ARNOLDO MONDADORI EDITORE SpA

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

Report on the first half of the year to 30 June 2010

Segrate, 29 July 2010

Corporate Boards

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Deputy Chairman and Chief Executive
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(*) Secretary

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Francesco Vittadini

Independent Auditors

Deloitte & Touche SpA

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Interim Report of the Board of Directors

The Mondadori Group's business activities

In the current economic climate signals of a recovery in investments and industrial production have yet to be matched by a turnaround in consumer spending. Figures for the sectors in which Mondadori operates do, however, show that the slight recovery, which began in the first quarter, is continuing.

Mondadori's consolidated results at the end of the first half of the year show revenues in line with the first six months of 2009 and a marked improvement in profitability.
These results have been achieved thanks to a series of factors that reflect the Group's business approach:

- the sharp focus on the product and a capacity to keep it interesting and responsive to readers' needs that has always been a distinctive characteristic of Mondadori.
  Magazine circulation figures, once again better than the market, underline the importance of Mondadori's constant commitment to a portfolio of titles that are points of reference in their respective sectors, both in Italy and in France;
- a capacity to maintain the profitability of the Book Division at the highest international benchmark levels, despite a fall in revenues due to a publishing schedule more focused on the second half of the year. The Divisions remains a a cornerstone of the Group's business portfolio;
- determination in the development of the Group's leading brands, through its **international network**.
  Since first hitting the newsstands, almost one year ago, the success of ***Grazia* in France**, especially in attracting significant advertising investments, is a demonstration of how the market can respond to products that stand out in terms of quality and content;
- a commitment to the pursuit of simplification in processes and structures aimed at ensuring a recovery of profitability from existing businesses and freeing up resources for new projects.
  In line with the declared objectives, the **restructuring plan** and various **cost containment actions** have generated significant results.

The technological changes currently affecting the media sector, with the explosion of different platforms for the distribution of and access to digital content, are changing consumer expectations, needs and models. Publishers consequently need to provide a concrete response to such changes, both in qualitative terms and with sustainable business models. This is why, in the first half of the year, Mondadori has been engaged in intensive efforts:

- in books, to create the basis for agreements with different operators in order to make a vast selection of the books published by the Group, both new and backlist titles, available in digital formats;
- in magazines, to develop digital versions of the titles which make the most of the characteristics and potential of the new electronic devices and to provide a fresh impulse for the sale of advertising in the digital sector.

What follows are the highlights of the Group's business results for the first half of the year, which are provided without reclassification, even if the figures for 2010 have been impacted by higher levels of development costs (mainly for *Grazia* France) and increased postal charges, imposed at the beginning of April.

Consolidated revenues to 30 June 2010 came to €726.8 million, essentially in line (-0.5%) with the €730.7 million recorded for the first half of 2009.

Consolidated gross operating profit to 30 June 2010 amounted to €54.6, an increase of 35.8% on €40.2 million in the previous year, despite taking account of, as indicated above, increased development costs and higher postal charges. As a proportion of revenues this corresponds to 7.5%, compared with 5.5% for the same period of 2009.

Consolidated operating profit to 30 June 2010 totalled €42.8 million, an increase of 53.4% on €27.9 million in the first six months of 2009, with amortizations and depreciations of tangible and intangible assets for a total of €11.8 million (€12.3 million in 2009). As a proportion of revenues, a rise from 3.8% in 2009 to 5.9%.

Consolidated pre-tax profit came to €30.8 million (+75% on €17.6 million in 2009), with increased financial charges of €1.7 million.

Consolidated net profit to 30 June 2010 amounted to €15.1 million, more than double the figure of €7.3 million for the same period of last year.

Gross cash flow in the first six months of 2010 totalled €26.9 million, compared with €19.6 million in 2009.

The **net financial position** went from -€372.9 million at the end of 2009 to -€393 million at 30 June 2010; compared with the same period of the previous year (-€473.9 million), this represents an improvement of €80.9 million.

Performance in the individual sectors in which Mondadori operates is examined in more detail in the sections on Group's divisions. What follows is a brief outline of the highlights.

Principal financial and non-financial indicators

The following table provides highlights of the Group's results for the first half of the year, compared with those of the previous year.

Consolidated income statement (in €m)	**1st Half 2010**	**1st Half 2009**	**% change**
Income from sales and services	726.8	730.7	(0.5%)
Personnel costs	134.3	143.1	(6.1%)
Cost of sales and management (*)	541.0	543.8	(0.5%)
Income (charges) from investments accounted for using the equity method	3.1	(3.6)	n.s.
Gross operating profit	**54.6**	**40.2**	**35.8%**
- as a proportion of revenues	*7.5%*	*5.5%*	
Depreciation of property, plant and machinery	6.2	6.0	3.3%
Amortisation of intangible assets	5.6	6.3	(11.1%)
Operating profit	**42.8**	**27.9**	**53.4%**
- as a percentage of revenues	*5.9%*	*3.8%*	
Net financial income (charges)	(12.0)	(10.3)	16.5%
Other financial income (charges)	-	-	-
Profit before taxation	**30.8**	**17.6**	**75.0%**
Tax charges	15.3	10.0	53.0%
Minority interests	0.4	0.3	33.3%
Net profit	**15.1**	**7.3**	**106.8%**

(*) 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 €726.8 million, a fall of 0.5%.

Revenue breakdown by business area (in €m)	**1st Half 2010**	**1st Half 2009**	**% change**
Books	168.0	182.6	(8.0%)
Magazines Italy	250.0	252.4	(1.0%)
Magazines France	168.4	170.5	(1.2%)
Advertising services	119.9	126.4	(5.1%)
Direct and Retail	111.3	93.6	18.9%
Radio	7.6	7.0	8.6%
Corporate and other business	9.5	8.7	9.2%
Total revenues	**834.7**	**841.2**	**(0.8%)**
Intergroup revenues	(107.9)	(110.5)	(2.4%)
Total consolidated revenues	**726.8**	**730.7**	**(0.5%)**

The following table provides details of consolidated revenues by geographical region.

Revenues by geographical region (in €m)	**1st Half 2010**	**1st Half 2009**	**% change**
Italy	543.6	548.0	(0.8%)
France	160.8	163.4	(1.6%)
Other EU countries	18.1	15.7	15.3%
USA	0.2	0.1	100.0%
Others	4.1	3.5	17.1%
Total consolidated revenues	**726.8**	**730.7**	**(0.5%)**

Book Division

The Book Division recorded revenues for the first half of 2010 of €168 million, a fall of 8% on the €186.2 million of the same period of the previous year. This was principally the result of changes to the publishing schedule.

(in €m)	1st Half 2010	1st Half 2009
Book sales	165.4	180.9
Other revenues	2.6	1.7
	168.0	**182.6**
Operating costs	(153.5)	(162.6)
Gross operating profit	**14.5**	**20.0**
Amortisation and depreciation	(0.9)	(1.6)
Operating profit	**13.6**	**18.4**

Nielsen figures for the first six months of 2010 confirm the Group's leadership in trade books, with a 26.3% share. More specifically, the single publishing houses in the Division also confirmed their positions among the top ten in Italy: with Mondadori at the top of the list, with a market share of 13%. Changes compared with 2009 were due to different timing for the publication of important new titles, particularly for Mondadori that will publish Ken Follett's the eagerly anticipated new novel, *La caduta dei giganti*, in September.

Publisher	Market share 1st Half 2010	Market share 1st Half 2009
Mondadori	13.0%	14.3%
Einaudi	5.4%	5.6%
Piemme	4.2%	4.0%
Sperling & Kupfer	2.2%	2.2%
Other Mondadori Group companies	1.5%	1.7%
Total Mondadori Group	**26.3%**	**27.8%**
RCS group	11.3%	11.9%
Gems group	10.0%	8.6%
Feltrinelli	4.5%	3.7%

Source: Nielsen Bookscan, figures indicate market share in terms of value for the period p6

It should be noted that the market shares given refer only to sales through medium-large bookshops and do not include sales through the large-scale retail channel.

The following table provides a breakdown of revenues by publisher:

Books (in €m)	**1st Half 2010**	**1st Half 2009**	**% change**
Mondadori	55.5	65.2	(14.9%)
Einaudi	23.8	24.5	(2.9%)
Mondadori Electa	16.3	18.5	(11.9%)
Sperling & Kupfer	13.9	15.0	(7.3%)
Mondadori Education	14.3	14.2	0.7%
Piemme	24.2	22.3	8.5%
Book distribution	17.4	21.2	(17.9%)
Other revenues	2.6	1.7	52.9%
Total consolidated revenues	**168.0**	**182.6**	**(8.0%)**

Edizioni Mondadori

During the first half of 2010 Edizioni Mondadori generated revenues of €55.5 million, a fall of 14.9% on the previous year.

The validity of Mondadori's editorial offer was confirmed by the award of the prestigious *Strega* prize for *Canale Mussolini* by Antonio Pennacchi, published in March. Other successes in the period included *Il palazzo della mezzanotte* by Carlos Ruiz Zafón (with sales of over 250,000 copies), consolidating his position among our key authors in the foreign fiction area, *Il fattore Scarpetta* by Patricia Cornwell, which sold more than 130,000 copies; *La compagna di scuola* (80,000 copies) by Madeleine Wickham (better known by her pseudonym Sophie Kinsella).

Of particular note were the results achieved by first-time author Alessandro D'Avenia with *Bianca come il latte, rossa come il sangue* which, in nine editions, has sold more than 100,000 copies. Meanwhile, Carlo Fruttero achieved sales of 50,000 copies for *Mutandine di chiffon*.

The Strade Blu series continued to have success in the non-fiction area with *La Malapianta* by Nicola Gratteri and Antonio Nicaso, which has sold nearly 100,000 copies, and in fiction, with the launch of the new Strade Blu Dark series, with the first two volumes of *La Trilogia di Stoccolma* by Jens Lapidus.

Mention should also be made, in general books, of the enormous success of the novel by Fabio Volo *Il tempo che vorrei* (which sold over 120,000 copies in 2010 alone, bringing total sales to 710,000 copies), and new books by Francesco Guccini, *Non so che viso avesse* (65,000 copies) and Roberto Giacobbo, *Templari, dov'è il tesoro?* (with sales of more than 85,000).

In Paperbacks there was positive growth in revenues thanks to a promotion in March and April with the Oscar Mondadori brand playing a leading role at all outlets. Also of note in the period were the first Oscar editions of *Gomorra* by Roberto Saviano and *La solitudine dei numeri primi* by Paolo Giordano, both already at the top of the bestselling paperbacks list.

In Children's books there were new titles from three successful authors: *La ragazza drago* by Licia Troisi, which sold more than 50,000 copies; *Percy Jackson e gli dei dell'Olimpo* by Rick Riordan, with sales of 50,000, and *Torneranno le quattro stagioni* by Mauro Corona. The was also a very positive response to the launch of the new Oscar Junior series, with sales of more than 300,000 copies for the first 35 titles.

Giulio Einaudi editore

Einaudi saw a fall of 2.9% in total net revenues compared with the first half of 2009.

This was the result of promotional initiatives carried out in 2009, but not repeated this year, that particularly benefited Stile Libero, in the bookshop channel, and the Meridiani and Valla series, in the instalments channel.

Stand out new titles published by Einaudi in the first half of 2010 included *La parola contro la camorra* by Roberto Saviano (with sales of 105,000 copies), *Prima di morire addio* by Fred Vargas (78,000), *Tre secondi* by Anders Roslund and Borge Hellstrom (48,000 copies), *Per l'alto mare aperto* by Eugenio Scalfari (49,000 copies), *La dea cieca* by Anne Hold (36,000 copies), *Caduta libera* by Nicolai Lilin (29,000 copies), *L'umiliazione* by Philip Roth (35,000 copies), *Beautiful malice* by Rebecca James (34,000 copies), *Le cose fondamentali* by Tiziano Scarpa (26,000 copies), to which should be added the 66,000 copies of the catalogue title *Il giovane Holden* by J.D. Salinger.

Art publishing and exhibitions

Mondadori Electa generated revenues during the period of €16.3 million, down 11.9% on the same period of last year.

There was a marked fall in book sales (-21%), which, net of the impact of add-on sales, translates as essentially in line with the first half of 2009. In general, given the ongoing difficulties facing illustrated books and art publishing, with another sharp fall in the number of copies distributed, production levels continued to be strongly contained.

There was also a fall in revenues in the Cultural Assets sector (-9%) due to lower sales from museum bookshops resulting from the termination of concessions at the Brera Museum and the Cenacolo in Milan and the Musei Civici in Venice.
However, during the period, two important acquisitions were made: the new Museum of the Twentieth Century in Milan (due to open in November 2010) and the Maxxi Museum in Rome, which opened to the public in May.
Thanks also to an increase in the number of tourists visiting the country's principal museums and monuments, in the organisation of exhibitions area in which the company is active, Mondadori Electa saw an increase in revenues compared with June 2009.

Finally, at the end of the period, after a delay of some 18 months, calls for tenders were made for the concession of services at public museums. There are in all 28 separate tenders for three types of service (bookshops and publishing, ticket sales and exhibitions, catering services). The results are expected by the end of the first quarter of 2001, consequently, without any impact on the results of this year.

Sperling & Kupfer

In the first half of 2010 Sperling & Kupfer generated revenues of €13.9 million, a fall of 7.3% on 2009, mainly due to a reduction in the sale of rights for add-on sales initiatives. A total of 164 new titles were published during the period, compared with 187 in 2009, in line with the ongoing focus on the selection of titles for publication.

In fiction, of particular note was the publication at the end of June of the new novel by Sveva Casati Modignani, *Mister Gregory*, which immediately entered the Italian fiction bestsellers list, and the first novels by two interesting new authors, Anne Fortier and Kate Morton.

In children's fiction of note was the publication of *Legacy* by Cayla Kluver, strengthening the position of Sperling & Kupfer in this segment.

The Frassinelli imprint published two titles that won critical acclaim, *La magia dell'ultima estate*, by Pulitzer prize winner Richard Russo and *Io sono Achille* by David Malouf.

Among the new titles in non-fiction were *I diavoli di Zonderwater* by Carlo Annese and *Millionari in 2 anni e 7 mesi* by Alfio Bardolla.

Mondadori Education

During the period Mondadori Education generated revenues of €14.3 million, in line with the same period of the previous year.

In the primary school area almost all of the adopted texts of last year have been confirmed, integrated with digital content for teachers, and there has been an increase in the range of extra-curricular materials, from which the company expects positive results.

Catalogue sales continued to suffer in the first level secondary segment, while new titles achieved reassuring results, which augurs well for the future. Also of note were sales of the new edition of Geoviaggi which, added to those of the previous edition, brought the number of adoptions for this course up to nearly 70,000.

Finally, the company confirmed its strong positioning in a series of subjects in the humanities in the second level secondary segment: grammar, the two-year history course, Latin literature. In particular the Sensini grammar series, with a new title in 2009 and another this year, saw adoptions rise to over 140,000.

In the science area, the introduction of a number of new subjects in some classes has made it possible to achieve good results: in the technical-professional area stand out texts include a Information Technologies text book and there was an improved performance for a Business Administration title.

Piemme

The first half of 2010 ended for Piemme with revenues of €24.2 million, an increase of 8.5% on 2009, thanks to the success of a series of commercial initiatives in the various sales channels and across all product lines.
In the fiction and non-fiction area new titles included *Il sussurro della montagna proibita* by Siba Shakib (47,000 copies), *Adorabile bastardo* by Steven Winn (27,000 copies on publication), *La pianista bambina* by Greg Dawson (28,000 copies) and *Terroni* by Pino Aprile (25,000 copies).

In fiction there were good results for new the titles *Il bambino che corre nel vento* by Andrea Busfield (23,000 copies) and *L'altra storia di noi* by the established author Jennifer Weiner (22,000 copies). Nevertheless, there was a slight fall in fiction sales compared with 2009, due to a reduction in supplies of titles by Khaled Hosseini, now available in paperback;

In the religion area there was an excellent performance by *A un passo dal baratro* by Paolo Brosio (with sales of 60,000 copies since the beginning of 2010) and other new titles included *Cento volte tanto* by Nicola Legrottaglie (28,000 copies).

Paperback sales were in line with those of the previous year and of note among the new titles in the Piemme Bestseller catalogue were the much-anticipated *Mille splendidi soli* by Khaled Hosseini (74,000 copies), *Il bambino senza nome* by Mark Kurzem (27,000 copies) and *L'arte di correre sotto la pioggia* by Garth Stein (20,000 copies launched).

The Junior area saw an increase in sales compared with 2009 with varying trends.
The *Il Battello a Vapore* imprint saw revenues in line with last year, thanks to a range of well-established series, including the still strong *GOL!,* with good results also for the new titles published.

The Stilton line saw a rise in revenues compared with 2009, thanks to the publication of successful new titles such as *Il terzo viaggio nel tempo*, with sales of almost 96,000 and the fantasy titles *La principessa del deserto* (28,000 copies) and *L'isola pietrificata* (28,000).

Distribution and logistics

Total distribution revenues for third-party publishers (€17.4 million) were down 17,9% on the previous year, a period that saw the publication of a successful title by Giorgio Faletti by the publishing house Baldini e Castoldi Dalai. This fall was mitigated, however, by the positive performance recorded in children's books by EL.

In the logistics area there was an increase in the number of consignments of 8.4% and a reduction in terms of copies of 4.4% compared with the first half of 2009. Thanks to cost control activities across the main warehousing processes, the cost per copy saw a fall of 8%.

Magazine Division Italy

(in €m)	1st Half 2010	1st Half 2009
Magazine revenues	234.4	237.6
Other revenues	15.6	14.8
	250.0	**252.4**
Operating costs	(217.8)	(228.6)
Gross operating profit	**32.2**	**23.8**
Amortisation and depreciation	(0.3)	(0.4)
Operating profit	**31.9**	**23.4**

In the first half of the year the Italian magazine market was once again conditioned by the tail end of the crisis that affected both national and international publishers in the two-year period 2008-2009.

The impact was felt on the advertising front - with magazines struggling more than other media to turnaround a negative trend that has now lasted for almost two years - as well as circulation - where ongoing difficulties persisted in the first half of the year - and, finally, in add-on sales - where there was a further marked downturn.

All of which makes Mondadori's performance in the first six months quite significant, both in terms of business performance (despite the negative impact of unexpected costs resulting from the cancellation of postal subsidies for subscriptions), and revenues.

The revenues generated by the Magazine Division in Italy in the first half of 2010 amounted to €250 million (-1%).

These results, after the sharp downturn recorded in 2009, were generated by Mondadori titles thanks to a series of factors:

- a fall in circulation revenues of 4%, a markedly better result that the market of reference as a whole, with a further strengthening of the Division's market share;
- an increase in revenues from add-on sales of 2.8%, in sharp contrast to the market trend, where there was a fall of more than 30% (in terms of value to May). Underpinning this higher level of stability compared with the competition was the organisation of the business across different product types, the strength of certain brands and a careful selection of the initiatives;
- a further moderate stabilisation in advertising revenues, decidedly more resistant (-1.7%) than the most qualified competitors, in the consumer magazine market
- particularly positive revenues in the second quarter, almost in line with 2009 - the result of a good performance by the weekly titles, while monthlies were decidedly weaker, with the significant exception of those titles currently being re-launched.

The action taken by Mondadori in response to a still difficult market was organised along two main lines: the first aimed at reaping the benefits of the restructuring plan, and the second focused on sustaining the development of the product portfolio.

Significant events during the period included:

- the first effects of the benefits deriving from the reorganisation programme that has involved both editorial and management structures;
- the editorial reconfiguration and re-launch of numerous monthlies; the action taken of *Grazia Casa, Interni, Casa Facile, Cucina Moderna* and *Panorama* have had a positive response, both in terms of circulation and advertising;
- the radical re-design, accompanied by substantial marketing investments, in the weeklies *Panorama* and *Chi*, which will be followed at the beginning of July by a new round of investments in *Tu Style*;
- the launch of an intense series of successful initiatives in add-on sales;
- the launch of new brand extension initiatives that have allowed a number of titles to establish their presence in the world of events, new communication platforms that combine traditional print-based advertising with a presence on the new devices, the development of territorial activities with promotional initiatives in conjunction with retail chains, all part of a concerted effort to develop new sources of revenue;
- a rigorous management approach focused on continued efficiency gains in all areas of the business. Also, with regard to the difficult situation that emerged after the decision by the Italian government to abolish state subsidies on postal charges for subscriptions from 1 April, a project aimed at reducing cost in the subscription channel, the results of which will be seen over the two-year period 2010-2011 and will contribute to containing the impact of the increase in postal charges.

Circulation

In a market in which there was a downturn in circulation of 9.3% (in terms of volume to May), Mondadori confirmed and strengthened its leadership, with a market share of 35.8%.
In terms of the performance of the main titles *Panorama* maintained its performance at the newsstands; there was a slight upturn for *Tu Style*, with a stable circulation of around 200.000 copies, making it one of the best-selling women's weeklies; both *Chi* and *Donna Moderna* performed well in their markets of reference; there was significant growth for *Grazia*; the new editorial formulas of *Casa Facile* and *Interni*; and satisfactory results for the three monthly supplements to *TV Sorrisi e Canzoni.*

Add-on sales

The slump in the market for add-ons affected all types of product, and in particular editorial and music products. The trend in the first half was the opposite of that in the same period of 2009. Magazines, especially Mondadori titles, performed better thanks to a more articulated and selective offer, while national dailies, after a good 2009, were affected by the expiry of the "reference" line and a perhaps overly repetitive offer in terms f both content and intensity.

In this context, Mondadori's performance was held up by growth in the sale of DVDs, both with *Panorama*'s "first viewings" and the cartoons offered by *TV Sorrisi e Canzoni*, and the development of pure collectors series, which has begun to be of an interesting dimension and produced good results for music and books.

A range of new initiatives are planned, both over the summer and in the final quarter.

International activities

Thanks to the positive performance of *Grazia UK* and *Grazia* Holland, as well as the editions that had not yet been launched in the first half of last year (*Grazia Germany* and *Grazia France)*, licensing revenues increased in the first half of 2010 by 42%,

Advertising sales in Italy for the network doubled, both thanks to the inclusion of new editions and an increase in revenues for existing titles, in particular in Russia, and Great Britain.

The performance of the joint ventures in Russia and China was decidedly better than last year, especially in terms of advertising sales.

The Attica subsidiary was affected by the financial crisis in Greece and the Balkans and saw a fall in advertising revenues of around 18% (-11% on a like-for-like basis). Energetic action is currently underway on the cost side, the results of which will be seen from the second half, with a positive effect on the company's results.

Digital

There was a marked increase in online advertising and, in particular, display advertising was up by 11.6% compared with the same period of the previous year (source: Nielsen in terms of value, to May 2010).

The decision to focus on the women's market has already generated encouraging results and the new site of *GraziaMagazine.it* and the positive performance of *DonnaModerna.com* have given a new impulse to the sale of advertising on Mondadori sites.

Mondadori has created a new sales company, Mediamond, with a sales force dedicated to online advertising in order to improve the effectiveness of the offer.

Magazine Division France

The strategic decisions taken in France in 2009 - the launch of *Grazia*, the extension of the Editions Mondadori Axel Springer joint venture, and the review of the portfolio of titles - have had a favourable impact on the first half of 2010.

Mondadori France generated revenues of €168.4 million, a fall of 1.2% on the same period of 2009; excluding the titles sold and the contribution of *Grazia France* revenues were up by 6.6%.

(in €m)	1st Half 2010	1st Half 2009
Magazine revenues	161.8	163.0
Other revenues	6.6	7.5
	168.4	**170.5**
Operating costs	(152.0)	(158.3)
Gross operating profit	**16.4**	**12.2**
Amortisation and depreciation	(5.6)	(5.9)
Operating profit	**10.8**	**6.3**

Circulation

Circulation revenues, which account for 70% of the total, were up by 2% on a like-for-like basis. The change is due to, on the one hand, a slight fall in newsstand sales, in a market that was down by 3% in May (internal figures, in terms of volume), and, on the other, to an increase in subscriptions, which make up an increasingly significant part of circulation revenues, which are less exposed to economic cycles. These results were obtained thanks to careful portfolio management, along with an ongoing focus on product quality.

The contribution of *Grazia was* of particular importance, raising the rate of growth, net of titles sold or transferred, to +5.3%

Advertising

There was a marked improvement in advertising sales in the first half of the year compared with 2009.

Mondadori France saw advertising sales increase by 21.2%, excluding the titles no longer consolidated, and by a total of 5.8%, thanks to the contribution of *Grazia*.

In a market that grew by 3.1% (Source: Kantar Media, in terms of volume, to May), thanks to the contribution of important new launches in the women's weekly segment, Mondadori recorded growth of 22.7%, with a significant increase in the company's market share, taking it close to the level of its direct competitor. These results are even more positive considering that growth was generated in the high-margin upmarket segment, which now accounts for 22.4% of the advertising revenues of Mondadori France (6.5% in 2009).

Other information

The policy of cost reductions carried out over recent years continues also this year and, in addition to the restructuring, the project for the transfer of the company's offices to new premises has taken on increasing importance. The move, to Montrouge, in the Paris metropolitan area, will take place in January 2011 and will have a positive impact in terms of costs, organisation and efficiency.

The extension of the Editions Mondadori Axel Springer joint venture, with the contribution of all of the company's titles in the car sector, is already producing positive results, above all with the new formula of *L'Auto-Journal*, which, in the first five months saw 21.4% increase in circulation and interesting further developments are in the pipeline, particularly for the digital versions of the car titles.

The results of *Grazia* continue to be excellent - even after the launch of two competing titles (*Envy* and *Be*) - with an average of 29.5 advertising pages per issue in the first half and newsstand sales of 177,000 copies from the launch to the present.

Advertising services

(in €m)	**1st Half 2010**	**1st Half 2009**
Advertising revenues	117.8	123.5
Other revenues	2.1	2.9
	119.9	**126.4**
Operating costs	(122.4)	(128.9)
Gross operating profit	**(2.5)**	**(2.5)**
Amortisation and depreciation	(0.1)	(0.1)
Operating profit	**(2.6)**	**(2.6)**

The market

Advertising investments in Italy in the first five months of 2010 (Source: Nielsen - in terms of value) were up (+3.8%), but continued to show a varied capacity to react, both in terms of the speed and scale of recovery, by the different media as they emerge from different levels of crisis during 2009.

After the second quarter, the improved state of health of online and radio advertising was underlined, there was a progressive recovery in television, while in print media, magazines continued to suffer significantly (-9.3%) while newspapers remained essentially stable.

There were however cautious signals of an improvement in investments in FMCGs and cosmetics, and, to a lesser extent in fashion and interiors.

The advertising sales company

Mondadori Pubblicità ended the first half with total revenues, on a like-for-like basis in terms of media (i.e. excluding online and newspapers, no longer in the portfolio in 2010) essentially in line with 2009. The marked changes in the breakdown of revenues, including the termination of the contract with Società Europea di Edizione S.p.A. in November, and the switch of online advertising sales from January to the new sales company, Mediamond, have had a negative impact in 2010 of around 5 percentage points.

During the first six months of 2010 - characterised by an intense and focused policy of relaunches and an innovative range of technologically enriching activities (Video in Print and QR Code being the most appreciated by advertising clients) - sales for Mondadori titles, though slightly down on the first half of 2009 (-1.6%) recorded a marked advantage compared with the main competitors, thanks to improved sales in the second quarter.

After a clear upturn (over 4.5%) in the second quarter, Mondadori weeklies recorded growth of 2.7%. There was a convincing and progressive consolidation in the women's segment (particularly with *Donna Moderna*, *Chi* and *Tu Style*); a big success in terms of advertising for the re-launch of *Panorama*; and a performance that was below that of 2009 for monthly titles, in a market that remained somewhat "unconvinced" by this type of product.

In the radio segment, R101 closed the first six months of 2010 with growth of 8.6%, compared with the same period of last year, thanks to a second quarter that was up by more than 12%. Meanwhile, sales for Radio Kiss Kiss, which began in March 2009, continued with constant success.

Direct and Retail

Mondadori's Direct and Retail Division generated total first half revenues in 2010 of €111.3 million, an increase of 18.9% on the €93.6 million on the first half of 2009.
It is worth noting that the figures for last year did not include Mondolibri. Consequently, on a like-for-like basis, growth during the period was around 4%.

(in €m)	**1st Half 2010**	**1st Half 2009**
Revenues	110.8	93.6
Other revenues	0.5	-
	111.3	**93.6**
Operating costs	(110.1)	(94.9)
Gross operating profit	**1.2**	**(1.3)**
Amortisation and depreciation	(2.7)	(2.5)
Operating profit	**(1.5)**	**(3.8)**

Direct

Investments in direct marketing in Italy were up by 5.8% in the first five months of the year (Source: Nielsen, in terms of value).

In this context Cemit grew in line with the market, developing new opportunities in all of the sectors in which it has operated for years in the role of integrating processes for direct marketing and by expanding its market through a process of internationalisation.

In May 2010 Cemit was joined in the direct sales business by Mondolibri S.p.A. which, with its six thematic book clubs, has around 800,000 members.
Revenues from this business were down by around 6% compared with the first half of 2009, a period when the business was not consolidated.
Mondolibri is also one of the leading national operators in e-commerce, conducted through the web site Bol.it, where revenues were up by 43%, well above the trend in the market as a whole.

Retail

The revenues of the Retail Division, which since May include those generated by the outlets of Mondolibri S.p.A., were up by 6.4% (4.1% on a like-for-like basis) compared with the same period of the previous year.

This increase was, however, substantially attributable to the development of the network, which now has a total of 564 outlets.

Mondadori Retail, which operates with 33 own stores, between bookstores and Multicenters, towards the end of the first half placed a special emphasis on redefining the offer of the Multicenter formula, making changes to the product mix and reviewing the lay out of the stores in order to make them more accessible.
Sales (+2.5% compared with the first half of 2009) grew sharply in stationery (+19.3%), performed very well for editorial products (+6.4%) and were stable for digital goods (-0.3%). Despite the opening of three new stores in Palermo, Rome and Turin, in the second half of 2009, there was an increase in staff of just 12, in line with the rationalisation policy implemented last year.

Mondadori Franchising generated revenues in the first half of €33.1 million, an increase of 6.8%, thanks to the expansion of the number of affiliates in the chain of book shops and the Edicolè formula (250 and 206 respectively).
The company's development plan continues also with an increase in services offered to franchisees, such as the Mondadori Card, launched in June, that will hep to build greater loyalty across the entire Retail Area.

Mondolibri, which operates 23 book shops directly and has 52 in franchising, generated May and June revenues (the period of consolidation) of €1.9 million.

Radio Division

In the first five months of the year the radio market grew by 14.6% compared with 2009, highlighting a trend of continuous growth and distinguishing itself as one of the best-performing media (Source: Nielsen, in terms of value).

(in €m)	**1st Half 2010**	**1st Half 2009**
Revenues	7.6	7.0
Other revenues	-	-
	7.6	**7.0**
Operating costs	(8.2)	(9.8)
Gross operating profit	**(0.6)**	**(2.8)**
Amortisation and depreciation	(0.8)	(0.8)
Operating profit	**(1.4)**	**(3.6)**

Advertising sales for *R101* during the first half of 2010 came to €7.6 million. This is a positive result considering that display ads were up by 8.6% on 2009, despite fewer special initiatives than in the same period of last year.

In the first months of the year *R101* ran an outdoor poster campaign in support of the "*La Carica di 101*" morning show while in the summer months of July and August the "Spiaggia 101" tour will take the music and fun of *R101* to 5 leading Italian seaside resorts.

In terms of ratings, the new Audiradio survey, based on panel diaries that provide more stable and reliable figures on a quarterly basis, rewarded *R101*, which in the first quarter of 2010 recorded a daily average of some 2.5 million listeners and 7 million over 21 days, an important breakthrough that confirms the Mondadori Group's radio station as one of the leading national networks.

New projects are planned for the autumn to reinforce the positioning of the station in its target, to update programming and continue to build ratings.

Corporate and other business

The Corporate sector includes Group finance, parent company functions supporting Group companies and the business divisions.

Such services mainly involve ITC services, accounting, management control and planning, treasury and finance, human resources, legal and corporate affairs, and communication.
Revenues derive essentially from charges made to subsidiaries, associated companies and other users of the aforementioned services.

Mondadori International

Financial assets under management by the company on 30 June 2010 amounted to €34.5 million (€114.3 at the end of 2009). The company recorded a profit in the period of €0.08 million.

At the end of the period, the portfolio was made up as follows:

- current accounts, cash equivalent assets and time deposits with leading Italian banks;
- assets with maximum expiry dates of less than three months: €5.1 million;
- bonds at variable rates available for sale: €29.4 million.

Financial situation

The Mondadori Group's financial situation as of 30 June 2010, showed a deficit of €393 million, a worse result than that at the end of 2009.

Net financial position (in €m)	**30/06/2010**	**31/12/2009**	**30/06/2009**
Cash and other equivalent liquid assets	25.5	119.6	152.9
Financial assets available for sale	29.5	35.7	39.0
Gains (losses) from derivatives	(8.7)	(4.7)	(38.9)
Other financial gains (losses)	(0.5)	(14.6)	(0.2)
Loans (short & medium/long term)	(438.8)	(508.9)	(362.7)
Bonds	-	-	(264.0)
Net financial position	**(393.0)**	**(372.9)**	**(473.9)**

The first half of 2010 was characterised by a crisis in European bond markets which obliged European monetary authorities to introduce extraordinary measures to prevent the effects of the crisis spreading from Greece to other countries.

Indeed, the impact of the sovereign debt crisis was held in check by measures taken by central banks to shore up the financial system and by the beginnings of a recovery in the global economy.

In recent months, growth in domestic demand in emerging economies and in the United States, and the process of rebuilding inventories, has led to an increase in international trade flows.

However, it is necessary to wait for confirmation of growth in investments and employment before assuming that economic growth is back on track and that the development of global demand will be long-term.

In terms of interest rates, the 3-month Euribor rate over the first half, rose from a minimum of 0.634% at the end of March, to 0.767% on 30 June, with an average rate of 0.674%. In the same period, the average cost of money for the Mondadori Group was 3.832%.

On the exchange rate front, the euro weakened against the dollar as a result of marked tensions linked to the financial situation of some member states of the EU. The average over the period was around 1.33, swinging from a maximum of 1.45 to a minimum of 1.19.

The average pound sterling/euro rate, meanwhile, was around 0.87, ranging between a minimum of 0.81 and a maximum of 0.91.

The overall credit lines available to the Group at 30 June 2010 came to €1,061.5 million, €750.3 of which was committed.

A total of €22.2 million of the Group's short-term borrowing facilities, worth a total of €311.2 million and made up of current account overdrafts and advances on invoices, was utilised as of 30 June 2010.

Medium-long-term lines thus include:

- a €320 million five-year multi-borrower variable rate bank loan (maturity 2014) organised by a pool of leading international banks; it is made up of a €150 million term loan (fully used as of 30 June) and a €170 million revolving credit facility, not utilised as of 30 June. It should be noted that interest rate swaps have been applied on this term loan, transforming the variable into a fixed rate;
- a €150 million variable interest loan provided by Intesa Sanpaolo and expiring in May 2013, made up in equal measure by a term loan, fully used as of 30 June and a revolving facility; as of 30 June only the term loan was utilised;
- a €100 million variable rate loan provided by Intesa Sanpaolo and expiring in December 2015, made up in equal measure by a term loan of €35 million and a revolving facility of €65 million; as of 30 June only the term loan was utilised.

During the period €180 million of available credit was repaid in exchange for the provision of two new lines, made up of:

- a €130 million variable rate amortization term loan, organised by a pool of leading Italian banks (*banche popolari*), and expiring in June 2015;
- a €50 million variable rate bullet term loan, provided by Mediobanca and expiring in December 2017.

Figures are in €m

The replacement operation has allowed the Mondadori Group to take advantage of improved conditions, as well as obtaining longer average maturities on available credit lines.

Personnel

As of 30 June 2010 the number of people employed by companies of the Group (both on temporary and permanent contracts) totalled 3,757.

This figure, apparently stable compared with December 2009 (3,750), is in fact a synthesis of two significant and contrasting changes.

On the one hand, the total for Italian subsidiaries includes for the first time also the staff of Mondolibri, consolidated since May (with a headcount of 232).

And on the other, there is clear evidence of the effects of the Restructuring Plan, introduced in January and affecting mainly the Magazine area, which, on a like-for-like basis, has led to a reduction of 225 Group employees in the first six months of the year. The plan, involving both graphic designers and journalists, in both Italy and France (so far 55 journalists in both countries have been cut) will continue for the whole of 2010 and will be completed in the second half of 2011.

Finally, it should be noted that the CCNL labour contract for employees of printing and publishing companies has expired and has not yet been renewed.

The following table provides a picture of the Group's personnel:

Personnel	**30/06/2010**	**31/12/2009**	**30/06/2009**
Arnoldo Mondadori Editore SpA:			
- Managers, journalists and office staff	1,131	1,270	1,295
- Blue-collar staff	97	102	105
	1,228	**1,372**	**1,400**
Italian subsidiaries:			
- Managers, journalists and office staff	1,509	1,366	1,393
- Blue-collar staff	65	34	41
	1,574	**1,400**	**1,434**
Foreign subsidiaries:			
- Managers, journalists and office staff	955	978	1,027
- Blue-collar staff	-	-	-
	955	**978**	**1,027**
Total	**3,757**	**3,750**	**3,861**

Capital investments

In the first half of the year the Group made capital investments totalling €3.7 million, mainly to replace electronic office machinery and furniture and fittings for the new bookshops opened by Mondadori Retail SpA.

The principal risks and uncertainties facing the Mondadori Group

In drawing up guidelines for its Internal Control System, the Mondadori Group has established a Risk Management function and launched a Risk Management process aimed at identifying and managing the principle risks and uncertainties facing the Group's various businesses.

The Mondadori Group based its model for the classification, identification and evaluation and management of risks on Enterprise Risk Management (ERM) principles, which are based, in turn, on the international standard outlined by the *Committee of Sponsoring Organisations of the Treadway Commission* (COSO Report), one of the most authoritative and widely adopted approaches at both a national and international level.

The main characteristics
Risks are classified in well-defined categories in the Model and evaluated according to two parameters, probability and consequences, not only economic but also in terms of market share, competitive advantage and reputation. Such evaluations are made at both an inherent level, in other words where no actions to mitigate risks are in place, and at a residual level, where such actions are in place.

The deputy chairman and chief executive define the Group's strategic objectives, which the executive management translates into objectives for their respective areas (either Businesses or Central Functions). By means of self-assessment, the heads of business units or functions identify risks within their areas and carry out risk evaluation, firstly at an inherent level and then, having identified any mitigation measures, at the residual level.

The Risk Management function gathers and processes such evaluations and submits an overview of the risks to first line management in the various Areas. When the risks facing all Areas have been validated, the Risk Management function groups the risks into categories and carries out a consolidation process that weights each risk according to the relevance of its Area to the Group as a whole.

The results of the Risk Management process are initially communicated by the Executive Responsible for Internal Control in a report to the chief executive, the Internal Control Committee and the Board of Statutory Auditors and subsequently by the chief executive to the Board of Directors. This constitutes the basis for further analysis by the relevant structures and company officers.

The Internal Audit function is responsible for ensuring that risk mitigation measures have been put in place by the various Areas and that they are effective.

The Risk Management process provides for an annual review of the risk situation, to be conducted as indicated above.

The following is a summary of the principal risks and uncertainties facing the Group, as identified by the procedures outlined above.

Economic risk

The global economy
The economic recovery continues to be unsteady and uncertain.

In the OECD's most recent *Economic Outlook,* estimates for GDP growth in the most advanced countries have risen, with rates of 2.7% for this year and 2.8% for 2011. The most recent confirmed figures show growth of 0.7% in the first four months of 2010. There has also been an increase in global trade, above all due to strong growth in China and the emerging economies.

However high debt levels in many countries, instability in financial markets, ongoing credit tightening by the banks and rising unemployment, especially among the young, pose consistent risks for the timing and scale of the recovery. In the euro area, in particular, thanks to the crisis in Greece and lower rates of growth, the situation remains critical.

The Italian economy
OECD data for Italy show that growth returned to the economy in the first four months of 2010 (+0.5%). after the slight decline recorded in the last part of 2009.
The biggest uncertainties are the same as those for the global economy as a whole. It is, however, important to emphasise the necessity of containing the level of public debt, through cuts in expenditure, high youth unemployment (among 15 to 24-year-olds the figure is 29.2%), the slump in consumer purchasing power and increased fiscal pressure, as outlined in the latest report from ISTAT (the Italian office of statistics).

Financial and credit risks

Financial risk
Financial risk derives from the Group's exposure to potential losses connected to financial cycles that depend on business operations, exchange and interest rate volatility and the financial structure.

Mondadori Group, which operates in different geographical regions, is obviously exposed to risks resulting from changes in interest and exchange rates.

Exposure to exchange rate risks is related to the geographical spread of the Company's business, which produces financial flows in currencies other than the euro (mainly the US dollar and the pound sterling).

The Group also utilises various forms of funding to cover the requirements of its business; changes in interest rates can lead to increases or reductions in the cost of borrowing and consequently on margins.

In line with its risk management policy, the Mondadori Group hedges interest and exchange rate risks by using financial instruments. Despite these measures, 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.

The Group is well aware of the need to organize its resources in a way that will ensure the stability of its equity and financial structure.

The reduction in margins resulting from the slump in consumer spending and the slack advertising market could create a situation in which it might become necessary to seek new loans, thus increasing the overall level of debt and financial charges. To deal with this risk, the Group in 2009 completely re-negotiated its exposure to banks (at market conditions), ensuring a higher level of flexibility on its financial covenants and extending the average maturity of its loans.

Risks associated with receivables
The unfavourable economic and financial situation could extend the average payment days, with a consequent impact on the financial position (esp. in the Advertising and Book Divisions).

The imbalance between terms and actual payment is most marked for the Group companies that do business with the public administration, though this has a limited impact on the Group as a whole.

In general, the worsening of economic and financial conditions could increase the risk of contractual infringements or defaults on payment.

Business risks: the competitive environment and strategic risks

The markets in which Mondadori Group operates are undergoing a phase of change, also as a result of the current economic climate and new technological, structural and regulatory developments in certain sectors of interest to the Group.

Compared with the situation described in the Management Report presented at the Annual General Meeting on 27 April 2010, there have been no major changes with regard to the risks already indicated. There have, however, been some developments that are worthy of consideration.

Technological innovation related to the development of the e-book sharply accelerated with the release, also in Italy, of Apple's iPad, a device that is likely to provide a huge boost to the digital reading of newspapers, magazines and books, which will have a huge structural impact on the publishing sector.

Against this background, the **Book Division** will this autumn launch its e-book offer on all of the main platforms, including the iPad, with a selection of 1,400 titles, 400 of which will be absolutely new titles, with a view to taking prompt advantage of the new opportunities presented by this expanding market and to maintain the company's leadership also in this new publishing area.

The **Magazine Division** is meanwhile pursuing a radical renewal of the leading titles based on a multimedia and multi-device approach to ensure that the content produced by the titles is more usable and interactive..
The re-launch of the titles, in particular *Panorama* and *Economy*, will also help to build advertising sales, that have already shown signs of recovery.

Indicators are positive for the **Radio Division**, a medium that is experiencing a generalised upswing in advertising investments.

Legislative and regulatory risks

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

In addition to confirming the critical areas outlined in the last Annual Report, a number of important legislative developments during the first part of the year should be mentioned.

In the Cultural Heritage area, in which **Mondadori Electa** operates, concerns continue with regard to changes in the way in which concessions are assigned for public services at museum sites, which could lead to a radical reconfiguration of the market scenario, both in terms of the requisites for participation in tenders and the type of business that can be carried out, and for the margins from such activities.
At the end of June a decree was approved concerning the *Fondazioni Liriche* (opera companies) that updates the terms of their administration and will likely affect the bids announced on 30 June.

For the **Magazine Division**, the suspension from, 1 April, of state subsidies on postal charges for subsrciptions announced by the government is damaging for the whole sector.
Negotiations between the FIEG (the Italian Association of Newspaper and Magazine Publishers), the Cabinet Office and the Italian postal service, to extend the tariffs applicable in the first three months of the year for the whole of 2010 came to an abrupt halt, despite agreement having been reached for 2011 and beyond.

Brand protection risks

Conscious of the prestige that derives from more than a century of publishing, Mondadori Group considers its brands as assets to be protected and developed. The Group's policies and activities are consequently focused on avoiding situations or events that could damage its image or have negative repercussions on the activities and results of its various businesses.

Significant events during the period

The acquisition of 50% of Mondolibri SpA held by DirectGroup Bertelsmann

During the first half Arnoldo Mondadori Editore S.p.A. completed the acquisition of 50% of the share capital of Mondolibri SpA, 50% of which was already owned by Mondadori in a joint venture with DirectGroup Bertelsmann. The value of the transaction was €6.75 million.

The leading mail-order bookseller and one of the top Italian e-commerce operators, Mondolibri operates through two divisions: Book Clubs, which sells books and multimedia products by mail-order using the "club" formula and also through over 70 retail outlets and an online platform, and www.bol.it, which sells books and multimedia products online.
Mondolibri generated total revenues of around €80 million in 2009, €23 million of which from e-commerce.
The operation gives Mondadori Group full control of the company, making it possible to achieve both significant synergies with the Mondadori bookshop chain network and to operate www.bol.it, an important channel and fast-growing strategic asset for online sales, autonomously.

Renewal of authorisation to effect share buy backs

The Annual General Meeting of the Shareholders on 27 April 2010, following the expiry of a previous authorisation issued at the AGM on 29 April 2009, voted, as per art. 2357, Civil Code, to renew authorisation for the buy back and utilisation of Company shares, taking account of the shares already in the portfolio or held by subsidiaries, up to the limit of 15% of the share capital.

The main points of the buy back programme are as follows:
1. Objectives and reasons:

- to use treasury shares for the exercise of stock allocated under stock option plans put in place by the shareholders;
- to use treasury shares, either bought back or already held, for the exercise of rights, including conversion rights, deriving from financial instruments issued by the Company, its subsidiaries or 3rd parties;
- to use treasury shares, either bought back or already held, as part or whole payment in acquisitions or equity investments that fall within the Company's stated investment policy;
- to take advantage, where and when considered strategic for the Company, of investment opportunities, also in relation to available liquidity.

2. Cap on the number of shares that may be bought

Following new legislation that increased the quantities of shares that may be bought, the authorisation applied for entails a limit of 15% of the Company's share capital, or 38,914,474 shares.

Given that, on the date of the shareholders' resolution, the Company already held a total of 22,367,587 of its own shares, corresponding to 8.62% of the share capital, the new authorisation gave the Board the faculty to buy back a further 16,546,887 ordinary shares, corresponding to 6.38% of the share capital.

3. Method of acquisition and the price range

Buy-backs would be made on regulated markets as per art. 132, legislative decree no. 58, 24 February 1998, and art. 144 bis, para. 1, B, Consob Regulation 11971/99, according to operating procedures established by the markets themselves, which do not permit the direct combination of offers to buy with predetermined offers to sell.

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

In terms of prices and daily volumes, acquisition operations will in any case be conducted in accordance with EU Regulation 2273/2003, and in particular:

- the Company will not buy shares at a price higher than that of the last independent operation or, if higher, the highest current independent offer on the regulated market where the acquisition is made.
- in terms of daily volumes, the Company will not purchase a quantity greater than 25% of the average daily volume of Mondadori shares traded on the regulated market and calculated on the basis of the average daily volume of trading of Mondadori shares in the 20 trading days prior to the dates of purchase.

4. Duration

The authorisation to buy back shares will remain valid until approval of the financial statements for the year to 31 December 2010, and in any case for a period of no longer than 18 months from the date of the shareholders' resolution.

During the first half of the year, the Company effected buy backs on the automated market, in the manner outlined above, totalling 2,270,000 Company shares, corresponding to 0.87% of the share capital, at a cost of €6,127,248.

Share buy-backs in the first half of 2010

As of 30 June 2010 the total number of treasury shares held by the Company, with a par value of €145 million, was 22,367,587 corresponding to 8.62% of the share capital, of which 17,850,101 held directly by Arnoldo Mondadori Editore SpA and 4,517,486 by the subsidiary Mondadori International SA

Significant events after the end of the period

Allocations for 2010 under the 2009-2011 stock option plan

On 21 July 2010, the board of directors, at the proposal of the Remuneration Committee, approved the allocation for 20010 of options under the 2009-2011 three-year stock option plan set up by the AGM on 29 April 2009.

For each year of its duration, the Plan foresees the allocation of options, personal and non-transferable, for the acquisition of ordinary Mondadori shares, from the Company's treasury stock, in the ration of one share per option exercised, with regular dividend entitlement.

The board of directors allocated 1,800,000 share options to 19 persons selected from among the categories indicated in the aforementioned resolution on 29 April 2009 to set up the stock option plan (directors of the Company and its subsidiaries, employee journalists of the Company and its subsidiaries with the position of editor or co-editor, parent company executives whose functions are conducted in the interests of the Company).

The total number of shares allocated was 0.69% of the Company's share capital.

The Board also set performance objectives (consolidated ROE and free-cash flow indicators) as a condition for the exercise of the options allocated for 2010.

Subordinate to the verification by the board of directors of the attainment of the conditions for the exercise of options for 2010, such exercise will be possible after a period of 36 months from the date of allocation.

The exercise price corresponds to the arithmetical average of the Mondadori share price in the period between the date of allocation of the options and the same day of the previous calendar month.

Other information

Note should be made of the following:

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.

Further details can be found in the Group's Annual Report, in the section Notes to the financial statements.

Outlook for the year

In the first six months of the year the volume of the Mondadori Group's business was in line with that of the previous year, while, at the same time, there was a significant improvement in profitability, despite ongoing investments for the development of both the products in the international network and digital content, in the book and magazine sectors.

In addition to the positive revenue performance by the businesses, the company's was also able to count on the increasingly effective containment of operating and structural costs. The only negative impact came from higher postal charges, after exceptional increases, from the beginning of April, resulting from the cancellation of state subsidies on the cost of postage for subscriptions.

It is therefore reasonable to suppose that, net of unforeseen circumstances and with ongoing stability in the trends in the company's markets of reference, Mondadori will be able, for the full year, to further improve the already positive levels of operating profitability recorded in the first half.

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Abbreviated consolidated financial statements at 30 June 2010

Consolidated balance sheet

Assets	Note	**30 June 2010**	**31 December 2009**
Intangible assets	9	**908,520**	**904,283**
Fixed assets	10	**2,426**	**2,470**
Land and buildings		11,032	11,374
Plant and machinery		6,426	7,184
Other assets		29,457	29,747
Property, plant and machinery	11	**46,915**	**48,305**
Investments booked using net equity method		135,892	143,329
Other investments		222	221
Total investments	12	**136,114**	**143,550**
Non-current financial assets	19	**483**	**483**
Advanced taxes	13	**45,265**	**46,238**
Other non-current assets	14	**4,761**	**2,897**
Total non-current assets		**1,144,484**	**1,148,226**
Tax credits	15	**16,272**	**23,578**
Other current assets	16	**95,458**	**87,042**
Inventories	17	**129,278**	**124,010**
Trade receivables	18	**359,376**	**378,269**
Stocks and other current financial assets	19	**51,894**	**41,369**
Cash and equivalents	19	**25,509**	**119,627**
Total current assets		**677,787**	**773,895**
Assets destined for sale or closure		**-**	**-**
Total assets		**1,822,271**	**1,922,121**

Consolidated balance sheet

Liabilities	Note	30 June 2010	31 December 2009
Share capital		67,452	67,452
Share premium reserve		286,857	286,857
Treasury stock		(144,967)	(138,840)
Other reserves and results carried forward		322,626	294,701
Profit (loss) for the period		15,099	34,333
Total Group shareholders' equity	20	547,067	544,503
Minority capital and reserves	20	1,595	1,778
Total shareholders' equity		548,662	546,281
Reserves	21	48,815	58,381
Severance payments	22	55,594	59,037
Non-current financial liabilities	19	447,589	382,187
Deferred tax liabilities	13	90,480	89,140
Other non-current liabilities		9	72
Total non-current liabilities		642,487	588,817
Income taxes payable	23	28,878	20,380
Other current liabilities	24	235,054	256,731
Trade liabilities	25	343,914	357,693
Bank debts and other financial liabilities	19	23,276	152,219
Total current liabilities		631,122	787,023
Liabilities deriving from sales or closures		-	-
Total liabilities		1,822,271	1,922,121

Separate consolidated income statement

	Note	**Period to 30 June 2010**	**Period to 30 June 2009**
Revenues from sales and services	26	**726,785**	**730,727**
Decrease (increase) in inventories	17	1,350	(3,765)
Cost of raw materials and consumables and goods for resale	27	113,532	116,747
Cost of services	28	401,980	410,957
Personnel costs	29	134,263	143,088
Other (income) expense	30	24,246	19,851
Income (expense) from investments accounted for using the equity method	31	3,137	(3,649)
Gross operating profit		**54,551**	**40,200**
Depreciation and impairment of property, plant and equipment	10-11	6,158	6,027
Amortisation and impairment of intangible assets	9	5,567	6,287
Operating result		**42,826**	**27,886**
Financial income (expense)	32	(11,999)	(10,321)
Income (expense) from other investments		-	-
Profit before taxes		**30,827**	**17,565**
Income taxes	33	15,344	10,007
Profit from continuing activities		**15,483**	**7,558**
Income (expense) from assets/liabilities held for sale		-	-
Result attributable to minorities	20	(384)	(307)
Net profit		**15,099**	**7,251**
Earnings per share (euros)			
Diluted earnings per share (euros)	34	0.06	0.03
Decrease (increase) in inventories	34	0.06	0.03

Comprehensive consolidated income statement

	Period to 30 June 2010	Period to 30 June 2009
Net result before third-party share of profits	**15,483**	**7,558**
Profits (losses) deriving from conversion of financial statements from foreign companies	46	(4)
Other profits (losses) from companies valued at net equity	(281)	58
Effective part of profits (losses) on cash flow hedge instruments	(3,906)	(4,734)
Profit (loss) deriving from assets available for sale (fair value)	(2,662)	1,578
Taxes relating to other profits (losses)	-	-
Total other profits (losses) net of taxes	(6,803)	(3,102)
Comprehensive result for period	**8,680**	**4,456**
Attributable to:		
- Parent company shareholders	**8,296**	**4,149**
- Minorities	**384**	**307**

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Figures are in €,000

Changes in consolidated shareholders' equity at 30 June 2009

(in €,000)	Note	Share capital	Share premium	Treasury shares	Stock option reserve	Cash flow hedge	Fair value reserve	Translation reserve	Other reserves	Profit (loss) for the year	Total Group	Minority interests	Total
Balance at 01/01/2009		**67,452**	**286,876**	**(138,840)**	**5,739**	**(4,076)**	**(4,454)**	**(653)**	**198,050**	**97,080**	**507,174**	**1,925**	**509,099**
Transfer of profit									97,080	(97,080)	-		
Dividends paid											-	(722)	(722)
Changes in scope of consolidation											-		
Treasury share options	20										-		
Stock options	29				363						363		363
Other changes			(19)						(1,812)		(1,831)		(1,831)
Profit (loss) for the period						(4,734)	1,578	54		7,251	4,149	307	4,456
Balance at 30/06/2009		**67,452**	**286,857**	**(138,840)**	**6,102**	**(8,810)**	**(2,876)**	**(599)**	**293,318**	**7,251**	**509,855**	**1,510**	**511,365**

Changes in consolidated shareholders' equity at 30 June 2010

(in €,000)	Note	Share capital	Share premium	Treasury shares	Stock option reserve	Cash flow hedge	Fair value reserve	Translation reserve	Other reserves	Profit (loss) for the year	Total Group	Minority interests	Total
Balance at 01/01/2010		**67,452**	**286,857**	**(138,840)**	**6,701**	**(4,660)**	**(257)**	**(567)**	**293,484**	**34,333**	**544,503**	**1,778**	**546,281**
Transfer of profit									34,333	(34,333)	-		
Dividends paid											-	(567)	(567)
Changes in scope of consolidation											-		
Treasury share options	20			(6,127)							(6,127)		(6,127)
Stock options	29				78				177		255		255
Other changes									140		140		140
Profit (loss) for the period						(3,906)	(2,662)	(235)		15,099	8,296	384	8,680
Balance at 30/06/2010		**67,452**	**286,857**	**(144,967)**	**6,779**	**(8,566)**	**(2,919)**	**(802)**	**328,134**	**15,099**	**547,067**	**1,595**	**548,662**

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Consolidated cash flow statement

(in €,000)	Note	30 June 2010	30 June 2009
Net profit for the period		15,099	7,251
Adjustments			
Depreciations and writedowns	9-10-11	11,725	12,314
Stock options	29	255	363
Charges to provisions, employees' leaving entitlement and termination indemnities		(212)	(7,564)
Capital (gains) losses on disposal of intangible assets, property, plant and equipment, investments		(148)	(395)
Capital (gains) losses on financial assets	32	(706)	(1,282)
(Income) expense from companies accounted for using the net equity method	31	(3,137)	3,649
Cash from operating activities		**22,876**	**14,336**
(Increase) decrease in trade receivables		26,600	9,800
(Increase) decrease in inventories		2,207	(4,000)
Increase (decrease) in trade payables		(28,498)	(8,965)
Net change in income tax receivables/payables	15-23	18,666	(953)
Advances for and settlements of employees' leaving entitlement	22	(7,488)	(2,409)
Net change in deferred tax assets and liabilities	13	3,862	5,117
Net change in other assets/liabilities		(44,089)	650
Cash flow from (used in) operating activities		**(5,864)**	**13,576**
Fees received (paid) net of cash acquired (disposed of)	8	1,955	-
(Investments in) disposals of intangible assets		(5,232)	(909)
(Investments in) disposals of property, plant and equipment		(3,042)	4,984
(Investments in) disposals of equity investments		4,120	580
(Investments in) disposals of financial assets		(16,387)	14,721
Cash flow from (used in) financing activities		**(18,586)**	**19,376**
Net change in financial liabilities	19	(63,541)	(210,578)
(Purchase) disposal of treasury stocks	20	(6,127)	-
Dividends paid		-	-
Cash flow from (used in) financing activities		**(69,668)**	**(210,578)**
Increase (decrease) in cash and cash equivalents		**(94,118)**	**(177,626)**
Cash and cash equivalents at beginning of period	19	**119,627**	**330,530**
Cash and cash equivalents at end of period	19	**25,509**	**152,904**

Composition of cash and cash equivalents			
Cash, checks and valuables in hand		1,264	1,359
Bank and post office deposits		24,245	151,545
	19	**25,509**	**152,904**

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Interim abbreviated consolidated balance sheet - Balance sheet highlights

Figures are in €,000

Consolidated balance sheet as per Consob deliberation no. 15519 of 27 July 2006

Assets	Note	**30 June 2010**	Including related parties (Note 37)	**31 December 2009**	Including related parties (Note 37)
Intangible assets	9	**908,520**	**-**	**904,283**	**-**
Investment property	10	**2,426**	**-**	**2,470**	**-**
Land and buildings		11,032	-	11,374	-
Plant and machinery		6,426	-	7,184	-
Other tangible fixed assets		29,457	-	29,747	-
Property, plant and equipment	11	**46,915**	**0**	**48,305**	**0**
Investments accounted for using the net equity method		135,892	-	143,329	-
Other investments		222	-	221	-
Total investments	12	**136,114**	**0**	**143,550**	**0**
Non-current financial assets	19	**483**	**-**	**483**	**-**
Deferred tax assets	13	**45,265**	**-**	**46,238**	**-**
Other non-current assets	14	**4,761**	**-**	**2,897**	**-**
Total non-current assets		**1,144,484**	**0**	**1,148,226**	**0**
Tax receivables	15	**16,272**	**-**	**23,578**	**-**
Other current assets	16	**95,458**	**-**	**87,042**	**-**
Inventories	17	**129,278**	**-**	**124,010**	**-**
Trade receivables	18	**359,376**	**35,198**	**378,269**	**39,288**
Securities and other current financial assets	19	**51,894**	**6,362**	**41,369**	**2,508**
Cash and cash equivalents	19	**25,509**	**-**	**119,627**	**-**
Total current assets		**677,787**	**41,560**	**773,895**	**41,796**
Assets held for sale		**-**	**-**	**-**	**-**
Total assets		**1,822,271**	**41,560**	**1,922,121**	**41,796**

Interim abbreviated consolidated balance sheet - Balance sheet highlights
Figures are in €,000

Consolidated balance sheet as per Consob deliberation no. 15519 of 27 July 2006

Liabilities and shareholders' equity	Note	**30 June 2010**	Including related parties (Note 37)	**31 December 2009**	Including related parties (Note 37)
Share capital		**67,452**	**-**	**67,452**	**-**
Share premium reserve		**286,857**	**-**	**286,857**	**-**
Treasury shares		**(144,967)**	**-**	**(138,840)**	**-**
Other reserves and retained earnings		**322,626**	**-**	**294,701**	**-**
Profit (loss) for the period		**15,099**	**-**	**34,333**	**-**
Total shareholders' equity attributable to the Group	20	**547,067**	**0**	**544,503**	**0**
Capital and reserves attributable to minorities	20	**1,595**	**-**	**1,778**	**-**
Total shareholders' equity		**548,662**	**0**	**546,281**	**0**
Provisions	21	**48,815**	**-**	**58,381**	**-**
Employees' leaving entitlement and termination indemnities	22	**55,594**	**-**	**59,037**	**-**
Non-current financial liabilities	19	**447,589**	**-**	**382,187**	**-**
Deferred tax liabilities	13	**90,480**	**-**	**89,140**	**-**
Other non-current liabilities		**9**	**-**	**72**	**-**
Total non-current liabilities		**642,487**	**0**	**588,817**	**0**
Income tax payables	23	**28,878**	**22,907**	**20,380**	**19,880**
Other current liabilities	24	**235,054**	**-**	**256,731**	**-**
Trade payables	25	**343,914**	**81,861**	**357,693**	**92,243**
Payables to banks and other financial liabilities	19	**23,276**	**6,011**	**152,219**	**7,232**
Total current liabilities		**631,122**	**110,779**	**787,023**	**119,355**
Liabilities held for sale		**-**	**-**	**-**	**-**
Total liabilities and shareholders' equity		**1,822,271**	**110,779**	**1,922,121**	**119,355**

Figures are in €,000

Consolidated balance sheet as per Consob deliberation no. 15519 of 27 July 2006

	Note	**1st Half 2010**	Including related parties (Note 37)	di cui oneri (proventi) non ricorrenti (Nota 36)	**1st Half 2009**	Including related parties (Note 37)	Including non-recurring charges (income) (Note 36)
Revenues from sales and services to third parties	26	**726,785**	**35,078**	**-**	**730,727**	**35,018**	**-**
Decrease (increase) in inventories	17	1,350	-	-	(3,765)	-	-
Purchase of raw materials and consumables and goods for resale	27	113,532	10,510	-	116,747	9,627	-
Purchase of services	28	401,980	107,863	-	410,957	123,978	-
Personnel costs	29	134,263	-	-	143,088	-	-
Other (income) expense	30	24,246	(3,981)	-	19,851	(3,484)	(206)
Income (expense) from investments accounted for using the equity method	31	3,137	-	-	(3,649)	-	-
Gross operating profit		**54,551**	**(79,314)**	**0**	**40,200**	**(95,103)**	**206**
Depreciation and impairment of property, plant and equipment	10-11	6,158	-	-	6,027	-	-
Amortisation and impairment of intangible assets	9	5,567	-	-	6,287	-	-
Operating result		**42,826**	**(79,314)**	**0**	**27,886**	**(95,103)**	**206**
Financial income (expenses)	32	(11,999)	(28)	-	(10,321)	(141)	-
Income (expenses) from other investments		-	-	-	-	-	-
Results before taxes		**30,827**	**(79,342)**	**0**	**17,565**	**(95,244)**	**206**
Income taxes	33	15,344	-	-	10,007	-	65
Results attributable to continuing operations		**15,483**	**(79,342)**	**0**	**7,558**	**(95,244)**	**141**
Income (expenses) from assets/liabilities held for sale		-	-	-	-	-	-
Results attributable to minorities	20	(384)	-	-	(307)	-	-
Net result		**15,099**	**(79,342)**	**0**	**7,251**	**(95,244)**	**141**

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 editorial products.

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.

The parent company, Arnoldo Mondadori Editore SpA, is listed on the MTA (automated stock markets) of Borsa Italiana SpA.

The publication of the interim consolidated financial statements of the Mondadori Group for the period to 30 June 2010 was authorised by a resolution of the Board of Directors on 29 July 2010.

2. Form and content

The interim consolidated financial statements for the period to 30 June 2010, which include the abbreviated interim financial statements, were prepared in accordance with IAS 34 and of the Art. 154 ter of the TUF (*Testo Unico sulla Finanza*).
Consequently not contain all of the information required for annual reports is included and therefore should be read in conjunction with the Group's 2009 Annual Report.

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 consolidated balance sheet, costs are analysed by their nature since the Group has decided that this method is more representative than an analysis by function;
- the comprehensive income statement contains revenues and costs items that are not recognised among the profit (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement was 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 were included to highlight significant business 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 following changes in the area of consolidation took place during the first half of 2010:

- the companies wholly included in the scope of consolidation now includes Mondolibri SpA, consolidated on a net equity basis until 31 December 2009. For more information please refer to Note 8.1;
- the companies consolidated on a net equity basis now includes Mach 2 Press Srl, 46.98% of which is held directly and indirectly, and there was a change in the stake held in the ex Agenzia Lombarda Distribuzione Giornali e Riviste Srl, now called MDM Milano Distribuzione Media Srl, from 50% to 20%. For more information please refer to Notes 8.2 and 8.3, respectively;
- investments held at fair value now include Consorzio Forte Montagnolo, of which the Group has a 3.85% stake.

4. Criteria adopted in the preparation of the abbreviated interim financial statements

The abbreviated interim financial statements are compiled on the understanding that the Company will continue to operate in the future, in accordance with the accounting standards used for preparing the IAS/IFRS consolidated financial statements at 31 December 2009, taking into consideration the following amendments and standards introduced with effect from 1 January 2010:

IFRS 3R - Business combinations

New IFRS 3R rules establish, among other things, that costs associated with the operation of business combinations, can be booked under contingent consideration in the income statement as well as the option to recognise either the entire goodwill inherent in the acquiree, independent of whether a 100% interest is acquired (full goodwill method), or only the portion of the total goodwill which corresponds to the proportionate interest acquired. The new rules also change existing criteria for subsequent acquisitions requiring the booking to the income statement of the difference between the fair value at the date of obtaining control of any previously held net assets.

IAS 27R - Consolidated and separate financial statements

The new version of IAS 27R establishes, among other things, that a change in a parent's ownership interest in a subsidiary that does not result in loss of control be booked under net equity.

Moreover, the new rules clarify the accounting treatment in the event of the sale of assets with a corresponding loss of control, with the allocation of the non-controlling interest calculated at fair value with any revaluation (writedown) contributing to any capital gain (loss) deriving from the operation.
Finally, the changes introduced by IAS 27, which are effective from 1 January 2010, must be applied prospectively and will affect future acquisitions, disposals and transactions with minority interest.

IFRS 5 - Non-current assets held for sale and discontinued operations
If a business plans to sell assets that will involve the loss of control of a subsidiary, the assets and liabilities of the same must be reclassified as non-current assets held for sale, even when the business continues to hold a minority interest. This change is effective from 1 January 2010 and must be applied prospectively.

IFRS 8 - Operating segments
This change, effective from 1 January 2010, requires the reporting of the total value of assets for each segment, if such values are regularly provided to the chief operating decision maker. Previously, such information was required even when this condition was not met.

IAS 36 - Impairment of assets
This change, which is effective from 1 January 2010 and must be applied prospectively, requires each operating unit or group of operating units, for which goodwill is allocated for impairment tests, are not larger than an operating segment as defined in para. 5 of IFRS 8, prior to the combination foreseen by para. 12 of the same IFRS on the basis of similar economic characteristics or other comparable elements.

On 6 May 2010 the IASB issued the latest series of documents *Improvements to IFRS* for the period 2008-2010, which will result in minor changes to current accounting principles.
The changes that could have an impact on the Group concern:

- the valuation of non-controlling minority interests in business combinations: currently, as per IFRS 3R, it is possible to measure ownership interests at fair value or at the present ownership instruments' proportionate share of the buyer's identifiable net assets. This option limits the scope of the measurement choices only to the components of the non-controlling minority, entitling holders to a proportionate share of the entity's net assets, in the event of liquidation.

  Other components of non-controlling minority interests (eg preference shares or warrants issued by the entity acquired in favour of third parties) must be measured at their acquisition date fair value, unless an alternative measurement basis is required by another IFRS;
- acquired or voluntarily replaced stock option plans after business combinations: the document clarifies that stock option plans acquired following a business combination must be (re) valued on the acquisition date in line with IFRS 2. Moreover, the current requirements of IFRS 2 that foresees the allocation the valuation of the stock option plan as a consequence of the business combination split between the acquisition cost and the post-combination expenses;

- significant events and transactions to be included in interim reports in line with IAS 34: emphasise the principle whereby information regarding significant events and transactions to be included in interim reports must appear as an update to the information contained in the Annual Report; moreover, it specifies the circumstances in which it is obligatory to provide in the interim report information concerning financial instruments and their fair value.
  The proposed date for the application of these amendments is for annual periods beginning on or after 1 January 2011.

5. Use of estimates

The preparation of the abbreviated interim financial statements and relative notes has required the use of estimates and assumptions based on subjective judgements, historic experience and available information. Consequently, the definitive figures may also be significantly different to such estimates as a result of subsequent changes to the criteria used in the determination of such estimates.

For more information about the principal accounting estimates please refer to the 2009 Annual Report.

6. Seasonal nature of the business activities

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

7. Segment information

The information required by IFRS 8 reflects the organisational structure of the Group, which consists of the Book, Italian and French Magazine, Advertising, Direct Marketing and Retail and Radio Divisions and the Central Units.

This structure represents the Group's business in terms of products sold and services rendered and is the basis for the reporting used by the management when defining strategies and operations, evaluating investment opportunities and allocating resources.

Information relating to the various segments is included in the notes that follow.

8. Business combinations, acquisitions and disposals

The following is an account of the most significant operations concluded in the first half of 2010:

8.1 Acquisition of 50% of Mondolibri S.p.A.

At the end of April 2010 Arnoldo Mondadori Editore SpA competed the acquisition from Società Holding Industriale di Grafica S.p.A. (Bertelsmann Group) of 50% of the share capital of Mondolibri SpA, giving the company sole control.

Mondolibri is Italy's leading operator in the mail-order sale of books, editorial and multimedia products using the "club" formula, as well as through over 70 retail outlets and an online platform.

The company is also one of Italy's main e-commerce operators, through its www.bol.it site.

The final cost of the operation was €6.75 million, and, as per IFRS 3R, is classified as a business combination, in that it gives the Mondadori Group sole control of the company.

From the application of the aforementioned accounting principle, and on the basis of the economic entity theory, goodwill emerged of €7.7 million on the 50% acquired, while the goodwill deriving from a revaluation of the existing 50% stake amounted to €2.7 million. That latter has been booked in the income statement under "Income (charges) for investments accounted for using the net equity method".

Specifically, the goodwill was calculated by estimating the fair value of the different assets acquired by actualising the relative cash flows based on the last approved three-year plan.

Actualisation was made using the capital asset pricing model, on the basis of a gross discount rate, and representative of the specific risks associated with the single cash generating units.

The following table provides a summary of the figures, on the date of acquisition:

(in €m)		**Book value**
Intangible assets		0.2
Property, plant and machinery		1.2
Trade receivables		7.5
Inventories		6.7
Other current and non-current assets		5.6
Trade liabilities		(17.7)
Other current and non-current liabilities		(6.4)
Net financial liabilities		-
Cash and equivalents		8.7
NET ASSETS ACQUIRED	A	5.8
TOTAL PAID (compared with 100%)	B	13.5
GOODWILL	**B-A**	**7.7**
Carrying value of the investment (50%) on 1 January 2010		4.4
Pro-quota profit for the period 01/01-27/04/2010		(0.3)
TOTAL CARRYING VALUE AT 27/04/2010	C	4.1
FAIR VALUE OF PREVIOUSLY HELD STAKE (50%)	D	6.8
PROCEEDS FROM THE REVALUATION OF PREVIOUSLY HELD STAKE	**D-C**	**2.7**

8.2 Acquisition of 40% of Mach 2 Press Srl

At the end of April 2010, Mach 2 Libri SpA, a company specialised in the distribution of books and magazines through the large-scale retail channel and of which Mondadori holds a 34.91% stake, created a new company, Mach 2 Press Srl, through the contribution of its magazine distribution activity.

Subsequently, in May 2010, Mach 2 Libri SpA sold 80% of the share capital of the new company, 40% to Press-Di Distribuzione Stampa and Multimedia S.r.l. (Mondadori Group) and 40% to m-dis Distribuzione Media S.p.A. (RCS Group).

As a result of these operations, none of which constitute a business combination, Mondadori retains the same stake it previously had in Mach 2 Libri SpA and acquired a 46.98% stake in Mach 2 Press Srl.

8.3 Dilution of the stake held in Agenzia Lombarda Distribuzione Giornali e Riviste Srl

In April 2010 Mondadori, Sodip SpA and RCS decided to create a single entity for the distribution of newspapers and magazines in Milan and the surrounding area.
As a result, Milano Press Srl contributed its business activity to Agenzia Lombarda Distribuzione Giornali e Riviste Srl, after which the stake held by the Mondadori Group in the new company, re-named MDM Milano Distribuzione Media Srl, was diluted from 50% to 20%.

Proceeds from the dilution, which, as per IFRS 3 revised, does not constitute a business combination, amounted to a few tens of thousands of euros.

9. Intangible assets

During the period, changes in "Intangible assets" resulted from the acquisition of 50% of Mondolibri SpA, as outlined in Note 8.1.

Intangible assets (in €,000)	**30/06/2010**	**31/12/2009**
Intangible assets with a finite useful life	224,555	229,134
Intangible assets with an indefinite useful life	683,965	675,149
Total intangible assets	**908,520**	**904,283**

The following two tables outline changes relating to intangible assets with a finite useful life, which are mainly represented by the amortisation for the period; investments were mainly in software.

Intangible assets with an indefinite useful life include the titles of Mondadori France, the most important of which are *Télé Star*, *Closer*, *Pleine Vie*, *Le Chasseur Français*.

The following tables show the figures for 2009 and the first half of 2010.

Intangible assets with a finite useful life (in €,000)	Titles	Costs of taking over lease contracts	Software	Licences, patents and rights	Other intangible assets	Intangible assets in progress and advances	Total
Historical cost at 31/12/2008	231,900	29,571	21,858	1,206	4,425	-	288,960
Investments	-	2,250	1,358	19	124	-	3,751
Disposals	(9,397)	-	(254)	-	-	-	(9,651)
Changes to consolidation area	-	-	-	-	-	-	0
Other changes	-	-	-	-	-	-	0
Historical cost at 31/12/2009	222,503	31,821	22,962	1,225	4,549	0	283,060
Accumulated amortisation and impairment losses at 31/12/2008	9,142	7,023	18,072	1,109	3,064	-	38,410
Amortisation	7,571	1,645	2,001	53	581	-	11,851
Impairment/reversal of impairment	4,316	-	-	-	-	-	4,316
Disposals	(397)	-	(254)	-	-	-	(651)
Changes to consolidation area	-	-	-	-	-	-	0
Other changes	-	-	-	-	-	-	0
Accumulated amortisation and impairment losses at 31/12/ 2009	20,632	8,668	19,819	1,162	3,645	0	53,926
Net value at 31/12/2008	222,758	22,548	3,786	97	1,361	0	250,550
Net value at 31/12/2009	**201,871**	**23,153**	**3,143**	**63**	**904**	**0**	**229,134**

Intangible assets with a finite useful life (in €,000)	Titles	Costs of taking over lease contracts	Software	Licences, patents and rights	Other intangible assets	Intangible assets in progress and advances	Total
Historical cost at 31/12/2009	222,503	31,821	22,962	1,225	4,549	-	283,060
Investments	-	-	606	45	63	23	737
Disposals	-	-	-	-	-	-	0
Changes to consolidation area	-	-	919	-	-		919
Other changes	-	-	-	-	-	-	0
Historical cost at 30/06/2010	222,503	31,821	24,487	1,270	4,612	23	284,716
Accumulated amortisation and impairment losses at 31/12/2009	20,632	8,668	19,819	1,162	3,645	-	53,926
Amortisation	3,586	899	916	21	145	-	5,567
Impairment/reversal of impairment	-	-	-	-	-	-	0
Disposals	-	-	-	-	-	-	0
Changes to consolidation area	-	-	668	-	-	-	668
Other changes	-	-	(1)	1	-	-	0
Accumulated amortisation and impairment losses at 30/06/2010	24,218	9,567	21,402	1,184	3,790	0	60,161
Net value at 31/12/2009	201,871	23,153	3,143	63	904	0	229,134
Net value at 30/06/2010	**198,285**	**22,254**	**3,085**	**86**	**822**	**23**	**224,555**

Changes in intangible assets with an indefinite useful life are mainly concerned with the acquisition of Mondolibri, the goodwill from which amounted to €7,601 thousand, allocated to the identified Cash Generating Unit, and investments in radio frequencies.

Included in intangible assets with an indefinite useful life are the magazine tiles acquired from Silvio Berlusconi Editore SpA, (including *TV Sorrisi e Canzoni*, *Chi*, *Telepiù*), and from Elemond SpA (*Interni* and *Casabella*); the imprints and series of Einaudi, Sperling & Kupfer, Piemme, the educational publishing houses; the radio frequencies of *R101* and all of the goodwill associated with the respective Cash Generating Units.

The following tables show the figures for 2009 and the first half of 2010.

Intangible assets with an indefinite useful life (in €,000)	Titles	Series	Imprints	Radio frequencies	Goodwill	Total
Historical cost at 31/12/2008	98,158	31,509	6,423	124,165	431,966	692,221
Investments	-	-	47	3,741	-	3,788
Disposals	-	-	-	(1,545)	-	(1,545)
Changes to consolidation area	-	-	-	-	-	0
Other changes	-	-	-	-	(63)	(63)
Historical cost at 31/12/2009	98,158	31,509	6,470	126,361	431,903	694,401
Impairment at 31/12/2008	10,226	-	1,114	244	304	11,888
Impairment/reversal of impairment	-	-	900	2,666	3,861	7,427
Other changes	-	-	-		(63)	(63)
Impairment at 31/12/2009	10,226	0	2,014	2,910	4,102	19,252
Net value at 31/12/2008	87,932	31,509	5,309	123,921	431,662	680,333
Net value at 31/12/2009	**87,932**	**31,509**	**4,456**	**123,451**	**427,801**	**675,149**

Intangible assets with an indefinite useful life (in €,000)	Titles	Series	Imprints	Radio frequencies	Goodwill	Total
Historical cost at 31/12/2009	98,158	31,509	6,470	126,361	431,903	694,401
Investments	-	-	60	1,393	7,601	9,054
Disposals	-	-	-	(238)	-	(238)
Changes to consolidation area	-	-	-	-	-	0
Other changes	-	-	-	-	-	0
Historical cost at 30/06/2010	98,158	31,509	6,530	127,516	439,504	703,217
Impairment at 31/12/2009	10,226	-	2,014	2,910	4,102	19,252
Impairment/reversal of impairment	-	-	-	-	-	0
Other changes	-	-	-	-	-	0
Impairment at 30/06/2010	10,226	0	2,014	2,910	4,102	19,252
Net value at 31/12/2009	87,932	31,509	4,456	123,451	427,801	675,149
Net value at 30/06/2010	**87,932**	**31,509**	**4,516**	**124,606**	**435,402**	**683,965**

There are no restrictions on the availability and use of intangible assets.

Amortisation, impairment and reversals of impairment of intangible assets

The following table show the figure booked to the income statement, under "Accumulated amortisation and impairment losses of intangible assets", resulting from the amortisation of intangible assets with both a definite and indefinite useful life.

The reduction in the total is mainly due to the sale of a number of titles by Mondadori France during the second half of 2009.

Accumulated amortisation and impairment losses of intangible assets (in €,000)	**1 Half 2010**	**1 Half 2009**
Titles	3,586	3,822
Costs of taking over lease contracts	899	807
Software	916	988
Licences, patents and rights	21	26
Other intangible assets	145	444
Total accumulated amortisation and impairment losses of intangible assets	**5,567**	**6,087**
Impairment on intangible assets		200
Reversal of impairment on intangible assets	-	-
Total impairment/reversal of impairment of intangible assets	**0**	**200**
Total accumulated amortisation and impairment losses of intangible assets	**5,567**	**6,287**

Impairment test process

On the date of the publication of the abbreviated consolidated interim report there were no indications of a loss of value of any assets; for more information and a description of the impairment test procedure used by the Group, please refer to the Annual Report.

The following table provides details, to 30 June 2010, of the value of assets divided by Cash Generating Units:

Cash Generating Unit (in €,000)	Titles	Series	Imprints	Radio frequencies	Goodwill	Location	Total
Group of Cash Generating Unit titles from former *Silvio Berlusconi Editore*	83,579				731		84,310
Group of Cash Generating Unit titles from former *Elemond*	2,246		12		311		2,569
Einaudi Cash Generating Units		2,991			286		3,277
Cash Generating Unit *Sperling & Kupfer*		1,817			731		2,548
Cash Generating Unit *Mondadori Education*		18,933			12,042		30,975
Cash Generating Unit *Piemme*		7,768	519		5,059		13,346
Group of Cash Generating Units from *R101*			372	124,606			124,978
Group of Cash Generating Units from *Mondadori France*	197,858				408,441		606,299
Group of Cash Generating Units from retail locations						22,254	22,254
Group of Cash Generating Units from *Mondolibri*			60		7,601		7,661
Other Cash Generating Units	2,108		3,553		200		5,861
	285,791	**31,509**	**4,516**	**124,606**	**435,402**	**22,254**	**904,078**

10. Investment property
Changes during to the period refer to the depreciation cost of € 44 thousand; there were no new investments of disposals.

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

11. Property, plant and equipment
The following table shows the changes in 2009 and the first half of 2010.

Investments of €3,726 thousand, were mainly for the replacement of obsolete assets such as furniture, fittings and office equipment.

Property, plant and equipment (in €,000)	**Land**	**Business buildings**	**Plant and equipment**	**Other assets**	**Total**
Cost at 31/12/2008	3,034	28,929	33,848	127,250	193,061
Investments	-	116	502	7,162	7,780
Disposals	(1,600)	(9,633)	(1,183)	(4,174)	(16,590)
Changes in consolidation area	-	-	-	-	0
Other changes	-	22	62	(488)	(404)
Cost at 31/12/2009	1,434	19,434	33,229	129,750	183,847
Accumulated depreciation and impairment losses at 31/12/2008	-	13,700	23,536	95,037	132,273
Depreciation	-	938	2,357	8,783	12,078
Writedowns/(reinstatement of value)	-	-	1,263	-	1,263
Disposals	-	(5,144)	(1,110)	(3,448)	(9,702)
Changes in consolidation area	-	-	-	-	0
Other changes	-	-	(1)	(369)	(370)
Accumulated depreciation and impairment losses at 31/12/2009	0	9,494	26,045	100,003	135,542
Net book value at 31/12/2008	3,034	15,229	10,312	32,213	60,788
Net book value at 31/12/2009	**1,434**	**9,940**	**7,184**	**29,747**	**48,305**

Property, plant and equipment (in €,000)	**Land**	**Business buildings**	**Plant and equipment**	**Other assets**	**Total**
Cost at 31/12/2009	1,434	19,434	33,229	129,750	183,847
Investments		5	257	3,464	3,726
Disposals		-	-	(874)	(874)
Changes in consolidation area		-	2,209	6,101	8,310
Other changes		7	17	12	36
Cost at 30/06/2010	1,434	19,446	35,712	138,453	195,045
Accumulated depreciation and impairment losses at 31/12/2009	-	9,494	26,045	100,003	135,542
Depreciation	-	354	1,087	4,531	5,972
Writedowns/reinstatement of value	-	-	142	-	142
Disposals	-	-	-	(723)	(723)
Changes in consolidation area	-	-	2,012	5,146	7,158
Other changes	-	-	-	39	39
Accumulated depreciation and impairment losses at 30/06/2010	0	9,848	29,286	108,996	148,130
Net book value at 31/12/2009	1,434	9,940	7,184	29,747	48,305
Net book value at 30/06/2010	**1,434**	**9,598**	**6,426**	**29,457**	**46,915**

Depreciation of property, plant and equipment

The depreciation charge for the period, included in the income statement under "Depreciation and impairment of property, plant and equipment", amounted to €6,114 thousand and includes the writedown of plant by Mondadori France as a result of the project to transfer the administrative offices that will be completed in 2011.

Depreciation of property, plant and equipment (in €,000)	**1st Half 2010**	**1st Half 2009**
Buildings used in business activities	354	478
Plant and machinery	1,087	1,170
Equipment	1,374	1,276
Electronic office machines	1,073	1,368
Furniture and fixtures	1,193	747
Motor vehicles and transport vehicles	295	387
Leasehold improvements	577	539
Other assets	19	18
Total depreciation of property, plant and equipment	**5,972**	**5,983**
Writedowns of fixed assets	142	-
Recovery of value for fixed assets	-	-
Total writedowns (recovery) of fixed assets	**142**	**0**
Total depreciation and loss of value of fixed assets	**6,114**	**5,983**

Leased assets

Compared with the situation at 31 December 2009 no new contracts have been stipulated nor have any expired. It should also be noted that such contracts do not place restrictions of the distribution of dividends, the stipulation of other leasing contracts or finance agreements.

12. Investments

Total "Investments" amounted to €136,114 thousand. There were no changes under "Other investments" with the exception of the purchase of a minority stake in a consortium dealing with radio equipment.

In terms of "Investments stated on a net equity basis" the main change concerned the acquisition of the remaining 50% of the share capital of Mondolibri SpA, which is outlined in Note 8.1.

Investments (in €,000)	**30/06/2010**	**31/12/2009**
Investments stated on a net equity basis	135,892	143,329
Investments in other companies	222	221
Total investments	**136,114**	**143,550**

The following table sets out details of investments stated on an equity basis; for the results for the period please refer to Note 31.

Investments stated on a net equity basis - Detail (in €,000)	**30/06/2010**	**31/12/2009**
Investments in joint ventures:		
- Gruner + Jahr/Mondadori SpA	2,879	3,817
- MDM Milano Distribuzione Media Srl	271	73
- Harlequin Mondadori SpA	465	689
- Hearst Mondadori Editoriale Srl	223	170
- Mondadori Rodale Srl	0	203
- Edizioni Electa Bruno Mondadori Srl (in liquidation)	99	73
- Edizioni EL Srl	2,602	2,902
- Random House Mondadori group	56,053	55,697
- Attica Publications group	37,520	37,528
- ACI - Mondadori SpA	751	832
- Mondolibri SpA	-	4,404
- Mediamond SpA	336	476
- Mondadori Independent Media LLC	89	567
- Mondadori Seec Advertising Co. Ltd	0	-
- Editions Mondadori Axel Springer Snc	9,787	10,781
Total investments in joint ventures	**111,075**	**118,212**
Investments in associated companies:		
- Mach 2 Libri SpA	6,585	6,931
- Mach 2 Press Srl	843	-
- Società Europea Edizioni SpA	7,395	9,118
- Mondadori Printing SpA	9,875	8,949
- Venezia Musei Società per i servizi museali Scarl	7	7
- Venezia Accademia Società per i servizi museali Scarl	2	2
- Campania Arte Scarl	22	22
- Consorzio Covar (in liquidation)	2	2
- Consorzio Forma	1	1
- Roccella Scarl (in liquidation)	21	21
- Novamusa Val di Noto Scarl	18	18
- Novamusa Valdemone Scarl	21	21
- Novamusa Gelmar Scarl	2	2
- Novamusa Val di Mazara Scarl	17	17
- Consorzio Editoriale Fridericiana	6	6
Total investments in associated companies	**24,817**	**25,117**
Total investments stated on a net equity basis	**135,892**	**143,329**

There were no indications that any of the investments are subject to a loss of value. With reference to the investment in the Attica Group, listed on the Athens Stock Exchange, it should be noted that the value that emerges from the stock exchange quotation is not held to be representative of the fair value since the floating rate is limited and trades during the year were not significant in terms of numbers or amounts.

13. Deferred tax assets and liabilities

The following tables details “Deferred tax assets” and “Deferred tax liabilities”.

The variation is the result of net utilisations stated in the income statement for a total of €2,653 thousand for the former and €1,210 thousand for the latter; both items are impacted by changes in the area of consolidation.

(in €,000)	30/06/2010	31/12/2009
Deferred tax assets - IRES	42,474	43,414
Deferred tax assets - IRAP	2,791	2,824
Total deferred tax assets	**45,265**	**46,238**
Deferred tax liabilities - IRES	86,266	85,151
Deferred tax liabilities - IRAP	4,214	3,989
Total deferred tax liabilities	**90,480**	**89,140**

14. Other non-current assets

The balance of "Other non-current assets" showed an increase (€4,761 thousand compared with €2,897 thousand) as a result of higher deposits for rental contracts.

15. Tax receivables

The reduction in "Tax receivables" (€16,272 thousand compared with €23,578) is the result of a rebate, requested some years ago, obtained by Mondadori France.

16. Other current assets

Compared with 31 December 2009 the balance of "Other current assets", which went from €87,042 thousand to €95,458 thousand, recorded an increase due largely to seasonal factors in some businesses; particularly Books, and most especially in the educational sector, where, at the end of the first half, the position towards agents and some authors is in credit due to the payment of advances that have still to be covered by sales.
The balance also includes €8,653 thousand for the payment of a sum, foreseen by legislative decree N. 40 of 25 March 2010 concerning the closure of "pending litigation". The case in question was with the Italian Tax Authorities and refers to the fiscal recognition of the merger deficit that emerged in 1991 following the absorption of AME Finanziaria (AMEF) by Arnoldo Mondadori Editore SpA. While the company remains convinced that it acted correctly, with a view to not exposing the company to further uncertainty, action was taken to prepare for the application of abovementioned procedure, in particular with the payment of the aforementioned sum.

Pending the definition of the new rules, and the introduction of specific certification by the authorities foreseen in the latest modifications to the decree, and given that the entire process is as yet incomplete, the company decided to book the sum in advance.

17. Inventories

Also for "Inventories" (€129,278 thousand in 2010 compared with €124,010 thousand in 2009) the seasonal considerations outlined above apply, particularly in certain sectors where production is concentrated in the first half of the year.

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. Provisions for writedowns were partially used for pulping during the period.

There are no inventories used to secure liabilities.

18. Trade receivables

The balance of "Trade receivables" (€359,376 thousand compared with €378,269 thousand in 2009) was influenced both by the seasonality of some businesses and the fall in revenues in other markets in which Mondadori operates, notably the advertising market.

Trade receivables (in €,000)	**30/06/2010**	**31/12/2009**
Receivables from customers	324,178	338,981
Receivables from associated companies	32,848	36,952
Receivables from parent companies	-	5
Receivables from affiliated companies	2,350	2,331
Total trade receivables	**359,376**	**378,269**

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.

With reference to trade receivables, it should be noted that each company in the Group carries out an accurate analysis of the debt position in order to calculate the amount to be allocated.
Writedown provisions amounted to a total of €37,269 thousand.

There are no trade receivables with a due date over five years.

19. Financial situation

Financial assets essentially include investments in liquidity in the Luxembourg-based SICAV ABS Finance Fund and short-term bank deposits.

In order to reduce the burden of debt, given the low risk-free returns on liquidity, during the first half of 2010 available liquidity was significantly reduced in order to pay down part of the company's bank loans.

Moreover, the restructuring of medium-long-term credit lines continued, with the dual aim of reducing the cost of money and extending average maturities.

In the months of April and June two new bank loans were negotiated, one for €130 million with a pool of Italian banks '*Banche Popolari'* and the other for €50 million with Mediobanca. The effective interest rate at 30 June on these two new loans was 2.144%.

Indebtedness (in €,000)	**31/12/2009**	**Increase**	**Decrease**	**30/06/2010**
Facilitated loans	130	-	(130)	0
Pool/Club Deal loans	370,000	50,000	(270,000)	150,000
Bilateral loan 2013	75,000	-	-	75,000
Bilateral loan 2015	65,000	-	(30,000)	35,000
Pool *Popolari loan*	-	130,000	-	130,000
Mediobanca loan	-	50,000	-	50,000
Total	**510,130**	**230,000**	**(300,130)**	**440,000**

The financial covenants currently applying to loans and based on the ratio of net debt to gross operating profit (EBITDA), including new loans stipulated in 2010 have been fully respected.

The following table illustrates the net financial position in accordance with Consob recommendations. If the balance from "Non-current financial assets " is added, the net financial position would show a deficit of €392,979 thousand.

Net financial position (in €,000)		**30/06/2010**	**31/12/2009**
A.	Cash	1,264	1,436
	-Bank deposits	23,466	116,917
	-Post office deposits	779	1,274
B.	Other cash and cash equivalents	24,245	118,191
C	**Cash and cash equivalents and other financial assets (A+B)**	**25,509**	**119,627**
D	Securities held for trading	-	-
	-Financial receivables from associated companies	6,362	2,508
	-Financial assets measured at fair value	-	-
	-Available-for-sale financial assets	29,465	35,700
	-Derivative instruments and other financial assets	16,067	3,161
E	Receivables and other current financial assets	51,894	41,369
F	**Current financial assets (D+E)**	**51,894**	**41,369**
G.	Current bank payables	12,551	5,816
	-Bonds	-	-
	-Mortgages	-	-
	-Loans	133	131,645
H.	Current part of non-current payables	133	131,645
	-Payables due to associated companies	6,011	7,232
	-Derivative instruments and other financial payables	4,581	7,526
I.	Other current financial payables	10,592	14,758
L	**Payables to banks and other current financial payables (G+H+I)**	**23,276**	**152,219**
M	**Current net financial position (C+F-L)**	**54,127**	**8,777**
	-Bonds	-	-
	-Mortgages	-	-
	-Loans	438,645	377,231
N.	Part of non-current payables	438,645	377,231
O.	Other non-current financial payables	8,944	4,956
P	**Non-current financial payables (N+O)**	**447,589**	**382,187**
Q	**Net financial position (M-P)**	**(393,462)**	**(373,410)**

20. Shareholders' equity

Variations in "Shareholders' equity" during the period were the result of the booking of financial instruments at fair value and the application of a cash flow hedge, the buy-back of company shares for a total of €6.1 million and other movements relating to the conversion of accounts in currencies other than the euro and stock options.

The share capital of the parent company Arnoldo Mondadori Editore SpA remained unchanged. The Mondadori Group is controlled by Fininvest SpA.

Reserves attributable to minorities refers only to Edizioni Piemme SpA.

21. Provisions

The balance of "Provisions" (€48,815 thousand compared with €58,381 thousand) saw a marked fall mainly due to staff reductions in the context of the early retirement programme and restructuring operation.

22. 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 (in €,000)	**30/06/2010**	**31/12/2009**
Employees' leaving entitlement (TFR)	48,791	51,949
Agents' termination indemnity (FISC)	6,383	6,678
Termination indemnity for journalists (IFGP)	420	410
Total leaving entitlements and termination indemnities	**55,594**	**59,037**

The first item (€48,791 thousand compared with €51,949 thousand), given forms of supplementary pensions, will reduce along with turnover; during the period the second item decreased as a result of the termination of agency contracts in the educational and instalment sectors.

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 parameters used are in line with those at 31 December 2009.

23. Income tax payables

The balance for this item comprises the amount booked at the end of 2009 (€20,380 thousand), plus the estimated tax payable at 30 June 2010, for a total of €28,878 thousand.

24. Other current liabilities

There was a fall in the balance of this item (€235,054 thousand compared with €256,731 thousand); the change was large due to the seasonality of the educational sector in particular, and of Books in general, where the costs for commission and rights are mainly concentrated in the second half of the year.

25. Trade payables

The same considerations apply to "Trade payables" as those outlined for "Trade receivables": the downturn in revenues, alongside a detailed policy to contain costs, resulted in a decline in the balance (€343,914 thousand compared with €357,693 thousand).

Precise details of payables to associated, parent and affiliated companies are contained in the section "Transactions with related parties".

All transactions with such companies are conducted at normal market conditions.

There are no trade payables with a due date of more than 5 years.

26. Revenues from sales and services

"Revenues from sales and services" of €726,785 thousand were essentially in line with those at 30 June 2009; on a like-for-like basis, ie excluding the contribution of Mondolibri SpA, there was a fall of 2.2%.
For more detail please refer to the "Interim Management Report".

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

The fall in the balance of "Cost of raw materials and consumables and goods for resale", is due to a reduction in the purchase of paper and production materials, both as a result of lower sales and a more focused definition of print runs.

Cost of raw materials and consumables and goods for resale (in €,000)	**1st Half 2010**	**1st Half 2009**
Paper	21,262	25,360
Electricity, water, gas, fuel	2,948	3,314
Other production materials	3,005	2,533
Total cost of raw materials	**27,215**	**31,207**
Goods for resale	76,127	77,524
Consumption and maintenance materials	1,751	1,313
Others	8,439	6,703
Total cost of consumable materials and goods for resale	**86,317**	**85,540**
Total cost of raw materials and consumables and goods for resale	**113,532**	**116,747**

28. Cost of services

There was also a marked reduction in "Cost of services", due to the reasons already outlined. On a like-for-like basis, the fall was of around 4%.

Details are provided in the following table:

Cost of services (in €,000)	**1st Half 2010**	**1st Half 2009**
Rights and royalties	58,865	61,587
Third-party consultancy and collaboration	38,010	37,401
Commissions	16,672	16,977
Third-party processing	136,706	144,395
Transport and shipping	26,414	22,321
Purchase of advertising space and publicity expense	30,436	29,365
Travel and other expense reimbursements	5,790	6,020
Maintenance	4,061	4,472
Warehousing and porter costs	5,682	3,896
Postal and telephone	5,136	3,937
Catering and cleaning services	3,905	4,807
Market research	2,689	2,800
Insurance	1,867	2,002
Subscriptions management	25,957	25,574
Publisher's share	16,185	21,621
Job order services	3,495	2,795
Bank services and commission	958	1,116
Directors' and statutory auditors' fees	1,968	1,825
Other services	17,184	18,046
Total cost of services	**401,980**	**410,957**

"Directors' and statutory auditors' fees" represent the fees paid to Directors and Statutory Auditors for €1,838 thousand and €130 thousand respectively.

29. Personnel costs

"Personnel costs", which fell from €143,088 thousand at 30 June 2009 to €134,263 thousand this time, due to the first effects of the restructuring plan begun last year, which continued during the period and will conclude in 2011.
On a like-for-like basis, ie excluding the figures for Mondolibri SpA, consolidated from May 2010, the fall was of 7.5%.

For a clearer picture of the changes, the following table provides a breakdown of Group employees; the exact number is markedly influenced by the consolidation of Mondolibri SpA, with a total headcount at 30 June 2010 of 232.

Headcount	**Exact number 1st Half 2010**	**Exact number 1st Half 2009**	**Average 1st Half 2010**	**Average 1st Half 2009**
Managers	145	151	143	152
Journalists	806	912	846	899
White-collars and middle managers	2,644	2,652	2,551	2,668
Blue-collars	162	146	144	151
Total	**3,757**	**3,861**	**3,684**	**3,870**

Information about stock option plans

With regard to the new stock option plan, approved by the board of directors on 22 July 2010, please refer to the "Interim Management Report".

30. Other (income) expense

The item "Other (income) expense" includes income not deriving from the Group's main activities, as well as charges and general expenses, other taxes, provisions and utilisations.

The fall in the balance (€24,246 thousand compared with €19,851 thousand) is largely due to lower chargebacks to third party publishers for costs associated with the distribution of books.

31. Results of investments stated on a net equity basis

The table shows details of the results for 2010 and 2009 of companies valued at net equity.

The 2010 balance includes the proceeds, which emerged from the acquisition of sole control of Mondolibri SpA, on the previously held stake of €2,690 thousand.

Income (expense) from investments accounted for using the net equity method (in €,000)	**1st Half 2010**	**1st Half 2009**
- Hearst Mondadori Editoriale Srl	53	(121)
- Gruner + Jahr/Mondadori SpA	518	382
- Harlequin Mondadori SpA	271	255
- MDM Milano Distribuzione Media Srl	91	(41)
- ACI-Mondadori SpA	(81)	(173)
- Mondadori Rodale Srl	(258)	(148)
- Attica Publications	(8)	(65)
- Società Europea di Edizioni SpA	(1,723)	(4,099)
- Random House Mondadori	207	1,230
- Edizioni Electa Bruno Mondadori Srl (in liquidation)	26	40
- Mach 2 Libri SpA	124	115
- Mach 2 Press Srl	5	-
- Edizioni EL Srl	413	246
- Mondadori Independent Media Llc	(530)	(597)
- Mondolibri SpA	2,346	(367)
- Consorzio Editoriale Fridericiana	-	(8)
- Mondadori SEEC	(299)	(827)
- Editions Mondadori Axel Springer Snc	1,446	680
- Mediamond SpA	(390)	-
- Mondadori Printing SpA	926	(151)
Capital gains (losses) from the sale/liquidation of assets	-	-
Total income (expense) from investments stated on a net equity basis	**3,137**	**(3,649)**

32. Financial income (expense)

The financial component of the income statement was essentially in line with the first half of 2009, thanks to a substantial reduction in gross debt.

The item is made up as follows:

Financial income (expense) (in €,000)	**1st Half 2010**	**1st Half 2009**
Interest income and other financial income	1,075	9,114
Interest expense and other financial expense	(13,926)	(20,933)
Profit (loss) on foreign exchange operations	146	216
Income (expense) from financial assets	706	1,282
Total financial income (expense)	**(11,999)**	**(10,321)**

33. Income taxes

The tax burden in the first half of 2010 was higher than for the same period of 2009 as a result of the improved results of companies in the Group.

The tax rate, meanwhile, fell as a result of the different weighting of some balances not relevant for tax purposes and an improvement in the results of associated companies, reported net of taxation.

Income taxes (in €,000)	**1st Half 2010**	**1st Half 2009**
IRES tax on income for the period	7,476	1,642
IRAP for the period	4,630	4,630
Total current taxes	**12,106**	**6,272**
Deferred tax (income) expense - IRES	3,571	4,766
Deferred tax (income) expense - IRAP	292	352
Total deferred tax (income) expense	**3,863**	**5,118**
Other tax items	(625)	(1,383)
Total income taxes	**15,344**	**10,007**

34. Earnings per share

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

	1st Half 2010	1st Half 2009
Net profit for the period (in €,000)	15,099	7,251
Average number of ordinary shares outstanding (thousands)	237,630	239,332
Basic profit per share (€)	**0.06**	**0.03**

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

	1st Half 2010	1st Half 2009
Net profit for the period (in €,000)	15,099	7,251
Average number of ordinary shares outstanding (thousands)	237,630	239,332
Number of options with dilutive effect (thousands)		0
Diluted earnings per share (€)	**0.06**	**0.03**

35. Commitments and contingent liabilities

At 30 June 2010 the Mondadori Group had made commitments totalling €168,237 thousand and, as at the end of the last financial year, were represented almost entirely by sureties issued for VAT reimbursement claims and competitions and prizes.

36. Non-recurring expense (income)

In accordance with Consob Resolution no. 15519, 27 July 2006, the Mondadori Group did not report non-recurring expense (income) during the period.

37. Related parties

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

Operations with parent companies, subsidiaries and associated companies

The following part of the notes details the income, equity and cash flow effects of operations carried out with parent companies, subsidiaries and associated companies, comparing the figures for 2010 with both the first half of 2009 and full year 2009.

Related parties: Intragroup economic relations*: at 30 June 2010*

(in €,000)	Trade receivables	Financial receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other (income) expense	Financial income (expense)
Parent company:										
- Fininvest SpA	-	-	2	-	22,907	-	-	142	4	-
Subsidiary companies										
- Gruner + Jahr/Mondadori SpA	5,445	14	8,132	5	-	1,478	1	3,307	(354)	(5)
- Mach 2 Libri SpA	17,646	-	7	-	-	15,586	3	356	-	-
- MDM Milano Distribuzione Media Srl (ex Agenzia Lombarda Distribuz Giornali e Riviste Srl)	596	-	-	-	-	-	-	161	-	-
- Venezia Musei Società per i servizi museali Sca rl	16	-	-	-	-	-	-	41	-	-
- Hearst Mondadori Editoriale Srl	432	156	2,466	-	-	474	-	2,180	(176)	(3)
- Harlequin Mondadori SpA	944	663	-	4,709	-	236	3,860	1	(35)	(12)
- Mondadori Rodale Srl	650	1,047	3,047	-	-	1,401	-	2,423	(245)	(5)
- Gruppo Attica Publications	109	-	45	-	-	55	-	24	-	-
- Edizioni Electa Bruno Mondadori Srl (in liquidation)	-	-	-	-	-	3	-	-	-	-
- Edizioni EL Srl	779	-	4,142	-	-	443	3,443	12	(337)	-
- Gruppo Random House Mondadori	221	-	1	-	-	114	-	3	-	-
- Società Europea di Edizioni SpA	1,334	-	9,275	-	-	2,484	-	3	(436)	-
- ACI-Mondadori SpA	433	-	926	1,280	-	732	3	724	(90)	(6)
- Consorzio COVAR (in liquidation)	4	-	-	-	-	-	-	-	-	-
- Mondolibri SpA (until 30/04/2010)	-	-	-	-	-	2,539	89	1,405	(152)	-
- Roccella Sca rl (in liquidation)	75	228	203	-	-	-	-	-	-	-
- Campania Arte Sca rl	52	134	50	-	-	-	-	-	-	-
- Editions Mondadori Axel Springer Snc	1,176	3,717	1,390	17	-	3,810	2	258	(2,018)	1
- Mondadori Independent Media LLC	137	-	1	-	-	38	-	-	-	-
- Venezia Accademia Società per i servizi museali Sca rl	5	25	93	-	-	5	6	71	-	-
- Mondadori Printing SpA	1,040	-	45,958	-	-	1,221	2,789	86,840	38	-
- Artes Graficas Toledo SA	-	-	566	-	-	-	-	911	-	-
- Consorzio Fridericiana	-	-	5	-	-	-	-	-	-	-
- Mediamond SpA	1,724	378	232	-	-	1,693	-	290	(205)	2
- Mondadori Seec Advertising Co Ltd	30	-	99	-	-	30	-	99	-	-
- Mach 2 Press Srl	-	-	91	-	-	-	-	76	-	-
Total	**32,848**	**6,362**	**76,729**	**6,011**	**0**	**32,342**	**10,196**	**99,185**	**(4,010)**	**(28)**

Related parties: Intragroup economic relations*: at 30 June 2010*

(in €,000)	Trade receivables	Financial receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other (income) expense	Financial income (expense)
Associated companies:										
- RTI - Reti Televisive Italiane SpA	1,202	-	2,556	-	-	1,256	6	159	2	-
- Publitalia ’80 SpA	-	-	1,967	-	-	-	-	8,017	-	-
- Medusa Video SpA	1	-	-	-	-	12	-	-	-	-
- Digitalia ’08 Srl (ex Promoservice Italia Srl)	240	-	7	-	-	233	-	76	-	-
- Fininvest Gestione Servizi SpA (ex Finedim Italia SpA)	4	-	25	-	-	-	-	-	21	-
- Banca Mediolanum SpA	123	-	-	-	-	139	-	-	-	-
- Medusa Film SpA	-	-	461	-	-	6	308	184	-	-
- Consorzio Servizi Vigilanza	-	-	-	-	-	30	-	-	-	-
- Radio e Reti Srl	9	-	-	-	-	-	-	-	-	-
- Isim SpA	-	-	2	-	-	-	-	-	-	-
- Mediaset SpA	2	-	60	-	-	6	-	75	-	-
- AC Milan SpA	-	-	-	-	-	-	-	-	2	-
- Elettronica Industriale SpA	-	-	-	-	-	-	-	-	-	-
- Media Shopping SpA	136	-	14	-	-	160	-	25	-	-
- Publieurope Ltd	618	-	-	-	-	879	-	-	-	-
- The Space Cinema 2 SpA (ex Medusa Cinema SpA)	14	-	-	-	-	6	-	-	-	-
- Taodue Srl	1	-	38	-	-	-	-	-	-	-
- The Space Cinema 1 SpA (ex Medusa Multicinema SpA)	-	-	-	-	-	9	-	-	-	-
Total	**2,350**	**0**	**5,130**	**0**	**0**	**2,736**	**314**	**8,536**	**25**	**0**
General total	**35,198**	**6,362**	**81,861**	**6,011**	**22,907**	**35,078**	**10,510**	**107,863**	**(3,981)**	**(28)**
Proportion of financial statements	**9.8%**	**12.1%**	**23.8%**	**1.3%**	**79.3%**	**4.8%**	**9.3%**	**26.8%**	**n.s.**	**0.2%**

Related parties: Intragroup economic relations *(data relating to assets at 31 December 2009 and financial data at 30 June 2009)*

(in €,000)	Trade receivables	Financial receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other (income) expense	Financial income (expense)
Parent company:										
- Fininvest SpA	5	-	8	-	19,880	-	-	5	4	-
Subsidiaries										
- Gruner + Jahr/Mondadori SpA	5,605	620	9,409	46	-	1,391	13	3,604	(267)	(22)
- Mach 2 Libri SpA	18,961	-	272	-	-	18,974	-	487	-	(1)
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	593	-	-	-	-	-	-	382	-	-
- Venezia Musei Società per i servizi museali Sca rl	252	-	179	-	-	124	11	263	-	-
- Hearst Mondadori Editoriale Srl	450	445	2,838	-	-	783	-	2,541	(197)	(9)
- Harlequin Mondadori SpA	563	168	18	4,571	-	223	2,886	-	(56)	(39)
- Mondadori Rodale Srl	584	885	3,524	-	-	1,551	1	3,170	(376)	(12)
- Gruppo Attica Publications	255	-	118	-	-	66	-	59	-	-
- Edizioni Electa Bruno Mondadori Srl	37	-	-	-	-	42	-	-	-	-
- Edizioni EL Srl	772	-	4,262	-	-	374	2,774	15	(269)	-
- Gruppo Random House Mondadori SL	182	-	13	-	-	177	-	-	-	-
- Società Europea di Edizioni SpA	1,325	-	10,632	675	-	2,307	68	5,458	(77)	-
- ACI-Mondadori SpA	464	-	1,639	1,304	-	1,000	3	1,104	(140)	(31)
- Consorzio COVAR (in liquidation)	4	-	-	-	-	-	-	-	-	-
- Mondolibri SpA	2,860	-	1,148	-	-	3,629	85	1,670	(541)	-
- Roccella Sca rl	75	228	203	-	-	-	-	-	-	-
- Campania Arte Sca rl	48	134	86	-	-	-	-	-	(7)	-
- Editions Mondadori Axel Springer Snc	2,644	3	1,236	610	-	2,662	1	394	(1,225)	(44)
- Mondadori Independent Media LLC	17	-	1	-	-	-	-	-	-	17
- Venezia Accademia Società per i servizi museali Sca rl	-	25	171	-	-	-	8	66	-	-
- Mondadori Printing SpA	1,070	-	50,041	-	-	1,115	3,328	93,092	(339)	-
- Artes Graficas Toledo SA	2	-	1,994	-	-	3	-	3,447	-	-
- Consorzio Fridericiana	-	-	5	-	-	-	-	-	-	-
- Mediamond SpA	189	-	-	26	-	-	-	-	-	-
- Mondadori Seec Advertising Co Ltd	-	-	31	-	-	-	-	-	-	-
Total	**36,952**	**2,508**	**87,820**	**7,232**	**0**	**34,421**	**9,178**	**115,752**	**(3,494)**	**(141)**

Related parties: Intragroup economic relations ***(data relating to assets at 31 December 2009 and financial data at 30 June 2009)***

(in €,000)	Trade receivables	Financial receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials	Purchase of services	Other (income) expense	Financial income (expense)
Associated companies:										
- RTI - Reti Televisive Italiane SpA	1,462	-	1,193	-	-	369	44	8	(15)	-
- Publitalia ’80 SpA	8	-	2,754	-	-	-	46	8,102	-	-
- Medusa Video SpA	14	-	341	-	-	14	359	61	-	-
- Digitalia ’08 Srl (ex Promoservice Italia Srl)	161	-	18	-	-	-	-	5	-	-
- Fininvest Gestione Servizi SpA (ex Finedim Italia SpA)	4	-	-	-	-	1	-	-	21	-
- Il Teatro Manzoni SpA	2	-	-	-	-	-	-	13	-	-
- Banca Mediolanum SpA	38	-	-	-	-	15	-	-	-	-
- Medusa Film SpA	25	-	2	-	-	-	-	-	-	-
- Radio e Reti Srl	9	-	22	-	-	-	-	2	-	-
- Isim SpA	-	-	2	-	-	-	-	-	-	-
- Videotime SpA	11	-	-	-	-	-	-	-	-	-
- Mediaset SpA	50	-	30	-	-	-	-	-	-	-
- AC Milan SpA	3	-	-	-	-	-	-	-	-	-
- Elettronica Industriale SpA	5	-	-	-	-	-	-	-	-	-
- Media Shopping SpA	90	-	20	-	-	196	-	-	-	-
- Mediolanum Comunicazione SpA	-	-	-	-	-	2	-	-	-	-
- Milan Entertainment Srl	-	-	9	-	-	-	-	30	-	-
- Publieurope Ltd	441	-	-	-	-	-	-	-	-	-
- The Space Cinema 2 SpA (ex Medusa Cinema SpA)	7	-	-	-	-	-	-	-	-	-
- Taodue Srl	1	-	24	-	-	-	-	-	-	-
Total	**2,331**	**0**	**4,415**	**0**	**0**	**597**	**449**	**8,221**	**6**	**0**
General total	**39,288**	**2,508**	**92,243**	**7,232**	**19,880**	**35,018**	**9,627**	**123,978**	**(3,484)**	**(141)**
Proportion of financial statements	**10.4%**	**6.0%**	**25.8%**	**1.4%**	**97.5%**	**4.8%**	**8.2%**	**30.2%**	**n.s.**	**1.4%**

38. Operating segments

General information

In compliance with IFRS 8 what follows is a description of the organisational structure of the Group, which comprises the Divisions:

- Books;
- Magazines, with the further distinction between Magazines Italy, Advertising and Magazines France;
- Direct and Retail;
- Radio;
- Central functions.

Periodic corporate reporting is based on this structure and used by management to define actions and strategies, to evaluate investment opportunities and the allocation of resources.

The structure is also related to the different types of product and/or services from which the Group generates its revenues and margins:

- the Book Division generates revenues from the sale of non-fiction, fiction, educational, art and other books, the sale of publishing rights to third parties, as well as income from the management of museums;
- the Magazine Division, in Italy and France, generates revenues from the newsstand, subscription and other minor channel sale of magazines, royalties from third party publisher for the publication under licence of proprietary titles, income from so-called add-on sales, advertising; the advertising sales of the Italian sales company Mondadori Pubblicità are outlined separately, given that, in addition to operating on behalf of the parent company and Monradio for Radio R101, it also generates significant income from third party publishers;
- the Direct and Retail Division generates revenues from direct marketing activities and the mail order sale of products as well as sales from a chain of retail outlets, both wholly-owned and in franchising;
- the Radio Division generates revenues from the broadcast of commercials on the Group's radio station, *R101*;
- finally, the Corporate and other business segment mainly accounts for service activities by the parent company on behalf of associated companies or companies that are not part of the Group.

Economic and equity information, concerning fiscal and financial management, are attributed to the latter segment, in line with the reporting structure and also because any eventual allocation would not be significant.

Reclassification of previously reported information

Following the merger of the Direct and Retail segment, the figures for 2009 have been reclassified for the purpose of comparison.

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Segment information for the period to 30 June 2010

(in €,000)	Books	Magazines Italy	Magazines France	Advertising services	Direct & Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
Revenues from sales and services to external customers	**141,530**	**185,820**	**168,357**	**117,946**	**110,062**	**195**	**2,875**	**-**	**726,785**
Revenues from sales and services to other sectors	**26,486**	**64,164**	**-**	**1,957**	**1,199**	**7,374**	**6,702**	**(107,882)**	**0**
Investment income (expense) using the net equity method	1,041	(509)	1,446	(390)	2,346	-	(797)	-	3,137
Gross operating profit	**14,464**	**32,236**	**16,405**	**(2,486)**	**1,170**	**(586)**	**(6,652)**	**-**	**54,551**
Operating result	**13,561**	**31,862**	**10,830**	**(2,560)**	**(1,531)**	**(1,437)**	**(7,899)**	**-**	**42,826**
Financial income (expense)	-	-	-	-	-	-	(11,999)	-	(11,999)
Profit before taxes and minority interests	**13,561**	**31,862**	**10,830**	**(2,560)**	**(1,531)**	**(1,437)**	**(19,898)**	**-**	**30,827**
Income taxes	-	-	-	-	-	-	15,344	-	15,344
Result attributable to minority interests	384	-	-	-	-	-	-	-	384
Net result	**13,177**	**31,862**	**10,830**	**(2,560)**	**(1,531)**	**(1,437)**	**(35,242)**	**-**	**15,099**
Depreciation, amortisation and impairment	903	374	5,575	74	2,701	851	1,247	-	11,725
Non-monetary costs	3,555	2,920	1,414	1,526	1,884	23	204	-	11,526
Non-recurring income (charges)	-	-	-	-	-	-	-	-	0
Investments	448	1,084	455	23	10,920	2,104	725	-	15,759
Investments accounted for using the net equity method	65,923	42,576	9,787	336	-	-	17,270	-	135,892
Total assets	362,443	263,925	713,858	116,363	132,420	140,351	199,541	(106,630)	1,822,271
Total liabilities	139,629	226,580	163,247	117,611	98,252	7,372	627,548	(106,630)	1,273,609

	Revenues from sales and services	Non-current assets
Italy	543,590	347,483
France	160,820	610,361
Other EU markets	18,043	14
USA	202	3
Other countries	4,130	-
Consolidated financial statements	**726,785**	**957,861**

Segment information: for the period to 30 June 2009 as at 31 December 2009

(in €,000)	Books	Magazines Italy	Magazines France	Advertising services	Direct & Retail	Radio	Corporate and other business	Consolidation adjustments	Consolidated financial statements
Revenues from sales and services to external customers	**154,252**	**185,459**	**170,360**	**123,839**	**92,901**	**30**	**3,886**	**-**	**730,727**
Revenues from sales and services to other sectors	**28,369**	**66,986**	**114**	**2,588**	**656**	**6,981**	**4,856**	**(110,550)**	**0**
Investment income (expense) using the net equity method	1,878	(1,590)	680	-	(367)	-	(4,250)	-	(3,649)
Gross operating profit	**19,967**	**23,827**	**12,218**	**(2,483)**	**(1,311)**	**(2,810)**	**(9,208)**	**-**	**40,200**
Operating result	**18,443**	**23,361**	**6,302**	**(2,603)**	**(3,787)**	**(3,643)**	**(10,187)**	**-**	**27,886**
Financial income (expense)	-	-	-	-	-	-	(10,321)	-	(10,321)
Profit before taxes and minority interests	**18,443**	**23,361**	**6,302**	**(2,603)**	**(3,787)**	**(3,643)**	**(20,508)**	**-**	**17,565**
Income taxes	-	-	-	-	-	-	10,007	-	10,007
Result attributable to minority interests	307	-	-	-	-	-	-	-	307
Net result	**18,136**	**23,361**	**6,302**	**(2,603)**	**(3,787)**	**(3,643)**	**(30,515)**	**-**	**7,251**
Depreciation, amortisation and impairment	1,524	466	5,916	120	2,476	833	979	-	12,314
Non-monetary costs	2,605	2,545	1,605	1,890	447	42	116	-	9,250
Non-recurring income (charges	-	-	-	-	-	206	(65)	-	141
Investments	1,177	338	1,204	837	6,170	5,022	1,095	-	15,843
Investments accounted for using the net equity method	66,411	43,190	10,781	476	4,404	-	18,067	-	143,329
Total assets	374,087	267,598	712,725	122,591	117,506	138,780	287,307	(98,473)	1,922,121
Total liabilities	143,680	253,295	168,548	119,549	98,791	5,485	684,965	(98,473)	1,375,840

	Revenues from sales and services	**Non-current assets**
Italy	547,962	339,552
France	163,392	615,483
Other EU markets	15,734	18
USA	148	5
Other countries	3,491	-
Consolidated financial statements	**730,727**	**955,058**

List of major holdings as per art. 120 of legislative decree n. 58/1998

Table of important investments
ARNOLDO MONDADORI EDITORE SPA
Below is the list of relevant equity investments (in excess of 10% of share capital) directly or indirectly held by Arnoldo Mondadori Editore SpA through its subsidiaries

reference date - 30 June 2010

NAME		SHARE CAPITAL	% SHARE HELD	METHOD OF INVESTMENT	PARTNER	% HELD	REGISTERED OFFICE	TAX CODE	DATE SET UP
ACI-Mondadori SpA (Italy)	EUR	590,290	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13277400159	17-11-2000
MDM Milan Distribuzione Media Srl (Italy)	EUR	520,000	20%	indirect	press-di Distribuzione Stampa e Multimedia Srl	20%	Milan - via Carlo Cazzaniga 19	10463540152	02/10/1991
Aranova Freedom Soc. Cons. a r.l. (Italy)	EUR	19,200	16.67%	indirect	Monradio Srl	16.67%	Bologna, Via Guinizzelli 3	02532501208	24/01/2005
Campania Arte S.c. a r.l. (Italy)	EUR	100,000	22%	indirect	Mondadori Electa SpA	22%	Rome - Via Tunisi 4	09086401008	18/07/2006
Cemit Interactive Media SpA (Italy)	EUR	3,835,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	San Mauro Torinese (TO) - via Toscana 9	04742700018	13/12/1984
Editrice Portoria SpA in fallimento (Italy)	EUR	364,000	16.786%	direct	Arnoldo Mondadori Editore SpA	16.786%	Milan - via Chiossetto 1	02305160158	26/03/1975
Edizioni EL Srl (Italy)	EUR	620,000	50%	indirect	Giulio Einaudi Editore SpA	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Edizioni Electa Bruno Mondadori Srl in liquidation (Italy)	EUR	10,400	50%	indirect	Mondadori Education SpA	50%	Milan - via Trentacoste 7	06976090156	05/05/1983
Edizioni Piemme SpA (Italy)	EUR	566,661	90%	direct	Arnoldo Mondadori Editore SpA	90%	Milan - via Bianca di Savoia 12	00798930053	29/09/1982
Giulio Einaudi Editore SpA (Italy)	EUR	23,920,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Turin - via U. Biancamano 2	08367150151	03/06/1986
Gruner + Jahr/Mondadori SpA (Italy)	EUR	2,600,000	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - corso Monforte 54	09440000157	10/09/1988
Harlequin Mondadori SpA (Italy)	EUR	258,250	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Marco D'Aviano 2	05946780151	15/10/1980
Hearst Mondadori Editoriale Srl (Italy)	EUR	99,600	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	12980290154	17-12-1999
Mach 2 Libri SpA (Italy)	EUR	646,250	34.91%	"direct	Arnoldo Mondadori Editore SpA Sperling & Kupfer Ed. SpA	30.91% 4%	Peschiera Borromeo (MI) - via Galileo Galilei 1	03782990158	6-05-1983
Mach 2 Press Srl (Italy)	EUR	200,000	40%	indirect	press-di Distribuzione Stampa e Multimedia Srl	40%	Peschiera Borromeo (MI) - via Galileo Galilei 1	07014150960	27/04/2010
Mediamond Spa (Italy)	EUR	1,500,000	50%	indirect	Mondadori Pubblicità SpA	50%	Milan - via Bianca di Savoia 12	06703540960	30/07/2009
Mondadori Education SpA (Italy)	EUR	10,608,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03261490969	1-10-2001
Mondadori Electa SpA (Italy)	EUR	1,593,735	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Trentacoste 7	01829090123	23/02/1989
Mondadori Franchising SpA (Italy)	EUR	1,954,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Verucchio (RN) - Fraz. di Villa Verucchio - via Statale Marecchia n. 51-51/a	08853520156	28/05/1987
Mondadori Iniziative Editoriali SpA (Italy)	EUR	500,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03619240967	08/07/2002
Mondadori Printing SpA (Italy)	EUR	45,396,000	20%	direct	Arnoldo Mondadori Editore SpA	20%	Cisano Bergamasco (BG) - Via Luigi e Pietro Pozzoni 11	12319410150	28/11/1997
Mondadori Pubblicita' SpA (Italy)	EUR	3,120,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	08696660151	12/02/1987
Mondadori Retail SpA (Italy)	EUR	2,700,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00212560239	19/11/1946
Mondadori-Rodale Srl (Italy)	EUR	90,000	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13066890156	25/02/2000
Mondolibri SpA (Italy)	EUR	1,040,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Lampedusa n. 13	12853650153	25/06/1999
Monradio Srl (Italy)	EUR	3,030,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	04571350968	15/10/2004
Monradio Servizi Srl in liquidation (Italy)	EUR	10,000	100%	"indirect	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	04571350968	15/10/2004
Novamusa Gelmar Biblioteca Nazionale Scarl (Italy)	EUR	10,000	20%	indirect	Mondadori Electa SpA	20%	Rome - Via Ennio Quirino Visconti 8	06573391007	9/04/2001
Novamusa Val di Mazara Scarl (Italy)	EUR	90,000	20%	indirect	Mondadori Electa SpA	20%	Messina - Via Acireale Z.I.R.	02812180830	20/04/2005
Novamusa Valdemone Scarl (Italy)	EUR	90,000	20%	indirect	Mondadori Electa SpA	20%	Messina - Via Acireale Z.I.R.	02704680830	16/04/2003
Novamusa Valdinoto Scarl (Italy)	EUR	90,000	20%	indirect	Mondadori Electa SpA	20%	Messina - Via Acireale Z.I.R.	02704670831	16/04/2003
press-di Distribuzione Stampa e Multimedia Srl (Italy)	EUR	1,095,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03864370964	19/02/2003
Roccella Scarl in liquidation (Italy)	EUR	100,000	49.5%	indirect	Mondadori Electa SpA	49.5%	Naples - via Santa Lucia 39	05053571211	21/03/2005
Società Europea di Edizioni SpA (Italy)	EUR	10,297,628.04	36.89838%	direct	Arnoldo Mondadori Editore SpA	36.89838%	Milan - via G. Negri 4	01790590150	27/02/1974
Sperling & Kupfer Editori SpA (Italy)	EUR	1,555,800	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00802780155	03/11/1927
Venice Accademia Società Consortile a rl in liquidation (Italy)	EUR	15,000	26%	indirect	Mondadori Electa SpA	26%	Venice - via L. Einaudi 74	03377400274	21/03/2002
Venice Accademia Società per i servizi museali Scarl (Italy)	EUR	10,000	25%	indirect	Mondadori Electa SpA	25%	Venice - via L. Einaudi 74	03808820272	11/01/2008
Venice Musei Società per i servizi museali Scrl (Italy)	EUR	10,000	34%	indirect	Mondadori Electa SpA	34%	Venice - via L. Einaudi 74	03534350271	22/04/2004

Table of important investments

ARNOLDO MONDADORI EDITORE SPA

Below is the list of relevant equity investments (in excess of 10% of share capital) directly or indirectly held by Arnoldo Mondadori Editore SpA through its subsidiaries

reference date - 30 June 2010

NAME	SHARE CAPITAL		% SHARE HELD	METHOD OF INVESTMENT	PARTNER	% HELD	REGISTERED OFFICE	TAX CODE	DATE SET UP
ABS Finance Fund Sicav Luxembourg	EUR	49,777,931.55	71.007%	indirect	Mondadori International SA	71.007%	Luxembourg - 19-21 Boulevard du Prince Henri		03/02/1999
Ame Publishing Ltd. (USA)	USD	50,000	100%	indirect	Mondadori International SA	100%	U.S.A. - New York N.Y. - 740 Broadway		1-02-1982
Arnoldo Mondadori Deutschland GmbH in liquidation (Germany)	EUR	25,564.59	100%	indirect	Mondadori International SA	100%	Germania - Monaco - Tal 21		14/05/1970
Attica Publications SA (Greece)	EUR	4,590,000	41.987%	indirect	Mondadori International SA	41.987%	Greece - Atene - Maroussi, 40 Kifissias Avenue		01/08/1994
Editions Mondadori Axel Springer SNC (France)	EUR	152,500	50%	indirect	Mondadori France SAS	50%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		9-12-1999
Editions Taitbout SA (France)	EUR	3,048,980	99.997%	indirect	Mondadori France SAS	99.997%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		31-01-1989
Mondadori France SAS (France) (ex AME France Sarl)	EUR	50,000,000	100%	indirect	Mondadori International SA	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		23/06/2004
Mondadori Indipendent Media LLC (Russia)	EUR	2,400,000	50%	indirect	Mondadori International SA	50%	Russia - Moscow - 3, Bldg. 1, Polkovaya Str.		26/12/2007
Mondadori International SA (Luxembourg)	EUR	350,736,076	100%	direct	Arnoldo Mondadori Editore SpA	100%	Luxembourg - 25C, Boulevard Royal		18/09/1970
Mondadori Magazines France SAS (France)	EUR	56,957,458	100%	indirect	Mondadori France SAS	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		30-03-2004
Mondadori Seec (Beijing) Advertising Co. Ltd	CNY	40,000,000	50%	indirect	Mondadori Pubblicità SpA	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		26/09/2008
Prisco Spain SA (Spain)	EUR	60,101.30	100%	direct	Arnoldo Mondadori Editore SpA	100%	Spain - Barcelona, Calle Travessera de Gracia 47/49		6-12-1988
Random House Mondadori SA (Spain)	EUR	6,824,600.63	50%	"indirect	Arnoweb SA	33.99%	Spain - Barcelona, Calle Travessera de Gracia 47/49		5-08-1959
					Arnoldo Mondadori Editore SpA	6.01%			
					Prisco Spain SA	10%			
Star Presse Hollande BV (Holland)	EUR	18,151.21	100%	indirect	Mondadori France SAS	100%	Holland - Amsterdam - Rokin 55		28-09-1994

Certification of the Abbreviated Consolidated Financial Statements

Certification of the 2010 abbreviated interim Consolidated Financial Statements 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 art. 154-bis, paragraphs 3 and 4 of legislative decree no. 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 consolidate financial statements during the first half of 2010.

2. The evaluation of the appropriateness of the administrative and accounting procedures for representing the consolidated financial statements at 30 June 2010 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:

   3.1 The abbreviated consolidated financial statements at 30 June 2010:
      a) have been compiled in conformity with the International Financial Reporting Standards adopted by the European Union as per EU regulation 1606/2002 of the European Parliament and Council, of 19 July 2002, and in particular to IAS 34 – Interim Reports, as well as the measures contained in art. 9 of legislative decree no. 38/2005.
      b) correspond to the result contained in the account books and book entries;
      c) provide a true and correct representation of the asset and liability, economic and financial situation of the Company and of all the companies included in the consolidation.

   3.2 The interim report on the first half of 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 during the period, together with a description of the main risks and uncertainties to which they are exposed over the remaining six months of the year. The interim report also includes a reliable analysis of information concerning significant operations with related parties.

29 July 2010

Deputy chairman and chief executive

(Maurizio Costa)

Director responsible for compiling the company financial documents

(Carlo Maria Vismara)

Mondadori Group
Independent Auditors' Report

Deloitte.

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AUDITORS' REVIEW REPORT ON THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2010

To the Shareholders of
ARNOLDO MONDADORI EDITORE S.p.A.

1. We have reviewed the half-yearly condensed consolidated financial statements of Arnoldo Mondadori Editore S.p.A. and subsidiaries (the "Mondadori Group"), which comprise the consolidated statement of balance sheet as of June 30, 2010, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Statement of Changes in Consolidated Shareholder's Equity and Consolidated Cash-flow Statement for the six-month period then ended, and the related explanatory notes. The Company's directors are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue a report on these half-yearly condensed consolidated financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end consolidated financial statements, we do not express an audit opinion on the half-yearly condensed consolidated financial statements.

   As far as comparative figures related to the year ended December 31, 2009 and the six-month period ended June 30, 2009 presented in the half year condensed report reference should be made to other auditors' report dated April 6, 2010 and dated August 4, 2009, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of Mondadori Group as of June 30, 2010 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy,
August 4, 2010

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