

ARNOLDO MONDADORI EDITORE SpA

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



MONDADORI

Financial statements at 31 December 2008
Consolidated financial statements at 31 December 2008
Report of the board of directors

Notice of Shareholders' Meeting

Shareholders are hereby invited to the Ordinary Meeting to be held on 29 April 2009 at 10:30 in Via Mondadori 1, Segrate, Milan, in first call and, if necessary, in second call on 30 April 2009 at the same time and place, to pass resolutions on the following:

Agenda

Ordinary part:

1. Financial statements at 31 December 2008, reports of the board of directors, the board of statutory auditors and the independent auditors, related resolutions, presentation of the consolidated financial statements at 31 December 2008.
2. Authorisation to effect a buy back and utilise company shares, as per the combined provisions of articles 2357 and 2357 ter of the Civil Code.
3. Resolution in accordance with article 114 bis of Legislative Decree 58 of 24 February 1998 concerning the institution of a stock option plan for the three-year period 2009-2011.
4. Nomination of the board of directors, after determining the number of its components, its duration and the remuneration for its members, together with the nomination of a chairman of the board of directors.

5. Nomination of a board of statutory auditors and its chairman, after determining the remuneration of its members, for the period 2009-2011.

Extraordinary part:

1. Authorise the board of directors, in accordance with articles 2443 and 2420 ter of the Civil Code to increase the share capital and issue bonds, consequent to the modification of article 6, point 6 of the company statute.

In accordance with the law and company statutes, shareholders who have requested the relative communication from the intermediary where their shares are deposited at least two days before the date of the shareholders' meeting may attend the meeting.

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

Shareholders have the right to obtain copies of these reports.

With reference to points 4 and 5 on the agenda, it should be noted that in accordance with current legislative and statutory regulations, the board of directors and the board of statutory auditors are elected on the basis of a vote on a list of names. The regulations regarding this procedure are contained in article 17 and 27 of the statute, which can be viewed on the company's internet site at www.mondadori.it - "Corporate Governance - Statute".

Percentage of shares necessary in order to present lists

Shareholders have the right to present lists if they have the right to vote and, either individually or together with other shareholders, represent at least 2.5% of the share capital as of the day the lists are presented (percentage established by Consob deliberation 16779 of 27 January 2009).

The lists, signed by the shareholder or shareholders who present them and including the documents required by the statute, must be deposited at the company's registered office in Milan at Via Bianca di Savoia 12 at least 15 days before the date fixed for the first calling of the shareholders' meeting and in any case by 14 April 2009.

As for point 5 on the agenda, it should be noted that in accordance with article 144 sexies of Consob regulation 11971/1999 and subsequent modifications (Issuer Regulations), should within the 15-day limit no lists or only one list be presented or only lists presented by shareholders who as per article 144 quinquies of the Issuer Regulations are connected to each other, the expiry date for the presentation of lists will be extended by a further 5 days, until 19 April 2009, and the percentage for the presentation of lists will be reduced to 1.25% of the underwritten share capital.

With regard to the abovementioned points, shareholders are invited to refer to the recommendations of Consob communication DEM/9017893 of 26 February 2009.

*On behalf of the board of directors
The Chairman
Marina Berlusconi*

Corporate boards

Board of directors

Chairman

Marina Berlusconi

Deputy Chairman and Chief Executive

Maurizio Costa

Directors

Pier Silvio Berlusconi

Pasquale Cannatelli

Bruno Ermolli

Martina Forneron Mondadori

Roberto Poli

Mario Resca

Marco Spadacini

Umberto Veronesi

Carlo Maria Vismara (*)

Board of statutory auditors

Chairman

Ferdinando Superti Furga

Standing Statutory Auditors

Francesco Antonio Giampaolo

Franco Carlo Papa

Substitute Statutory Auditors

Francesco A. Giampaolo

Independent Auditors

Reconta Ernst & Young SpA

(*) Secretary

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Report of the board of directors on the financial year 2008

Report of the board of directors on the financial year 2008

Shareholders,

The last quarter of 2008 saw a further worsening of the macro-economic scenario. The downturn was below already pessimistic forecasts and the crisis that affected the financial sector at an international level had a serious impact on industry, employment and consumer spending in developed countries, as well as slowing growth in developing countries.

Confirmation of the depth of the current recession comes also from the extremely negative perceptions regarding the evolution of the situation in the short to mid-term, with an inevitable impact on investments and spending.

In Italy, where the banking system has been less exposed to asset risks than other European countries and the US, the crisis has nevertheless had a serious effect on the real economy, with a fall in GDP of 1%, something not seen since 1975.

For Mondadori and its main markets:

- In Italy, while there was not an acceleration in the downturn in both circulation and add-on sales, the group's market share remained essentially unchanged. On the

advertising front, investments in the last part of the year saw a marked decline. Meanwhile, there was a slight fall in the volume of business in the book sector, where the Mondadori Group consolidated its position of absolute leadership;

- In France the downward trend in advertising continued, while magazine circulation, both newsstand sales and subscriptions, were in line with the previous year. In a market structurally still unprepared for the development of the sector, the sale of add-on products has not yet been achieved.

As previously announced at the time of the presentation of the quarterly report at 30 September 2008, Mondadori sold, with effect from 1 November 2008, Mondadori Printing SpA to Gruppo Pozzoni. Consolidated revenues and gross operating profit are consequently reported on a like-for-like basis, excluding the results for 2007 and 2008 of printing activities.

Consolidated revenues for 2008 came to €1,819.2 million (-7.1% compared with €1,958.6 million in 2007). On a like-for-like basis, the drop

was 6%. Net of add-on sales, turnover recorded a fall of 2.5%.

Consolidated gross operating profit for the year amounted to €249.2 million (-7.3% compared with €268.9 million in the previous year). As a proportion of revenues, the figure was 13.7%, in line with 2007.

Excluding Mondadori Printing, the difference in operating profit was -€2.7 million (-1.2%), essentially due to:

- the positive business performance (+€6.5 million)
- a fall in add-on sales (-€13.3 million);
- increased investments in business development (-€7.9 million)
- higher restructuring costs (-€4.7 million) and increased capital gains (+€16.7 million)

Consolidated operating profit came to €203.5 million (-9.6% on the €225.2 million of 2007), with amortisation and depreciations of fixed assets of €31.1 million (€36.5 million in 2007) and of intangible assets of €14.6 million (€7.2 million in 2007). As a proportion of revenues, there was a decline in operating profit from 11.5% in 2007 to 11.2%.

Consolidated pre-tax profit amounted to €151.4 million, a fall of 20.1% compared with €189.5 million in 2007. Net financial charges increased by €16.4 million due to the higher cost of debt (around €6 million), lower returns on financial assets (around €8.3 million, partly due to writedowns) and financial charges for the actualisation of the deferred part of the payment for Mondadori Printing (€2.1 million).

Consolidated net profit on 31 December 2008 amounted to €97.1 million (-13.8% compared with €112.6 million in the previous year).

Gross cash flow came to €142.8 million, compared with €156.3 million in 2007.

The **net financial position** went from -€535.3 million at the end of 2007 to -€490.3 million on 31 December 2008. During the period payments for tax of €80.4 million and dividends of €83.8 million were made, while the positive financial effect of the sale of 80% of Mondadori Printing SpA amounted to €121.4 million.

The performance of the individual areas in which Mondadori operates is

examined in more detail in the sections dedicated to the individual divisions. What follows is a brief outline.

Principal financial and non-financial indicators

Consolidated income statement

(€m)	2008	2007	Change%
Income from sales and services	1,819.2	1,958.6	(7.1%)
Personnel costs	356.4	372.9	(4.4%)
Cost of sales and management (*)	1,219.0	1,326.1	(8.1%)
Income (charges) from investments accounted for using the equity method	5.4	9.3	(41.9%)
Gross operating profit	249.2	268.9	(7.3%)
<i>-as a proportion of revenues</i>	<i>13.7%</i>	<i>13.7%</i>	
Depreciations of property, plant and machinery	31.1	36.5	(14.8%)
Depreciations of intangible assets	14.6	7.2	102.8%
Operating profit	203.5	225.2	(9.6%)
<i>-as a proportion of revenues</i>	<i>11.2%</i>	<i>11.5%</i>	
Net financial income (charges)	(52.1)	(35.7)	45.9%
Other financial income (charges)	-	-	-
Profit before taxation	151.4	189.5	(20.1%)
Tax charges	53.6	76.1	(29.6%)
Minority interest	(0.7)	(0.8)	(12.5%)
Net profit	97.1	112.6	(13.8%)

(*) Includes the following items: reduction (increase) in inventory; cost of raw, ancillary and consumable materials and goods; cost of services; various charges (income).

Consolidated revenues amounted to €1,819.2 million, a fall of 7.1%. The following table provides details for each business sector. A like-for-like comparison cannot be made, due to the sale of the printing business, consolidated in 2008 for just 10 months.

Revenue breakdown by business area			
(€m)	31/12/2008	31/12/2007	Change%
Books	434.3	445.0	(2.4%)
Magazines	949.8	1,047.7	(9.3%)
Advertising services	331.0	349.5	(5.3%)
Printing	316.3	439.9	(28.1%)
Direct marketing	22.3	23.9	(6.7%)
Retail	194.5	183.2	6.2%
Radio	14.8	11.3	31.0%
Corporate and other business	17.3	16.7	3.6%
Total revenues	2,280.3	2,517.2	(9.4%)
Intergroup revenues	(461.1)	(558.6)	(17.5%)
Total consolidated revenues	1,819.2	1,958.6	(7.1%)

The following table provides details of consolidated revenues by geographical area:

Revenues by geographical area			
(€m)	31/12/2008	31/12/2007	Change%
Italy	1,356.5	1,462.9	(7.3%)
France	364.8	381.6	(4.4%)
Other EU countries	77.4	95.3	(18.8%)
USA	7.1	7.0	1.4%
Others	13.4	11.8	13.6%
Total consolidated revenues	1,819.2	1,958.6	(7.1%)

Book division

In 2008, the Mondadori book division confirmed its leadership in Italy by a large margin with total revenues declining 2.4% to €434.3 million compared with €445 million in the previous year. The downturn in revenues was largely the result of a marked fall in the sale of rights for add-on sales initiatives (approximately -46.7% versus 2007).

There were no significant changes to the overall structure of the division and the balance between its various departments. The core business remains trade books (fiction and non-fiction, divided between titles for general readers and those for children), which accounts for 61.1% of revenues. The school textbook sector, in which Mondadori Education operates, accounts for 19.8% while niche publishing sectors (art, architecture and cultural heritage management) make up 9.8% of revenues. Other revenues, which includes distribution, accounts for 9.3%.

In 2008 the group published 2,695 new titles (compared with 2,742 in 2007) and 5,225 reprints (5,242 in 2007), a total of 53.4 million copies, compared with 54.6 million in 2007.

(€m)	2008	2007
Book sales	424.3	436.3
Other revenues	10.0	8.7
	434.3	445.0
Operating costs	(351.4)	(357.2)
Gross operating profit	82.9	87.8
Amortisation & depreciation	(3.2)	(2.7)
Operating profit	79.7	85.1

Against a general background of falling consumer spending, the performance of the trade segment of the Italian book market in 2008 was essentially in line with that of 2007 (-0.6% in terms of value, for medium to large-sized bookstores, Source: Nielsen Bookscan).

In this context, the Mondadori Group maintained its leadership position, with a market share in terms of value of 28.8%, markedly ahead of its competitors, as outlined in the table. The slight fall in the group's overall market share was due in particular to the predictable fall recorded by Piemme compared with 2007, a year that saw the publication of the second book by Khaled Hosseini, *Mille splendidi soli* (A Thousand Splendid Suns). Of note, when compared with 2007, was the growth recorded by Edizioni Mondadori and Einaudi. There was a measured fall in the market share of Sperling & Kupfer.

In addition to the market shares mentioned above, regarding medium to large bookstores, the market share of the publishing houses of the Mondadori Group through large-scale retail outlets is estimated at more than 35%.

Publisher	Market share 2008	Market share 2007
Publisher		
Edizioni Mondadori	15.1	14.3
Einaudi	5.7	5.4
Sperling & Kupfer	2.4	2.8
Piemme	4.3	5.1
Other Mondadori Group companies	1.3	1.4
Total Mondadori Group	28.8	29.0
RCS Group	12.8	13.6
Gems Group	8.9	8.2
Giunti Group	5.5	5.4
Feltrinelli	3.9	3.8

Source: Nielsen Bookscan. Figures indicate market share in terms of value

The following table provides a breakdown of revenues by publisher:

Books	2008	2007	Change%
(€m)			
Edizioni Mondadori	144.0	137.6	4.7%
Einaudi	51.7	49.9	3.6%
Sperling & Kupfer	20.8	25.3	(17.8%)
Piemme	48.7	55.7	(12.6%)
Mondadori Electa	42.6	51.1	(16.6%)
Mondadori Education	86.1	87.1	(1.1%)
Book distribution	33.5	33.7	(0.6%)
Other revenues	6.9	4.6	50.0%
Total consolidated revenues	434.3	445.0	(2.4%)

Edizioni Mondadori

In 2008 Edizioni Mondadori recorded revenues of €144 million, an increase compared with the previous year of 4.7%.

Of particular note during the year was the outstanding success of two young and first-time Italian authors: Paolo Giordano, winner of the Strega Prize with his novel *La solitudine dei numeri primi* and Roberto Saviano with the long-seller *Gomorra*, first published in 2006. Both books sold more than one million copies in 2008.

But the exceptional performance of Italian fiction was also determined by the return of Margaret Mazzantini who, with *Venuto al mondo*, sold more than 300,000 copies. There were also very good results for *Idi di marzo* by Valerio Massimo Manfredi (250,000 copies) and *Storia di neve* by Mauro Corona (100,000 copies).

In non-fiction, stand-out performances came from *La paura e la speranza* by Giulio Tremonti (130,000 copies) as well as titles such as *Viaggio in un'Italia diversa* by Bruno Vespa (160,000 copies) and *Chi ha paura muore ogni giorno* by Giuseppe Ayala (50,000 copies). Also *Inchiesta sul cristianesimo* by Corrado Augias (with Remo Cacitti) published at the beginning

of September reached sales of 200,000 copies. Distinguished among the new autumn titles was *Conversazioni notturne a Gerusalemme*, by Cardinal Martini, which sold more than 120,000 copies.

The Strade Blu series maintained a positive performance, thanks to the continuing *Gomorra* phenomenon and the contribution of new authors, such as Junot Diaz with *La breve favolosa vita di Oscar Wao* (Pulitzer Prize 2008) and Raffaele Cantone with *Solo per giustizia* (70,000 copies). This performance was also thanks to portfolio authors such as Federico Rampini with *Centomila punture di spillo* (written with Carlo De Benedetti), Concita De Gregorio with *Malamore* and Chuck Palahniuk with *Gang Bang*.

In foreign fiction, the big success of the year was the new novel by Carlos Ruiz Zafón whose *Il gioco dell'angelo* sold more than 450,000 copies. There were positive results also from some of the company's historic authors, such as John Grisham, *Ultima Sentenza* (200,000 copies), Sophie Kinsella, *Ti ricordi di me?* (140,000 copies) and Patricia Cornwell, *Al buio* (100,000 copies). Sales of literary authors were of considerable significance, such as David Grossman, whose *A un cerbiatto somiglia il mio amore* sold more than 100,000 copies.

Among other non-fiction titles, the best result was provided by Luciana Littizzetto whose *Jolanda furiosa* sold in excess of 400,000 copies. Excellent results were also recorded by the duo Clerici-Moroni with *Scuola di cucina* (180,000 copies), Chicco Sfondrini and Luca Zanforlin with *Fra il cuore e le stelle* (130,000 copies) and the *Guinness Book of World Records* (100,000 copies).

The new *Contemporanea e Spiritualità* Oscar paperback series was launched during the year dedicated to literary fiction and great western and eastern thinkers. The year 2008 also saw a coordinated communication project launched involving for the first time the complete overhaul of promotional and advertising activities related to the Oscar Mondadori brand.

Finally, in the children's sector, there were excellent results for tie-ins with the films *Madagascar 2* and *Kung Fu Panda* (total sales of 280,000 copies) and the publication of the new trilogy *Le leggende del Mondo Emerso* by Licia Troisi, thanks to which the young author achieved sales of more than one million copies in Italy alone.

Giulio Einaudi Editore

Revenues in 2008 came to €51.7 million, an increase on the previous year of 3.6%.

This rise was linked to excellent sales in the bookstore and large-scale retail channels. The growth of these channels is particularly significant if one remembers that it was not achieved by the high sales of a few titles, but rather the very positive, in some cases exceptional, performance of numerous books with medium or high print runs.

Revenues from part works, meanwhile, were down during the year, and there was a sharp fall (-50%) in the sale of royalties to newspapers and magazines for their add-on sales initiatives.

There were very good performances by the Stile Libero and Narrativa Italiana series, thanks to a number of successful new titles which boosted revenues by 45.5% and 29.7% respectively.

There were surprisingly good results for a number of titles during the year: *Firmino* by Sam Savage, one of the year's publishing sensations, sold more than 330,000 copies, while Carlo Lucarelli's new book *L'ottava vibrazione* sold over 120,000 copies. Also of particular note was the success of books by two Italian authors: the autobiographical essay by journalist Eugenio Scalfari, *L'uomo che non credeva in Dio*, sold 90,000 copies, while *Il pane di ieri*, by Enzo Bianchi, sold more than 75,000 copies.

Other new titles that performed well in 2008 included *Un po' più in là sulla destra* by Fred Vargas (85,000 copies), *Crimini 2* by Carlotto-Carofiglio (over 55,000 copies), *Quello che ti meriti* by Anne Holt (60,000 copies), *Il mio Dante* by Roberto Benigni (60,000 copies), *Totò è sempre Totò* with DVD, edited by Lello Arena (40,000 copies).

Sperling & Kupfer Group

Sperling & Kupfer in 2008 concentrated on re focusing on products consistent with the positioning of the imprints. This involved an overall restructuring of the publishing house. Consequently, there was a reduction in the number of new titles published to 378, compared with 445 in 2007.

As a result, total revenues for 2008 came to €20.8 million, compared with €25.3 million in 2007.

In fiction there was a fall of €2 million compared with 2007 due to the absence in the year of a new title by Sveva Casati Modignani, with a fall in revenues of more than 17%.

Non-fiction (popular non-fiction, essays, business and IT) saw a fall in revenues of €2 million. This was mainly due to the absence of a title by Giampaolo Pansa and a weakness in the re-supply of

Mondadori Informatica titles.

The Economici series was substantially reconfigured (-40 titles compared with 2007) through the elimination of part of the non-fiction production with the aim of reducing losses.

The Frassinelli line improved its performance, despite a reduction of 20 titles, due to the successful re-launch operation of Nicholas Sparks.

Among the most successful titles in 2008 were: *Bambino 44* by Tom Rob Smith (50,000 copies), *La scelta* by Nicholas Sparks (over 130,000 copies), *Perché proprio a me?* by Melania Rizzoli with 30,000 copies, and *Gli italiani la sanno lunga... o no!?* by Antonio Caprarica (45,000 copies).

Edizioni Piemme

During 2008 Piemme generated net revenues of €48.7 million, a fall of 12.6% compared with 2007, a year of exceptional results due to the publication of *Mille splendidi soli* by Khaled Hosseini, which in its first year of publication, sold more than one million copies.

The relatively limited fall in total revenues

was due both to the continued appeal in 2008 of the two Hosseini books (re-supplies during the year included 500,000 copies of *Il cacciatore di aquiloni* and 350,000 copies of *Mille splendidi soli*), and growth in the Junior area, thanks to both Geronimo Stilton and Battello a Vapore.

Of particular success in fiction were: *Il mondo di Rhett* by Donald McCaig, the sequel to *Via col vento*, which sold almost 100,000 copies, the latest Michael Connelly thriller, *Avvocato di difesa* (80,000 copies), and the 58,000 copies sold of *Un anello da Tiffany* by Lauren Weisberger.

There was a marked increase in revenues in the non-fiction area thanks to successes such as *La bambina che non esisteva* by Shakib Siba (92,000 copies) and *Il traduttore del silenzio* by Daoud Hari, both part of the popular eye-witness line.

The religion area was successful with titles aimed at a broad target of readers such as *L'angelo della mia vita* by Dalila Di Lazzaro (103,000 copies) and *Perché credo* by Vittorio Messori (34,000 copies).

There was also growth in paperbacks compared with the previous year, thanks to the success of the Bestseller series, launched in June 2007, boasting some of

the most successful titles for women, including *La danzatrice bambina* by Anthony Flacco (6,000 copies).

In the junior sector, the Geronimo Stilton line saw a marked improvement in sales, thanks to the success of Christmas titles (*Quarto viaggio nel Regno della Fantasia* with sales of 138,000 copies and *La grande invasione di Topazia* with 130,000) and an editorial policy focused on a diversification of the target audience, creating new series aimed at slightly older readers (the saga *Cronache del Regno della Fantasia* sold 64,000 copies of the first book – *Il Reame Perduto* – and 42,000 with the second – *La porta incantata*).

Battello a Vapore improved on its 2007 performance thanks to excellent catalogue sales and the success of series such as GOL! (five new titles in 2008 with sales of between 22,000 and 30,000 copies) and Ulysses Moore (in particular, *La città nascosta* with sales of 22,000 copies).

Art books and exhibition organisation

Revenues in this area in 2008 came to €42.6 million, a fall of 16.6% compared with the previous year. The decline, coming mainly in the second half of the

year, affected both books, mainly due to the downturn in add-on sales, and the cultural heritage sector, due to a fall in sales of exhibition catalogues and museum bookshop sales.

Among the most successful titles during the period were *Nanga Parbat* by Reinhold Messner, which achieved sales of 20,000 copies and was reprinted six times in three months, and *I miei giardini* by Paolo Pejrone, over 7,000 copies in eight months. The Dizionari series (*Arte e Cinema*), acquired new foreign co-publishers and was renewed with the *Saper Vedere* series. Among the titles in the higher priced category, of particular note were *Storia della Fotografia* and *Galleria Farnese* by Silvia Ginzburg. In architecture, the best results were obtained by *Architettura e Moda* and the commemorative title published to mark the eightieth anniversary of *Casabella*.

The number of titles sold for add-on sales initiatives fell from 185 in 2007 to 137 in 2008. Among the most important initiatives were: *Enciclopedia della Salute* for magazines of the group and *Storia dell'Architettura for la Repubblica*.

In the area of concession services and exhibition organisation the positive results

of recent years were confirmed. The main increase in revenues came from exhibition organisation, while museum bookshops saw a decrease due to lower visitor numbers. Also in 2008 the Coliseum was by far Italy's most popular monument with more than 6.5 million visitors: this positive result is attributable to the extension of the area subject to admittance by ticket to the Fori Imperiali, and initiatives organised within the area. There was also success for the exhibitions and catalogues for *Jacopo Bonacolsi detto l'Antico* at the Palazzo Ducale in Mantua, *Mario Schifano* at the GNAM, *Baselitz, Struth and Rauschenberg* at the Museo Madre in Naples and *Alma Tadema, Ercolano* at the Museo Archeologico in Naples. Also of note was *Ugo Mulas Colore* at the GAM in Turin and *Etruschi* at the Palaexpo in Rome.

Mondadori Education

In 2008 Mondadori Education generated revenues of €86.1 million, a fall of 1.1% compared with the previous year.

Mondadori Education maintained a significant position in the school textbook market, with a share of 13.4%, remaining leader in the primary school segment and second in the first and second level secondary school segments.

The primary school segment, despite a slight fall, maintained the positive results of recent years with new adoptions of over 40,000 copies, while positive results were confirmed in the extra-curricular area.

While the first level secondary sector saw a slight fall in the catalogue, there were very satisfactory results for a number of new titles and new editions, while the success of the new fiction series was affected by price caps.

The second level secondary sector essentially maintained its market share with the brilliant performance of the new imprint *Electa scuola*.

The introduction of price caps in this segment led to teachers abandoning books in particular subjects, downgrading titles from adopted texts to recommended; including English grammar, composition, civics and classics texts.

In the second part of the year, two new rules introduced by legislative decree created the conditions for a significant change in the sector: the obligation, over the next three years, to create digital versions of all adoptable texts and a block on new editions for six years for secondary schools and five years for primaries.

In particular, article 15 of law 133/2008

introduced a process for the use of new technologies in teaching and obliges publishers, within three years, to have an offer that is articulated across print and digital media.

Meanwhile, law N° 137, issued on 1 September 2008, in addition to regulating the much debated return of the single teacher in primary classes, establishes, in article 5, that teachers may not change the adopted titles for a period of five years in primary schools and six in secondaries.

Distribution and logistics

Revenues in 2008 came to €33.5 million (-0.6% compared with the previous year).

The distribution area recorded a volume of activity in terms of copies comparable to that of the previous year.

The business of distributed publishers saw growth among third-party clients. Of special note was the performance of Baldini e Castoldi Dalai (+38% on 2007), thanks to the new book by Giorgio Faletti.

It should also be noted that the level of services also showed a good performance compared with the previous year, thanks to operations aimed at improving efficiency that have further optimised the sorter and automatic pallet loader.

Magazine division

The magazine division generated consolidated revenues in 2008 of €949.8 million, a fall of 9.3% from €1,047.7 million in 2007. What follows is an analysis of the trends in the main markets and sectors of the magazine business.

Italy

The revenues generated by the magazine division in Italy in 2008 amounted to €575.7 million, a fall of 12.5% compared with 2007.

Performance during the year was characterised by:

- a fall in circulation revenues of 5.1%, in line with its relative market, the result of a downturn in copies sold and the closure in 2007 of titles (*Per Me* and *Creare*) and the sale of *Star+TV*;
- a marked reduction in add-on sales (-28.6%) in a sector that was down by around 25% in terms of value and that has seen the 2005 peak almost halved;
- a decline in advertising revenues of 5.3%, a downturn that was especially marked in the second half of the year when compared with the same period of 2007.

Among the most significant facts during the period we would underline:

(€m)	2008	2007
Magazine revenues	919.8	1,022.4
Other revenues	30.0	25.3
	949.8	1,047.7
Operating costs	(817.0)	(892.5)
Gross operating profit	132.8	155.2
Amortisation and depreciation	(14.1)	(6.0)
Operating profit	118.7	149.2

- the re-launch of particularly important weekly titles, such as *Panorama*, *Donna Moderna* and *Grazia*. In all three cases efforts to update editorial content and promotional support have allowed the magazines to confirm their circulation leadership and favoured increased penetration in the advertising areas of reference;
- the transformation, with positive results, of the monthly *Cambio* into *Panorama Auto* part of the joint-venture ACI-Mondadori;
- the development of the Press-Di subsidiary, which acquired new distribution clients in both the magazine and newspaper sectors, significantly reinforcing its position as the second player in the Italian market;
- focused cost controls that have made it possible to counter the fall in margins generated by difficulties on the revenue side.

What follows is a brief outline of the situation, broken down by the determining factors.

Circulation

In a market that showed an overall decline in copies of 5% (while the fall in terms of value was without doubt greater considering the performance of

the various “on pack” initiatives), Mondadori saw a slight fall in its market share, while nevertheless, maintaining its position of pre-eminence with a substantial gap over its competitors.

Many publishers including Mondadori, are currently re-examining their distribution policies with a view to reducing the share of more promotional and less profitable sales. This has obviously in part contributed to the fall in circulation of some titles.

Among women’s titles, *Donna Moderna*, thanks to an overhaul carried out at the beginning of 2008, confirmed its leadership with a good consolidation of its circulation base.

In the news magazine area, *Panorama* essentially maintained its advantage over its historic rival, while *Economy* saw a significant increase in its newsstand revenues.

In the TV listings segment, a fall in circulation affected all competitors and, therefore, also *TV Sorrisi e Canzoni*, the only magazine that maintains a weekly circulation of more than one million copies (almost double its nearest competitor), *Telepiù* and *Guida TV*.

Among the weekly entertainment titles, *Chi* remained the most vivacious, with revenues close to those of 2007.

In the women’s upmarket segment, *Grazia* and *Flair* saw a more limited growth in circulation, in line with the previous year, and strong penetration in the advertising market. Despite well-known difficulties, the two titles recorded a slight growth in advertising compared with 2007.

Good results were also recorded by cooking and design titles.

The satisfactory performance in the subscription channel should also be noted, with revenues in line with those of 2007.

Add-on sales

The add-on sales market, while remaining a substantial component of profitability for publishing groups, confirmed its downward trend (-25%).

There were falls in all segments (music, home video, editorial, sundry goods) with negative peaks of between 20 and 30%.

Mondadori was also affected by this trend, after a markedly stable 2007, but

with an approach aimed at maintaining good levels of profitability.

The best results came from series for *Panorama* (Home Video) and *TV Sorrisi e Canzoni* (Home Video and musical initiatives).

The editorial series promoted by *Chi* and *Donna Moderna* sold well, as did the numerous so-called “multi-title” launches, supported by all of the Arnoldo Mondadori Editore weeklies.

France

In 2008 Mondadori France generated total revenues of €374.1 million, a fall of -4.1% compared with 2007.

Circulation revenues by Mondadori France, which account for 68% of the total, remained at the level of the previous year, both in terms of newsstand sales and sales through the subscription channel.

The revenues from the sale of advertising, meanwhile, saw a downturn of 14.5% compared with the previous year, in line with a market in considerable difficulty from the beginning of the year, with Mondadori France managing to safeguard its market share.

The new initiatives launched in the area of

add-on sales, while generating an increase in the relative revenues, did not provide the margins and development that the group had hoped for. These results were aggravated by an economic situation characterised by an unfavourable trend in consumer spending.

During 2008 Mondadori France made significant investments for:

- the development of the launch project for a new up-market women’s weekly;
- the development of digital activities;
- the launch of a series of add-on sales initiatives aimed at testing the potential of the French market (with, as indicated above, discouraging results).

Mondadori France has also continued to pursue the control and reduction of costs that have generated significant savings in industrial and distribution costs.

Circulation

The titles published by the group recorded circulation figures in line with those of the previous year.

Redesign activities on a range of titles (in particular in the *Femme Grand Public* segment) has generated positive results in newsstand sales.

In detail, we would once again underline the performance of *Closer*, the leading publication in its sector. There were also positive results from the *Haut de Gamme* segment, in which Mondadori has only one title (*Biba*). There was a fall, in line with the market, among television titles.

Overall subscription sales making up around 30% of total revenues remained at the same levels of the previous year, confirming their position as a stable source of revenue for the company.

Advertising

There was a continuation of the downward trend that has characterised the French advertising market in recent years with a fall in space of 4.2% (Source: Secodip).

Mondadori’s performance was in line with its competitors, and was penalised by its low presence in the up-market segment, which grew compared with the previous year.

There were difficulties in the financial, retail and direct marketing sectors, with a negative impact on TV titles. It was also a difficult year for advertising in the *Femme Grand Public* and car sectors.

International

2008 was characterised by a number of new launches of Mondadori Group titles in international markets, including *Flair* in Austria, *Casaviva* in Greece, Bulgaria and Serbia, *Sale e Pepe* in Romania and *Grazia Casa* in Croatia.

The *Grazia* network expanded during the period to include new editions in India and Australia, both of which generated positive results in the first months of publication.

Overall, at the end of the year, 19 titles were published under licence (including those in joint ventures) around the world. The beginning of 2009 saw the addition of the Chinese edition of *Grazia*.

As a result of the good performance of existing titles and those launched during the year, revenues from licensing and commissions deriving from the sale of advertising for licensed titles were up by 30%.

There were also positive results from the Greek subsidiary Attica, leader in circulation and advertising in Greece. Attica has also pursued an expansion policy in the Balkans with the launch of new titles in Romania and Bulgaria.

Digital

There was a marked increase in revenues from digital activities during the year of 17%. In particular, the advertising revenues from the group's websites increased by 27%, in a market that grew by 14%, even if the sector remains a marginal part of overall advertising sales. This performance was the result of the success of the new *Donna Moderna* site, that saw its page views and unique visitors double in a very short space of time, increasing advertising revenues by 70%.

Advertising services

The market

According to Nielsen Media Research, the advertising market in Italy fell by 2.8% in 2008 compared with the previous year. All main media saw a decline, in some cases a steep decline: Television, which fell by 1.2% remained the medium least affected; while Print media fell by 7.1%, with Newspapers down by 7.0% and Magazines down by 7.3%. Among the other media, Outdoor and Cinema continued to decline, while Radio continued to grow by 2.3% as did the Internet, which grew by 13.9%, even though these recorded slower growth in the latter part of the year.

The advertising market			
(€m)	2008	2007	Change%
Television	4,596.2	4,653.5	(1.2%)
Total print media	2,889.8	3,111.3	(7.1%)
- Magazines	1,231.5	1,328.5	(7.3%)
- Newspapers	1,658.3	1,782.8	(7.0%)
Radio	487.7	476.8	2.3%
Outdoor	227.2	233.7	(2.8%)
Cinema	58.3	69.8	(16.5%)
Internet	321.2	281.9	13.9%
Total advertising market	8,580.4	8,827.0	(2.8%)

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

Advertising		
(€m)	31/12/2008	31/12/2007
Advertising revenues	323.8	345.0
Other revenues	7.2	4.5
	331.0	349.5
Operating costs	(328.4)	(345.3)
Gross operating profit	2.6	4.2
Amortisation and depreciation	(0.3)	(0.3)
Operating profit	2.3	3.9

The company

Mondadori Pubblicità ended the year with a fall in sales across all media of 5.3%, while managing at least partially to contain the sharp downturn in the market in the second half of the year, thanks to a positive performance in the first half.

Regarding the magazine portfolio, which remained unchanged compared with 2007, this exceeded overall market performance in some sectors (for example, display advertising for Mondadori weeklies was 3 percentage points higher, thanks to a higher stability in space). Of special note was the brilliant performance of the *Grazia* "system" (*Grazia* + *Grazia Casa* with sales up by 3%), while the strength and the value of other titles (both core and more specialised titles) made it possible to limit the consequences of a particularly critical trend in these sectors.

There were downturns in the cosmetics, FMCG, auto, telecoms and finance sectors, and, to a lesser degree, in furniture. Fashion remained essentially in line with 2007, with a consequently positive impact mainly on women's titles.

Also positive and significantly ahead of the market, were advertising sales for

radio, which with R101 ended the year up by 23.9%, while sales for the internet grew by 17.4%, confirming the validity of the plan to revitalise the magazine's web sites, which began with the new "donnamoderna.com" site, while further articulated updates are underway.

Printing division

Consolidated revenues from the printing business refer only to the first ten months of the year, due to the sale in November, of 80% of Mondadori Printing SpA.

In the first 10 months, however, there was a significant reduction in revenues compared with the same period the previous year, for a series of reasons, the most relevant of which were:

- the loss of business from “Mondadori Education”, that had been a characteristic of 2007;
- a marked reduction in magazine paginations due to the abrupt slowdown in advertising from the third quarter;
- a sharp fall in the market for add-on sales for newspapers and magazines compared with the previous year.

(€m)	2008	2007
Printing revenues	316.3	439.9
Other revenues	-	-
	316.3	439.9
Operating costs	(298.5)	(405.1)
Gross operating profit	17.8	34.8
Amortisation and depreciation	(18.0)	(23.8)
Operating profit	(0.2)	11.0

Direct marketing

Direct Marketing through Cemit Interactive Media (certified by the ISO 9001 quality system, qualified supplier of the Proctor & Gamble Europe quality system and, certified FSC in 2008, attributed to companies seen to be especially sensitive to environmental issues) recorded revenues of €22.3 million, a decrease of 6.7% on the previous year.

Despite a slowdown in communication investments, Cemit was able to react quickly, thanks to its offer of diversified services for the design and development of direct communication.

(€m)	2008	2007
Revenues	22.3	23.9
Other revenues	-	-
	22.3	23.9
Operating costs	(18.2)	(18.3)
Gross operating profit	4.1	5.6
Amortisation and depreciation	(0.2)	(0.3)
Operating profit	3.9	5.3

Retail

Total revenues of the retail division amounted to €19.5 million, an increase of 6.2% on 2007.

In a year in which a downturn in consumer spending began to be apparent in the third quarter, Mondadori Retail continued to develop its network, with a view to:

- expanding the market, by establishing a presence in numerous small areas that had previously not had a bookshop;
- continuing to experiment with innovative formats;
- increasing the market share of the Mondadori brand.

During the period the retail division's network of stores reached 434 units, making it Italy's most extensive network of sale outlets for editorial products.

Mondadori Retail SpA generated in 2008 revenues of €128 million, an increase of 2.7% compared with 2007.

During the year, having completed the integration of the former Messaggerie Musicali, rationalisation of the network continued. The number of outlets under direct control is now 30 versus 29 in 2007.

(€m)	2008	2007
Revenues	194.5	183.2
Other revenues	-	-
	194.5	183.2
Operating costs	(182.2)	(176.1)
Gross operating profit	12.3	7.1
Amortisation and depreciation	(6.2)	(6.9)
Operating profit	6.1	0.2

Mondadori Franchising SpA continued to pursue its development programme and throughout the year the number of bookstores increased from 212 in 2007 to 227, while the number of Edicolè outlets rose from 136 in 2007 to 177.

There was an increase in revenues of 13.7%, thanks mainly to new affiliations. Of note was also the testing of formats for a children's bookshop and a new form of franchising that combines the traditional bookshop and the book club.

Radio division

Radio was the only medium (apart from the Internet) that grew in the period (+2.3%) in an advertising market that dropped by 2.8 % (Source: Nielsen).

The performance of R101 was well ahead of the market: net revenues for 2008 came to €14.8 million (€11.3 million in 2007), mainly from advertising sales, net of commission, on gross advertising revenues of €21.8 million (+23.9% on the previous year).

On the ratings side, R101 ended 2008 with a 7% increase on 2007, with a daily average of 2.1 million listeners, in a market that was slightly down (-2.7 % compared with the last 2 months of last year). The 7-day figure of 8.4 million listeners, confirms R101's position among Italy's top six commercial radio stations. R101 listeners, in line with initial forecasts, are made up as follows: 70% in the 25-54 age range, of which 46% are women and 54% men.

Marketing activities during the year were organised to maximise investments in relation to communication objectives. A "local" campaign was launched at the beginning of the year (using press ads, posters and events) to reinforce awareness. Later, focus was shifted to the

(€m)	2008	2007
Revenues	14.8	10.7
Other revenues	-	0.6
	14.8	11.3
Operating costs	(15.7)	(19.4)
Gross operating profit	(0.9)	(8.1)
Amortisation and depreciation	(1.6)	(1.2)
Operating profit	(2.5)	(9.3)

brand and was extended to a national level using the main TV channels. Finally, a series of events were organised around the country (Summer Tour, Rugby, etc.) with a view to increasing the number of listeners in geographic areas considered particularly strategic.

During the year five thematic web radio channels (music from the 80s, 90s, today, non-stop music and Rugby Radio) were launched on the R101 web site that continued to generate significant traffic (over 250,000 visitors and around 3 million page views per month).

Signal distribution is now extensive across the country, thanks to the numerous acquisitions made in recent years. In July 2008 the company also bought the 10 frequencies of Radio Rock FM at a total cost of more than €6 million.

Corporate and other business

The corporate sector includes, in addition to the structure that manages the group's financial activities, the functions of the parent company engaged in service activities for the companies of the group and the business divisions.

This involves mainly ITC services, accounting, management control and planning, treasury and finance activities, human resources, legal and corporate affairs, and communications.

Revenues derive essentially from charges made to subsidiaries, associated companies and other users of the abovementioned services.

- bonds at variable rates available for sale for €39.7 million.

Mondadori International

The value of financial assets under management by the company on 31 December 2008 amounted to €263.4 million (€220.0 at the end of 2007). The company recorded a loss of €8.1 million.

At the end of the year the portfolio was made up as follows:

- current accounts, cash equivalent assets and time deposits with leading Italian banks with maximum expiry dates of less than three months of €223.7 million;

Financial situation

Net financial position		
(€m)	2008	2007
Cash and other equivalent liquid assets	330.5	225.1
Financial investments at fair value	3.3	108.5
Financial assets available for sale	39.7	-
Gains (losses) from derivatives	(10.7)	(51.3)
Other financial gains (losses)	0.7	(23.5)
Financing (short & medium/long term)	(564.7)	(444.5)
Bonds	(289.1)	(241.3)
Convertible bonds	-	(108.3)
Net financial position	(490.3)	(535.3)

The Mondadori Group's financial position as of 31 December 2008 showed a net debt of €490.3 million, an improvement on the figure of the previous year.

Changes in the net financial position take account, among other things, of dividend payments of €83.8 million made in May 2008, tax payments of €80.4 million and cash receipts of €121.4 million from the sale of Mondadori Printing SpA.

It should be noted that, if outlined as per Consob recommendations, (see note 13), the deficit would amount to €492.3 million, in that it would not include the item "Non-current financial assets".

Trends in interest and exchange rates

The latest macroeconomic figures for 2008 confirmed that the last quarter of

the year was decidedly worse than expected. The tensions affecting markets and financial institutions generated a crisis of liquidity and confidence, which was rapidly transferred to the real economy.

Central banks reacted with drastic cuts to interest rates and some of the governments of leading industrial countries provided exceptional bail out funds to support financial institutions.

Banks have severely restricted the availability of credit and, above all in the US, there has been a sharp drop in consumer spending, after years of rapid growth.

The sharp decline in the price of oil, that began in the summer of 2008, has driven down the cost of raw materials and led to a steep reduction in inflation.

The euro weakened against the dollar compared with the beginning of the period (1.39 against 1.46), and there was considerable volatility between the first and second quarters, while there was a marked gain against sterling (0.95 against 0.73).

On the interest rate front, the 3-month Euribor rose from 4.665% at the beginning of the year, to a maximum of 5.393% at the beginning of October, before then making a steady fall, in line with the cuts made by central banks, to a minimum of 2.892% on 31 December. The average rate was 4.644%.

In the same period, the average cost of money for the Mondadori group was 4.360%.

In the context of this financial crisis and difficult access to credit, the Group was able to find adequate reserves of liquidity. Credit lines available to the group at 31 December 2008 came to €1,484.5 million, €1,014.6 of which was committed.

Only €58.0 million of the Group's short-term borrowing facilities, worth more than €537.9 million, were used as at 31 December 2008, largely made up

of current account overdrafts, advances on invoices and stand-by loans with a duration of less than 18 months minus one day.

Medium to long-term lines of around €946.4 million consist of:

- €296.4 million from a private placement in dollars in the US, expiring in 2013/2015/2018 and reserved exclusively for institutional investors. There is a cross currency swap on this loan at a variable rate linked to Euribor;
- €500.0 million for a five-year multi-borrower bank loan (expiring in 2011) organised by a pool of leading international banks for the acquisition of Mondadori France (previously EMAP France). This multi-borrower (Mondadori International and Arnoldo Mondadori Editore) loan is made up of a term loan of €300.0 million, fully used as of 31 December, and a revolving credit facility of €200.0 million, €132.1 million of which was utilised as of 31 December. Utilisations are made when the short-term expiry is a maximum of three months. It should be noted that an interest rate swap has been applied on 50% of the term loan, transforming the variable into a fixed rate, to which, in 2008, a basis swap was applied.

Exploiting the difference between Euribor rates and one month and three-month rates, has made it possible to reduce the level of the fixed rate

- €150.0 million for a variable interest loan, provided by Intesa Sanpaolo expiring in 2013, made up, in equal measure, by a term loan, fully utilised as of 31 December 2008, and a revolving facility.

It should be noted that in October 2008 the convertible bond loan of €109.9 million was repaid.

Personnel

The structure

As of 31 December 2008 group companies employed 3,925 people (5,586 at 31 December 2007), while the average number of personnel during the period amounted to 5,179 (5,601 in the same period in 2007).

The consolidated figure shows a substantial reduction in the number of employees of the Group largely due to the sale of Mondadori Printing. On a comparable basis, i.e. excluding the personnel of Mondadori Printing, the figure for 2007 is 4,112.

This reduction, in addition to the steady fall in numbers due to non-replacement from turnover and less significant events, such as the sale of some titles in France, is only partly balanced by the acquisition of some business activities (the distribution of *Il Giornale* with 17 staff) as well as new store openings in the retail area and museum management.

The cost of personnel amounted to €356.4 million (€372.9 million in 2007), a fall of 4.4%.

However, due to the sale of the printing business, the comparison is not like-for-like.

Personnel	2008	2007
Arnoldo Mondadori Editore SpA:		
- Managers, journalists and office staff	1,288	1,367
- Blue-collar staff	108	108
	1,396	1,475
Italian subsidiaries:		
- Managers, journalists and office staff	1,433	1,832
- Blue-collar staff	35	1,010
	1,468	2,842
Foreign subsidiaries:		
- Managers, journalists and office staff	1,061	1,166
- Blue-collar staff	-	103
	1,061	1,269
Total	3,925	5,586

On a comparable basis, i.e. deconsolidating Mondadori Printing both from 2007 and 2008, the fall would be 0.75%.

As of 31 December 2008, the national contract for journalists had still not been renewed.

Training programme

During 2008, continuing and developing the approach begun in 2001, Mondadori has made a group training plan available to its employees with adequate paths, content, methods and tools to stimulate and guide the process of development and renewal of human resources and their competences, in line with a desire to continuously realise the value of managerial and professional capital that is a distinctive and strategic asset of the Group.

In 2008, in particular, in addition to structural costs, around €600,000 was invested in and 6,520 hours of training delivered.

In addition to institutional training for specific roles (for entry level, and newly appointed managers and executives), language, IT and technical-professional training, 47% of the training activities were aimed at the development of management, relational and innovation-intellectual skills. Participation over the year involved 268 people, 39% of which from middle and top management.

In addition to these activities a series of ad hoc courses, designed to meet the specific needs of individual functions or business areas were arranged, along

with specialised training focused on technical-professional skills and external seminars. During 2008, around half of the total training costs were dedicated to these initiatives.

The demands of the “digital revolution” and the expansion of the Group’s international activities have been the most significant themes for training and development.

The training activities organised internally in 2008, with the cooperation of major business schools and training institutes achieved an average level of satisfaction of 91%, confirming the positive trend consolidated year by year.

Health and safety risks

The approval of Legislative Decree n° 81 of 9 April 2008 has introduced a series of important changes regarding the obligation of companies to safeguard the health and safety of their employees – both contract staff and others – in the workplace. These changes extend beyond current Italian legislation, previously based on the legislative decrees 626/94 and 231/01.

Continuing a long-standing tradition of attention to issues concerning health

and safety in the workplace, Mondadori put in place a series of actions – as per the timing and in the manner indicated by the abovementioned decree – to update the Group’s safety procedures.

First of all a complete screening of the situation of all the companies of the Group was conducted to:

- re-examine and update the safety structure, in line with the new legislation;
- update the risk-evaluation documents for each company, in line with the new legislation;
- identify critical areas, both technical and organisational, of the current situation, and implement actions and/or procedures for rapid and definitive resolution;
- define with all third-party suppliers, documentation for the evaluation of risk of interference, in line with the new legislation;
- develop a screening mechanism for workers – contract staff and others – in line with the obligatory medical checks for the so-called “exposed subjects”.

The process described briefly here is – at the time of the preparation of this report – close to completion, with the

achievement of very satisfactory results, as can be seen from the second review conducted by independent bodies in the first quarter of this year, with an analysis that involved all the companies of the Group with headquarters in Italy.

At the same time, considerable attention has been given to ensuring that staff are aware of the changes in legislation and the safety standards and procedures adopted by the Group.

These activities are of fundamental importance to continuously improve the level of involvement of all staff in the management of health and safety issues, without which the Group’s standards would certainly be lower than they currently are.

Communication is not limited to the provision of information, however important, but has also focused specifically on general and targeted training.

The most important instrument used for communication is the company’s intranet, a part of which is entirely dedicated to issues related to the protection of workers’ health and safety. Employees can find on the Mondadori

intranet, in addition to the full text of legislative decree 81/08, series of information and updates on all issues pertaining to safety. A self-training course, aimed at all the professional roles identified by the law as "indicated", will be published on the intranet shortly.

Targeted training involves training courses organised for the first reaction and fire defence teams, as well as the professional courses for the so-called RSPP (*Responsabili Servizi di Prevenzione e Protezione*) and ASPP (*Addetti Servizi Prevenzione e Protezione*) the heads and support staff for prevention and protection.

During the year, no relevant accidents in the workplace were recorded.

Mobility management

The Mondadori Group encourages its staff to make responsible use of private transport for the reduction of both consumption and production of emissions.

In this regard the company has initiated:

- the Mondadori car-pooling service, using intranet software, available to all employees, making it possible to

arrange the sharing of the same car with others;

- the extensive system of buses providing access to sites in the Milan area from a series of points close to stations and airports;
- the contribution Mondadori makes for its employees to purchase season tickets for travel on Milan's public transport system.

Capital investments

During 2008 the Group made capital investments of €31.6 million, €5.4 million of which was in the subsequently sold printing area.

The figure also includes property worth €13.2 million sold before the end of the year.

Results of Arnoldo Mondadori Editore SpA

The annual report of the parent company, Arnoldo Mondadori Editore SpA, for the year to 31 December 2008, shows a net profit of €66.2 million (€90 million on 31 December 2007), and gross operating profit of €97.9 million (€118.3 million in 2007).

This marked fall, if we exclude from the year extraordinary income from the sale of property, is largely due to the performance of the magazine division that lost revenues both from circulation and add-on sales as well as from advertising.

Main risks and uncertainties for the Mondadori Group

In line with the provisions of the Corporate Governance Code for Listed Companies and Legislative Decree 195/2007 concerning transparency, the Mondadori Group introduced a risk management process, aimed at identifying and managing the principle risks and uncertainties facing the company.

The risk management process, which is managed at the corporate level, involves all the companies of the Group, as well as the main central functions (finance & control, organisation, personnel & systems, and communications).

The Mondadori Group has defined its own model for the classification, identification and evaluation and management of risks, adapting the basic principles outlined by the "COSO Enterprise Risk Management - Integrated Framework".

The identification and evaluation of risk is carried out periodically, with auto-evaluation tools, by all the divisions and central functions of the Group, with a view to aggregating and evaluating risks in relation to residual exposure and identifying the best course of action to mitigate such risks.

The results of the risk management

process are communicated to the internal control committee, the chief executive and board of directors and form the basis for further examination by the offices and bodies.

What follows is an analysis of the principal risks and uncertainties facing the Group, in line with the indications emerging from the analyses conducted.

Risks related to the economic scenario

The global economy

The global macroeconomic scenario, even in 2009, will be characterised by the effects of the global financial crisis that began in June 2007 with the bursting of the sub-prime mortgages "bubble" in the US. The international economic system is currently in a delicate phase, characterised by a slowdown in growth in many developed countries and an increase in inflation affecting, most of all, emerging economies (in China and India there has been a marked slowdown in production). In the US, where the real estate market continues to founder, there has been a further fall in business and consumer confidence. The same recessionary scenario can also be seen in other countries, including Japan. The

weakness of economic activity has led to an abrupt downturn in the international cost of raw materials, in particular for energy, now back to levels last seen at the end of 2004. This has resulted in a fall in consumer inflation in all the leading economies.

The fall in inflation and the worsening economic scenario have been accompanied by a decisive reduction of official interest rates in the US, the Euro zone and other countries.

Significant stimulus packages, paid by state funds, have been planned or are currently being defined to boost aggregate demand.

In the Euro zone the sharp slowdown in foreign demand and the crisis in financial markets have had an impact above all on business investment. Indeed, business and consumer confidence is at an historic low. Meanwhile, there are growing concerns about rising unemployment during 2009.

The Italian economy

In 2008 there was a marked fall in GDP, with a consequent sharp decline in business investment, a drop in exports and stagnation in household expenditure.

The worsening situation accelerated in the closing months of 2008 and the first months of 2009. Business confidence fell to an all-time low and recent surveys suggest that the current weakness in investments will continue for the remainder of the year, in the context of widespread pessimism about prospects for demand. Employment, which has grown steadily over the last ten years, came to a sudden halt in the third quarter of last year; there was an intensification, towards the end of the year, of recourse to the government's temporary redundancy fund.

It should be noted, however, that the ratio between the indebtedness of Italian households and Italian government debt remains quite low when compared to other advanced countries in the Euro zone. This would suggest that changes in the level of consumer confidence could change into a potential rise in demand.

Publishing and the economic climate

The current economic crisis and the consequent fall in consumer spending may result in a fall in revenues in the publishing market. In particular, this could have an impact on revenues from circulation and add-on sales.

With specific regard to distribution, moreover, the reduction in volumes could generate difficulties in optimising transport or a saturation of the market.

The current economic and financial crisis is also generating a reduction in expenditure by advertisers, with a consequent fall in sales volumes and average prices.

The company's management has put in place a series of actions aimed at mitigating the effects of this downturn, modifying the sales approach and activating specific projects.

Financial and credit risks

Financial risks

Financial risk derives from the Group's exposure to potential losses connected to financial cycles deriving from ordinary management, exchange and interest rate volatility and the financial structure.

The Mondadori Group, which operates in different geographical areas, is obviously exposed to risks connected to changes in interest and exchange rates.

Exposure to exchange rate risks is related to the geographic spread of the company's business, which results in

financial flows denominated in currencies other than the Euro (mainly US Dollars and Pounds sterling).

The group also uses various forms of finance to cover business requirements; changes in interest rates can lead to increases or reductions in the cost of borrowing and consequently in margins.

In line with its risk management policy, the Mondadori Group, covers risks due to changes in interest and exchange rates with the use of financial instruments.

Eventual fluctuations in interest or exchange rates, due also to the economic situation, could have a negative impact on the Group's business and financial results, relative to uncovered financial liabilities.

Finally it should be mentioned that there are covenants associated with existing loans, that could involve, should the terms established not be respected, and increase in financial charges and the withdrawal of loans.

Risks associated with receivables

The unfavourable economic and financial situation could extend the

average number of days required for payment, with a consequent impact on the financial position (in particular, in the advertising and book divisions).

The imbalance between terms and actual payment is most marked for the companies of the Group that have commercial relations with the public sector.

The Group pays special attention to the management procedures and the monitoring of such risks. For more details, please refer to section 34 in the notes to the financial statements.

Business risks: the competitive environment and strategic risks

The markets in which the Mondadori Group operates are undergoing a period of change, also as a result of the current economic climate and the technological/structural changes that are affecting the main sectors.

For the **book division**, one of the current risk factors, affecting the trade sector, is related to the great concentration of revenues and margins on a few big successful titles.

This is counterbalanced by an extensive catalogue. Meanwhile, the constant control of the rights market makes it possible to quickly identify investment and diversification opportunities.

A specific element that conditions the dynamics educational publishing, is the impact of government decisions regarding the ongoing developments in the reform of the educational system, with consequent impact on the company's results.

The **retail division** faces competition from other bookshop chains (both directly-owned and in franchising), as well as the possible liberalisation of commercial trading licenses. In order to deal with this increased competition, the Group is consolidating its position through an expansion policy and the valorisation of sales outlets.

With the development of the internet and digital television, the traditional advertising market has seen a significant fall in the barriers to entry for new players, who are targeting advertisers directly, without the intermediation of media centres and sales networks. This has led to a consequent fall in prices. Moreover, advertising investments have also been hit by the current economic climate.

For the **magazine division**, in addition to the fall in consumer spending, a specific element of discontinuity represented by the spread of new platforms for the exploitation of increasingly interactive content at competitive prices.

Another element to underline is the loss of the "commercial appeal" of add-on sales, which have suffered a steep decline in recent years, alongside the multiplication of the offer and a consequent sense of "saturation" among end-users.

In more general terms, it is clear that the technology variable is, and will continue to be, the determining factor in the Group's future strategies and business models. In this area, the Group is allocating resources in order to seize any opportunities, even though it remains difficult to predict how the channels for the exploitation of content will evolve in the near future.

The success of the Group will also depend on the competence of the resources operating within it. The loss of key resources, without adequate replacement, as well as an inability to attract and retain new and qualified, staff who are able to respond effectively to the challenges posed by key markets

could have a negative impact on the Group's prospects, businesses and financial results.

Governance and compliance risks

The Mondadori Group operates within a complex regulatory environment, modifications to which could have an impact on costs and the capacity to compete in certain business areas.

One of the main concerns is related to provisions contained in the Regulations for Publishing regarding the possible introduction of caps on direct and indirect contributions and new allocation parameters, which could result in a potential increase in delivery costs.

An additional element related to the regulatory context concerns the direct division and the use and sale of lists of potential customers for the purposes of direct marketing. A change, by the Privacy Authority, to the current rules regarding the sale of such lists could result in severe restrictions on this business.

Significant events during the year

The sale to Gruppo Pozzoni of 80% of Mondadori Printing SpA

On 19 November the definitive contract was signed, for the sale to the Gruppo Pozzoni of 80% of the share capital of Mondadori Printing SpA, owned by Mondadori International SA and Arnoldo Mondadori Editore SpA. Mondadori Printing SpA, the company that managed the activities of the Printing Division, has four industrial plants in Italy, in Verona, Cles (TN), Melzo (MI) and Pomezia (Rome) – and one in Toledo, Spain.

The transaction price was defined on the basis of an enterprise value for 100% of Mondadori Printing of €145 million. The impact of the operation on the Mondadori Group's consolidated net financial position is in the region of €121.4 million.

The operation should be seen in the context of the general trend that increasingly characterises the printing sector at an international level: in which there is a growing tendency towards consolidation and aggregation among the most qualified operators in a market that is undergoing deep structural changes as a result of new competitive pressures, over-capacity in terms of

production and a downturn in demand.

The agreement gives the Gruppo Pozzoni an option to acquire a further 20% stake in Mondadori Printing, to be exercised from December 2011 at a cost determined by the fair market value of the company at the time of the exercise of the option. Mondadori will retain an option to sell the same 20% stake from January 2017 at a price to be determined by the abovementioned criteria.

The agreement also includes an eight year printing contract – renewable on terms in line with the best market benchmarks - guaranteeing Mondadori an improvement in terms of costs and the maintenance of high standards of quality.

The Gruppo Pozzoni is one of the most important players in the printing market with 10 operating companies and nine plants (in the provinces of Milan, Bergamo, Vicenza, Padua and Naples).

Mondadori France: the sale of specialised titles

In June an agreement was reached for the sale to Motor Presse France of six specialised titles published by Mondadori France. The sports sector magazines involved in

the sale, recorded overall revenues in 2007 of around €11 million.

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 established at €8.3 million.

The operation was part of the strategy being pursued by Mondadori France for the rationalisation of the portfolio with a focus, also through the sale of niche titles on areas of the market such as the higher potential upscale and mass market segments.

Motor Presse France published around fifteen specialised titles dedicated to the world of car and motorcycle racing, tourism, sport and leisure, as well as tourist guides. The company is a subsidiary of Gruner+Jahr (Bertelsmann Group), which operates in fifteen countries and publishes some 200 magazines.

In September, an agreement was reached for the sale of two specialist titles, *La Pêche et les Poissons* and *Pêche Mouche* to French publisher Sofimav, at a price of €1.3 million.

Forecast for the current year

Figures for consumer spending for the first months of the year show in all the main sectors of the economy there has been a further downturn compared with the end of 2008. In a context of such uncertainty there is also a tendency to reduce investments, or, at least to postpone investment decisions.

In the last year the Mondadori Group was able to safeguard its levels of profitability thanks to the diversification of its business and, above all, to cost containment, with actions taken ahead of the accelerating crisis.

Faced with a 2009 that is already heavily affected by the general situation of the publishing sector and the accelerating impact of technological changes, the company will continue its efforts to reduce costs, simplify the organisational structure and re-engineer processes, through the specific allocation of dedicated investments.

In the absence of any clear signals regarding the duration of the downturn, the board of directors believes that it is appropriate to reinforce the company's financial situation by proposing not to distribute dividends for 2008, with a view to allowing Mondadori to maintain the

necessary levels of investment in products and processes and to enable the company to be in a condition to seize opportunities that may emerge as the economic situation recovers.

Revenue trends for the first months of the year and the objective difficulty in forecasting the evolution of consumer and investment behaviour, above all in the advertising market, suggest prudent estimates of the possible results for 2009, which, in any case, will not be at the same level as last year.

Significant events after the end of the year

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

Information concerning the ownership structure

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

a) The structure of the share capital, including stocks that are not traded on markets that are regulated by a country belonging to the European Union, indicating the various types of shares, the rights and obligations connected to every type of share and the percentage of the share capital they represent.

At 31 December 2007 the share capital, entirely underwritten and paid up, amounted to €67,451,756.32, divided up into 259,429,832 ordinary shares of a par value of €0.26 each. The shares are issued and traded electronically in the Blue Chip segment of the automated stock market organised and managed by Borsa Italiana SpA.

The shares are nominative, indivisible and freely transferable.

There are no other types of shares or not negotiated bonds on regulated markets.

b) Restrictions on the transfer of stocks such as, for example, limits

on the possession of stocks or the necessity to obtain the approval of the company or of other stockholders.

Not applicable.

c) Significant investments in the share capital, either direct or indirect, as per article 120 of legislative decree 58/98.

Significant investments, either direct or indirect, of more than 2% of the underwritten share capital represented by shares with the right to vote, as

indicated in the shareholders' register and in compliance with the information received as per article 120 of legislative decree 58 of 24 February 1998 are:

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

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

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

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

g) **Agreements communicated to the company in compliance with article 122 of legislative decree 58/98.**
The company is not aware of any shareholders group agreements as referred to in article 122 of legislative decree 58 of 24 February 1998 concerning exercising the right to

vote linked to shares or to the transfer of shares.

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

Nomination and replacement of directors

The regulations governing the nomination and replacement of directors are contained in article 17 of the company statute, which was modified by the board of directors during 2007. The modifications to the statute were carried out in compliance with the provisions relating to the election and composition of a board of directors introduced by legislative decree 58 of 24 February 1998, law 262 of 28 December 2005 and legislative decree 303/2006.

Below is the text of article 17 of the company statute stating that, with the Consob resolution n° 16779 of 27 January 2009 regarding the provisions of issuers' regulations included in company statutes, established that the stake required for the presentation of lists applicable to Arnoldo Mondadori Editore SpA is 2.5%.

Article 17

1. The company is run by the board of directors composed of between three and fifteen members, who must be in possession of the necessary requirements in compliance with current pro tempore primary and secondary regulations and can be re-elected.

2. Before nominating the directors, the shareholders' meeting determines the exact number of members of the board and its duration in compliance with the duration limits established by the law.

3. The board of directors is nominated by the shareholders' meeting on the basis of lists containing the names of a maximum of 15 candidates per list, with each candidate allocated a number.

Each candidate can only appear on one list, otherwise they will be disqualified.

Lists can only be presented by those shareholders who have the right to vote and who, either individually or together with other shareholders, represent at least the percentage of the share capital underwritten on the date the lists are presented as established and published by Consob in compliance with the regulations contained in resolution 11971 of 14 May 1999 and subsequent modifications and additions (henceforth referred to as "Issuer Regulations"). The exact percentage of the share capital required for the presentation of candidate lists for the election of the board of directors is contained in the convocation of the shareholders' meeting called to decide on the nomination of that body.

Each shareholder must not present or vote for more than one list, not even through a third party or a trust company. Shareholders who belong to the same group – meaning in this case the parent company, subsidiary companies and companies jointly controlled – and shareholders who belong to the same shareholders group as per article 122 of legislative decree 58/1998 with the objective of holding shares in the issuer cannot present or

vote for more than one list, even through a third party or a trust company.

Every list that contains seven or less candidates must identify at least one candidate who has the necessary requisites to be elected an independent director for a quoted company (henceforth referred to as "Independent directors as per legislative decree 58/1998").

Every list that contains more than seven candidates must identify at least two candidates who have the necessary requisites to be elected independent directors, as per legislative decree 58/1998.

The lists must be deposited at the company's head office at least fifteen days before the date fixed for the first calling of the shareholders' meeting called to pass resolution on the nominations for statutory auditors, together with:

a) information about the identity of the shareholders presenting the lists, the percentage of the total shares held and a document testifying to the ownership of those shares;

b) a declaration made by the shareholders presenting the lists and different from those who hold either individually or together with other shareholders a controlling or majority stake, attesting to the absence or presence of business relations with the shareholders, in compliance with the provisions of article 144-quinquies, first paragraph, of the issuer regulations;

c) detailed information about the personal and professional characteristics of the candidates, together with a declaration by the candidates that they are in possession of the requisites required by law, that they accept their candidature and, if applicable, that they are in possession of the requisites for independent directors as laid out in article 148, paragraph 3 of legislative decree 58/1998.

Any list that does not conform to the above requirements will not be voted on.

The nominations for candidates will be made available to the public in compliance with the

terms and conditions required by law.

Before opening the voting, the chairman of the shareholders' meeting will read out any declarations made in compliance with point b) and will invite any shareholders who are taking part in the meeting who have not deposited or cooperated in depositing any lists to declare any business relations they may have, as described above.

If an individual who is linked to one or more shareholders votes for a minority list, that relationship will only become relevant if his vote determines the election of a director.

When counting the votes, any list that does not obtain at least half the number of votes necessary for presenting a list will be discounted.

When the vote has been completed, the votes obtained by the lists are divided up starting from number one up to the number of directors to be elected.

The quotient obtained in this way is then attributed to the candidates on each list, according to the fixed order of the list.

The quotients attributed to the candidates on the various lists are then listed in descending order. Those candidates who obtain the highest number of votes are then elected, up to the number of directors required, bearing in mind that the candidate placed in first place on the second list that obtains the most number of votes and who is neither directly or indirectly linked to the shareholders who presented or voted for the list that obtains the highest number of votes must be elected.

Therefore if this candidate does not obtain the quotient necessary to be elected, the candidate who obtains the lowest quotient from the list that obtains the highest number of votes is not elected and the position of director is awarded to the candidate in first position on the second list that obtains the highest number of votes.

The candidate in first place on the list that obtains the highest number of votes is also nominated

chairman of the board of directors.

Should, when completing the full board of directors, more than one candidate obtain the same quotient, the candidate from the list that has not already elected any director or that has elected the lowest number of directors is elected.

In cases where none of these lists have elected any directors or where they have all elected the same number of directors, the successful candidate is the one who obtained the most number of votes on those lists.

Should the number of votes and the quotients be the same, the shareholders' meeting votes again and the successful candidate is the one who obtains a simple majority of the votes.

If after voting in this way for a board of directors with either up to seven or more than seven members at least one or two directors do not have the prerequisites laid down by legislative decree 58/1998 for independent directors for quoted companies, the following procedure applies:

a) in the case of a board of directors composed of up to seven members, the candidate elected last on the basis of the progressive quotient and who belongs to the first list that obtains the majority of votes is replaced by the first candidate who obtains the lower progressive quotient, satisfies the requirements and is on the same list;

b) in the case of a board of directors composed of more than seven members, the two candidates elected last on the basis of the highest number of votes are replaced by the first two candidates who obtain the lower progressive quotient, satisfy the requirements and are on the same list;

c) in the case of a board of directors composed of more than seven members where only one of the nominees has the necessary requisites, the second candidate is nominated in compliance with the procedure outlined in point a) above.

4. If only one list is presented, the shareholders' meeting votes on the names contained on that list and if that list obtains the majority as per article

2368 of the civil code, those candidates listed in progressive order are elected up until the correct number of directors established by the shareholders' meeting has been reached.

The candidate indicated in first place on that list is elected chairman of the board of directors.

If after voting in this way for a board of directors with either up to seven or more than seven members at least one or two directors do not have the prerequisites laid down by legislative decree 58/1998 for independent directors for quoted companies, the candidate or the two candidates elected last on the basis of the progressive order of the list when only one list is presented are replaced by either the first or the first two candidates in the lower progressive order who have the necessary requisites and are on the same list.

5. If no lists are presented or if when the lists are voted on the number of candidates elected is lower than the number established by the shareholders' meeting, the board of directors is nominated or integrated by the shareholders' meeting on the basis of a legal majority.

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

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

Modifications to the statute

Modifications to the statute are resolved by extraordinary shareholders' meetings. In compliance with the provisions of article 16 of the current statute, referring

to the constitution and resolutions of extraordinary shareholders' meetings, the provisions of the law are applied both in first and second calling.

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

i) Existence of authorisation to increase the share capital as per article 2443 of the civil code and for directors to issue financial investment

instruments and authorise the purchase of company shares.

Authorisation as per article 2443 of the civil code.

The extraordinary shareholders' meeting of 26 April 2004, following revocation of the previous authorisation granted by the extraordinary shareholders' meeting of 29 April 1999, resolved:

- a) to grant the board of directors, in compliance with art. 2443 of the civil code, the authority to increase the share capital, in one or more stages within a period of five years of the date of the resolution, up to a maximum of €78,000,000 (seventy-eight million), by issuing shares, with the authority to establish when necessary the price of the shares, including the share premium, the dividend and the eventual destination of the increase in the share capital to the service of the conversion of bonds, including those issued by third parties either in Italy or abroad, and warrants;
- b) without in any way affecting, within the limit referred to in article 23, the competence of the board of directors, as per article 2410 of the civil code

concerning the issue of non-convertible bonds, to grant the board of directors, in compliance with art. 2420 ter of the civil code, the authority for a bond issue, in one or more stages within a period of five years of the date of the resolution, that can be converted into shares with a subsequent increase in share capital, for an amount that, taking into consideration the number of bonds in circulation at the time of each issue, does not exceed the limit allowed by law and in any case does not exceed a maximum of €260,000,000 determining the modality, terms, conditions and regulations governing such bond issues.

Authorisation for the purchase of company shares

The shareholders' meeting of 22 April 2008, following the expiry of the previous authorisation granted by the shareholders' meeting of 23 April 2007, made provision, in compliance with article 2357 of the civil code, to renew the authorisation to purchase company shares up to the legal limit – taking into consideration the company shares already held in the company's portfolio and the shares held by the

parent company - of 10% of the share capital. The authorisation granted by the shareholders' meeting is valid until the approval of the financial statements at 31 December 2008.

Given that 10% of the share capital represents 25,942,983 ordinary shares and that at the time of the resolution passed by the shareholders' meeting the company already held, either directly or indirectly through the subsidiary company Mondadori International SA, a total of 20,097,587 shares equal to 7.746% of the share capital, the new authorisation in effect granted the board of directors the authorisation to purchase on the market a maximum of 5,845,396 ordinary shares.

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

The purchase operations are carried out on regulated markets in

compliance with article 132 of legislative decree 58 of 24 February 1998 and article 144-bis, paragraph 1, b) of Consob regulation 11971/1999, in accordance with the operational methods established by the regulations concerning the organisation and management of markets, which do not allow the direct linking of purchase negotiations with predetermined proposals for sales negotiations.

The shareholders' meeting also authorised the board to effect buy-backs and utilise company shares purchased or already in the company's portfolio.

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

- utilise company shares in order to meet the demand from individuals who exercise their right to buy shares as part of the stock option plan voted on by the shareholders' meeting;
- utilise the company shares purchased or already held in the portfolio to finance any eventual purchase of shares required by the company's investment policy;
- utilise the company shares purchased or already held in the

portfolio for dealing with the eventuality of any subsidiary company or third party exercising their rights, including conversion rights, deriving from financial instruments issued by the company;

- dispose, when it is deemed to be strategic, of an investment opportunity, also in relation to the available liquidity.

No share buy-backs were made during 2008 by Arnoldo Mondadori Editore SpA and/or its subsidiaries, given that the conditions outlined above in the motivations for such transactions were not met.

At 31 December 2008, the total number of company shares held was unchanged from 31 December 2007, and consequently amounted to 20,097,587 (7.747% of the share capital), 15,580,101 of which are directly held in the portfolio of Arnoldo Mondadori Editore SpA and 4,517,486 held by the subsidiary Mondadori International SA.

l) Significant agreements signed by the company or its subsidiaries which come into effect, are modified or are cancelled should

control of the company change, and their effects.

Not applicable.

m) Agreements between the company and directors that provide for the payment of compensation in the case of resignation or termination without just cause or if employment is terminated as a result of a take-over bid.

Not applicable.

Other information

The following section deals with information about the items indicated:

Transactions with related parties

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

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

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

Tax consolidation

As a consequence of the introduction of new legislation - pursuant to articles 117 and following of DPR n° 917/1986 - Arnoldo Mondadori Editore SpA has elected to take

part in the tax consolidation of Fininvest SpA in view of its position as a jointly consolidated entity with that company.

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

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

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

Fiscal transparency

Arnoldo Mondadori Editore SpA and the following companies have jointly adopted

the "fiscal transparency option" pursuant to article 115 of DPR n° 917/1986:

- Gruner + Jahr/Mondadori SpA
- Harlequin Mondadori SpA

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

Management and co-ordination (article 2497 and following of the civil code)

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

In line with legal requirements and given that the board of directors of Arnoldo Mondadori Editore SpA determines, in general terms, the strategic and organisational guidelines also for subsidiary companies, the board has confirmed that the company carries out management and co-ordination activities, as per articles 2497 and following of the

civil code, for the following companies, as per article 2359 of the civil code:

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

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

Regarding Mondadori Printing SpA the role of Arnaldo Mondadori Editore SpA in the management and co-ordination of the company ceased during the year following the sale of 80% of the share capital.

Security Procedural Document (privacy)

In regard to legislative decree no. 196/2003, the holder, Arnaldo Mondadori Editore SpA, being obliged, declares and

guarantees that it has prepared a Security Procedural Document as required by rule n° 19 of the norm regarding minimum security measures (enclosure B, legislative decree n° 196/2003), as per the terms and according to the procedures laid out in the norm.

Allocation of options for the stock option plan for the three-year period 2006/2007/2008

On 19 June 2008, the board of directors of Arnaldo Mondadori Editore SpA 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 on 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 period of 36 months from the date of the allocation.

The exercise price is equal to the arithmetic average reference price for Mondadori shares, between the period from the date of allocation (i.e. today) to the same date of the previous month.

Further information on the stock option plans can be found in section 25 of the notes to the annual report.

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

The “Corporate Governance Report” containing, as per article 89 bis of Consob regulation 11971/1999, information concerning compliance on the part of Arnoldo Mondadori Editore SpA with the Code of Conduct for companies listed by Borsa Italiana SpA

has been published, along with this management report, on the web site www.mondadori.it - in the Corporate Governance section - as well as in accordance with the indications of the abovementioned article 89 bis of Consob regulation n.11971/1999.

Shares held by Directors, Statutory Auditors and General Managers

In accordance with article 79 of Consob

resolution 11971 of 14 May 1999, and with reference to the year 2008, we disclose the following shares held in Arnoldo Mondadori Editore SpA and subsidiary companies by the company's Directors and Statutory Auditors.

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

Name	Company shares	Number of shares owned at end of previous year	Number of shares bought	Number of shares sold	Number of shares owned at end of current year
Berlusconi Marina	Arnoldo Mondadori Editore	-	-	-	-
Costa Maurizio	Arnoldo Mondadori Editore	350,000	-	-	350,000
Berlusconi Pier Silvio	Arnoldo Mondadori Editore	172,000	-	-	172,000
Cannatelli Pasquale	Arnoldo Mondadori Editore	-	-	-	-
Ermolli Bruno	Arnoldo Mondadori Editore	-	-	-	-
Forneron Mondadori Martina	Arnoldo Mondadori Editore	167,127	-	30,000	137,127
Poli Roberto	Arnoldo Mondadori Editore	-	-	-	-
Resca Mario	Arnoldo Mondadori Editore	-	-	-	-
Spadacini Marco	Arnoldo Mondadori Editore	4,000 ⁽¹⁾	4,000 ⁽¹⁾	-	8,000 ⁽¹⁾
Veronesi Umberto	Arnoldo Mondadori Editore	-	-	-	-
Vismara Carlo Maria	Arnoldo Mondadori Editore	25,000	10,000	-	35,000
Superti Furga Ferdinando	Arnoldo Mondadori Editore	-	-	-	-
Frattoni Achille	Arnoldo Mondadori Editore	-	-	-	-
Papa Franco Carlo	Arnoldo Mondadori Editore	-	-	-	-
Giampaolo Francesco	Arnoldo Mondadori Editore	-	-	-	-
Vittadini Francesco	Arnoldo Mondadori Editore	-	-	-	-
Executives with strategic responsibilities	Arnoldo Mondadori Editore	1,000	-	-	1,000

⁽¹⁾ shares held by spouse

Proposals of the board of directors

Resolution proposal

The financial statements at 31 December 2008 closed with a net profit for the year of €66,197,031.51.

We submit the following text to you for the motion:

“The ordinary Shareholders’ General Meeting of Arnoldo Mondadori Editore SpA, having taken note of the Report of the Board of Statutory Auditors and the Report of the Independent Auditors,

resolves

- 1. to approve the Report of the Board of Directors on the company’s performance and the financial statements at 31 December 2008, together with the notes, in all their parts and findings;*
- 2. to allocate to the extraordinary reserve (as per the item “Other reserves”) a sum equal to the net profit for the year of €66,197,031.51.”*

*On behalf of the Board of Directors
Chairman
Marina Berlusconi*

Financial statements
of Arnoldo Mondadori Editore SpA
at 31 December 2008

Balance sheet

Assets (in €)	Note	31/12/2008	31/12/2007
Intangible assets	1	92,388,091	91,839,898
Investment property	2	2,553,942	1,525,069
Land and buildings		9,333,364	9,730,940
Plant and machinery		6,684,061	6,159,188
Other tangible fixed assets		4,273,721	5,828,397
Property, plant and equipment	3	20,291,146	21,718,525
Investment	4	684,817,816	760,536,299
Non-current financial assets		0	0
Deferred tax assets	5	16,516,729	15,147,542
Other non-current assets	6	518,175	777,116
Total non-current assets		817,085,899	891,544,449
Tax receivables	7	2,663,856	10,725,075
Other current assets	8	53,649,738	39,000,700
Inventories	9	34,674,741	40,036,665
Trade receivables	10	224,569,971	241,052,029
Other current financial assets	11	108,921,169	103,280,880
Cash and cash equivalents	12	113,009,244	96,018,664
Total current assets		537,488,719	530,114,013
Assets held for sale		0	0
Total assets		1,354,574,618	1,421,658,462

Liabilities			
(in €)	Note	31/12/2008	31/12/2007
Share capital		67,451,756	67,451,756
Share premium reserve		286,875,536	286,875,536
Treasury shares		(104,001,848)	(104,001,848)
Other reserves and retained earnings		100,250,656	92,544,160
Profit (loss) for the year		66,197,032	89,965,025
Total shareholders' equity	13	416,773,132	432,834,629
Provisions	14	23,461,833	19,776,817
Employees' leaving entitlement and termination indemnities	15	34,131,158	36,079,214
Non-current financial liabilities	16	371,325,516	296,449,463
Deferred tax liabilities	5	18,522,840	17,797,852
Other non-current liabilities		0	0
Total non-current liabilities		447,441,347	370,103,346
Income taxes payable	17	14,586,582	29,513,875
Other current liabilities	18	72,080,524	70,709,839
Trade payables	19	162,569,462	184,332,185
Payables to banks and other financial liabilities	16	241,123,571	334,164,588
Total current liabilities		490,360,139	618,720,487
Liabilities held for sale		0	0
Total liabilities and shareholders' equity		1,354,574,618	1,421,658,462

Income statement

(in €)	Note	2008	2007
Revenues from sales and services	20	865,146,861	949,341,608
Decrease (increase) in inventories	9	4,361,924	3,481,168
Cost of raw materials, consumables and goods for resale	21	180,117,199	184,911,526
Cost of services	22	445,564,558	520,602,875
Personnel costs	23	130,529,312	134,999,781
Other income (expense)	24	6,662,798	(12,990,536)
Gross operating profit		97,911,070	118,336,794
Depreciation of property, plant and equipment	2/3	4,254,504	4,514,068
Amortisation and writedowns of intangible assets	1	257,592	263,543
Operating profit		93,398,974	113,559,183
Financial income (expense)	25	(24,319,194)	(19,820,989)
Income (expense) from investments	26	21,959,731	39,187,471
Profit before income taxes		91,039,511	132,925,665
Income taxes	27	24,842,479	42,960,640
Net profit		66,197,032	89,965,025

On behalf of the board of directors

Chairman

Marina Berlusconi

Changes in shareholders' equity at 31 December 2008

(€,000)	Note	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other reserve	Profit (loss) for the year	Total shareholders' equity
At 01/01/2007		67,452	285,467	(93,160)	5,373	80,204	90,240	435,576
Movements:								
- Allocation of net profit						5,518	(5,518)	
- Dividends paid							(84,722)	(84,722)
- Treasury share operations	13			(10,842)		531		(10,311)
- Stock options	23		1,409		863	55		2,327
- Net profit for the year							89,965	89,965
At 31/12/2007		67,452	286,876	(104,002)	6,236	86,308	89,965	432,835

(€,000)	Note	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other reserve	Profit (loss) for the year	Total shareholders' equity
At 01/01/2008		67,452	286,876	(104,002)	6,236	86,308	89,965	432,835
Movements:								
- Allocation of net profit						6,199	(6,199)	
- Dividends paid							(83,766)	(83,766)
- Treasury share operations	13							
- Stock options	23				(497)	2,004		1,507
- Net profit for the year							66,197	66,197
At 31/12/2008		67,452	286,876	(104,002)	5,739	94,511	66,197	416,773

Cash flow statement

Cash flow statement (€,'000)	Note	31/12/2008	31/12/2007
Net profit for the year		66,197	89,965
<i>Adjustments</i>			
Depreciation, amortisation and impairment		35,435	19,508
Stock options	23	1,128	1,837
Charges to provisions, employees' leaving entitlement and termination indemnities		10,797	5,350
Capital (gains) losses on disposal of intangible assets, property, plant and equipment		(1,431)	(12,287)
Income from investments - dividends	26	(51,489)	(53,918)
Cash from operating activities		60,637	50,455
(Increase) decrease in trade receivables		13,324	(4,589)
(Increase) decrease in inventories		4,361	3,482
Increase (decrease) in trade payables		(22,317)	(22,338)
Net change in income tax receivables/payables	7-17	(6,866)	(726)
Net changes in other assets/liabilities		(11,420)	(11,035)
Net changes in deferred tax assets and liabilities	5	(645)	5,306
Increase (decrease) to provisions, employees' leaving entitlement and termination indemnities		(3,961)	(5,643)
Cash flow from (used in) investing activities		33,113	14,912
(Investments in) disposals of intangible assets		(970)	(224)
(Investments in) disposals of property, plant and equipment		(3,263)	8,006
(Investments in) disposals of equity investments		46,694	(25,629)
Income from investments - dividends	26	51,489	53,918
(Investments) disposals of shares and other financial assets	11	(5,640)	(48,609)
Cash flow from (used in) investing activities		88,310	(12,538)
Increase (decrease) in payables to banks		(95,543)	114,887
(Purchase) disposal of treasury stock	13	0	(10,311)
Net change in other financial assets/liabilities	16	74,876	193
Dividends paid	13	(83,766)	(84,722)
Cash flow from (used in) financing activities		(104,433)	20,047
Increase (decrease) in cash and cash equivalents		16,990	22,421
Cash and cash equivalents at beginning of year	12	96,019	73,598
Cash and cash equivalents at end of year	12	113,009	96,019
Composition of cash and cash equivalents			
Cash, cheques and valuables in hand		26	21
Bank and post office deposits		112,983	95,998
	12	113,009	96,019

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

Assets			Including related parties (note 30)		Including related parties (note 30)
(€.,000)	Note	31/12/2008		31/12/2007	
Intangible assets	1	92,388		91,840	
Investment property	2	2,554		1,525	
Land and buildings		9,333		9,731	
Plant and machinery		6,684		6,159	
Other tangible fixed assets		4,274		5,828	
Property, plant and equipment	3	20,291		21,718	
Investments	4	684,818		760,536	
Non-current financial assets		0		0	
Advance tax assets	5	16,517		15,148	
Other non-current assets	6	518		777	
Total non-current assets		817,086		891,544	
Tax receivables	7	2,664		10,725	
Other current assets	8	53,650		39,001	
Inventories	9	34,675		40,037	
Trade receivables	10	224,570	139,799	241,052	153,902
Other current financial assets	11	108,921	107,919	103,281	94,494
Cash and cash equivalents	12	113,009		96,018	
Total current assets		537,489	247,718	530,114	248,396
Assets held for sale		0		0	
Total assets		1,354,575	247,718	1,421,658	248,396

Liabilities and shareholders' equity			Including		Including
(€,000)	Note	31/12/2008	related parties (note 30)	31/12/2007	related parties (note 30)
Share capital		67,452		67,452	
Share premium reserve		286,876		286,876	
Treasury shares		(104,002)		(104,002)	
Other reserves and retained earnings		100,250		92,544	
Profit (loss) for the year		66,197		89,965	
Total shareholders' equity	13	416,773		432,835	
Provisions	14	23,462		19,777	
Employees' leaving entitlement and termination indemnities	15	34,131		36,079	
Non-current financial liabilities	16	371,326	289,755	296,449	242,016
Deferred tax liabilities	5	18,523		17,798	
Other non-current liabilities		0		0	
Total non-current liabilities		447,442	289,755	370,103	296,449
Income tax payables	17	14,587	14,587	29,514	29,514
Other current liabilities	18	72,080	0	70,710	0
Trade payables	19	162,569	98,333	184,332	105,045
Payables to banks and other financial liabilities	16	241,124	160,443	334,164	200,582
Total current liabilities		490,360	273,363	618,720	335,141
Liabilities held for sale		0		0	
Total liabilities and shareholders' equity		1,354,575	563,118	1,421,658	631,590

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

(€,'000)	Note	2008	Including related parties (note 30)	Including non-recurring charges (income) (note 29)	2007	Including related parties (note 30)	Including non-recurring charges (income) (note 29)
Revenues from sales and services to third parties	20	865,147	650,955		949,342	745,810	
Decrease (increase) in inventories	9	4,362			3,481		
Purchase of raw materials and consumables and goods for resale	21	180,117	147,034		184,912	144,408	
Purchase of services	22	445,565	225,826		520,603	287,380	
Personnel costs	23	130,529			135,000		(2,120)
Other (income) expense	24	6,663	(11,909)		(12,991)	(8,183)	(12,203)
Gross operating profit		97,911	290,004	0	118,337	322,205	(14,323)
Depreciation and impairment of property, plant and equipment	2/3	4,254			4,514		
Amortisation and impairment of intangible assets	1	258			264		
Operating result		93,399	290,004	0	113,559	322,205	(14,323)
Financial income (expenses)	25	(24,319)	(16,184)		(19,821)	(18,877)	
Income (expenses) from other investments	26	21,959	51,489	1,393	39,188	53,918	
Results before taxes		91,039	325,309	1,393	132,926	357,246	(14,323)
Income taxes	27	24,842		34	42,961		5,137
Net result		66,197	325,309	1,359	89,965	357,246	(9,186)

Report on the performance for the year

The "Report of the board of directors on 2008" contains details of the business activities and the results of Arnoldo Mondadori Editore SpA, information on the workforce, a forecast of business activities for the current year and details of the significant events that occurred after the end of the year.

Accounting principles and notes to the financial statements

1. General information

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

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

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

Values shown in the tables and in the notes are expressed in thousands of Euros unless otherwise indicated.

The financial statements of Arnoldo Mondadori Editore SpA for the year ended 31 December 2008 were approved by the shareholders' meeting of 25 March 2009.

The financial statements will be published by depositing them at the company's registry office within 30 days of the shareholders' meeting called for 29 April 2009 to approve the financial statements for 2008.

2. Form and content

The financial statements as of 31 December 2008 have been drawn up in conformity with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU, and in conformity with the interpretations of the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The financial statements are compiled on the understanding that the company will continue to operate in the future.

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

The information required by IFRS concerning the impact of the first adoption of International Accounting Standards was included in the attachment "Transition to IAS/IFRS accounting standards" to the first-half earnings report for 2005 and to the consolidated financial statements of 31 December 2005.

The financial statements as of 31 December 2008 have been drawn up in conformity with the accounting standards used for preparing the IAS/IFRS consolidated financial statements as of 31 December 2008, taking into account

the amendments and new principles that came into force as of 1 January 2008, which are referred to in note 3.25.

Some of the comparative data referring to 2007 included in the cash flow statement has been reclassified.

The financial statements have been prepared as follows:

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

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

Values shown in the tables and in the notes are expressed in thousands of Euros unless specifically indicated.

3. Accounting principles and policies

The following is a description of the principles and policies adopted by the company in preparing its IAS/IFRS consolidated financial statements as of 31 December 2008.

3.1 Intangible assets

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

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

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

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

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

Intangible assets with a finite useful life

The cost of intangible assets with a finite useful life is systematically amortised over the

useful life of the asset from the moment the asset is available for use. The amortisation criteria depend on how the company will receive the relative future economic benefits.

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

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

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

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

Intangible assets with an indefinite useful life

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

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

Intangible assets with an indefinite useful life
Titles
Trade marks
Goodwill

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

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

3.2 Investment property

A property investment is considered an asset when it is held in order to earn income from its rental or in order for the invested capital to increase, on condition that the cost of the

asset can be reliably measured and that future economic benefits will flow to the company.

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

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

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

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

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

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

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

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

3.3 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

3.4 Assets acquired under finance leases

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

Liabilities arising from leasing contracts are recognised as financial liabilities.

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

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

3.5 Borrowing costs

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

3.6 Loss in value of assets (impairment)

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

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

If no binding sales agreement or an active market for an asset exist, the fair value is calculated on the basis of the best information available concerning the amount the

company obtain would 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 exceed the value that would have been calculated had no loss in value been recognised.

3.7 Investments in subsidiaries, joint-ventures and associated companies

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

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

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

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

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

3.8 Inventories

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

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

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

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

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

This category includes financial assets held for trading that have been acquired with the intention of selling them in the short term.

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

Held-to-maturity investments

When the company 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 such as bonds that are held to their maturity are valued after the initial valuation using the amortised cost method based on the effective interest rates that 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 company decides to keep in its portfolio for an indefinite period do not center into this category.

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

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

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

3.10 Trade receivables and other receivables

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

Receivables are subsequently recognised in the financial statements at their estimated realisable value.

3.11 Treasury shares

Treasury shares are booked in shareholders' equity in the relative reserve.

No profit or loss is recognised in the income statement on the purchase, sale, issue, cancellation or any other operation concerned with treasury shares.

3.12 Cash and cash equivalents

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

3.13 Financial liabilities

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

Financial liabilities hedged by derivative instruments against the risk of changes in value

(fair value hedges) are measured at fair value in accordance with the methodology outlined in IAS 39 for hedge accounting. Profits and losses resulting from subsequent variations in fair value are recognised in the income statement. The portions of these changes linked to the efficient portion of the hedge are compensated for by changes in value of derivative instruments.

Financial liabilities hedged by derivative instruments against the risk of changes in the cash flow (cash flow hedges), are measured at amortised cost in accordance with the methodology outlined in IAS 39 for hedge accounting.

3.14 Derecognition of financial assets and liabilities

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

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

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

3.15 Loss in value of financial assets (impairment)

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

Financial assets measured at amortised cost

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

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

Available-for-sale financial assets

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

Financial assets measured at cost

If there is objective evidence that a loss of value has been incurred on an unquoted equity instrument that is not booked at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and settled by delivery of

that unquoted equity instrument, the amount of the loss of value is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

3.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When a hedge operation is entered into, the company designs and formally documents the hedge relationship to which it intends to apply the hedge accounting, its objectives in managing the risk and the strategy carried out. The documentation includes the identification of the hedging instrument, element or operation that is being hedged, the nature of the risk and the way the company intends to evaluate the effectiveness of the hedge in compensating the exposure to the variations of the fair value of the element hedged or of the cash flows linked to the risk hedged.

It is expected that this hedge is sufficiently effective to compensate for the exposure of the element hedged to variations in fair value or in cash flows attributable to the risk hedged. The evaluation of whether or not this hedge is in reality sufficiently effective is carried out on a continuous basis during the year.

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

Fair value hedge

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

Cash flow hedge

If a derivative financial instrument is designated as an instrument for hedging the exposure to variations in cash flows of an asset or of a liability included in the financial statement or of a highly probable forecast transaction, the effective portion of the assets or of the losses deriving from the adjustment of the fair value of the derivative instrument is recognised in a special reserve in equity. The accumulated profit and loss is transferred from the equity reserve and recognised in the income statement when the results of the hedge operation are recognised in the income statement. The profit or loss associated with the ineffective part of a hedge is recognised in the income statement. If a hedging instrument is terminated but the hedging operation has not yet been carried out, the accumulated profits and losses remain in the reserve in the equity and are reclassified to the income statement when the relative operation is carried out. If the hedging operation is no longer considered probable, the profits and losses not yet realised and recognised in equity are recognised in the income statement.

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

3.17 Provisions

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

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

3.18 Employees' leaving entitlement

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

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

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

The TFR obligation (the "trattamento di fine rapporto") is determined, based on the TFR fund matured at 31 December 2008, using an actuarial method, based on demographic assumptions taking into account mortality rates and the turnover of the workforce, and on financial assumptions, taking into account the discount rate that reflects the time value of money and the inflation rate.

The amount recognised as a liability for defined benefit plans is represented by the present value of the obligation at the balance sheet date, net of the present value of any plan assets. The amount that is recognised as costs in the income statement also includes the following:

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

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

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

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

3.19 Stock-options

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

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

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

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

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

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

3.20 Recognition of revenues and costs

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

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

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

Revenues from interest are recognised on a temporal basis using the method of effective interest. Royalties are recognised on an accrual basis and on the basis of the details of

the respective agreements. Dividends are recognised when the shareholder's right to receive payment has been established.

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

3.21 Current and deferred taxation

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

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

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

The carrying value of deferred tax assets is reviewed at the end of every period and is reduced if it is no longer probable that sufficient taxable profit will be available in the future for realising all or part of the assets.

Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply to the period when the assets are realised or the liabilities settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

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

3.22 Operations in foreign currencies

Revenues and costs relating to operations in foreign currencies are expressed in the money of account using the exchange rates ruling on the day the operation was carried out.

Monetary assets and liabilities in foreign currencies are converted at the exchange rate ruling on the balance sheet date. Any exchange differences are recognised in the income statement, with the exception of those deriving from loans in foreign currencies that are hedged by a net investment in a foreign company, which are recognised directly in equity until the net investment is disposed of.

Non-monetary items valued at historical cost in foreign currencies are converted using the exchange rates ruling at the time the transaction was carried out. Non-monetary

items booked at fair value in foreign currencies are converted using the exchange rates ruling at the time that fair value was calculated.

3.23 Grants and contributions

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

3.24 Assets and liabilities held for sale (discontinued operations)

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

3.25 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2008 and applicable to Arnoldo Mondadori Editore SpA

IFRIC 14 – Defined benefits and minimum hedge criteria

This interpretation, which was introduced on 1 January 2008, sets out the guidelines for calculating the amount established by IAS 19 for recognising the benefits.

The adoption of this interpretation has not produced any significant changes.

IFRIC 12 – Service contracts in concession

This interpretation was introduced on 1 January 2008 but has not yet been ratified by the European Union.

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

As required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the possible impact of new standards or interpretations on the financial statements in their first year of application are listed below.

Those standards and interpretations which came into effect after 31 December 2008 are indicated and briefly illustrated.

IFRS 2 – Payment based on share expiry and cancellation conditions

This change to IFRS 2, Payment based on shares, was published in January 2008 and will come into effect from 1 January 2009.

The amendment restricts the definition of “expiry conditions” to a condition that includes either a specific or an implied obligation to provide a service.

Any other condition is non-vesting and must be taken into consideration when

determining the fair value of the representative instrument of the assigned capital. If a premium does not mature because it does not satisfy a non-vesting condition that is under the control of the company or the opposite party, it must be recognised as a cancellation. The company has not undertaken operations with payment based on shares with non-vesting conditions and, consequently, it does not expect any significant effects in recognising the agreements for payment based on shares.

IFRS 3R – Business combinations and IAS 27R - Consolidated and separate financial statements

The two amendments were ratified in January 2008 and will come into effect as from 1 July 2009.

IFRS 3R introduces a number of changes to recognising business combinations that will affect the amount of goodwill entered, the result of the year the purchase takes place and the results of subsequent years.

IAS 27R requires that any change in the amount of shares held in a subsidiary company is recognised as a capital transaction. Consequently, this change will not have any impact on goodwill and will not produce either profits or losses. In addition, the amendment introduces changes to recognising a loss sustained by a subsidiary and to losing control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied in perspective and must be applied to future purchases and transactions with minority shareholders.

IAS 32 and IAS 1 modifications – Transferable Financial instruments

The changes to IAS 32 and IAS 1 were ratified in February and will come into effect on 1 January 2009.

The change to IAS 32 requires that transferable financial instruments and bonds that arise at the time of disposal are recognised as capital instruments if specific conditions apply.

The change to IAS 1 requires that information about transfer options that are recognised as capital is given in the notes to the financial statements. The company does not expect this modification to have any impact on the company's financial statements.

IFRS 8 – Operational segment

The new principle that replaced IAS 14, requires the company to identify the operational segments on the basis of the internal reporting regulations used by the management for analysing performances.

IFRIC 13 – Customer loyalty programmes

This interpretation is applicable from 1 January 2009 and has not yet been ratified by the European Union. In fact, this interpretation did not affect the company up to the time of the present financial statements.

IAS 1 – Presentation of financial statements

The amendment of IAS 1, Presentation of Financial Statements, was ratified in September 2007 and will come into effect on 1 January 2009. The amendment separates the changes made to shareholders' equity into those for shareholders and those for non-shareholders. The table of changes to shareholders' equity will only

include the details of transactions with shareholders while all the changes relating to transactions with non-shareholders will be illustrated in a single line. The amendment also introduces a “comprehensive income” table which will contain all the items pertaining to revenues and costs for the period registered in the income statement, together with every other revenue and cost item recognised. The “comprehensive income” table can be presented either as a single table or as two connected tables. The company has still to decide whether to use one or two tables.

IAS 23 – Financial expense

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

4. Use of estimates

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

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

The data in the final balance could differ significantly, from these estimates as a result of possible changes to the factors taken into consideration when the estimates were first made.

The most significant accounting estimates that involve a high level of subjective judgement are outlined below:

Goodwill and intangible assets

A check is carried out to verify if there has been a reduction in the value of goodwill and intangible assets by comparing the carrying value of the Cash Generating Unit and its recoverable value, represented by the higher of its fair value and value in use. This process includes the use of methods such as the discounted cash flow and its relative applications.

Bad debt reserve

The ability to recover debts is calculated by taking into account the possibility of being able to collect them, the length of time they have been outstanding and the losses sustained in the past on similar debts.

Reserve for inventory provisions

The group estimates the amount of provisions for inventories on the basis of specific analyses of the saleability of finished products and their relative rotation rating, and, for work being carried out, by taking into account the eventual risk that it will not be completed.

Future returns

In the publishing sector it is accepted practice that books and magazines that have not been sold are returned to the publisher, in accordance with pre-established conditions. Therefore, at the end of every year the group estimates the quantity that will presumably be returned during the following year. This estimation is based on historical experience and also takes into account the individual print runs.

Risk reserve

Provisions connected to judicial, fiscal and arbitration disputes are based on complex estimates that take into account the probability of losing the disputes.

Employees' leaving entitlements and termination indemnities

Provisions connected to reserves for employees are calculated on the basis of actuarial estimates, therefore variations in these estimates can have significant effects on these reserves.

Income taxes

Income taxes (both current and deferred) are calculated in each country where the group operates and are based on prudent interpretations of current fiscal laws.

5. Business combinations

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

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

6. Risk management

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

7. Non-recurring income and expenses

As required by Consob deliberation 15519 of 27 July 2006, income and expenses deriving from non-recurring operations were identified in the income statement. Operations and facts are considered to be non-recurring when by their nature they do not occur continuously during normal business operations. The relative effects have been outlined in a specific table included in these notes.

Details of the items in the financial statements

In the part of the notes that follows all amounts are expressed in thousands of euros, with the exception of certain amounts expressed in millions of euros. Amounts in brackets refer to the corresponding amounts for 2007.

Balance sheet

Assets

1. Intangible assets

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

Intangible assets (€,'000)	31/12/2008	31/12/2007
Intangible assets with a finite useful life	560	486
Intangible assets with an indefinite useful life	91,828	91,354
Total intangible assets	92,388	91,840

The following two tables show the changes in intangible assets in 2007 and 2008.

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

Intangible assets with finite useful lives (€,'000)	Software	Selling rights	Total
Cost at 01/01/2007	6,071	650	6,721
Investments	224		224
Disposals	(184)		(184)
Other changes	164		164
Cost at 31/12/2007	6,275	650	6,925
Accumulated amortisation and impairment losses at 01/01/2007	5,719	638	6,357
Amortisation	252	12	264
Writedowns/reinstatement of value			
Disposals	(182)		(182)
Other changes			
Accumulated amortisation and impairment losses at 31/12/2007	5,789	650	6,439
Net book value at 01/01/2007	352	12	364
Net book value at 31/12/2007	486	0	486

Intangible assets with finite useful lives			
(€,'000)	Software	Selling rights	Total
Cost at 01/01/2008	6,275	650	6,925
Investments	331		331
Disposals	(5)		(5)
Other changes			
Cost at 31/12/2008	6,601	650	7,251
Accumulated amortisation and impairment losses at 01/01/2008	5,789	650	6,439
Amortisation	257		257
Writedowns/reinstatement of value			
Disposals	(5)		(5)
Other changes			
Accumulated amortisation and impairment losses at 31/12/2008	6,041	650	6,691
Net book value at 01/01/2008	486	0	486
Net book value at 31/12/2008	560	0	560

Investments during the year of €331 thousand refer to the purchase of software.

The following two tables present the changes in intangible assets with indefinite useful lives in 2007 and 2008.

Intangible assets with indefinite useful lives				
(€,'000)	Titles	Publishing imprints	Goodwill	Total
Cost at 01/01/2007	83,577	7,045	731	91,353
Investments				
Disposals				
Other changes			1	1
Cost at 31/12/2007	83,577	7,045	732	91,354
Impairment at 01/01/2007				
Writedowns/reinstatement of value				
Impairment at 31/12/2007				
Net book value at 01/01/2007	83,577	7,045	731	91,353
Net book value at 31/12/2007	83,577	7,045	732	91,354

The investments during the year amounting to €474 thousand refer to the imprint *Grazia* China, Hong Kong and Taiwan. Intangible assets with indefinite useful lives relate mainly to magazines (in particular, *TV Sorrisi e Canzoni* and *Chi*, each representing a different cash generating unit) included in the purchase of the SBE business in 1994.

Amortisation, impairment and reinstatement of value of intangible assets

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

Amortisation and impairment of intangible assets (€,'000)	31/12/2008	31/12/2007
Software	257	252
Selling rights		12
Total amortisation and impairment of intangible assets	257	264
Writedowns of intangible assets	0	0
Reinstatement in value of intangible assets	0	0
Total writedowns (reinstatement) of intangible assets	0	0
Total amortisation and impairment of intangible assets	257	264

When carrying out the annual impairment test for magazine titles, imprints and goodwill, the recoverable amount of an asset was estimated by determining its value in use. The impairment tests are carried out for each individual cash generating unit represented by the individual titles and imprints. For the purposes of the impairment tests, goodwill was allocated to the unit or groups of units that generated the cash flow, in accordance with the maximum combinations that the business segment identified by IAS 14 must not exceed.

When estimating the value in use, the forecast data included in the plans approved by the management was used, expressing the best forecast based on the financial conditions that exist for the remaining useful life of the asset. The cash flow was considered to be constant for the period beyond the forecast (increase rate G equals zero).

The calculation of the cash flow relating to the individual assets or cash generating units included in the impairment test was based on a bank rate gross of taxes of 8.00%, which also took into account the Capital Asset Pricing Model.

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

2. Investment property

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

Investment property (€,'000)	Land	Non-business buildings	Total
Cost at 01/01/2007	458	2,253	2,711
Investments			
Disposals			
Other changes		1	1
Cost at 31/12/2007	458	2,254	2,712
Accumulated depreciation and impairment losses at 01/01/2007		1,133	1,133
Depreciation		54	54
Writedowns/reinstatement of value			
Disposals			
Other changes			
Accumulated depreciation and impairment losses at 31/12/2007		1,187	1,187
Net book value at 01/01/2007	458	1,120	1,578
Net book value at 31/12/2007	458	1,067	1,525

Investment property (€,'000)	Land	Non-business buildings	Total
Cost at 01/01/2008	458	2,254	2,712
Investments		1,103	1,103
Disposals			
Other changes			
Cost at 31/12/2008	458	3,357	3,815
Accumulated depreciation and impairment losses at 01/01/2008		1,187	1,187
Depreciation		74	74
Writedowns/reinstatement of value			
Disposals			
Other changes			
Accumulated depreciation and impairment losses at 31/12/2008		1,261	1,261
Net book value at 01/01/2008	458	1,067	1,525
Net book value at 31/12/2008	458	2,096	2,554

The investments during the year amounting to €1,103 thousand refer to the modernisation plan for the area owned by the company and run by Esseciemme Sporting Club Mondadori in Verona.

The directors estimated that the fair value of investment property at 31 December 2008 was not lower than the net carrying value.

Depreciation of investment property

The depreciation charge for the year amounted to €74 thousand, recognised under the item "Depreciation of property, plant and equipment", compared to €54 thousand in 2007.

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

3. Property, plant and equipment

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

Property, plant and equipment (€.,000)	Land	Business buildings	Plant and equipment	Other tangible assets	Total
Cost at 01/01/2007	1,114	30,342	18,502	45,231	95,189
Investments	0	498	2,040	2,277	4,815
Disposals	0	(14,489)	(573)	(3,492)	(18,554)
Other changes	0	0	0	(83)	(83)
Cost at 31/12/2007	1,114	16,351	19,969	43,933	81,367
Accumulated depreciation and impairment losses at 01/01/2007	0	12,561	13,129	39,158	64,848
Depreciation	0	920	1,202	2,338	4,460
Writedowns/reinstatement of value					
Disposals	0	(5,747)	(521)	(3,391)	(9,659)
Other changes					
Accumulated depreciation and impairment losses at 31/12/2007	0	7,734	13,810	38,105	59,649
Net book value at 01/01/2007	1,114	17,781	5,373	6,073	30,341
Net book value at 31/12/2007	1,114	8,617	6,159	5,828	21,718

Property, plant and equipment (€.,000)	Land	Business buildings	Plant and equipment	Other tangible assets	Total
Cost at 01/01/2008	1,114	16,351	19,969	43,933	81,367
Investments	0	173	1,972	1,736	3,881
Disposals	0		(170)	(787)	(957)
Other changes	0			(1,014)	(1,014)
Cost at 31/12/2008	1,114	16,524	21,771	43,868	83,277
Accumulated depreciation and impairment losses at 01/01/2008	0	7,734	13,810	38,105	59,649
Depreciation	0	570	1,423	2,187	4,180
Writedowns/reinstatement of value					
Disposals	0		(146)	(697)	(843)
Other changes					
Accumulated depreciation and impairment losses at 31/12/2008	0	8,304	15,087	39,595	62,986
Net book value at 01/01/2008	1,114	8,617	6,159	5,828	21,718
Net book value at 31/12/2008	1,114	8,220	6,684	4,273	20,291

Other tangible fixed assets consist of the following:

Other tangible fixed assets (€.,000)	31/12/2008	31/12/2007
Industrial and commercial equipment	368	450
Electronic office machines	1,734	1,954
Furniture and fixtures	1,268	1,465
Motor vehicles and transport vehicles	687	781
Leasehold improvements	55	3
Assets under construction and advances	161	1,175
Total other tangible fixed assets	4,273	5,828

Investments during the year refer to:

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

Investments during the year, including other tangible fixed assets, of €5,145 thousand, €161 thousand of which was for assets that had not entered into use at 31 December 2008, refer to:

- the Verona factory (publishing warehouse plant/
magazine distribution and buildings)..... €2,880 thousand
- the Milan head office (office automation,
furniture/fixtures and vehicles)..... €2,265 thousand

Disposals, including those relating to Other tangible fixed assets, for a total of €957 thousand, mainly relate to the disposal of part of a property in Corso Europa in Milan, the disposal of office equipment (furniture, fixtures, electronic office machinery) and vehicles.

Depreciation of property, plant and equipment

The depreciation charge for the year, recognised as “Depreciation and impairment of property, plant and equipment”, amounted to €4,180 thousand, and is as follows:

Depreciation of property, plant and equipment (€,'000)	31/12/2008	31/12/2007
Business buildings	570	920
Plant and machinery	1,423	1,202
Equipment	216	238
Electronic office machines	1,238	1,381
Furniture and fixtures	320	291
Motor vehicles and transport vehicles	410	384
Leasehold improvements	3	44
Total depreciation of property, plant and equipment	4,180	4,460

No provisions were necessary during 2008.

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

4. Investments

The composition of and changes in investments amounting to €684,818 thousand (€760.536 thousand) are described and commented on below.

Total investments, net of accumulated depreciation and impairment losses of €31,504 thousand, consist of shares and stakes held in limited liability companies for an amount of €648,130 thousand and capital contributions of €34,127 thousand.

Investments also include the effect of €2,561 thousand resulting from the application of IFRS 2 to stock options granted by Arnoldo Mondadori Editore SpA to managers and directors of subsidiary companies who carry out functions that are important for the attainment of the Group's results. The details of each subsidiary and associated company are included in attachments A and B, which also contain a comparison between the amounts stated in the financial statements and the relative share of net equity.

Shares and stakes held in companies.

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

Balance at 31/12/2007	721,963
Increases:	
- Purchases, establishment of companies and capital increases	2,888
- Payments for cover for losses	7,534
Decreases:	
- Writedowns	(7,172)
- Cover for losses	(7,534)
- Other changes	(53,333)
Value of shares and joint ventures	
Loss/writedown provision:	
- provisions	(30,867)
- utilisations/reclassifications	14,651
Net value of shares and joint ventures at 31/12/2008	648,130

Increases refer to:

- the increase in the share capital of Società Europea di Edizioni SpA for €2,503 thousand;
- the purchase of additional shares in Monradio Srl for €385 thousand.

Decreases include:

- a hedge loss in Società Europea di Edizioni SpA for €12,979 thousand;
- a hedge loss in Fied SpA for €1,697 thousand;
- a hedge loss in Rock FM Srl for €30 thousand.

Other decreases refer in particular to the sale to Pozzoni SpA of 65% of the stake held in Mondadori Printing SpA for a total of €53,323 thousand and the disposal of the stake held in Consorzio Sistemi Informativi (c.i.s.e.d.) to the subsidiary company Press-Di Distribuzione Stampa e Multimedia Srl for €10 thousand.

In accordance with IAS/IFRS, if there are indications of a potential loss of value the carrying amount of investments is reviewed. The higher value between the value in use

and the fair value was used, resulting in writedowns for a total of €30,867 thousand referring to investments in Società Europea di Edizioni SpA for €6,937 thousand, in Fied SpA for €5,289 thousand and in Monradio Srl for €18,641 thousand.

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

The excess of the carrying values of the investments in Cemit Interactive Media SpA, in Mondadori Education SpA and in Sperling & Kupfer SpA, compared with a corresponding valuation based on the net equity of these companies, represents the value of their production and commercial potential as supported by the three-year plans for 2009-2011.

The higher carrying value of Random House Mondadori SA compared with the Group's share of its net equity is attributable to the publishing potential and income prospects of the "Random House Mondadori Group" in the Spanish language book market, as supported by the three-year plan for 2009-2011.

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

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

Capital contributions

The balance at 31 December 2008 of €34,127 thousand (€35,919 thousand) refers to Monradio Srl for €24,077 thousand, Mondadori Retail SpA for €1,305 thousand, Mondadori Franchising SpA for €2,001 thousand, Fied SpA for €1,303 thousand, Hearst Mondadori Editoriale Srl for €49 thousand, Mondadori Iniziative Editoriali SpA for €700 thousand and Società Europea Edizioni SpA for €4,692 thousand.

The variation is essentially due to capital contributions of €4,692 thousand in favour of Società Europea di Edizioni SpA and €1,000 thousand in favour of Fied SpA, and to the utilisation of hedge losses for Società Europea di Edizioni SpA for €5,787 thousand and Fied SpA for €1,697 thousand.

5. Deferred tax assets and liabilities

Deferred tax assets of €16,517 thousand (€15,148 thousand) and deferred tax liabilities of €18,523 thousand (€17,798 thousand) are calculated on the basis of the temporary differences between the book values and tax bases of assets and liabilities as shown in the table below:

(€,000)	31/12/2008	31/12/2007
Deferred tax assets - IRES	15,341	14,010
Deferred tax assets - IRAP	1,176	1,138
Total deferred tax assets	16,517	15,148
Deferred tax liabilities - IRES	16,309	15,634
Deferred tax liabilities - IRAP	2,214	2,164
Total deferred tax liabilities	18,523	17,798

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

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

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

(€,000)	31/12/2008			31/12/2007		
	Amount of temporary difference	Tax rate	Deferred tax assets	Amount of temporary difference	Tax rate	Deferred tax assets
Difference between book value and tax basis of non-current assets	5,916	27.50%	1,627	7,004	27.50%	1,926
Provision for bad debts	11,551	27.50%	3,177	9,397	27.50%	2,584
Inventory provision	4,785	27.50%	1,316	3,785	27.50%	1,041
Other provisions	27,708	27.50%	7,620	24,474	27.50%	6,730
Other temporary differences	5,825	27.50%	1,601	6,285	27.50%	1,729
Total for IRES purposes	55,785		15,341	50,945		14,010
Difference between book value and tax basis of non-current assets	7,513	3.9%	293	7,004	3.9%	272
Inventory provision	4,785	3.9%	187	3,785	3.9%	148
Other provisions	10,333	3.9%	403	10,219	3.9%	398
Other temporary differences	7,513	3.9%	293	8,217	3.9%	320
Total for IRAP purposes	30,154		1,176	29,225		1,138

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

(€,000)	31/12/2008			31/12/2007		
	Amount of temporary difference	Tax rate	Deferred tax liabilities	Amount of temporary difference	Tax rate	Deferred tax liabilities
Difference between book value and tax basis of non-current assets	42,672	27.50%	11,735	36,823	27.50%	10,126
Employee's leaving entitlement/FISC	4,363	27.50%	1,200	5,152	27.50%	1,417
Application IAS 17 Leasing	12,269	27.50%	3,374	14,877	27.50%	4,091
Other temporary differences						
Total for IRES purposes	59,304		16,309	56,852		15,634
Differences between book value and tax basis of non-current assets	15,231	3.9%	94	17,818	3.9%	696
Application IAS 17 Leasing	769	3.9%	30	826	3.9%	32
Other temporary differences F.I.S.C.						
Total for IRAP purposes	56,770		2,214	55,467		2,164

Net changes in deferred tax assets and liabilities resulted in a charge of €644 thousand for the year, as described in note 27.

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

6. Other non-current assets

The composition of and changes in other non-current assets, which amounted to €518 thousand at (€777 thousand), are described and commented on below.

Other non-current assets (€,000)	31/12/2008	31/12/2007
Guarantee deposits	166	171
Trade receivables	217	428
Others	135	178
Total other non-current assets	518	777

Trade receivables of €217 thousand (€428 thousand) refer to bookshop clients.

7. Tax receivables

The composition of and changes in tax receivables which amounted to €2,664 thousand (€10,725 thousand) are described and commented on below.

Receivables from tax authorities for IRES are mainly due to receivables of €1,125 thousand booked for the recovery of IRES calculated at a basic rate of 10% of the IRAP paid during the period between 30 November 2004 and 31 December 2007, as per legislative decree 185/2008, article 6 ("anti-crisis decree").

Receivables from tax authorities for IRAP of €1,434 thousand refer to the excess amount paid compared with the correct amount of IRAP due .

During the year €9,237 was reimbursed for capital and interest relating to VAT credits for 2005.

Tax receivables (€,000)	31/12/2008	31/12/2007
Receivables from tax authorities for IRES	1,134	9
Receivables from tax authorities for VAT to be recovered	0	9,288
Receivables from tax authorities for tax reimbursements	96	96
Receivables from tax authorities for IRAP	1,434	1,332
Total tax receivables	2,664	10,725

8. Other current assets

The composition of and changes in other current assets which amount to €53,650 thousand (€39,001 thousand) are described and commented on below.

Other current assets (€,000)	31/12/2008	31/12/2007
Advances to agents	249	267
Advances to authors and consultants	33,026	31,328
Advance to suppliers	1,558	1,855
Advances to personnel	391	373
Earnest money	413	413
Prepayments	2,486	2,513
Other	15,527	2,252
Total other current assets	53,650	39,001

The increase in "Other" was due to advances to third parties for €13,440 thousand linked to the disposal of the Multicentre site in Rome.

Prepayments of €2,486 thousand (€2,513 thousand) refer to:

(€,000)	31/12/2008	31/12/2007
Third-party editions for issues sold in 2009	2,386	2,293
Rental agreements	34	16
Other prepayments (rents, subscriptions)	66	204
Total prepayments	2,486	2,513

9. Inventories

The composition of and changes in inventories which amounted to €34,675 thousand (€40,036 thousand) are described and commented on below.

Inventories (€,000)	31/12/2008	31/12/2007
Raw materials and consumables	81	81
Provision for raw materials and consumables	0	0
Total raw materials and consumables	81	81
Work in progress and semi-finished goods	22,196	27,085
Provision for work in progress and semi-finished goods	(516)	(516)
Total work in progress and semi-finished goods	21,680	26,569
Finished products and goods for resale	17,182	16,654
Provisions for finished products and goods for resale	(4,268)	(3,268)
Total finished products and goods for resale	12,914	13,386
Total inventories	34,675	40,036

The decrease of €4,362 thousand is essentially due to publishing products not yet finished.

Inventories – Provisions (€,000)	Raw materials	Work in progress and semi-finished goods	Finished products and goods for sale
Balance at 01/01/2007	0	516	3,268
Movements during period:			
- provisions	0	0	0
- utilisations	0	0	
- other movements	0	0	0
Balance at 31/12/2007	0	516	3,268

Inventories – Provisions (€,000)	Raw materials	Work in progress and semi-finished goods	Finished products and goods for sale
Balance at 01/01/2008	0	516	3,268
Movements during period:			
- provisions	0	0	1,000
- utilisations	0	0	
- other movements	0	0	0
Balance at 31/12/2008	0	516	4,268

Decrease (increase) in inventories

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

Decrease (increase) in inventories (€ ,000)	31/12/2008	31/12/2007
Changes in finished products	608	593
Charge to finished products provision		0
Utilisation of finished products provision		0
	608	593
Changes in semi-finished products	(4,889)	(4,073)
Charge to finished products provision		0
Utilisation of finished products provision		0
	(4,889)	(4,073)
Changes in raw material and goods	(81)	(1)
Charge to finished products provision		0
Utilisation of finished products provision		0
	(81)	(1)
Total decrease (increase) in inventories	(4,362)	(3,481)

There are no inventories used to secure liabilities.

10. Trade receivables

The composition of and change in trade receivables which amounted to €224,570 thousand (€241,052 thousand) are described and commented on below.

Trade receivables (€ ,000)	31/12/2008	31/12/2007
Receivables from customers	85,364	87,692
Receivables from associated companies	23,174	25,937
Receivables from subsidiaries	116,025	127,420
Receivables from parent company	7	3
Total trade receivables	224,570	241,052

There are no trade receivables with a due date over five years. The average collection period during 2008 was 86.8 days (versus 77.3 days in 2007).

Details by geographical area are contained in the supplementary schedules.

Receivables from subsidiaries of €116,025 thousand (€127,420 thousand) and receivables from associated companies of €23,174 thousand (€25,937 thousand) refer to commercial transactions carried out at market prices. The details of each company and the variations compared with 2007 are contained in appendix C1.

Receivables from customers include receivables from Fininvest Group companies for €593 thousand (€542 thousand) and mainly refer to Publitalia '80 SpA, for €206 thousand (€212 thousand), RTI SpA, for €352 thousand (€267 thousand) and other companies for a total of €35 thousand. Trading relations with the Fininvest Group are carried out under normal market conditions.

Trade receivables, amounting to €85,364 thousand (€87,692 thousand), consist of the following:

Trade receivables - Receivables from customers (€ ,000)	31/12/2008	31/12/2007
Receivables from customers	125,511	121,410
Customers - returns to be received	(27,909)	(24,639)
Provision for bad debts	(12,238)	(9,079)
Contract risk provision		0
Total receivables from customers	85,364	87,692

Movements in the provision for bad debts for the year amounting to €12,238 thousand (€9,079 thousand), were as follows:

Trade receivables Receivables from customers - Provision (€ ,000)	31/12/2008	31/12/2007
Balance at beginning of year	9,079	9,351
Movements during period:		
- provisions	3,312	2,300
- utilisations	(153)	(1,373)
- other movements	0	(1,199)
Total receivables from customers	12,238	9,079

The provision is considered adequate to cover any expected risk of insolvency and is determined by analysing doubtful receivables and, by assessing the likelihood of non-recovery for other receivables.

11. Other current financial assets

The composition of and changes in other current financial assets which amounted to €108,921 thousand (€103,281 thousand) are described and commented on below.

Other current financial assets (€ ,000)	31/12/2008	31/12/2007
- Financial receivables from subsidiaries	105,679	86,636
- Financial receivables from associated companies	2,240	7,858
- Other financial receivables	1,002	8,787
Total financial receivables	108,921	103,281
Financial assets at fair value with changes through the income statement	0	0
Securities and financial investments	0	0
Total current financial assets	108,921	103,281

Financial receivables from subsidiaries of €105,679 thousand (€86,636 thousand) and those from associated companies of €2,240 thousand (€7,858 thousand) mainly refer to current accounts bearing interest in line with market rates.

The details for each company and the changes from 2007 are provided in appendix C1.

Other financial receivables, totalling €1,002 thousand (€8,787 thousand), include:

- accrued income for €829 thousand (€213 thousand) regarding financial items referring to the year;
- other financial receivables for €173 thousand (€174 thousand) mainly referring to current accounts with third-party companies at market conditions.

The decrease in other financial receivables is mainly due to the collection of residual receivables deriving from the disposal of the property in Corso Europa (Milan) that took place in 2007.

Assets and liabilities resulting from derivative instruments

The following table illustrates the assets and liabilities resulting from derivative instruments held at 31 December 2008:

Assets and liabilities resulting from derivative instruments - Detail (€,'000)	Type of derivative	Fair value at 31/12/2008	Fair value at 31/12/2007
Current financial assets/liabilities			
-Exchange rate derivatives	Trading	(15)	83
Non-current financial liabilities			
-Cross currency swap	Fair value hedge	(6,570)	(54,433)

Currency derivatives

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

The main type of exchange risks affecting the Group are linked to the purchase of the author's rights to books in markets outside the EU and the sale of printed publishing products in markets outside the EU.

As of 31 December 2008, there were the following operations to hedge currency exchange risks:

- Forward contracts for the purchase of US \$1,650 thousand (€1,220 thousand).

Cross Currency Swap

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

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

The cross currency swap derivative made it possible to transform the notional into Euro at a floating interest rate. 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 contact was added, making it possible to modify the reference base from a three-month to a one-month Euribor rate. The new average spread now amounts to 0.734%. In September 2008, given the positive

performance of the interest rate curve, it was decided to unwind the basis swap contract, recording a financial income of over €0.7 million.

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

The following table shows the impact on the income statement of changes to the value of the derivatives referred to above and to the relevant debt:

Fair value hedge (€,000)	31/12/2008	31/12/2007
Profit (loss) of hedge derivatives	47,677	(17,863)
Profit (loss) recognised in financial debt	(47,739)	17,804

12. Cash and cash equivalents

Cash and other cash equivalents, amounting to €113,009 thousand (€96,019 thousand), include money in post office accounts for €17 thousand (€14 thousand) and in banks for €112,966 thousand (€95,984 thousand), together with €26 thousand (€21 thousand) in cheques and petty cash.

Cash and cash equivalents (€,000)	31/12/2008	31/12/2007
Cash and cheques	26	21
Bank deposits	112,966	95,984
Post office deposits	17	14
Total cash and cash equivalents	113,009	96,019

Short-term deposits mainly have expiry dates between one week and three months, in keeping with the financial needs of the company, and mature interest at the respective short-term rates. The fair value of cash and cash equivalents at 31 December 2008 is equal to their carrying value on that date.

Liabilities

13. Shareholders' equity

Share capital of €67,452 thousand, fully subscribed and paid up, is represented by 259,429,832 ordinary shares each with a par value of €0.26.

Changes over the last two years in shareholders' equity are set out below:

(€,'000)	Share capital	Share premium reserve	Treasury share reserve	Stock option reserve	Other reserves	Profit (loss) for the year	Total shareholders' equity
At 01/01/2007	67,452	285,467	(93,160)	5,373	80,204	90,240	435,576
Changes:							
- Allocations of net profit					5,518	(5,518)	0
- Dividend payment						(84,722)	(84,722)
- Operations in treasury shares			(10,842)		531		(10,311)
- Stock options		1,409		863	55		2,327
- Net profit for the year						89,965	89,965
Balance at 31/12/2007	67,452	286,876	(104,002)	6,236	86,308	89,965	432,835
(€,'000)	Share capital	Share premium reserve	Treasury share reserve	Stock option reserve	Other reserves	Profit (loss) for the year	Total shareholders' equity
At 01/01/2008	67,452	286,876	(104,002)	6,236	86,308	89,965	432,835
Changes:							
- Allocation of net profit					6,199	(6,199)	
- Dividend payment						(83,766)	(83,766)
- Operations in treasury shares							
- Stock options				(497)	2,004		1,507
- Net profit for the year						66,197	66,197
Balance at 31/12/2008	67,452	286,876	(104,002)	5,739	94,511	66,197	416,773

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

- 1,957,332 ordinary shares (1,221,726 of which came from the conversion of savings shares resolved by shareholders on 29 April 1999) with a par value of €0.26 each for a total of €3,519 thousand, resulting from buy-backs exercised by shareholders of the former AMEF following the change in corporate purpose as a result of the merger with the former AME;
- 13,622,769 ordinary shares with a par value of €0.26 each purchased for €100,483 thousand in accordance with the resolutions of various shareholders' meetings, the last of which took place on 23 April 2007.

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

Name/description	Amount	Possibility of utilisation	Portion available	Summary of utilisations carried out in past years	
				for distribution of profits	for other reasons
(€.,000)					
Share capital	67,452				
Capital reserves:					
- from share premium	259,898	A,B,C	157,073		
- from conversion of saving shares	26,978	A,B,C	26,978		
- capital grants reserve	5,335	B			
Revenue reserves:					
- evaluation reserves					
• law n. 72 of 19/03/1983	12,022	A,B			
• law n. 413 of 30/12/1991	4,689	A,B			
- legal reserve	13,490	B			
- extraordinary reserve	64,417	A,B,C	33,998	195,426	784
- reserve law n. 675 of 12/08/1977	351	A,B			
- reserve law n. 904 of 16/12/1977	751	A,B			3,329
- reserve article 13 of law n. 124/93	159	A,B			
- merger reserve	478	A,B,C	478		
- reserve law n. 576 of 02/12/1975					3,128
- reserve for unrealised exchange gains					
- reserve for unclaimed dividends	5,873	B	5,873		
IAS/IFRS transitions:					
- positive transition reserve	14,727	B			
- negative transition reserve	(31,200)	B			
- stock option reserve	5,739	B			
- reserve for annulling stock options	2,060	B			
- reserve for operations in treasury shares	1,359	B			
Treasury shares	(104,002)				
Total	350,576		224,400	195,426	7,241
Non-distributable portion (1)			13,188		
Distributable portion			211,212		

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

(1) Represents the non-distributable portion determined in accordance with legislative decree no. 38/2005.

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

The **share premium and savings share conversion reserve** of €286,876 thousand (€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 resolved by the company in favour of the company management.

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

The **Reserves** in the financial statements are recognised as follows for tax purposes:

(€,000)	a	b	c	Total
Share - Premium reserve	-	-	259,898	259,898
- Conversion of savings shares	-	-	26,978	26,978
				<u>286,876</u>
Legal reserve n. 72 of 19/03/1983	-	12,022	-	12,022
Legal reserve n. 413 of 30/12/1991	-	4,689	-	4,689
				<u>16,711</u>
Legal reserve	13,490	-	-	13,490
Treasury shares reserve	-	-	-	-
Extraordinary reserve	64,417	-	-	64,417
Reserve law n. 675 of 12/08/1977	-	351	-	351
Reserve law n. 904 of 16/12/1977	-	751	-	751
Capital grants reserve	-	5,335	-	5,335
Reserve law n. 124/93 article 13	-	159	-	159
Merger reserve	478	-	-	478
Reserve for unrealised exchange gains	-	-	-	-
Reserve for unclaimed dividends	5,873	-	-	5,873
				<u>77,364</u>
Total reserves	84,258	23,307	286,876	394,441
Total free capital increases with utilisation of reserves	784	6,457	-	7,241

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

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

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

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

Reserves utilised (€)	Date of shareholders' resolution	Amounts transferred to capital
Legal reserve n. 576 of 02/12/1975	30/04/1980	1,292,433
Legal reserve n. 576 of 02/12/1975	25/05/1981	1,291,142
Legal reserve n. 576 of 02/12/1975	30/04/1982	543,943
Legal reserve n. 904 of 16/12/1977	30/04/1982	3,329,483
		<u>6,457,001</u>
Reserve for stock options	25/09/1998	66,365
Reserve for stock options	07/07/1999	105,873
Reserve for stock options	12/05/2000	152,045
Extraordinary reserve (conversion of share capital into Euros)	24/04/2001	459,593
		<u>783,876</u>

14. Provisions

The composition of and changes in provisions, amounting to €23,462 thousand (€19,777 thousand) are described and commented on below:

Provisions (€ ,000)	31/12/2007	Charge	Utilisations	Other movements	31/12/2008
Various collection risks	1,126				1,126
Litigation	6,435	3,872	1,161	(96)	9,050
Dispute over INPGI contributions	4,532	1,000			5,532
Tax disputes	1,827				1,827
Expense for advertising receivables	5,004	1,650	1,627		5,027
Expense for subscription receivables	853	605	558		900
Total provisions	19,777	7,127	3,346	(96)	23,462

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

In particular, provisions for €1,000 thousand for dispute over INPGI contributions is in order to align the overall value of the provisions to the estimated risk of future payments for disputes with the INPGI (National Institute for Italian Journalists' Social Security Rights).

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

15. Employees' leaving entitlement and termination indemnities

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

Leaving entitlements and termination indemnities (€ ,000)	31/12/2008	31/12/2007
Employees' leaving entitlement (TFR)	32,587	34,618
Agents' termination indemnity (FISC)	972	899
Termination indemnity for journalists (IFGP)	572	562
Total leaving entitlements and termination indemnities	34,131	36,079

Changes in the two years are due to the following:

Employees' leaving entitlement – Details (€,000)	TFR	FISC	IFGP	Total
Balance at 31/12/2007	34,618	899	562	36,079
Changes during 2008:				
- provisions	1,155	144	10	1,309
- utilisations	(3,916)	(112)		(4,028)
- reversals				
- discounting	761	41		802
- others	(31)			(31)
Balance at 31/12/2007	32,587	972	572	34,131

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

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

Actuarial assumptions used for the employees' leaving entitlement	31/12/2008	31/12/2007
Economic assumptions:		
- increase in cost of living	2.0%	1.5%
- discount rate	4.50%	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	7.91%	From 6.07% to 7.20%
- pensionable age	Current regulations	Current regulations

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

Assumptions for actuarial calculation of supplementary indemnities for agents reserve (FISC)	31/12/2008	31/12/2007
Economic assumptions:		
- discount rate	4.50%	4.50%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	1.0%	1.0%
- probability of voluntary resignation	1.50%	1.50%
- average age of terminating the agency agreement	65	65

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

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

Cost of employees' leaving entitlement (€,'000)	31/12/2008	31/12/2007
Cost of TFR destined for supplementary pension	6,333	5,949
Current cost of employees' leaving entitlement/retirement	1,163	1,927
Actuarial (gains) losses	(641)	(2,697)
	<u>6,855</u>	<u>5,179</u>
Interest charge	1,402	1,453
Total cost of employees' leaving entitlement	8,257	6,632

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

16. Financial liabilities

The composition of and changes in financial liabilities, amounting to €371,325 thousand (€296,449 thousand), are described and commented on below.

Non-current financial liabilities				
(€,'000)	Effective interest rate	Due after 5 years	31/12/2008	31/12/2007
Bonds	3.84%	111,763	289,755	242,016
Liabilities from derivative instruments	-	-	6,570	54,433
Medium-long term mortgages and loans	-	-	75,000	
Total non-current liabilities	-	111,763	371,325	296,449

The carrying value of €289,755 thousand of the non-convertible bonds of US\$350 million, whose issue on 23 June 2004 was resolved by shareholders on 16 June 2004, was determined using the amortised cost method in accordance with IAS/IFRS.

The valuation of the bonds was made in line with the cross currency swap taken out to hedge foreign exchange and interest rate risks.

The features of the bonds are as follows:

- the bonds were offered to and reserved for the subsidiary Mondadori International SA;
- the loan consists of 3,500 bonds having a total nominal value of US\$100,000, each issued at par;
- repayment at par on consignment of bonds on the following due dates :
 - "tranche A", US\$ 215 million on 18 December 2013
 - "tranche B", US\$ 40 million on 18 December 2015
 - "tranche C", US\$ 95 million on 18 December 2018

- annual fixed gross interest, calculated on the par value of the bonds, payable on 18 June and 18 December of every year of the loan:
 - 5.42% per year up to due date of "tranche A"
 - 5.57% per year up to due date of "tranche B"
 - 5.82% per year up to due date of "tranche C"

The fair value of the cross currency swap derivative acquired as a hedge on the debt is €6,570 thousand.

Amounts due to banks and other financial payables amount to €241,124 thousand (€334,165 thousand) and include:

Amounts due to banks and other financial payables		
(€,000)	31/12/2008	31/12/2007
Amounts due to banks	14	27,119
Amounts due to associated companies	10,301	10,456
Amounts due to subsidiaries	150,142	190,126
Other financial payables	79,530	105,989
Accrued expense and deferred income	1,137	475
Total amounts due to banks and other financial payables	241,124	334,165

Amounts due to banks of €14,000 thousand (€27,119 thousand) consist of current account overdrafts.

Amounts due to subsidiary companies of €150,142 thousand (€190,126 thousand) and those due to associated companies of €10,301 thousand (€10,456 thousand) mainly refer to current accounts bearing interest in line with market rates.

Details by company and the changes from 31 December 2007 are contained in appendix "D1".

Other financial payables of €79,530 thousand (€105,989 thousand) include €58,000 thousand of stand-by credit lines utilised in December, €20,000 thousand of the revolving part of the pool loan, €1,429 thousand of debt for the purchase of the R101 radio station from Milano International SpA as part of the examination procedure underway and for which a current account containing the same amount has been linked, and €101 thousand of third-party debts in group current accounts.

Accrued liabilities and deferred income of €1,137 thousand (€475 thousand) refer to interest on stand-by loans.

The company's overall financial situation at 31 December 2008, as set out in the table below, shows net debt of €390,520 thousand (€431,314 thousand)

Net financial position (€,'000)	31/12/2008	31/12/2007
A. Cash	26	21
– Bank deposits	112,966	95,984
– Post office deposits	17	14
B. Other cash and cash equivalents	112,983	95,998
C. Cash and cash equivalents and other financial assets (A+B)	113,009	96,019
D. Stocks held for negotiation	-	-
– Financial receivables from subsidiaries	105,679	86,636
– Financial receivables from associated companies	2,240	7,858
– Financial assets measured at fair value	-	-
– Derivative instruments and other financial assets	1,002	8,787
E. Receivables and other current financial assets	108,921	103,281
F. Current financial assets (D+E)	108,921	103,281
G. Current bank payables	14	27,119
– Bonds	-	-
– Mortgages	-	-
– Loans	78,000	100,000
H. Current part of non-current payables	78,000	100,000
– Payables due to subsidiaries	150,142	190,126
– Payables due to associated companies	10,301	10,456
– Derivatives instruments and other financial payables	2,667	6,464
I. Other current financial payables	163,110	207,046
L. Payables to banks and other current financial payables (G+H+I)	241,124	334,165
M. Current net financial position (C+F-L)	(19,194)	(134,865)
– Bonds	289,765	242,016
– Mortgages	-	-
– Loans	-	-
N. Part of non-current payables	289,756	242,016
O. Other non-current financial payables	81,570	54,433
P. Non-current financial payables (N+O)	371,326	296,449
Q. Net debt (M-P)	(390,520)	(431,314)

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

17. Income taxes payable

The composition of and changes in income tax payables, amounting to €14,587 thousand (€29,514 thousand), is described and commented on below.

Income tax payables (€,'000)	31/12/2008	31/12/2007
Payables due to Fininvest for IRES	14,587	29,514
Total income tax payables	14,587	29,514

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

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

The company's taxable income has been finalised, and all taxes paid, up to 2001, with the exception of the following:

- 1979: the case before the Central Tax Commission is pending after the Second Grade Tax Commission accepted the Company's defence and declared the additional taxable income deemed by the tax authorities to be illegitimate;
- 1991: the position taken by the authorities that the company should have paid tax on the difference that arose on the merger of Arnaldo Mondadori Editore SpA into AME Finanziaria (AMEF), that was used to re-value a number of shares held by the merged company, is challenged.

The Regional Tax Commission concluded that the company acted correctly, but the tax authorities have appealed against this decision to the High Court.

- 1996-1998: following an inspection by the National Journalists' Social Security Association, the company has been notified that it is being investigated and that it may be sanctioned for failure to apply withholding tax. The company has appealed to the Provincial Tax Commission. In relation to this:
 - the returns for the years from 1996 to 1998 have been suspended by the Regional Tax Commission until the legal dispute has been settled;
 - the returns for the year 1999 have been suspended by the Regional Tax Commission until the legal dispute has been settled. The Regional Tax Commission concluded following the appeal by the tax authorities against the decision of the Provincial Tax Commission to annul the investigation.
 - 2004: following an inspection, the Lombardy Regional Tax commission found a number of anomalies but up to the present time the company has not been notified that it is being investigated. The company does not believe that there is much likelihood of having to make any future payment for the dispute in question, therefore no reserve has been created.

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

18. Other current liabilities

The composition of and changes in other current liabilities, amounting to €72,081 thousand (€70,710 thousand), are described and commented on below.

Other current liabilities (€,'000)	31/12/2008	31/12/2007
Customer advances	668	799
Income tax payables	7,793	8,002
Amounts due to pension funds and social security institutions	12,990	13,044
Other payables	46,748	44,167
Accrued expense and deferred income	3,882	4,698
Total other current liabilities	72,081	70,710

Customer advances of €668 thousand (€799 thousand) have decreased by €131 thousand compared with last year.

Income tax payables of €7,793 thousand (€8,002 thousand) refer to withholding tax on employee wages and salaries and on consultant fees paid in January 2009.

Amounts due to pension funds and social security institutes of €12,990 thousand (€13,044 thousand) refer for €5,534 thousand (€5,682 thousand) to contributions relating to wages and salaries for December and for the thirteenth month's salary paid in January 2009, for €2,626 for pension funds (mostly journalists' TFR fund) where the TFR has been directed, and which was also paid in January, and for €4,830 thousand (€4,888 thousand) to accruals for contributions relating to deferred remuneration.

Other payables of €46,748 thousand (€44,167 thousand) refer to:

Other current liabilities - Other payables (€,'000)	31/12/2008	31/12/2007
Payroll and other amounts due to employees	16,232	17,025
Due to authors and collaborators	28,858	25,403
Due to agents	1,080	1,186
Due to shareholders for dividends	226	213
Due to directors and statutory auditors	302	286
Due to others	50	54
Total other payables	46,748	44,167

Accrued expense and deferred income, amounting to €3,882 thousand (€4,698 thousand), are as follows:

(€,'000)	31/12/2008	31/12/2007
Deferred remuneration and relative charges	1,622	1,622
Insurance, association fees and other fees	405	753
Total accrued expense	2,027	2,375
Magazine advertising revenues relating to 2009 editions	1,528	1,832
Rent payable	327	491
Other		
Total deferred income	1,855	2,323
Total accrued expense and deferred income	3,882	4,698

19. Trade payables

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

Trade payables (€,'000)	31/12/2008	31/12/2007
Suppliers	65,159	79,885
Subsidiaries	45,502	100,340
Associated companies	51,901	4,100
Parent companies	7	7
Total trade payables	162,569	184,332

Trade payables amounted to €65,159 thousand (€79,885 thousand) and include amounts for the purchase of assets for €1,430 thousand (€2,099 thousand).

This item includes:

- trade payables to various affiliated companies for €120 thousand (€120 thousand), relating to Editrice Portoria SpA.
- trade payables to Fininvest Group companies for a total of €931 thousand (€684 thousand), the most significant of which concern Publitalia '80 SpA for €655 thousand (€483 thousand), Medusa Video Srl for €138 thousand (€117 thousand), RTI SpA for €48 thousand (€17 thousand) and other minor payables for a total of €113 thousand (€67 thousand).

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

Trade payables to subsidiaries for €45,502 thousand (€100,340 thousand) and those payable to associated companies of €51,901 thousand (€4,100 thousand) refer to commercial transactions carried out at market rates. The decrease in trade payables to subsidiaries is mainly due to the change in the status of Mondadori Printing SpA that has become an "associated" company instead of a "subsidiary" (following the disposal of 80% of the stake held by the Mondadori Group).

Details for each company and the variations compared with 2007 are contained in appendix "D1", while information by geographical area is contained in the supplementary tables in the appendix.

There are no trade payables with a due date of more than 5 years and the average payment period in 2008 was 125.86 days (116.7 days in 2007).

Income Statement

Details of intragroup transactions with related parties in 2008 are provided in appendices "C2" and "D2".

20. Revenues from sales and services

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

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

Revenues from sales and services (€,'000)	2008	2007	Change %
Revenues from the sale of goods:			
- books	291,227	290,440	0.27%
- magazines/publications	297,283	373,243	(20.35%)
- magazines/subscriptions	28,860	29,724	(2.91%)
- corporate and other business			
Reproduction rights	10,770	9,444	14.04%
Commercial articles and special initiatives	2,989	2,644	13.05%
By-products and recovered products	1,798	1,762	2.04%
Warehouse materials and various others	278	3	n.a.
Revenues from services:			
- advertising services	201,257	212,632	(5.35%)
- corporate and other business			
On-line income, content deals, management of websites	2,360	1,416	66.67%
Various services, consultation and assistance	28,325	28,034	1.04%
Courses and conventions	0	0	0
Total revenues	865,147	949,342	(8.87%)

The reduction in revenues from the sales of magazines/publications for €75,960 thousand and the reduction in revenues from advertising for €11,375 thousand were mainly due to the performance of the market which in 2008 experienced a drop both in sales and volume.

Revenues by geographical area are set out as follows:

Geographic area	Books	Magazines	Advertising		2008	2007
			Rights	and other		
Italy	288,717	325,903	5,908	235,987	856,515	942,405
Other EU countries	588	24	3,963	689	5,264	4,411
U S A	68		28	13	109	152
Switzerland	1,622	2	58	141	1,823	1,471
Other countries	232	214	813	177	1,436	903
Total	291,227	326,143	10,770	237,007	865,147	949,342

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

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

Cost of raw materials and consumables and goods for resale (€,000)	2008	2007
Paper for special initiatives	96	92
Electricity, water, gas, fuel	1,926	1,779
Total cost of raw materials	2,022	1,871
Goods for resale	166,490	168,574
Consumption and maintenance materials	11,605	14,467
Total cost of consumables and goods for resale	178,095	183,041
Total cost of raw materials and consumables and goods for resale	180,117	184,912

22. Cost of services

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

(€,000)	2008	2007
Rights and royalties	98,693	102,521
Third party collaboration	26,616	25,329
Consultancy	12,029	13,773
Commissions	5,296	5,790
Contracted-out printing:		
- printing, packaging and other	113,060	143,395
- paper	79,703	100,019
Transport and shipping	31,590	35,182
Advertising services	31,670	46,781
Other services	17,251	16,278
Travel and other expense reimbursements	5,766	6,322
Maintenance	2,842	2,824
Postal and telephone	3,223	3,649
Canteen and cleaning services	3,359	3,281
Market research	2,187	1,456
Insurance	1,696	1,899
Subscription management	8,049	9,008
Information agency	700	768
Expense for company boards:		
- Chairman and board of directors (*)	1,688	2,182
- Board of statutory auditors (*)	147	146
Total cost of services	445,565	520,603

(*) Details on an individual basis of remuneration for the year are given in appendix G (Consob decree 11971 of 14 May 1999).

23. Personnel costs

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

Personnel costs (€ ,000)	2008	2007
Salaries and wages	96,904	101,000
Stock options	1,128	1,837
Social charges	25,643	26,984
Leaving entitlements, termination indemnities and pensions	7,496	7,876
Discounting (excluding interest costs)	(642)	(2,697)
Total personnel costs	130,529	135,000

Cost per category may be analysed as follows:

(€ ,000)	2008	2007
Managers	29,542	31,069
White collar staff	39,910	40,009
Journalists	57,235	60,057
Blue collar staff	3,842	3,865
Total	130,529	135,000

The company employed 1,396 people at 31 December 2008, a decrease of 79 compared with 31 December 2007, as illustrated in the table below.

Personnel	31/12/2008	31/12/2007	Average 2008	Average 2007
Managers	74	87	82	86
Journalists	432	464	445	467
White collar staff and intermediates	782	816	792	815
Blue collar staff	108	108	105	108
Total	1,396	1,475	1,424	1,476

The average number of employees for the year was 1,424 (1,476 in 2007).

Information about stock option plans

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

The shareholders' meeting entrusted the board of directors with the task of

managing the plan, granting the Board all the powers necessary for identifying the participants, establishing performance objectives, allocating option rights and carrying out the plan itself in all its aspects. Shareholders also entrusted the board with the task of defining the regulations for implementing the stock option plan.

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

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

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

As with the Plans referring to previous years, the board has identified the performance parameters of an economic and/or financial nature for the stock option plan 2006/2007/2008 as being ROE and free-cash flow.

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

The following table illustrates the situation at 31 December 2008 regarding the total number of options that have been granted and can still be exercised, the price and the exercise term:

Stock option	2004	2005	2006	2007	2008
In circulation at 01/01/2008	1,385,000	2,485,000	2,570,000	2,860,000	-
- granted during year	-	-	-	-	2,850,000
- cancelled during year	-	(230,000)	(265,000)	(295,000)	-
- exercised during year	-	-	-	-	-
- expired during year	(1,385,000)	-	-	-	-
In circulation at 31/12/2008	-	2,255,000	2,305,000	2,565,000	2,850,000
Exercise term	01/01/2007- 31/12/2008	24/06/2008- 23/06/2011	18/07/2009- 17/07/2012	26/06/2010- 25/06/2013	20/06/2011- 19/06/2014
Exercise price in Euros	7.749	7.87	7.507	7.458	4.565
Exercisable at 31/12/2008	-	2,255,000	-	-	-

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

Parameters for option measuring model	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	2.5	3.5	4.5	5.5
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	2.80%	3.50%	2.65%	4.00%	5.15%

With reference to the assignation of options relative to the stock option plan for 2008, resolved by the board of directors on 19 June, it should be noted that the performance objectives for 2008, which are necessary conditions for assigning the options, were not achieved.

In conformity with the regulations of the stock option plan, options assigned for 2008 may not be exercised.

With reference to the above, no expenses and no related increase in net equity were booked to the financial statements drawn up at 31 December 2008 since the board of directors of Mondadori Editore SpA will be called on to formally record the failure to achieve the objectives referred to above.

With reference to the stock options assigned in previous years under stock option plans, the cost in the income statement, booked under "personnel costs", relating to operations with payment based on shares, amounted to €1,128 thousand.

24. Other (income) expense

This item is composed of the following:

Other (income) expense (€,'000)	2008	2007
Other revenues and income	(26,600)	(43,085)
Cost of use of third-party assets	13,746	12,950
Various operating costs	19,517	17,144
Total other (income) expense	6,663	(12,991)

Other revenues and income, amounting to (€26,600) thousand (€43,085 thousand), refers to:

Other revenues and income (€,'000)	2008	2007
Capital gains and prior year items	362	12,378
Supplier rebates and other third party contributions	159	111
Recovery of expense from third parties:		
- development and distribution expense	7,735	9,150
- expense for producing advertising	2,791	3,842
- cost of work for personnel loans	4,196	5,513
- other recoveries	9,997	9,994
Company rent	35	35
Others (promotional sales, publishing subsidiaries)	1,325	2,062
Total other revenues and income	(26,600)	(43,085)

The cost of third party assets, amounting to €13,746 thousand (€12,950 thousand), consists of:

Cost of third party assets (€,'000)	2008	2007
Rental expense	8,286	8,190
Hire of vehicles and other hire	3,297	3,036
Printing machinery rental and other rentals	2,163	1,724
Total cost of third party assets	13,746	12,950

Other charges, amounting to €19,517 thousand (€17,144 thousand), include:

(€,'000)	2008	2007
Compensation, settlements and discounts	3,954	2,643
Bad debts	154	1,373
Contributions and grants	2,001	1,918
Personnel on loan	783	559
Information material	1,259	1,242
Entertainment expense	986	1,359
Others and various	161	415
Capital losses/prior year costs	29	115
Charge to/utilisation of bad debt provisions	3,158	927
Charge to/utilisation of provisions for legal risks	2,339	(107)
Charge to/utilisation of provisions for other risks	3,377	5,302
Council property tax	121	162
Taxes and dues	1,195	1,236
Total	19,517	17,144

Bad debt provisions and provisions for other risks were set up to protect the company against probable liabilities likely to occur in the future.

25. Financial income (expense)

This item, amounting to -€24,319 thousand (-€19,821 thousand) consists of the following:

Financial income (expense) (€,'000)	2008	2007
Interest from banks and post offices	4,377	2,901
Interest from associated companies	152	142
Interest from subsidiaries	5,463	2,836
Financial income from derivative instrument operations	1,039	2,036
Other interest and financial income	936	1,001
Total interest and other financial income	11,967	8,916
Interest to banks	(9,703)	(4,979)
Interest to associated companies	(514)	(391)
Interest to subsidiaries	(21,297)	(21,225)
Financial expense from derivative instrument operations	(62)	(59)
Financial expense from discounting assets/liabilities	(1,306)	(1,481)
Other interest paid and financial expense	(3,227)	(598)
Total interest paid and other financial expense	(36,109)	(28,733)
Realised foreign exchange differences	(127)	(20)
Unrealised foreign exchange differences	(50)	16
Total gains (losses) on foreign exchange operations	(177)	(4)
Total financial income (expense)	(24,319)	(19,821)

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

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

Financial charges represented 2.79% of turnover in 2008, as illustrated in the following table:

(€,'000)	2008	2007
Interest and financial expense on short-term loans	33,647	26,609
Other financial expense (commission/bank charges, cover for exchange/interest rate risks, discounting expense)	2,462	2,124
	<u>36,109</u>	<u>28,733</u>
Interest on loans	+5,623	+2,987
Other financial income (receivables/securities as non-current assets, hedging of exchange/interest rate risks)	+6,344	+5,929
Total (A)	24,142	19,817
Revenues from sales (B)	865,147	949,342
Percentage (A/B)	2.79%	2.08%

26. Income (expense) from other investments

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

Income (expense) from other investments (€,'000)	2008	2007
Dividends	51,489	53,918
Writedowns	(30,922)	(14,731)
Capital losses/gains on corporate operations	1,393	0
Total income (expense) from investments	21,960	39,187

Dividends received during the year were as follows:

(€,'000)	2008	2007
Subsidiary companies:		
Press-Di Srl	3,354	0
Mondadori Pubblicità SpA	1,620	780
Giulio Einaudi Editore SpA	5,980	5,980
Sperling & Kupfer SpA	0	2,500
Mondadori Education SpA	10,404	12,772
Cemit Interactive Media SpA	2,729	1,889
Mondadori Electa SpA	2,758	3,433
Edizioni Piemme SpA	6,850	4,620
Mondadori Franchising SpA	3,615	3,009
Mondadori Printing SpA	4,124	9,572
Total	41,434	44,555
Associated companies:		
Gruner + Jahr/Mondadori SpA	3,159	2,240
Mondolibri SpA	4,435	5,400
ACI-Mondadori SpA	502	301
Mondadori Rodale Srl	720	637
Harlequin Mondadori SpA	250	150
Mach 2 Libri SpA	525	320
Hearst Mondadori Srl	464	315
Total	10,055	9,363
Total dividends	51,489	53,918

Writedowns of €30,922 thousand (€14,731 thousand) refer to the impairment test carried out to adjust the cost of investments to their recoverable value.

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

(€,000)	2008	2007
Cover for losses	7,534	17,657
Reduction of capital and reserves	7,172	1,524
	<u>14,706</u>	<u>19,181</u>
Provisions for losses/write-downs		
– provisions	30,867	14,355
– utilisations	(14,651)	(18,805)
	<u>16,216</u>	<u>(4,450)</u>
Other		
Total	30,922	14,731

27. Income taxes

"Income taxes" amounted to €24,843 thousand (€42,961 thousand). The main components of income taxes for the years ended 31 December 2008 and 2007 were as follows:

Income taxes (€,000)	2008	2007
IRES tax on income for the year	17,207	27,663
IRAP tax for the year	8,280	9,651
Total current taxes	25,487	37,314
Deferred tax (income) expense - IRES	(657)	4,701
Deferred tax (income) expense - IRAP	13	946
Total deferred tax (income) expense	(644)	5,647
Total income taxes	24,843	42,961

With reference to the changes in current income taxes, it should be noted that the calculation made for 2008 took into account the changes in the IRES rate (27.5% instead of 33% in 2007) and IRAP (3.9% instead of 4.25% in 2007), as well as the subsidies granted on IRES provisions in the recent legislative decree 185/2008 ("anti-crisis decree").

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

(€,'000)	2008			2007		
	Profit before taxes	Taxes	Current tax rate	Profit before taxes	Taxes	Current tax rate
Theoretical IRES tax charge	91,040	25,036	27.50%	132,926	43,865	33.00%
Theoretic IRAP tax charge		3,551	3.90%		5,649	4.25%
Total theoretical tax charge /rate	91,040	28,586	31.40%	132,926	49,515	37.25%
Actual IRES tax charge	91,040	16,550	18.18%	132,926	32,364	24.35%
Actual IRAP tax charge		8,293	9.11%		10,597	7.97%
Actual tax charge/effective tax rate		24,843	27.29%	132,926	42,961	32.32%
Theoretic tax charge/rate	91,040	28,586	31.40%	132,926	49,515	37.25%
Dividend effect	(49,037)	(13,485)	(14.81%)	(51,532)	(17,006)	(12.79%)
Effect of provisions for investment losses	30,921	8,503	9.34%	14,247	4,702	3.54%
Net effect of other permanent IRES differences	5,687	1,564	1.72%	16,336	5,391	4.06%
Effect of different IRAP tax base (cost of labour, collaboration, financial and extraordinary income/expense, losses on receivables)	121,605	4,743	5.21%	116,404	4,947	3.72%
Other	(18,439)	(5,068)	(5.57%)	(13,902)	(4,588)	(3.46%)
Actual tax charge/effective tax rate		24,843	27.29%		42,961	32.32%

28. Commitments and contingent liabilities

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

Commitments are as follows:

(€,'000)	Sureties	Other guarantees	Total	
			31/12/2008	31/12/2007
Guarantees, sureties and endorsements				
– in favour of subsidiaries		47,281	47,281	52,020
– in favour of associated companies		4,016	4,016	1,575
– in favour of other companies	24,167		24,167	48,273
	24,167	51,297	75,464	101,868
Other commitments			4,008	11,815
Total			79,472	113,683

Guarantees, sureties and endorsements

- **in favour of subsidiaries:** €47,281 thousand (€52,020 thousand) refers to undertakings given to the Milan VAT office on behalf of subsidiary companies, in respect of their VAT credits offset in the group settlement;
- **in favour of associated companies:** €4,016 thousand (€1,575 thousand) for letters of patronage issued to Banco Santander Central Hispano for guarantees given to Grupo Random House Mondadori;

- **in favour of other companies:** €24,167 thousand (€48,273 thousand) refers to counter-guarantees given by the company for sureties issued by banks:
 - to the Lombardy Region Tax Authorities and the Ministry of Industry for competitions in magazines for €7,797 thousand;
 - to tax authorities for VAT reimbursements for €15,771 thousand;
 - to other authorities and companies for a total of €599 thousand.

29. Non-recurring expense (income)

In accordance with Consob resolution no. 15519 of 27 July 2006, during the year the company carried out non-current operations mainly concerned with the disposal of the stake held in Mondadori Printing SpA, for a profit of €1,363 thousand.

30. Related parties

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

Attachments C1, C2, D1 and D2 contain details of the economic and financial effects of operations with parent, subsidiary, associated and affiliated companies that took place in 2007 and 2008.

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

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

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

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

- sensitivity analyses of 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 company's financial position from variations in market rates by keeping the volatility of interest rates under constant surveillance and managing in a prudent manner the risk and return profiles of business activities and of the group's financial liabilities, within the framework of asset and liability management.

The company's exposure to this type of risk mainly arises from its medium to long-term loans, in particular the bond denominated in US Dollars (US Private Placement) underwritten by American institutional investors.

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

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

Sensitivity analysis (€m)	Underwritten	Increase/(decrease) in interest rates	Revenues (charges)
2008	(479.7)	1%	(1.4)
2007	(476.5)	1%	(1.3)
2008	(479.7)	(1%)	1.4
2007	(476.5)	(1%)	1.3

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

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

The basic assumptions of the sensitivity analysis are:

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

Exchange rate risk

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

The fundamental objective of exchange rate risk management is to hedge exchange risks for subsidiary companies, in order to protect the group's operational profitability when faced with negative exchange rate movements. With this aim, the company has underwritten forward purchase/sales contracts for US 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 2008 the type of exposure and the hedge policy adopted for exchange rate risks was similar to previous years.

The results of the sensitivity analysis carried out on exchange rate risks showed that there was no significant economic impact, as a result of the low level of the average exposure in 2007 and 2008.

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

The basic assumptions of sensitivity analyses are:

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

Liquidity risk

Liquidity risk is defined as the possibility that the company may not be able to honour its payment commitments as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby forcing it to bear very high costs in meeting its financial commitments. The company's exposure to this risk is represented above all by current financial operations. The company currently has medium-long term loans:

- with non-banking financial institutions in the form of inter-company debenture loans for a total of US \$350,000 thousand;
- with Intesa Sanpaolo SpA for a five-year loan contract for a total of €150,000 thousand.

In addition, if necessary the company can utilise the short-term bank guarantees already granted.

The company's objective is to constantly maintain balance and flexibility between financial sources and commitments. Details of the characteristics of current and non-current

financial liabilities are contained in note 16, "Financial liabilities".

At 31 December 2008, the company's liquidity risk could be managed by using both its own financial resources and the financial resources of the subsidiary companies.

Liquidity risk (€m)	Analysis of maturity periods at 31/12/2008						Total
	< 6 months	6 – 12 months	1 – 2 years	2 – 5 years	5 – 10 years	> 10 years	
Trade payables	65.2	-	-	-	-	-	65.2
Medium to long-term inter-group loans	7.0	7.0	13.9	196.3	114.8	-	339.0
Medium to long-third-party loans	1.5	1.9	2.9	113.4	-	-	119.7
Other financial liabilities:							
- committed lines	0.8	58.9	-	-	-	-	59.7
- uncommitted lines	1.5	1.4	-	-	-	-	2.9
Other liabilities	32.9	-	-	-	-	-	32.9
Intergroup payables	257.8	-	-	-	-	-	257.8
Total	366.6	69.3	16.9	309.7	114.8	-	877.3
Cross currency swap	-1.3	-1.4	-5.3	23.4	17.0	-	32.4
Total exposure	365.3	67.9	11.6	333.2	131.8	-	909.7

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

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

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

Credit risk

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

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

The objective is to limit the risk of losses due to the unreliability of market counterparties or to the difficulty 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 company divisions, in compliance with the financial objectives, the pre-established commercial strategies and the operational procedures of the company that limit the sale of products and services to customers without an adequate credit profile or collateral guarantees. Credit balances are monitored throughout the year to ensure that the amount of exposure to losses is not significant.

The following table illustrates the maximum exposure to credit risks for the components of the financial statements. The maximum exposure to risk is indicated before the effects of mitigation deriving from compensation agreements and guarantees.

Credit risk (€m)	31/12/2008	31/12/2007
Deposits	113.0	96.0
Receivables and loans		
- trade receivables and other current financial assets	324.2	324.7
- trade receivables and other non-current financial assets	25.5	25.8
Guarantees	1.6	1.6
Total of maximum exposure to credit risks	463.3	448.1

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

Concentration of credit risk	31/12/2008 (€m)	31/12/2007 (€m)	31/12/2008 %	31/12/2007 %
Business area:				
Various books	113.7	122.3	51.9%	50.7%
Magazines	95.9	108.4	43.8%	45.0%
Other	9.3	10.4	4.3%	4.3%
Total	218.9	241.1	100.0%	100.0%
Distribution area:				
Italy	214.0	238.2	97.8%	98.8%
Other countries	4.9	2.9	2.2%	1.2%
Total	218.9	241.1	100.0%	100.0%

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

Various books

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

Magazines

Magazine sales and distribution through newsstands and subscription is handled by the subsidiary company, Press-Di Distribuzione Stampa e Multimedia Srl.

With reference to sales through newsstands, the company is not exposed to any credit risks since any eventual losses are the responsibility of the subsidiary company, which is also responsible for defining and managing these risks.

With reference to subscription sales, however, any credit losses suffered by Press-Di Distribuzione Stampa e Multimedia Srl are the responsibility of the company. Given the fragmentation of the credit balances and the small amounts involved, the credit management procedure does not include any guarantees but is aimed at limiting the amount of exposure for each individual subscriber.

Advertising

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

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

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

Price risk

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

Due to the nature of its business, the company is exposed to variations in the price of paper. In order to reduce the variability of the market price of paper for 2008, the company signed commercial contracts, through Group companies, directly with suppliers so as to amortise any eventual increases on purchase costs.

Other information required by IFRS 7

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

Classification (€m)	Carrying value						Fair value	
	Total		current		non-current		31/12/2008	31/12/2007
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007		
Receivables and loans:								
- cash and cash equivalents	113.0	96.0	113.0	96.0			113.0	96.0
- trade receivables	79.7	82.3	79.4	81.8	0.2	0.4	79.7	82.3
- other financial assets	21.9	16.8	21.6	16.5	0.3	0.3	21.9	16.8
- receivables from subsidiary and associated companies	247.1	251.4	223.1	226.4	24.0	25.0	247.1	251.4
Financial assets available for sale (investments)	0.2	0.2	0.2	0.2			0.2	0.2
Total financial assets	461.9	446.7	437.3	420.9	24.5	25.7	461.9	446.7
Amortised cost of financial assets:								
- trade liabilities	65.1	79.9	65.1	79.9			65.1	79.9
- liabilities due to banks and other financial payables	478.6	406.6	113.8	164.6	364.8	242.0	484.3	411.9
- liabilities due to subsidiary and associated companies	257.8	305.1	257.8	305.1			257.8	305.1
Interest rate swap	6.6	54.4			6.6	54.4	6.6	54.4
Total financial liabilities	808.1	845.9	436.7	549.6	371.4	296.4	813.8	851.3

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

Profit and loss from financial instruments (€m)	31/12/2008	31/12/2007
Net profit from financial liabilities at amortised cost		17.8
Net profit from derivative financial instruments	48.7	
Interest earned on financial assets not valued at fair value		
- deposits	4.4	2.9
- intergroup receivables	5.6	3.0
- other financial assets	0.1	0.6
Total income	58.8	24.3
Net loss from financial derivative instruments		15.9
Net loss from financial liabilities at amortised cost	47.7	
Interest paid on financial liabilities not valued at fair value:		
- deposits	1.1	1.1
- loans	25.0	20.3
- intergroup payables	5.4	5.2
- others	2.4	0.1
Losses from financial instrument writedowns		
- trade receivables	3.3	2.3
Total expense	84.9	44.9
Total	(26.1)	(20.5)

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

The following table, drawn up in accordance with article 149-duodecies of Consob Regulations, shows the fees paid during 2007 (net of accessory expense) for auditing and other services provided by Reconta Ernst & Young SpA and other companies belonging to the same network.

(€,'000)	Company providing services	Amount paid for 2008
Audit	Reconta Ernst & Young SpA	433
Certification services	Reconta Ernst & Young SpA ⁽¹⁾	42
	Reconta Ernst & Young SpA ⁽²⁾	30
Total		505

⁽¹⁾ Certification of Circulation and Printing

⁽²⁾ Audit aimed at certifying the net financial position in relation to the disposal of the investment in Mondadori Printing SpA

Supplementary tables

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

Consolidated Financial Statements

The appendices also include the group's consolidated financial statements at 31 December 2008.

On behalf of the board of directors

Chairman

Marina Berlusconi

Appendices to the Financial Statements

Appendix A: Investments

(€,'000)

	Head office		Share capital	Shareholders' equity	Profit (loss) for 2008
<i>Subsidiary companies:</i>					
Arnoweb SA	Luxembourg	€	36,257	32,917	62
Cemit Interactive Media SpA	S.Mauro Torinese (TO)		3,835	7,457	2,558
Edizioni Piemme SpA	Milan		567	11,941	7,305
Fied SpA	Milan		416	2,233	(1,772)
Giulio Einaudi Editore SpA	Turin		23,920	32,206	7,730
Mondadori Education SpA	Milan		10,608	38,828	11,989
Mondadori Electa SpA	Milan		1,594	6,618	1,284
Mondadori Franchising SpA	Rimini		1,954	5,809	5,095
Mondadori Iniziative Editoriali SpA	Milan		500	1,064	1,783
Mondadori International SA	Luxembourg		393,626	445,541	(11,459)
Mondadori Pubblicità SpA	Milan		3,120	5,117	830
Mondadori Retail SpA	Milan		2,700	14,817	(3,553)
Press-Di Distribuzione Stampa e Multimedia Srl	Milan		1,095	1,681	4,482
Monradio Srl	Milan		3,030	42,183	(10,932)
Prisco Spain SA	Barcelona		60	49	(3)
Sperling & Kupfer Editori SpA	Milan		1,556	2,481	(471)
Rock FM Srl	Milan		10	10	319
Total					
<i>Associated companies:</i>					
ACI-Mondadori SpA	Milan	€	590	1,767	88
Gruner + Jahr/Mondadori SpA	Milan		2,600	4,846	0
Random House Mondadori SA	Barcelona		6,825	45,106	11,637
Harlequin Mondadori SpA	Milan		258	493	782
Hearst Mondadori Editoriale Srl	Milan		100	256	749
Mach 2 Libri SpA	Peschiera Borromeo (MI)		646	10,049	1,554
Mondadori Rodale Srl	Milan		90	334	997
Mondolibri SpA	Milan		1,040	8,031	1,133
Società Europea di Edizioni SpA	Milan		2,776	25,776	(22,659)
Mondadori Printing SpA	Cisano Bergamasco (BG)		45,396	79,381	(9,705)
Total					
<i>Other companies:</i>					
Consuedit Srl	Milan	€	20	38	
Editrice Portoria SpA (in bankruptcy)	Milan		364	300	
Immobiliare Editori Giornali Srl	Rome		830	667	
Soc. Editrice Il Mulino SpA	Bologna		1,175	1,638	

Total direct investments
General total

(a) Shareholders' equity at 31/12/1999

(b) Associated as to 50% through Arnoweb SA and Prisco Spain SA

(d) Consolidated financial statements

(e) 100% stake held through Monradio

Note: the values refer to the equity and financial data prepared in accordance with accounting standards used for preparing the individual financial statements of the invested companies.

Total Shareholders' equity	Share held	Attributable Shareholders' equity	Value of financial statements			
			Purchased/Established	Capital contributions	Doubtful accounts	Total
32,979	100.00%	32,979	36,253			36,253
10,015	100.00%	10,015	15,552			15,552
19,246	80.00%	15,397	22,081			22,081
461	100.00%	461	4,447	1,303	(5,288)	462
39,936	100.00%	39,936	28,451			28,451
50,817	100.00%	50,817	56,230			56,230
7,902	100.00%	7,902	6,316			6,316
10,904	100.00%	10,904	1,882	2,001		3,883
2,847	100.00%	2,847	500	700	(426)	774
434,082	100.00%	434,082	392,759			392,759
5,947	100.00%	5,947	3,836			3,836
11,264	100.00%	11,264	2,929	1,305		4,234
6,163	100.00%	6,163	1,095			1,095
31,251	100.00%	31,251	49,152	24,077	(18,641)	54,588
46	100.00%	46	7,856			7,856
2,010	100.00%	2,010	10,366			10,366
329	10.00% (e)	33	1			1
		662,053	639,706	29,386	(24,355)	644,737
1,855	50.00%	927	540			540
4,846	50.00%	2,422	1,203			1,203
56,743 (d)	6.01% (b)	3,410	13,842			13,842
1,275	50.00%	638	402			402
1,005	50.00%	503	50	49		99
11,603	30.91%	3,586	3,947			3,947
1,331	50.00%	666	45			45
9,164	50.00%	4,582	3,010			3,010
3,117	31.28%	975	3,371	4,692	(7,088)	975
69,676	20.00%	13,935	15,864			15,864
		31,644	42,274	4,741	(7,088)	39,927
38	9.54%	4	1			1
300 (a)	16.78%	50	61		(60)	1
667	7.88%	53	52			52
1,638	7.05%	115	101			101
		222	215	0	(60)	155
		693,920	682,195	34,127	(31,503)	684,819

Appendix B1: Main indirect subsidiary and associated companies at 31 December 2008

(€,000)				
Name	Head office		Share capital	Shareholders' equity
<i>Subsidiary companies:</i>				
ABS Finance Fund SICAV	Luxembourg	€	253,405	253,405
AME Publishing Ltd	New York	US\$,000	50	278
AME France SAS	Paris	€	489	96
Arnoldo Mondadori Deutschland GmbH (in liquidation)	Munich		25	91
Diana SAS	Issy Moulineaux		16,337	27,118
Editions Taitbout SA	Issy Moulineaux		3,049	48,470
Excelsior Publications SAS	Paris		1,717	58,046
Mondadori France SAS	Paris		50,000	240,045
Mondadori France Digital SAS	Issy Moulineaux		5,550	7,600
Mondadori Magazines France SAS	Issy Moulineaux		476,036	490,110
Rock FM Srl	Milan	€	10	10
Star Press Hollande B.V.	Amsterdam		-	362
Total				

Currency expressed in thousands

Associated companies:

<i>Companies belonging to Random House Mondadori Group:</i>				
	(a)			
Random House Mondadori SA (Colombia)	Bogotá	Colombian pesos	15,000	
Random House Mondadori SA de C.V. (Mexico)	Mexico D.F.	Pesos	86,988	
Editorial Sudamericana SA (Argentina)	Buenos Aires	Australes	8,367	
Random House Mondadori SA (Chile)	Santiago	Pesos	4,184,124	
Editorial Sudamericana Uruguay SA (Uruguay)	Montevideo	N.Pesos	9,893	
Random House Mondadori SA (Venezuela)	Caracas	Bolivares	3,533,787	
Market Self SA	Buenos Aires	Australes	30	
Random House Mondadori SA	Barcelona	€	6,825	
(Data referring to consolidated Financial Statements for Random House Group)	Barcelona	€	6,825	45,106

Profit (loss) for 2008	Total shareholders' equity	Share held by group	Attributable shareholders' equity in currency	Attributable shareholders' equity in euros (b)
-	253,405	91.47%	231,790	231,790
28	306	100.00%	306	220
19	115	100.00%	115	115
7	98	100.00%	98	98
2,619	29,737	100.00%	29,737	29,737
7,701	56,171	100.00%	56,171	56,171
2,915	60,961	100.00%	60,961	60,961
(8,433)	231,612	100.00%	231,612	231,612
(5,608)	1,992	100.00%	1,992	1,992
10,453	500,563	100.00%	500,563	500,563
319	329	100.00%	329	329
(51)	311	100.00%	311	311
				1,113,899

50.00%
50.00%
50.00%
50.00%
50.00%
50.00%
25.00%
50.00%

11,637	56,743	50.00%	28,371	28,371
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(follows)

Appendix B1: Main indirect subsidiary and associated companies at 31 December 2008

(follow)

Figures in currency (,000)

Name	Head office		Share capital	Shareholders' equity
<i>Companies belonging to Attica Group:</i>				
Argos SA	Athens	€	2,910	
Attica Publications SA	Athens	€	4,590	
Alpha Records SA	Athens	€	390	
Attica Media Bulgaria Ltd	Sofia	Lev	155	
Attica Media Serbia Ltd	Belgrade	€	1,409	
Attica-Imako Media Ltd	Bucharest	Ron	700	
Balcan Publications Investment Ltd	Cyprus	Cyprus Pounds	1	
City Serves SA (in liquidation)	Athens	€	4,338	
Civico Ltd	Cyprus	US\$	2	
E-One SA (in liquidation)	Athens	€	339	
Emphasis Publications SA	Athens		800	
Ennalaktikes Publications SA (in liquidation)	Athens		487	
G. Dragounis Publications SA	Athens		949	
International Radio Networks Holdings SA	Luxembourg		750	
International Radio Networks SA	Athens		380	
Ionikes Publishing SA	Athens		780	
Map Media SA	Budapest	Huf	60,000	
Attica Media Romania Ltd (formerly PBR Publication Ltd)	Bucharest	Ron	1	
Tilerama SA	Athens	€	1,467	
Tiletheatis SA	Athens		1,134	
(Data from consolidated Financial Statements for Attica)	Athens	€	4,590	8,519
Agenzia Lombarda Distribuzione Giornali e Riviste Srl	Milan	€	400	412
Artes Graficas Toledo SA	Toledo	€	5,409	4,082
Campania Arte Scarl	Rome		100	100
Consorzio Covar	Rome		15	10
Consorzio Editoriale Fridericiana	Naples		12	42
Consorzio Forma	Pisa		4	3
Edizioni EL Srl	Trieste		620	4,280
Edizioni Electa Bruno Mondadori Srl	Milan		10	12
EMAS "Editions Mondadori Axel Springer" Snc	Issy Molineaux		152	1,088
Mondadori Independent Media LLC	Moscow	Rubles	7,072	7,460
Mondadori Seec (Beijing) Advertising Co. Ltd	Peking	Yuan renminbi	20,000	20,000
Nuovamusa Gelmar Biblioteca Nazionale Soc.Cons. a r.l.	Rome	€	10	11
Nuovamusa Val di Mazara Soc.Cons. a r.l.	Messina		90	83
Nuovamusa Val di Noto Soc.Cons. a r.l.	Messina		90	90
Nuovamusa Valdemone Soc.Cons. a r.l.	Messina		90	107
Roccella Soc.Cons. a r.l.	Naples		100	55
Selcon Srl	Milan		21	21
Top Sante VOF	Holland		91	411
Venezia Accademia Società per i Servizi Museali Scarl	Mestre (VE)		10	10
Venezia Musei Società per i Servizi Museali Scarl	Venice		10	17

Total

(a) see also appendix A - Table of investments

(b) exchange rate

US\$ Euros 1.392

CNY Euros 9.6364

RUB Euros 41.283

Profit (loss) for 2008	Total shareholders' equity	Share held by group	Attributable shareholders' equity in currency	Attributable shareholders' equity in euros (b)
		2.70%		
		41.98%		
		20.99%		
		28.89%		
		37.78%		
		20.99%		
		41.98%		
		9.44%		
		41.98%		
		10.49%		
		34.10%		
		20.57%		
		39.91%		
		41.98%		
		41.85%		
		27.91%		
		20.99%		
		41.98%		
		20.99%		
		30.08%		
1,406	9,925	41.99%	4,168	4,168
(230)	182	50.00%	91	91
(1,469)	2,613	20.00%	523	523
	100	22.00%	22	22
	10	25.00%	3	3
	42	33.33%	14	14
	3	25.00%	1	1
1,330	5,610	50.00%	2,805	2,805
745	757	50.00%	379	379
9,742	10,830	50.00%	5,415	5,415
(132,560)	(125,100)	50.00%	(62,550)	(1,515)
	20,000	50.00%	10,000	1,038
	11	20.00%	2	2
	83	20.00%	17	17
	90	20.00%	18	18
	107	20.00%	21	21
	55	49.50%	27	27
	21	25.60%	5	5
-136	275	50.00%	138	138
	10	25.00%	3	3
1	18	34.00%	6	6
				41,552

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

Arnoldo Mondadori Editore SpA

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

Name	Share capital	Total share % held	Direct/indirect holding
ACI-Mondadori SpA (Italy)	€ 590,290	50%	direct
Agenzia Lombarda Distribuzione Giornali e Riviste Srl (Italy)	€ 400,000	50%	indirect
Aranova Freedom Soc.Cons. a rl (Italy)	€ 19,200	16.67%	indirect
Campania Arte Scarl (Italy)	€ 100,000	22%	indirect
Cemit Interactive Media SpA (Italy)	€ 3,835,000	100%	direct
Editrice Portoria SpA in liquidation (Italy)	€ 364,000	16.786%	direct
Edizioni EL Srl (Italy)	€ 620,000	50%	indirect
Edizioni Electa Bruno Mondadori Srl (Italy)	€ 10,400	50%	indirect
Edizioni Piemme SpA (Italy)	€ 566,661	90%	direct
Fied SpA (Italy)	€ 416,000	100%	direct
Giulio Einaudi Editore SpA (Italy)	€ 23,920,000	100%	direct
Gruner + Jahr/Mondadori SpA (Italy)	€ 2,600,000	50%	direct
Harlequin Mondadori SpA (Italy)	€ 258,250	50%	direct
Hearst Mondadori Editoriale Srl (Italy)	€ 99,600	50%	direct
Mach 2 Libri SpA (Italy)	€ 646,250	34.91%	direct
Mondadori Education SpA (formerly Edmond Le Monnier SpA) (Italy)	€ 10,608,000	100%	direct
Mondadori Electa SpA (Italy)	€ 1,593,735	100%	direct
Mondadori Franchising SpA (Italy)	€ 1,954,000	100%	direct
Mondadori Iniziative Editoriali SpA (formerly Officina Mondadori SpA) (Italy)	€ 500,000	100%	direct
Mondadori Printing SpA (Italy)	€ 45,396,000	20%	direct
Mondadori Pubblicità SpA (Italy)	€ 3,120,000	100%	direct
Mondadori Retail SpA (Italy)	€ 2,700,000	100%	direct
Mondadori-Rodale Srl (Italy)	€ 90,000	50%	direct
Mondolibri SpA (Italy)	€ 1,040,000	50%	direct
Monradio Srl (Italy)	€ 3,030,000	100%	direct
Novamusa Gelmar Biblioteca Nazionale Scarl (Italy)	€ 10,000	20%	indirect
Novamusa Val di Mazara Scarl (Italy)	€ 90,000	20%	indirect
Novamusa Valdemone Scarl (Italy)	€ 90,000	20%	indirect
Novamusa Valdinoto Scarl (Italy)	€ 90,000	20%	indirect
Press-Di Distribuzione Stampa e Multimedia Srl (Italy)	€ 1,095,000	100%	direct
Roccella Scarl (Italy)	€ 100,000	49.5%	indirect
Rock FM Srl (Italy)	€ 10,000	100%	indirect
Società Europea di Edizioni SpA (Italy)	€ 2,775,601.92	39.27%	direct
Sperling & Kupfer Editori SpA (Italy)	€ 1,555,800	100%	direct
Venice Accademia Società Consortile a rl (in liquidation) (Italy)	€ 15,000	26%	indirect
Venice Accademia Società per i servizi museali Scarl (Italy)	€ 10,000	25%	indirect
Venice Musei Società per i servizi museali Scarl (Italy)	€ 10,000	34%	indirect

at 31/12/2008

Shareholder	% held	Head office	Tax code	Establishment date
Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13277400159	17/11/2000
Press-Di Distribuzione Stampa e Multimedia Srl	50%	Milan - via Senato 18	10463540152	02/10/1991
Monradio Srl	16.67%	Bologna - via Guinizzelli 3	02532501208	24/01/2005
Mondadori Electa SpA	22%	Rome - Via Tunisi 4	09086401008	18/07/2006
Arnoldo Mondadori Editore SpA	100%	San Mauro Torinese (TO) - via Toscana 9	04742700018	13/12/1984
Arnoldo Mondadori Editore SpA	16.786%	Milan - via Chiossetto 1	02305160158	26/03/1975
Giulio Einaudi Editore SpA	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Mondadori Education SpA	50%	Milan - via Trentacoste 7	06976090156	05/05/1983
Arnoldo Mondadori Editore SpA	90%	Milan - via Bianca di Savoia 12	00798930053	29/09/1982
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	04591640158	26/10/1979
Arnoldo Mondadori Editore SpA	100%	Torino - via U. Biancamano 2	08367150151	03/06/1986
Arnoldo Mondadori Editore SpA	50%	Milan - corso Monforte 54	09440000157	10/09/1988
Arnoldo Mondadori Editore SpA	50%	Milan - via Marco D'Aviano 2	05946780151	15/10/1980
Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	12980290154	17/12/1999
Arnoldo Mondadori Editore SpA	30.91%	Peschiera Borromeo (MI) - via Galileo Galilei 1	03782990158	06/05/1983
Sperling & Kupfer Ed. SpA	4.00%			
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03261490969	01/10/2001
Arnoldo Mondadori Editore SpA	100%	Milan - via Trentacoste 7	01829090123	23/02/1989
Arnoldo Mondadori Editore SpA	100%	Verucchio (RN) - Fraz. di Villa Verucchio - via Statale Marecchia 51-51/a	08853520156	28/05/1987
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03619240967	08/07/2002
Arnoldo Mondadori Editore SpA	20%	Cisano Bergamasco (BG) - Via Luigi e Pietro Pozzoni 11	12319410150	28/11/1997
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	08696660151	12/02/1987
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00212560239	19/11/1946
Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13066890156	25/02/2000
Arnoldo Mondadori Editore SpA	50%	Milan - via Lampedusa 13	12853650153	25/06/1999
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	04571350968	15/10/2004
Mondadori Electa SpA	20%	Rome - Via Ennio Quirino Visconti 8	06573391007	09/04/2001
Mondadori Electa SpA	20%	Messina - via Acireale Z.I.R.	02812180830	20/04/2005
Mondadori Electa SpA	20%	Messina - via Acireale Z.I.R.	02704680830	16/04/2003
Mondadori Electa SpA	20%	Messina - via Acireale Z.I.R.	02704670831	16/04/2003
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03864370964	19/02/2003
Mondadori Electa SpA	49.5%	Naples - via Giovanni Capurro 1	05053571211	21/03/2005
Monradio Srl	90%	Milan - via Locatelli 1	04654080961	30/12/2004
Arnoldo Mondadori Editore SpA	10%			
Arnoldo Mondadori Editore SpA	31.28%	Milan - via G. Negri 4	01790590150	27/02/1974
Fied SpA	7.99%			
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00802780155	03/11/1927
Mondadori Electa SpA	26%	Venice - via L. Einaudi 74	03377400274	21/03/2002
Mondadori Electa SpA	25%	Venice - via L. Einaudi 74	03808820272	11/01/2008
Mondadori Electa SpA	34%	Venice - via L. Einaudi 74	03534350271	22/04/2004

(follows)

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

(follow)

Name		Share capital	Total share % held	Direct/ indirect holding
ABS Finance Fund SICAV (Luxembourg)	€	253,404,695.30	91.466%	indirect
AME Publishing Ltd (USA)	USD	50,000	100%	indirect
AME France SAS (formerly AME Service SAS) (France)	€	489,140	100%	indirect
Arnoldo Mondadori Deutschland GmbH (in liquidation) (Germany)	€	25,564.59	100%	indirect
Arnoweb SA (Luxembourg)	€	36,256,900	100%	direct
Attica Publications SA (Greece)	€	4,590,000	41.987%	indirect
Diana SAS (France)	€	16,336,680	100%	indirect
Editions Mondadori Axel Springer SNC (France)	€	152,500	50%	indirect
Editions Taitbout SA (France)	€	3,048,980	99.997%	indirect
Excelsior Publications SAS (France)	€	1,717,360	100%	indirect
Mondadori Belgium SA (in liquidation) (Belgium)	€	62,000	99.984%	direct
Mondadori France Digital SAS (France)	€	5,500,000	100%	indirect
Mondadori France SAS (France) (formerly AME France Sarl)	€	50,000,000.00	100%	indirect
Mondadori Independent Media LLC (Russia)	RUB	7,072,000.00	50%	indirect
Mondadori International SA (Luxembourg)	€	393,625,900	100%	direct
Mondadori Magazines France SAS (France)	€	476,035,510	100%	indirect
Mondadori Seec (Beijing) Advertising Co. Ltd	CNY	20,000,000.00	50%	indirect
Prisco Spain SA (Spain)	€	60,101.30	100%	direct
Random House Mondadori SA (Spain)	€	6,824,600.63	50%	indirect direct
Star Presse Hollande BV (Holland)	€	18,151.21	100%	indirect
Top Sante VOF (Holland)	€	91,000	50%	indirect

at 31/12/2008

Shareholder	% held	Head office	Tax code	Establishment date
Mondadori International SA	91.466%	Luxembourg - 19-21 Boulevard du Prince Henri		03/02/1999
Mondadori International SA	100%	U.S.A. - New York N.Y. - 740 Broadway		01/02/1982
Mondadori France SAS	100%	France - Paris - 9-11, avenue Franklin D. Roosevelt		29/06/2006
Mondadori International SA	100%	Germany - Monaco - Tal 21		14/05/1970
Arnoldo Mondadori Editore SpA	100%	Luxembourg - 25C, Boulevard Royal		16/12/1999
Mondadori International SA	41.987%	Greece - Atene - Maroussi, 40 Kifissias Avenue		01/08/1994
Mondadori France SAS	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		12/01/1990
Mondadori France SAS	50%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		09/12/1999
Mondadori France SAS	99.997%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		31/01/1989
Mondadori France SAS	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		05/01/1932
Arnoldo Mondadori Editore SpA	99.984%	Belgium - Bruxelles - Avenue Louise 109		22/03/2001
Mondadori France SAS	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		08/11/2000
Mondadori International SA	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		26/06/2004
Arnoweb	50%	Russia - Moscow - 3, Bldg. 1, Polkovaya Str.		26/12/2007
Arnoldo Mondadori Editore SpA	100%	Luxembourg - 25C, Boulevard Royal		18/09/1970
Mondadori France SAS	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		30/03/2004
Mondadori Pubblicità SpA	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		26/09/2008
Arnoldo Mondadori Editore SpA	100%	Spain - Barcelona, Calle Travessera de Gracia 47/49		06/12/1988
Arnoweb SA	33.99%	Spain - Barcelona, Calle Travessera de Gracia 47/49		05/08/1959
Arnoldo Mondadori Editore SpA	6.01%			
Prisco Spain SA	10.00%			
Mondadori France SAS	100%	Holland - Amsterdam - Rokin 55		28/09/1994
Star Presse Hollande BV	50%	Holland - Hoofdoorp - Cappellalaan 65		10/05/1994

Appendix C1: Receivables from subsidiary and associated companies at 31 December 2008

(€,000)	31/12/2008	31/12/2007
Current accounts and financial receivables:		
<i>Subsidiary companies:</i>		
Arnoweb SA	753	2,532
Edizioni Frassinelli Srl	-	1,606
Mondadori Electa SpA	7,471	1,579
Mondadori Franchising SpA	964	-
Mondadori International SA	6	6
Mondadori Retail SpA	24,000	24,000
Monradio Srl	67,065	52,265
Mondadori Iniziative Editoriali SpA	-	1,741
Sperling & Kupfer Editori SpA	5,420	2,907
<i>Associated companies:</i>		
Gruner + Jahr/Mondadori SpA	1,098	1,809
Harlequin Mondadori SpA	174	168
Hearst Mondadori Editoriale Srl	303	-
Mach 2 Libri SpA	4	-
Mondadori Rodale Srl	661	2,407
Rock FM srl	-	3,474
Other companies for amounts lower than €52 thousand (*)	-	-
Total	107,919	94,494
As a proportion of the item in the financial statements	99.1%	91.5%

(*) Amounts for the previous year also include receivables from companies who left the Group during 2008.

(€,'000)

31/12/2008

31/12/2007

Trade relations:

Subsidiary companies:

Cemit Interactive Media SpA	441	467
Edizioni Piemme SpA	1,288	1,691
Mondadori Education SpA (formerly Edumond Le Monnier SpA)	462	605
Excelsior Publications Sas	5	
Giulio Einaudi Editore SpA	2,504	2,690
Mondadori Electa SpA	826	945
Mondadori France Sas	6	-
Mondadori France Digital Sas	1	
Mondadori Magazines France Sas	1,413	888
Mondadori Franchising SpA	8,959	7,443
Mondadori International SA	190	-
Mondadori Printing SpA (see Associated Companies)	-	991
Mondadori Pubblicità SpA	88,562	99,400
Mondadori Retail SpA	2,355	4,202
Monradio Srl	716	687
Mondadori Iniziative Editoriali SpA	152	68
Press-Di Distribuzione Stampa e Multimedia Srl	7,153	5,720
Sperling & Kupfer Editori SpA	992	1,623

Associated companies:

ACI-Mondadori SpA	366	386
Agenzia Lombarda Distrib. Giornali e Riviste Srl	-	3
Attica Media Bulgaria Ltd	40	36
Attica Media Serbia Ltd	119	50
Attica Publications SA	148	57
Dragounis Publications SA	1	2
Edizioni EL Srl	314	293
Gruner + Jahr/Mondadori SpA	51	327
Grupo Random House Mondadori S.L.	-	-
Harlequin Mondadori SpA	391	1,306
Hearst Mondadori Editoriale Srl	390	461
Mach 2 Libri SpA	17,363	19,956
Mondadori Printing SpA (for 2007 see under Subsidiaries)	1,089	-
Mondadori Rodale Srl	743	728
Mondolibri SpA	1,880	2,076
Random House Mondadori SA	161	81
Rock FM Srl	-	9
Società Europea di Edizioni SpA	118	166

Parent companies:

Fininvest SpA	7	3
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Affiliated companies:

RTI SpA	352	267
Publitalia '80 SpA	206	212

Other companies for amounts lower than €52 thousand (*)	35	63
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Total	139,799	153,902
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As a proportion of the item in the financial statements	62.3%	63.8%
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Appendix C2: Intragroup economic relations 2008

(€,000)

Related parties	Revenues from sales and services	Other income	Income from investments	Investments income	Total
<i>Parent companies</i>					
Fininvest SpA	10				10
<i>Subsidiary companies:</i>					
Arnoweb SA			180		180
Cemit Interactive Media SpA	939	236		2,729	3,904
Edizioni Piemme SpA	3,347	193	1	6,850	10,391
Mondadori Education SpA (formerly Edumond Le Monnier SpA)	1,398	373	80	10,404	12,255
Fied SpA					0
Giulio Einaudi Editore SpA	4,442	150		5,980	10,572
Mondadori Electa SpA	1,981	795	328	2,758	5,862
Mondadori France Digital Sas					0
Mondadori France Sas			6		6
Mondadori Franchising SpA	20,255	616	69	3,615	24,555
Mondadori International SpA		13	178		191
Mondadori Iniziative Editoriali SpA	522	90	33		645
Mondadori Magazine France Sas					0
Mondadori Printing SpA	1,597	302	397	4,124	6,420
Mondadori Pubblicita' SpA	201,794	6,891	372	1,620	210,677
Mondadori Retail SpA	10,802	329	844		11,975
Press-Di Distribuzione Stampa e Multimedia Srl	354,519	2,108		3,354	359,981
Rock FM Srl	6		98		104
Monradio Srl	280	1,372	3,042		4,694
Sperling & Kupfer Editori SpA	2,318	484	232		3,034
Total	604,200	13,952	5,860	41,434	665,446
<i>Associated companies:</i>					
ACI-Mondadori SpA	934	240		502	1,676
Agenzia Lombarda Distrib.Giornali e Riviste Srl		3			3
Attica Media Bulgaria Ltd					0
Attica Media Serbia Ltd	58	8			66
Attica Media Publications SA	147				147
Edizioni EL Srl	671	3			674
Gruner + Jahr/Mondadori SpA	31	62		3,159	3,252
G. Dragounis Publications SA					0
Harlequin Mondadori SpA	26	115		250	391
Hearst Mondadori Editore Srl	1,001	309	2	464	1,776
Mach 2 Libri SpA	33,803	12		525	34,340
Mondadori Rodale Srl	2,105	469	12	720	3,306
Mondadori Printing SpA	534	267	138		939
Mondolibri SpA	5,990	545		4,435	10,970
Random House Mondadori SA	28				28
Società Europea di Edizioni SpA	169	3			172
Total	45,497	2,036	152	10,055	57,740

(€,'000)

Related parties	Revenues from sales and services	Other income	Income from investment	Investments income	Total
<i>Fininvest Group companies:</i>					
A.C. Milan SpA					0
Alba Servizi Aerotrasporti SpA					0
Banca Mediolanum SpA	1				1
Consorzio Campus Multimedia					0
Elettronica industriale SpA	5				5
Fininvest Gestione Servizi SpA	16				16
Il Teatro Manzoni SpA	2				2
Mediaset SpA	2				2
Media Shopping SpA					0
Mediolanum SpA					0
Medusa Cinema SpA					0
Medusa Film SpA	6				6
Medusa Video SpA					0
Medusa MultiCinema SpA					0
Publitalia '80 SpA	252				252
RTI Reti Televisive Italiane SpA	953				953
Videotime SpA	11	7			18
Total	1,248	7	0	0	1,255
Grand total	650,955	15,995	6,012	51,489	724,451
As a proportion of the item in the financial statements	75.24%	60.13%	50.24%	100%	68.65%

Appendix D1: Payables to parent, subsidiary and associated companies at 31 December 2008

(€,000)

31/12/2008

31/12/2007

Current accounts and financial payables:

Subsidiary companies:

Cemit Interactive Media SpA	12,405	13,973
Edizioni Piemme SpA	6,248	7,076
Mondadori Education SpA (formerly Edumond Le Monnier SpA)	38,509	38,847
Fied SpA	165	843
Giulio Einaudi Editore SpA	16,409	15,174
Mondadori Electa SpA	-	1,188
Mondadori Franchising SpA	-	390
Mondadori France SAS	24,400	-
Mondadori International SA	289,762	242,022
Mondadori Iniziative Editoriali SpA	738	-
Mondadori Pubblicità SpA	1,002	13,781
Mondadori Printing SpA	-	38,567
Mondadori Retail SpA	3,543	11,291
Press-Di Distribuzione Stampa e Multimedia Srl	46,672	48,990
Rock FM srl	44	-

Associated companies:

ACI-Mondadori SpA	2,793	3,187
Gruner + Jahr/Mondadori SpA	211	706
Harlequin Mondadori SpA	4,794	5,445
Hearst Mondadori Editoriale Srl	-	170
Società Europea di Edizioni SpA	2,503	-
Mondadori Rodale Srl	-	948

Other companies for amounts lower than €52 thousand (*)	-	9
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Total	450,198	442,598
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Percentage of financial statements	73.5%	70.2%
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(*) Amounts for the previous year also include payables to companies who left the group during 2008

(€,'000)

31/12/2008

31/12/2007

Trade relations:*Subsidiary companies:*

Ame France SAS	8	79
Ame Publishing Ltd	387	276
Cemit Interactive Media SpA	99	191
Edizioni Piemme SpA	13,337	16,315
Mondadori Education SpA (formerly Edumond Le Monnier SpA)	289	150
Giulio Einaudi Editore SpA	15,317	15,007
Mondadori Electa SpA	3,820	5,577
Mondadori France Sas	185	-
Mondadori Franchising SpA	0	22
Mondadori Magazines France Sas	55	106
Mondadori Printing SpA (see Associated Companies)	-	49,996
Mondadori Pubblicità SpA	2,469	1,835
Mondadori Retail SpA	87	155
Mondadori Iniziative Editoriali SpA	175	3
Monradio Srl	30	34
Press-Di Distribuzione Stampa e Multimedia Srl	6,069	4,747
Sperling & Kupfer Editori SpA	3,175	5,255
Artes Graficas Toledo SA (see Associated Companies)	-	592

Associated companies:

Artes Graficas Toledo SA (for 2007 see under Subsidiaries)	707	-
Attica Media Bulgaria Ltd	2	-
Attica Media Serbia Ltd	4	-
Edizioni EL Srl	4,167	3,660
Gruner + Jahr/Mondadori SpA	16	15
Hearst Mondadori Editoriale SpA	7	5
Mach 2 Libri SpA	-	60
Mondadori Printing SpA (for 2007 see under Subsidiaries)	46,842	-
Mondadori Rodale Srl	10	17
Mondolibri SpA	118	271
Random House Mondadori SA (Spain)	19	53
Random House Mondadori SA de CV (Mexico)	8	6
Società Europea di Edizioni SpA	-	13

Parent companies:

Fininvest SpA	7	7
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Affiliated companies:

RTI SpA	48	17
Publitalia '80 SpA	655	483
Medusa Video Srl	116	117
Other companies for amounts lower than €52 thousand (*)	113	60

Total	98,333	105,045
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Percentage of financial statements	60.5%	57.0%
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Income tax payables*Parent companies:*

Fininvest SpA	14,587	29,514
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Total	14,587	29,514
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Appendix D2: Intragroup economic relations in 2008

(€,000)

Related parties	Raw materials and consumable	Services	Other expense	Financial expense	Expense from investments	Total
<i>Parent companies:</i>						
Fininvest SpA		10				10
<i>Subsidiary companies:</i>						
Ame Publishing Ltd	4	2,143	467			2,614
Arnoldo Mondadori Deutschland GmbH		5				5
Cemite Interactive Media SpA		758		456		1,214
Edizioni Piemme SpA	46,399	39	14	308		46,760
Mondadori Education SpA (formerly Edumond Le Monnier SpA)	430	59	509	715		1,713
Fied SpA				14		14
Giulio Einaudi Editore SpA	40,471	79		476		41,026
Mondadori Electa SpA	12,205	1,495	130	4		13,834
Mondadori France Sas				185		185
Mondadori Franchising SpA				57		57
Mondadori Iniziative Editoriali SpA	9,834			9		9,843
Mondadori International SA		185		16,437		16,622
Mondadori Printing SpA	301	145,165	134	866		146,466
Mondadori Pubblicità SpA	1,366	3,016	1,743	70		6,195
Mondadori Retail SpA	32	132	74	55		293
Press-Di Distribuzione Stampa e Multimedia Srl	5	33,058	608	2,030		35,701
Monradio Srl		49				49
Sperling & Kupfer Editori SpA	19,499	606	94			20,199
Total	130,546	186,789	3,773	21,682	0	342,790
<i>Associated companies:</i>						
ACI-Mondadori SpA				107		107
Artes Graficas Toledo SA		1,617				1,617
Attica Media Srb d.o.o.		8				8
Edizioni EL Srl	6,129					6,129
Gruner + Jahr/Mondadori SpA		14		122		136
Harlequin Mondadori SpA	10,241			201		10,442
Hearst Mondadori Editoriale Srl		32	20	32		84
Mach 2 Libri SpA		43				43
Mondadori Rodale Srl		56		35		91
Mondadori Printing SpA	118	25,010	35	17		25,180
Mondolibri SpA		255	36			291
Random House Mondadori SA		48				48
Società Europea di Edizioni SpA		10	5			15
Total	16,488	27,093	96	514	0	44,191

(€,'000)						
Related parties	Raw materials and consumable	Services	Other expense	Financial expense	Expense from investments	Total
<i>Fininvest Group companies:</i>						
A.C. Milan SpA			10			10
Alba Servizi Aerotrasporti SpA			186			186
Consorzio Campus Multimedia						0
Digitalia '08 Srl		73				73
Il Teatro Manzoni SpA		26				26
Fininvest gestione Servizi SpA			21			21
Medusa Film SpA		22				22
Medusa Video SpA		150				150
Promoservice Italia Srl						0
Publitalia '80 SpA		11,592				11,592
Radio e Reti Srl		36				36
RTI Reti Televisive Italiane SpA		35				35
Total	0	11,934	217	0	0	12,151
Grand total	147,034	225,826	4,086	22,196	0	399,142
Percentage of financial statements	81.63%	50.68%	12.28%	61.47%	0.00%	51.23%

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

(€,'000)

	Arnoweb	Fied	Mondadori International	Monradio	Mondadori Iniziativa Edit.
Year ended	31/12/2008	31/12/2008	31/12/2008	31/12/2008	31/12/2008
Balance sheet					
Assets					
Intangible assets	0	0	1,001	82,212	332
Tangible fixed assets	0	0	50	8,499	0
Financial assets	32,077	249	331,298	398	0
Total assets	32,077	249	332,349	91,109	1
Inventories	0	0	0	0	206
Receivables from customers	0	0	0	5,641	0
Receivables from Group companies	0	166	596,384	20	914
Receivables from others	0	6	913	8,089	2,667
Financial activities (not non-current)	1,583	0	220,009	0	0
Cash and cash equivalents	100	688	36,777	0	0
Total current assets	1,683	860	854,083	13,750	3,787
Prepayments and accrued income	0	0	41	105	4
Total assets	33,760	1,109	1,186,473	104,964	3,792
Liabilities and shareholders' equity					
Share capital	36,257	416	393,626	3,030	500
Reserves	(3,340)	1,817	51,915	39,153	16
Shareholder contributions	0	0	0	0	548
Profit (loss) for the year	62	(1,772)	(11,459)	(12,029)	1,783
Total shareholders' equity	32,979	461	434,082	30,154	2,847
Provisions for risks and charges	18	0	220	1,719	50
Employees' leaving entitlement	0	0	0	278	0
Payables due to banks	0	639	750,482	0	0
Trade payables	0	0	0	3,442	640
Payables due to Group companies	0	0	0	67,781	152
Other payables	763	9	1,689	1,498	103
Accrued liabilities and deferred income	0	0	0	92	0
Total liabilities and shareholders' equity	33,760	1,109	1,186,473	104,964	3,792

(€,'000)

	Arnoweb	Fied	Mondadori International	Monradio	Mondadori Iniziativa Edit.
Year ended	31/12/2008	31/12/2008	31/12/2008	31/12/2008	31/12/2008
Income statement					
Revenues from sales	0	0	0	14,797	9,623
Changes in finished goods inventories	0	0	0	0	(1,019)
Other revenues	0	7	2,507	4,651	9
Total value of production	0	7	2,507	19,448	8,613
Purchases and services	58	21	966	15,565	6,732
Personnel	0	0	0	1,871	0
Depreciation, amortisation and writedowns	0	0	242	14,378	0
Changes in inventory of raw materials	0	0	0	0	0
Accruals and charges to provisions	0	0	0	288	0
Other operating expense	0	0	0	964	5
Total cost of production	58	21	1,208	33,066	6,737
Income from investments	0	(1,772)	3,234	0	0
Financial income (expense)	120	14	(2,895)	(3,039)	(24)
Total financial income (expense)	120	(1,758)	339	(3,039)	(24)
Revaluations (writedowns)	0	0	(12,929)	0	0
Extraordinary income (expense)	0	0	0	0	1
Profit before tax	62	(1,772)	(11,291)	(16,657)	1,853
Income tax	0	0	168	(4,628)	70
Profit (loss) for the year	62	(1,772)	(11,459)	(12,029)	1,783

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

(€,000)

	Cemit Interactive Media	Edizioni Piemme	Mondadori Education SpA	Giulio Einaudi Editore
Year ended	31/12/2008	31/12/2008	31/12/2008	31/12/2008
Balance sheet				
Assets				
Intangible assets	0	566	23,739	84
Investment property	0	0	0	0
Property, plant and equipment	257	963	7,041	380
Investments	0	0	230	2,805
Non-current financial assets	0	0	0	0
Deferred tax assets	29	1,877	2,464	3,940
Other non-current assets	15	8	0	0
Total non-current assets	301	3,414	33,474	7,209
Tax receivables	103	4,810	230	163
Other current assets	67	2,740	895	8,364
Inventories	187	5,283	10,348	5,250
Trade receivables	7,261	14,350	9,588	28,097
Securities and other current financial assets	12,405	6,248	38,510	16,422
Cash and cash equivalents	34	11	196	70
Total current assets	20,057	33,442	59,767	58,366
Assets held for sale	0	0	0	0
Total assets	20,358	36,856	93,241	65,575
Liabilities and shareholders' equity				
Share capital	3,835	567	10,608	23,920
Reserves	3,622	11,374	28,220	8,286
Profit (loss) for the year	2,558	7,305	11,989	7,730
Total shareholders' equity	10,015	19,246	50,817	39,936
Provisions	50	735	2,490	1,612
Employees' leaving entitlement	1,455	832	5,658	3,292
Non-current financial liabilities	0	0	0	0
Deferred tax liabilities	599	427	4,067	68
Other non-current liabilities	0	0	0	0
Total non-current liabilities	2,104	1,994	12,215	4,972
Income tax payables	887	0	3,794	2,989
Other current liabilities	1,368	8,607	18,897	11,688
Trade payables	5,983	6,994	7,455	5,988
Debts due to banks and other				
Financial liabilities	1	15	63	2
Total current liabilities	8,239	15,616	30,209	20,667
Liabilities held for sale	0	0	0	0
Total liabilities and shareholders' equity	20,358	36,856	93,241	65,575

Mondadori Electa	Mondadori Franchising	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Retail	Prisco Spain	Sperling & Kupfer Editori
31/12/2008	31/12/2008	31/12/2008	31/12/2008	31/12/2008	31/12/2008	31/12/2008
800	40	0	846	22,656	0	73
0	0	0	0	0	0	0
717	1,931	423	91	13,639	0	86
143	0	1,001	267	0	19	26
0	0	0	0	0	0	0
877	461	919	454	2,100	0	851
31	83	0	30	334	0	12
2,568	2,515	2,343	1,688	38,729	19	1,048
660	0	202	86	18	1	253
1,493	134	233	9,434	424	0	5,854
12,883	24,948	0	220	22,730	0	4,153
20,664	13,966	145,409	35,901	3,351	0	3,540
1,171	0	1,003	46,672	16,403	0	0
14	3	3	480	824	26	28
36,885	39,051	146,850	92,793	43,750	27	13,828
0	0	0	0	0	0	0
39,453	41,566	149,193	94,481	82,479	46	14,876
1,594	1,954	3,120	1,095	2,700	60	1,556
5,024	3,855	1,997	586	12,117	(11)	925
1,284	5,095	830	4,482	(3,553)	(3)	(471)
7,902	10,904	5,947	6,163	11,264	46	2,010
901	32	1,784	0	3,092	0	0
1,129	492	4,881	2,517	2,776	0	711
0	247	0	0	0	0	0
78	58	136	87	564	0	55
0	41	0	0	0	0	0
2,108	870	6,801	2,604	6,432	0	766
0	136	489	1,631	4,753	0	0
4,487	839	9,295	36,892	3,460	0	3,178
15,994	27,811	126,573	47,187	32,570	0	3,450
8,962	1,006	88	4	24,000	0	5,472
29,443	29,792	136,445	85,714	64,783	0	12,100
0	0	0	0	0	0	0
39,453	41,566	149,193	94,481	82,479	46	14,876

(follows)

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

(follows)

(€,000)

	Cemit Interactive Media	Edizioni Piemme	Mondadori Education SpA	Giulio Einaudi Editore
Year ended	31/12/2008	31/12/2008	31/12/2008	31/12/2008
Income statement				
Revenues from sales and services	22,274	48,856	86,700	51,729
Decrease (increase) in inventories	52	(315)	153	321
Purchase of raw materials and consumables	5,701	690	11,453	1,552
Purchase of services	9,315	32,839	47,641	31,880
Personnel costs	5,071	3,819	10,180	6,566
Other (income) expense	(1,455)	1,019	(373)	853
Result of investments using the equity method	0	0	0	(782)
Gross operating profit	3,590	10,804	17,646	11,339
Depreciation of property, plant and equipment	153	199	508	132
Amortisation of intangible assets	0	45	29	23
Operating result	3,437	10,560	17,109	11,184
Financial income (expense)	403	302	523	1,059
Income (expense) from investments	0	0	235	0
Result before tax	3,840	10,862	17,867	12,243
Income tax	1,282	3,557	5,878	4,513
Net result	2,558	7,305	11,989	7,730

Mondadori Electa	Mondadori Franchising	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Retail	Prisco Spain	Sperling & Kupfer Editori
31/12/2008	31/12/2008	31/12/2008	31/12/2008	31/12/2008	31/12/2008	31/12/2008
48,795	68,221	331,044	61,564	128,019	0	21,310
(294)	(2,701)	0	269	4,848	0	626
3,673	54,255	0	2,314	84,309	0	100
32,930	5,897	311,823	54,229	11,484	0	18,153
5,741	2,924	13,350	6,393	15,326	0	2,305
3,429	(238)	3,191	(6,920)	7,651	3	420
0	0	0	160	0	0	0
3,316	8,084	2,680	5,119	4,401	(3)	(294)
384	516	271	43	3,198	0	48
88	33	0	196	2,413	0	15
2,844	7,535	2,409	4,880	(1,210)	(3)	(357)
(567)	(30)	(351)	1,776	(967)	0	(276)
(25)	0	0	0	0	0	68
2,252	7,505	2,058	6,656	(2,177)	(3)	(565)
968	2,410	1,228	2,174	1,376	0	(94)
1,284	5,095	830	4,482	(3,553)	(3)	(471)

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

(€,'000)	Rock FM srl (90% held by Monradio Srl and 10% by A. Mondadori Ed. SpA)	Mondadori France SaS (100% owned by Mondadori International SA)
Year ended	31/12/2008	31/12/2008
Balance sheet		
Assets		
Intangible assets		
Investment property	0	1
Property, plant and equipment	0	750,057
Investments	0	14
Non-current financial assets	0	0
Deferred tax assets	0	0
Other non-current assets	0	0
Total non-current assets	0	750,072
Tax receivables	0	0
Other current assets	0	69,941
Inventories	0	0
Trade receivables	449	4,063
Securities and other current financial assets	0	0
Cash and cash equivalents	10	0
Total current assets	459	74,004
Assets held for sale	0	0
Total assets	459	824,076
Liabilities and shareholders' equity		
Share capital	10	50,000
Reserves	0	190,045
Profit (loss) for the year	319	(8,433)
Total shareholders' equity	329	231,612
Provisions		372
Employees' leaving entitlement		
Non-current financial liabilities	0	0
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	0	372
Income tax payables		0
Other current liabilities	0	2,132
Trade payables	130	156
Payable to banks and other financial liabilities	0	589,804
Total current liabilities	130	592,092
Liabilities held for sale		
Total liabilities and shareholders' equity	459	824,076
(€,'000)		

	Rock FM srl (90% held by Monradio Srl and 10% by A. Mondadori Ed. SpA)	Mondadori France SaS (100% owned by Mondadori International SA)
Year ended	31/12/2008	31/12/2008

Income statement

Revenues from sales and services	59	3,945
Decrease (increase) in inventories	0	0
Purchase of raw materials and consumables	78	41
Purchase of services	392	894
Personnel costs	58	2,923
Other (income) expense	889	2,297
Gross operating profit	(1,358)	(2,210)
Depreciation of property, plant and equipment	152	0
Amortisation of intangible assets		
Operating result	(1,510)	(2,210)
Financial income (expense)	1,956	(13,288)
Income (expense) from investments	0	0
Result before tax	446	(15,498)
Income tax	127	(7,065)
Net result	319	(8,433)

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

(€,000)

Year ended	ACI Mondadori 31/12/2008	Ag. Lomb. Distr. Giorn. Riviste 31/12/2008	Edizioni Electa Bruno Mondadori 31/12/2008	Gruner + Jahr /Mondadori 31/12/2007
Balance sheet				
Assets				
Receivable from shareholders				
Intangible assets	12	25	0	285
Tangible fixed assets	12	66	0	185
Financial assets	1	0	0	179
Total assets	25	91	0	649
Inventories	281	1,570	98	987
Receivable from customers	2,890	931	0	14,489
Receivable from Group companies	2,793	0	0	0
Receivable from others	100	790	776	8,921
Financial assets (not non-current assets)	0	0	0	0
Cash and cash equivalents	600	1,563	108	3,306
Total current assets	6,664	4,854	982	27,703
Prepayments and accrued income	1	979	0	143
Total assets	6,690	5,924	982	28,495
Liabilities and shareholders' equity				
Share capital	590	400	10	2,600
Reserves	1,177	12	2	1,865
Shareholders' contributions	0	0		0
Profit (loss) for the year	88	(230)	745	6,339
Total shareholders' equity	1,855	182	757	10,804
Provisions for risks and charges	532	0	207	550
Employees' leaving entitlement	789	272	0	2,609
Payables due to banks	0	0	0	0
Trade payables	2,207	624	0	7,960
Payables due to Group companies	366	555	0	0
Other payables	797	256	18	5,118
Accrued liabilities and deferred income	144	4,035	0	1,454
Total liabilities and shareholders' equity	6,690	5,924	982	28,495

(*) Drawn up as per international accounting principles (IAS/IFRS)

Gruppo Random House Mondadori (consolidated financial statements)* 31/12/2008	Harlequin Mondadori 31/12/2008	Hearst Mondadori 31/12/2008	Mach 2 Libri 31/12/2008	Mondadori Rodale 31/12/2008	Mondolibri 31/12/2008	Mondadori Printing 31/12/2008	Società Europea di Edizioni 31/12/2008
5,712	35	0	829	8	2,411	526	3,142
4,864	58	8	510	14	987	158,870	1,273
9,762	43	0	250	0	188	9,464	438
20,338	136	8	1,589	22	3,586	168,860	16,904
24,955	239	282	12,591	935	7,060	17,396	1,401
56,691	3,232	3,491	44,125	5,174	10,679	100,953	30,470
0	0	7	771	10	146		949
25,686	290	490	9,059	713	10,211	1,275	812
50	424	0	0	0	0	315	
14,175	862	92	431	183	5,094	3,913	296
121,557	5,047	4,362	66,977	7,015	33,190	123,852	33,928
123	389	0	319	1	157		1,767
142,018	5,572	4,370	68,885	7,038	36,933	292,712	55,741
6,825	258	100	646	90	1,040	45,396	2,776
38,281	235	59	9,403	20	3,376	33,985	23,000
0	0	97	0	224	3,615		
11,637	782	749	1,554	997	1,133	(9,705)	(22,659)
56,743	1,275	1,005	11,603	1,331	9,164	69,676	3,117
0	0	339	1,477	273	147	100	2,100
0	583	448	1,431	879	4,501	25,714	5,697
2,031	0	0	2,037	0	0	64,368	13,401
55,053	3,009	1,049	28,980	1,904	15,751	107,259	25,637
0	0	829	21,367	1,558	1,863		
28,191	661	547	1,987	741	5,498	25,595	5,594
0	44	153	3	352	9		195
142,018	5,572	4,370	68,885	7,038	36,933	292,712	55,741

(follows)

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

(follow)

(€.,000)

Year ended	ACI Mondadori 31/12/2008	Ag. Lomb. Distr. Giorn. Riviste 31/12/2008	Edizioni Electa Bruno Mondadori 31/12/2008	Gruner + Jahr /Mondadori 31/12/2007
Income statement				
Revenues from sales	13,424	3,159	666	48,689
Changes in product inventories	60		(226)	(117)
Other revenues	128	177	10	2,663
Total value of production	13,612	3,336	450	51,235
Purchases and services	11,054	2,593	352	27,371
Personnel	2,170	782	0	12,369
Depreciation, amortisation and write-downs	25	47	0	288
Changes in inventory of raw materials	0	0	0	1
Accruals and charges to provisions	210	9	0	104
Other expense	115	155	11	537
Total cost of production	13,574	3,586	363	40,670
Income from investments	0	0	0	0
Financial income (expense)	123	28	2	385
Total financial income (expense)	123	28	2	385
Revaluations (writedowns)			0	
Extraordinary income (expense)	0	6	940	0
Result before tax	161	(216)	1,029	10,950
Income tax	73	14	284	4,611
Profit (loss) for the year	88	(230)	745	6,339

(*) Drawn up as per international accounting principles (IAS/IFRS)

Gruppo Random House Mondadori (consolidated financial statements)* 31/12/2008	Harlequin Mondadori 31/12/2008	Hearst Mondadori 31/12/2008	Mach 2 Libri 31/12/2008	Mondadori Rodale 31/12/2008	Mondolibri 31/12/2008	Mondadori Printing 31/12/2008	Società Europea di Edizioni 31/12/2008
121,990	10,599	8,973	183,359	15,916	82,108	358,196	65,061
5,276	(39)	55	0	55	12	(5,143)	
7,717	399	151	1,882	171	2,355	11,926	5,186
134,983	10,959	9,179	185,241	16,142	84,475	364,979	70,247
42,712	8,066	5,938	174,717	11,833	65,025	282,891	62,547
24,726	1,707	1,967	5,385	2,566	11,683	62,306	20,858
2,262	0	7	676	28	5,155	22,351	3,541
0	0	0	1,487	0	3		1,214
4,342	120	61	69	72			2,100
49,366	76	76	229	149	430		1,672
123,408	9,969	8,049	182,563	14,648	82,296	367,548	91,932
0	0	0	84	0	0	(1,469)	0
322	221	38	(148)	54	379	(3,813)	(1,351)
322	221	38	(64)	54	379	(5,282)	(1,351)
(121)	0	0	0	0			1,371
11,776	1,211	1,168	2,614	1,548	2,558	(7,851)	(21,665)
139	429	419	1,060	551	1,425	1,854	994
11,637	782	749	1,554	997	1,133	(9,705)	(22,659)

**Appendix H: Fees paid to directors, statutory auditors, general managers and managers with strategic responsibilities (art.78 of Consob resolution 11971 of 14 May 1999).
The data referring to managers with strategic responsibilities are indicated on an aggregated level**

Surname and name	Position held	Description			Fee (€_000)			
		Term for which the position is held	Expiry date of position held	Emoluments/ fees for position	Non-monetary benefits	Bonuses and other incentives	Other fees	
Berlusconi Marina	Chairman	01/01 - 31/12/2008	Approval of 2008 financial statements	515.0	-	-	-	
Costa Maurizio	Deputy chairman and chief executive	01/01 - 31/12/2008	Approval of 2008 financial statements	1,010.0	19.7	414.0	1,207.4 ⁽¹⁾	
Berlusconi Pier Silvio	Director	01/01 - 31/12/2008	Approval of 2008 financial statements	10.0	-	-	-	
Cannatelli Pasquale	Director	01/01 - 31/12/2008	Approval of 2008 financial statements	10.0	-	-	-	
Ermolli Bruno	Director	01/01 - 31/12/2008	Approval of 2008 financial statements	25.0	-	-	-	
Forneron Mondadori Martina	Director	01/01 - 31/12/2008	Approval of 2008 financial statements	10.0	-	-	-	
Poli Roberto	Director	01/01 - 31/12/2008	Approval of 2008 financial statements	10.0	-	-	-	
Resca Mario	Director	01/01 - 31/12/2008	Approval of 2008 financial statements	25.0	-	-	-	
Spadacini Marco	Director	01/01 - 31/12/2008	Approval of 2008 financial statements	25.0	-	-	-	
Veronesi Umberto	Director	01/01 - 31/12/2008	Approval of 2008 financial statements	10.0	-	-	-	
Vismara Carlo Maria	Director	01/01 - 31/12/2008	Approval of 2008 financial statements	10.0	7.9	215.0	485.0 ⁽¹⁾	
Managers with strategic responsibilities		01/01 - 31/12/2008	-	515.0 ⁽²⁾	170.9	2,850.7	5,305.3 ⁽¹⁾	
Superti Furga Ferdinando	Chairman of Mondadori Statutory Auditors	01/01 - 31/12/2008	Approval of 2008 financial statements	60	-	-	-	
Frattini Achille	Mondadori Standing Statutory Auditor	01/01 - 08/29/2008	Approval of 2008 financial statements	26.7	-	-	-	
Frattini Achille	Standing Statutory Auditor of Subsidiaries	01/01 - 31/12/2008	-	57.1 ⁽²⁾	-	-	-	
Papa Franco Carlo	Mondadori Standing Statutory Auditor	01/01 - 31/12/2008	Approval of 2008 financial statements	40.0	-	-	-	
Giampaolo Francesco Antonio	Mondadori Standing Statutory Auditor	29/08 - 31/12/2008	Next shareholders' Meeting	13.3	-	-	-	
Giampaolo Francesco Antonio	Standing Statutory Auditor of Subsidiaries	18/04 - 31/12/2008	-	2.2 ⁽²⁾	-	-	-	

(1) Salary

(2) Fee from subsidiary company

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

(A)	(B)	Options held at beginning of year			Options granted during year			Options exercise during year		Options expired during year		Options held at end of year		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=1+4-7-10	(12)	(13)
Name and surname	Position held	Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average market price at exercise date	Number of options	Number of options	Average exercise price	Average expiry date
Marina Berlusconi	Chairman	150,000* ¹	7.749	31/12/2008							150,000			
		300,000* ²	7.87	23/06/2011								300,000	7.87	23/06/2011
		300,000* ³	7.507	17/07/2012								300,000	7.507	17/07/2012
		360,000* ⁴	7.458	25/06/2013								360,000	7.458	25/06/2013
					360,000	4.565	19/06/2014					360,000	4.565	19/06/2014
											Tot.	1,320,000		
Maurizio Costa	Deputy chairman and chief executive	110,000* ¹	7.749	31/12/2008							110,000			
		330,000* ²	7.87	23/06/2011								330,000	7.87	23/06/2011
		330,000* ³	7.507	17/07/2012								330,000	7.507	17/07/2012
		450,000* ⁴	7.458	25/06/2013								450,000	7.458	25/06/2013
					450,000	4.565	19/06/2014					450,000	4.565	19/06/2014
											Tot.	1,560,000		
Carlo Maria Vismara	Director	70,000* ³	7.507	17/07/2012							70,000	7.507	17/07/2012	
		70,000* ³	7.458	25/06/2013							70,000	7.458	25/06/2013	
					70,000	4.565	19/06/2014					70,000	4.565	19/06/2014
											Tot.	210,000		
Managers with strategic responsibilities		290,000* ¹	7.749	31/12/2008							290,000			
		480,000* ²	7.87	23/06/2011								480,000	7.87	23/06/2011
		500,000* ³	7.507	17/07/2012								500,000	7.507	17/07/2012
		600,000* ⁴	7.458	25/06/2013								600,000	7.458	25/06/2013
					550,000	4.565	19/06/2014					550,000	4.565	19/06/2014
											Tot.	2,130,000		
											Tot.	5,220,000		

*1 options assigned in 2004

*2 options assigned in 2005

*3 options assigned in 2006

*4 options assigned in 2007

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

Appendix I: Distribution of receivables and payables by geographical area

(€,000)

	Italy	Other EU countries	USA	Switzerland	Canada	Other countries	Total
Receivables:							
Non-current assets:							
Non-current financial assets							0
Deferred tax assets	16,518						16,518
Other non-current assets	518						518
Current assets:							
Tax receivables	2,664						2,664
Other current assets	32,079	6,065	12,671	798	261	1,796	53,670
Trade receivables	219,661	3,325	61	1,081	14	428	224,570
Securities and other current financial assets	108,162	759					108,921
Total receivables	379,602	10,149	12,732	1,879	275	2,224	406,861
Payables:							
Non-current payables:							
Non-current financial liabilities	81,570	289,755					371,325
Deferred tax liabilities	18,524						18,524
Other non-current liabilities							0
Current payables:							
Income tax payables	14,587						14,587
Other non-current liabilities	68,960	1,691	1,126	56	4	244	72,081
Trade payables	157,992	3,740	701	64	6	66	162,569
Payables to banks and other financial liabilities	216,718	24,406					241,124
Total payables	558,351	319,592	1,827	120	10	310	880,210

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

1. The undersigned Maurizio Costa, in his role as deputy chairman and chief executive, and Carlo Maria Vismara, in his role as director responsible for compiling the company financial documents of Arnoldo Mondadori Editore SpA, certify, in accordance with article 154-bis, paragraphs 3 and 4 of legislative decree 58 of 24 February 1998:

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

of the administrative and accounting procedures for representing the financial statements during 2008.

2. The evaluation of the appropriateness of the administrative and accounting procedures for representing the financial statements at 31 December 2008 is based on a process established by Arnoldo Mondadori Editore SpA that conforms to the *Internal Control – Integrated Framework* model issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which represents an internationally accepted general reference framework.

3. It is also certified that :

- the financial statements at 31 December 2008:

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

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

- the report on the year includes a reliable analysis of the performance and the result and of the situation of the company and the companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

25 March 2009

Deputy chairman and chief executive
Maurizio Costa

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

Consolidated financial statements at 31 December 2008

Consolidated balance sheet

Assets (€,000)	Note	31/12/2008	31/12/2007
Intangible assets	2	930,883	943,847
Investment property	3	2,554	1,525
Land and buildings		18,263	73,833
Property, plant and equipment		10,312	87,376
Other tangible fixed assets		32,213	48,408
Property, plant and equipment	4	60,788	209,617
Investments accounted for using the equity method		140,779	127,026
Other investments		221	273
Total investments	5	141,000	127,299
Non-current financial assets	12	2,019	3,671
Deferred tax assets	6	38,947	39,727
Other non-current assets	7	2,858	3,019
Total non-current assets		1,179,049	1,328,705
Tax receivables	8	20,059	28,701
Other current assets	9	90,279	77,600
Inventories	10	123,366	150,900
Trade receivables	11	417,358	486,873
Securities and other current financial assets	12	68,461	144,910
Cash and cash equivalents	13	330,530	225,098
Total current assets		1,050,053	1,114,082
Assets held for sale		-	-
Total assets		2,229,102	2,442,787

Liabilities and shareholders' equity (€,'000)	Note	31/12/2008	31/12/2007
Share capital		67,452	67,452
Share premium reserve		286,876	286,876
Treasury shares		(138,840)	(138,840)
Other reserves and retained earnings		194,606	176,475
Profit (loss) for the year		97,080	112,639
Total shareholders' equity attributable to the group	14	507,174	504,602
Capital and reserves attributable to minorities	15	1,925	1,932
Total shareholders' equity		509,099	506,534
Provisions	16	39,693	33,278
Employees' leaving entitlement and termination indemnities	17	61,363	90,638
Non-current financial liabilities	18	674,005	741,166
Deferred tax liabilities	6	88,900	88,213
Other non-current liabilities		-	-
Total non-current liabilities		863,961	953,295
Income tax payables	19	23,637	44,253
Other current liabilities	20	258,838	293,083
Trade payables	21	356,300	477,775
Payables to banks and other financial liabilities	18	217,267	167,847
Total current liabilities		856,042	982,958
Liabilities held for sale		-	-
Total liabilities and shareholders' equity		2,229,102	2,442,787

Consolidated income statement

(€,000)	Note	2008	2007
Revenues from sales and services	22	1,819,187	1,958,604
Decrease (increase) in inventories	10	13,832	(9,437)
Cost of raw materials, consumables and goods for resale	23	414,702	487,542
Cost of services	24	785,419	834,252
Personnel costs	25	356,375	372,952
Other (income) expense	26	5,112	13,759
Income (expense) from investments accounted for using the equity method	27	5,442	9,341
Gross operating profit		249,189	268,877
Depreciation and impairment of property, plant and equipment	3-4	31,053	36,435
Amortisation and impairment of intangible assets	2	14,631	7,236
Operating result		203,505	225,206
Financial income (expense)	28	(52,130)	(35,717)
Income (expense) from other investments		30	10
Profit before taxes		151,405	189,499
Income taxes	29	53,623	76,065
Profit from continuing activities		97,782	113,434
Income (expense) from assets/liabilities held for sale		-	-
Result attributable to minorities	15	(702)	(795)
Net profit		97,080	112,639
Earnings per share (€)	30	0.406	0.467
Diluted earnings per share (€)	30	0.406	0.456

On behalf of the board of directors

Chairman

Marina Berlusconi

Changes in consolidated shareholders' equity for the year ended 31 December 2007

(€,000)	Note	Share capital	Share premium	Treasury shares
Balance at 01/01/2007		67,452	285,467	(127,998)
- Transfer profit				
- Dividends paid				
- Changes in scope of consolidation				
- Transfer of financial statements in foreign currencies	14			
- Treasury share options	14			(10,842)
- Stock options	25		1,409	
- Other changes	14			
- Profit (loss) for the year				
At 31/12/2007		67,452	286,876	(138,840)

Changes in consolidated shareholders' equity for the year ended 31 December 2008

(€,000)	Note	Share capital	Share premium	Treasury shares	Stock option reserve
Balance at 01/01/2008		67,452	286,876	(138,840)	6,236
- Transfer profit					
- Dividends paid					
- Changes in scope of consolidation					
- Transfer of financial statements in foreign currencies	14				
- Treasury share options	14				
- Stock options	25				(497)
- Other changes	14				
- Profit (loss) for the year					
At 31/12/2008		67,452	286,876	(138,840)	5,739

Stock option reserve	Cash flow hedge	Translation reserve	Other reserves	Profit (loss) for the year	Total group	Minority interests	Total
5,373	950	371	141,838	108,960	482,413	4,020	486,433
			24,238	(24,238)			-
				(84,722)	(84,722)		(84,722)
		(667)			(667)		-
			531		(10,311)		(667)
863			55		2,327		(10,311)
	2,072		851		2,923	(2,883)	2,327
				112,639	112,639	795	40
6,236	3,022	(296)	167,513	112,639	504,602	1,932	113,434

Cash flow hedge	Fair value reserve	Translation reserve	Other reserves	Profit (loss) for the year	Total group	Minority interests	Total
3,022	-	(296)	167,513	112,639	504,602	1,932	506,534
			28,873	(28,873)			-
				(83,766)	(83,766)		(83,766)
		(357)			-		-
					(357)		(357)
			2,004		1,507		-
(7,098)	(4,454)		(340)		(11,892)	(709)	1,507
				97,080	97,080	702	(12,601)
(4,076)	(4,454)	(653)	198,050	97,080	507,174	1,925	97,782
							509,099

Cash flow statement

Cash flow statement (€,000)	Note	31/12/2008	31/12/2007
Net profit for the year		97,080	112,639
<i>Adjustments</i>			
Depreciation and writedowns	2-3	45,684	43,671
Stock options	25	1,507	2,327
Charges to provisions, employees' leaving entitlement and termination indemnities		16,315	7,450
Capital (gains) losses on disposal of intangible assets, property, plant and equipment, investments		(38,288)	(16,801)
Capital (gains) losses on financial assets	28	13,541	(2,783)
(Income) expense from companies accounted for using the equity method	27	(5,442)	(9,341)
Cash from operating activities		130,397	137,162
(Increase) decrease in trade receivables		(31,115)	(7,912)
(Increase) decrease in inventories		12,984	(9,883)
Increase (decrease) in trade payables		(12,541)	41,945
Net change in income tax receivables/payables		(12,324)	(864)
Advances for and settlements of employees' leaving entitlement		(8,306)	(14,882)
Net change in deferred tax assets and liabilities		1,384	(7,654)
Net change in other assets/liabilities		(38,682)	8,487
Cash flow from (used in) operating activities		41,797	146,399
Fees received (paid) net of cash acquired (disposed of)	1	62,800	(128)
(Investments in) disposals of intangible assets		4,436	(33,141)
(Investments in) disposals of property, plant and equipment		(18,264)	(5,649)
(Investments in) disposals of equity investments		4,971	1,952
(Investments in) disposals of financial assets		52,528	64,520
Cash flow from (used in) financing activities		106,471	(27,554)
Net change in financial liabilities		40,930	40,671
(Purchase) disposal of treasury stock	14	-	(10,311)
Dividends paid	14	(83,766)	(84,722)
Cash flow from (used in) financing activities		(42,836)	(54,362)
Increase (decrease) in cash and cash equivalents		105,432	119,591
Cash and cash equivalents at beginning of year	13	225,098	105,507
Cash and cash equivalents at end of year	13	330,530	225,098
Composition of cash and cash equivalents			
Cash, cheques and valuables in hand		1,100	2,527
Bank and post office deposits		329,430	222,571
	13	330,530	225,098

Consolidated balance sheet

as per Consob deliberation No. 15519 of 27 July 2006

Assets					
(€,000)	Note	31/12/2008	Including related parties (Note 33)	31/12/2007	Including related parties (Note 33)
Intangible assets	2	930,883	-	943,847	-
Investment property	3	2,554	-	1,525	-
Land and buildings		18,263	-	73,833	-
Plant and machinery		10,312	-	87,376	-
Other tangible fixed assets		32,213	-	48,408	-
Property, plant and equipment	4	60,788	0	209,617	0
Investments accounted for using the equity method		140,779	-	127,026	-
Other investments		221	-	273	-
Total investments	5	141,000	0	127,299	0
Non-current financial assets	12	2,019	1,500	3,671	-
Deferred tax assets	6	38,947	-	39,727	-
Other non-current assets	7	2,858	-	3,019	-
Total non-current assets		1,179,049	1,500	1,328,705	0
Tax receivables	8	20,059	-	28,701	-
Other current assets	9	90,279	-	77,600	-
Inventories	10	123,366	-	150,900	-
Trade receivables	11	417,358	35,401	486,873	43,492
Securities and other current financial assets	12	68,461	2,656	144,910	11,558
Cash and cash equivalents	13	330,530	-	225,098	-
Total current assets		1,050,053	38,057	1,114,082	55,050
Assets held for sale		-	-	-	-
Total assets		2,229,102	39,557	2,442,787	55,050

Liabilities and shareholders' equity					
(€,'000)	Note	31/12/2008	Including related parties (Note 33)	31/12/2007	Including related parties (Note 33)
Share capital		67,452	-	67,452	-
Share premium reserve		286,876	-	286,876	-
Treasury shares		(138,840)	-	(138,840)	-
Other reserves and retained earnings		194,606	-	176,475	-
Profit (loss) for the year		97,080	-	112,639	-
Total shareholders' equity attributable to the group	14	507,174	0	504,602	0
Capital and reserves attributable to minorities	15	1,925	-	1,932	-
Total shareholders' equity		509,099	0	506,534	0
Provisions	16	39,693	-	33,278	-
Employees' leaving entitlement and termination indemnities	17	61,363	-	90,638	-
Non-current financial liabilities	18	674,005	-	741,166	-
Deferred tax liabilities	6	88,900	-	88,213	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		863,961	0	953,295	0
Income tax payables	19	23,637	22,812	44,253	42,786
Other current liabilities	20	258,838	-	293,083	-
Trade payables	21	356,300	92,000	477,775	38,648
Payables to banks and other financial liabilities	18	217,267	21,613	167,847	22,452
Total current liabilities		856,042	136,425	982,958	103,886
Liabilities held for sale		-	-	-	-
Total liabilities and shareholders' equity		2,229,102	136,425	2,442,787	103,886

Consolidated income statement

as per Consob deliberation No. 15519 of 27 July 2006

(€,'000)	Note	2008	Including related parties (Note 33)	Including non-recurring charges (income) (Note 32)	2008	Including related parties (Note 33)	Including non-recurring charges (income) (Note 32)
Revenues from sales and services	22	1,819,187	79,905	-	1,958,604	92,118	-
Decrease (increase) in inventories	10	13,832	-	-	(9,437)	-	-
Cost of raw materials, consumables and goods for resale	23	414,702	18,108	-	487,542	17,539	-
Cost of services	24	785,419	93,989	-	834,252	77,400	-
Personnel costs	25	356,375	-	-	372,952	-	(4,491)
Other (income) expense	26	5,112	(8,123)	(38,308)	13,759	(7,267)	(15,946)
Income (expense) from investments _ accounted for using the equity method	27	5,442	-	-	9,341	-	-
Gross operating profit		249,189	(24,069)	38,308	268,877	4,446	20,437
Depreciation and impairment of property, plant and equipment	3-4	31,053	-	-	36,435	-	-
Amortisation and impairment of intangible assets	2	14,631	-	-	7,236	-	-
Operating result		203,505	(24,069)	38,308	225,206	4,446	20,437
Financial income (expenses)	28	(52,130)	(643)	-	(35,717)	(517)	-
Income (expenses) from other investments	30	30	-	-	10	-	-
Results before taxes		151,405	(24,712)	38,308	189,499	3,929	20,437
Income taxes	29	53,623	-	4,219	76,065	-	(929)
Profit from continuing activities		97,782	(24,712)	34,089	113,434	3,929	21,366
Income (expenses) from assets/liabilities held for sale		-	-	-	-	-	-
Results attributable to minorities	15	(702)	-	-	(795)	-	6
Net profit		97,080	(24,712)	34,089	112,639	3,929	21,372

Accounting principles and notes to the financial statements

1. General information

The main corporate purpose of Arnoldo Mondadori Editore SpA and the companies in which it has direct and indirect investments (henceforth referred to as the "Mondadori Group" or the "Group") is in business activities connected with the book and magazine publishing sectors, radio and the sale of advertising.

The Group is also involved in retailing through a chain of its own shops and franchising outlets situated throughout Italy and direct marketing and mail-order sales of publishing products.

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

The parent company, Arnoldo Mondadori Editore SpA, is quoted on the MTA (automated stock market) of Borsa Italiana SpA, and is included in the S&P/MIB index and the MIBEX index.

The publication of the consolidated financial statements of the Mondadori Group for the year ended 31 December 2008 was authorised by resolution of the board of directors on 25 March 2009.

2. Form and content

The consolidated financial statements at 31 December 2008 was prepared in accordance with International Accounting Standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and adopted by the EU, and in accordance with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The Mondadori Group adopted the standards with effect from 1 January 2005, following the introduction of European regulation 1606 of 19 July 2002.

The information required by IFRS 1, concerning the impact of the first adoption of International Accounting Standards, was included in the appendix "Transition to IAS/IFRS accounting standards" in the report for 2005 and in the consolidated financial statements at 31 December 2005, to which you are referred.

The consolidated financial statements at 31 December 2008 were prepared in accordance with the accounting standards used for preparing IAS/IFRS consolidated financial statements at 31 December 2007, taking into consideration the new amendments and standards introduced with effect from 1 January 2008, which are referred to in note 6.26.

The financial statements have been prepared in the following way:

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

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

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

3. Consolidation policies

The consolidated financial statements of the Mondadori Group include:

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

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

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

The financial statements of companies included in the scope of consolidation are prepared at the same balance sheet date as those of Arnoldo Mondadori Editore SpA, in accordance with IAS/IFRS.

In cases where the balance sheet date is different from the Parent Company's balance sheet date, adjustments are made in order to recognise the effects of significant operations or events that occurred between that date and the Parent Company's balance sheet date.

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

- (**) the purchase of the remaining 20% of Electa Napoli SpA, which was subsequently merged into Mondadori Electa SpA and resulted in an increase in the stake held in the company by this affiliate;
- (§) the disposal of the majority shareholding, represented by 80% of the share capital, of Mondadori Printing SpA and, indirectly, of its subsidiary Artes Graficas Toledo SA;
- (ç) the setting up of the international joint ventures, Mondadori Independent Media LLC and Mondadori SEEC Advertising Ltd;
- (§§) the purchase of 90% of Rock FM Srl by Monradio Srl;
- (çç) the liquidation of Venezia Accademia Scarl.

In addition, Edizioni Frassinelli SpA was merged into Sperling & Kupfer SpA, an operation that did not alter the consolidation area.

Name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2008	% held as of 31/12/2007
<i>Companies consolidated using the line-by-line method</i>						
Arnoldo Mondadori Editore SpA	Milan	Publishing	€	67,451,756.32		
<i>Italian subsidiaries</i>						
Cemit Interactive Media SpA	S. Mauro Torinese (TO)	Trade	€	3,835,000.00	100.00	100.00
Edizioni Frassinelli Srl	Milan	Publishing			(*)	100.00
Edizioni Piemme SpA	Milan	Publishing	€	566,661.00	90.00	90.00
Mondadori Education SpA	Milan	Publishing	€	10,608,000.00	100.00	100.00
Mondadori Electa SpA	Milan	Publishing	€	1,593,735.00	100.00	100.00
Electa Napoli SpA	Naples	Publishing			(**)	80.00
Mondadori Retail SpA	Milan	Trade	€	2,700,000.00	100.00	100.00
Fied SpA	Milan	Financial publishing	€	416,000.00	100.00	100.00
Giulio Einaudi Editore SpA	Turin	Publishing	€	23,920,000.00	100.00	100.00
Mondadori Printing SpA	Cisano Bergamasco (BG)	Printing			(§)	100.00
Mondadori Pubblicità SpA	Milan	Advertising agent	€	3,120,000.00	100.00	100.00
Mondadori Franchising SpA	Rimini	Trade	€	1,954,000.00	100.00	100.00
Mondadori Iniziative Editoriali SpA	Milan	Publishing	€	500,000	100.00	100.00
Press-Di Distr. Stampa e Multimedia Srl	Milan	Services	€	1,095,000.00	100.00	100.00
Monradio Srl	Milan	Radio	€	3,030,000.00	100.00	100.00
Rock FM Srl	Milan	Radio	€	10,000.00	100.00	47.49
Sperling & Kupfer Editori SpA	Milan	Publishing	€	1,555,800.00	100.00	100.00
<i>Foreign subsidiaries</i>						
ABS Finance Fund Sicav	Luxembourg	Finance	€	253,404,695.30	91.47	85.43
AME France Sas	Paris	Services	€	489,140.00	100.00	100.00
Arnoldo Mondadori Deutschland Gmbh (in liquidation)	Munich	Services	€	25,564.59	100.00	100.00
Gruppo Mondadori France	Paris	Finance	€	50,000,000.00	100.00	100.00
Ame Publishing Ltd	New York	Services	US\$	50,000.00	100.00	100.00
Arnoweb SA	Luxembourg	Finance	€	36,256,900.00	100.00	100.00
Artes Graficas Toledo SA	Toledo	Printing			(§)	100.00
Mondadori International SA	Luxembourg	Finance	€	393,625,900.00	100.00	100.00
Prisco Spain SA	Barcelona	Finance	€	60,101.30	100.00	100.00

Name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2008	% held as of 31/12/2007
Companies valued using the proportional method						
ACI-Mondadori SpA	Milan	Publishing	€	590,290.00	50.00	50.00
Ag. Lombarda Distrib. Giornali e Riviste Srl	Milan	Trade	€	400,000.00	50.00	50.00
Artes Graficas Toledo SA	Toledo	Printing	€	5,409,000.00	20.00	-
Gruppo Attica Publications	Athens	Publishing	€	4,590,000.00	41.98	41.66
Campania Arte Scarl	Rome	Services	€	100,000.00	22.00	22.00
Consorzio Covar (in liquidation)	Rome	Services	€	15,493.70	25.00	25.00
Consorzio Forma	Pisa	Services	€	3,615.00	25.00	25.00
Consorzio Editoriale Fridericiana	Naples	Services	€	12,396.51	33.33	-
Edizioni Electa Bruno Mondadori Srl	Milan	Publishing	€	10,400.00	50.00	50.00
Edizioni EL Srl	Trieste	Publishing	€	620,000.00	50.00	50.00
Grupo Random House Mondadori	Barcelona	Publishing	€	6,824,600.63	50.00	50.00
Gruner + Jahr/Mondadori SpA	Milan	Publishing	€	2,600,000.00	50.00	50.00
Harlequin Mondadori SpA	Milan	Publishing	€	258,250.00	50.00	50.00
Hearst Mondadori Editoriale Srl	Milan	Publishing	€	99,600.00	50.00	50.00
Mach 2 Libri SpA	Peschiera Borromeo (MI)	Trade	€	646,250.00	34.91	34.91
Mondadori Independent Media LLC	Moscow	Publishing	Rubles	6,800,000	50.00	(ç)
Mondadori Seec Advertising Co. Ltd	Beijing	Publishing	CNY	20,000,000.00	50.00	(ç)
Mondadori Printing SpA	Cisano Bergamasco (BG)	Printing	€	45,396,000.00	20.00	-
Mondadori Rodale Srl	Milan	Publishing	€	90,000.00	50.00	50.00
Mondolibri SpA	Milan	Trade publishing	€	1,040,000.00	50.00	50.00
Novamusa Gelmar Biblioteca Nazionale Scarl	Rome	Services	€	10,000.00	20.00	-
Novamusa Val di Noto Scarl	Messina	Services	€	90,000.00	20.00	-
Novamusa Valdemone Scarl	Messina	Services	€	90,000.00	20.00	-
Novamusa Val di Mazara Scarl	Messina	Services	€	90,000.00	20.00	-
Roccella Scarl	Naples	Services	€	100,000.00	49.50	39.60
Rock FM Srl					(\$\$)	47.49
Società Europea di Edizioni SpA	Milan	Publishing	€	2,775,601.92	39.27	39.27
Venezia Accademia Scarl					(çç)	26.00
Venezia Musei per i servizi museali Scarl	Venice	Services	€	10,000.00	34.00	34.00
Venezia Accademia per i servizi museali Scarl	Venice	Services	€	10,000.00	25.00	25.00
Companies valued at cost						
Aranova Freedom Società Consortile a r.l.	Bologna	Radio	€	19,200	16.66	16.66
Audiradio	Milan	Services	€	258,000.00	2.32	2.32
Consuledit Srl	Milan	Services	€	20,000.00	9.54	9.54
Consorzio Editoriale Fridericiana					(**)	11.43
Cons. Sistemi Informativi Editoriali Distributivi	Milan	Services	€	103,291.38	10.00	10.00
Editrice Portoria SpA	Milan	Publishing	€	364,000.00	16.78	16.78
Editrice Storia Illustrata Srl (in liquidation)	Milan	Publishing	Lire	20,000,000	8.39	8.39
Giulio Einaudi Editore SpA (in receivership)	Turin		Lire	3,000,000,000	7.35	7.35
Immobiliare Editori Giornali Srl	Rome	Real estate	€	830,462.00	7.88	7.88
Novamusa Gelmar Biblioteca Nazionale Scarl					(**)	16.00
Novamusa Val di Noto Scarl					(**)	16.00
Novamusa Valdemone Scarl					(**)	16.00
Novamusa Val di Mazara Scarl					(**)	16.00
SCABEC SpA	Naples	Services	€	1,000,000.00	10.78	10.78
Selcon Srl	Milan	Services	€	20,800.00	25.60	25.60
Società Editrice Il Mulino SpA	Bologna	Publishing	€	1,175,000.00	7.05	7.05

4. Conversion of Financial Statements in foreign currencies

All amounts in the consolidated financial statements of the Mondadori Group are expressed in euros, which is the functional and presentation currency of the Mondadori Group.

The financial statements of companies whose functional currency is not the euro are converted into euros in the following way:

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

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

5. Segment information

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

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

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

6. Accounting principles and valuation methods

The following is an explanation of the principles adopted by the Mondadori Group in preparing the IAS/IFRS consolidated financial statements at 31 December 2008.

6.1 Intangible assets

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

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

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

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

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

Intangible assets with a definite useful life

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

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

Intangible assets with a finite useful life	Amortisation rate
Titles	Term of licence/30 years
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 to determine any capital gains or losses resulting from the operation. In these circumstances the goodwill disposed of is measured on the basis of the value of the assets disposed of compared with the asset still included in the cash generating unit in question.

6.2 Investment property

A property investment is considered an asset when it is held in order to earn income from its rental or 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 is 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 how the relative future economic benefits are earned by the Group.

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

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

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

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

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

6.3 Property, plant and equipment

Any costs attributable to the purchase of property, plant and equipment are recognised as assets, on condition that the costs of the asset can be reliably

calculated and any relative future economic benefits 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 between the residual useful life of the asset and the residual term of the lease contract.

6.4 Finance lease assets

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

Liabilities arising from leasing contracts are recognised as financial liabilities.

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

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

6.5 Borrowing costs

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

6.6 Impairment

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

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

If no binding sales agreement or 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 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; this cannot, however, exceed the value that would have been calculated had no loss in value been recognised.

6.7 Investments in joint ventures and associated companies

This item refers to investments in companies where the control of the business activity is shared and where financial and management decisions require the unanimous

consensus of all the parties who share control; and to investments in companies where the Group has a significant influence that enables it to take part in determining financial and management policies 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 Group's share of their equity. 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 has a legal or constructive obligation or has made payments on behalf of the company in question.

6.8 Inventories

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

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

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

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

6.9 Financial assets

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

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

This category includes the following, in accordance with IAS 39:

- financial assets/liabilities which when they are first valued are designated by the Group at fair value in the income statement;
- financial assets/liabilities that are held for trading are those that:
 - are held with the sole purpose of gaining short-term benefits from price fluctuations when buying and selling them;

- are part of a portfolio of specific financial instruments that are managed en block and for which there is recent, reliable evidence that a short-term profit can be made;
- are derivatives (with the exception of those that are designated and considered to be effective hedge instruments).

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 with the amortised cost 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 any 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 freely traded on regulated markets, fair value is determined by referring to the value set at the close of trading on the balance sheet date.

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

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

6.10 Trade receivables and other receivables

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

Receivables are subsequently recognised in the financial statements at their estimated realisable value.

6.11 Treasury shares

Treasury shares are booked in shareholders' equity in the relative reserve.

No profit or loss is recognised in the income statement on the purchase, sale, issue, cancellation or any other operation concerned with treasury shares.

6.12 Cash and cash equivalents

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

They are booked at face value.

6.13 Financial liabilities

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

Financial instruments consisting of bonds that can be converted into shares of Arnoldo Mondadori Editore SpA are recognised by separating the liability component from the option component. The liability component is recognised in the financial statements under financial liabilities applying the amortised cost method while the option value, calculated as the difference between the value of the liability component and the nominal value of the financial instrument issued, is recognised in a reserve in net equity. Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges), are valued at fair value, in accordance with the methodology outlined in IAS 39 for hedge accounting. Profits and losses resulting from subsequent variations in fair value are recognised in the income statement. The portions of these changes linked to the efficient portion of the hedge are compensated for by changes in the value of derivative instruments.

Financial liabilities hedged by derivative instruments against the risk of changes in the cash flow (cash flow hedges) are valued at amortised cost, in accordance with the methodology outlined in IAS 39 for hedge accounting.

6.14 Derecognition of financial assets and liabilities

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

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

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

6.15 Impairment of financial assets

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

Financial assets valued at amortised cost

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

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

Available-for-sale financial assets

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

Financial assets valued at cost

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

6.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When a hedge operation is entered into, the company designs and formally documents the hedge relationship to which it intends to apply the hedge accounting, its objectives in managing the risk and the strategy carried out. The documentation includes the identification of the hedging instrument, element or operation that is being hedged, the nature of the risk and the way the Group intends to evaluate the effectiveness of the hedge in compensating the exposure to the variations of the fair value of the element hedged or of the cash flows linked to the risk hedged.

It is expected that this hedge is effective enough to compensate for the exposure of the element hedged to variations in fair value or in cash flows attributable to the risk hedged. The evaluation of whether or not this hedge is in reality sufficiently effective is carried out on a continuous basis over the years in question.

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

Fair value hedge

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

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

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

Cash flow hedge

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

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

the fair value of the derivative financial instrument are recognised in the income

6.17 Provisions

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

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

6.18 Employees' leaving entitlement

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

- defined contribution plans, represented by the amount matured at 1 January 2007 for Group companies that have more than 50 employees;
- defined benefit plans, represented by the TFR 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).

6.19 Stock options

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

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

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

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

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

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

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

6.20 Recognition of revenues and costs

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

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

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

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

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

6.21 Current and deferred taxes

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

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

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

The carrying value of deferred tax assets is reviewed at the end of every period and is reduced if it is no longer probable that sufficient taxable profit will be available in the future for realising all or part of the assets.

Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply to the period when the assets are realised or the liabilities settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

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

6.22 Operations in foreign currencies

Revenues and costs relating to operations in foreign currencies are expressed in the money of account using the currency exchange rate of day the operation was carried out.

Monetary assets and liabilities in foreign currencies are converted at the currency exchange rate of 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 rate in effect at the time the transaction was carried out.

Non-monetary items booked at fair value in foreign currencies are converted using the currency exchange rate in effect at the time that fair value was calculated.

6.23 Grants and contributions

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

6.24 Earnings per share

Earnings per share is defined as the ratio between the Group's net profit and the average number of shares outstanding during the period.

In order to calculate diluted earnings per share, the average number of shares outstanding is modified on the assumption that all potential shares with dilutive effect are converted.

6.25 Assets and liabilities held for sale and discontinued operations

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

Should the Group retain a contact investment in assets and liabilities that have been disposed of, IFRS 5 is not applied due to the fact that an interest is still held in the associated company.

6.26 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2008 and applicable to the Mondadori Group

IFRIC 14 – Defined benefits and minimum hedge criteria

This interpretation, which was introduced on 1 January 2008, sets out the guidelines for calculating the amount established by IAS 19 for recognising the benefits.

The adoption of this interpretation has not produced any significant changes.

IFRIC 12 – Service contracts in concession

This interpretation was introduced on 1 January 2008 but has not yet been ratified by the European Union.

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

As required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the possible impact of new standards or interpretations on the financial statements in their first year of application are listed below.

Those standards and interpretations which came into effect after 31 December 2008 are indicated and briefly illustrated.

IFRS 2 – Payment based on shares - Expiry and cancellation conditions

This change to IFRS 2, was published in January 2008 and will come into effect from 1 January 2009.

The amendment restricts the definition of “expiry conditions” to a condition that includes either a specific or an implied obligation to provide a service.

Any other condition is a non-vesting condition and must be taken into consideration when determining the fair value of the representative instrument of the assigned capital. If a premium does not mature because it does not satisfy a non-vesting condition that is under the control of the company or the opposite party, it must be recognised as a cancellation. The Group has not undertaken operations with payment based on shares with non-vesting conditions and, consequently, it does not expect any significant effects in recognising the agreements for payment based on shares.

IFRS 3R – Business combinations and IAS 27R - Consolidated and separate financial statements

The two amendments were ratified in January 2008 and will come into effect as of 1 July 2009.

IFRS 3R introduces a number of changes to recognising business combinations that will effect the amount of goodwill entered, the result of the year the purchase takes place and the results of subsequent years.

IAS 27R requires that any change in the amount of shares held in a subsidiary company is recognised as a capital transaction. Consequently, this change will not have any impact on goodwill and will not produce either profits or losses. In addition, the amendment introduces changes to recognising a loss sustained by a subsidiary and to losing control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied in perspective and must be applied to future purchases and transactions with minority shareholders.

IAS 32 and IAS 1 modifications – Transferable Financial instruments

The changes to IAS 32 and IAS 1 were ratified in February and will come into effect as of 1 January 2009.

The change to IAS 32 requires that transferable financial instruments and bonds that arise at the time of disposal are recognised as capital instruments if specific conditions apply.

The change to IAS 1 requires that information about transfer options that are recognised as capital is given in the notes to the financial statements. The Group does not expect this modification to have any impact on the Group’s financial statements.

IFRS 8 – Operational segment

The new principle, which replaced IAS 14 and was introduced on 1 January 2009, requires the company to identify the operational segments on the basis of the internal reporting regulations used by the management for analysing performances.

IAS 1 – Presentation of financial statements

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

IAS 23 – Financial expense

On 29 March 2007 IASB issued a new version of IAS 23, applicable as of 1 January 2009. The new version removed the option available to companies to immediately recognise in the income statement any financial expense sustained for business activities for which it is normally necessary for a specific period of time to pass before the activity in question is ready for use or for sale. The amendment applies in respect to financial expense referring to goods recognised as of 1 January 2009.

IFRIC 13 – Customer loyalty programmes

This interpretation was introduced on 1 January 2009.

The Group is evaluating the impact of the standards and interpretations referred to above, all of which will come into effect in 2009 or later.

7. Use of estimates

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

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

The data in the final financial statements could differ, even significantly, from these estimates as a result of possible changes to the factors taken into consideration when the estimates were first made.

The most significant accounting estimates that involve a high level of subjective judgement are outlined below:

Goodwill and intangible assets

A check is carried out to verify if there has been a reduction in the value of goodwill and intangible assets by comparing the carrying value of the cash generating unit and its recoverable value, represented by the higher of its fair value and value in use. This process includes the use of methods such as the discounted cash flow and its relative applications.

Bad debt reserve

The ability to recover debts is calculated by taking into account the possibility of being able to collect them, the length of time they have been outstanding and the losses sustained in the past on similar debts.

Reserve for inventory provisions

The Group estimates the amount of provisions for inventories on the basis of specific analyses of the saleability of finished products and their relative rotation rating, and, for work being carried out, by taking into account the eventual risk that it will not be completed.

Future returns

In the publishing sector it is accepted practice that books and magazines that have not been sold are returned to the publisher, in accordance with pre-established conditions. Therefore, at the end of every year, the Group estimates the quantity that will presumably be returned during the following year. This estimation is based on historical experience and also takes into account the individual print runs.

Risk reserve

Provisions connected to judicial, fiscal and arbitration disputes are based on complex estimates that take into account the probability of losing the disputes.

Employees' leaving entitlements and termination indemnities

Provisions connected to reserves for employees are calculated on the basis of actuarial estimates; therefore variations in these estimates can have significant effects on these reserves.

Income taxes

Income taxes (both current and deferred) are calculated in each country where the Group operates and are based on prudent interpretations of current fiscal laws.

8. Business combinations and other acquisitions

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

Any excess 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 the case of purchases of minority stakes in companies that are already controlled, the positive difference between the fee and the net equity purchased is booked to intangible assets under goodwill.

9. Non-recurring income and expenses

As required by Consob deliberation 15519 of 27 July 2006, income and expenses deriving from non-recurring operations were identified in the income statement.

Operations and facts are considered to be non-recurring when by their nature they do not occur continuously during normal business operations.

The relative effects have been outlined in a specific table included in these notes.

Notes to the financial statements

1. Purchases and disposals during the year

The most important 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 100% controlled subsidiary Mondadori Electa SpA, purchased the remaining 20% of the share capital of Electa Napoli SpA from Prismi Editrice Politecnica Napoli Srl.

Since Mondadori already held 80% of the share capital of Electa Napoli SpA, and therefore held the financial and management control of the company, in accordance with IFRS 3 accounting principles the operation is not classified as a business combination.

With regard to the operation referred to above, at 31 December 2008 the difference between the fee paid for the stake, amounting to €600 thousand, and the net assets acquired, amounting to €238 thousand, was booked under goodwill.

1.2 Disposal of 80% of Mondadori Printing SpA

With effect from 19 November 2008, Arnoldo Mondadori Editore SpA formalised the disposal of 80% of the share capital of Mondadori Printing SpA to Gruppo Pozzoni, in accordance with the preliminary contract signed on 14 October.

This operation can be seen as part of a trend for business combinations on the part of major international players in order to deal with the problems created by a decrease in demand and excess production capacity.

As can be seen in the following table, the amount raised from the disposal net of the value of "Cash and cash equivalents" equalled €62.8 million, as also shown in the Cash flow statement.

Considering the effects of the deconsolidation of "Cash and cash equivalents" and "Net financial liabilities", the overall impact on the net financial position of the Mondadori Group is equal to €121.4 million, as shown in the Report on the Year.

(€,'000)	Carrying value
Intangible assets	0.4
Property, plant and equipment	133.3
Trade receivables	103.0
Inventories	15.2
Other current and non-current assets	3.3
Trade liabilities	(104.9)
Other current and non-current liabilities	(43.8)
Net financial liabilities	(58.6)
Cash and cash equivalents	1.3
Net assets disposed of	A 49.2
Entry of investments	10.0
Net fee collected	64.1
Total	B 74.1
Capital gains	B-A 24.9

1.3 Purchase of 90% of Rock FM Srl

On 4 December 2008 Monradio Srl, which is 100% controlled by Arnaldo Mondadori Editore SpA, purchased 90% of the share capital of Rock FM Srl for a total of €322 thousand. As a result the Group holds a 100% stake in the company, which has now been entirely consolidated.

2. Intangible assets

Intangible assets are described and commented on below.

Intangible assets (€,'000)	31/12/2008	31/12/2007
Intangible assets with finite useful lives	250,550	52,110
Intangible assets with indefinite useful lives	680,333	891,737
Total intangible assets	930,883	943,847

The following two tables show the changes in intangible assets in 2007 and 2008.

Intangible assets with finite useful lives		Expenses for taking over shop leasing contracts	Software	Licences, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
(€,'000)	Titles						
Cost at 31/12/2006	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 31/12/2007	15,000	38,688	22,183	1,177	3,139	298	80,485
Accumulated amortisation and impairment losses at 31/12/2006	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 31/12/2007	667	6,876	18,183	1,077	1,572	0	28,375
Net book value at 31/12/2006	14,833	34,943	3,578	2,825	39	113	56,331
Net book value at 31/12/2007	14,333	31,812	4,000	100	1,567	298	52,110

Intangible assets with finite useful lives		Expenses for taking over shop leasing contracts	Software	Licences, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
(€,'000)	Titles						
Cost at 31/12/2007	15,000	38,688	22,183	1,177	3,139	298	80,485
Investments	-	79	2,009	29	1,233	-	3,350
Disposals	(6,300)	(9,411)	(21)	(16)	-	-	(15,748)
Changes in consolidation area	-	-	(2,795)	-	(3)	-	(2,798)
Other changes	223,200	215	482	16	56	(298)	223,671
Cost at 31/12/2008	231,900	29,571	21,858	1,206	4,425	0	288,960
Accumulated amortisation and impairment losses at 31/12/2007	667	6,876	18,183	1,077	1,572	-	28,375
Amortisation	4,075	2,338	2,104	34	1,438	-	9,989
Writedowns/reinstatement of value	4,400	-	-	-	-	-	4,400
Disposals	-	(2,359)	(17)	(11)	-	-	(2,387)
Changes in consolidation area	-	-	(2,393)	-	(3)	-	(2,396)
Other changes	-	168	195	9	57	-	429
Accumulated amortisation and impairment losses at 31/12/2008	9,142	7,023	18,072	1,109	3,064	0	38,410
Net book value at 31/12/2007	14,333	31,812	4,000	100	1,567	298	52,110
Net book value at 31/12/2008	222,758	22,548	3,786	97	1,361	0	250,550

Intangible assets with finite useful lives are mainly represented by magazine titles owned by Mondadori France group.

On 1 July 2008, estimates of the useful lives of magazines owned by Mondadori France, which was recently purchased, were changed from indefinite to finite (30 years).

Consequently, during 2008 depreciations were carried out both on titles under licence and on titles owned by the Group for a total of €4,075 thousand.

The main titles in question, each of which represents a Cash Generating Unit, are *Telestar*, *Closer*, *Pleine Vie* and *Le Chasseur Français*.

Intangible assets with finite useful lives are subject to an impairment test each time there is an indication of a possible loss of value. When carrying out impairment tests on French titles the higher value between the value in use (an explanation of how this is calculated is given in the paragraph about intangible assets with indefinite useful lives) and the fair value, which is calculated using the royalty method.

During the year provisions for a total of €4,400 thousand were made.

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

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

Intangible assets with indefinite useful lives (€,000)	Titles	Series	Imprints	Radio frequencies	Goodwill	Total
Cost at 31/12/2006	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 31/12/2007	321,358	31,509	5,949	112,154	432,421	903,391
Impairment at 31/12/2006	10,226	-	1,114	244	36	11,620
Writedown/reinstatement of value	-	-	-	-	34	34
Other changes	-	-	-	-	-	0
Impairment at 31/12/2007	10,226	0	1,114	244	70	11,654
Net book value at 31/12/2006	311,132	31,509	4,835	86,292	427,976	861,744
Net book value at 31/12/2007	311,132	31,509	4,835	111,910	432,351	891,737

In 2008 the most important investments were made in the radio sector, for the purchase of new frequencies.

Intangible assets with indefinite useful lives (€,000)	Titles	Series	Imprints	Radio frequencies	Goodwill	Total
Cost at 31/12/2007	321,358	31,509	5,949	112,154	432,421	903,391
Investments	-	-	474	17,223	429	18,126
Disposals	-	-	-	(5,212)	(828)	(6,040)
Change in consolidation area	-	-	-	-	-	0
Other changes	(223,200)	-	-	-	(56)	(223,256)
Cost at 31/12/2008	98,158	31,509	6,423	124,165	431,966	692,221
Impairment at 31/12/2007	10,226	-	1,114	244	70	11,654
Writedown/reinstatement of value	-	-	-	-	242	242
Other changes	-	-	-	-	(8)	(8)
Impairment at 31/12/2008	10,226	0	1,114	244	304	11,888
Net book value at 31/12/2007	311,132	31,509	4,835	111,910	432,351	891,737
Net book value at 31/12/2008	87,932	31,509	5,309	123,921	431,662	680,333

Amortisation, impairment and reinstatement of value of intangible assets

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

Amortisation and impairment of intangible assets (€ ,000)	31/12/2008	31/12/2007
Titles	4,075	500
Expense for taking over shop leasing contracts	2,338	3,616
Software	2,104	1,824
Licences, patents and rights	34	39
Other intangible assets	1,438	1,223
Total amortisation and impairment of intangible assets	9,989	7,202
Writedowns of intangible assets	4,642	34
Reinstatement of value of intangible assets	-	-
Total writedowns (reinstatement) of intangible assets	4,642	34
Total amortisation and impairment of intangible assets	14,631	7,236

The value of titles and imprints with an indefinite life, each one of which is a cash generating unit, mainly refers to:

- €83.6 million for the purchase of Silvio Berlusconi Editore in 1994 (the main titles acquired were *TV Sorrisi e Canzoni*, *Chi* and *Telepiù*);
- €2.2 million for the purchase of Gruppo Elemond in different tranches between 1989 and 1994 (the main titles acquired were *Interni* and *Casabella*).

Following impairment tests, the goodwill for the above operations was allocated either to the individual cash generating units or to groups of cash generating units in the magazine sector, as outlined below:

- €0.7 million to a group of cash generating units for the purchase of Silvio Berlusconi Editore;
- €0.3 million to a group of cash generating units for the purchase of Gruppo Elemond.

Series mainly refer to the purchase on the market of the school textbook division that trades under Mondadori Education SpA (formerly Edumond Le Monnier SpA), which has been identified as a cash generating unit in the education sector.

This cash generating unit was assigned a series value of €19 million.

The same class includes series values for Einaudi (€3 million), Sperling (€1.8 million) and Piemme (7.8 million), which represent separate cash generating units.

The goodwill allocated to the cash generating units referred to above amounts to €12 million (Educational), €0.3 million (Einaudi), €0.7 million (Sperling) and €5.1 million (Piemme).

Goodwill also includes €412.1 million attributable to the group of cash generating units that resulted from the purchase of Mondadori France.

For purposes of the impairment test, this goodwill is valued together with the value of the relative titles booked to intangible assets with finite useful lives.

The Mondadori Group defines the cash generating units in relation to the sectors in which it operates.

The value recoverable of the cash generating units, to which the goodwill and intangible assets with indefinite useful lives are attributed, is verified by calculating the value in use.

Impairment tests are carried out for individual titles, publishing series and imprints that coincide with the respective cash generating unit. In order to carry out the impairment tests, goodwill is allocated to individual or groups of cash generating units in accordance with the maximum combination obligations represented by the business sectors defined in IAS 14.

The value in use was estimated using the forecast data included in the three-year/five-year plans approved by the management of the Mondadori Group, taking into consideration the changes in the macroeconomic situation of the relative business areas.

In particular this resulted in a reassessment of the assumptions made concerning advertising revenues, compared with previous years, used as a basis when drawing up plans for Mondadori France.

The cash flow was considered to be constant for the period beyond the forecast.

The calculation of the cash flow relating to the individual assets or cash generating units included in the impairment test was based on a bank rate of 7-8%, which also took into account the capital asset pricing model, representing the specific risks for the individual units that generate the cash flow.

With reference to calculating the value in use, an analysis of the sensitivity of the results was carried out using the bank rate referred to above increased by 1%, which confirmed the previous results.

The criteria used for the impairment test for radio frequencies is represented by their fair value (net of sales costs), supported by independent appraisals carried out by third-party experts as of the acquisition date and by an update of the value as of the balance sheet date which confirm their carrying value.

The impairment tests carried out on intangible assets with indefinite useful lives resulted in provisions being made for €242 thousand, referring to goodwill.

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 31/12/2006	954	7,904	8,858
Investments	-	-	0
Disposals	(496)	(5,651)	(6,147)
Other changes	-	(581)	0
Cost at 31/12/2007	458	2,253	2,711
Accumulated depreciation and impairment losses at 31/12/2006	-	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 31/12/2007	0	1,186	1,186
Net book value at 31/12/2006	954	3,790	4,744
Net book value at 31/12/2007	458	1,067	1,525

During 2008, work was carried out on restoring existing property.

The directors estimated that the fair value of investment property at 31 December 2008 was not lower than the net carrying value.

Investment property (€,000)	Land	Non-business buildings	Total
Cost at 31/12/2007	458	2,253	2,711
Investments	-	995	995
Disposals	-	-	0
Other changes	-	109	109
Cost at 31/12/2008	458	3,357	3,815
Accumulated depreciation and impairment losses at 31/12/2007	-	1,186	1,186
Depreciation	-	74	74
Writedowns/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	1	1
Accumulated depreciation and impairment losses at 31/12/2008	0	1,261	1,261
Net book value at 31/12/2007	458	1,067	1,525
Net book value at 31/12/2008	458	2,096	2,554

Depreciation of investment property

The depreciation charge for the year amounted to €74 thousand, included in the income statement under "Depreciation and impairment of property, plant and equipment", compared to €181 thousand in 2007.

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 2008.

During 2008 this item included the deconsolidation of the business activities of Mondadori Printing SpA, which resulted in a notable re-dimensioning of the balance at the end of 2008. Investments were fairly limited, partly as a result of the operations described.

The main investments referred to the purchase of a building that was subsequently disposed of during the year, a number of operations carried out in the printing facilities, fitting out new bookshops in the retail sector and the normal replacement of obsolete office equipment, vehicles and furniture.

During the year it was not necessary to carry out any writedowns.

Property, plant and equipment (€,'000)	Land	Business buildings	Plant and equipment	Other assets	Total
Cost at 31/12/2006	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 31/12/2007	19,898	81,708	404,917	149,465	655,988
Accumulated depreciation and impairment losses at 31/12/2006	-	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 31/12/2007	0	27,773	317,541	101,057	446,371
Net book value at 31/12/2006	20,546	66,332	98,010	36,979	221,867
Net book value at 31/12/2007	19,898	53,935	87,376	48,408	209,617
Property, plant and equipment (€,'000)	Land	Business buildings	Plant and equipment	Other assets	Total
Cost at 31/12/2007	19,898	81,708	404,917	149,465	655,988
Investments	320	15,074	3,094	12,088	30,576
Disposals	(4)	(13,440)	(2,237)	(6,216)	(21,897)
Changes in consolidation area	(17,180)	(56,345)	(380,835)	(16,107)	(470,467)
Other changes	-	1,932	8,909	(11,980)	(1,139)
Cost at 31/12/2008	3,034	28,929	33,848	127,250	193,061
Accumulated depreciation and impairment losses at 31/12/2007	-	27,773	317,541	101,057	446,371
Depreciation	-	2,636	18,188	10,155	30,979
Writedowns/reinstatement of value	-	-	-	-	0
Disposals	-	(202)	(1,862)	(4,427)	(6,491)
Changes in consolidation area	-	(16,507)	(310,316)	(10,773)	(337,596)
Other changes	-	-	(15)	(975)	(990)
Accumulated depreciation and impairment losses at 31/12/2008	0	13,700	23,536	95,037	132,273
Net book value at 31/12/2007	19,898	53,935	87,376	48,408	209,617
Net book value at 31/12/2008	3,034	15,229	10,312	32,213	60,788

As a result of the disposal of printing assets, "Property, plant and equipment" no longer includes buildings and plant with mortgages booked to financial liabilities.

"Other tangible fixed assets" includes:

Other tangible fixed assets (€,'000)	31/12/2008	31/12/2007
Industrial and commercial equipment	12,122	11,049
Electronic office machines	4,521	5,393
Furniture and fixtures	8,074	8,262
Motor vehicles and transport vehicles	1,511	2,271
Leasehold improvements	5,505	6,312
Other assets	85	239
Assets under construction and advances	395	14,882
Total other tangible fixed assets	32,213	48,408

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 €30,979 thousand, and was composed as follows:

Depreciation of property, plant and equipment (€,'000)	31/12/2008	31/12/2007
Buildings used in business activities	2,636	3,005
Plant and machinery	18,188	22,888
Equipment	2,642	2,695
Electronic office machines	3,519	3,838
Furniture and fixtures	1,574	1,479
Motor vehicles and transport vehicles	1,114	1,092
Leasehold improvements	1,271	1,184
Other assets	35	73
Total depreciation of property, plant and equipment	30,979	36,254
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	30,979	36,254

Leased assets

The following table shows the value of leased assets at 31 December 2008 classified under fixed assets:

(€,'000)	31/12/2008			31/12/2007		
	Gross value	Accumulated depreciation	Net book value	Gross value	Accumulated depreciation	Net book value
Buildings not used in business activities	-	-	0	-	-	0
Buildings used in business activities	775	(221)	554	775	(198)	577
Plant and machinery	-	-	0	57,484	(57,461)	23
Other assets	-	-	0	1,291	(1,256)	35
Total leased assets	775	(221)	554	59,550	(58,915)	635

The decrease in investments is due to the disposal of Mondadori Printing SpA. At 31 December 2008 there were no assets that had not already been redeemed.

5. Investments

Investments in companies accounted for using the equity method and in other companies amounted to €141,000 thousand.

Investments (€.,000)	31/12/2008	31/12/2007
Investments accounted for using the equity method	140,779	127,026
Investments in other companies	221	273
Total investments	141,000	127,299

Changes over the past two years in investments accounted for using the equity method are set out below.

2008 was characterised by the disposal of 80% of Mondadori Printing SpA, with the remaining 20% accounted for using the equity method.

“Purchases and changes in consolidation area” includes cover for losses from Società Europea di Edizioni SpA for approximately €9 million.

Investments accounted for using the equity method (€.,000)	Net value
Balance at 31/12/2006	120,230
Movements during 2007:	
- purchases and changes in consolidation area	9,495
- changes in consolidation method	600
- disposals and other movements	(290)
- revaluations	19,891
- writedowns	(10,550)
- dividends	(12,350)
Balance at 31/12/2007	127,026
Movements during 2008:	
- purchases and changes in consolidation area	13,571
- changes in consolidation method	10,140
- disposals and other movements	(366)
- revaluations	18,296
- writedowns	(12,833)
- dividends	(15,055)
Balance at 31/12/2008	140,779

The following table sets out details of investments accounted for using the equity method, which increased, apart from the reasons already mentioned, thanks to the positive results of almost all the companies (see Note 27).

Investments accounted for using the equity method – Detail (€ ,000)	31/12/2008	31/12/2007
Investments in joint ventures:		
- Gruner + Jahr/Mondadori SpA	5,476	5,593
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	91	204
- Harlequin Mondadori SpA	730	552
- Hearst Mondadori Editoriale Srl	528	627
- Mondadori Rodale Srl	701	929
- Edizioni Electa Bruno Mondadori Srl	230	144
- Edizioni EL Srl	2,805	2,395
- Grupo Random House Mondadori	46,999	41,772
- Gruppo Attica Publications	38,230	37,556
- ACI-Mondadori SpA	988	1,449
- Mondolibri SpA	5,001	8,630
- Mondadori Independent Media LLC	1,756	100
- Mondadori Seec Advertising Co. Ltd	1,002	-
- Editions Mondadori Axel Springer Snc	13,668	13,217
- Top Santé VOF	137	205
Total investments in joint ventures	118,342	113,373
Investments in associated companies:		
- Mach 2 Libri SpA	7,032	6,818
- Società Europea Edizioni SpA	6,208	6,739
- Mondadori Printing SpA	9,065	-
- Venezia Musei società per i servizi museali Scarl	6	6
- Venezia Accademia per i servizi museali Scarl	2	2
- Campania Arte Scarl	22	22
- Consorzio Covar (in liquidation)	2	2
- Consorzio Forma	1	1
- Roccella Scarl	27	40
- Rock FM Srl	-	23
- Novamusa Val di Noto Scarl	18	-
- Novamusa Valdemone Scarl	21	-
- Novamusa Gelmar Scarl	2	-
- Novamusa Val di Mazara Scarl	17	-
- Consorzio Editoriale Fridericiana	14	-
Total investments in associated companies	22,437	13,653
Total investments accounted for using the equity method	140,779	127,026

Investments accounted for using the equity method also include the cost of goodwill, net of depreciation and writedowns, for €70.5 million.

This cost mainly refers to:

- €34.1 million for the purchase of the Attica Publications Group, which took place over a number of tranches between 2003 and 2004;
- €18.6 million for the operation that in 2000 resulted in setting up the Random House Mondadori Group, which publishes books in Spanish and operates in Spain and South America;
- €8.3 million for the purchase of Editions Mondadori Axel Springer Snc, which is part of the Mondadori France Group and publishes *AutoPlus*.

Goodwill is attributed to assets, mainly magazine titles and publishing series, acquired from investments in joint ventures.

The recoverable values indicated above were verified after the calculation of the value in use, utilising data from the three-year/five-year plans approved by the respective company management.

No writedowns were made as a result of the tests carried out.

The following table illustrates the movements in investments in other companies, stated at fair value.

Investments – Investments in other companies (€.,000)	Net book value
Balance at 31/12/2006	2,174
Movements during 2007:	
- purchases and changes in consolidation area	28
- disposals and other movements	(1,927)
- changes in consolidation method	-
- writedowns	(2)
- dividends	-
Balance at 31/12/2007	273
Movements during 2008:	
- purchases and changes in consolidation area	4
- disposals and other movements	-
- changes in consolidation method	(56)
- writedowns	-
- dividends	-
Balance at 31/12/2008	221

The following table illustrates details of investments in other companies.

Investments in other companies – Detail (€.,000)	31/12/2008	31/12/2007
- Società Editrice Il Mulino SpA	101	101
- Consuedit 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

The variations are mainly due to the purchase of the remaining 20% of Electa Napoli SpA, which resulted in an increase in the stake held in this company and in it being accounted for using the equity method in place of fair value.

6. Deferred tax assets and liabilities

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

(€,000)	31/12/2008	31/12/2007
Deferred tax assets - IRES	36,042	36,444
Deferred tax assets - IRAP	2,905	3,283
Total deferred tax assets	38,947	39,727
Deferred tax liabilities - IRES	85,084	85,128
Deferred tax liabilities - IRAP	3,816	3,085
Total deferred tax liabilities	88,900	88,213

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

(€,000)	31/12/2008			31/12/2007		
	Amount of temporary difference	Tax rate	Deferred tax assets	Amount of temporary difference	Tax rate	Deferred tax assets
Difference between book value and tax basis of intangible assets	7,527	(*)	2,070	15,285	(*)	4,202
Difference between book value and tax basis of investment property and property, plant and equipment	3,519	(*)	968	2,849	(*)	783
Provision for bad debts	19,261	(*)	5,296	17,671	(*)	4,945
Inventory provision	14,207	(*)	3,907	15,151	(*)	4,165
Writedowns of advances to authors	15,058	(*)	4,141	12,946	(*)	3,561
Provisions	32,407	(*)	8,911	23,836	(*)	6,739
Agents' termination indemnity	4,062	(*)	1,117	4,647	(*)	1,147
Elimination of unrealised intragroup profits	7,380	(*)	2,030	12,007	(*)	3,302
Other temporary differences	27,646	(*)	7,602	26,004	(*)	7,600
Total for IRES purposes	131,067		36,042	130,396		36,444
Difference between book value and tax basis of intangible assets	8,718	(*)	340	15,285	(*)	597
Difference between book value and tax basis of investment property and property, plant and equipment	3,744	(*)	146	2,849	(*)	111
Inventory provision	14,179	(*)	553	15,151	(*)	590
Writedowns of advances to authors	9,000	(*)	351	7,646	(*)	298
Provisions	15,026	(*)	586	13,964	(*)	545
Agents' termination indemnity	4,667	(*)	182	4,647	(*)	181
Elimination of unrealised intragroup profits	7,333	(*)	286	12,007	(*)	468
Other temporary differences	11,820	(*)	461	12,663	(*)	493
Total for IRAP purposes	74,487		2,905	84,212		3,283

(*) With regard to income taxes, each company in the group has applied the tax rate in force in the country of residence.

For IRAP, each company in the group has applied the tax rate in force taking into account the distribution of the basic tax per region.

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

€ ,000	31/12/2008			31/12/2007		
	Amount of temporary difference	Tax rate	Deferred tax liabilities	Amount of temporary difference	Tax rate	Deferred tax liabilities
Capital gains	9,774	(*)	2,687	13,033	(*)	3,584
Difference between book value and tax basis of intangible assets	274,873	(*)	75,593	266,362	(*)	73,249
Difference between book value and tax basis of investment property and property, plant and equipment	8,892	(*)	2,446	12,222	(*)	3,362
Employees' leaving entitlement	6,345	(*)	1,744	11,451	(*)	3,147
Agents' termination indemnity	1,045	(*)	287	1,186	(*)	326
Leased assets	543	(*)	149	543	(*)	149
Other temporary differences	7,923	(*)	2,178	4,767	(*)	1,311
Total for IRES purposes	309,395		85,084	309,564		85,128
Capital gains	9,790	(*)	381	13,033	(*)	508
Difference between book value and tax basis of intangible assets	69,795	(*)	2,722	45,208	(*)	1,762
Difference between book value and tax basis of investment property and property, plant and equipment	9,493	(*)	370	12,222	(*)	476
Agents' termination indemnity	1,018	(*)	40	1,186	(*)	45
Leased assets	543	(*)	21	543	(*)	21
Other temporary differences	7,231	(*)	282	6,974	(*)	273
Total for IRAP purposes	97,870		3,816	79,166		3,085

(*) With regard to income taxes, each company in the group has applied the tax rate in force in the country of residence.

For IRAP, each company in the group has applied the tax rate in force taking into account the distribution of the basic tax per region.

The net change in deferred tax assets and liabilities is mainly due to changes in the consolidation area and to lower tax expenses for €327 thousand, as can be seen in Note 29.

The following table illustrates the total progressive fiscal losses pertaining to companies which up to 2008 did not belong to the fiscal consolidation.

Unrecognised deferred taxes	31/12/2008	31/12/2007
Temporary differences excluded from the determination of deferred tax assets and liabilities	-	-
Unused tax losses available for carry forward	1,835	3,678

7. Other non-current assets

The balance of other non-current assets decreased as a result of the utilisation of prepaid withholding tax on the employees' leaving entitlement and of changes in the consolidation area.

Other non-current assets (€,000)	31/12/2008	31/12/2007
Guarantee deposits	2,316	2,387
Earnest money	-	-
Advance IRE withholding tax on the employees' leaving entitlement	71	109
Other	471	523
Total other non-current assets	2,858	3,019

8. Tax receivables

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

Tax receivables (€,000)	31/12/2008	31/12/2007
Receivables from tax authorities for IRAP	2,518	2,687
Receivables from tax authorities for IRES	5,393	4,595
Receivables from Fininvest for IRES	-	-
Receivables from tax authorities for VAT to be recovered	9,013	11,240
Receivables from tax authorities for tax reimbursements	3,135	10,179
Total tax receivables	20,059	28,701

The balance decreased compared with 31 December 2007 as a result of the reimbursement of tax receivables from the parent company for approximately €9 million.

9. Other current assets

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

Other current assets (€,000)	31/12/2008	31/12/2007
Advances to agents	644	672
Advances to authors and collaborators	49,585	47,021
Advances to suppliers	11,397	8,710
Advances to personnel	650	663
Receivables for insurance compensation	-	-
Advances to social security institutions	105	471
Receivable for guarantee deposits	331	294
Earnest money	413	423
Prepayments	3,256	7,992
Other	23,898	11,354
Total other current assets	90,279	77,600

The increase in the total is due to receivables mainly from the disposal of a building and its relative commercial licence.

10. Inventories

The large decrease in the balance, compared with 31 December 2007, is partly due to the disposal of Mondadori Printing SpA, in particular in the item "Raw materials and consumables", and partly to the reduction of a number of publishing initiatives that will be published in 2009.

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

Inventories (€,'000)	31/12/2008	31/12/2007
Raw materials and consumables	9,751	21,959
Provision for raw materials and consumables	(542)	(605)
Total raw materials and consumables	9,209	21,354
Work in progress and semi-finished goods	28,637	35,710
Provision for work in progress and semi-finished goods	(1,729)	(1,534)
Total work in progress and semi-finished goods	26,908	34,176
Contract work in progress	2,155	10,544
Provision for contract work in progress	-	-
Total work in progress	2,155	10,544
Finished products and goods for resale	100,141	101,040
Provision for finished products and goods for resale	(15,047)	(16,214)
Total finished products and goods for resale	85,094	84,826
Advances	-	-
Total inventories	123,366	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 31/12/2006	676	1,183	0	16,392
Movements during period:				
- provisions	60	351	-	4,740
- utilisations	(118)	-	-	(4,924)
- other movements	(13)	-	-	6
Balance at 31/12/2007	605	1,534	0	16,214
Movements during period:				
- provisions	393	305	-	4,517
- utilisations	(25)	(110)	-	(5,684)
- other movements	(431)	-	-	-
Balance at 31/12/2008	542	1,729	0	15,047

There are no inventories used to secure liabilities.

Decrease (increase) in inventories

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

Decrease (increase) in inventories (€,000)	31/12/2008	31/12/2007
Changes in finished products and goods	5,436	(10,535)
Charge to finished products and goods provision	4,517	4,740
Utilisation of finished products and goods provision	(5,684)	(4,924)
Total changes in inventories of finished products and goods	4,269	(10,719)
Changes in semi-finished products	5,237	4,165
Charge to work in progress and semi-finished products provision	305	351
Utilisation of work in progress and semi-finished products provision	(110)	-
Total changes in inventories of work in progress and semi-finished products	5,432	4,516
Changes in work in progress orders	5,123	(1,488)
Charge to work in progress orders provision	-	-
Utilisation of work in progress orders provision	-	-
Total changes in inventories of work in progress orders	5,123	(1,488)
Changes in raw materials and consumables	(1,360)	(1,688)
Charge to raw materials and consumables provision	393	60
Utilisation of raw materials and consumables provision	(25)	(118)
Total change in inventories of raw materials and consumables	(992)	(1,746)
Total decrease (increase) in inventories	13,832	(9,437)

11. Trade receivables

The balance of "Trade receivables" was reduced as a result of the different consolidation parameters and the performance of some business areas, notably magazines and advertising, which were inferior to last year.

Details of receivables from associated, parent and affiliated companies are contained in the "Relations with related parties" attachment.

Commercial transactions with these companies are carried out in accordance with normal market conditions.

Trade receivables (€,000)	31/12/2008	31/12/2007
Receivables from customers	381,957	443,381
Receivables from associated companies	33,657	40,977
Receivables from parent companies	22	5
Receivables from affiliated companies	1,722	2,510
Total trade receivables	417,358	486,873

There are no trade receivables with a due date over five years; the average collection period during 2008 was 88.4 days (84.2 days in 2007).

The following table contains details of "Trade receivables", which shows a reduction in the returns to be received due to the slow-down in sales of books and magazines.

Trade receivables - Receivables from customers (€,'000)	31/12/2008	31/12/2007
Trade receivables	521,009	607,642
Customers - returns to be received	(105,584)	(132,030)
Provision for bad debts	(33,468)	(32,231)
Total receivables from customers	381,957	443,381

With reference to trade receivables, it should be noted that each company in the group carries out an accurate analysis of its debt position in order to calculate the amount to be allocated.

Trade receivables - Receivables from customers - provisions (€,'000)	31/12/2008	31/12/2007
Balance at beginning of year	32,231	31,304
Movements during period:		
- provisions	12,021	8,030
- utilisations	(7,972)	(6,017)
- changes in scope of consolidation	(2,146)	32
- other movements	(666)	(1,118)
Total receivables from customers	33,468	32,231

12. Financial assets

Non-current financial assets (€,'000)	31/12/2008	31/12/2007
- Financial receivables	2,019	649
Financial assets at fair value with changes through the income statement	-	-
Available-for-sale financial assets	-	-
Assets resulting from derivative instruments	-	3,022
Total other non-current financial assets	2,019	3,671

“Non-current financial assets”, amounting to €2,019 thousand, includes a financial credit of €1,500 thousand pertaining to Mondadori Independent Media LLC, a joint venture for licensing group titles in Russia

Other current financial assets (€,'000)	31/12/2008	31/12/2007
Financial receivables from customers	809	8
Financial receivables from associated companies	2,656	11,558
Financial receivables from parent companies	-	-
Financial receivables from affiliated companies	-	-
Financial receivables from others	21,967	24,774
Total financial receivables	25,432	36,340
Financial assets at fair value with changes through the income statement	3,314	108,487
Available-for-sale financial assets	39,715	-
Assets resulting from derivative instruments	-	83
Total other current financial assets	68,461	144,910

The reduction in "Current financial assets" compared with 31 December 2007, is due to the altered nature of the financial business carried out by the Luxembourg securities broker that, at 31 December 2008, included fewer shares and more short-term bank deposits securities (maximum three-month expiry) classified under cash availability.

"Financial assets at fair value", "Financial receivables from others" and "Available-for-sale financial assets" include investments by Mondadori International made through the Luxembourg rate securities broker, ABS Finance Fund.

Following the liquidity crisis that has hit the Corporate secondary market, on 1 October 2008 the Mondadori Group reclassified the Luxembourg rate securities broker bond portfolio, for approximately €49 million, from "Financial assets with changes through the income statement" to "Available-for-sale financial assets", as permitted by the modifications to IAS 39 introduced by the IASB in October 2008.

The impact of this operation, at 31 December 2008, amounted to the allocation of approximately €4.5 million to a specific reserve in net equity instead of to the income statement, as a result of the change in the fair value between the two dates.

All of the assets referred to above are measured at fair value. For publicly traded assets the reference is the market prices, while for non-traded assets the price is either supplied by the banks that are the custodians of the shares themselves or by the respective market makers. For bonds classified under "Available-for-sale financial assets", an evaluation model based on calculating expected cash flows was used, in the absence of an active market.

At 31 December 2008 writedowns for €6.9 million, accounted for under financial expenses, were made for the group's financial assets.

Assets and liabilities resulting from derivative instruments

The following table illustrates the assets and liabilities resulting from derivative instruments held at 31 December 2008.

Assets and liabilities in derivative instruments – Details			
(€,000)	Type of derivatives	Fair value at 31/12/2008	Fair value at 31/12/2007
Non-current financial assets (liabilities)			
-Tax derivatives	Cash flow hedge	(4,076)	3,022
-Cross currency swap	Fair value hedge	(6,570)	(54,433)
Current financial assets (liabilities)			
-Cross Currency Swap	Trading	(15)	83

Trading derivatives refer to instruments that, even though they were set up as hedge operations, do not fully satisfy all the requisites of international accounting standards to qualify for hedge accounting. In the case of the Mondadori Group, this only refers to currency exchange risk management.

The Group has adopted a policy on the management of financial risks. The utilisation of derivative instruments is in line with the guidelines contained in that document

In order to verify the efficiency of the hedge operations, the group carries out at least once a quarter a series of forecast and retrospective tests.

Forecast tests are used to check if at the beginning of every hedge operation, and for the entire duration of the operations, every hedge is sufficiently efficient, which means that the variations in the fair value or cash flow of the hedged item must compensate "almost completely" for the variations in the fair value or cash flow of the hedged instrument.

Retrospective tests are used to check if hedge is sufficiently efficient, which means it must produce results between the range 80% and 125%. The tests can either be carried out on the basis of a certain period of time, with each test beginning immediately after the end of the previous one, or on a cumulative basis starting from a specific date.

The methods used to verify the efficiency are statistic regression analyses, the dollar offset method or ration analyses.

Every month the group also calculates the fair value of current hedge operations. These values can be obtained either by using the mark-to-market, when the financial instruments employed are traded on active markets, or, when the prices of the financial instruments employed are not available from the market, by obtaining an independent evaluation from a market counterparty and/or by using appropriate mark-to-models.

Tax derivatives

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

In May 2008, a basis swap contract was added to the IRS in order to exploit the difference between the three-month and one-month Euribor rate and further reduce the interest rate, which is now equal to 3.745%.

The table below shows the impact in the income statement and in net equity of current hedge operations:

Cash flow hedge reserves (€,000)	31/12/2008	31/12/2007
Initial reserves	3,022	950
Amount revealed during year	(8,083)	2,576
Amount taken from reserve and recognised in income statement		
- adjustments to expenses	5,171	-
- adjustments to income	(4,186)	(504)
Final reserves	(4,076)	3,022
Inefficient part of hedge	0	0

During the first quarter of 2009, another floating to fix interest rate swap (IRS) contract was signed to cover the remaining amount of €150 million of the term loan part of the pool loan, thereby fixing the financial position at a fixed rate.

Currency derivatives

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

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

At 31 December 2008 there were hedge operations for currency risks relating to forward contracts for the purchase of US \$1,650 thousand (€1,220 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 composed 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 euros at a floating interest rate. 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 added, making it possible to modify the reference base from a three-month to a one-month Euribor rate.

The new average spread now amounts to 0.734%. In September 2008, given the positive performance of the interest rate curve, it was decided to unwind the basis swap contract, recording financial income of over €0.7 million.

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

The following table shows the impact on the income statement of changes to the value of the derivatives referred to above and to the relevant debt:

Fair value hedge		
(€,'000)	31/12/2008	31/12/2007
Profit (loss) of hedge derivatives	47,677	(17,863)
Profit (loss) recognised in financial debt	(47,739)	17,804

13. Cash and cash equivalents

"Bank deposits" include the current account cash and bank deposits of Arnoldo Mondadori Editore SpA (€113.0 million), Mondadori International (€36.8 million) and the Luxembourg rate security broker, ABS Finance Fund (€175.6 million). Short-term deposits

have a maximum expiry date of three months, in keeping with the financial needs of the group.

Short-term bank deposits are kept in Italian banks with high ratings.

The fair value of cash and cash equivalents at 31 December 2008 is equal to their carrying value at that date.

Cash and cash equivalents (€,'000)	31/12/2008	31/12/2007
Cash and valuables	896	2,162
Cheques	204	365
Bank deposits	328,775	221,532
Post office deposits	655	1,039
Total cash and cash equivalents	330,530	225,098

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

Net financial position (€,'000)	31/12/2008	31/12/2007
A Cash	1,100	2,527
-Bank deposits	328,775	221,532
-Post office deposits	655	1,039
B Other cash and cash equivalents	329,430	222,571
C Cash and cash equivalents and other financial assets (A+B)	330,530	225,098
D Stocks held for negotiation		
-Financial receivables from associated companies	2,656	11,558
-Financial assets measured at fair value	3,314	108,487
-Available-for-sale financial assets	39,715	-
-Derivative instruments and other financial assets	22,776	24,865
E Receivables and other current financial assets	68,461	144,910
F Current financial assets (D+E)	68,461	144,910
G Current bank payables	722	29,533
-Bonds	-	-
-Mortgages	-	-
-Loans	190,446	107,354
H Current part of non-current payables	190,446	107,354
-Payables due to associated companies	21,613	22,452
-Derivative instruments and other financial payables	4,486	8,508
I Other current financial payables	26,099	30,960
L Payables to banks and other current financial payables (G+H+I)	217,267	167,847
M Current net financial position (C+F-L)	181,724	202,161
-Bonds	289,085	349,582
-Mortgages	-	-
-Loans	374,274	337,128
N Part of non-current payables	663,359	686,710
O Other non-current financial payables	10,646	54,456
P Non-current financial payables (N+O)	674,005	741,166
Q Net financial position (M-P)	(492,281)	(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 €490,262 thousand.

Further details of the net financial position are contained in notes 12, 13 and 18.

14. Shareholders' equity

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

The Mondadori Group is controlled by Fininvest SpA.

Share capital

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

Share premium reserve

The share premium reserve of Arnoldo Mondadori Editore SpA shares, amounting to €286,876 thousand, includes:

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

Treasury shares

This item, which amounts to €138,840 thousand and is the same as the 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 SpA and 4,517,486 ordinary shares held by Mondadori International SA.

Reserve for stock options

This reserve, which at 31 December 2008 amounted to €194,606 thousand, is composed as follows:

- a legal reserve for €13,490 thousand;
- a reserve of €5,335 thousand for amounts paid out by the Agenzia per la Promozione dello Sviluppo del Mezzogiorno (ministerial decrees of 28/6/1979 and 3/5/1989) for the purposes of industrial investments carried out at the plant in Pomezia (RM) and paid out by the State pursuant to Publishing Law 416 of 5/8/1981;
- a cash flow hedge reserve, with a deficit of €4,076 thousand, for the evaluation of a hedge derivative;

- a fair value reserve, with a deficit of €4,454 thousand, for “Available-for-sale financial assets”. Further details of this item are provided in Note 12;
- a stock option reserve, amounting to €5,739 thousand, has been set up for the purposes of the stock option plan assigned to directors and managers of the group. During the year costs for this item booked to the income statement increased by €1,507 thousand and decreased by €2,004 thousand as a result of the cancellation of expired options. Further details are provided in Note 25;
- the conversion reserve which at 31 December 2008 showed a deficit of €653 thousand (-€296 thousand at 31 December 2007), deriving mainly from the conversion of the financial statements of companies belonging to the Random House Mondadori Group, operating in Latin America, and the Attica Group, with offices in East European countries.

The exchange rates used for the conversion of financial statements in foreign currencies are summarised in the following table:

	Exchange rate at 31/12/2008		Exchange rate at 31/12/2007	
	average	spot	average	spot
US dollars	1.47	1.39	1.47	1.32
Argentinean pesos	4.62	4.82	4.64	4.03
Chilean pesos	763.53	890.80	733.40	702.45
Colombian pesos	2,874.93	3,138.05	2,972.17	2,950.08
Mexican pesos	16.29	19.23	16.06	14.24
Uruguayan pesos	30.61	34.04	31.69	32.16
Venezuelan bolivares	3,158.47	2,995.88	3,161.04	2,827.99
Rubles	36.41	41.28	-	-
Cypriot lire	0.585	0.585	-	-
Romanian new leu	3.68	4.02	3.34	3.61
Bulgarian lev	1.96	1.96	1.96	1.96
Serbian dinars	81.49	89.78	79.99	79.77
Hungarian florins	251.51	266.70	251.35	253.73

The residual balance represents retained earnings.

Capital management

The Mondadori Group’s capital is managed in relation to the overall financial structure of the group, with particular attention paid to a correct balance between net debt and capital.

The main objective is to maximise the value of the company and minimise the adjusted average cost of debt and capital, in respect of the limits imposed by the covenants on various forms of finance (bonds and bank loans). A correct balance between debt and capital must be able to support the development of the company’s business activities and provide adequate remuneration for shareholders.

The main indicator used by the group for measuring the adequacy of the capital compares the net debt with the capitalisation of the financial statements (net debt plus capital). The net debt includes all the onerous loans (bonds and bank loans) net of the liquid assets and equivalents.

The group’s objective is to ensure, partly in conformity with financial covenants, that net debt does not exceed 60% of capitalisation. In order to verify that the restraints imposed by the financial covenants on debt are respected, the value of treasury stock held in the portfolio is added to the value of the capital.

Capital management (€,000)	31/12/2008	31/12/2007
Net debt	490.3	535.3
Capital (net equity)	509.1	506.5
Total capital and net debt	999.4	1,041.8
Ratio of net debt/capital to net debt	49.1 %	51.4%
Treasury stock in portfolio	138.8	138.8

15. Capital and reserves attributable to minorities

This item refers to the non-controlling interests in Edizioni Piemme SpA, as set out below:

Capital and reserves attributable to minorities (€,000)	Edizioni Piemme SpA
Equity at 31/12/2007	1,932
Result for 2007	795
Equity at 31/12/2008	1,925
Result for 2008	702

16. Provisions

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

Provisions (€,000)	31/12/2007	Charge	Utilisations	Other movements	31/12/2008
Agents' contractual risks	2,515	9	-	65	2,589
Litigation	10,684	3,739	(4,414)	(112)	9,897
Equity investment provision	996	1,515	-	(10)	2,487
Tax disputes	2,365	166	(296)	-	2,235
Other risks	16,718	11,572	(5,719)	(86)	22,485
Total provisions	33,278	17,001	(10,429)	(143)	39,693

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

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

17. Employees' leaving entitlement and termination indemnities

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

Leaving entitlements and termination indemnities		
(€,000)	31/12/2008	31/12/2007
Employees' leaving entitlement (TFR)	54,016	83,429
Agents' termination indemnity (FISC)	6,775	6,647
Termination indemnity for journalists (IFGP)	572	562
Total leaving entitlements and termination indemnities	61,363	90,638

The balance of the "Employee's leaving entitlement (TFR)" reserve was greatly affected by the change in the consolidation area linked to the disposal of Mondadori Printing SpA and is characterised by a further decrease due to the fact that, in companies with more than 50 employees, provisions represent re-calculations of the initial reserve as per ISTAT parameters on the cost of living.

Employees' leaving entitlement – Details			
(€,000)	TFR	FISC	IFGP
Balance at 31/12/2007	83,429	6,647	562
Changes during 2008:			
- provisions	1,373	1,079	9
- utilisations	(7,696)	(610)	-
- reversals	-	-	-
- discounting	3,292	-	-
- change in scope of consolidation and other changes	(26,382)	(341)	1
Balance at 31/12/2008	54,016	6,775	572

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

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

Actuarial assumptions used for the employees' leaving entitlement (TFR)		
	31/12/2008	31/12/2007
Economic assumptions:		
- increase in cost of living	2.0%	2.0%
- discount rate	4.5%	4.5%
- salary increases	3.0%-4.0%	3.0%-4.0%
Demographic assumptions:		
- probability of death	IPS 55 tables	IPS 55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	From 1.78% to 9.25%	From 0.50% to 8.16%
- pensionable age	Current regulations	Current regulations

The cost of employee's leaving entitlements, recognised in the income statement, are shown in the following table:

Cost of employees' leaving entitlement (TFR) (€,'000)	31/12/2008	31/12/2007
Current cost of the employees' leaving entitlement	2,857	4,964
Financial charges	3,292	3,364
Actuarial (gains) losses	(1,484)	(6,835)
Total cost of employees' leaving entitlement	4,665	1,493

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

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

Actuarial assumptions used for the agents' termination indemnity (FISC)	31/12/2008	31/12/2007
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

Financial liabilities include:

- €289,085 thousand representing the amortised cost of the US private placement bond issued by Mondadori International in December 2003 for an amount of \$350 million and composed of three tranches of \$215 million, \$40 million and \$95 million at fixed interest rates of 5.42%, 5.57% and 5.82% respectively having due dates of 2013, 2015 and 2018.

The valuation of the US private placement bond was carried out in line with a cross currency swap taken out to hedge foreign exchange and interest rate risks.

"Non-current financial liabilities" include:

- €289,085 thousand, the amortised cost of the US private placement debenture loan taken out by Mondadori International in December 2003 for a total of US \$350 million and composed of three tranches of \$215, \$40 and \$95 million with fixed interest rates of 5.42%, 5.57% and 5.82%. The three tranches have due dates of 2013, 2015 and 2018.

The valuation of the US private placement bond was carried out in line with a cross currency swap taken out to hedge foreign exchange and interest rate risks.

- €10,646 thousand for the fair value of the cross currency swap on US private placement debenture loans (€6,570 thousand) and the fair value of interest rate swap (IRS) for hedging part of the pool loan term (€4,076 thousand).

- €374,274 thousand composed of :
 - €299,274 thousand for the amortised cost of the pool loan term;
 - €75,000 thousand for the utilisation of part of the bilateral loan term held with Intesa Sanpaolo, with a due date of 2013.

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.

Non-current financial liabilities (€,000)	Effective interest rate	Due between 1 and 5 years	Due after 5 years	31/12/2008	31/12/2007
Bonds	3.84%	172,401	116,684	289,085	241,255
Convertible bonds	4.37%	-	-	-	108,327
Loans	2.757%	374,274	-	374,274	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		10,646	-	10,646	54,433
Other financial liabilities		-	-	-	-
Total non-current financial liabilities		557,321	116,684	674,005	741,166

“Amounts due to banks and other financial payables” mainly include:

- €190,446 thousand for a stand-by loan used by Arnoldo Mondadori Editore SpA at 31 December 2008 for €58,000 thousand, the utilisation of part of the revolving pool loan for €132,098 thousand and a subsidised loan for publishers for €259 thousand. The stand-by lines of credit at 31 December 2008 amounted to €68,000 thousand.
- €21,613 thousand for loans to associated companies that utilise the intergroup current account, details of which can be found in the attachment “Balances and transactions with related parties” and financial loans (approximately €11 million) due to associated companies of the Editions Mondadori France Group.

Amounts payable to banks and other financial payables (€,000)	Effective interest rate	31/12/2008	31/12/2007
Bank overdrafts		722	29,537
Bonds		-	-
Convertible bonds		-	-
Loans	2.686%	190,446	107,354
Amounts due to suppliers		1,062	644
Amounts due to associated companies		21,613	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		15	-
Other financial payables		3,409	7,850
Total amounts payable to banks and other financial payables		217,267	167,847

No mortgage securities have been given in respect of the US private placement debenture loan or the facility agreement loan but there exists the obligation to respect of a number of financial covenants that could result, should the obligations not be respected, in the loan being reimbursed in advance.

Financial covenants for the U.S. 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 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 (pool loan) is as follows:

- the ratio of net debt to gross operating profit (EBITDA) (calculated for a period of 12 consecutive months) must be less than or equal to 3.5.

The bilateral financial covenant with Intesa SanPaolo is as follows:

- the ratio of net debt to gross operating profit (EBITDA) (calculated for a period of 12 consecutive months) must be less than or equal to 3.5.

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

Current subsidised loans refer only to Mondadori Electa SpA for €259 thousand. As a result of the disposal of 80% of the share capital of Mondadori Printing SpA in October 2008, the relative subsidised loan was deconsolidated.

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

19. Income tax payables

Income tax payables are composed as follows:

Income tax payables (€,'000)	31/12/2008	31/12/2007
Payables due to tax authorities for IRAP	594	517
Payables due to tax authorities for IRES	231	950
Tax payables due to Fininvest for IRES	22,812	42,786
Total income tax payables	23,637	44,253

The item "Tax payables due to Fininvest for IRES" refers to tax payables owed to Fininvest SpA by the companies participating in the tax consolidation.

The decrease in this item is due to an advance payment made in 2008, which was not requested in 2007, and, above all, to a decrease in taxable income.

20. Other current liabilities

The notable decrease is due to:

- "Income tax payables", following the payment of a portion of the substitutive tax for 2007 and for the disposal of Mondadori Printing SpA, which reduced the withholding taxes on income from work carried out;
- "Other payables", partly due to the change in the consolidation area and partly to the decrease in payables to subscribers, as a result of the decrease in income from Group magazine titles.

Other current liabilities (€,'000)	31/12/2008	31/12/2007
Customer advances	36,374	37,829
Income tax payables	21,817	30,340
Amounts due to pension funds and social security institutions	32,137	38,038
Other payables	168,510	186,876
Total other current liabilities	258,838	293,083

The following table shows the details of "Other payables".

Other current liabilities - Other payables (€,'000)	31/12/2008	31/12/2007
Payroll and other amounts due to personnel	34,516	45,945
Due to authors and collaborators	56,340	55,427
Due to agents	13,413	13,081
Due to subscription and installment customers	54,694	58,570
Due to directors and statutory auditors	724	804
Prepaid rental income	341	505
Other payables, accrued expense and deferred income	8,482	12,544
Total other payables	168,510	186,876

21. Trade payables

The notable decrease in "Trade payables" is partly due to disposal of printing assets and partly to the drop in purchases during the year, as result of the decrease in the Group's volume of business. Precise details of payables to associated, parent and affiliated companies are contained in the section "Balances and transaction with related parties".

Trade payables (€,'000)	31/12/2008	31/12/2007
Suppliers	264,300	439,127
Associated companies	90,049	36,730
Parent companies	7	7
Affiliated companies	1,944	1,911
Total trade payables	356,300	477,775

There are no trade payables with a due date of more than 5 years and the average payment period in 2008 was 121.3 days (113.8 days in 2007).

22. Revenues from sales and services

It should be noted that in 2008 Mondadori Printing was consolidated up until 31 October, therefore it is not possible to make a comparison with some items for year 2007.

Revenues from sales and services (€,'000)	2008	2007	Change %
Revenues from the sale of goods:			
- books	349,987	356,351	(1.8%)
- magazines	630,362	708,974	(11.1%)
- direct	5,465	4,906	11.4%
- retail	193,013	182,118	6.0%
- other goods	3,094	3,280	(5.7%)
Revenues from services:			
- sales of publishing rights	14,663	17,576	(16.6%)
- advertising services	418,012	454,718	(8.1%)
- printing and graphic work	126,938	161,494	(21.4%)
- direct	21,589	22,971	(6.0%)
- tickets and exhibition organisation	10,666	11,207	(4.8%)
- other services	45,398	35,009	29.7%
Total revenues from sales and services	1,819,187	1,958,604	(7.1%)

As the table above shows:

- revenues from the sale of books decreased slightly due to the decrease in sales registered by Piemme, Sperling and Mondadori Electa, while revenues registered by Mondadori and Einaudi increased;
- revenues from magazine titles registered a decrease due to the negative trend in add-on sales and a reduction in circulation figures;
- the increase in the retail sector was due to the opening of new sales outlets, in particular franchising book shops and newsstand outlets.

Revenues from services included a decrease in the sale of publication rights for books in catalogues and a decrease in advertising revenues, particularly for Mondadori France.

It is not possible to compare revenues from printing activities because of the disposal of Mondadori Printing, although in the first 10 months of the year there was a decrease in the region of 16%.

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

There was a significant reduction in this item due to:

- a reduction in the volume of business of add-on sales linked to Group titles;
- a reduction in the number of pages of some group titles in the last part of the year;
- the disposal of printing assets.

Cost of raw materials and consumables and goods for resale (€,'000)	31/12/2008	31/12/2007
Paper	181,189	229,082
Electricity, water, gas, fuel	20,317	20,712
Other production materials	29,571	38,319
Total cost of raw materials	231,077	288,113
Goods for resale	159,555	166,128
Consumption and maintenance materials	4,809	6,098
Others	19,261	27,203
Total cost of consumable materials and goods for resale	183,625	199,429
Total cost of raw materials and consumables and goods for resale	414,702	487,542

24. Cost of services

The negative trend in add-on sales, magazines, advertising revenues and, to a lesser extent, books had a significant impact on items grouped under the cost of services, including "Rights and royalties", "Commissions", Third-party processing", "Subscriptions management" and "Publisher's share".

Cost of services (€,'000)	31/12/2008	31/12/2007
Rights and royalties	143,363	149,979
Third-party consultancy and collaboration	75,183	77,895
Commissions	50,416	52,724
Third-party processing	173,916	180,558
Transport and shipping	59,667	60,939
Purchase of advertising space and publicity expense	57,337	72,255
Travel and other expense reimbursements	13,837	14,963
Maintenance	14,550	14,120
Warehousing and porter costs	11,860	11,172
Postal and telephone	9,427	10,124
Catering and cleaning services	10,525	10,928
Market research	6,318	5,621
Insurance	4,974	5,318
Subscriptions management	49,872	55,843
Publisher's share	56,459	63,374
Job order services	6,359	6,275
Bank services and commission	2,338	2,161
Directors' and statutory auditors' fees	3,672	4,576
Other services	35,346	35,427
Total cost of services	785,419	834,252

"Directors' and statutory auditors' fees" represent the fees paid to Directors and Statutory Auditors for €3,212 thousand and €460 thousand respectively.

25. Personnel costs

These are composed of:

Personnel costs (€ ,000)	31/12/2008	31/12/2007
Salaries and wages	241,345	256,566
Stock options	1,507	2,327
Social charges	72,979	76,986
Leaving entitlement and increase in TFR fund	1,373	(1,871)
Leaving entitlement destined to supplementary pensions	11,957	11,493
Termination indemnities and similar	9	21
Other	27,205	27,430
Total personnel costs	356,375	372,952

Personnel costs decreased by 4.4% to €356,375 thousand (€372,952 thousand in 2007).

However, it is not possible to make a direct comparison with the previous year because of the disposal of printing assets. On a like-for-like basis, deconsolidating Mondadori Printing in both 2007 and 2008, the decrease would have amounted to 0.75%.

The following table shows the number of group personnel.

Personnel	At 31/12/2008	At 31/12/2007	Average 2008	Average 2007
Managers	153	188	174	188
Journalists	936	998	956	994
White collar and intermediates	2,693	3,179	3,049	3,168
Blue collar	143	1,221	1,000	1,251
Total	3,925	5,586	5,179	5,601

Information about stock option plans

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

The shareholders' meeting entrusted the board of directors with the task of managing the plan, granting the board all the powers necessary for identifying the participants, establishing performance objectives, allocating option rights and carrying out the plan itself in all its aspects. Shareholders also entrusted the board with the task of defining the regulations for implementing the stock option plan.

In particular, the regulations for the plan for 2006/2007/2008, approved by the board of directors in July 2006, provide, for every year the plan is in force, for the allocation to the participants in the plan of rights to options, which are personal and not

transferable, for the purchase of ordinary Mondadori SpA shares in the ratio of one share, with regular dividend, for every option exercised.

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

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

As with the plans referring to previous years, the board has identified the performance parameters of an economic and/or financial nature for the stock option plan 2006/2007/2008 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 31 December 2008 regarding the total number of options that have been granted and can still be exercised, the price and the exercise term:

Stock option	2004	2005	2006	2007	2008
In circulation at 01/01/2008	1,385,000	2,485,000	2,570,000	2,860,000	
- assigned during year	-	-	-	-	2,850,000
- cancelled during year	-	(230,000)	(265,000)	(295,000)	-
- exercised during year	-	-	-	-	-
- expired during year	(1,385,000)	-	-	-	-
In circulation at 31/12/2008	-	2,255,000	2,305,000	2,565,000	2,850,000
Exercise term	01/01/2007-31/12/2008	24/06/2008-23/06/2011	18/07/2009-17/07/2012	26/06/2010-25/06/2013	20/06/2011-19/06/2014
Exercise price in euros	7.749	7.87	7.507	7.458	4.565
Exercisable at 31/12/2008	-	2,255,000	-	-	-

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	2.5	3.5	4.5	5.5
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	2.80%	3.50%	2.65%	4.00%	5.15%

The cost of share-based payments recognised in the income statement for the year, booked under the item "Personnel costs", amounted to €1,507 thousand.

With reference to the assignation of options relative to the stock option plan for 2008, resolved by the board of directors on 19 June, it should be noted that the performance objectives for year 2008, which are necessary conditions for assigning the options, were not achieved.

In conformity with the regulations of the stock option plan, no options will be assigned for 2008.

With reference to the above, no expenses and no related increase in net equity was booked to the financial statements drawn up at 31 December 2008 since the board of directors of Mondadori Editore SpA will be called on to pass resolution regarding the failure to achieve the objectives referred to above.

26. Other (income) expense

This item is composed as follows:

Other (income) expense (€ ,000)	31/12/2008	31/12/2007
Other revenues and income	(84,831)	(66,281)
Cost of use of third-party assets	48,564	44,336
Various operating costs	41,379	35,704
Total other (income) expense	5,112	13,759

The balance of "Other revenues and income" for 2008 includes capital gains of €42.3 million (€16.9 million in 2007) from the disposal of real estate, magazine titles, printing assets and others.

Other (income) expense - Other revenues and income (€ ,000)	2008	2007
Revenue grants	12	14
Capital gains on disposal of fixed assets	42,285	16,872
Supplier rebates and other third-party contributions	5,411	6,516
Insurance reimbursements	138	136
Rental income	1,618	1,664
Prior year income	2,462	5,041
Expense recovered from third parties	19,590	18,725
Others	13,315	17,313
Total other revenues and income	84,831	66,281

The increase in "Rent payable" was partly due to Mondadori France and partly to new bookshops opened by Mondadori Retail SpA.

Other (income) expense - Cost of third-party assets (€,'000)	2008	2007
Rental expense	38,270	35,636
Data processing, leasing and hire purchase payments	8,657	7,376
Others	1,637	1,324
Total cost of third-party assets	48,564	44,336

The increase in "Various management expenses" was due to increased provisions that were necessary to cover potential liabilities arising from trade payables, legal disputes and others.

Other (income) expense - Other operating costs (€,'000)	2008	2007
Compensation and settlements	4,538	2,007
Bad debt	4,884	7,866
Charges to provisions	29,241	22,055
Utilisation of provisions	(16,996)	(15,954)
Contributions and grants	2,696	2,552
Prior year expense	2,317	2,440
Capital losses on the sale of fixed assets	1,679	83
Information material, entertainment expense and gifts	5,548	5,630
Taxes and dues	6,199	6,202
Other expense	1,273	2,823
Total other operating costs	41,379	35,704

27. Results of investments accounted for using the equity method

The table shows details of the results for 2008 and 2007 of the companies valued at net equity. No impairment test provisions were made in either 2008 or 2007.

Income (expense) from investments accounted for using the equity method (€,'000)	2008	2007
- Hearst Mondadori Editoriale Srl	365	489
- Gruner + Jahr/Mondadori SpA	3,042	3,184
- Harlequin Mondadori SpA	428	348
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	(113)	(181)
- ACI-Mondadori SpA	41	571
- Mondadori Rodale Srl	492	738
- Gruppo Attica Publications	587	1,472
- Società Europea di Edizioni SpA	(9,613)	(8,953)
- Grupo Random House Mondadori	5,818	6,936
- Edizioni Electa Bruno Mondadori Srl	236	115
- Mach 2 Libri SpA	808	517
- Mondadori Independent Media LLC	(1,835)	-
- Edizioni EL Srl	782	469
- Mondadori Printing SpA	(1,026)	-
- Mondolibri SpA	806	533
- Venezia Accademia Scarl	(21)	(14)
- Rock FM Srl	-	(376)
- Roccella Scarl	(18)	-
- Consorzio Covar (in liquidation)	-	(1)
- Editions Mondadori Axel Springer Snc	4,731	4,280
- Top Santé VOF	(68)	(786)
Total income (expense) from investments accounted for using the equity method	5,442	9,341

28. Financial income (expense)

The increase in this item is mainly due to the increase in liquidity invested in bank accounts, while "Financial expense" increased because of an increase in the average debt for the year and in the cost of money.

This item is composed as follows:

Financial income (expense) (€,'000)	2008	2007
Interest from banks and post offices	11,300	4,089
Interest from associated companies	298	439
Interest from other companies	20	42
Interest from bonds and loans	-	-
Financial income from derivative instrument operations	6,643	3,604
Other interest and financial income	1,888	3,479
Total interest income and other financial income	20,149	10,392
Interest to banks	1,152	1,112
Interest to associated companies	941	956
Interest to other companies	2,462	468
Interest paid for bonds, mortgages and loans	45,046	40,220
Financial expense from derivative instrument operations	4,826	217
Financial charges from discounting assets/liabilities	3,195	3,392
Other interest paid and financial expense	1,009	1,315
Total interest expense and other financial expense	58,631	47,680
Realised foreign exchange gains	999	276
Unrealised foreign exchange gains	198	26
Realised foreign exchange losses	(1,216)	(917)
Unrealised foreign exchange losses	(88)	(597)
Total profit (loss) on foreign exchange operations	(107)	(1,212)
Income (expense) from financial assets	(13,541)	2,783
Total financial income (expense)	(52,130)	(35,717)

29. Income (expense) from other investments

Income taxes for 2008 and 2007 are set out in the following table:

Income taxes (€,'000)	2008	2007
IRES tax on income for the year	42,560	65,240
IRAP for the year	15,140	18,036
Total current taxes	57,700	83,276
Deferred tax (income) expense - IRES	(1,137)	(6,238)
Deferred tax (income) expense - IRAP	810	(861)
Total deferred tax (income) expense	(327)	(7,099)
Other tax items	(3,750)	(112)
Total income taxes	53,623	76,065

The total decreased compared with the previous year due to the following factors:

- the deconsolidation for the last 2 months of the year of Mondadori Printing;
- the effect of the reduction in ministerial tax rates in Italy with IRES decreasing from 33% to 27.5% and IRAP from 4.25% to 3.90%;

- the lower results registered by Group companies.

In 2008 "Other tax items" referred mainly to amounts for IRES to be reimbursed as a result of the partial recognition of the deductibility of IRAP relative to years 2004-2007.

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

(€,'000)	2008			2007		
	Profits before taxes	Taxes	Current tax rate	Profits before taxes	Taxes	Current tax rate
Theoretical IRES tax charge	151,405	41,636	27.50%	189,499	62,535	33.00%
Theoretic IRAP tax charge	151,405	5,905	3.90%	189,499	8,053	4.25%
Total theoretical tax charge/rate		47,541	31.40%		70,588	37.25%
Actual IRES tax charge		38,619	25.51%		58,924	31.09%
Actual IRAP tax charge		15,004	9.91%		17,141	9.05%
Actual tax charge/effective tax rate		53,623	35.42%		76,065	40.14%
Theoretic tax charge/rate		47,541	31.40%		70,588	37.25%
Effect relative to loss-making subsidiaries		3,495	2.31%		336	0.18%
Effect deriving from absorption of higher value of intangible assets and materials net of substitutive taxes		-	-		(8,536)	(4.50%)
Effect of utilisation of tax losses from previous years		(583)	(0.39%)		-	-
Effect of differences of tax rates on taxable income of foreign subsidiaries		4,849	3.20%		1,084	0.57%
Net effect of other permanent differences		(10,778)	(7.11%)		3,505	1.84%
Effect of different IRAP tax base		9,099	6.01%		9,088	4.80%
Actual tax charge/effective tax rate		53,623	35.42%		76,065	40.14%

30. Earnings per share

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

	2008	2007
Net profit for the period (€,'000)	97,080	112,639
Average number of ordinary shares outstanding (thousands)	239,332	241,030
Basic profit per share (€)	0.406	0.467

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

	2008	2007
Net profit for the period (€,'000)	97,080	112,639
Average number of ordinary shares outstanding (thousands)	239,332	241,030
Number of options with dilutive effect (thousands)	0	13,373
Diluted earnings per share (€)	0.406	0.456

31. Commitments and contingent liabilities

At 31 December 2008 the Mondadori Group had made commitments for a total of €96,747 thousand (€133,871 thousand at 31 December 2007), represented almost entirely by sureties issued for requests for reimbursements of VAT credits and for competitions and prizes, and for €2,788 thousand for future purchases/sales contracts for foreign currencies (€5,907 thousand in 2007).

Apart from the information already given in the notes relating to the parent company, to which you are referred, it should also be noted that following tax inspections of the parent company carried out by the Guardia di Finanza (financial police) in 2008, queries were raised although no assessment notice has been issued up to the present time.

Since the Group does not believe it runs any risk of any infringement being highlighted, no reserve has been created.

32. Non-recurring expense (income)

In accordance with Consob resolution 15519 of 27 July 2006, during the year the Mondadori Group earned net non-recurring income of €34,089 thousand from the already mentioned capital gains deriving from the disposal of printing assets and from the disposal of real estate and magazine titles, net of the relative fiscal effects arising from the operations described.

33. 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. 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.

Benefits for managers with strategic responsibilities for companies

Managers who are responsible for planning, managing and controlling the business activities of the Mondadori Group are listed below:

Directors

Maurizio Costa	Deputy chairman and chief executive
Carlo Maria Vismara	Director of central administration, finance and control

Managers

Roberto Briglia	General manager of magazine division
Rossella Citterio	Director of external relations and communications
Alberto De Matthaëis	Managing director of Mondadori Printing
Ernesto Mauri	General manager of Mondadori France Sas
Gian Arturo Ferrari	General manager of book division
Angelo Sajevo	Managing Director of Mondadori Pubblicità
Carlo Mandelli	Managing director of Monradio
Renato Rodenghi	Head of direct division, Managing director of the direct marketing division companies and chairman of Mondadori Franchising
Enrico Selva Coddè	Director of central personnel, organization and IT services
Gianni Vallardi	General manager of magazines (Italy)

Total remunerations paid by Arnoldo Mondadori Editore SpA and companies controlled by the group to managers with strategic responsibilities amounted to €12.2 million.

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 2008 and 2007.

Balances and transactions with related parties at 31 December 2008

(€,'000)	Trade receivables	Financial receivables	Trade payables
Parent companies:			
- Fininvest SpA	22	-	7
Associated companies:			
- Gruner + Jahr/Mondadori SpA	4,775	1,098	8,864
- Mach 2 Libri SpA	17,571	3	346
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	428	-	-
- Venezia Accademia Scarl	-	-	-
- Venezia Musei Società per i servizi museali Scarl	322	-	318
- Hearst Mondadori Editoriale Srl	479	303	3,468
- Harlequin Mondadori Srl	559	175	-
- Mondadori Rodale Srl	1,217	661	5,070
- Gruppo Attica Publications	307	-	7
- Edizioni Electa Bruno Mondadori Srl	7	-	-
- Edizioni EL Srl	722	-	4,197
- Grupo Random House Mondadori	173	-	67
- Società Europea Edizioni SpA	1,170	-	4,040
- ACI-Mondadori SpA	648	-	2,841
- Consorzio Covar (in liquidation)	4	-	-
- Mondolibri SpA	2,321	-	812
- Roccella Scarl	75	228	194
- Campania Arte Scarl	13	134	30
- Editions Mondadori Axel Springer Snc	1,131	-	984
- Top Santé VOF	-	-	-
- Mondadori Independent Media LLC	-	1,554	-
- Venezia Accademia Società per i Servizi Museali Scarl	-	-	329
- Mondadori Printing SpA	1,731	-	56,065
- Artes Graficas Toledo SA	4	-	2,412
- Consorzio Fridericiana	-	-	5
Total associated companies	33,657	4,156	90,049

Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other income expense	Financial income expense
-	22,812	117	484	10	3	-
211	-	5,104	212	11,579	(761)	(123)
-	-	33,808	4	1,329	(12)	-
-	-	-	-	689	13	-
-	-	-	-	-	-	-
-	-	323	11	586	(1)	-
-	-	3,390	-	6,396	(413)	(35)
4,795	-	738	10,242	2	(125)	(201)
-	-	7,112	-	8,905	(689)	(41)
-	-	280	-	11	(7)	-
-	-	319	-	-	-	6
-	-	684	6,129	33	(546)	-
-	-	203	-	90	-	14
3,142	-	2,300	154	14,499	(508)	-
2,793	-	6,805	43	4,553	(398)	(117)
-	-	-	-	-	-	-
-	-	11,770	89	3,152	(1,097)	-
-	-	-	-	14	15	-
-	-	13	-	30	1	-
10,672	-	4,437	8	708	(3,354)	(334)
-	-	-	-	-	-	-
-	-	-	-	-	-	54
-	-	-	70	221	-	-
-	-	597	658	28,601	(443)	121
-	-	4	-	543	-	13
-	-	-	-	6	58	-
21,613	0	77,887	17,620	81,947	(8,267)	(643)

Balances and transactions with related parties at 31 December 2008

(€,'000)	Trade receivables	Financial receivables	Trade payables
Affiliated companies:			
- Pagine Utili Srl (disposed of)	-	-	-
- RTI SpA	837	-	652
- Publitalia '80 SpA	206	-	757
- Medusa Video SpA	7	-	421
- Digitalia '08 Srl (formerly Promoservice Italia Srl)	467	-	15
- Fininvest Gestione Servizi SpA (formerly Finedim Italia SpA)	4	-	-
- Il Teatro Manzoni SpA	2	-	-
- Mediolanum Vita SpA	-	-	-
- Mediolanum SpA	-	-	-
- Banca Mediolanum SpA	25	-	-
- Medusa Film SpA	8	-	22
- Alba Servizi Aerotrasporti SpA	-	-	43
- Radio e Reti Srl	9	-	32
- Isim SpA	-	-	2
- Consorzio Aeromobili Fininvest	-	-	-
- Videotime SpA	15	-	-
- Mediaset SpA	55	-	-
- A.C. Milan SpA	-	-	-
- Elettronica Industriale SpA	5	-	-
- Medusa Multicinema Srl	-	-	-
- Publieurope Ltd	-	-	-
- Consorzio Campus Multimedia In-Formazione	-	-	-
- Media Shopping SpA	66	-	-
- Medusa Cinema SpA	-	-	-
- Mediolanum Comunicazione SpA	16	-	-
Total affiliated companies	1,722	0	1,944
Total related parties	35,401	4,156	92,000
Percentage of financial statements	8.5%	5.9%	25.8%

Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other income expense	Financial income expense
-	-	-	-	-	-	-
-	-	1,334	-	65	(41)	-
-	-	252	-	11,592	-	-
-	-	-	4	150	(5)	-
-	-	-	-	73	-	-
-	-	-	-	-	-	-
-	-	2	-	26	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1	-	-	-	-
-	-	6	-	22	-	-
-	-	-	-	-	186	-
-	-	-	-	49	-	-
-	-	-	-	-	-	-
-	-	11	-	-	(7)	-
-	-	2	-	-	-	-
-	-	-	-	-	10	-
-	-	5	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	243	-	55	(2)	-
-	-	-	-	-	-	-
-	-	45	-	-	-	-
0	0	1,901	4	12,032	141	0
21,613	22,812	79,905	18,108	93,989	(8,123)	(643)
2.4%	96.5%	4.4%	4.4%	12.0%	n.a.	1.2%

Balances and transactions with related parties at 31 December 2007

(€,'000)	Trade receivables	Financial receivables	Trade payables
Parent companies:			
- Fininvest SpA	5	-	7
Associated companies:			
- Gruner + Jahr/Mondadori SpA	2,399	1,809	13,989
- Mach 2 Libri SpA	20,364	-	388
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	281	-	-
- Venezia Accademia Scarl	-	24	101
- Venezia Musei Società per i servizi museali Scarl	553	-	433
- Hearst Mondadori Editoriale Srl	1,287	-	4,031
- Harlequin Mondadori SpA	1,618	168	5
- Mondadori Rodale Srl	2,275	2,407	5,836
- Groupop Attica Publications	146	-	1
- Rock FM Srl	93	3,474	52
- Edizioni Electa Bruno Mondadori Srl	289	520	73
- Edizioni EL Srl	631	-	3,668
- Grupo Editorial Random House Mondadori SL	212	1,523	60
- Società Europea di Edizioni SpA	1,682	-	3,005
- ACI-Mondadori SpA	2,073	-	3,012
- Consorzio COVAR	4	-	-
- Mondolibri SpA	5,680	-	1,254
- Roccella Scarl	75	228	119
- Campania Arte Scarl	17	134	31
- EMAS SNC	1,298	1,271	672
- Top Santé VOF	-	-	-
Total associated companies	40,977	11,558	36,730

Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other income expense	Financial income expense
-	42,786	3	-	10	34	-
706	-	5,297	153	13,877	(893)	(151)
-	-	34,789	79	1,726	-	(3)
-	-	-	-	1,107	(1)	-
-	-	-	-	170	-	-
-	-	529	251	856	(3)	-
170	-	4,251	4	7,320	(470)	(31)
5,445	-	959	10,714	11	(200)	(147)
948	-	8,787	9	9,932	(593)	(51)
-	-	174	-	5	(5)	-
-	-	111	-	148	(180)	137
-	-	541	-	73	-	27
-	-	703	5,750	29	(556)	-
-	-	312	-	101	(3)	147
-	-	5,718	276	18,148	(213)	-
3,187	-	7,196	50	4,717	(583)	(94)
-	-	-	-	-	-	-
-	-	12,916	208	2,854	(1,450)	-
-	-	(29)	5	9	-	-
-	-	17	-	57	-	-
11,996	-	3,834	20	279	(1,998)	(339)
-	-	-	-	-	-	(12)
22,452	0	86,105	17,519	61,419	(7,148)	(517)

Balances and transactions with related parties at 31 December 2007

(€,'000)	Trade receivables	Financial receivables	Trade payables
Affiliated companies:			
- Pagine Utili Srl	699	-	-
- RTI SpA	820	-	860
- Publitalia '80 SpA	212	-	483
- Medusa Video SpA	25	-	385
- Promoservice Italia Srl	183	-	134
- Fininvest Gestione Servizi SpA (formerly Finedim Italia SpA)	2	-	-
- Il Teatro Manzoni SpA	2	-	10
- Mediolanum Vita SpA	-	-	-
- Mediolanum SpA	194	-	-
- Banca Mediolanum SpA	58	-	-
- Medusa Film SpA	12	-	12
- Alba Servizi Aerotrasporti SpA	-	-	-
- Radio e Reti Srl	14	-	24
- Isim SpA	-	-	2
- Consorzio Aeromobili Fininvest	-	-	-
- Videotime SpA	11	-	-
- Mediaset SpA	63	-	-
- A.C. Milan SpA	-	-	1
- Eis Roma Srl	-	-	-
- Eis Srl	-	-	-
- Elettronica Industriale SpA	5	-	-
- Medusa Multicinema Srl	1	-	-
- Publieurope Ltd	-	-	-
- Consorzio Campus Multimedia In-Formazione	-	-	-
- Media Shopping SpA	206	-	-
- Medusa Cinema SpA	3	-	-
- Mediolanum Comunicazione SpA	-	-	-
Total affiliated companies	2,510	0	1,911
Total related parties	43,492	11,558	38,648
Percentage of financial statements	9.0%	7.8%	8.1%

Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other income expense	Financial income expense
-	-	1,791	-	-	(15)	-
-	-	2,894	17	120	(201)	-
-	-	233	-	14,948	-	-
-	-	5	3	591	(5)	-
-	-	26	-	194	-	-
-	-	-	-	-	-	-
-	-	7	-	26	8	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	324	-	-	-	-
-	-	26	-	23	-	-
-	-	-	-	-	104	-
-	-	31	-	41	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	10	-	-	(6)	-
-	-	3	-	-	(36)	-
-	-	-	-	-	13	-
-	-	-	-	-	-	-
-	-	5	-	-	-	-
-	-	1	-	-	-	-
-	-	-	-	-	-	-
-	-	30	-	15	(15)	-
-	-	458	-	13	-	-
-	-	3	-	-	-	-
-	-	163	-	-	-	-
0	0	6,010	20	15,971	(153)	0
22,452	42,786	92,118	17,539	77,400	(7,267)	(517)
2.5%	96.7%	4.7%	3.6%	9.3%	47.6%	1.6%

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

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

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

The Mondadori Group analyses and measures its exposure 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 subsidiary companies.

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 rates 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-to-long term loans, in particular the bond denominated in US dollars (US private placement) underwritten by US institutional investors and the loan granted by a pool of international banks for the purchase of the Emap France Group (hereafter referred to as “Club Deal”) and the “bilateral” loan guaranteed by Intesa Sanpaolo during 2008.

In the case of the former, in order to hedge the fair risk value, in October 2003 the

Group entered a cross currency swap agreement for the same amount and with the same due date, that converts the fixed interest rate into a floating interest rate and the dollar exposure into a euro exposure. Given the changes in the group's net financial position due to the purchase of the Emap France Group, during 2006 it was decided to balance the exposure to interest rate risks through an interest rate swap operation on 50% of the Club Deal, an operation that transformed part of the floating rate into a fixed rate. During 2008 a basic swap contract was added to the above with the result that the fixed interest rate was reduced to 3.745%. The characteristics of the debt are detailed in note 12, "Financial assets", and note 18, "Financial liabilities".

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

Sensitivity analysis (€m)	Underwritten	Increase/(decrease) in interest rates	Revenues (charges)	Increase/ (decrease) in net equity
2008	(424.2)	1%	(0.9)	3.5
2007	(372.4)	1%	(0.3)	4.5
2008	(424.2)	(1%)	0.9	(3.5)
2007	(372.4)	(1%)	0.3	(4.5)

In identifying the potential impact linked to positive and negative variations in interest rates, floating-rate loans (short-term credit lines, non-hedged notional loans for the Club Deal and the Intesa Sanpaolo "bilateral" term loan) have been analysed separately from fixed rate loans (US private placement).

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

The basic assumptions of the sensitivity analysis are:

- an initial parallel shift of the interest curve of \pm 100 basis points;
- in calculating the variations associated with floating-rate financial instruments, it is assumed that no interest rates have already been fixed;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for comparative reasons, the same measurements are carried out on both the current year and the previous year;
- the sensitivity analysis on shares held for trading, managed by the Luxembourg rate securities broker and concerning monetary investments with floating interest rates, was carried out by applying an initial parallel shift of the interest rate curve of \pm 100 basis points.

Exchange rate risk

Exchange rate risks can be defined as an accumulation of negative effects on profit margins or the value of an asset or a liability as a result of variations in exchange rates. While the Mondadori Group is present internationally, 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 the Group has underwritten forward sales contracts for the currencies in question.

Even though these contracts refer to hedging operations, they do not 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 operational profitability when faced with negative exchange rate movements. With this aim, the company has underwritten forward purchase/sales contracts for US 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 US Dollars are completely covered, as outlined above, by a cross currency swap agreement.

During 2008 the type of exposure and the hedge policy adopted for exchange rate risks was similar to previous years, up to the date of the disposal of Mondadori Printing SpA.

The results of the sensitivity analysis carried out on exchange rate risks showed that there was no significant economic impact, as a result of the low level of the average exposure in 2007 and 2008.

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

The basic assumptions of sensitivity analyses are:

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

Liquidity risk

Liquidity risk is defined as the possibility that the Group may not be able to honour its payment commitments as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby forcing it to bear very high costs in meeting its financial commitments. Exposure to this risk is represented above all by current financial operations. The company currently has medium-to-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 objective is to constantly maintain balance and flexibility between financial sources and commitments. Details of the characteristics of current and non-current financial liabilities are contained in note 18, "Financial liabilities".

At 31 December 2008, the Mondadori Group's liquidity risk could be managed by using the following resources:

- bank and post office deposits totalling €330.5 million;
- an investment portfolio managed by a Luxembourg rate securities broker, ABS Finance fund, in accordance with the policy that 80% of the total must be able to be turned into cash within one month;
- committed credit lines (guarantees) for around €1,014.6 million (€153.1 million of which has not been used) and uncommitted credit lines for €469.9 million which has been entirely used;
- cash pooling contracts.

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

Liquidity risk (€m)	Analysis of maturity periods at 31/12/2008						Total
	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years	
Trade payables	266.2	-	-	-	-	-	26.2
Medium-to-long term loans	13.7	16.1	27.4	731.5	114.8	-	903.5
Other financial liabilities:							
- committed lines	0.8	58.9	-	-	-	-	59.7
- uncommitted lines	3.8	1.4	-	-	-	-	5.2
Other liabilities	91.8	-	-	-	-	-	91.8
Payables to associated companies	111.7	-	-	-	-	-	111.7
Total	488.0	76.4	27.4	731.5	114.8	0	1,438.1
Tax risk derivatives	0.6	0.5	2.3	0.9	-	-	4.3
Exchange risk derivatives	-	-	-	-	-	-	0
Cross currency swap	(1.3)	(1.4)	(5.3)	23.5	17.0	-	32.5
Total exposure	487.3	75.5	24.4	755.9	131.8	0	1,474.9

Liquidity risk (€m)	Analysis of maturity periods at 31/12/2007						Total
	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years	
Trade payables	441.0	-	-	-	-	-	441.0
Medium-to-long term loans	18.7	129.9	34.7	383.7	220.6	68.2	855.8
Other financial liabilities:							
- committed lines	2.3	101.8	-	-	-	-	104.1
- uncommitted lines	32.0	6.0	0.1	-	-	-	38.1
Other liabilities	95.0	-	-	-	-	-	95.0
Payables to associated companies	59.1	-	-	-	-	-	59.1
Total	648.1	237.7	34.8	383.7	220.6	68.2	1,593.1
Cross currency swap	1.7	1.4	1.2	6.0	48.5	16.7	75.5
Total exposure	649.8	239.1	36.0	389.7	269.1	84.9	1,668.6

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

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

Credit risk

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

A particular type of credit risk is represented by a counterparty defaulting on financial derivative exposures, in which case the risk is connected to the 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 leading financial institutions with high ratings.

The objective is to limit the risk of losses due to the unreliability of market counterparties or to the difficulty 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 individual group companies, in compliance with the Group's financial objectives, pre-established commercial strategies and operational procedures, which limit the sale of products and services to customers without an adequate credit profile or collateral guarantees. Credit balances are monitored throughout the year to ensure that the amount of exposure to losses is not significant.

The following table illustrates the maximum exposure to credit risks for the components of the financial statements, including derivative instruments. The maximum exposure to risk is indicated before the effects of mitigation deriving from compensation agreements and guarantees.

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

Credit risk (€m)	31/12/2008	31/12/2007
Deposits	329.6	222.9
Financial assets at fair value with changes recognised in the trading income statement	3.3	120.9
Receivables and loans		
- trade receivables and other current financial assets	465.6	521.6
- trade receivables and other non-current financial assets	3.3	23.5
Available-for-sale assets	39.7	-
Receivables for hedged derivative financial instruments	-	3.0
Guarantees	1.6	1.6
Total of maximum exposure to credit risks	843.1	893.5

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

Concentration of commercial credit risk	31/12/2008 (€m)	31/12/2007 (€m)	31/12/2008 %	31/12/2007 %
Distribution area:				
Italy	339.8	402.2	81.4%	82.6%
France	77.5	82.1	18.6%	16.8%
Other countries	-	2.6	-	0.6%
Total	417.3	486.9	100.0%	100.0%

Various books

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

Magazines

The Group's exposure in the Italian market is with local distributors, which are mainly small and medium sized.

Contractual agreements provide for significant advances for supplying products, which means that the exposure is for the remaining revenues in December.

In addition, the Group has taken out an insurance policy to minimise credit risk.

The French magazine distribution market is characterised by having only two country-wide operators, which are controlled by the country's main publishing companies.

The group therefore believes that the solidity and solvency of the counterparties precludes any significant credit risk.

Advertising

The majority of the Group's exposure is with small/medium-sized advertising investors. When dealing with significant investments, the credit risk relating to these companies is controlled by means of reliability analyses carried out before any business is done and constant monitoring through the sales outlet network.

Exposure relating to media centres, which manage advertising investments on behalf of their own customers, has a more significant concentration of credit risk. For this reason the Group constantly monitors its exposure and collects commercial information about the solvency of these media centres.

With reference to provisions adopted by the Group, it should be noted that each company makes its own individual provisions for the positions that are particularly significant. The total amount of these provisions takes into consideration an estimate of the recoverable amount, the date of receipt, the expense and cost of recovery and any eventual guarantees received.

Group companies establish a fund for those positions that are not subject to any specific provisions, based on historical data and statistics.

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

Exposure to trade credit risk (€m)	Analysis of expiry at 31/12/2008					
	Net at expiry	0-30 days	30-60 days	60-90 days	Others	Writedown reserve
Books	122.2	5.8	2.2	1.3	6.2	14.7
Magazines	83.5	14.1	6.6	2.4	2.9	12.8
Advertising	99.4	17.9	6.4	3.9	16.0	1.3
Printing	-	-	-	-	-	-
Direct marketing	5.6	1.2	0.2	-	-	0.1
Retail	14.3	1.1	0.2	-	1.1	1.1
Radio	-	-	-	-	-	0.2
Other business	2.8	-	-	-	-	3.3
Total	327.8	40.1	15.6	7.6	26.2	33.5

Exposure to trade credit risk (€m)	Analysis of expiry at 31/12/2007					
	Net at expiry	0-30 days	30-60 days	60-90 days	Others	Writedown reserve
Books	133.1	1.9	4.3	2.5	5.2	13.5
Magazines	79.9	16.1	5.4	2.0	2.2	12.8
Advertising	114.4	17.1	5.2	1.5	12.1	1.2
Printing	40.4	10.3	3.6	0.6	4.2	2.3
Direct marketing	6.8	0.3	0.3	-	-	0.7
Retail	13.6	0.7	0.2	-	0.3	1.1
Radio	0.6	-	-	-	-	0.2
Other business	1.7	0.1	0.1	-	0.2	0.4
Total	390.5	46.5	19.1	6.6	24.2	32.2

Price risk

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 variations in the price of paper. In order to reduce the variability of the market price of paper, in 2008 (as in previous years), long-term commercial contracts were signed directly with suppliers so as to amortise any eventual increases on purchase costs.

Other information required by IFRS 7

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

Classification (€m)	Total		Carrying value				Fair value	
			current		non-current			
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Financial assets at fair value with changes recognised in the trading income statement	3.3	120.9	3.3	120.9		-	3.3	120.9
Receivables and loans:								
- cash and cash equivalents	330.5	225.1	330.5	225.1		-	330.5	225.1
- trade receivables	383.8	445.9	374.0	434.7	9.8	11.2	383.8	445.9
- other financial assets	66.8	46.6	63.5	43.0	3.3	3.6	66.8	46.6
- receivables from associated companies and joint ventures	37.8	52.5	36.3	52.5	1.5	-	37.8	52.5
Financial assets available for sale (investments)	39.9	0.3	39.9	0.3	-	-	39.9	0.3
Cross currency swap	-	3.0	-	-	-	3.0	-	3.0
Total financial assets	862.1	894.3	847.5	876.5	14.6	17.8	862.1	894.3
Amortised cost of financial assets:								
- trade liabilities	266.2	441.0	266.2	441.0	-	-	266.2	441.0
- liabilities due to banks and other financial payables	950.9	927.1	287.3	240.4	663.6	686.7	958.8	927.1
- liabilities due to associated companies and joint ventures	111.7	59.2	111.7	59.2	-	-	111.7	59.2
Interest rate swap	10.6	54.4	-	-	10.6	54.4	10.6	54.4
Total financial liabilities	1,339.4	1,481.7	665.2	740.6	674.2	741.1	1,347.3	1,481.7

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

Profit and loss from financial instruments (€m)	31/12/2008	31/12/2007
Net profit from fair value instruments with changes recognised in the trading income statement	0.1	3.5
Net profit from receivables and loans	0.9	1.0
Net profit from financial derivative instruments	49.6	-
Net profit from financial liabilities at amortised cost	-	17.9
Interest earned on financial assets not valued at fair value		
- deposits	11.3	4.1
- other financial assets	1.3	1.8
Total income	63.2	28.3
Net losses on instruments at fair value with changes recognised in the income statement held for trading	9.9	-
Net loss on available-for-sale assets	3.9	-
Net loss on financial liabilities at amortised cost	47.8	-
Net loss on financial derivative instruments	-	15.4
Interest paid on financial liabilities not valued at fair value:		
- deposits	1.1	1.1
- bonds	16.6	16.7
- convertible bonds	3.8	4.6
- loans	24.6	19.0
- others	4.1	2.5
Losses from financial instrument writedowns:		
- trade receivables	8.9	9.4
Expense and commission not included in effective interest rates	0.2	0.2
Total expense	120.9	68.9
Total	(-57.7)	(-40.6)

35. Information as per article 149-*duodecies* of Consob Regulations

The following table, drawn up in accordance with article 149-*duodecies* of Consob regulations, shows the fees paid during 2008 (net of accessory expense) for auditing and other services provided by Reconta Ernst & Young SpA and other companies belonging to the same network.

Service	Company providing service	Company receiving service	Amount €,000
Audit	Reconta Ernst & Young SpA	Arnoldo Mondadori Editore SpA (1)	433
	Reconta Ernst & Young SpA	Subsidiary company (1)	546
	Ernst & Young Network	Subsidiary company (1)	339
Certification services	Reconta Ernst & Young SpA	Arnoldo Mondadori Editore SpA (2)	42
	Reconta Ernst & Young SpA	Arnoldo Mondadori Editore SpA (3)	30
	Reconta Ernst & Young SpA	Subsidiary company (3)	30
	Ernst & Young Network	Subsidiary company (4)	109
Other services	Ernst & Young Network	Subsidiary company (5)	77
Total			1,606

(1) Includes audit of consolidated financial statements and half-yearly financial statements

(2) Certification of Circulation and Printing

(3) Audit aimed at certifying the net financial position in relation to the disposal of the investment in Mondadori Printing SpA

(4) Audit aimed at certifying the net financial position in relation to the disposal of titles

(5) Other services

On behalf of the board of directors

Chairman

Marina Berlusconi

Segment information

Primary segment information for the year ended 31 December 2008

(€,'000)	Books	Magazines	Advertising services	Printing
Revenues from sales and services to external customers	380,342	764,085	326,792	126,522
Revenues from sales and services to other sectors	53,956	185,716	4,252	189,738
Income (expense) from investments using equity method	8,033	7,242	-	(1,026)
Gross operating profit	82,896	132,798	2,603	17,814
Operating result	79,685	118,663	2,332	(173)
Financial income (expense)	-	-	-	-
Profit before taxes and minority interests	79,685	118,663	2,332	(173)
Income taxes	-	-	-	-
Result attributable to minority interests	702	-	-	-
Net result	78,983	118,663	2,332	(173)
Depreciation, amortisation and impairment	3,211	14,135	271	17,987
Non-monetary costs	13,942	14,025	3,173	1,202
Investments	3,493	4,437	179	5,384
Investments accounted for using the equity method	57,928	61,575	1,002	9,065
Other assets	328,353	983,794	146,061	-
Financial assets	-	-	-	-
Tax assets	-	-	-	-
Total assets	386,281	1,045,369	147,063	9,065
Other liabilities	156,842	403,146	142,533	-
Financial liabilities	-	-	-	-
Tax liabilities	-	-	-	-
Total liabilities	156,842	403,146	142,533	0

Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
21,850	193,013	141	6,442	-	1,819,187
424	1,506	14,709	10,816	(461,117)	0
806	-	-	(9,613)	-	5,442
4,100	12,298	(904)	(2,416)	-	249,189
3,947	6,137	(2,519)	(4,567)	-	203,505
-	-	-	(52,130)	-	(52,130)
3,947	6,137	(2,519)	(56,667)	-	151,405
-	-	-	53,623	-	53,623
-	-	-	-	-	702
3,947	6,137	(2,519)	(110,290)	-	97,080
153	6,161	1,615	2,151	-	45,684
177	4,140	366	6,493	-	43,518
123	15,888	21,287	2,256	-	53,047
5,001	-	-	6,208	-	140,779
7,788	95,827	139,065	41,571	(114,152)	1,628,307
-	-	-	401,010	-	401,010
-	-	-	59,006	-	59,006
12,789	95,827	139,065	507,795	(114,152)	2,229,102
8,857	73,352	6,742	38,874	(114,152)	716,194
-	-	-	891,272	-	891,272
-	-	-	112,537	-	112,537
8,857	73,352	6,742	1,042,683	(114,152)	1,720,003

Primary segment information for the year ended 31 December 2007

(€,000)	Books	Magazines	Advertising services	Printing
Revenues from sales and services to external customers	388,846	852,456	344,663	160,710
Revenues from sales and services to other sectors	56,174	195,208	4,792	279,161
Income (expense) from investments using equity method	8,370	9,767	-	-
Gross operating profit	87,805	155,195	4,236	34,842
Operating result	85,119	149,235	3,943	11,011
Financial income (expense)	-	-	-	-
Profit before taxes and minority interests	85,117	149,235	3,943	11,011
Income taxes	-	-	-	-
Result attributable to minority interests	795	-	-	-
Net result	84,322	149,235	3,943	11,011
Depreciation, amortisation and impairment	2,686	5,960	293	23,831
Non-monetary costs	13,481	14,626	1,926	658
Investments	7,074	3,685	338	15,459
Investments accounted for using the equity method	51,754	59,880	-	-
Other assets	335,283	1,012,036	152,685	296,298
Financial assets	-	-	-	-
Tax assets	-	-	-	-
Total assets	387,037	1,071,916	152,685	296,298
Other liabilities	166,883	433,294	157,507	188,286
Financial liabilities	-	-	-	-
Tax liabilities	-	-	-	-
Total liabilities	166,883	433,294	157,507	188,286

Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
23,351	182,118	798	5,662	-	1,958,604
569	1,037	10,508	11,044	(558,493)	0
533	-	(376)	(8,953)	-	9,341
5,558	7,071	(8,110)	(17,720)	-	268,877
5,308	157	(9,308)	(20,259)	-	225,206
-	-	-	(35,717)	-	(35,717)
5,308	157	(9,308)	(55,964)	-	189,499
-	-	-	76,065	-	76,065
-	-	-	-	-	795
5,308	157	(9,308)	(132,029)	-	112,639
250	6,914	1,198	2,539	-	43,671
(190)	130	270	26	-	30,927
211	10,795	33,499	2,413	-	73,474
8,630	-	23	6,739	-	127,026
8,333	107,598	126,879	29,026	(194,484)	1,873,654
-	-	-	373,679	-	373,679
-	-	-	68,428	-	68,428
16,963	107,598	126,902	477,872	(194,484)	2,442,787
10,340	83,152	9,103	40,693	(194,484)	894,774
-	-	-	909,013	-	909,013
-	-	-	132,466	-	132,466
10,340	83,152	9,103	1,082,172	(194,484)	1,936,253

Secondary segment information for the year ended 31 December 2008

(€,000)	Books	Magazines	Advertising services	Printing
Italian market	428,665	569,691	316,242	245,355
France	421	351,243	3,564	21,495
Other EU markets	2,613	22,075	8,976	40,901
US market	159	200	150	6,625
Other countries	2,440	6,592	2,112	1,884
Revenues from sales and services	434,298	949,801	331,044	316,260
Italian market	354,682	251,038	147,063	8,542
France	-	754,345	-	-
Other EU markets	31,599	39,986	-	523
US market	-	-	-	-
Other countries	-	-	-	-
Total assets	386,281	1,045,369	147,063	9,065
Italian market	3,493	2,066	179	5,259
France	-	2,371	-	-
Other EU markets	-	-	-	125
US market	-	-	-	-
Other countries	-	-	-	-
Total investments	3,493	4,437	179	5,384

Secondary segment information for the year ended 31 December 2007

(€,000)	Books	Magazines	Advertising services	Printing
Italian market	438,413	652,654	334,505	357,979
France	576	366,051	2,787	19,114
Other EU markets	2,629	23,045	11,395	54,351
US market	667	366	146	5,831
Other countries	2,735	5,548	622	2,596
Revenues from sales and services	445,020	1,047,664	349,455	439,871
Italian market	360,037	262,106	152,685	284,417
France	-	772,154	-	-
Other EU markets	27,000	37,656	-	11,881
US market	-	-	-	-
Other countries	-	-	-	-
Total assets	387,037	1,071,916	152,685	296,298
Italian market	7,074	909	338	15,388
France	-	2,776	-	-
Other EU markets	-	-	-	71
US market	-	-	-	-
Other countries	-	-	-	-
Total investments	7,074	3,685	338	15,459

Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
17,990	194,519	14,850	17,258	(448,084)	1,356,486
1,098	-	-	-	(13,033)	364,788
2,840	-	-	-	-	77,405
-	-	-	-	-	7,134
346	-	-	-	-	13,374
22,274	194,519	14,850	17,258	(461,117)	1,819,187
12,789	95,827	139,065	224,996	(113,776)	1,120,226
-	-	-	16,747	(7)	771,085
-	-	-	265,416	-	337,524
-	-	-	636	(369)	267
-	-	-	-	-	0
12,789	95,827	139,065	507,795	(114,152)	2,229,102
123	15,888	21,287	2,255	-	50,550
-	-	-	-	-	2,371
-	-	-	-	-	125
-	-	-	1	-	1
-	-	-	-	-	0
123	15,888	21,287	2,256	0	53,047

Direct	Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
18,173	183,155	11,306	16,706	(550,037)	1,462,854
1,552	-	-	-	(8,456)	381,624
3,836	-	-	-	-	95,256
-	-	-	-	-	7,010
359	-	-	-	-	11,860
23,920	183,155	11,306	16,706	(558,493)	1,958,604
16,963	107,598	126,902	215,885	(191,634)	1,334,959
-	-	-	35,700	(129)	807,725
-	-	-	225,698	(2,298)	299,937
-	-	-	589	(423)	166
-	-	-	-	-	0
16,963	107,598	126,902	477,872	(194,484)	2,442,787
211	10,795	33,499	2,375	-	70,589
-	-	-	-	-	2,776
-	-	-	37	-	108
-	-	-	1	-	1
-	-	-	-	-	0
211	10,795	33,499	2,413	0	73,474

Certification of the consolidated financial statements for the year as per article 81-ter of Consob regulation No. 11971 of 14 May 1999 and subsequent modifications and integrations

1. The undersigned Maurizio Costa, in his role as deputy chairman and chief executive, and Carlo Maria Vismara, in his role as director responsible for compiling the company financial documents of Arnoldo Mondadori Editore SpA, certify, in accordance with article 154-bis, paragraphs 3 and 4 of legislative decree 58 of 24 February 1998:

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

of the administrative and accounting procedures for representing the financial statements during 2008.

2. The evaluation of the appropriateness of the administrative and accounting procedures for representing the financial statements at 31 December 2008 is based on a process established by Arnoldo Mondadori Editore SpA that conforms to the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally accepted general reference framework.

3. It is also certified that the financial statements at 31 December 2008:

- a) correspond to the result contained in the accounting books and book entries;
- b) have been compiled in conformity with the International Financial Reporting Standards adopted by the European Union and with the measures contained in article 9 of Legislative decree 38/2005, and provide a true and correct representation of the company's assets and liabilities, economic and financial situation.

The report on the year includes a reliable analysis of the performance and the result and of the situation of the company and the companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

25 March 2009

Deputy chairman and chief executive
Maurizio Costa

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

Report of the board of statutory auditors

Report of the board of statutory auditors to the shareholders' meeting called to approve the financial statements for the year ended 31 December 2008 (art. 153, legislative decree n. 58/98)

Shareholders,

during 2008 we have performed oversight activities as foreseen by law, taking into consideration the principles of conduct recommended by the National Councils of *Dottori Commercialisti e Ragionieri* (the Italian accounting profession).

In particular, we have:

- ensured that legal requirements have been fulfilled and that the articles of association and the principles of correct administration adhered to;
- taken part in all meetings of shareholders, a of the board of directors and subcommittees of the board, obtaining from the directors information on the general performance of the company, the probable future development of business activities and the significant operations affecting the company's economic and financial position, ensuring that resolutions taken and implemented are not manifestly imprudent, risky, potentially in conflict or contrast with the resolutions of the shareholders' meetings or likely to compromise the integrity of the company's equity;
- become acquainted with the company's structures and overseen their adequacy, to the extent of our responsibility. This has been done through direct observation, examination of information provided by the company and through meetings with the independent auditors Reconta Ernest & Young SpA. These were held for the exchange of information and data and no significant aspects emerged;
- assessed and overseen the company's internal control system, the activities carried out as part of the control system and the administrative-accounting system, as well as checking the extent to which the latter is able to represent correctly the company's operations, by means of obtaining information, examining company documents and analysing the results of the work carried out by the independent auditors. We have also had periodic meetings with the head of internal control, with whom we have exchanged information on the results of the procedures performed by him at subsidiary companies and have taken part in meetings of the internal control committee;
- ensured that the method of implementing the company governance regulations contained in the self-regulation code adopted by the company has been respected. In particular we have, on an annual basis, verified the effective requirements for the independence of non-executive directors, the external auditors and the board of statutory auditors;

- assessed and overseen the adequacy of the instructions given to subsidiary companies. These instructions have enabled the subsidiaries to provide the parent company with the information it needs to comply with the communication obligations envisaged by current legislation;
- verified that the company's financial statements and the Group's consolidated financial statements, together with the reports on the year's results for the year ended 31 December 2008 have been prepared in accordance with IAS/IFRS, through direct checks and discussions with the independent auditors.

During the performance of the activities described above, no significant omissions, illegal acts or irregularities emerged such as to require us to report these either to the competent external supervisory authorities or discuss them in this report.

In 2008 the body entrusted with overseeing the effectiveness of the organisational, management and control model and also insurance that it is observed and updated, pursuant to legislative decree n. 231/01, has not advised us of any important matters.

Likewise, the annual report of the board of directors on corporate governance did not reveal anything that need be brought to your attention.

Furthermore, in line with Consob recommendations, the board of statutory auditors states the following:

- we did not find any atypical and/or unusual operations, including intragroup operations and related party transactions;
- the information provided by the board of directors, including information concerning intragroup operations and transactions with related parties, is considered complete. In particular, intragroup operations were connected with and were relevant to the corporate purpose, and the nature and economic effects of these ordinary operations are reported in the notes to the financial statements and are to be considered appropriate and in line with the company's business interests.

In addition, we did not identify any conflict of interest or any operations having significant impact on the company's economic or financial position;

- with the adoption of the corporate governance code, the company is in compliance with that of the Committee of Corporate Governance of companies listed by Borsa Italiana SpA, as indicated in the board of directors' report;
- during the year:
 - regular meetings were held to exchange information with representatives of

Reconta Ernst & Young SpA and, while we have yet to see the reports of the independent auditors on the financial statements and consolidated financial statements, we have no reason to believe that the auditors' opinions will be qualified;

- six meetings of the board of directors and nine meetings of the board of statutory auditors were held;
- the company appointed Reconta Ernst & Young SpA, to be responsible for an Accertamento Diffusione Stampa (ADS) circulation audit, at a cost of €42,000 and as auditors of the annual financial statements, with a view to determining and certifying the net financial position of the company in view of the sale of a stake in Mondadori Printing SpA, at a cost of €30,000;
- the board of statutory auditors has received no indications or complaints pursuant to article 2408 of the civil code.

After taking into account the above matters and to the extent of its responsibility, the board of statutory auditors is able to state that it has found no impediment to approving the financial statements at 31 December 2008, which show a net profit for the period of €66,197,031.51, nor to the allocation of the full amount to an extraordinary reserve (under the item "other reserves").

Segrate, 6 April 2009

On behalf of the board of statutory auditors
Ferdinando Superti Furga
Chairman

Independent auditors' report

Independent auditor' Report pursuant to art. 156 of legislative decree n. 58 of 24 February, 1998 (translation from the original Italian text)



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

1. We have audited the financial statements of Arnoldo Mondadori Editore S.p.A., as of and for the year ended December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholder's equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian legislative decree n° 38/2005 is the responsibility of Arnoldo Mondadori Editore S.p.A. management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with the auditing standards and procedures recommended by Consob (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 4, 2008.

3. In our opinion the financial statements of Arnoldo Mondadori Editore S.p.A. at December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian legislative decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of Arnoldo Mondadori Editore S.p.A. for the year then ended.

4. The management of Arnoldo Mondadori Editore S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the legislative decree 58/1998. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the Report on Operations is consistent with the financial statements of Arnoldo Mondadori Editore S.p.A. as of December 31, 2008.

Milan, Italy
April 9, 2009

Reconta Ernst & Young S.p.A.
Signed by Luca Pellizzoni
(Partner)

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

1. We have audited the consolidated financial statements of Arnoldo Mondadori Editore S.p.A. and its subsidiaries (the "Mondadori Group"), as of and for the year ended December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholder's equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian legislative decree n. 38/2005 is the responsibility of the Arnoldo Mondadori Editore S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. Our audit was made in accordance with the auditing standards and procedures recommended by Consob (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 4, 2008.

3. In our opinion, the consolidated financial statements of the Mondadori Group at December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian legislative decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of Mondadori Group as for the year then ended.

4. The management of Arnoldo Mondadori Editore S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the legislative decree 58/1998. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the Report on Operations is consistent with the consolidated financial statements of the Mondadori Group as of December 31, 2008.

Milan, Italy
April 9, 2009

Reconta Ernst & Young S.p.A.
Signed by Luca Pellizzoni
(Partner)

