sales	12.0	13.2
Other revenues	-	-
	12.0	**13.2**
Operating costs	(10.4)	(11.2)
Gross operating profit	**1.6**	**2.0**
Amortizations and depreciations	(0.1)	(0.1)
Operating profit	**1.5**	**1.9**

In the first half of 2008 Cemit Interactive Media generated revenues of €12 million, a fall compared with the previous year. The sales mix has improved, in favour of activities with greater added value.
Continuing cost controls, along with a organisational structure review, has made it possible to safeguard levels of profitability in a difficult market context.

Retail

Revenues from the Retail Division in the first half of 2008 rose to €86.2 million, an increase of 10.8% compared with the same period of the previous year.

	€m 30 June 2008	€m 30 June 2007
Revenues from sales	86.2	77.8
Other revenues	-	-
	86.2	**77.8**
Operating costs	(86.8)	(77.5)
Gross operating profit	**(0.6)**	**0.3**
Amortizations and depreciations	(3.7)	(3.3)
Operating profit	**(4.3)**	**(3.0)**

Mondadori Franchising saw a continuation of the network development programme, making it, in terms of the number of outlets, Italy's largest network for editorial products with 209 bookstores (compared with 191 on 30 June 2007) and the 152 Edicolè outlets (compared with 104 at the same point of the previous year).
Sales were up by more than 18%, both thanks to new affiliations and growth in the existing network.

Mondadori Retail dedicated the first half of 2008 to the integration of the ex Messaggerie Musicali stores (Mondadori Shop) and the rationalisation of the network.
The number of directly managed outlets has now reached 29: the Multicenter in Rome Fiumicino (Parco Leonardo) was closed, a new Multicenter at Marcianise (CE) was opened, while the stores at Lonato (BS), Nola (NA) and Cinisello Balsamo (MI), opened at the end of 2007, became fully operational.
Revenues were up by around 7.5%, despite a difficult market context for non-food consumer spending.

Radio

	€m 30 June 2008	€m 30 June 2007
Revenues from sales	8.2	5.3
Other revenues	-	-
	8.2	**5.3**
Operating costs	(8.5)	(11.2)
Gross operating profit	**(0.3)**	**(5.9)**
Amortizations and depreciations	(0.7)	(0.6)
Operating profit	**(1.0)**	**(6.5)**

Net revenues for the first half of 2008 amounted to €8.2 million (€5.3 million in 2007), which corresponds to gross sales of €11.8 million.

Audiradio audience figures continue to show a rise in the number of listeners: in the first half of 2008 R101 had a daily average of 2.1 million listeners, a 7% increase on last year in an essentially stable market. The ratings for the 7 days, of 8.8 million listeners, confirms Radio R101's position among Italy's top six commercial radio stations.

Thanks to the numerous acquisitions of frequencies made over recent years, signal distribution is now widespread across the whole country.

The actions undertaken by the Radio Division during the first half of 2008 were primarily concentrated on improving the product and the ongoing building of brand awareness and new programmes. In particular, during the first months of the year a "local" communication campaign was launched (using print media, posters and events) to strengthen awareness in areas of high potential growth. The campaign was subsequently extended to a national level with a television campaign.

In May 4 thematic web radio channels were launched (music of the '80s, '90s, today, and non-stop music) on the R101 web site that has recently recorded a record level of traffic with more than 250,000 visitors and 3 million page views per month. A web radio channel dedicated to Rock is expected to be launched in the summer.

Corporate and other business

The Corporate includes parent company functions engaged in service activities for the companies of the Group and the Business divisions.

Such activities concern mainly ITC, accounting, management control and planning, treasury and finance, human resources, legal and corporate affairs and communications.
Revenues derive essentially from the billing of subsidiary and associated companies and other bodies for the abovementioned services.

Financial situation

The Mondadori Group's financial situation as of 30 June 2008 showed a deficit of €680.1 million, as illustrated in the following table:

Net financial position	**€m 30 June 2008**	**€m 31 December 2007**	**€m 30 June 2007**
Cash and other equivalent liquid assets	248.8	225.1	83.9
Financial investments at fair value	88.8	108.5	181.5
Gains (losses) from derivatives	(65.6)	(51.3)	(46.5)
Other financial gains (losses)	(26.3)	(23.5)	(39.1)
Financing (short and medium/long term)	(590.4)	(444.5)	(500.9)
Bonds	(224.7)	(241.3)	(244.6)
Convertible bonds	(110.7)	(108.3)	(108.2)
Net financial position	**(680.1)**	**(535.3)**	**(673.9)**

The figure for the first half of 2008 also takes account of dividend payments for €83.8 million.

Trends in interest rates and exchange rates

At the end of the second half of 2008 the international economic situation remained critical with uncertainties of various kinds becoming more consistent, especially in the markets and industrial economies in the west and presenting governments and central banks with the difficult task of attempting to mitigate the effects.

A slowdown in growth is now evident both in the United States and in Europe, even if, for the moment, the worst predictions of a generalised recession seem to have been unfounded, and is accompanied by high levels of global inflation caused by the marked price rises in energy products (naturally, oil in the first place) as well as agricultural products, with a consequent impact on food prices.

Consumer spending has consequently been affected, but the impact of rising prices had also resulted in a decline in industrial investment, which fell sharply in the last three months.

Financial markets are reflecting this general scenario with widespread declines in market levels that cyclically are affecting practically all sectors (with the exception of those related to oil and its derivatives), and especially non-essential products and financial services.

The crisis in the real estate and credit sectors, has transformed into higher interest rates for mortgages and consumer credit; further factors that depress consumer confidence and growth.

Given this situation, the European Central Bank had no hesitation at the beginning of July – in line with its mandate to control price stability – raising interest rates by +0.25% (from 4.00% to 4.25%). This was an action in line with the ECB's traditional position and, consequently, does not preclude further increases in the short term. On the contrary, we find ourselves in a situation in which, should inflation fall because of a more marked slowdown, there could be a need for a turnaround in the trend.

The Federal Reserve, meanwhile, facing an economic crisis that has been more evident since last year, has reduced interest rates by 3.25% since 2007 (from 5.25% to 2%). At present, however, the attention of the Fed seems to have shifted from concerns about growth to worries about inflation. In fact, also in the US, the potential for price rises has drastically increased, above all due to the hikes in oil prices.

The performance of the euro against both the dollar and the pound sterling was very similar during the first half of the year. After an initial marked strengthening in the first three months (EUR/USD from 1.47 to 1.58 and EUR/GBP from 0.735 to 0.795) the figured began to revolve around a level which, in the case of the Euro/Dollar was between 1.54 and 1.59, while for the Euro/Sterling the figure was around 0.78 and 0.805. This reflects the uncertainty and the volatility of the moment, even if the average level consistently reflects the effects of the policies pursued by the respective central banks, as well as the state of the respective economies.

In terms of market interest rates, the Euribor 3 months (Act/360) grew, with a performance that expressed the liquidity and confidence crisis that is affecting financial markets, from 4.665% at the end of December 2007 to 4.947% at the end of June 2008, with an average for the period of 4.68%. In the same period the average cost of money for the Mondadori Group was 4.356%.

The overall credit lines available to the Group at 30 June 2008 came to more than €1.75 billion, of which €1.27 billion was "committed".
The Group's short-term borrowing facilities, for a total of around €651.3 million, were used for about €140.0 million as of 30 June 2008. Such facilities are made up of self-liquidating credit lines and stand-by loans with a duration of less than 18 months minus one day and residual self-liquidating credit lines.

Medium-long-term lines of around €1.1 billion are made up of:
- €296.4 million from a private placement in dollars in the U.S.A., over three tranches expiring in 2013/2015/2018 reserved exclusively for institutional investors. There is a *Cross Currency swap* on this loan to face interest and exchange rate risks, to which has recently been added a "Basis Swap" which, by exploiting differences in the three and one-month Euribor rates, makes it possible to make savings on the cost of interest;

- €109.9 million in convertible bonds, guaranteed by Mondadori shares (expiring in October 2008) also reserved for institutional investors;
- €40.9 million in facilitated credit for publishers, mainly obtained as per Law n° 62/01;
- €500 million for a five-year bank loan (expiring in July 2011) organised by a pool of leading international banks. This multi-borrower (Mondadori International and Arnoldo Mondadori Editore) loan is made up of a term loan of €300 million and a revolving credit facility of €200 million; 75% the latter, or €150 million, was used by Arnoldo Mondadori Editore S.p.A. as of 30 June 2008. A swap from a variable to a fixed interest rate has been applied to 50% of the term loan, to which has recently been added a "Basis Swap" which, by exploiting differences in the three and one-month Euribor rates, which has made it possible to reduce the level of fixed rates;
- €150 million for a "bilateral" bank loan, expiring in May 2013, from Intesa Sanpaolo and comprising a Term Loan tranche of €75 million and a Revolving credit facility for the same amount. This loan, that was taken out in May 2008 and as of 30 June 2008 was still unused, is mainly intended to replace, on expiry in October 2008, the convertible bond loan of €109.9 million.

Mondadori International

The financial assets managed by the company as of 30 June 2008 amounted to €221.5 million (€222.9 million at the end of 2007). It should be noted that at the end of June the company was instructed to sell the company's financial investments in hedge funds.

Personnel

As of 30 June 2008 Group companies employed 5,457 people (5,586 at 31 December 2007), while the average number of personnel during the period amounted to 5,448 (5,591 in the same period of 2007).

The reduction in the number since December 2007 is mainly due to the Printing area and restructuring activities at the French subsidiaries.
Moreover, retirement has been encouraged by the termination on 31 December 2007 of the "social security bonus", that allowed employees to obtain benefits from continuing to work despite having attained the minimum retirement requisites.

The following table shows details of Group personnel as of 30 June 2008:

Figures are in €m

Personnel	**30 June 2008**	**31 December 2007**	**30 June 2007**
Arnoldo Mondadori Editore SpA:			
- Managers, journalists and office staff	1,326	1,367	1,377
- Manual workers	105	108	108
	1,431	**1,475**	**1,485**
Italian subsidiaries:			
- Managers, journalists and office staff	1,809	1,832	1,832
- Manual workers	961	1,010	1,041
	2,770	**2,842**	**2,873**
Foreign subsidiaries:			
- Managers, journalists and office staff	1,152	1,166	1,149
- Manual workers	104	103	103
	1,256	**1,269**	**1,252**
Total	**5,457**	**5,586**	**5,610**

The increase in personnel costs, of 5.3%, was influenced by the positive effect recorded in the first half of 2007 of the new accounting norms for the booking of leaving entitlements.
On a comparable basis, the increase would be of 2.8%.

Capital investments

During the first half of 2008 the Group made capital investments of €24.2 million, of which €6.8 million already operational, and disinvestments of a residual value of €0.5 million, and represent the normal turnover related to obsolescence.

Significant events after the close of the period

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

Other information

Note should be made of the following:

Related party transactions

There were no operations of an unusual or atypical nature, or unconnected with the normal management of the business.

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

Operations conducted with the Fininvest Group were of an exclusively commercial nature.

For more detailed information reference should be made to the notes to the Group's consolidated financial statements.

Sale of the titles in the "polo loisir"

On 30 June 2008 the sale was formalised to Motor Presse France (Bertelsmann Group) of six specialised titles published by Mondadori France.
Under the terms of the agreement the activities relative to the publication of *Le Cycle*; *l'Officiel du Cycle de la Moto et du Quad; Bateaux*; *Golf Européen*, *Golf Magazine* and *Guide Bel-air* have been transferred, along with some support structures.
The final price of the transaction was agreed at €8.3 million.

The magazines sold, all specialised sports titles, accounted for total 2007 revenues of around €11 million.

The operation is part of the rationalisation of the portfolio being pursued by Mondadori France through the focusing and development, also through the sale of niche titles, on market segments, such as the upscale and mass market segments, which have a higher potential, also from an advertising point of view.

Share buy-backs

The Annual General Meeting of the Shareholders of 22 April 2008, following the expiry of the previous authorisation of 23 April 2007, renewed authorisation, as per Art. 2357 of the Civil Code, to effect share buy-backs, up to the legal limit of 10% of the share capital.
The duration of the Shareholders' authorisation was fixed at the date of the approval of the Annual Report for the year to 31 December 2008.

Given that 10% of the share capital corresponds to 25,942,983 shares and that the company, on the date of the authorisation held, directly or indirectly, a total of 20,097,587 shares, the new authorisation gave the Board the faculty to buy back a further 5,845,396 ordinary shares, corresponding to 2.253% of the share capital.

The Shareholders also authorised the use of shares involved in such buy back operations or already in the company's portfolio.

The underlying reasons for authorisation are to:
- use company shares for the exercise of options for the purchase of shares assigned to participants in the stock option plans put in place by the Shareholders;
- use company shares, either bought or in the portfolio, for the exercise of rights, also conversion rights, deriving from financial instruments issued by the company, its subsidiaries or third parties;
- use company shares, either bought or in the portfolio, as part or whole payment in any eventual acquisitions or equity investments that fall within the company's stated investment policy;
- take advantage, where and when considered strategic for the company, of investment opportunities, also in relation to available liquidity.

Buy backs may be effected on regulated markets as per art. 132 of the legislative decree of 24 February 1998 n. 58 and Art. 144 bis, para. 1, B of Consob regulation n. 11971/1999 according to operating procedures established by the regulations for the organisation and management of the markets themselves, which, does not permit the direct combination of offers to buy with predetermined offers to sell.

Consequently, the corresponding minimum and maximum price of sale will be determined at the same conditions that applied to previous authorisations agreed by the Shareholders, i.e. at a unit price not less than the official market price on the day prior to any operation, less 20%, and not more than the official market price on the day prior to any operation, plus 10%.

In terms of price and daily volumes, acquisition operations will in any case be conducted in line with the norms foreseen by Art. 5 of the EU regulation 2273/2003, in particular:

- the company will not buy shares at a price greater that the highest price of the last independent operation and the price of the highest current independent offer on the regulated market where the acquisition is made;

- in terms of daily volumes, the company will not purchase a quantity greater than 25% of the average daily volume of Mondadori shares traded on the regulated market and calculated on the basis of the average daily volume of trading of Mondadori shares in the 20 trading days prior to the dates of purchase.

During the first half of 2008 Arnoldo Mondadori Editore SpA did no effect, either directly or through subsidiary companies, share buy-backs or any other operations affecting the shares already in the portfolio.

As of 30 June 2008 to total number of shares held by the company, with a book value of €138.8 million, amounted to 20,097,587 (7.746% of the share capital) of which 15,580,101 are held directly in the Arnoldo Mondadori Editore SpA portfolio and 4,517,486 by the subsidiary Mondadori International SA.

Allocation of options for the stock option plan 2008

On 19 June 2008, the Board of Directors of Arnoldo Mondadori Editore S.p.A. approved the allocation of option rights for the 2008 Stock Option Plan, for options pertaining to the three-year period 2006-2008, as resolved by the AGM of 26 April 2006.
The plan, which has already been communicated to the market, involves the allocation to participants of, personal and non-transferable, option rights, for the acquisition, on a one-share-per-option basis, of Mondadori ordinary shares from treasury stock.

The Board of Directors has approved the allocation of a total of 2,850,000 option rights to a total of 69 participants, from the categories identified by the AGM resolution of 26 April 2006 (executives of the company and its subsidiaries whose responsibilities have a significant impact on the attainment of the company's strategic objectives, directors of the company or one of its subsidiaries; journalists employed by the company or one of its subsidiaries with the position of editor-in-chief or co-editor; executives of the parent company with the position of director who carry out their functions in the interest of the company).

The allocated shares amount to a total of 1.098% of the company's share capital.

The Board of Directors has established attainment of the performance indicators relating to ROE and free-cash flow, as the condition for the exercise of such options allocated for 2008.

Subordinate to these requirements, the exercise of options on allocated shares for 2008 may be made only after a vesting period of 36 months from the date of the allocation.
The exercise price is equal to the arithmetic average reference price for Mondadori shares, between the period from the date of allocation to the same date of the previous month.

Expectations for the full year

In the second quarter of the year the market saw an intensification of the same critical elements that characterised the first. Of particular relevance was the negative effect of the real and perceived situation in terms of consumer spending and investment.

In this context the Mondadori Group has set in motion actions to safeguard the profitability of its core business, establishing further and significant efficiency objectives, and has continued with growing commitment, its development policy for new activities both in Italy and abroad.

Mondadori's demonstrable managerial competence and leadership position in its reference markets are expected to allow the company, despite the difficult situation, to confirm its management results, net of the downturn in add-on sales, a decline which shows no sign of ending in the short term.

For the Board of Directors
Deputy Chairman and Chief Executive
Maurizio Costa

Abbreviated consolidated financial statements at 30 June 2008

Consolidated balance sheet

Assets	Note	**30 June 2008**	**31 December 2007**
Intangible assets	2	**938,317**	**943,847**
Real estate investments	3	**2,515**	**1,525**
Land and buildings		74,448	73,833
Plant and machinery		80,586	87,376
Other assets		60,399	48,408
Property, plant and machinery	4	**215,433**	**209,617**
Investments booked using net equity method		119,240	127,026
Other investments		221	273
Total investments	5	**119,461**	**127,299**
Non-current financial assets	12	**5,948**	**3,671**
Advanced tax assets	6	**38,449**	**39,727**
Other non-current assets	7	**2,932**	**3,019**
Total non-current assets		**1,323,055**	**1,328,705**
Tax credits	8	**25,625**	**28,701**
Other current assets	9	**94,627**	**77,600**
Inventories	10	**143,726**	**150,900**
Trade receivables	11	**503,715**	**486,873**
Other current financial assets	12	**112,454**	**144,910**
Cash and other equivalent liquid assests	13	**248,820**	**225,098**
Total current assets		**1,128,967**	**1,114,082**
Assets destined to be sold or closed		**-**	**-**
Total assets		**2,452,022**	**2,442,787**

Consolidated balance sheet

Liabilities	Note	30 June 2008	31 December 2007
Share capital		67,452	67,452
Share premium reserve		286,876	286,876
Treasury stock		(138,840)	(138,840)
Other reserves and results carried forward		208,514	176,475
Profit (loss) for the period		36,732	112,639
Total Group shareholders' equity	14	460,734	504,602
Minority capital and reserves	15	1,584	1,932
Total shareholders' equity		462,318	506,534
Reserves	16	29,991	33,278
Severance payments	17	89,237	90,638
Non-current financial liabilities	18	632,816	741,166
Deferred tax liabilities	6	90,044	88,213
Other non-current liabilities		-	-
Total non-current liabilities		842,088	953,295
Income taxes payable	19	10,688	44,253
Other current liabilities	20	284,400	293,083
Trade liabilities	21	438,030	477,775
Bank debts and other financial liabilities	18	414,498	167,847
Total current liabilities		1,147,616	982,958
Liabilities deriving from sales or closures		-	-
Total liabilities		2,452,022	2,442,787

For the Board of Directors
Deputy Chairman and Chief Executive
Maurizio Costa

Consolidated income statement

	Note	**Period to 30 June 2008**	**Period to 30 June 2007**
Income from sales of goods and services	22	**930,071**	**960,599**
Decrease (increase) in inventories	10	7,176	(8,624)
Cost of raw materials and consumables and goods for resale	23	227,048	238,733
Costs for services	24	394,279	429,968
Personnel costs	25	188,577	179,027
Other charges (income)	26	12,863	2,775
Income (charges) from investments calculated on a net equity basis	27	4,376	865
Gross operating profit		**104,504**	**119,585**
Depreciation of property, plant and machinery	3-4	16,946	18,090
Amortisation and depreciation of intangible assets	2	3,751	3,537
Operating profit		**83,807**	**97,958**
Net financial income (charges)	28	(19,666)	(12,032)
Other financial income (charges)		30	-
Profit for the period before taxation		**64,171**	**85,926**
Tax charges (income)	29	27,026	39,291
Profit from current activites		**37,145**	**46,635**
Income (expenses) from assets/liabilities held for sale		-	-
Result attributable to minorities	15	(413)	(425)
Net profit		**36,732**	**46,210**
Net profit per share (in €)	30	0,15	0,19
Diluted net profit per share (in €)	30	0,15	0,19

For the Board of Directors
Deputy Chairman and Chief Executive
Maurizio Costa

Six monthly financial report to 30 June 2008
Interim abbreviated consolidated balance sheet - Balance sheet highlights
Figures are in €,000

Changes in consolidated shareholders' equity at 30 June 2007

€,000	Note	Share capital	Share premium	Treasury shares	Stock option reserve	Cash flow hedge	Translation reserve	Other reserves	Profit (loss) for the year	Total group	Minority interests	Total
Balance at 1 January 2007		**67,452**	**285,467**	**(127,998)**	**5,373**	**950**	**371**	**141,838**	**108,960**	**482,413**	**4,020**	**486,433**
- Transfer of profit								24,238	(24,238)	-		-
- Dividends paid									(84,722)	(84,722)		(84,722)
- Changes in scope of consolidation												-
- Transfer of financial statements in foreign currencies	14						(109)			(109)		(109)
- Treasury share options	14			7,595				549		8,144		8,144
- Stock options	25		1,293		(64)					1,229		1,229
- Other changes	14					3,445		1,599		5,044	(2,883)	2,161
- Profit (loss) for the period									46,210	46,210	425	46,635
Balance at 30 June 2007		**67,452**	**286,760**	**(120,403)**	**5,309**	**4,395**	**262**	**168,224**	**46,210**	**458,209**	**1,562**	**459,771**

Changes in consolidated shareholders' equity at 30 June 2008

€,000	Note	Share capital	Share premium	Treasury shares	Stock option reserve	Cash flow hedge	Translation reserve	Other reserves	Profit (loss) for the year	Total group	Minority interests	Total
Balance at 1 January 2008		**67,452**	**286,876**	**(138,840)**	**6,236**	**3,022**	**(296)**	**167,513**	**112,639**	**504,602**	**1,932**	**506,534**
- Transfer of profit								28,873	(28,873)	-		-
- Dividends paid									(83,766)	(83,766)		(83,766)
- Changes in scope of consolidation										-		-
- Transfer of financial statements in foreign currencies	14						(275)			(275)		(275)
- Treasury share options	14									-		-
- Stock options	25				1,088			24		1,112		1,112
- Other changes	14					2,407		(78)		2,329	(761)	1,568
- Profit (loss) for the period									36,732	36,732	413	37,145
Balance at 30 June 2008		**67,452**	**286,876**	**(138,840)**	**7,324**	**5,429**	**(571)**	**196,332**	**36,732**	**460,734**	**1,584**	**462,318**

On Behalf of the Board of Directors
Deputy Chairman and Chief Executive
Maurizio Costa

Cash flow statement

Cash flow statement	Note	€,000 30 June 2008	€,000 30 June 2007
Net profit for the period		36,732	46,210
Adjustments			
Depreciations and amortisations	2-3	20,697	21,627
Stock options	25	1,112	1,230
Charges to provisions and leaving entitlements		(245)	(7,341)
Capital losses (gains) on disposals of tangible assets, property, plant and equipment, equity investments		(3,881)	(1,449)
Losses (gains) from the sale of financial assets		-	-
Losses (gains) from the valuations of financial assets	28	635	(5,377)
(Income) charges from investments booked at net equity	27	(4,376)	(865)
Adjusted net profit from operating activities		**50,674**	**54,035**
(Increase) decrease in trade receivables		(16,057)	(8,365)
(Increase) decrease in inventories		8,641	(6,364)
Increase (decrease) in trade payables		(46,825)	(7,230)
Net changes in income tax receivables/payables		(30,489)	(22,457)
Payment of advances and leaving entitlements	17	(3,992)	(4,488)
Net changes in forward/deferred taxes	6	3,109	1,303
Net changes in other current assets/liabilities		(28,676)	(20,212)
Cash flow from (used in) operating activities		**(63,615)**	**(13,778)**
Payment of business combinations net of cash acquired		-	(128)
(Investments in) disposals of intangible assets		1,036	(18,475)
(Investments in) disposals of property, plant and equipment		(19,058)	(13,679)
(Investments in) disposals of equity investments		12,773	(3,177)
(Investments in) disposals of financial assets		38,051	3,187
Cash flow from (used in) investment activities		**32,802**	**(32,272)**
Net changes in financial liabilities	18	138,301	101,559
(Purchase) disposal of treasury stock		-	7,595
Dividends paid	14	(83,766)	(84,722)
Cash flow from (used in) financial activities		**54,535**	**24,432**
Increase (decrease) in cash and cash equivalents		**23,722**	**(21,618)**
Cash and cash equivalents at beginning of period	13	**225,098**	**105,507**
Cash and cash equivalents at end of period	13	**248,820**	**83,889**

Composition of cash and cash equivalents		
Cash, cheques and valuables in hand	2,122	2,276
Bank and post office deposits	246,698	81,613
	248,820	**83,889**

For the Board of Directors
Deputy Chairman and Chief Executive
Maurizio Costa

Six monthly financial report to 30 June 2008
Interim abbreviated consolidated balance sheet - Balance sheet highlights
Figures are in €,000

Consolidated balance sheet as per Consob deliberation n. 15519 of 27 July 2006

Assets	Note	**30 June 2008**	Including correlated part (Note 31)	**31 December 2007**	Including correlated part (Note 31)
Intangible assets	2	**938,317**	**-**	**943,847**	**-**
Investment property	3	**2,515**	**-**	**1,525**	**-**
Land and buildings		74,448	-	73,833	-
Plant and machinery		80,586	-	87,376	-
Other tangible fixed assets		60,399	-	48,408	-
Property, plant and equipment	4	**215,433**	**0**	**209,617**	**0**
Investments accounted for using the equity method		119,240	-	127,026	-
Other investments		221	-	273	-
Total investments	5	**119,461**	**0**	**127,299**	**0**
Non-current financial assets	12	**5,948**	**-**	**3,671**	**-**
Deferred tax assets	6	**38,449**	**-**	**39,727**	**-**
Other non-current assets	7	**2,932**	**-**	**3,019**	**-**
Total non-current assets		**1,323,055**	**0**	**1,328,705**	**0**
Tax receivables	8	**25,625**	**-**	**28,701**	**-**
Other current assets	9	**94,627**	**-**	**77,600**	**-**
Inventories	10	**143,726**	**-**	**150,900**	**-**
Trade receivables	11	**503,715**	**49,149**	**486,873**	**43,492**
Other current financial assets	12	**112,454**	**14,004**	**144,910**	**11,558**
Cash and cash equivalents	13	**248,820**	**-**	**225,098**	**-**
Total current assets		**1,128,967**	**63,153**	**1,114,082**	**55,050**
Assets held for sale		**-**	**-**	**-**	**-**
Total assets		**2,452,022**	**63,153**	**2,442,787**	**55,050**

Six monthly financial report to 30 June 2008
Interim abbreviated consolidated balance sheet - Balance sheet highlights
Figures are in €,000

Consolidated balance sheet as per Consob deliberation n. 15519 of 27 July 2006

Liabilities	Note	**30 June 2008**	Including correlated part (Note 31)	**31 December 2007**	Including correlated part (Note 31)
Share capital		**67,452**	**-**	**67,452**	**-**
Share premium reserve		**286,876**	**-**	**286,876**	**-**
Treasury shares		**(138,840)**	**-**	**(138,840)**	**-**
Other reserves and retained earnings		**208,514**	**-**	**176,475**	**-**
Profit (loss) for the year		**36,732**	**-**	**112,639**	**-**
Total Group shareholders' equity	14	**460,734**	**0**	**504,602**	**0**
Capital and reserves attributable to minorities	15	**1,584**	**-**	**1,932**	**-**
Total shareholders' equity		**462,318**	**0**	**506,534**	**0**
Provisions	16	**29,991**	**-**	**33,278**	**-**
Employees' leaving entitlement and termination indemnities	17	**89,237**	**-**	**90,638**	**-**
Non-current financial liabilities	18	**632,816**	**-**	**741,166**	**-**
Deferred tax liabilities	6	**90,044**	**-**	**88,213**	**-**
Other non-current liabilities		**-**	**-**	**-**	**-**
Total non-current liabilities		**842,088**	**0**	**953,295**	**0**
Income taxes payable	19	**10,688**	**9,335**	**44,253**	**42,786**
Other current liabilities	20	**284,400**	**-**	**293,083**	**-**
Trade payables	21	**438,030**	**37,088**	**477,775**	**38,648**
Payables to banks and other financial liabilities	18	**414,498**	**18,891**	**167,847**	**22,452**
Total current liabilities		**1,147,616**	**65,314**	**982,958**	**103,886**
Liabilities held for sale		**-**	**-**	**-**	**-**
Total liabilities		**2,452,022**	**65,314**	**2,442,787**	**103,886**

Consolidated financial statement as per Consob deliberation n. 15519 of 27 July 2006

	Note	**Period to 30 June 2008**	Including correlated part (Note 31)	Including non-recurring charges (income) (Note 33)	**Period to 30 June 2007**	Including correlated part (Note 31)	Including non-recurring charges (income) (Note 33)
Revenues from sales and services to third parties	22	**930,071**	**44,457**	**-**	**960,599**	**47,523**	**-**
Decrease (increase) in inventories	10	7,176	-	-	(8,624)	-	-
Cost of raw materials and consumables and goods	23	227,048	6,375	-	238,733	7,105	-
Cost of services	24	394,279	36,264	-	429,968	40,288	(4,393)
Personnel costs	25	188,577	-	-	179,027	-	-
Other (income) charges	26	12,863	(3,100)	(3,899)	2,775	(2,832)	(233)
Income (charges) from investments accounted for using the equity method	27	4,376	-	-	865	-	-
Gross operating profit		**104,504**	**4,918**	**3,899**	**119,585**	**2,962**	**4,626**
Depreciation and impairment of property, plant and equipment	3-4	16,946	-	-	18,090	-	-
Amortisation and impairment of intangible assets	2	3,751	-	-	3,537	-	-
Operating profit		**83,807**	**4,918**	**3,899**	**97,958**	**2,962**	**4,626**
Financial income (expenses)	28	(19,666)	(332)	-	(12,032)	(193)	-
Income (expenses) from other investments		30	-	-	-	-	-
Profits before taxes		**64,171**	**4,586**	**3,899**	**85,926**	**2,769**	**4,626**
Income taxes	29	27,026	-	1,290	39,291	-	1,723
Profits attributable to functioning business activities		**37,145**	**4,586**	**2,609**	**46,635**	**2,769**	**2,903**
Income (expenses) from assets/liabilities held for sale		-	-	-	-	-	-
Results attributable to minorities	15	(413)	-	-	(425)	-	(5)
Net profit		**36,732**	**4,586**	**2,609**	**46,210**	**2,769**	**2,898**

Accounting principles and notes to the financial statements

1. General information

The main corporate purpose of Arnoldo Mondadori Editore S.p.A. and the companies in which it has direct and indirect investments (henceforth referred to as the "Mondadori Group" or the "Group") is in business activities connected with the book and magazine publishing sectors, radio and the sale of advertising.
The Group is also involved in printing activities at its own printing works, retailing through a chain of its own shops and franchising outlets situated throughout Italy and direct marketing and mail-order sales of publishing products.

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

The Parent Company, Arnoldo Mondadori Editore S.p.A., is quoted on the MTA (automated stock markets) of Borsa Italiana S.p.A., and is included in the S&P/MIB index and the MIDEX index.

The publication of the consolidated financial report for the first half of the year of the Mondadori Group for the period up to 30 June 2008 was authorised by a resolution of the Board of Directors on 30 July 2008.

2. Form and content

The consolidated financial report at 30 June 2008 was prepared in accordance with the provisions of IAS 34 and article 154 ter of the Single Text on finance.

The consolidated financial report for the first half of the year includes the abbreviated consolidated six-monthly financial statements and therefore does not include all the additional information required for annual financial statements and should be read in conjunction with the Group's consolidated financial statements at 31 December 2007.

The accounting standards adopted in preparing the consolidated financial report for the first half of the year are in line with those adopted in preparing the Group's annual financial statements at 31 December 2007, with the exception of those principles that were adopted on 1 January 2008:

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

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

These interpretations have not been adopted in the Group's abbreviated consolidated financial statements for the first half of the year.

The financial statements have been prepared in the following way:
- current and non-current assets and current and non-current liabilities are shown separately in the balance sheet;
- in the income statement, costs are analysed by their nature since the Group has decided that this method is more representative than an analysis by function;
- the cash flow statement has been prepared using the indirect method.

With reference to the requirements of Consob resolution n. 15519 of 27 July 2006 concerning financial statement tables, specific supplementary tables have been inserted in order to highlight significant operations with "Related parties" and "Non-recurring operations".

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

3. Seasonal nature of the business activities

Due to the seasonal nature of the school textbook publishing sector, higher revenues and profits are expected in the second half of the year compared with the first six months.
Revenues deriving from the adoption of textbooks by schools are concentrated in the second half of the year, since the academic year starts during this period.

4. Consolidation policies

The consolidated financial statements of the Mondadori Group include:

- the financial statements for the year of the Parent Company and those of Italian and foreign companies in which Arnoldo Mondadori Editore SpA has control, direct or indirect, as defined in IAS 27. In these cases the financial statements are consolidated on a line-by-line basis in accordance with IAS 27;
- the financial statements for the year of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA has joint control, direct or indirect, as defined in IAS 31. In these cases investments are accounted for using the equity method in accordance with IAS 31;
- the financial statements for the year of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA has, directly or indirectly, an investment in an associated company as defined in IAS 28. In these cases investments are accounted for using the equity method in accordance with IAS 28.

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

- the net carrying value of investments in companies included in the scope of consolidation is eliminated against the related net equity;
- any excess of the purchase cost of investments and the Group's share of net equity at the date of purchase is allocated to the specific assets and liabilities acquired in order to state them at their fair value. Any residual excess is classified as goodwill; if the difference is negative, this is recognised immediately in the income statement;
- the amounts of capital, reserves and the consolidated financial result attributable to minority interests are recognised as separate items in equity and the income statement;
- in preparing the consolidated financial statements, receivables and payables and income and expense resulting from transactions between companies included in the scope of consolidation are eliminated, as are any unrealised gains or losses on intragroup operations.

The financial statements of companies included in the scope of consolidation are prepared at the same balance sheet date as those of Arnoldo Mondadori Editore S.p.A., in accordance with IAS/IFRS.
In cases where the balance sheet date is different from the Parent Company's balance sheet date, adjustments are made in order to recognise the effects of significant operations or events that occurred between that date and the Parent Company's balance sheet date.

The main changes in the consolidation area of the Mondadori Group were as follows:

- the purchase of 20% of Electa Napoli SpA, which means that the Group now owns 100% of the subsidiary company's share capital.

Name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 06/30/08	% held as of 12/31/07
Companies consolidated using the line-by-line method						
Arnoldo Mondadori Editore SpA	Milan	Publishing	Euro	67,451,756.32		
Italian subsidiaries						
Cemit Interactive Media SpA	S.Mauro To	Trade	Euro	3,835,000.00	100.00	100.00
Edizioni Frassinelli Srl	Milan	Publishing	Euro	10,400.00	100.00	100.00
Edizioni Piemme SpA	Milan	Publishing	Euro	566,661.00	90.00	90.00
Mondadori Education SpA	Milan	Publishing	Euro	10,608,000.00	100.00	100.00
Mondadori Electa SpA	Milan	Publishing	Euro	1,593,735.00	100.00	100.00
Electa Napoli SpA	Naples	Publishing	Euro	155,000.00	100.00	80.00
Mondadori Retail SpA	Milan	Trade	Euro	2,700,000.00	100.00	100.00
Fied SpA	Milan	Financial publishing	Euro	416,000.00	100.00	100.00
Giulio Einaudi editore SpA	Turin	Publishing	Euro	23,920,000.00	100.00	100.00
Mondadori Printing SpA	Milan	Printing	Euro	45,396,000.00	100.00	100.00
Mondadori Pubblicità SpA	Milan	Advertising agent	Euro	3,120,000.00	100.00	100.00
Mondadori Franchising SpA	Rimini	Trade	Euro	1,954,000.00	100.00	100.00
Mondadori Iniziative Editoriali SpA	Milan	Publishing	Euro	500,000.00	100.00	100.00
Press-Di Distr. Stampa e Multimedia Srl	Milan	Services	Euro	95,000.00	100.00	100.00
Monradio Srl	Milan	Radio	Euro	3,030,000.00	100.00	100.00
Sperling & Kupfer Editori SpA	Milan	Publishing	Euro	1,555,800.00	100.00	100.00
Foreign subsidiaries						
ABS Finance Fund Sicav	Luxemburg	Finance	Euro	225,847,072.71	89.62	85.43
AME France (già AME Service) Sas	Paris	Services	Euro	489,140.00	100.00	100.00
Arnoldo Mondadori Deutschland Gmbh	Munich	Services	Euro	25,564.59	100.00	100.00
Mondadori France Sas	Paris	Finance	Euro	50,000,000.00	100.00	100.00
Ame Publishing Ltd	New York	Services	USD	50,000.00	100.00	100.00
Arnoweb SA	Luxemburg	Finance	Euro	36,256,900.00	100.00	100.00
Artes Graficas Toledo SA	Toledo	Printing	Euro	5,409,000.00	100.00	100.00
Gruppo Editions Mondadori France	Paris	Publishing	Euro	753,876,750.00	100.00	100.00
Mondadori International SA	Luxemburg	Finance	Euro	393,625,900.00	100.00	100.00
Prisco Spain SA	Barcelona	Finance	Euro	60,101.30	100.00	100.00

Name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 06/30/08	% held as of 12/31/07
Companies valued using the proportional method						
ACI Mondadori SpA	Milan	Publishing	Euro	590,290.00	50.00	50.00
Ag. Lombarda Distrib. Giornali e Riviste Srl	Milan	Trade	Euro	400,000.00	50.00	50.00
Gruppo Attica Publications	Athens	Publishing	Euro	4,590,000.00	41.98	41.66
Campania Arte Scarl	Rome	Services	Euro	100,000.00	22.00	22.00
Consorzio Covar	Rome	Services	Euro	15,493.70	25.00	25.00
Consorzio Forma	Pisa	Services	Euro	3,615.00	25.00	25.00
Edizioni Electa Bruno Mondadori Srl	Milan	Publishing	Euro	10,400.00	50.00	50.00
Edizioni EL Srl	Trieste	Publishing	Euro	620,000.00	50.00	50.00
Gruppo Random House Mondadori SA	Barcelona	Publishing	Euro	6,824,600.62	50.00	50.00
Gruner + Jahr / Mondadori SpA	Milan	Publishing	Euro	2,600,000.00	50.00	50.00
Harlequin Mondadori SpA	Milan	Publishing	Euro	258,250.00	50.00	50.00
Hearst Mondadori Editoriale Srl	Milan	Publishing	Euro	99,600.00	50.00	50.00
Mach 2 Libri SpA	Peschiera Borromeo (Mi)	Trade	Euro	646,250.00	34.91	34.91
Mondadori Indipendent Media LLC	Moscow	Publishing	Ruble	6,800,000.00	50.00	50.00
Mondadori Rodale Srl	Milan	Publishing	Euro	90,000.00	50.00	50.00
Mondolibri SpA	Milan	Trade Publishing	Euro	1,040,000.00	50.00	50.00
Novamusa Gelmar Biblioteca Nazionale Scarl	Rome	Services	Euro	10,200.00	20.00	(§)
Novamusa Val di Noto Scarl	Messina	Services	Euro	90,000.00	20.00	(§)
Novamusa Valdemone Scarl	Messina	Services	Euro	90,000.00	20.00	(§)
Novamusa Val di Mazara Scarl	Messina	Services	Euro	90,000.00	20.00	(§)
Roccella Scarl	Naples	Services	Euro	100,000.00	49.50	39.60
Rock FM Srl	Milan	Radio	Euro	100,000.00	47.78	47.49
Società Europea di Edizioni SpA	Milan	Publishing	Euro	2,775,601.92	39.27	39.27
Venezia Accademia Scarl (in liquidation)	Venice	Services	Euro	15,000.00	26.00	26.00
Venezia Musei per i servizi museali Scarl	Venice	Services	Euro	10,000.00	34.00	34.00
Venezia Accademia per i servizi museali Scarl	Venice	Services	Euro	10,000.00	25.00	25.00
Companies valued at cost						
Aranova Freedom Scarl	Bologna	Radio	Euro	19,200.00	16.66	16.66
Audiradio	Milan	Services	Euro	258,000.00	2.32	2.32
Consuledit Srl	Milan	Services	Euro	20,000.00	9.54	9.54
Consorzio Editoriale Fridericiana	Naples	Services	Euro	12,396.51	14.29	11.43
Cons. Sistemi Informativi Editoriali Distributivi	Milan	Services	Euro	103,291.38	10.00	10.00
Editrice Portoria SpA	Milan	Publishing	Euro	364,000.00	16.78	16.78
Editrice Storia Illustrata Srl (in liq.)	Milan	Publishing	Lire	20,000,000	8.39	8.39
Giulio Einaudi editore SpA (in administration)	Turin		Lire	3,000,000,000	7.35	7.35
Immobiliare Editori Giornali Srl	Rome	Real estate	Euro	830,462.00	7.88	7.88
Novamusa Gelmar Biblioteca Nazionale Scarl	Messina	Services	Euro		(§)	16.00
Novamusa Val di Noto Scarl	Messina	Services	Euro		(§)	16.00
Novamusa Valdemone Scarl	Messina	Services	Euro		(§)	16.00
Novamusa Val di Mazara Scarl	Messina	Services	Euro		(§)	16.00
SCABEC SpA	Naples	Services	Euro	1,000,000.00	10.78	10.78
Selcon Srl	Milan	Services	Euro	20,800.00	25.60	25.60
Società Editrice Il Mulino SpA	Bologna	Publishing	Euro	1,175,000.00	7.05	7.05

(§) Following the purchase of the remaining 20% of Electa Napoli SpA, these companies are qualified as associated companies and are consolidated using the proportional method.

5. Conversion of financial statements in foreign currencies

All amounts in the consolidated financial statements of the Mondadori Group are expressed in euros, which is the functional and presentation currency of the Mondadori Group.
The financial statements of companies whose functional currency is not the euro are converted into euros in the following way:

- assets and liabilities are converted at the exchange rate ruling at the balance sheet date;
- income statement items are converted at the average exchange rate for the period.

Currency exchange rate differences that arise from these conversions are recognised in a specific reserve in shareholders' equity.

6. Segment information

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

Therefore the primary format used for providing segment information is the activity of the company involved and the secondary format is by geographical segment. As far as assets and liabilities which are not attributable to any specific segment are concerned, specific attribution parameters have been determined, while assets and liabilities that cannot be allocated by means of specific parameters are presented separately.

Primary and secondary segment reporting for the periods at 30 June 2007 and 2008 is included in the notes that follow.

7. Accounting principles and valuation methods

The following is an explanation of the principles adopted by the Mondadori Group in preparing the financial report for the first half of the year up to 30 June 2008.

7.1 Intangible assets

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

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

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

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

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

Intangible assets with a definite useful life

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

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

Intangible assets with a finite useful life	**Amortisation rate**
Titles	Term of licence
Costs of taking over lease contracts	Term of rental contract
Goods under concession or licence	Term of franchise or licence
Software	Straight line over 3 years
Patents and rights	Straight line over 3 to 5 years
Other intangible assets	Straight line over 3 to 5 years

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

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

Intangible assets with an indefinite useful life

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

The intangible assets identified by the Group as having an indefinite useful life include:

Intangible assets with an indefinite useful life
Titles
Series
Radio frequencies
Imprints
Goodwill

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

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

7.2 Investment property

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

Investment property stated at cost, which includes the purchase cost and all accessory charges directly connected to this.

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

The cost of investment property, except for that part pertaining to the cost of the land, is systematically amortised over the useful life of the asset. The depreciation criteria depend on the how the relative future economic benefits are earned by the Group.

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

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

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

Gains and losses deriving from the disposal of investment property are recognised in the income statement in the year the operation takes place.

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

7.3 Property, plant and equipment

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

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

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

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are recognised when they are first recognised at their fair value determined at the time of their purchase and subsequently at cost.

Assets recognised as property, plant and equipment, with the exception of land, are depreciated over the useful life of the asset from the moment the assets are available for use.

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

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

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

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

Leasehold improvements are recognised as fixed assets and depreciated over the lower of the residual useful life of the asset and the residual term of the lease contract

7.4 Finance lease assets

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

Liabilities arising from leasing contracts are recognised as financial liabilities.

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

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

7.5 Borrowing costs

The Group does not capitalise any financial charges connected with the purchase, construction or production of assets that can be capitalised. These charges are recognised in the income statement in the year in which they are incurred.

7.6 Impairment

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

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

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

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

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

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

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

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

7.7 Investments in joint ventures and associated companies

This item refers to investments in companies where the control of the business activity is shared and where financial and management decisions require the unanimous consensus of all the parties who share control; and to investments in companies where the Group has a significant influence that enables it to take part in determining the financial and management policies of the company even though it does not have control or joint control.

Investments in joint-ventures and associated companies are initially measured at cost and subsequently adjusted as a consequence of any changes in the share the Group holds in the equity of the companies in question.
The Group's share of any profits and losses of such companies is recognised in the income statement.

The carrying value of these investments also contains any excess cost paid and attributed to goodwill.

The risk resulting from any losses that exceed the investee's equity is recognised as a liability to the extent that the Group is has a legal or constructive obligation.

7.8 Inventories

Inventories are valued at the lower of cost and net realisable value.

Inventory cost includes the purchase cost, the transformation cost and the other costs involved in bringing an item to the location and condition necessary without taking into consideration financial charges.

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

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

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

7.9 Financial assets

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

Financial assets at fair value with changes recognised in the income statement ("at fair value through profit and loss")

This category includes the following:

- financial assets/liabilities which when they are first valued are designated by the Group at fair value in the income statement;
- financial assets/liabilities that are held for trading are those that:
    - are held with the sole purpose of gaining short-term benefits from price fluctuations when buying and selling them
    - are part of a portfolio of specific financial instruments that are managed en block and for which there is recent, reliable evidence that a short-term profit can be made
    - are derivatives (with the exception of those that are designated and considered to be effective hedge instruments).

The Group designated shares held in its investment portfolio and derivatives for currency exchange rate risks as assets held for trading. Financial assets are mainly liquidity investments held by Mondadori International in the Luxemburg Rate securities broker, ABS Finance Fund. Derivative financial instruments for currency exchange rate risks are considered as hedge instruments against currency sales but are not recognised as hedge accounting because of the expense entailed.
There are no financial assets/liabilities at fair play with an impact on the income designated as such at the initial valuation.

In an active market, the fair value of these instruments is calculated by referring to the market value on the closing date of the period, while if there is no active market the fair value is calculated using financial evaluation techniques. Profit and losses deriving from the fair value evaluation of assets held for trading are recognised in the income statement.

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

Long-term financial investments that are held to their maturity, such as bonds, are valued after the initial valuation using the amortised cost method based on the effective interest rates, which represent the rates that will apply to the future payments or returns estimated for the entire life of the financial instrument.
The amortised cost is calculated taking into consideration any eventual discounts or premiums that will be applied during the entire period of time up to maturity.

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

Loans and receivables
IAS 39 defines these financial assets as having fixed or determinable payments that are not quoted on an active market, with the exception of those designated as being held for trading or as being available for sale. These assets are valued at amortised cost method using the effective discount rate method. Profits and losses are recognised in the income statement when the loans and receivables are eliminated or when a loss of value occurs, as well as through the amortisation process.

The Group has inserted in this category trade receivables, both financial and various. These assets mature within 12 months and are therefore recognised at their nominal value (net of an eventual provisions), and include the item “Cash and other cash equivalents”.

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

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

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

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

Available-for-sale financial assets also include shares in other companies, which are valued at cost since the fair value cannot be reliably calculated.

7.10 Trade receivables and other receivables

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

7.11 Treasury shares

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

7.12 Cash and cash equivalents

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

They are booked at their face value.

7.13 Financial liabilities

Financial liabilities include financial payables, derivative instruments, payables linked to financial leasing contracts and trade payables. All financial liabilities, unlike derivative financial instruments, are initially valued at fair value as increased by any cost of the related transaction and are subsequently valued at amortised cost using the effective interest rate method.

Financial instruments consisting of bonds that can be converted into shares of Arnoldo Mondadori Editore S.p.A. are recognised by separating the liability component from the option component. The liability component is recognised in the financial statements under financial liabilities applying the amortised cost method while the option value, calculated as the difference between the value of the liability component and the nominal value of the financial instrument issued, is recognised in a reserve in net equity.

Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges), are valued at fair value, in accordance with the methodology outlined in IAS 39 for hedge accounting. Profits and losses resulting from subsequent variations in fair value are recognised in the income statement. The portions of these changes linked to the efficient portion of the hedge are compensated for by changes in value of derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in the cash flow (cash flow hedges), are valued at amortised cost, in accordance with the methodology outlined in IAS 39 for hedge accounting.

7.14 Derecognition of financial assets and liabilities

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

- the right to receive cash flows from the asset has been extinguished;

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

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

7.15 Impairment of financial assets

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

Financial assets valued at amortised cost
If there is objective evidence that there is a reduction in the value of loans and receivables, the amount of the loss is recognised in the income statement and is calculated as the difference between the asset's carrying value and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the loss of value decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised loss of value is reversed up to the amount the asset would have had, taking into account the amortisation, at the date of the reversal.

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

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

7.16 Derivative financial instruments

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

Operations that satisfy the criteria of hedge accounting are accounted for as follows:

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

As for the fair value hedge of items recognised at amortised cost, the adjustment of the carrying value is amortised in the income statement throughout the period before maturity. Any eventual adjustments to the carrying value of a hedged financial instrument where the effective interest rate method is applied are amortised in the income statement.

The amortisation can begin as soon as an adjustment exists but not after the date the item being hedged ceases to be adjusted for the variations in its fair value attributable to the risk of the hedged item. If the hedged item is cancelled, the fair value that has not been amortised is immediately recognised in the income statement.

<u>*Cash flow hedge*</u>
If a derivative financial instrument is designated as an instrument for hedging the exposure to variations in cash flows of an asset or of a liability included in the financial statement or of a highly probable forecast transaction, the effective portion of the assets or of the losses deriving from the adjustment of the fair value of the derivative instrument is recognised in a special reserve in net equity. The accumulated profit and loss are transferred from the equity reserve and recognised in the income statement when the results of the hedge operation are recognised in the income statement.

The profit and loss associated with the ineffective part of a hedge are recognised in the income statement. If a hedging instrument is terminated but the hedging operation has not yet been carried out, the accumulated profits and losses remain in the reserve in the net equity and are reclassified to the income statement when the relative operation is carried out. If the hedging operation is no longer considered probable, the profits and losses not yet realised and recognised in equity are recognised in the income statement.

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

7.17 Provisions

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

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

7.18 Employees' leaving entitlement

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

- defined contribution plans, represented by the amount matured at 1 January 2007 for Group companies that have more than 50 employees;
- defined benefit plans, represented by the TFR fund of companies that have less than 50 employees and by the TFR fund that matured at 31 December 2006 for the other Group companies.

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

The TFR obligations for companies with more than 50 employees is calculated, on the TFR fund matured at 31 December 2006, using an actuarial method based on demographic assumptions, taking into account mortality rates and the turnover of the workforce, and on financial assumptions, taking into account the discount rate that reflects the time value of money and the inflation rate.

The TFR obligation for companies with less than 50 employees is calculated using the same actuarial method but also taking into account the future salary and wage levels.

The amount recognised as a liability for defined benefit plans is represented by the present value of the obligation at the balance sheet date, net of the present value of any plan assets. The amount that is recognised as costs in the income statement also includes the following:
- social security costs relative to the current work;
- interest costs;
- actuarial gains or losses;
- the return expected from any plan assets.

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

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

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

7.19 Stock options

The Group grants additional benefits to certain directors and managers who carry out functions that are relevant for the attainment of the company's strategic results, through equity-settled stock option plans.

In accordance with IFRS 2, these stock options are measured at their fair value at the time they are granted. Fair value is determined on the basis of a binomial model, taking into consideration the regulations of the individual plans.

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

At the end of every year, the previously calculated fair value of every option is neither reviewed nor updated, but remains unchanged in shareholders' equity, although the estimate of the number of options that mature up to the expiry date (and therefore the number of employees who have the right to exercise these options) is updated at that time. Any change in this estimate is recognised in the "Reserve for stock options" and in personnel costs in the income statement.

When the option is exercised, the amount booked under "Reserve for stock options" is reclassified in the following way: the part of shareholders' equity that refers to options that have been exercised is reclassified to the "Share premium reserve", while the part of the "Reserve for stock options" that refers to options that have been cancelled or that have not been exercised is reclassified to "Other reserves".

The dilutive effect of options that have not yet been exercised is reflected in the calculation of the diluted earnings per share.

The Group has applied the provisions contained in IFRS 2 for all stock option plans assigned after 7 November 2002.

7.20 Recognition of revenues and costs

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

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

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

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

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

7.21 Current and deferred taxes

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

Deferred tax assets and liabilities are calculated on all the temporary differences between the tax base of assets and liabilities and their relative carrying values in the consolidated financial statements, with the exception of the following:
- temporary taxable differences deriving from the initial recognition of goodwill;
- temporary taxable or deductible differences resulting from the initial recognition of an asset or a liability in an operation that is not a business combination and which does not influence either the result or the taxable income at the time of the operation in question;
- for investments in subsidiary, associated and jointly-controlled companies when:
  - the Group is able to control the timing of the reversal of temporary taxable differences and it is probable that these differences will not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilised.

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

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

7.22 Operations in foreign currencies

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

7.23 Grants and contributions

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

7.24 Earnings per share

Earnings per share is as the ratio between the Group's net profit and the average number of shares outstanding during the period.
In order to calculate diluted earnings per share, the average number of shares outstanding is modified on the assumption that all potential shares with dilutive effect are converted.

7.25 Assets and liabilities held for sale and discontinued operations

Non-current assets and groups of assets and liabilities whose carrying value will be mainly recovered through disposal instead of continuous use, are presented separately from other assets and liabilities in the consolidated balance sheet.

These assets and liabilities are classified as "assets and liabilities held for sale" and are valued at the lower of their carrying value and their fair value less probable disposable costs. Gains and losses, net of the related tax effect, resulting from the valuation or disposal of the assets or liabilities in question are recognised in a specific item in the income statement.

8. Use of estimates

In preparing the attached tables and the relative notes, it has been necessary to use estimates and assumptions in order to calculate, in particular, the provision for returns for published products, provisions for the writedowns of assets and for risks, employee benefits and taxation and the value of some non-current assets included in the goodwill.

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

9. Business combinations and other acquisitions

Business combinations are recognised using the purchase method envisaged by IFRS 3. Under the purchase method, cost is determined as the sum of the fair values at the date of the operation of the assets and liabilities acquired, including any contingent liabilities assumed and equity instruments issued by the purchaser in exchange for the control of the company purchased, plus any costs directly attributable to the purchase.

Any excess of purchase cost over the Group's share of the fair value of the assets, liabilities and contingent liabilities acquired and identifiable at the time of purchase is recognised as goodwill under assets. If this difference is negative it is recognised directly in the income statement.
In cases where a minority share is purchased in a company that is already controlled, any positive difference between the cost and the net equity purchased is recognised as goodwill under assets.

1- Business combinations and other operations concerning the purchase of minority shares

The operations carried out in 2008 are described below.

1.1 Purchase of 20% of Electa Napoli SpA

In January 2008 Arnoldo Mondadori Editore SpA, through its wholly owned subsidiary Mondadori Electa SpA, purchased from Prismi Editrice Politecnica Napoli Srl the remaining 20% of the share capital of Electa Napoli SpA, thereby giving the company 100% control of the subsidiary.

Since before the transaction the Mondadori Group already owned 80% of the share capital of Electa Napoli SpA, and therefore controlled the company' financial and management policies, in accordance with IFRS 3 accounting principles the operation in question is not classified as a business combination.

The difference between the sum paid, which amounted to €600 thousand, and the net business purchased, which amounted to €238 thousand, is recognised as goodwill under assets.

2- Intangible assets

Intangible assets are described and commented on below.

Intangible assets	**€,000 30 June 2008**	**€,000 31 December 2007**
Intangible assets with finite useful lives	49,597	52,110
Intangible assets with indefinite useful lives	888,720	891,737
Total intangible assets	**938,317**	**943,847**

The following two tables show the changes in intangible assets with finite useful lives in 2007 and during the first half of 2008.

Intangible assets with finite useful lives €,000	Titles	Expense for taking over shop leasing contracts	Software	Licences, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31 December 2006	15,000	38,203	20,900	4,157	109	113	78,482
Investments	-	419	2,192	20	34	260	2,925
Disposals	-	-	(75)	-	-	-	(75)
Changes to consolidation area	-	-	(540)	-	-	-	(540)
Other changes	-	66	(294)	(3,000)	2,996	(75)	(307)
Cost at 31 December 2007	15,000	38,688	22,183	1,177	3,139	298	80,485
Accumulated amortisation and impairment losses at 31 December 2006	167	3,260	17,322	1,332	70	-	22,151
Amortisation	500	3,616	1,824	39	1,223	-	7,202
Writedowns/reinstatement of value	-	-	-	-	-	-	0
Disposals	-	-	(75)	-	-	-	(75)
Changes to consolidation area	-	-	(540)	-	-	-	(540)
Other changes	-	-	(348)	(294)	279	-	(363)
Accumulated amortisation and impairment losses at 31 December 2007	667	6,876	18,183	1,077	1,572	0	28,375
Net book value at 31 December 2006	14,833	34,943	3,578	2,825	39	113	56,331
Net book value at 31 December 2007	**14,333**	**31,812**	**4,000**	**100**	**1,567**	**298**	**52,110**

The investments made, relating to intangible assets with finite useful lives, during the first half of 2008 were of a modest amount and were mainly concerned with company software.

Magazine titles with a definite useful life are regulated by publishing licence contracts and are amortised on the basis of the duration of these contracts.

On the basis of the results of impairment tests on assets with a definite useful life, no writedowns were necessary either during the current period or the previous one.

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

Intangible assets with finite useful lives €,000	Titles	Expense for taking over shop leasing contracts	Software	Licences, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31 December 2007	15,000	38,688	22,183	1,177	3,139	298	80,485
Investments	-	-	1,014	3	17	161	1,195
Disposals	-	-	-	-	-	-	0
Other changes	-	215	174	-	(1)	(179)	209
Cost at 30 June 2008	15,000	38,903	23,371	1,180	3,155	280	81,889
Accumulated amortisation and impairment losses at 31 December 2007	667	6,876	18,183	1,077	1,572	-	28,375
Amortisation	250	1,828	1,047	15	611		3,751
Writedowns/reinstatement of value	-	-	-	-	-		0
Disposals	-	-	-	-	-		0
Other changes	-	168	(2)	-	-		166
Accumulated amortisation and impairment losses at 30 June 2008	917	8,872	19,228	1,092	2,183	0	32,292
Net book value at 31 December 2007	14,333	31,812	4,000	100	1,567	298	52,110
Net book value at 30 June 2008	**14,083**	**30,031**	**4,143**	**88**	**972**	**280**	**49,597**

The following data refer to intangible assets with an indefinite useful life.

During the first half of the current year, investments in intangible assets with an indefinite useful life referred to the purchase of radio frequencies and the purchase of a division of Edizioni Electa Bruno Mondadori Srl, publishers of school textbooks.

Disposals included the division of the Mondadori France Group responsible for magazine titles, belonging to Loisir, which was considered to be non-strategic in the French market.

Intangible assets with indefinite useful lives €,000	Titles	Series	Imprints	Radio frequencies	Goodwill	Total
Cost at 31 December 2006	321,358	31,509	5,949	86,536	428,012	873,364
Investments	-	-	-	30,806	3,996	34,802
Disposals	-	-	-	(5,188)	-	(5,188)
Change in consolidation area	-	-	-	-	413	413
Other changes	-	-	-	-	-	0
Cost at 31 December 2007	321,358	31,509	5,949	112,154	432,421	903,391
Impairment at 31 December 2006	10,226	-	1,114	244	36	11,620
Writedown/reinstatement of value	-	-	-	-	34	34
Other changes	-	-	-	-	-	0
Impairment at 31 December 2007	10,226	0	1,114	244	70	11,654
Net book value at 31 December 2006	311,132	31,509	4,835	86,292	427,976	861,744
Net book value at 31 December 2007	**311,132**	**31,509**	**4,835**	**111,910**	**432,351**	**891,737**

Intangible assets with indefinite useful lives €,000	Titles	Series	Imprints	Radio frequencies	Goodwill	Total
Cost at 31 December 2007	321,358	31,509	5,949	112,154	432,421	903,391
Investments	-	-	-	6,157	410	6,567
Disposals	(5,400)	-	-	(3,437)	(700)	(9,537)
Other changes	-	-	-	-	(55)	(55)
Cost at 30 June 2008	315,958	31,509	5,949	114,874	432,076	900,366
Impairment at 31 December 2007	10,226	-	1,114	244	70	11,654
Writedown/reinstatement of value	-	-	-	-	-	0
Other changes	-	-	-	-	(8)	(8)
Impairment at 30 June 2008	10,226	0	1,114	244	62	11,646
Net book value at 31 December 2007	311,132	31,509	4,835	111,910	432,351	891,737
Net book value at 30 June 2008	**305,732**	**31,509**	**4,835**	**114,630**	**432,014**	**888,720**

Amortisation, impairment and reinstatement of value of intangible assets

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

Amortisation and impairment of intangible assets	**€ ,000 1st Half 2008**	**€ ,000 1st Half 2007**
Titles	250	250
Expense for taking over shop leasing contracts	1,828	1,801
Software	1,047	862
Licences, patents and rights	15	19
Other intangible assets	611	605
Total amortisation and impairment of intangible assets	**3,751**	**3,537**
Writedowns of intangible assets	-	-
Reinstatement of value of intangible assets	-	-
Total writedowns (reinstatement) of intangible assets	**0**	**0**
Total amortisation and impairment of intangible assets	**3,751**	**3,537**

An impairment test was carried out when the financial statements were drawn up on 31 December 2007.
After taking into consideration the performance of the market where the Group operates, it was decided that as at 30 June 2008 there were no elements that required further tests.

The value of titles and imprints, each one of which is a cash generating unit, mainly refers to the purchase of Silvio Berlusconi Editore (€83.6 million), which took place in 1994, and the purchase of Gruppo Emap France (€217.8 million), which took place in 2006.

Series mainly refer to the purchase on the market of the school textbook division of Mondadori Education SpA, which has been identified as a cash generating unit in the education sector.
This cash generating unit was assigned a goodwill value relative to a number of imprints it included.

As for radio frequencies, their fair value is based on independent appraisals carried out by third party experts as of the acquisition date and by an update of the value as of the balance sheet date at 31 December 2007.
No further tests were necessary up to 30 June 2008.

3- Investment property

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

Investment property **€ ,000**	Land	Non-business buildings	Total
Cost at 31 December 2006	954	7,904	8,858
Investments	-	-	0
Disposals	(496)	(5,651)	(6,147)
Other changes	-	-	0
Cost at 31 December 2007	458	2,253	2,711
Accumulated depreciation and impairment losses at 31 December 2006	-	4,114	4,114
Depreciation	-	181	181
Writedowns/reinstatement of value	-	-	0
Disposals	-	(3,109)	(3,109)
Other changes	-	-	0
Accumulated depreciation and impairment losses at 31 December 2007	0	1,186	1,186
Net book value at 31 December 2006	954	3,790	4,744
Net book value at 31 December 2007	**458**	**1,067**	**1,525**

During the first half of 2008 investment property concerned extraordinary maintenance carried out on buildings in Verona.

Investment property **€ ,000**	Land	Non-business buildings	Total
Cost at 31 December 2007	458	2,253	2,711
Investments	-	913	913
Disposals	-	-	0
Other changes	-	109	109
Cost at 30 June 2008	458	3,275	3,733
Accumulated depreciation and impairment losses at 31 December 2007	-	1,186	1,186
Depreciation	-	31	31
Writedowns/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	1	1
Accumulated depreciation and impairment losses at 30 June 2008	0	1,218	1,218
Net book value at 31 December 2007	458	1,067	1,525
Net book value at 30 June 2008	**458**	**2,057**	**2,515**

The fair value of investment property at 30 June 2008 was approximately €7.0 million.

Depreciation of investment property

The depreciation charge for the period amounted to €31 thousand, included in the income statement under "Depreciation and impairment of property, plant and equipment", compared with €112 thousand for the same period in 2006.

There are no restrictions on the use of assets classified as investment property.

4- Property, plant and equipment

The following table shows the changes in 2007 and during the first half of 2008.

During the first half of the current year investments were mainly concerned with property purchased from INPS in Rome by Mondadori Retail SpA for a total of €13.4 million.

Property, plant and equipment € ,000	Land	Business buildings	Plant and equipment	Other assets	Total
Cost at 31 December 2006	20,546	97,527	421,997	132,984	673,054
Investments	-	445	10,346	24,595	35,386
Disposals	(648)	(16,342)	(20,162)	(5,135)	(42,287)
Changes in consolidation area	-	-	-	-	0
Other changes	-	78	(7,264)	(2,979)	(10,165)
Cost at 31 December 2007	19,898	81,708	404,917	149,465	655,988
Accumulated depreciation and impairment losses at 31 December 2006	-	31,195	323,987	96,005	451,187
Depreciation	-	3,005	22,888	10,361	36,254
Writedowns/reinstatement of value	-	-	-	-	0
Disposals	-	(6,427)	(19,889)	(4,607)	(30,923)
Changes in consolidation area	-	-	-	-	0
Other changes	-	-	(9,445)	(702)	(10,147)
Accumulated depreciation and impairment losses at 31 December 2007	0	27,773	317,541	101,057	446,371
Net book value at 31 December 2006	20,546	66,332	98,010	36,979	221,867
Net book value at 31 December 2007	**19,898**	**53,935**	**87,376**	**48,408**	**209,617**

Property, plant and equipment includes buildings and plant for a carrying value of €90,734 thousand (€105,270 thousand at 31 December 2007), which acts as a security for loans recognised under financial liabilities.

Property, plant and equipment € ,000	Land	Business buildings	Plant and equipment	Other assets	Total
Cost at 31 December 2007	19,898	81,708	404,917	149,465	655,988
Investments	320	1,477	540	20,945	23,282
Disposals	-	-	(401)	(1,401)	(1,802)
Other changes	-	168	3,291	(3,579)	(120)
Cost at 30 June 2008	20,218	83,353	408,347	165,430	677,348
Accumulated depreciation and impairment losses at 31 December 2007	-	27,773	317,541	101,057	446,371
Depreciation	-	1,350	10,587	4,978	16,915
Writedowns/reinstatement of value	-	-	-	-	0
Disposals	-	-	(368)	(979)	(1,347)
Other changes	-	-	1	(25)	(24)
Accumulated depreciation and impairment losses at 30 June 2008	0	29,123	327,761	105,031	461,915
Net book value at 31 December 2007	19,898	53,935	87,376	48,408	209,617
Net book value at 30 June 2008	**20,218**	**54,230**	**80,586**	**60,399**	**215,433**

Depreciation of property, plant and equipment

The depreciation charge for the year, included in the income statement under "Depreciation and impairment of property, plant and equipment" amounted to €16,915 thousand, and was made up as follows:

Depreciation of property, plant and equipment	**€ ,000 1st Half 2008**	**€ ,000 1st Half 2007**
Buildings used in business activities	1,350	1,548
Plant and machinery	10,587	11,770
Equipment	1,275	1,026
Electronic office machines	1,699	1,860
Furniture and fixtures	779	685
Motor vehicles and transport vehicles	557	509
Leasehold improvements	631	543
Other assets	37	37
Total depreciation of property, plant and equipment	**16,915**	**17,978**
Writedowns of fixed assets	-	-
Recovery of value for fixed assets	-	-
Total writedowns (recovery) of fixed assets	**0**	**0**
Total depreciation and loss of value of fixed assets	**16,915**	**17,978**

Leased assets

The following table shows the value of leased assets at 30 June 2008 classified under fixed assets:

€,000	**30 June 2008**			**31 December 2007**		
	Gross value	Accumulated depreciation	Net book value	Gross value	Accumulated depreciation	Net book value
Buildings used in business activities	775	(209)	566	775	(198)	577
Plant and machinery	57,484	(57,472)	12	57,484	(57,461)	23
Other assets	1,232	(1,232)	0	1,291	(1,256)	35
Total leased assets	**59,491**	**(58,913)**	**578**	**59,550**	**(58,915)**	**635**

The values above refer to assets that have already been redeemed.

5- Investments

Investments in companies accounted for using the equity method and in other companies amounted to €119,461 thousand.

Investments	**€,000 30 June 2008**	**€,000 31 December 2007**
Investments accounted for using the equity method	119,240	127,026
Investments in other companies	221	273
Total investments	**119,461**	**127,299**

Changes in 2007 and in the first half of 2008 in investments accounted for using the equity method are set out below. The only operation carried out during the first half of the current year was the purchase of 0.33% of Attica Publications SA.

As a result of this operation the Mondadori Group now holds 41.99% of the share capital of the Attica Group, which represents the relative majority. Despite this the operation has not changed the existing control of the company which continues to be controlled jointly with the other partners.

The €210 thousand paid was recognised as an increase in the value of the investment in Attica, which is consolidated using the equity method.

Investments – Investments accounted for using the equity method - € ,000	Net value
Balance at 31 December 2006	120,230
Movements during 2007:	
- purchases and changes in consolidation area	10,095
- disposals and other movements	(290)
- revaluations	19,891
- writedowns	(10,550)
- dividends	(12,350)
Balance at 31 December 2007	**127,026**
Movements during 2008:	
- purchases and changes in consolidation area	2,244
- disposals and other movements	462
- change from fair value consolidation to equity	58
- revaluations	9,001
- writedowns	(4,625)
- dividends	(14,926)
Balance at 30 June 2008	**119,240**

The following table sets out details of investments accounted for using the equity method.

Investments accounted for using the equity method – Detail-	**€ ,000 30 June 2008**	**€ ,000 31 December 2007**
Investments in joint ventures:		
- Gruner + Jahr/Mondadori SpA	3,541	5,593
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	170	204
- Harlequin Mondadori SpA	488	552
- Hearst Mondadori Editoriale Srl	261	627
- Mondadori Rodale Srl	169	929
- Edizioni Electa Bruno Mondadori Srl	150	144
- Edizioni EL Srl	2,355	2,395
- Gruppo Random House Mondadori SL	44,618	41,772
- Campania Arte	22	22
- Attica Publications SA	38,659	37,556
- ACI Mondadori SpA	959	1,449
- Mondolibri SpA	4,238	8,630
- Mondadori Indipendent Media	0	100
- Editions Mondadori Axel Springer Snc	11,487	13,217
- Top Santè VOF	122	205
Total investments in joint ventures	**107,239**	**113,395**
Investments in associated companies:		
- Mach 2 Libri SpA	6,718	6,818
- Società Europea Edizioni SpA	5,164	6,739
- Venezia Musei Scarl in liquidation	-	-
- Venezia Musei società per i servizi museali Scarl	6	6
- Venezia Accademia Scarl	0	0
- Venezia Accademia per i servizi museali Scarl	2	2
- Consorzio Covar in liquidation	2	2
- Consorzio Forma	1	1
- Roccella Scarl	50	40
- Novamusa Val di Noto Scarl	18	-
- Novamusa Valdemone Scarl	21	-
- Novamusa Gelmar Scarl	2	-
- Novamusa Val di Mazara Scarl	17	-
- Rock FM Srl	0	23
Total investments in associated companies	**12,001**	**13,631**
Total investments accounted for using the equity method	**119,240**	**127,026**

With reference to the investment in the Attica Group, quoted on the Athens Stock Exchange, the quoted value of the shares is not considered representative of the fair value since only a limited number of shares are floated and the volume of trading during the year was limited in terms of both quantities and amount.

An impairment test on the investment was carried out when the financial statements were drawn up at 31 December 2007.
After taking into consideration the performance of the market where the Group operates, it was decided that as at 30 June 2008 there were no elements that required further tests.

The following tables illustrate the movements in investments in other companies, stated at cost since no fair value is available.

Investments – Investments in other companies - € ,000	Net book value
Balance at 31 December 2006	2,174
Movements during 2007:	
- purchases and changes in consolidation area	28
- disposals and other movements	(1,927)
- revaluations	-
- writedowns	(2)
- dividends	-
Balance at 31 December 2007	**273**
Movements during 2008:	
- purchases and changes in consolidation area	4
- disposals and other movements	-
- change from fair value consolidation to equity	(56)
- revaluations	-
- writedowns	-
- dividends	
Balance at 30 June 2008	**221**

The following table illustrates details of investments in other companies.

Investments in other companies – Detail -	**€ ,000 30 June 2008**	**€ ,000 31 December 2007**
Investments in other companies:		
- Società Editrice Il Mulino SpA	101	101
- Consuledit Srl	1	1
- Cons. Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali Srl	52	52
- Novamusa Val di Noto Scarl	-	18
- Novamusa Valdemone Scarl	-	18
- Novamusa Gelmar Scarl	-	2
- Novamusa Val di Mazara Scarl	-	18
- Consorzio Editoriale Fridericiana	-	-
- Audiradio	21	21
- Aranova Freedom Scarl	30	28
- CTAV	3	1
- Sem Issy Media	3	3
Total investments in other companies	**221**	**273**

6- Deferred tax assets and liabilities

The following tables sets out details of deferred tax assets and liabilities.

	€,000 30 June 2008	€,000 31 December 2007
Deferred tax assets - IRES	35,177	36,444
Deferred tax assets - IRAP	3,272	3,283
Total deferred tax assets	**38,449**	**39,727**
Deferred tax liabilities - IRES	86,300	85,128
Deferred tax liabilities - IRAP	3,744	3,085
Total deferred tax liabilities	**90,044**	**88,213**

Changes in deferred tax assets and liabilities led to a tax charge of €3,229 thousand being recognised, as shown in note 29.

Unrecognised deferred taxes €,000	**€,000 30 June 2008**	**€,000 31 December 2007**
Unused tax losses available for carry forward	2,840	3,678

7- Other non-current assets

The balance of other non-current assets decreased mainly as a result of the utilisation of prepaid withholding tax on the employees' leaving entitlement.

Other non-current assets	**€ ,000 30 June 2008**	**€ ,000 31 December 2007**
Guarantee deposits	2,361	2,387
Earnest money	-	-
Advance IRE withholding tax on the employees' leaving entitlement	57	109
Other	514	523
Total other non-current assets	**2,932**	**3,019**

8- Tax receivables

The composition of and changes in tax receivables are described and commented on below:

Tax receivables	**€ ,000 30 June 2008**	**€ ,000 31 December 2007**
Receivables from tax authorities for IRAP	1,048	2,687
Receivables from tax authorities for IRES	1,131	4,595
Receivables from Fininvest for IRES	-	-
Receivables from tax authorities for VAT to be recovered	13,440	11,240
Receivables from tax authorities for tax reimbursements	10,006	10,179
Total tax receivables	**25,625**	**28,701**

The balance in "Tax receivables" is mainly due to advanced payments of income tax.

9- Other current assets

The composition of and changes in other current assets are described and commented on below:

Other current assets	**€,000 30 June 2008**	**€,000 31 December 2007**
Advances to agents	4,962	672
Advances to authors and collaborators	56,411	47,021
Advance to suppliers	10,233	8,710
Advances to personnel	1,179	663
Receivables for insurance compensation	-	-
Advances to social security institutions	1,627	471
Receivable for guarantee deposits	347	294
Earnest money	429	423
Prepayments	1,636	7,992
Other	17,803	11,354
Total other current assets	**94,627**	**77,600**

The increase in the balance is due to the seasonal nature of some business activities.
In particular, in June the balance for advances to agents, collaborators and authors increases while prepayments linked to the marketing of third-party magazine products decreases.

10- Inventories

The balance of inventories is affected by the seasonal nature of some business activities. In particular, the production of school textbooks, which is concentrated in the first half of the year, increases the value of "Finished products and goods for resale", while in the magazine sector there is an increase in "Work in progress and semi-finished goods" at the end of the year due to the high number of operations being carried out.
The composition of and changes in inventories are described and commented on below:

Inventories	**€,000 30 June 2008**	**€,000 31 December 2007**
Raw materials and consumables	22,904	21,959
Provision for raw materials and consumables	(623)	(605)
Total raw materials and consumables	**22,281**	**21,354**
Work in progress and semi-finished goods	22,328	35,710
Provision for work in progress and semi-finished goods	(1,534)	(1,534)
Total work in progress and semi-finished goods	**20,794**	**34,176**
Contract work in progress	6,904	10,544
Provision for contract work in progress	-	-
Total work in progress	**6,904**	**10,544**
Finished products and goods for resale	108,476	101,040
Provision for finished products and goods for resale	(14,729)	(16,214)
Total finished products and goods for resale	**93,747**	**84,826**
Advances	**-**	**-**
Total inventories	**143,726**	**150,900**

Provisions against inventories are made by taking into account the saleability of finished products and the extent to which work in progress and semi-finished products may not produce margins.

Inventories - Provisions - €,000	Raw materials	Work in progress and semi-finished goods	Contract work in progress	Finished products and goods for resale
Balance at 31 December 2006	676	1,183	-	16,392
Movements during period:				
- provisions	60	351	-	4,740
- utilisations	(118)	-	-	(4,924)
- other movements	(13)	-	-	6
Balance at 31 December 2007	**605**	**1,534**	**0**	**16,214**
Movements during period:				
- provisions	18	-	-	1,700
- utilisations	-	-	-	(3,185)
- other movements	-	-	-	
Balance at 30 June 2008	**623**	**1,534**	**0**	**14,729**

There are no inventories used to secure liabilities.

Decrease (increase) in inventories

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

Decrease (increase) in inventories	€ ,000 1st Half 2008	€ ,000 1st Half 2007
Changes in inventories of finished products	(7,376)	(12,240)
Charge to finished products provision	1,700	1,041
Utilisation of finished products provision	(3,185)	(3,305)
Total changes in inventories of finished products	**(8,861)**	**(14,504)**
Changes in inventories of semi-finished products	12,692	5,641
Charge to work in progress and semi-finished products provision	-	-
Utilisation of work in progress and semi-finished products provision	-	-
Total changes in inventories of work in progress and semi-finished products	**12,692**	**5,641**
Changes in work in progress	5,330	2,991
Charge to work in progress provision	-	164
Utilisation of work in progress provision	-	(161)
Total change in inventories of work in progress	**5,330**	**2,994**
Changes in inventories of raw materials and consumables	(2,003)	(2,758)
Charge to raw materials and consumables provision	18	12
Utilisation of raw materials and consumables provision	-	(9)
Total changes in inventories of raw materials and consumables	**(1,985)**	**(2,755)**
Total decrease (increase) in inventories	**7,176**	**(8,624)**

11- Trade receivables

Despite the decrease in revenues, the balance of "Trade receivables" increased as a result of the seasonal nature of some of the markets where the Mondadori Group operates.

Trade receivables	€,000 30 June 2008	€,000 31 December 2007
Receivables from customers	454,566	443,381
Receivables from associated companies	47,651	40,977
Receivables from parent companies	-	5
Receivables from affiliated companies	1,498	2,510
Total trade receivables	**503,715**	**486,873**

Details of receivables from associated, parent and affiliated companies are contained in the "Relations with related parties" attachment.
Commercial transactions with these companies are carried out in accordance with normal market conditions.
There are no trade receivables with a due date over five years; the average collection period in the first half of 2008 was 86.7 days, the same as 2007.

Trade receivables - Receivables from customers -	€ ,000 30 June 2008	€ ,000 31 December 2007
Trade receivables	605,585	607,642
Customers - returns to be received	(119,230)	(132,030)
Provision for bad debts	(31,789)	(32,231)
Total receivables from customers	**454,566**	**443,381**

The utilisation of the provision reserve is a result of the recognition of credit losses.

Trade receivables Receivables from customers – provision	€ ,000 30 June 2008	€ ,000 31 December 2007
Balance at beginning of period	32,231	31,304
Movements during period:		
- provisions	3,502	8,030
- utilisations	(3,916)	(6,017)
- changes in scope of consolidation	-	32
- other movements	(28)	(1,118)
Total receivables from customers	**31,789**	**32,231**

12- Financial assets

The following tables illustrate both current and non-current financial assets:

Non-current financial assets	€ ,000 30 June 2008	€ ,000 31 December 2007
- Financial receivables from others	519	649
Financial assets at fair value with changes through the income statement	-	-
Available-for-sale financial assets	-	-
Assets resulting from derivative instruments	5,429	3,022
Total other non-current financial assets	**5,948**	**3,671**

"Non-current financial assets" includes various receivables for €519 thousand and the fair value of hedging operations for the five-year bank pool loan of €150 million that expires in July 2011 which was granted for the purchase of the Emap France publishing group.

The multi-borrower loan is composed of a €300 million term loan, wholly utilised by Mondadori International SA, and a revolving loan of €200 million, which at 30 June had been utilised for €150 million by the parent company.

Other current financial assets	**€ ,000 30 June 2008**	**€ ,000 31 December 2007**
- Financial receivables from customers	189	8
- Financial receivables from associated companies	14,004	11,558
- Financial receivables from parent companies	-	-
- Financial receivables from affiliated companies	-	-
- Financial receivables from others	9,436	24,774
Total financial receivables	**23,629**	**36,340**
Financial assets at fair value with changes through the income statement	88,766	108,487
Available-for-sale financial assets	-	-
Assets resulting from derivative instruments	59	83
Total other current financial assets	**112,454**	**144,910**

"Financial assets at fair value" include investments of liquidity made by Mondadori International SA.

The investment portfolio of Mondadori International SA is made up of monetary products and bonds for a total of €221.5 million (approximately €130 million of which is recognised under cash equivalents).
At the end of June 2008 plans were made to convert the company's financial investments into hedge funds.

All of the assets referred to above are measured at fair value. For quoted assets the reference is market prices, while for non-quoted assets the price is either supplied by the banks that are custodians of the shares themselves or by the respective market makers.

Assets and liabilities resulting from derivative instruments

The following table illustrates the assets and liabilities resulting from derivative instruments held at 30 June 2008:

Assets and liabilities in derivative instruments - Details - €,000	Type of derivatives	*Fair value* at 30 June 2008	*Fair value* at 31 December 2007
Non-current financial assets			
- Tax derivatives	Cash flow hedge	5,429	3,022
Current financial assets			
- Currency derivatives	Trading	59	83
Non-current financial liabilities			
- Cross currency swap	Fair value hedge	(71,000)	(54,433)
Current financial liabilities			
- Currency derivatives	Trading	(115)	-

Trading derivatives refer to instruments that, even though they were set up as hedge operations, do not fully satisfy all the requisites of international accounting standards to qualify for hedge accounting.

The utilisation of derivative instruments is in line with the guidelines contained in the Financial Risk Management Policy adopted by the company.

Tax derivatives

The derivative consists of an Interest Rate Swap (IRS) contract signed in August 2006 for €150 million, equal to 50% of the Term Loan (€300 million) part of the nominal €500 million loan obtained by Mondadori International SA. The operation made it possible to convert the floating interest rate (3-month Euribor) into a fixed interest rate of 3.845%.

In May 2008 a basis swap contract was added, making it possible to exploit the difference between the 3-month and 1-month Euribor rates, with the result that the fixed interest rate was further reduced to 3.745%.

Currency derivatives

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

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

At 30 June 2008 there were the following outstanding operations to hedge currency exchange risks:
- forward contracts for the sale of US $3,900 thousand (€2,566 thousand);
- forward contracts for the sale of £2,200 thousand (€2,758 thousand);
- forward contracts for the purchase of US $1,800 thousand (€1,265 thousand).

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

The loan of US $350 million is made up of three tranches of $215 million, $40 million and $95 million with fixed rates of, respectively, 5.42%, 5.57% and 5.85% and expiry dates of 2012, 2015 and 2018.

The Cross currency swap derivative made it possible to transform the notional into euro and the interest rates from fixed to floating. The floating interest rates obtained for the three tranches are equal to the three-month Euribor rate plus an average spread of 0.636%. In June 2008 a basis swap contract was signed that made it possible to change from the 3-month Euribor to the 1-month and make a saving on interest rates. The new average spread is now equal to 0.734%.

13- Cash and cash equivalents

"Bank deposits" include the short-term cash and cash equivalent investments of companies belonging to the Mondadori Group.

The most important of these refer to Mondadori International SA (approximately €130,000 thousand) and Arnoldo Mondadori Editore SpA (€75,000 thousand).

Short-term deposits have expiry dates of three months.

The fair value of cash and cash equivalents at 30 June 2008 is equal to their carrying value at that date.

Cash and cash equivalents	€ ,000 30 June 2008	€ ,000 31 December 2007
Cash and valuables	1,486	2,162
Cheques	636	365
Bank deposits	246,144	221,532
Post office deposits	554	1,039
Total cash and cash equivalents	**248,820**	**225,098**

There are no restrictions on the utilisation of cash assets.

The following table illustrates the individual components of the net financial position set out in accordance with Consob recommendations.

Net financial position		€ ,000 30 June 2008	€ ,000 31 December 2007
A.	Cash	2,122	2,527
	-Bank deposits	246,144	221,532
	-Post office deposits	554	1,039
B.	Other cash and cash equivalents	246,698	222,571
C	**Cash and cash equivalents and other financial assets (A+B)**	**248,820**	**225,098**
D	Stocks held for negotiation		-
	-Financial receivables from associated companies	14,004	11,558
	-Financial assets measured at fair value	88,766	108,487
	-Derivative instruments and other financial assets	9,684	24,865
E	Receivables and other current financial assets	112,454	144,910
F	**Current financial assets (D+E)**	**112,454**	**144,910**
G.	Current bank payables	27,538	29,533
	-Bonds	110,661	-
	-Mortgages	250,000	100,000
	-Loans	3,241	7,354
H.	Current part of non-current payables	363,902	107,354
	-Payables due to associated companies	18,891	22,452
	-Derivative instruments and other financial payables	4,167	8,508
I.	Other current financial payables	23,058	30,960
L	**Payables to banks and other current financial payables (G+H+I)**	**414,498**	**167,847**
M	**Current net financial position (C+F-L)**	**(53,224)**	**202,161**
	-Bonds	224,681	349,582
	-Mortgages	-	-
	-Loans	337,135	337,128
N.	Part of non-current payables	561,816	686,710
O.	Other non-current financial payables	71,000	54,456
P	**Non-current financial payables (N+O)**	**632,816**	**741,166**
Q	**Net financial position (M-P)**	**(686,040)**	**(539,005)**

If the balance of "Non-current financial assets" was added to the data illustrated in the above table (which is not included in the Consob recommendations), the net financial position would show a loss of €680,092 thousand.

14- Shareholders' equity

More detailed information concerning the composition of and changes in shareholders' equity is contained in the section "Changes in consolidated shareholders' equity".

The Mondadori Group is controlled by Fininvest S.p.A.

Share capital

The share capital of the parent company, Arnoldo Mondadori Editore S.p.A., amounting to €67,452 thousand, is fully subscribed and paid up and is represented by 259,429,832 ordinary shares with a par value of €0.26. No new share issues took place during the year.

Share premium reserve

The share premium reserve of Arnoldo Mondadori Editore S.p.A. shares, amounting to €286,876 thousand, includes:
- €15,289 thousand, €13,278 thousand of which deriving from the conversion of the former AMEF 6.5% 1987/1991 debenture bond into shares and €2,011 thousand from the merger of the former AME on 29 November 1991;
- €238,603 thousand deriving from the €17,043 thousand increase in capital completed on 27 June 1994 in conformity with a resolution of shareholders in extraordinary meeting on 30 May 1994 that provided for the issue of 33,000,000 ordinary shares with a par value of €0.52 (1,000 lire) at a price of €7.75 (15,000 lire) per share, €7.23 (14,000 lire) of which was share premium;
- €384 thousand deriving from the increase in capital completed on 23 November 1998;
- €692 thousand deriving from the increase in capital completed on 17 September 1999;
- €1,801 thousand deriving from the increase in capital completed on 18 July 2000;
- €26,978 thousand generated from the conversion into ordinary shares of 13,929,942 savings shares, in conformity with a resolution of shareholders of 30 May 1994 that provided for holders of savings shares to convert them into ordinary shares in the ratio of one-to-one with a par value of €0.52 (1,000 lire), to be exercised during the period 16 June to 31 July 1994 with payment of a balance of €1.94 (3,750 lire) for every share converted;
- €3,129 thousand deriving from stock options being exercised.

Treasury shares

This item, which amounts to €138,840 thousand (the same amount at 31 December 2007), represents the value at the balance sheet date of treasury shares in portfolio, with 15,580,101 ordinary shares held by Arnoldo Mondadori Editore S.p.A. and 4,517,486 ordinary shares held by Mondadori International S.A.

Reserve for stock options

This reserve, which amounts to €7,324 thousand, has been set up for the purposes of the stock option plans assigned to directors and managers of the Group. Further details of this item are provided in note 25.

Conversion reserve

The conversion reserve showed a deficit of €571 thousand, deriving from the conversion of the financial statements of companies belonging to the Random House Mondadori Group, operating Latin America, the Attica Group, with offices in East European countries, and AME Publishing, which has a representative office in New York.
The exchange rates used for the conversion of financial statements in foreign currencies are summarised in the following table:

	Exchange rate at 30 June 2008		**Exchange rate at 31 December 2007**	
	average	**spot**	**average**	**spot**
US dollars	1.53	1.58	1.47	1.32
Argentinian pesos	4.80	4.77	4.64	4.03
Chilean pesos	728.15	828.48	733.40	702.45
Colombian pesos	2,858.66	3,020.38	2,972.17	2,950.08
Mexican pesos	16.26	16.25	16.06	14.24
Uruguayan pesos	31.30	30.66	31.69	32.16
Venezuelan bolivares	3,293.58	3,385.00	3,161.04	2,827.99
Rumanian new leu	3.66	3.64	3.34	3.61
Bulgarian leva	1.96	1.96	1.96	1.96
Serbian dinars	80.20	78.62	79.99	79.77
Hungarian florins	242.41	235.43	251.35	253.73

Other reserves results carried forward

At 30 June 208, "Other reserves and results carried forward" amounted to €201,761 thousand and was made up as follows:
- a legal reserve for €13,490 thousand;

- a reserve of €5,335 thousand for amounts paid out by the Agenzia per la Promozione dello Sviluppo del Mezzogiorno (Ministerial Decrees of 28/6/1979 and 3/5/1989) for the purposes of industrial investments carried out at the plant in Pomezia (RM) and paid out by the State pursuant to Publishing Law n. 416 of 5/8/1981;
- a cash flow hedge reserve for €5,429 thousand for the evaluation of a hedge derivative.

The remaining amount is represented by reserves of profits made in previous years.

15- Capital and reserves attributable to minorities

This item refers to the non-controlling interests in Edizioni Piemme S.p.A.

16- Provisions

The composition of and changes in provisions for risks and charges is described and commented on below:

Provisions €,000	31 December 2007	Charge	Utilisations	Other movements	30 June 2008
Agents' contractual risks	2,515			65	2,580
Litigation	10,684	573	(2,693)	(106)	8,458
Equity investment provision	996			724	1,720
Tax disputes	2,365		(41)		2,324
Other risks	16,718	1,074	(2,850)	(33)	14,909
Total provisions	**33,278**	**1,647**	**(5,584)**	**650**	**29,991**

"Litigation" has been created mainly to deal with libel cases arising from articles published in titles and from requests for damages from authors and third parties.

"Other risks" mainly include amounts for onerous contracts signed by Group companies and disputed over social security contributions relating to INPGI.

17- Employees' leaving entitlement and termination indemnities

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

Leaving entitlements and termination indemnities	**€,000 30 June 2008**	**€,000 31 December 2007**
Employees' leaving entitlement (TFR)	81,951	83,429
Agents' termination indemnity (F.I.S.C.)	6,716	6,647
Termination indemnity for journalists (IFGP)	570	562
Total leaving entitlements and termination indemnities	**89,237**	**90,638**

"Leaving entitlements and termination indemnities" and agents' termination indemnity are calculated on the basis of an actuarial method, in accordance with IAS 19 and IAS 37.

Employees' leaving entitlement - Details - € ,000	TFR	F.I.S.C.	IFGP
Balance at 31 December 2007	83,429	6,647	562
Changes during 2008:			
- provisions	888	573	7
- utilisations	(3,992)	(203)	-
- reversals	-	-	-
- discounting	1,665	-	-
- change in scope of consolidation and other changes	-	-	-
- others	(39)	(301)	1
Balance at 30 June 2008	**81,951**	**6,716**	**570**

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

Actuarial assumptions used for the employees' leaving entitlement (TFR)	**30 June 2008**	**31 December 2007**
Economic assumptions:		
- increase in cost of living	2.0%	2.0%
- discount rate	4.5%	4.5%
- salary increases (where applicable)	3.0%-4.0%	3.0%-4.0%
Demographic assumptions:		
- probability of death	IPS 55 tables	IPS 55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	From 0.50% to 8.16%	From 0.50% to 8.16%
- pensionable age	Current regulations	Current regulations

The 2006 government Budget and its relative decrees introduced important modifications to employees' leaving entitlements (TFR), including the possibility for employees to choose where to invest their pension entitlements that mature as from 1 January 2007.

The application of the new regulations resulted in a re-calculation of the TFR fund matured at 31 December 2006, which produced a surplus of €4.4 million that was recognised in the income statement for the first half of 2007.

The details of the "Cost of employee's leaving entitlements" is outlined below:

Cost of employees' leaving entitlement	**€,000 1st Half 2008**	**€,000 1st Half 2007**
Current cost of the employees' leaving entitlement	2,132	3,025
Financial charges	1,665	1,431
Actuarial (gains) / losses	(1,244)	(5,827)
Total cost of employees' leaving entitlement	**2,553**	**(1,371)**

The "current cost of the employees' leaving entitlement" together with the "actuarial (gains)/ losses" are booked in the income statement under "personnel costs" while the financial component is booked under financial expense for the year.

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

Actuarial assumptions used for the agents' termination indemnity (F.I.S.C.)	**30 June 2008**	**31 December 2007**
Economic assumptions:		
- discount rate	4.5%	4.5%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	1.0%	1.0%
- probability of voluntary resignation	1.5%-2.0%	1.5%-2.0%
- average retirement age	65	65

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

18- Financial liabilities

The following table sets out current and non-current financial liabilities.

“Non-current financial liabilities” include:

Non-current financial liabilities	Effective interest rate	Due between 1 and 5 years	Due after 5 years	**€,000 30 June 2008**	**€,000 31 December 2007**
Bonds	4.833%	-	224,681	224,681	241,255
Convertible bonds	4.370%	-	-	-	108,327
Loans	3.968%	327,713	9,422	337,135	337,128
Amounts due to suppliers		-	-	-	-
Amounts due to associated companies		-	-	-	-
Amounts due to parent companies		-	-	-	-
Amounts due to affiliated companies		-	-	-	-
Amounts due for lease agreements		-	-	-	23
Amounts due to shareholders for loans		-	-	-	-
Liabilities resulting from derivative instruments		71,000	-	71,000	54,433
Other financial liabilities		-	-	-	-
Total non-current financial liabilities		**398,713**	**234,103**	**632,816**	**741,166**

- €224,681 thousand, representing the amortised cost of the US Private placement bond issued by Mondadori International SA in December 2003. The average spread paid above the Euribor plus one month equals 0.734% and corresponds to an effective rate of 4.833%;
- €71,000 thousand, representing the fair value of the derivative on the US Private Placement bond;
- €37,981 thousand (loans item) for a subsidised medium/long-term loan for publishers;
- €299,154 thousand for the cost of the pool Term Loan obtained by Mondadori International SA for the purchase of the Emap France group.

The effective interest rate shown under the item Loans, is the average of the subsidised loans currently held and the effective interest rate on the Term loan.

"Current financial payables" include:

Amounts payable to banks and other financial payables	Effective interest rate	**€,000 30 June 2008**	**€,000 31 December 2007**
Bank overdrafts		27,538	29,537
Bonds		-	-
Convertible bonds	4.370%	110,661	-
Loans	4.573%	253,241	107,354
Amounts due to suppliers		880	644
Amounts due to associated companies		18,891	22,452
Amounts due to parent companies		-	-
Amounts due to affiliated companies		-	-
Amounts due for lease agreements		-	10
Amounts due to shareholders for loans		-	-
Liabilities resulting from derivative instruments		115	-
Other financial payables		3,172	7,850
Total amounts payable to banks and other financial payables		**414,498**	**167,847**

- €27,538 thousand for current account overdrafts;
- €110,661 thousand, the amortised cost of the debenture loan convertible into ordinary Mondadori shares issued in October 2003 by Mondadori International SA.

This loan expires in October 2008 and has a par value of €109.9 million and an annual coupon of 2.00%. The conversion can take place for a price equal to €8.2183 for a total number of 13,372,587 Mondadori shares.

The effective interest rate is the result of the application of IAS 39 that requires the separation of the equity option from the debt component, from which the effective financial charges were calculated. This rate is equal to the market rate that would be applied to the issue of non-convertible bonds;
- €253,241 thousand for a subsidised short-term loan for publishers (€3,085 thousand), a stand-by loan utilised by Arnoldo Mondadori Editore SpA (€100,000 thousand) and the part of a revolving pool loan utilised by Arnoldo Mondadori Editore (€150,000 thousand). The stand-by loans existing at 30 June 2008 amounted to €168,000 thousand and 59.5% of them had been utilised by that date;
- €18,891 thousand for loans to associated companies that utilise the intergroup current account, details of which can be found in the attachment "Balances and transactions with related parties".

All loans granted to the Group are expressed in euros with the exception of the US Private Placement loan which is expressed in US dollars and transformed into euros through a derivative hedge.

No mortgage securities have been given in respect of the US Private Placement debenture loan for US$ 350 million or the bank pool loan (the €300 million Term Loan Facility and the €200 million Revolving Credit Facility), but there exists the obligation to respect of a number of financial covenants that could result, should the obligations not be respected, in the loan being reimbursed in advance.

Financial covenants for the US Private Placement debenture loan are set out below:
- consolidated equity (including treasury shares but excluding minority interests) must be greater than or equal to the sum of €400 million plus 20% of the annual consolidated net profit (beginning with the consolidated net profit for 2003);
- the ratio of net debt to gross operating profit (EBITDA) (calculated for a period of 12 consecutive months) must be less than or equal to 3.25 for the calculation from 30 September 2006 to 30 September 2007; 3.00 for the calculation from 31 December 2007 to 31 March 2008; 3.25 for the calculation from 30 June 2008 and 3.00 for the calculation from 30 September 2008, while all subsequent calculations must not exceed 2.75;
- the ratio of net debt to net capitalisation must be less than or equal to 60%.

Net debt is defined as the sum of the Group's gross debt less "cash and cash equivalents", that is liquid funds and all financial investments with a duration of less than or equal to 1 year and an average rating of greater than or equal to A-.

The financial covenant for the Facility Agreement loan is as follows:
- the ratio of net debt to gross operating profit (EBITDA) (calculated for a period of 12 consecutive months) must be less than or equal to 3.50.

The quarterly analyses carried out in accordance with the contract have shown that the Mondadori Group has always respected the financial parameters established by the contract.

The subsidised loans were drawn up in accordance with subsidiary loan Law n. 62/01, Law n. 46 of 17 February 1982 (the technology innovation fund) and provincial Law n. 4/81 Chap. II, paragraph III (for the printing works in Cles). These loans are secured by mortgages/sureties and in certain cases require that covenants (or financial parameters) be respected regarding possible variations in the interest rates applied to the loans.

The interest rates for each period are determined on the basis of a fixed rate equal to 50 basis points and a floating rate equal to the six-month Euribor rate. The fixed rate may be subject to variations if the thresholds of the financial parameters described below are exceed:
- the ratio between net financial debt and gross operating profit (EBITDA) (calculated for a period of twelve consecutive months);
- the ratio between net financial debt and net equity.

The calculation of these parameters began in December 2005 (when the financial statements were prepared) as a result of the new loan terms introduced in October 2005.

In May 2008 a new five-year bilateral loan was agreed with Intesa Sanpaolo SpA, made up of a Term Loan for €75 million and a Revolving Loan for €75 million. The covenant on the bilateral loan is as follows:
- the ratio between net debt and gross operating profit (EBITDA) (calculated for a period of twelve consecutive months) must be less or equal to 3.50.
The loan had not been utilised at 30 June 2008.

Information concerning derivative financial instruments is contained in section 12 – Non-current financial assets in the current notes.

19- Income tax payables

Income tax payables are made up as follows:

Income tax payables	**€ ,000 30 June 2008**	**€ ,000 31 December 2007**
Payables due to tax authorities for IRAP	1,314	517
Payables due to tax authorities for IRES	39	950
Tax payables due to Fininvest for IRES	9,335	42,786
Total income tax payables	**10,688**	**44,253**

The item “Tax payables due to Fininvest for IRES” refers to tax payables owed by the companies belonging to the Mondadori Group that participate in the tax consolidation.

20- Other current liabilities

The decrease in the balance at 30 June 2008 is mainly due to the item "Amounts due to pension funds and social security institutions" for payments made during the first half of the year.

Other current liabilities	**€,000 30 June 2008**	**€,000 31 December 2007**
Customer advances	41,821	37,829
Income tax payables	25,460	30,340
Amounts due to pension funds and social security institutions	32,986	38,038
Other payables	184,133	186,876
Total other current liabilities	**284,400**	**293,083**

The main changes in "Other payables" is due to a decrease in the amounts payable to agents, the balance of which is paid in the first months of the year.

Other current liabilities - Other payables -	**€ ,000 30 June 2008**	**€ ,000 31 December 2007**
Payroll and other amounts due to personnel	47,382	45,945
Due to authors and collaborators	64,239	55,427
Due to agents	5,854	13,081
Due to subscription and instalment customers	54,692	58,570
Due to directors and statutory auditors	391	804
Prepaid rental income	430	505
Other payables, accrued expense and deferred income	11,145	12,544
Total other payables	**184,133**	**186,876**

21- Trade payables

The decrease in "Trade payables" is mainly due to a fall in the revenues in some business areas and in investments.

Trade payables	**€ ,000 30 June 2008**	**€ ,000 31 December 2007**
Due to suppliers	400,942	439,127
Due to associated companies	33,232	36,730
Due to parent companies	3	7
Due to affiliated companies	3,853	1,911
Total trade payables	**438,030**	**477,775**

Precise details of payables to associated, parent and affiliated companies are contained in the attachment "Balances and Transaction with related parties".
Commercial transactions with these companies are carried out in accordance with normal market conditions.

There are no trade payables with a due date of more than 5 years and the average payment period for the first half of 2008 was 118.87 days (112.0 days in 2007).

22- Revenues from sales and services

As referred to in detail in the "Report on the first half of the year", revenues for the Mondadori Group registered a good performance in the book sector and increased significantly in the retail sector, thanks to the opening of new sales outlets and to the positive performance of the outlets that already exist, while the magazine sector was characterised by a noticeable decrease in add-on sales and less dramatic decreases in circulation figures and advertising sales.
Revenues from printing also decreased, partly as a result of the drop in add-on sales.

The following table illustrates revenue details:

Revenues from sales and services	**€,m 1st Half 2008**	**€,m 1st Half 2007**	**% change**
Revenues from the sale of goods:			
- books	152,785	150,099	1.8%
- magazines	343,786	375,487	(8.4%)
- direct	2,262	2,054	10.1%
- retail	85,441	76,717	11.4%
- other goods	1,486	1,320	12.6%
Revenues from services:			
- sales of publishing rights	7,605	9,408	(19.2%)
- advertising services	227,471	230,640	(1.4%)
- printing and graphic work	73,637	77,518	(5.0%)
- direct	11,628	12,835	(9.4%)
- tickets and exhibition organisation	4,665	5,976	(21.9%)
- other services	19,305	18,545	4.1%
Total revenues from sales and services	**930,071**	**960,599**	**(3.2%)**

23- Costs of raw materials and consumables and goods for resale

"Costs of raw materials and consumables and goods for resale" registered a decrease mainly due to a reduction in publishing production both within the Group and on behalf of third parties and to a drop in the volume of "add-on sales".

Cost of raw materials and consumables and goods for resale	**€ ,000 1st Half 2008**	**€ ,000 1st Half 2007**
Paper	107,308	115,117
Electricity, water, gas, fuel	10,904	9,913
Other production materials	17,105	18,522
Total cost of raw materials	**135,317**	**143,552**
Goods for resale	79,625	81,199
Consumption and maintenance materials	3,044	3,070
Others	9,062	10,912
Total cost of consumable materials and goods for resale	**91,731**	**95,181**
Total cost of raw materials and consumables and goods for resale	**227,048**	**238,733**

24- Cost of services

"Cost of services" also registered a noticeable decrease that was mainly due to a reduction in the cost of printing and finishing, rights and royalties and advertising and publicity expenses.

Cost of services	**€ ,000 1st Half 2008**	**€ ,000 1st Half 2007**
Rights and royalties	66,805	70,341
Third-party consultancy and collaboration	41,010	41,815
Commissions	21,085	21,123
Third-party processing	82,690	93,268
Transport and shipping	29,293	31,180
Purchase of advertising space and publicity expense	36,604	43,637
Travel and other expense reimbursements	7,757	7,757
Maintenance	6,477	7,350
Warehousing and porter costs	5,790	5,171
Postal and telephone	5,352	5,241
Catering and cleaning services	5,317	6,064
Market research	4,094	3,766
Insurance	2,626	3,099
Publisher's share	30,230	33,065
Job order services	3,424	3,889
Bank services and commission	1,023	880
Directors' and statutory auditors' fees	1,931	1,877
Other services	42,771	50,445
Total cost of services	**394,279**	**429,968**

“Directors’ and statutory auditors’ fees” amounted to €1,707 thousand and €224 thousand respectively.

25- Personnel costs

These are made up of:

Personnel costs	**€,000 1st Half 2008**	**€,000 1st Half 2007**
Salaries and wages	130,375	127,273
Stock options	1,112	1,230
Social charges	39,010	41,170
Leaving entitlement and increase in TFR fund	888	(2,850)
Leaving entitlement destined to supplementary pensions	6,162	5,152
Termination indemnities and similar	7	16
Other	11,023	7,036
Total personnel costs	**188,577**	**179,027**

“Personnel costs” increased by 5.3% due to restructuring operations and to the positive effect, amounting to approximately €4.4 million, recognised in the half-yearly statements of 2007 as a result of the changes to leaving entitlements (TFR) introduced on 1 January 2007.

Personnel	**At 1st Half 2008**	**At 1st Half 2007**	**Average 1st Half 2008**	**Average 1st Half 2007**
Managers	176	190	177	189
Journalists	975	994	979	987
White-collars and intermediates	3,136	3,174	3,125	3,154
Blue-collars	1,170	1,252	1,167	1,261
Total	**5,457**	**5,610**	**5,448**	**5,591**

Information about stock option plans

The shareholders’ meeting of Arnoldo Mondadori Editore SpA of 26 April 2006 resolved, in accordance with article 114 bis of Legislative Decree n. 58 of 24 February 1998, to set up a three-year stock option plan regarding the company’s shares commencing in 2006.

The Plan is directed at managers of the company and its subsidiaries whose activities have a determining impact on the attainment of the Group's strategic objectives, together with directors of the company and of associated companies, journalists employed by the company and its subsidiaries who are editors or deputy editors of titles and managers of the parent company who carry out their activities in favour of the company.

The shareholders' meeting entrusted the Board of Directors with the task of managing the Plan, granting the Board all the powers necessary for identifying the participants, establishing performance objectives, allocating option rights and carrying out the Plan itself in all its aspects. Shareholders also entrusted the Board with the task of defining the Regulations for implementing the Stock Option Plan. The Board of Directors operates in this matter with the support of the remuneration committee that is made up of non-executive directors and other individuals who do not participate in the Plan.

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

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

The options can only be exercised, in a single act, during the specified period illustrated in the table below.

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

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

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

The following table illustrates the situation at 30 June 2008 regarding the total number of options that have been granted and can still be exercised, the price and the exercise term:

Stock options	2004	2005	2006	2007	2008
In circulation at 1/1/2008	1,385,000	2,485,000	2,570,000	2,860,000	-
- assigned during year	-	-	-	-	2,850,000
- cancelled during year	-	(30,000)	-	(30,000)	-
- exercised during year	-	-	-	-	-
- expired during year	-	-	-	-	-
In circulation at 6/30/2008	1,385,000	2,455,000	2,570,000	2,830,000	2,850,000
Exercise term	1/1/2007- 12/31/2008	6/24/2008- 6/23/2011	7/18/2009- 7/17/2012	6/26/2010- 6/25/2013	6/20/2011- 6/19/2014
Exercise price in euros	7.749	7.87	7.507	7.458	4.565
Exercisable at 6/30/2008	1,385,000	2,485,000	-	-	-

Options granted after 7 November 2002 have been measured at their fair value on the basis of a numerical calculation based on binomial trees and utilising the following parameters:

Parameters for the option measuring model	**2004**	**2005**	**2006**	**2007**	**2008**
Exercise price of the option	7.749	7.87	7.507	7.458	4.565
Option term (residual period)	0.5	3	4	5	6
Market price of the underlying shares at the grant date in euros	7.793	7.865	7.415	7.15	3.911
Expected volatility of share price	20.00%	18.45%	19.45%	17.00%	35.00%
Dividend yield	4.00%	4.45%	4.72%	4.90%	8.95%
Risk free interest rate for the option term	3.50%	2.65%	4.00%	4.80%	5.15%

The cost of share-based payments recognised in the income statement for the year, booked under the item “Personnel costs”, amounted to €1,112 thousand.

26- Other (income) expense

This item is made up as follows:

Other (income) expense	**€ ,000** **1st Half 2008**	**€ ,000** **1st Half 2007**
Other revenues and income	(24,230)	(28,276)
Cost of use of third-party assets	24,161	20,959
Various operating costs	12,932	10,092
Total other (income) expense	**12,863**	**2,775**

“Other revenues and income” decreased as a result of the decrease in additional debts for dealing with costs in the magazine sector, both in Italy and France, which was due to a drop in circulation figures.

Other (income) expense - Other revenues and income	**€ ,000 1st Half 2008**	**€ ,000 1st Half 2007**
Revenue grants	-	-
Capital gains on disposal of fixed assets	4,061	1,524
Supplier rebates and other third-party contributions	3,013	2,216
Insurance reimbursements	114	27
Rental income	911	913
Prior year income	977	662
Expense recovered from third parties	8,854	15,634
Others	6,300	7,300
Total other revenues and income	**24,230**	**28,276**

The increase in “Rent payable” was due to the opening of new shops and sales outlets.

Other (income) expense - Cost of third party assets -	**€ ,000 1st Half 2008**	**€ ,000 1st Half 2007**
Rental expense	18,856	17,457
Data processing, leasing and hire purchase payments	4,480	3,419
Others	825	83
Total cost of third party assets	**24,161**	**20,959**

Other (income) expense - Other operating costs -	**€ ,000 1st Half 2008**	**€ ,000 1st Half 2007**
Compensation and settlements	2,796	1,137
Bad debts	2,891	2,677
Charges to provisions	5,954	8,300
Utilisation of provisions	(7,285)	(11,754)
Contributions and grants	423	1,146
Prior year expense	1,162	1,367
Capital losses on the sale of fixed assets	180	75
Information material, entertainment expense and gifts	2,555	2,531
Taxes and dues	3,377	3,506
Other expense	879	1,107
Total other operating costs	**12,932**	**10,092**

27- Results of investments accounted for using the equity method

The table below shows the details of the results for the first half of 2008 and the first half of 2007.

Income (expense) from investments accounted for using the equity method	**€ ,000** **1st Half 2008**	**€ ,000** **1st Half 2007**
- Hearst Mondadori Editoriale Srl	98	215
- Gruner + Jahr/Mondadori SpA	1,107	1,182
- Harlequin Mondadori SpA	186	21
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	(34)	(50)
- ACI Mondadori SpA	12	327
- Mondadori Rodale Srl	(40)	147
- Attica Publications SA	893	661
- Società Europea di Edizioni SpA	(3,603)	(5,041)
- Grupo Editorial Random House Mondadori SL	3,121	2,169
- Edizioni Electa Bruno Mondadori Srl	156	(55)
- Mach 2 Libri SpA	494	241
- Edizioni EL Srl	332	250
- Mondadori Indipendent Media	(808)	-
- Mondolibri SpA	43	7
- Rock FM Srl	(48)	33
- Consorzio Forma	-	-
- Editions Mondadori Axel Springer Snc	2,550	1,195
- Top Santè VOF	(83)	(69)
Capital gains (losses) from disposal/liquidation of investments	-	(368)
Total income (expense) from investments accounted for using the equity method	**4,376**	**865**

28- Financial income (expenses)

The net negative balance of €19,666 thousand and the variation compared with 30 June 2007 is due to:
- a decrease of approximately €3.0 million in revenues from invested assets;
- increased expenses related to loans and mortgages of approximately €4.5 million due to the Group's increased debt and an increase in the cost of money.

This item is made up as follows:

Financial income (expense)	**€ ,000 1st Half 2008**	**€ ,000 1st Half 2007**
Interest from banks and post offices	5,187	1,532
Interest from associated companies	186	241
Interest from other companies	1	469
Interest from bonds and loans	-	-
Financial income from derivative instrument operations	1,673	1,698
Other interest and financial income	985	840
Total interest income and other financial income	**8,032**	**4,780**
Interest to banks	583	392
Interest to associated companies	518	434
Interest to other companies	181	169
Interest paid for bonds, mortgages and loans	21,909	18,611
Financial expense from derivative instrument operations	796	84
Financial charges from discounting assets/liabilities	1,665	1,431
Other interest paid and financial expense	631	851
Total interest expense and other financial expense	**26,283**	**21,972**
Realised foreign exchange gains	134	109
Unrealised foreign exchange gains	9	2
Realised foreign exchange losses	(615)	(255)
Unrealised foreign exchange losses	(308)	(73)
Total profit (loss) on foreign exchange operations	**(780)**	**(217)**
Income (expense) from share valuations	(635)	5,377
Capital gains on share disposals	-	-
Losses on share disposals	-	-
Total financial income (expense) deriving from shares	**(635)**	**5,377**
Total financial income (expense)	**(19,666)**	**(12,032)**

29- Income taxes

Taxes for the first six months of 2008 were lower than those for the same period in 2007 mainly as a result of a reduction in the tax rate for Italian companies, introduced by the government Budget of 2008, and of the decrease in taxable income due to the performance of some business sectors where the Group operates.

Income taxes	**€ ,000 1st Half 2008**	**€ ,000 1st Half 2007**
IRES tax on income for the year	15,853	27,326
IRAP for the year	7,944	10,464
Total current taxes	**23,797**	**37,790**
Deferred tax (income) expense - IRES	2,550	1,332
Deferred tax (income) expense - IRAP	679	169
Total deferred tax (income) expense	**3,229**	**1,501**
Total income taxes	**27,026**	**39,291**

30- Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the Group by the average number of ordinary shares outstanding during the period.

	1st Half 2008	1st Half 2007
Net profit for the period (€ ,000)	36,732	46,210
Average number of ordinary shares outstanding (thousands)	239,332	241,913
Basic profit per share (euros)	**0.15**	**0.19**

Diluted earnings per share are by dividing the net profit for the period attributable to the Group by the average number of ordinary shares outstanding during the period. The average is adjusted by assuming that all the potential shares arising from the convertible bond are converted and subscribed by the end of the period.

	1st Half 2008	1st Half 2007
Net profit for the period (€ ,000)	36,732	46,210
Average number of ordinary shares outstanding (thousands)	239,332	241,913
Number of options with dilutive effect (thousands)	16	57
Diluted earnings per share (euros)	**0.15**	**0.19**

31- Related parties

Operations carried out with related parties, including intragroup operations, cannot be qualified as either atypical or unusual since they are part of the normal business activities of the Group companies. These operations, when they are not carried out under normal conditions or if they are dictated by specific regulations, are in any case carried out under market conditions.

Operations with parent companies, subsidiaries and associated companies

The following part of the notes provides details of the economic and balance sheet effects of operations carried out with parent companies, subsidiaries and associated companies in the first half of 2007 and the first half of 2008.

Figures are in €,000

Balances and transactions with related parties at 30 June 2008

	Trade receivables	Financial receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other (income) expense	Financial income (expense)
Parent companies:										
- Fininvest SpA	-	-	3	-	9,335	-	-	5	2	-
Associated companies:										
- Gruner + Jahr/Mondadori SpA	4,677	-	8,809	106	-	2,665	58	5,480	(302)	(49)
- Mach 2 Libri SpA	21,987	52	125	-	-	18,691	-	531	-	-
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	626	-	-	-	-	-	-	327	(2)	-
- Venezia Accademia Scarl (in liquidation)	-	24	-	-	-	-	-	-	-	-
- Venezia Musei Società per i servizi museali Scarl	517	-	251	-	-	215	7	320	-	-
- Hearst Mondadori Editoriale Srl	1,149	845	4,281	-	-	1,903	-	3,520	(152)	(23)
- Harlequin Mondadori Srl	3,284	-	1	4,615	-	406	3,111	-	(56)	(107)
- Mondadori Rodale Srl	2,221	1,677	6,519	-	-	4,244	-	4,950	(292)	(36)
- Attica Group	205	-	1	-	-	105	-	1	-	-
- Rock FM Srl	73	3,955	47	-	-	31	-	59	(115)	87
- Edizioni Electa Bruno Mondadori Srl	242	-	-	-	-	232	-	-	-	6
- Edizioni EL Srl	646	-	3,707	-	-	363	2,888	18	(281)	-
- Grupo Editorial Random House Mondadori SL	243	-	21	-	-	105	-	2	-	14
- Società Europea Edizioni SpA	2,326	-	3,849	-	-	1,230	63	8,185	(63)	-
- Aci Mondadori SpA	2,112	-	3,482	2,156	-	4,128	13	2,488	(206)	(62)
- Consorzio COVAR	4	-	-	-	-	-	-	-	-	-
- Mondolibri SpA	5,753	-	896	-	-	6,842	155	1,594	(403)	-
- Roccella Scarl	75	228	120	-	-	-	-	-	-	-
- Campania Arte Scarl	17	134	31	-	-	-	-	-	-	-
- EMAS Snc	1,494	6,073	926	12,014	-	2,367	2	519	(1,355)	(177)
- Top Santé VOF	-	-	-	-	-	-	-	-	-	-
- Mondadori Indipendent Media LLC	-	1.016	-	-	-	-	-	-	-	15
- Venezia Accademia Società per i Servizi Museali Scarl	-	-	166	-	-	-	77	89	-	-
Total associated companies	**47,651**	**14,004**	**33,232**	**18,891**	**0**	**43,527**	**6,374**	**28,083**	**(3,227)**	**(332)**

Balances and transactions with related parties at 30 June 2008

	Trade receivables	Financial receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other (income) expense	Financial income (expense)
Affiliated companies:										
- Pagine Utili Srl (disposed of)	-	-	-	-	-	-	-	-	-	-
- RTI SpA	877	-	2,094	-	-	746	-	-	(4)	-
- Publitalia 80 SpA	56	-	1,409	-	-	54	-	7,950	-	-
- Medusa Video SpA	3	-	252	-	-	-	1	101	-	-
- Digitalia '08 Srl (formerly Promoservice Italia Srl)	281	-	20	-	-	-	-	62	-	-
- Fininvest Gestione Servizi SpA (formerly Finedim Italia SpA)	-	-	-	-	-	-	-	-	-	-
- Il Teatro Manzoni SpA	-	-	16	-	-	-	-	13	-	-
- Mediolanum Vita SpA	-	-	-	-	-	-	-	-	-	-
- Mediolanum SpA	14	-	-	-	-	-	-	-	-	-
- Banca Mediolanum SpA	147	-	-	-	-	1	-	-	-	-
- Medusa Film SpA	2	-	-	-	-	-	-	-	-	-
- Alba Servizi Aerotrasporti SpA	-	-	-	-	-	-	-	-	128	-
- Radio e Reti Srl	6	-	12	-	-	-	-	10	-	-
- Isim SpA	-	-	2	-	-	-	-	-	-	-
- Consorzio Aeromobili Fininvest	-	-	-	-	-	-	-	-	-	-
- Videotime SpA	-	-	-	-	-	-	-	-	(1)	-
- Mediaset SpA	-	-	-	-	-	-	-	-	-	-
- A.C. Milan SpA	-	-	-	-	-	-	-	-	3	-
- Elettronica Industriale SpA	-	-	-	-	-	-	-	-	-	-
- Medusa Multicinema Srl	-	-	-	-	-	-	-	-	-	-
- Publieurope Ltd	-	-	-	-	-	-	-	-	-	-
- Consorzio Campus Multimedia In-Formazione	-	-	-	-	-	-	-	-	-	-
- Media Shopping SpA	112	-	48	-	-	129	-	40	(1)	-
- Medusa Cinema SpA	-	-	-	-	-	-	-	-	-	-
- Mediolanum Comunicazione SpA	-	-	-	-	-	-	-	-	-	-
Total affiliated companies	**1,498**	**0**	**3,853**	**0**	**0**	**930**	**1**	**8,176**	**125**	**0**
Total related parties	**49,149**	**14,004**	**37,088**	**18,891**	**9,335**	**44,457**	**6,375**	**36,264**	**(3,100)**	**(332)**
Percentage of financial statements	**9.8%**	**12.0%**	**8.5%**	**4.5%**	**87.3%**	**4.8%**	**2.8%**	**9.2%**	**n.a.**	**1.7%**

Figures are in €,000

Balances and transactions with related parties at 31 December 2007 (assets) and 30 June 2007 (financial data)

	Trade receivables	Financial receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other (income) expense	Financial income (expense)
Parent companies:										
- Fininvest SpA	5	-	7	-	42,786	-	-	5	34	-
Associated companies:										
- Gruner + Jahr/Mondadori SpA	2,399	1,809	13,989	706	-	2,555	46	6,482	(376)	(16)
- Mach 2 Libri SpA	20,364	-	388	-	-	17,341	14	593	-	(2)
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	281	-	-	-	-	-	-	552	-	-
- Venezia Accademia Scarl	-	24	101	-	-	-	-	89	-	-
- Venezia Musei Società per i servizi museali Scarl	553	-	433	-	-	177	75	414	(1)	-
- Hearst Mondadori Editoriale Srl	1,287	-	4,031	170	-	2,178	3	3,928	(237)	(18)
- Harlequin Mondadori Srl	1,618	168	5	5,445	-	282	3,279	55	(3)	(77)
- Mondadori Rodale Srl	2,275	2,407	5,836	948	-	4,543	9	5,145	(265)	(34)
- Attica Group	146	-	1	-	-	50	-	5	(1)	-
- Rock FM Srl	93	3,474	52	-	-	52	-	90	-	62
- Edizioni Electa Bruno Mondadori Srl	289	520	73	-	-	266	-	-	-	10
- Edizioni EL Srl	631	-	3,668	-	-	363	3,057	14	(297)	-
- Grupo Editorial Random House Mondadori SL	212	1,523	60	-	-	138	-	2	-	85
- Società Europea Edizioni SpA	1,682	-	3,005	-	-	4,133	124	9,536	(81)	-
- Aci Mondadori SpA	2,073	-	3,012	3,187	-	3,685	39	2,375	(247)	(43)
- Consorzio COVAR	4	-	-	-	-	-	-	-	-	-
- Mondolibri SpA	5,680	-	1,254	-	-	6,445	99	945	(704)	-
- Roccella Scarl	75	228	119	-	-	7	3	-	-	-
- Campania Arte Scarl	17	134	31	-	-	-	-	-	-	-
- EMAS Snc	1,298	1,271	672	11,996	-	2,049	65	134	(578)	(147)
- Top Santé VOF	-	-	-	-	-	-	-	-	-	(13)
Total associated companies	**40,977**	**11,558**	**36,730**	**22,452**	**0**	**44,264**	**6,813**	**30,359**	**(2,790)**	**(193)**

Figures are in €,000

Balances and transactions with related parties at 31 December 2007 (assets) and 30 June 2007 (financial data)

	Trade receivables	Financial receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other (income) expense	Financial income (expense)
Affiliated companies:										
- Pagine Utili Srl (disposed of)	699	-	-	-	-	1,144	-	-	-	-
- RTI SpA	820	-	860	-	-	1,737	11	-	(136)	-
- Publitalia 80 SpA	212	-	483	-	-	-	-	9,767	-	-
- Medusa Video SpA	25	-	385	-	-	14	-	21	(3)	-
- Digitalia '08 Srl (formerly Promoservice Italia Srl)	183	-	134	-	-	16	-	104	-	-
- Fininvest Gestione Servizi SpA (formerly Finedim Italia SpA)	2	-	-	-	-	-	-	-	21	-
- Il Teatro Manzoni SpA	2	-	10	-	-	-	-	-	-	-
- Mediolanum Vita SpA	-	-	-	-	-	-	-	-	-	-
- Mediolanum SpA	194	-	-	-	-	-	-	-	-	-
- Banca Mediolanum SpA	58	-	-	-	-	145	-	-	-	-
- Medusa Film SpA	12	-	12	-	-	38	281	-	-	-
- Alba Servizi Aerotrasporti SpA	-	-	-	-	-	-	-	-	57	-
- Radio e Reti Srl	14	-	24	-	-	31	-	4	-	-
- Isim SpA	-	-	2	-	-	-	-	-	-	-
- Consorzio Aeromobili Fininvest	-	-	-	-	-	-	-	-	-	-
- Videotime SpA	11	-	-	-	-	-	-	-	(4)	-
- Mediaset SpA	63	-	-	-	-	-	-	-	-	-
- A.C. Milan SpA	-	-	1	-	-	-	-	-	4	-
- Elettronica Industriale SpA	5	-	-	-	-	-	-	-	-	-
- Medusa Multicinema Srl	1	-	-	-	-	-	-	-	-	-
- Publieurope Ltd	-	-	-	-	-	-	-	-	-	-
- Consorzio Campus Multimedia In-Formazione	-	-	-	-	-	-	-	15	(15)	-
- Media Shopping SpA	206	-	-	-	-	134	-	13	-	-
- Medusa Cinema SpA	3	-	-	-	-	-	-	-	-	-
- Mediolanum Comunicazione SpA	-	-	-	-	-	-	-	-	-	-
Total affiliated companies	**2,510**	**0**	**1,911**	**0**	**0**	**3,259**	**292**	**9,924**	**(76)**	**0**
Total related parties	**43,492**	**11,558**	**38,648**	**22,452**	**42,786**	**47,523**	**7,105**	**40,288**	**(2,832)**	**(193)**
Percentage of financial statements	**9.0%**	**7.8%**	**8.1%**	**13.4%**	**96.7%**	**4.9%**	**3.0%**	**9.4%**	**n.a.**	**1.6%**

32- Commitments and contingent liabilities

At 30 June 2008 the Mondadori Group had made commitments for a total of €147,458 thousand (€133,871 thousand at 31 December 2007).

These included €2,429 thousand for purchase contracts for plant and machinery (€1,690 thousand at 31 December 2007), while the remaining amount is represented by sureties, letters of patronage and other guarantees issued mainly to the Ministry of Industry for competitions and prizes, to the VAT office for payment of the Group's VAT and for real estate rental contracts.

33- Non-recurring expense (income)

In accordance with Consob resolution n. 15519 of 27 July 2006, during the first half of the year the Mondadori Group earned non-recurring income, net of fiscal and minority effects, of €2,609 thousand from the disposal of magazine titles and radio frequencies.
The amount is the same as the amount registered for the first half of 2007, due to the disposal of real estate and to the application of the new TFR regulations.

34- Sector information

The following data is required by IAS 14. The primary information is divided into assets and the secondary information divided into geographical area.

"Other assets" include inventories, trade receivables, other current and non-current assets, with the exception of financial and fiscal investments and assets.

"Other liabilities" do not include financial and fiscal liabilities.

Figures are in €,000

Primary segment information at 30 June 2008

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
Revenues from sales and services to external customers	**166,597**	**413,680**	**176,113**	**73,393**	**11,766**	**85,441**	**61**	**3,020**	**(266,340)**	**663,731**
Revenues from sales and services to other sectors	**26,110**	**100,673**	**2,116**	**122,727**	**203**	**809**	**8,133**	**5,569**	**-**	**266,340**
Income (expense) from investments using equity method	4,289	3,695	-	-	43	-	(48)	(3,603)	-	4,376
Gross operating profit	**26,567**	**75,639**	**411**	**13,316**	**1,601**	**(642)**	**(296)**	**(12,092)**	**-**	**104,504**
Operating result	**25,166**	**72,649**	**279**	**2,632**	**1,529**	**(4,294)**	**(1,031)**	**(13,123)**	**-**	**83,807**
Financial income (expense)	-	-	-	-	-	-	-	(19,666)	-	(19,666)
Profit before taxes and minority interests	**25,166**	**72,649**	**279**	**2,632**	**1,529**	**(4,294)**	**(1,031)**	**(32,759)**	**-**	**64,171**
Income taxes	-	-	-	-	-	-	-	27,026	-	27,026
Result attributable to minority interests	413	-	-	-	-	-	-	-	-	413
Net result	**24,753**	**72,649**	**279**	**2,632**	**1,529**	**(4,294)**	**(1,031)**	**(59,785)**	**-**	**36,732**
Depreciation, amortisation and impairment	1,401	2,990	132	10,684	72	3,652	735	1,031	-	20,697
Non-monetary costs	3,077	3,565	1,405	849	96	780	52	682	-	10,506

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
Investments	**1,969**	**1,789**	**105**	**3,318**	**65**	**14,179**	**8,952**	**1,580**	**-**	**31,957**
Investments accounted for using the equity method	54,470	55,368	-	-	4,238	-	-	5,164	-	119,240
Other assets	360,214	1,014,727	163,197	269,916	8,184	114,789	134,250	29,764	(193,555)	1,901,486
Financial assets	-	-	-	-	-	-	-	367,222	-	367,222
Tax assets	-	-	-	-	-	-	-	64,074	-	64,074
Total assets	**414,684**	**1,070,095**	**163,197**	**269,916**	**12,422**	**114,789**	**134,250**	**466,224**	**(193,555)**	**2,452,022**
Other liabilities	170,589	425,599	163,958	155,698	9,689	65,604	8,138	35,938	(193,555)	841,658
Financial liabilities	-	-	-	-	-	-	-	1,047,314	-	1,047,314
Tax liabilities	-	-	-	-	-	-	-	100,732	-	100,732
Total liabilities	**170,589**	**425,599**	**163,958**	**155,698**	**9,689**	**65,604**	**8,138**	**1,183,984**	**(193,555)**	**1,989,704**

Figures are in €,000

Primary segment information at 30 June 2008

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
Revenues from sales and services to external customers	**166,341**	**450,279**	**173,430**	**77,147**	**12,916**	**77,409**	**244**	**2,833**	**-**	**960,599**
Revenues from sales and services to other sectors	**26,473**	**98,694**	**2,966**	**145,266**	**254**	**357**	**5,069**	**5,517**	**(284,596)**	**0**
Income (expense) from investments using equity method	2,626	3,608	-	-	7	-	(335)	(5,041)	-	865
Gross operating profit	**27,439**	**88,219**	**1,697**	**18,335**	**2,020**	**278**	**(5,938)**	**(12,465)**	**-**	**119,585**
Operating result	**26,135**	**85,292**	**1,557**	**6,345**	**1,882**	**(3,032)**	**(6,499)**	**(13,722)**	**-**	**97,958**
Financial income (expense)	-	-	-	-	-	-	-	(12,032)	-	(12,032)
Profit before taxes and minority interests	**26,135**	**85,292**	**1,557**	**6,345**	**1,882**	**(3,032)**	**(6,499)**	**(25,754)**	**-**	**85,926**
Income taxes	-	-	-	-	-	-	-	39,291	-	39,291
Result attributable to minority interests	425	-	-	-	-	-	-	-	-	425
Net result	**25,710**	**85,292**	**1,557**	**6,345**	**1,882**	**(3,032)**	**(6,499)**	**(65,045)**	**-**	**46,210**
Depreciation, amortisation and impairment	1,304	2,927	140	11,990	138	3,310	561	1,257	-	21,627
Non-monetary costs	1,814	6,380	1,181	36	11	553	33	65	-	10,073

Primary sector information at 31 December 2007

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
Investments	**7,074**	**3,685**	**338**	**15,459**	**211**	**10,795**	**33,499**	**2,413**	**-**	**73,474**
Investments accounted for using the equity method	51,754	59,880	-	-	8,630	-	23	6,739	-	127,026
Other assets	335,283	1,012,036	152,685	296,298	8,333	107,598	126,879	29,026	(194,484)	1,873,654
Financial assets	-	-	-	-	-	-	-	373,679	-	373,679
Tax assets	-	-	-	-	-	-	-	68,428	-	68,428
Total assets	**387,037**	**1,071,916**	**152,685**	**296,298**	**16,963**	**107,598**	**126,902**	**477,872**	**(194,484)**	**2,442,787**
Other liabilities	166,883	433,294	157,507	188,286	10,340	83,152	9,103	40,693	(194,484)	894,774
Financial liabilities	-	-	-	-	-	-	-	909,013	-	909,013
Tax liabilities	-	-	-	-	-	-	-	132,466	-	132,466
Total liabilities	**166,883**	**433,294**	**157,507**	**188,286**	**10,340**	**83,152**	**9,103**	**1,082,172**	**(194,484)**	**1,936,253**

Figures are in €,000

Secondary segment information at 30 June 2008

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
Italian market	189,831	316,846	170,990	155,947	9,585	86,250	8,194	8,589	(257,503)	688,729
France	214	184,092	1,769	13,397	633	-	-	-	(8,837)	191,268
Other EU markets	1,441	11,160	5,112	23,249	1,523	-	-	-	-	42,485
USA market	118	98	129	2,675	-	-	-	-	-	3,020
Other countries	1,103	2,157	229	852	228	-	-	-	-	4,569
Revenues from sales and services	**192,707**	**514,353**	**178,229**	**196,120**	**11,969**	**86,250**	**8,194**	**8,589**	**(266,340)**	**930,071**
Italian market	385,180	255,261	163,197	259,032	12,422	114,789	134,250	210,230	(190,882)	1,343,479
France	-	776,016	-	-	-	-	-	25,390	(12)	801,394
Other EU markets	29,504	38,818	-	10,884	-	-	-	229,942	(2,132)	307,016
USA market	-	-	-	-	-	-	-	662	(529)	133
Other countries	-	-	-	-	-	-	-	-	-	0
Total assets	**414,684**	**1,070,095**	**163,197**	**269,916**	**12,422**	**114,789**	**134,250**	**466,224**	**(193,555)**	**2,452,022**
Italian market	1,969	347	105	3,230	65	14,179	8,952	1,576	-	30,423
France	-	1,442	-	-	-	-	-	1	-	1,443
Other EU markets	-	-	-	88	-	-	-	2	-	90
USA market	-	-	-	-	-	-	-	1	-	1
Other countries	-	-	-	-	-	-	-	-	-	0
Total investments	**1,969**	**1,789**	**105**	**3,318**	**65**	**14,179**	**8,952**	**1,580**	**0**	**31,957**

Secondary segment information at 30 June 2007 (financial data) and 31 December 2007 (assets)

	Books	Magazines	Advertising services	Printing	Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
Italian market	188,748	351,816	168,782	189,153	9,867	77,766	5,313	8,350	(283,464)	716,331
France	223	186,509	984	5,459	931	-	-	-	(1,132)	192,974
Other EU markets	1,231	9,628	5,141	23,507	2,108	-	-	-	-	41,615
USA market	436	61	113	2,750	-	-	-	-	-	3,360
Other countries	2,176	959	1,376	1,544	264	-	-	-	-	6,319
Revenues from sales and services	**192,814**	**548,973**	**176,396**	**222,413**	**13,170**	**77,766**	**5,313**	**8,350**	**(284,596)**	**960,599**
Italian market	360,037	262,106	152,685	284,417	16,963	107,598	126,902	215,885	(191,634)	1,334,959
France	-	772,154	-	-	-	-	-	35,700	(129)	807,725
Other EU markets	27,000	37,656	-	11,881	-	-	-	225,698	(2,298)	299,937
USA market	-	-	-	-	-	-	-	589	(423)	166
Other countries	-	-	-	-	-	-	-	-	-	0
Total assets	**387,037**	**1,071,916**	**152,685**	**296,298**	**16,963**	**107,598**	**126,902**	**477,872**	**(194,484)**	**2,442,787**
Italian market	7,074	909	338	15,388	211	10,795	33,499	2,375	-	70,589
France	-	2,776	-	-	-	-	-	-	-	2,776
Other EU markets	-	-	-	71	-	-	-	37	-	108
USA market	-	-	-	-	-	-	-	1	-	1
Other countries	-	-	-	-	-	-	-	-	-	0
Total investments	**7,074**	**3,685**	**338**	**15,459**	**211**	**10,795**	**33,499**	**2,413**	**0**	**73,474**

35- Financial risk management

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

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

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

- sensitivity analyses of positions subject to risk, which consist in analysing mark to market variations and/or future cash flow variations in relation to small variations in risk factors;
- value at risk, to measure the maximum possible loss for a specific position or a specific portfolio in a specific temporal period and with a specific level of probability.

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

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

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

Interest rate risk therefore represents the uncertainty associated with interest rates. The fundamental objective of interest rate risk management is to immunize the Group's financial position from variations in market taxes by keeping the volatility of interest rates under constant surveillance and managing in a prudent manner the risk and return profiles of business activities and of the Group's financial liabilities, within the framework of asset and liability management.

The Group's exposure to this type of risk mainly arises from its medium-long term loans, in particular the bond denominated in US dollars (US Private Placement) underwritten by American institutional investors and the following bank loans:
- a €500 million loan supplied by a pool of important international banks in the summer of 2006 ("Club Deal"), which expires in 2011;
- a "bilateral" loan of €150 million recently (May 2008) granted by Intesa Sanpaolo SpA, for a period of five years.

For the debenture loan in US dollars, in order to hedge the fair risk value, in October 2003 the Group entered a Cross currency swap agreement for the same amount and with the same due date, that converts the fixed interest rate into a floating interest rate and the dollar exposure into a euro exposure. Given the changes in the Group's net financial position due to the purchase of the Emap France Group, during 2006 it was decided to balance the exposure to interest rate risks through an interest rate swap operation on 50% of the Club Deal, an operation that transformed part of the floating rate into a fixed rate. The characteristics of the debit are detailed in note 18, "Financial liabilities".
Recently, two basis swap contracts were agreed for both of these operations in order to utilise the current difference between the Euribor 3-month and the Euribor 1-month rates and reduce the cost of interest due on the two loans.

<u>Exchange rate risk</u>
Exchange rate risks can be defined as an accumulation of negative effects on profit margins or the value of an asset or a liability as a result of variations in exchange rates. While the Mondadori Group is present on the international stage, it does not have a significant exposure to currency exchange rate risks since the euro is the currency used by the main business areas of the Group.

In order to hedge the currency exchange risk deriving from the sale of American dollars and sterling, as a result of the production and printing of publishing products by subsidiaries, the Group has underwritten forward sales contracts for the currencies in question.

Even though these contracts refer to hedging operations, they do no fully satisfy the requirements of international accounting principles to be recognised as hedge accounting, therefore they are recognised as derivative trading.

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

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

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

During 2007 and the first half of 2008 the type of exposure and the hedge policy adopted for exchange rate risks was similar to previous years.

Liquidity risk

Liquidity risk is defined as the possibility that the Group may not be able to honour its payment commitments as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby forcing it to bear very high costs in meeting its financial commitments. The Group's exposure to this risk is represented above all by current financial operations. The company currently has medium-long term loans (bonds, convertible bonds, subsidised loans) with banks and non-banking financial institutions, while if necessary the company can use the short-term bank guarantees that have already been granted. The Group's objective is to constantly maintain balance and flexibility between financial sources and commitments. Details of the characteristics of current and non-current financial liabilities are contained in note 18, "Financial liabilities.

Credit risk

Credit risks can be defined as the possibility of suffering financial losses as a result of a counterparty defaulting on contractual obligations.

A particular type of credit risk is represented by a counterparty defaulting on financial derivative exposures, in which case the risk is connected to capital gains position where there is the possibility of not receiving the cash flow due from a defaulting counterparty. For the Mondadori Group, this potential risk is very limited since the counterparties in financial derivative operations are always primary financial institutions with high ratings.

The objective is to limit the risk of losses due to the unreliability of market counterparties or to the difficult of converting or replacing current financial positions, therefore there are no operations with non-authorised counterparties.

When approving the Policy, the Board of Directors also approved a list of authorised counterparties that can be used in financial risk hedging operations. Operations with authorised counterparties are constantly monitored and reports are regularly made of these operations.

The management of commercial credit is the responsibility of the individual Group companies, in compliance with the financial objectives, the pre-established commercial strategies and the operational procedures of the Group that limit the sale of products and services to customers without an adequate credit profile or collateral guarantees. Credit balances are monitored throughout the year to ensure that the amount of exposure to losses is not significant.

Price risk

The price risk refers to the uncertainty associated mainly with variations in the market price of equity instruments and to the loss of value in assets/liabilities as a result of variations in commodity prices. The fundamental objective of price risk management is to reduce the impact of the fluctuation of the price of raw materials on the financial results of the interested companies.

Due to the nature of its business, the Group is exposed to the variations in the price of paper. In order to reduce the variability of the market price of paper the subsidiary, long-term commercial contracts are signed directly with the suppliers so as to amortise any eventual increases on purchase costs. The company does not currently have any financial derivative contracts to cover this type of risk.

Since the financial risks the Mondadori Group was exposed to at 30 June 2008 were not significantly different from those that existed at 31 December 2007, detailed information concerning the results of the sensitivity analysis related to the above mentioned risks can be found in the last consolidated financial statements published.

On behalf of the Board of Directors
Deputy Chairman and Chief Executive
Maurizio Costa

Table of important investments as per article 120 of Legislative Decree n. 58/1998

Interim abbreviated consolidated balance sheet - Table of the most important investments in accordance with ex art. 120 of Legislative Decree n. 58/1998

As per article 126 of the regulations approved by Consob resolution n. 11971 of 14/05/1999, the following list outlines the most important investments in accordance with ex article 120 of Legislative Decree n. 58/1998

reference date - 30 June 2008

NAME	SHARE CAPITAL		% SHARE HELD	METHOD OF INVESTMENT	PARTNER	% HELD	REGISTERED OFFICE	TAX CODE	DATE SET UP
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 %	indirect	press-di Distribuzione Stampa e Multimedia Srl	50%	Milan - via Senato 18	10463540152	02/10/1991
Aranova Freedom Scarl (Italy)	EUR	19,200	16.67 %	indirect	Monradio Srl	16.66%	Bologna, Via Guinizzelli 3	02532501208	24/01/2005
Campania Arte S.c. a r.l. (Italy)	EUR	100,000	22 %	indirect	Mondadori Electa SpA	22%	Rome - Via Tunisi 4	09086401008	18/07/2006
Cemit Interactive Media SpA (Italy)	EUR	3835,000	100 %	direct	Arnoldo Mondadori Editore SpA	100%	San Mauro Torinese (TO) - via Toscana 9	04742700018	13/12/1984
Editrice Portoria SpA in process of filing for bankruptcy (Italy)	EUR	364,000	16.786 %	direct	Arnoldo Mondadori Editore SpA	16.786%	Milan - 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	Mondadori Education SpA (formerly 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 Bianca di Savoia 12	07254880151	12/01/1984
Edizioni Piemme SpA (Italy)	EUR	566,661	90 %	direct	Arnoldo Mondadori Editore SpA	90%	Milan - via Bianca di Savoia 12	00798930053	29/09/1982
Mondadori Education SpA (formerly Edumond Le Monnier SpA) (Italy)	EUR	10,608,000	100 %	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03261490969	1-10-2001
Electa Napoli SpA (Italy)	EUR	155,000	100 %	indirect	Mondadori Electa SpA	100%	Naples - via dei mille 16	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 + 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 - via Marco D'Aviano 2	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	34.91 %	direct	Arnoldo Mondadori Editore SpA	30.91%	Peschiera Borromeo (MI) - via Galileo Galilei 1	03782990158	06/05/1983
				indirect	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	Arnoldo Mondadori Editore SpA	57.05%	Milan - via Bianca di Savoia 12	12319410150	28/11/1997
			%	indirect	Mondadori International SA	42.95%			
Mondadori Pubblicita' 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-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 13	12853650153	25/06/1999
Monradio Srl (Italy)	EUR	3,030,000	100 %	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	04571350968	15/10/2004
Novamusa Gelmar Biblioteca Nazionale Scarl (Italy)	EUR	10,000	20 %	indirect	Electa Napoli	20%	Rome - Via Ennio Quirino Visconti 8	06573391007	09/04/2001
Novamusa Val di Mazara Scarl (Italy)	EUR	90,000	20 %	indirect	Electa Napoli	20%	Messina - Via Acireale Z.I.R.	02812180830	20/04/2005
Novamusa Valdemone Scarl (Italy)	EUR	90,000	20 %	indirect	Electa Napoli	20%	Messina - Via Acireale Z.I.R.	02704680830	16/04/2003
Novamusa Valdinoto Scarl (Italy)	EUR	90,000	20 %	indirect	Electa Napoli	20%	Messina - Via Acireale Z.I.R.	02704670831	16/04/2003
press-di Distribuzione Stampa e Multimedia Srl (Italy)	EUR	1,095,000	100 %	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03864370964	19/02/2003
Mondadori Iniziative Editoriali SpA (formerly Officina Mondadori SpA) (Italy)	EUR	500,000	100 %	direct	Arnoldo Mondadori Editore SpA	100%	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	Arnoldo Mondadori Editore SpA	31.28%	Milan - via G. Negri 4	01790590150	27/02/1974
				indirect	Fied SpA	7.99%			
Sperling & Kupfer Editori SpA (Italy)	EUR	1,555,800	100 %	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00802780155	03/11/1927
Venezia Accademia Scarl in liquidation (Italy)	EUR	15,000	26 %	indirect	Mondadori Electa SpA	26%	Venice - via L. Einaudi 74	03377400274	21/03/2002
Venezia Accademia Società per i servizi museali Scarl (Italy)	EUR	10,000	25 %	indirect	Mondadori Electa SpA	25%	Venice - via L. Einaudi 74	03808820272	11/01/2008
Venezia Musei Società per i servizi museali Scarl (Italy)	EUR	10,000	34 %	indirect	Mondadori Electa SpA	34%	Venice - via L. Einaudi 74	03534350271	22/04/2004

Interim abbreviated consolidated balance sheet - Table of the most important investments in accordance with ex art. 120 of Legislative Decree n. 58/1998

As per article 126 of the regulations approved by Consob resolution n. 11971 of 14/05/1999, the following list outlines the most important investments in accordance with ex article 120 of Legislative Decree n. 58/1998

reference date - 30 June 2008

NAME	SHARE CAPITAL		% SHARE HELD	METHOD OF INVESTMENT	PARTNER	% HELD	REGISTERED OFFICE	TAX CODE	DATE SET UP
ABS Finance Fund Sicav (Luxemburg)	EUR	225,371,632.53	89.617 %	indirect	Mondadori International SA	89,617%	Luxemburg - 19-21 Boulevard du Prince Henri		03/02/1999
Ame Publishing Ltd. (USA)	USD	50,000	100 %	indirect	Mondadori International SA	100%	U.S.A. - New York N.Y. - 740 Broadway		1-02-1982
Ame France SAS (ex Ame Service SAS) (France)	EUR	489,140	100 %	indirect	Mondadori France SAS	100%	France - Paris - 9-11, avenue Franklin D. Roosevelt		29/06/2006
Arnoldo Mondadori Deutschland GmbH (Germany)	EUR	25,564.59	100 %	indirect	Mondadori International SA	100%	Germany - Munich - Tal 21		14/05/1970
Arnoweb SA (Luxemburg)	EUR	36,256,900	100 %	direct	Arnoldo Mondadori Editore SpA	100%	Luxemburg - 25C, Boulevard Royal		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
Attica Publications SA (Greece)	EUR	4,590,000	41.987 %	indirect	Mondadori International SA	41,987%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
Diana SAS (France)	EUR	16,336,680	100 %	indirect	Edition Mondadori France SAS	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		12-01-1990
Editions Mondadori Axel Springer SNC (France)	EUR	152,500	50 %	indirect	Editions Mondadori France SAS	50%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		9-12-1999
Editions Mondadori France SAS (France)	EUR	753,876,750	100 %	indirect	Mondadori France SAS	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		23-02-1993
Editions Taitbout SA (France)	EUR	3,048,980	99.997 %	indirect	Editions Mondadori France SAS	99,997%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		31-01-1989
Excelsior Publications SAS (France)	EUR	1,717,360	100 %	indirect	Editions Mondadori France SAS	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		5-01-1932
Mondadori Belgium SA in liquidation (Belgium)	EUR	62,000	99.984 %	direct	Arnoldo Mondadori Editore SpA	99,984%	Belgium - Bruxelles - Avenue Louise 109		22-03-2001
Mondadori France Digital SAS (France)	EUR	5,500,000	100 %	indirect	Editions Mondadori France SAS	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		8-11-2000
Mondadori France SAS (France) (formerly AME France Scarl)	EUR	50,000,000	100 %	indirect	Mondadori International SA	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		23/06/2004
Mondadori Indipendent Media LLC (Russia)	RUB	6,800,000	50 %	indirect	Arnoweb SA.	50%	Russia - Moscow - 3, Bldg. 1, Polkovaya Str.		26/12/2007
Mondadori International SA (Luxemburg)	EUR	393,625,900	100 %	direct	Arnoldo Mondadori Editore SpA	100%	Luxemburg - 25C, Boulevard Royal		18/09/1970
Mondadori Magazines France SAS (France)	EUR	476,035,510	100 %	indirect	Editions Mondadori France SAS	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		30-03-2004
Prisco Spain SA (Spain)	EUR	60,101.30	100 %	direct	Arnoldo Mondadori Editore SpA	100%	Spain - Barcelona, Calle Travessera de Gracia 47/49		6-12-1988
Random House Mondadori SA (Spain)	EUR	6,824,600.63	50 %	indirect direct indirect	Arnoweb SA Arnoldo Mondadori Editore SpA Prisco Spain SA	33.99% 6.01% 10%	Spain - Barcelona, Calle Travessera de Gracia 47/49		5-08-1959
Star Presse Hollande BV (Holland)	EUR	18,151.21	100 %	indirect	Editions Mondadori France SAS	100%	Holland - Amsterdam - Rokin 55		28-09-1994
Top Santé VOF (Holland)	EUR	91,000	50 %	indirect	Star Presse Hollande BV	50%	Holland - Hoofdoorp - Cappellalaan 65		10-05-1994

Declaration of abbreviated half-yearly financial statements as per article 154 bis of Legislative Decree n. 58/1998

Declaration of the abbreviated financial statements for the first half of the year as per article 154 bis of Legislative Decree n. 58/1998

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

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

   of the administrative and accounting procedures for representing the abbreviated financial statements for the first half of the year during the first half of 2008.

2. The evaluation of the appropriateness of the administrative and accounting procedures for representing the abbreviated financial statements for the first half of the year at 30 June 2008 is based on a process established by Arnoldo Mondadori Editore S.p.A. that conforms to the *Internal Control – Integrated Framework* model issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which represents an internationally accepted general reference framework.

3. It is also certified that:

   3.1 The abbreviated financial statements for the first half of the year at 30 June 2008:

   a) have been compiled in conformity with the international accounting principles adopted by the European Union as per EU regulation n. 1606/2002 of the European parliament and by the European Council on 19 July 2002 and, in particular, as per IAS 34 – Interim Financial Reports, as well as in compliance with article 9 of Legislative Decree n. 38/2005;

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

   c) represent a true and correct picture of the asset, economic and financial situation of the issuer and of all the companies included in the consolidation

   3.2 The interim report on the first half of the year contains references to those important events that took place during the first six months of the year and on their effects on the abbreviated financial statements, together with a description of the main risks and uncertainties relating to the remaining six months of the year and information concerning the main operations carried out with related parties.

30 July 2008

Chief Executive
(Maurizio Costa)

Director responsible for compiling the company financial documents
(Carlo Maria Vismara)

Mondadori Group

Report of the External Auditors

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

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

1. We have reviewed the interim condensed consolidated financial statements of Arnoldo Mondadori Editore S.p.A. (and its subsidiaries) (the "Mondadori Group") as of and for six-month period ended June 30, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. Management of Arnoldo Mondadori Editore S.p.A. is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review consists primarily of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management and by applying analytical and other review procedures. A review does not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we express on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on April 4, 2008 and on 20 September 2007, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Mondadori Group as of and for six-month period ended June 30, 2008 are not prepared, in all material respects, in conformity with IAS 34.

Milan, August 7, 2008

Reconta Ernst & Young S.p.A.
Signed by: Luca Pellizzoni, partner

This report has been translated into the English language solely for the convenience of international readers

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