

ARNOLDO MONDADORI EDITORE S.p.A.

Share capital 67,451,756.32 Euros

Head Offices in Milan, Italy

Administrative Offices in Segrate (MI)

Report on the first half of 2002

Corporate Boards

Board of Directors

Chairman

Leonardo Mondadori (*)

Deputy Vice Chairman

Luca Formenton

Chief Executive

Maurizio Costa (*)

Directors

Francesco Barbaro (**)

Marina Elvira Berlusconi (*)

Pier Silvio Berlusconi

Fedele Confalonieri (*)

Roberto Poli

Giovanni Puerari

Mario Resca

Claudio Sposito (*)

(*) Members of the Executive Committee

(**) Secretary

Powers

Chairman: powers of legal representation in dealings with third parties and legal proceedings.

Chief Executive: routine powers and power of separate signature limited to actions prescribed by law.

Board of Statutory Auditors

Chairman

Franco Iorio

Acting Statutory Auditors

Antonio Aiello

Achille Frattini

Substitute Statutory Auditors

Francesco A. Giampaolo

Gianfranco Polerani

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Mondadori Group

***Report of the Board of Directors on the results
for the first half of 2002***

The Mondadori Group's business activities

During the first half of 2002 the slowdown in the international economy continued and, as in the first three months of the year, there was a general weakness in consumer spending.

In this context, the Mondadori Group reacted by introducing a strategy of containing costs and introducing initiatives aimed at improving profitability, with the result that weak sales produced only a limited decrease in the gross operating profit which, as a proportion of turnover, increased to 13.1% compared with 12% for the first half of 2001.

Revenues for the first half of 2002 amounted to 720.3 million euros, an 11.2% decrease compared with the figure of 811.1 million euros in 2001. On a comparable basis (excluding from figures for 2001 the revenues for the Grijalbo Group, which is now consolidated at equity as part of the joint-venture with Random House, and the revenues from the distribution of magazine titles belonging to the Gruppo Editoriale L'Espresso, the contract for which expired on 1 January 2002), the decrease amounts to a more modest 4.8%.

Gross operating profit amounted to 94.2 million euros, a decrease of 2.9% compared with the figure of 97.0 million registered in 2001, although the figure represented a considerable improvement as a proportion of revenues.

Operating profit amounted to 76.7 million euros, a decrease of 3.9% compared with the figure of 79.8 million in 2001, and represented 10.6% of turnover compared with 9.8% for the previous year.

Pre-tax profits amounted to 56.2 million euros compared with 63.4 million in the previous year, a decrease of 11.4%. The result for the six-month period was significantly influenced by the critical performance of the financial markets that produced a notable decrease in financial income compared with previous years, when the Group achieved very positive performances.

The Group's overall net **financial position** amounted to -10.7 million euros. In order to have a correct interpretation of this result it should be remembered that in May 2002 shareholders were paid an extraordinary dividend of 100.4 million euros.

If this operation were excluded the overall net financial position would amount to 89.7 million euros, representing an increase of approximately 10 million euros compared with June 2001.

We now move on to a summary of the individual business activities.

In the first half of 2002 the **Book Division** registered sales in line with those of the previous six-month period. Of particular note within the division was the positive performance of Edizioni Mondadori, which registered an increase in turnover of 8.5%, and Einaudi, with increased sales of 8.1%.

The Group was therefore able to reinforce its market leadership with a share of 31.4%.

During the period in question the **Magazine Division** registered a decrease in sales of 4.4%, due to a 2.7% decrease in circulation figures and a 6.4% decrease in advertising sales.

This performance was significantly better than the overall reference market which during the first half of the year registered a decrease both in the number of copies sold (-7%) and in advertising sales (-8%).

The market situation also influenced the **Printing Division** that registered a decrease in sales of 10.2%. When the effect of the fall in the price and consumption of paper is taken into consideration, this decrease amounts to 6.7%.

In the **Direct Marketing** sector the Group maintained its position of market leader with Mondolibri SpA, whose sales increased by 3%, and Cemit Interactive Media SpA, which registered a decrease in sales due to the absence of the non-recurring sales that were registered in 2001.

During 2002 the development of the **Retail** sector continued. In particular, Mondadori Franchising registered a healthy increase in sales (+10.6%) compared with the first half of 2001, thanks mainly to new affiliations.

In the first half of 2002 **Mondadori Informatica** was affected by the general decrease in investments in communication and training that was first seen in the second half of the previous year.

A more detailed analysis of the Group's various business activities is provided in the following pages. We now move on to the consolidated economic results for the first half of 2002.

Results for the period

In the following table of the Group's reclassified income statement the data relating to the costs and revenues relative to the Group's Internet activities have, as in the first half of 2001, been entered separately.

Consolidated reclassified income statement (in €m)	30 June 2002	30 June 2001	% change
Income from sales	720.3	(*) 811.1	(11.2%)
Personnel costs	122.5	126.8	(3.4%)
Product and management costs	503.6	587.3	(14.3%)
Gross operating profit	94.2	97.0	(2.9%)
<i>MOL effect on income</i>	<i>13.1%</i>	<i>12.0%</i>	
Depreciations of fixed assets	17.5	17.2	1.7%
Operating profit	76.7	79.8	(3.9%)
<i>Operating result effect on income</i>	<i>10.6%</i>	<i>9.8%</i>	
Depreciations of intangible assets	11.2	11.6	(3.4%)
Net financial income (charges)	(3.7)	2.3	n.a.
Other income (charges), net	(2.5)	(0.9)	n.a.
Extraordinary income (charges), net	0.1	0.3	(66.7%)
Internet activities	(3.2)	(6.5)	(50.8%)
Profit before taxation	56.2	63.4	(11.4%)
<i>Net result effect on income</i>	<i>7.8%</i>	<i>7.8%</i>	

(*) Income from sales for the period up to 30 June 2001 includes revenues for the Grijalbo Group and circulation revenues from the distribution of magazine titles for the Gruppo Editoriale L'Espresso. The following table "Business volumes for each business activity" shows revenues on a comparable basis.

The following table illustrates the business volumes for each business activity on a comparable basis.

Business volumes for each business activity (in €m)	30 June 2002	30 June 2001	% change
Books	149.2	149.4	(0.1%)
Magazines	417.1	436.1	(4.4%)
Printing	212.0	236.0	(10.2%)
Direct marketing	64.9	69.4	(6.5%)
Computer publishing and new media	9.2	12.3	(25.2%)
Others	10.1	9.1	11.0%
Total sales	862.5	912.3	(5.5%)
Intergroup sales	(142.2)	(155.9)	(8.8%)
Total consolidated sales	720.3	756.4	(4.8%)

Consolidated revenues are broken down into the following geographical areas:

Business volumes by geographical area (in €m)	30 June 2002	30 June 2001	% change
Italy	659.6	695.8	(5.2%)
EEC countries	50.7	46.6	8.8%
USA	5.4	7.7	(29.9%)
Other countries	4.6	6.3	(26.9%)
Total consolidated revenues	720.3	756.4	(4.8%)

Book Division

In the first half of 2002, the Italian book market was greatly influenced by two factors: the introduction of the Euro and the first effects of law 62/2001, which introduced a maximum discount of 15% on the cover price of all books.

According to estimates made by Demoskopea, during the first half of 2002 the results in the bookshop sector were substantially in line with 2001, with no increases in the number of copies sold and a 4.7% increase in terms of value. In this context, Mondadori, Rizzoli and Feltrinelli increased their market share.

However, the discount law did have a notable effect in the large-scale retail sector which, based on estimates made by the main companies, suffered losses of between 10% and 15% in the first half of 2002 compared with 2001.

Publisher	Market share 1st half of 2002	Market share 1st half of 2001	% change
Mondadori	20.5%	20.6%	(0.1%)
Einaudi	5.7%	5.3%	0.4%
Sperling & Kupfer	3.9%	3.9%	-
Other companies of the Mondadori Group	1.3%	1.3%	-
Total for the Mondadori Group	31.4%	31.1%	0.3%
Rizzoli Group	17.4%	16.7%	0.7%
Longanesi Group	9.6%	10.7%	(1.1%)
Feltrinelli	5.5%	4.5%	1.0%

In the first half of 2002 the Book Division registered total sales of 149.2 million euros, compared with 149.4 million for the first half of 2001 (after the deconsolidation of the Grijalbo Group), and they were made up as follows:

Books (in €m)	30 June 2002	30 June 2001	% change
Edizioni Mondadori	61.4	56.6	8.5%
Einaudi	18.7	17.3	8.1%
Art books and exhibition organisation	19.1	21.6	(11.6%)
Sperling & Kupfer Group	12.9	13.1	(1.5%)
School textbook editions	18.4	21.1	(12.8%)
Riccardo Ricciardi	0.1	0.1	-
Distribuzione Libri	19.9	21.1	(5.7%)
Total sales	150.5	150.9	(0.3%)
Intergroup sales	(1.3)	(1.5)	(13.3%)
Total consolidated sales	149.2	149.4	(0.1%)

Edizioni Mondadori

During the first half of 2002 Mondadori recorded excellent book sales of 61.4 million euros, an increase of 8.5% compared with the same period in 2001.

The excellent quality of the new titles published allowed the company to buck the negative market trend. The high level of the titles was also demonstrated by the Demoskopea classification which showed that in the first six months of 2002 a Mondadori book was the biggest seller for 13 out of the 26 weeks.

This performance was achieved thanks to top selling authors of the calibre of John Grisham, whose *La convocazione* sold over 200,000 copies, and Andrea Camilleri, who sold more than 250,000 copies of *La paura di Montalbano*.

These were joined by authors who are becoming increasingly more popular, such as Valerio Massimo Manfredi, with *L'ultima legione* (100,000 copies). Other new titles that have become top sellers in their respective categories this year are Leonardo Mondadori with *La conversione*, which was top of the non-fiction list for many months, selling 60,000 copies, and *Il momento è catartico* by Flavio Oreglio which sold 200,000 copies in just four months, repeating the success achieved in 2001 by Littizzetto.

However, the new discount law had a more noticeable effect on paperbacks where sales fell by 15% compared with the same period in 2001.

Einaudi

The first half of 2002 registered an increase in bookshop sales compared with the same period in the previous year, while instalment sales fell. Total sales for the publishing house increased by 8.1%.

Among the most important and successful titles published during the period were *Atonement* by McEwan, *The corrections* by Franzen, *54* by Wu Ming, three titles in the Tascabili a paperback series (Salinger, Calvino and Gnocchi), *Parole e Canzoni* (book + video) by Gaber, *Educazione di una canaglia* by Bunker and the first volume of the new Grande Opera: *Arti e Storia nel Medioevo*.

Art books and exhibition organisation

Sales for the first half of 2002 amounted to 19.1 million euros compared with 21.6 million in the same period in 2001. This decrease was due to less activity in the Great Exhibition and Illustrated Book sectors.

Among the most significant events during the period was the excellent number of sales of the catalogue for the “Van Gogh e Gauguin” exhibition that was held during the first months of the year in Amsterdam (34,000 copies sold in 6 different languages), the signing of a contract for the organisation of exhibitions with the “Soprintendenza di Pompei” and the renewal of the contract for running auxiliary services at the Galleria dell’Accademia in Venice.

Sperling & Kupfer Group

Net sales for Sperling & Kupfer in the first half of 2002 amounted to 12.9 million euros, a 1.5% decrease compared with the previous year.

The decrease was due to the difficult economic situation and increased competition that resulted in a fall in sales in the large-scale retail outlets, together with a fall in revenues (particularly for products sold on newsstands) that are recoverable over the year.

In May the professional magazine division, which includes titles such as *Espansione*, *Il Giornale della Banca* and *Il Giornale delle Assicurazioni*, was sold off.

Educational publishing

In the first half of 2002 the Mondadori Group’s Educational Division recorded sales of 18.4 million euros, a decrease compared with the same period in the previous year.

However, because of the seasonal nature of the business in this sector figures for the first half of the year are not particularly significant.

The shortfall was almost entirely concerned with the sale of elementary school textbooks which will, however, pick up in the second half of the year. As for the lower- and upper-middle school sectors, the publicity activities launched in the spring brought positive results with an increase in the market share of set texts, particularly for upper-middle schools. This positive trend affected both the company’s own titles and third-party titles distributed by the company.

Distribution

The performance recorded in 2001 was confirmed during the first half of 2002 with over 80% of orders being shipped within 2 or 3 working days and further containment of costs.

As for third-party publishers, Baldini & Castoldi titles continued to produce excellent results.

Magazine Division

The Magazine Division registered consolidated sales of 417.1 million euros (circulation 233.0 million and advertising 184.1 million), a decrease of 4.4% compared with 2001.

Magazines (€m)	30 June 2002	30 June 2001	% change
Circulation	233.0	239.4	(2.7%)
Advertising	184.1	196.7	(6.4%)
Total magazines	417.1	436.1	(4.4%)

The following table gives an overall picture of the situation:

Circulation

Circulation (€m)	30 June 2002	30 June 2001	% change
Mondadori titles	197.7	201.8	(2.0%)
Third-party titles	35.3	37.6	(6.1%)
Total circulation	233.0	239.4	(2.7%)

During the second quarter of the year the total market (newspapers and magazines) continued to follow the negative trend seen in the first quarter. Magazines, in particular, registered a decrease of 7% in terms of copies, which was mainly due to the unstable economic climate and signs of renewed inflation as a result of the introduction of the Euro, both of which were responsible for a drop in consumer spending in other European countries.

The Mondadori Group was able to limit the fall in sales to -2.7% (-5.9% in terms of copies), thanks to the strength of its titles, by using the price lever and by increasing the optional products on offer which, apart from videos and music CDs, also included the Andrea Camilleri books available with *Panorama*.

During June, and for all the summer period, the special initiatives linked to women's magazines produced highly satisfactory results both in terms of copies sold and profitability.

Within this division the **Health** sector increased overall by 7% compared with the previous year, and particular mention must be made of the performance of *Starbene* which increased by over 9%, thanks to a circulation of around 400,000 copies.

During the first half of 2002 the **Women's magazines** sector registered a decrease that was higher than the average for all magazines. This trend had a more limited effect on Mondadori titles, some of which were able to buck the trend. In particular, among the weekly titles *Donna Moderna* was able to contain the decrease to just 3% while among the monthly titles *Cosmopolitan* produced an excellent performance in registering a 20% increase. The weekly *Chi* also registered an excellent performance, with circulation of around 500,000 copies.

Panorama, with circulation of 580,000 copies (-5%), introduced two new optional supplements during the first half of the year: *Viaggio in Italia* (guidebook + tourist map) and the series *I libri di Camilleri*. These new products were added to the wide range of supplements already offered by the magazine, including VHS videos, CD Roms, music CDs and DVDs.

The decrease in the **TV Guides** segment was slightly lower than the market average. Here, as with *Panorama*, it was decided to introduce new supplements to *TV Sorrisi e Canzoni*, and the numerous publishing initiatives linked to the title, to tie-in with successful television programmes, produced excellent results (*Preistoria*, *Padre Pio* and *Papa Giovanni*).

Advertising

In an economic context characterised by a fall in consumption and a more general drop in investments, the advertising market also demonstrated signs of weakness in the first half of 2002. During the first six months of the year the overall advertising market registered a decrease of 4.2%¹, with a drop both in printed advertising and in television advertising. In particular, the magazine advertising sector fell by 8.0%

¹ Source: Nielsen

In the first half of 2002 the Mondadori Group registered a decrease of 6.4%, a figure that represented a partial recovery compared with the -9.3% registered for the first quarter of the year.

More specifically, while advertising in women's magazines held up and the performance of television advertising was positive, advertising in men's magazines was affected by the general fall in investments, particularly on the part of the telecommunications, computer and finance/insurance markets. In contrast to this, other sectors such as personnel care, toiletries and furnishing maintained an increase in investments.

A positive note was also struck by the joint-venture titles with Rodale (*Starbene* and *Men's Health*) and the "car system" titles that are part of the joint-venture with ACI.

The following table gives details of net advertising investments for the first six months of the year:

Advertising market (Em)	1 st half of 2002	1 st half of 2001	% change
Television	2,335.6	2,360.7	(1.1%)
Magazines	586.5	637.2	(8.0%)
Newspapers	917.8	989.8	(7.3%)
Radio	157.6	169.7	(7.1%)
Placards	92.2	112.0	(17.7%)
Cinema	35.4	35.0	1.1%
Total advertising market	4,125.1	4,304.4	(4.2%)

Source: Nielsen

Printing Division

The general economic slow down and the decrease in consumer spending had strong repercussions on the printing industry. Decreases in investments in the advertising market and in circulation figures resulted in a reduction in the number of pages and in print runs for printed products. Printing companies were therefore faced with an excess production capacity and strong competition.

The drop in demand also led to a fall in the cost of paper.

The Printing Division registered a 10.2% decrease in sales which, when the effects of the fall in the cost of paper are taken into consideration produced a total of 6.7%.

However, the technological innovations introduced in the second half of 2001 together with the flexibility of the printing plant made it possible to face the market difficulties without significantly altering efficiency levels.

Foreign sales amounted to 44.6 million euros in line with 2001, thanks to an increase in the figures for Europe that compensated for the difficulties of the USA market.

The following table illustrates the sales figures for the different types of printed products net of the cost of paper and shipping.

Printing revenues (€m) net of paper costs	30 June 2002	30 June 2001	% change
Magazines	57.5	62.5	(8.0%)
Books	33.8	34.3	(1.5%)
Catalogues and promotional material	13.1	15.2	(13.8%)
Directories	2.8	2.8	-
Total printing sales net of paper costs	107.2	114.8	(6.7%)

Direct Division

The Mondadori Group steadily maintained its position of market leader with Mondolibri SpA and Cemit Interactive Media SpA.

Mondolibri registered good sales results with an increase of 3% compared with the same period in 2001 (despite the delay registered in the first quarter of the year for its recruitment activities), thanks mainly to Internet sales (+43% compared with the same period in the previous year) and a decrease in returns, particularly for Euroclub.

During the first half of 2002 **Cemit** maintained its position of market leader in the direct marketing services sector, even though sales fell by around 4 million euros compared with 2001. If we take into account the fact that the figures for 2001 benefited from non-recurring revenues, turnover for the first half of 2002 was substantially in line with the previous year while the positive effects of cost rationalisation initiatives made it possible to contain the impact of the decrease in sales on the results for the period.

Mondadori Franchising registered an important increase in sales (+10.6%) compared with the first half of 2001, mainly thanks to the new affiliations that came into operation in the period in question (with the number of sales outlets increasing from 95 to 110).

As a consequence of this sales are expected to continue to increase in the coming months compared with the previous year.

Mondadori Retail, which is responsible for the shops directly owned by the Group, registered an appreciable decrease in sales as a result of the general difficulties of the sector (in particular for computer products, both software and hardware). A new sales outlet was opened in the Torri Bianche commercial centre in Vimercate (Milan). This shop represents a new format aimed at the mass market, with particular emphasis placed on book products.

The following table gives a summary of sales data for the first half of 2001 and the first half of 2002.

Direct (€m)	30 June 2002	30 June 2001	%change
Mondolibri SpA (proportional)	20.9	20.3	3.0%
Cemit Interactive Media SpA	12.2	16.4	(25.6%)
Total direct marketing	33.1	36.7	(9.8%)
Mondadori Franchising SpA	7.3	6.6	10.6%
Mondadori Retail Srl	24.5	26.1	(6.1%)
Total retail	31.8	32.7	(2.8%)
Total	64.9	69.4	(6.5%)

Computer publishing and new media

For Mondadori Informatica the first half of 2002 was influenced by the general decrease in investments in communications and training that began to make its presence felt in the second half of the previous year. The Mondadori *Education* sector was hit particularly hard by the reduction in investments, while the magazine and books sectors were able to contain the reduction in turnover compared with the same period in 2001.

Revenues from sales and services for the first half of 2002 amounted to 9.2 million euros, compared with 12.3 million euros in the first half of the previous year.

A more precise definition of Mondadori Informatica's mission and business activities is currently under way, with the objective of making more efficient use of resources and improving profitability.

Internet

During the first half of 2002 the Internet activities of Mondadori.com were characterised both by the excellent results of portal traffic and by the way in which the various sites were run and organised to complement Group titles.

The traffic data is a good illustration of the position of the Internet site network run by Mondadori.com, with average page views in the first six months of the year amounting to 28 million and an average of over 2.5 million unique visitors, a figure that represents a continuous improvement compared with the same period for the previous year.

The *InAuto* and *MyTech* sites produced particularly important results, with the car portal topping the *Automotive* table produced by Nielsen and *MyTech*, the portal dedicated to computers and technology, registering an average of over 16 million page views.

The financial results, which show a significant reduction in losses compared with the first half of 2001, testify to the efficiency of the project implemented to rationalise costs and find new business opportunities linked to resources, as well as to the high level of the contents of the Mondadori.com sites.

Costs were also contained by reorganising Bol Italia. At the beginning of 2002 the technological platform that had previously been used was abandoned and the Mondadori Direct division took over all operational responsibility for running the joint-venture, integrating its activities with technology developed inside the Group.

Financial position

The Mondadori Group's financial position as of 30 June 2002 showed a loss of 10.7 million euros, as illustrated in the following table:

Net financial position (€m)	30 June 2002	31 December 2001	30 June 2001
Short term bank deposits	216.3	184.8	148.6
Short term borrowing from banks	(42.5)	(50.0)	(71.2)
Financing (short and medium/long term)	(485.4)	(323.8)	(356.7)
	(311.6)	(189.0)	(279.3)
Fixed interest securities	287.1	364.5	366.9
Cash, post office accounts, net receivables from affiliates and third parties and accrued interest income	13.8	13.0	(8.2)
Net financial receivables (payables)	(10.7)	188.5	79.4
Leasing debts	-	-	-
Net financial position	(10.7)	188.5	79.4

Cash flow summary (€m)	30 June 2002	31 December 2001	30 June 2001
Initial net financial position	188.5	171.6	171.6
Result of period (*)	56.2	73.9	63.4
Depreciations	29.2	57.2	29.4
Self-finance	85.4	131.1	92.8
Changes in working capital	(60.2)	65.7	(66.0)
Net investments	(5.5)	(114.8)	(30.1)
Severance indemnities	2.2	1.3	1.5
Buy-back of company shares, net of sales	(0.5)	6.0	(0.9)
Other assets/liabilities	(56.8)	(20.1)	(42.1)
Operating surplus (requirement)	(35.4)	69.2	(44.8)
Dividends	(155.7)	(51.7)	(51.7)
Other capital movement	(8.1)	(0.6)	4.3
Financial surplus (requirement)	(199.2)	16.9	(92.2)
Final net financial position	(10.7)	188.5	79.4

(*) It should be noted that, as reported in the Notes, the result as of 30 June does not include tax due for the period.

The result was arrived at after the payment in the first half of 2002 of an extraordinary dividend of 100.4 million euros. The net financial position net of this operation would have amounted to 89.7 million euros, an increase of approximately 10 million euros compared with June 2001.

Interest rates

The first half of the year was characterised by signs of a slight upturn in the world economic situation, even though future prospects are still very uncertain.

During the second quarter of the year the growth rate of the American economy was much lower than for the first quarter. During the first quarter the American GDP fell from 5.8% to 5%, of which over 1% was attributable to inventories, with an increase in company investments, a decrease in consumer spending and a boom in military spending. In the second quarter the GDP increased by 1.1% which, compared with the first quarter, was due to an increase in the trade deficit, a reduction in public spending and the disappointing level of consumer spending. The economy is recovering, but at a reduced pace.

The consumer price index was fairly stable, amounting to 1.3% (compared with 1.2% for the first quarter), while the American unemployment rate increased from 5.6% in the first quarter to 5.9% in the second quarter.

In Europe (the Euro area), after the GDP increased by 0.3% in the first quarter (0.1% in Italy), forecasts for the second quarter are for an increase of between 0.3% and 0.6% (0.2% in Italy). The economic recovery, apart from the dependence on the USA, no longer appears to be threatened by increasing prices, given that in June the overall consumer price index for the European Union on an annual basis registered an increase of 1.8% (in Italy inflation in June amounted to 2.2%). Unemployment in the Euro area reached 8.4% in June, the highest level since April 2000.

Prospects for the future would seem to indicate continued increases in both internal and external demand, with a reduced growth rate that by year's end will be lower than the potential figure. A moderate acceleration in economic activity depends on various factors, including the absence of substantial imbalances in the Euro area, highly favourable loan conditions, a decrease in inflation which should lead to an increase in real earnings and a subsequent increase in consumer spending (in Italy inflation is higher than the European average), and the recovery of the economy outside the Euro area.

In this macroeconomic context the dollar was considerably weakened, losing over 11% of its value compared with the Euro in falling from 0.89 at the beginning of the year to 0.99 at the end of June and reaching parity in July.

As far as market interest rates are concerned, the three-month Euribor rate (act/360) increased from 3.294% at the end of December to 3.441 at the end of June (with an average value of 3.40%). During the same period the average cost of money for the Mondadori Group (including the risk cover structure for interest rates and government-supported loans) amounted to 3.232%.

As of 30 June 2002 28% of the Group's short-term credit facilities, amounting to 580 million euros, were used by means of self-liquidating lines of credit (bank discount bills) and stand-by financing of less than eighteen months minus a day. The medium/long term lines of 419 million euros were almost totally made up (400 million) of a revolving multi-currency credit facility with a duration of five years (2000-2005) and subsidised loans for publishers (19 million euros), in accordance with Law 416/81, made to Mondadori Electa S.p.A. and Mondadori Printing S.p.A. As of 30 June 2002 approximately 88% of these had been used.

Mondadori International closed the first half of the year with a decrease in profits compared with the same period in the previous year.

This result was due to a notable decrease in financial income as a result of two main factors:

- a drop in the lending rates of the money market (the three-month Euribor fell from 4.67% in the first half of 2001 to 3.40% during the current six-month period);
- the fluctuating nature of both the share and bond markets in the first half of 2002.

During the first half of the year the company continued with its policy of diversifying the portfolio in order to achieve a further reduction of risks.

Personnel

As of 30 June 2002 Group companies employed 4,715 people (4,782 at 31 December 2001), while the average number of personnel during the period amounted to 4,726 (5,100 in the same period in 2001).

Compared with 31 December 2001 there was a reduction of 67 people, which was mainly due to a reduction in the number of manual workers following the reorganisation project implemented in the first half of 2002 in various Group factories.

The following table shows details of Group personnel as of 30 June 2002:

Personnel	30 June 2002	31 Dec. 2001	30 June 2001
Arnoldo Mondadori Editore SpA:			
- Managers, journalists and office staff	1,430	1,427	1,436
- Manual workers	168	176	177
	1,598	1,603	1,613
Italian subsidiaries:			
- Managers, journalists and office staff	1,654	1,676	1,667
- Manual workers	1,299	1,335	1,334
	2,953	3,011	3,001
Foreign subsidiaries:			
- Managers, journalists and office staff	37	38	310
- Manual workers	127	130	174
	164	168	484
Total	4,715	4,782	5,098

The cost of personnel amounted to 123.7 million euros, compared with 128.5 million euros in 2001. This reduction was due to the fall in the number of personnel referred to above.

As of 30 June 2002 the remuneration part of the National Work Contract for Management expired.

Investments

During the first half of 2002 the Group made investments in technical assets for 12.7 million euros, including 7.4 million euros for plant and machinery mainly in the printing sector.

A further 7.1 million euros was spent on “Assets under construction”, again mainly in the printing sector.

Other investments included 1.7 million euros for the maintenance of offices and factories, and 2.1 million euros for the normal replacement of personal computers and office equipment and the outfitting of the Group’s bookshops and retail outlets.

Disinvestments during the first half of 2002 amounted to 4.6 million euros and were mainly concerned with replacing obsolete plant and machinery (3.1 million euros) and decommissioning other assets.

Results of Arnoldo Mondadori Editore SpA

As of 30 June 2002 Arnoldo Mondadori Editore SpA registered profits before tax of 64.9 million euros (compared with 59.9 million in the first half of 2001), after booking depreciations of 7.6 million euros to the income statement.

This performance is even more significant if the results are looked at without the financial and extraordinary components, which show that the difference between the value and cost of production increased from 61.5 million euros in June 2001 to 69.0 million euros for the period in question.

Gross cash flow amounted to 72.4 million euros (compared with 67.5 million in 2001), while the Parent Company registered revenues of 475.0 million euros (513.8 million in the first half of 2001). This decrease was mainly due to the expiry of the distribution contract for titles belonging to the Gruppo Editoriale L’Espresso.

Other information

The following section deals with information about the specific subjects:

Relations with associated companies

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

The operations carried out between correlated parts of the Group are based on normal market conditions: those carried out with companies of the Mondadori Group are of a commercial or financial nature, being concerned with the intergroup bank account, managed by Arnoldo Mondadori Editore SpA, relating to the various debt and credit positions of the different subsidiary and affiliated companies.

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

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

Partial division of Elemond S.p.A. in favour of the beneficiary company Arnoldo Mondadori Editore S.p.A. Transfer to Elemond S.p.A. of the division responsible for the Mondadori Illustrati series.

In accordance with the division project approved by the respective extraordinary shareholders' meeting of 16 January 2002, on 1 April 2002 the partial division began of the subsidiary company Elemond S.p.A. by means of transferring to the beneficiary company Arnoldo Mondadori Editore S.p.A. the Elemond business activities and imprints relating to Professional Magazines, with the consequent optimisation of the relative production and distribution processes, together with other assets (shares in Giulio Einaudi Editore S.p.A. and Mondadori Printing S.p.A. and real estate) not connected to the operational role of Elemond, as redefined below.

The main aim of the operation is to create a more comparable description of the various business activities previously carried out by Elemond S.p.A., with the result that in future Elemond S.p.A. will carry out the exclusive role of acting as the operational holding company for the Group, being

responsible for dealing with CDs, museum bookshops and the organisation of exhibitions (all of which require specific financial and professional contributions), and for art book publishing (with particular regard to the Electra imprint) and illustrated books. This project for the rationalisation and redefinition of the business activities carried out by the Elemond Group also includes the transfer by Arnoldo Mondadori Editore S.p.A. to Elemond S.p.A. of the business activities concerned with the production and publication of the “Mondadori Illustrati” series, which, on the basis of the value established by the assessor nominated by the President of the Court of Milan in accordance with art. 2343 of the Civil Code, came into effect on 1 January 2002.

With effect from the date of the division of Elemond S.p.A., in relation to the operational role described above, the company changed its name to Mondadori Electa S.p.A.

Disposal of shares in Mondadori Sole 24 Ore S.p.A.

In May it was agreed to dispose of 50% of the share capital held in Mondadori Sole 24 Ore S.p.A. to Sole 24 Ore S.p.A.

The company, which is jointly owned by Mondadori and Sole 24 Ore S.p.A., was set up in February 2001 in order to produce the monthly magazine *Ventiquattro*, which was published as a paid supplement to “Sole 24 Ore”, and *Panorama Portfolio*, an economic information and services insert issued with the weekly magazine *Panorama*.

Within the context of this agreement for the disposal of the shares, it was also decided to transfer all the production, publication and economic utilisation rights of *Portfolio*, together with the full and exclusive ownership and title to all imprints relative to *Portfolio* from Mondadori Sole 24 Ore S.p.A. to Arnoldo Mondadori Editore S.p.A.

Merger of Edizioni di Comunità S.r.l. and Riccardo Ricciardi Editore S.p.A. into Giulio Einaudi Editore S.p.A.

The extraordinary shareholders’ meetings of the companies concerned in the operation approved the merger into Giulio Einaudi Editore S.p.A. of Edizioni di Comunità S.r.l. and Riccardo Ricciardi Editore S.p.A., companies which were wholly owned, respectively, by the incorporating companies Giulio Einaudi Editore S.p.A. and Arnoldo Mondadori Editore S.p.A..

The merger, which will come into effect on 1 November 2002, is aimed at rationalising and simplifying management and company structures partly by the cutting of administrative costs relating to the incorporated companies.

In effect, many functions of the incorporated companies (in particular those relating to administration, logistics, production and marketing) are already carried out by the operational structure of the incorporating company Giulio Einaudi Editore S.p.A. as a result of specific service contracts. Therefore the merger will merely lead to the simplification and more efficient use of existing management and organisational structures, and it will not have any effect on the publishing projects and imprints relative to Edizioni di Comunità and Riccardo Ricciardi.

Increase in the share capital of Grupo Editorial Random House Mondadori.

In June an increase in the share capital of Grupo Editorial Random House Mondadori S.L. was launched following the transfer by the subsidiary company Prisco Spain S.A. of its 100% share of Editorial Grijalbo S.A. de C.V. Mexico.

As a result of this operation the stake held by the Mondadori Group in Grupo Editorial Random House Mondadori has risen from 44.45% to 50% and Mondadori and the Bertelsmann Group now own 50% each, in accordance with contractual agreements.

The objective of the joint-venture, which was set up during 2001, is to acquire an important competitive position in the Spanish-language market, which is one of the most interesting markets in the world and will, according to financial analysts, become the second most important market in the world after the English-language market, thanks in part to the enormous potential offered by the growth of the Spanish-language population of the United States.

Significant events during the second half of the year

Reorganisation of the school textbook sector. Merger of the subsidiary companies Editoriale Le Monnier S.p.A and Casa Editrice Felice Le Monnier S.p.A. into Edumond S.p.A.

The merger of the subsidiary companies Editoriale Le Monnier S.p.A. and Casa Editrice Felice Le Monnier S.p.A. into Edumond S.p.A. came into effect on 1 July 2002. At the same time Edumond S.p.A. changed its name to Edumond Le Monnier S.p.A.

The operation represents a significant phase of a bigger plan to reorganise and simplify company management that is aimed particularly at the Group's business activities in the school textbook sector.

This plan involves the concentration in a single operational company (Edumond Le Monnier S.p.A., 100% owned by Mondadori) of the Group's school textbook publishing activities that were previously the responsibility of the subsidiary companies Elemond S.p.A. and Casa Editrice Felice Le Monnier S.p.A., which had production, marketing and distribution structures that were partly separate and distinct.

The project began in October 2001 with the transfer to Edumond S.p.A. of the business activities and shares of Elemond S.p.A. relative to the school textbook sector and by means of the integration, as a result of the merger operation described above, of the business activities of Edumond with the business activities of the operational companies in the Le Monnier Group.

This project to concentrate and rationalise the school textbook sector also includes the purchase by Edumond Le Monnier S.p.A. of a 12.5% share in Casa Editrice Poseidonia S.r.l., which operates in the lower- and upper-middle school textbook sector.

As a result of this operation Edumond Le Monnier S.p.A. now owns 100% of Casa Editrice Poseidonia S.r.l.

Incorporation of the subsidiary company Programmi Editoriali S.p.A. into Arnoldo Mondadori Editore S.p.A.

The incorporation of the subsidiary company Programmi Editoriali S.p.A., whose single most important asset was the 56.25% stake it held in Sperling & Kupfer Editori S.p.A. (with Mondadori holding the remaining 43.75%), into Arnoldo Mondadori Editore S.p.A. took effect on 1 August 2002. The merger did not involve an exchange report since the incorporated company was wholly and directly owned by the incorporating company, Arnoldo Mondadori Editore S.p.A.

The operation took place within the context of rationalising and simplifying the company structure since, apart from cutting the administrative and running costs of the incorporated company, it will concentrate in Mondadori the entire stake held in Sperling & Kupfer Editori S.p.A., eliminating the intermediate levels in the transfer of dividends from the operational company to the Parent Company.

Agreement with R.T.I. S.p.A. for setting up PressTV S.p.A.

Arnoldo Mondadori Editore S.p.A. and R.T.I. S.p.A. (Mediaset group) have reached an agreement to set up a jointly-owned multi-media publishing house, with an initial capitalisation of 1,500,000 euros, with the objective of:

- publishing magazines that are closely linked to successful television programmes;
- producing one-off editions or publishing occasional magazines linked to specific television programmes.

The first publishing initiative undertaken by the new company, which was set up in July under the name of PressTV S.p.A., will be the publication of a magazine linked to the television sports programme *Controcampo* (produced by R.T.I. S.p.A. and broadcast on Italia 1), with the first edition planned for September to coincide with the beginning of the football season.

Probable evolution of business activities

In the first few months of the second half of the year there were signs of an improvement both in terms of circulation figures and advertising sales that lead to the supposition that the result for the entire year will be substantially in line with the previous year.

For the Board of Directors
Chairman

Leonardo Mondadori

***Consolidated financial statements
of the Mondadori Group
as of 30 June 2002***

***Consolidated balance sheet
and income statement
as of 30 June 2002***

BALANCE SHEET

ASSETS

(in thousands of euros)	6 MONTHS AS AT 30 JUNE 2002			YEAR ENDED	6 MONTHS AS AT
	Sub total	Sub total	TOTAL	31 DECEMBER 2001	30 JUNE 2001
	1	2	3		
A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL					
B) NON-CURRENT ASSETS					
I- INTANGIBLE ASSETS					
1 set-up and expansion costs		1,556		2,335	2,873
2 research, development and advertising costs					
3 industrial patent rights and use of original works		964		948	1,190
4 concessions, licences and trade marks		138,025		143,225	149,890
5 goodwill		14,065		14,897	16,880
6 assets under construction and advances		65		165	59
7 others		6,851		9,108	9,649
8 consolidation differences		13,414		14,955	16,929
TOTAL			174,940	185,633	197,470
II- FIXED ASSETS					
1 land and buildings		86,349		86,851	83,181
2 plant and machinery		88,933		94,193	48,164
3 industrial and commercial equipment		2,050		1,585	2,744
4 other assets		19,157		19,554	19,715
5 assets under construction and advances		14,769		8,681	36,329
TOTAL			211,258	210,864	190,133
III- FINANCIAL ASSETS					
1 investments in :					
a) subsidiary companies		1,530		10,054	2,545
b) affiliated companies		57,573		62,491	23,639
c) other companies		852		903	1,272
TOTAL		59,955		73,448	27,456
2 current receivables					
a) from subsidiary companies					
b) from affiliated companies					
c) from parent companies					
d) from other companies	730	7,434	8,164	8,516	9,557
TOTAL	730	7,434	8,164	8,516	9,557
3 other securities		3		3	3
4 treasury stock		56,606		56,150	63,177
TOTAL			124,728	138,117	100,193
TOTAL NON-CURRENT ASSETS (B)			510,926	534,614	487,796

ASSETS

(in thousands of euros)					
6 MONTHS AS AT 30 JUNE 2002			YEAR ENDED	6 MONTHS AS AT	
	Sub total	Sub total	TOTAL	31 DECEMBER 2001	30 JUNE 2001
	1	2	3		
C) CURRENT ASSETS					
I- INVENTORIES					
1 raw materials		12,007		10,885	11,540
2 semi-finished products, work in progress		16,808		26,726	18,986
3 work in progress to order		9,060		9,077	11,541
4 finished products and goods		80,880		71,733	94,424
5 advances				13	
TOTAL			118,755	118,434	136,491
	<i>within 12 months over 12 months</i>				
II- RECEIVABLES					
1 trade accounts	372,259	12,193	384,452	344,197	441,637
2 due from subsidiaries	649		649	3,994	3,002
3 due from affiliated companies	45,814		45,814	44,162	30,940
4 due from parent companies	2		2	19	152
5 due from third parties	123,392	390	123,782	96,522	104,215
TOTAL	542,116	12,583	554,699	488,894	579,946
III- FINANCIAL ASSETS (CURRENT)					
1 investments in subsidiaries					
2 investments in affiliated companies					
3 other investments					
4 treasury stock					
5 other securities		287,126		364,478	366,839
TOTAL			287,126	364,478	366,839
IV- CASH AND EQUIVALENTS					
1 cash at banks and PO		216,969		184,807	148,967
2 cheques		129		196	44
3 cash and commercial papers in hand		170		93	165
TOTAL			217,268	185,096	149,176
TOTAL CURRENT ASSETS (C)			1,177,848	1,156,902	1,232,452
D) ACCRUED INCOME AND PREPAYMENTS					
1 accrued income		1,224		787	1,822
2 prepayments		4,235		8,457	4,121
3 premium on loans		1,089		1,271	1,453
TOTAL ACCRUED INCOME AND PREPAYMENTS (D)			6,548	10,515	7,396
TOTAL ASSETS			1,695,322	1,702,031	1,727,644

(in thousands of euros)

1) Total of items preceeded by lowercase letters and (in certain cases) by arabic numerals.	For the Board of Directors
2) Total of items preceeded by arabic numerals and (in certain cases) by lowercase letters.	Chairman
3) Total of items preceeded by romanic numerals and uppercase letters.	

Leonardo Mondadori

INCOME STATEMENT

(in thousands of euros)					
6 MONTHS AS AT 30 JUNE 2002			6 MONTHS AS AT	YEAR ENDED	
	Sub total	Sub total	TOTAL	30 JUNE 2001	31 DECEMBER 2001
	1	2	3		
A) PRODUCTION VALUE					
1 INCOME FROM SALES OF GOODS AND SERVICES		721,005		811,877	1,560,829
2 CHANGES IN INVENTORY OF SEMI-FINISHED GOODS		-525		896	2,467
3 CHANGES IN WIP TO ORDER		-17		3,659	1,070
4 INCREASE IN INTERNAL INVESTMENTS		93		103	394
5 OTHER INCOME AND REVENUES					
a) operating grants	35			29	60
b) other income and revenues	22,722			22,827	49,278
		22,757			
TOTAL PRODUCTION VALUE (A)			743,313	839,391	1,614,098
B) PRODUCTION COSTS					
6 RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		224,307		270,676	527,646
7 SERVICES		282,802		317,140	582,900
8 USE OF THIRD PARTY ASSETS		10,884		11,903	21,482
9 PERSONNEL					
a) wages and salaries	88,697			91,413	170,181
b) social contributions	26,696			27,705	52,581
c) severance indemnities	7,674			7,442	14,607
d) retirement benefits	43			26	15
e) other costs	586			1,926	4,634
TOTAL		123,696		128,512	242,018
10 DEPRECIATIONS, AMORTISATION AND WRITEDOWNS					
a) amortisation of intangible assets	11,549			11,969	23,825
b) depreciation of fixed assets	17,705			17,338	33,363
c) other writedowns of assets					244
d) writedowns of doubtful accounts	3,952			5,713	10,217
TOTAL		33,206		35,020	67,649
11 CHANGES IN INVENTORY OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		-1,148		4,893	5,143
12 PROVISIONS FOR RISKS		930		3,480	5,175
13 OTHER PROVISIONS		24		26	58
14 OTHER OPERATING EXPENSES		6,444		5,822	14,699
TOTAL PRODUCTION COSTS (B)			681,145	777,472	1,466,770
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)			62,168	61,919	147,328
C) FINANCIAL INCOME AND CHARGES					
15 INCOME FROM INVESTMENTS					
a) Subsidiaries					
b) Affiliated companies					109
c) Other investments				37	37
TOTAL				37	146
16 OTHER FINANCIAL INCOME					
a) from long term receivables					
* Subsidiaries					
* Affiliated companies					
* Parent companies					
* Other companies	72			80	134
TOTAL	72			80	134
b) from long term securities					
c) from short term securities	4,152			11,304	18,041
d) Other income					
* Subsidiaries	11			12	31
* Affiliated companies	263			46	349
* Parent companies					
* Other companies	4,730			4,873	9,183
TOTAL	5,004			4,931	9,563
TOTAL		9,228		16,315	27,738
17 INTEREST AND FINANCIAL CHARGES					
a) Subsidiaries	3			4	7
b) Affiliated companies	190			184	420
c) Parent companies					
d) Other companies	8,560			11,295	22,484
TOTAL		8,753		11,483	22,911
TOTAL FINANCIAL INCOME AND (CHARGES) (C)			475	4,869	4,973

INCOME STATEMENT (continued)

(in thousands of euros)					
6 MONTHS AS AT 30 JUNE 2002			6 MONTHS AS AT	YEAR ENDED	
	Sub total	Sub total	TOTAL	30 JUNE 2001	31 DECEMBER 2001
	1	2	3		
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS					
18 REVALUATIONS					
a) investments	2,061			2,484	5,406
b) other long term financial assets					
c) securities					
TOTAL		2,061		2,484	5,406
19 WRITEDOWNS					
a) investments	6,011			4,922	21,898
b) other long term financial assets					
c) securities	4,261			2,668	4,131
TOTAL		10,272		7,590	26,029
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)			-8,211	-5,106	-20,623
E) EXTRAORDINARY ITEMS					
20 INCOME					
a) Gains on disposals	1,636			817	754
b) other long term financial assets	970			1,015	20,075
TOTAL		2,606		1,832	20,829
21 CHARGES					
a) Losses on disposals					1,826
b) Taxation relative to prior years	70			35	645
c) Others	816			72	1,969
TOTAL		886		107	4,440
TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)			1,720	1,725	16,389
PROFIT BEFORE TAX			56,152	63,407	148,067
22 INCOME TAX FOR THE PERIOD					74,174
23 RESULT FOR THE PERIOD					73,893
NET PROFIT (LOSS) FOR THE PERIOD PERTAINING TO MINORITY INTERESTS					11
NET PROFIT (LOSS) FOR THE PERIOD					73,882

1) Total of items preceded by lowercase letters

2) Total of items preceded by arabic numerals

3) Total of items preceded by uppercase letters and (in certain cases) arabic numerals

For the Board of directors

Chairman

Leonardo Mondadori

Mondadori Group

Notes to the Consolidated financial statements

Form and contents of the Consolidated financial statements

General policies

The financial statements for the six-month period from 1 January 2002 to 30 June 2002, including the notes which form an integral part of them, have been drawn up in accordance with accounting principles and evaluation criteria that conform to the regulations contained in the Civil Code.

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

The principles employed in drawing up the financial statements for the first half of 2002 are the same as those employed for drawing up the financial statements for the first half of 2001 and for the financial statements at 31 December 2001;

- the variations between assets and liabilities are highlighted in the comments on the financial statements. As for the reserves, in particular, the provisions and utilisations during the six-month period are highlighted;
- risks and losses sustained during the period were taken into consideration, even if they only became apparent after the closing date;
- the result for the first half of 2002 was calculated gross of tax, adjustments and provisions for the period in accordance with CONSOB regulation 11971 of 14/5/1999 and successive modifications. Consequently, deferred tax deriving from the application of accounting principles relative to income tax was not included;
- economic facts that are not proportional to those concerning the entire year but relevant in order to present the results of the Group in the first half of 2002, were adjusted by means of appropriate accounting practices in accordance with CONSOB recommendations concerning the content and method of drawing up reports on half-yearly financial statements and financial positions.

The significant events that took place during the first half of 2002 in the sectors where the Group operates have been commented on in the Report of the Board of Directors.

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

Consolidation area

The consolidated Financial Statements for the Mondadori Group includes:

- the accounts of the Holding Company and those of the Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, the majority of the share capital and controls the management: these investments have been consolidated on a line-by-line basis, in accordance with Law Decree no. 127 of 9 April 1991 and Document no. 17 of the Accounting Principles Commission set up by the Italian Accounting Profession;
- the financial statements of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, 50% of the share capital and controls the management: these investments have been consolidated on a proportional basis;
- the financial statements of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA holds, directly or indirectly, either 50 % of the share capital but does not control the management, or a minority interest: these investments have been consolidated on a net equity basis.

The consolidation does not include those companies whose inclusion would be immaterial in representing the true, correct financial situation and results of the financial year.

These companies have been valued at cost.

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

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 30/06/02	% held as of 31/12/01
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Companies consolidated using the line-by-line method:

Holding Company

Arnoldo Mondadori Editore SpA	Milan	Publishing	Euro	67,451,756.32		
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Italian subsidiaries

Athena Finanziaria Srl	Florence	Financial	Euro	10,500.00	100.00	100.00
Casa Editrice Felice Le Monnier SpA	Florence	Publishing	Euro	12,911,500.00	100.00	100.00
Casa Editrice Poseidonia Srl	Bologna	Publishing	Euro	11,000.00	100.00	87.50
Cemit Interactive Media SpA	S.Mauro Torinese	Trade	Euro	3,835,000.00	100.00	100.00
Editoriale Le Monnier SpA	Florence	Publishing	Euro	2,797,200.00	100.00	100.00
Edizioni Frassinelli Srl	Milan	Publishing	Euro	10,400.00	100.00	100.00
Edumond SpA	Milan	Publishing	Euro	10,608,000.00	100.00	100.00
Mondadori Electa SpA (formerly Elemond SpA)	Milan	Publishing	Euro	1,593,735.00	100.00	100.00
Electa Napoli Srl	Naples	Publishing	Euro	155,000.00	60.00	60.00
Mondadori Retail Srl	Milan	Trade	Euro	7,660,000.00	100.00	100.00
Fied SpA	Milan	Financial publishing	Euro	416,000.00	100.00	100.00
Giulio Einaudi Editore SpA	Turin	Publishing	Euro	23,920,000.00	100.00	100.00
Mondadori.com SpA	Milan	Trade and Publishing	Euro	3,600,000.00	100.00	100.00
Mondadori Informatica SpA	Milan	Publishing	Euro	2,600,000.00	100.00	100.00
Mondadori Printing SpA	Milan	Printing	Euro	45,396,000.00	100.00	100.00
Mondadori Pubblicità SpA	Milan	Advertising agent	Euro	3,120,000.00	100.00	100.00
Mondadori Franchising SpA	Rimini	Trade	Euro	1,954,000.00	100.00	100.00
Programmi Editoriali SpA	Milan	Publishing	Euro	3,120,000.00	100.00	100.00
Riccardo Ricciardi Editore SpA	Milan	Publishing	Euro	1,814,670.00	100.00	100.00
Sperling & Kupfer Editori SpA	Milan	Publishing	Euro	388,800.00	100.00	100.00

Foreign subsidiaries

Arnoweb SA	Luxembourg	Financial	Euro	46,500,000.00	99.99	99.99
Artes Graficas Toledo SA	Toledo	Printing	Euro	5,409,000.00	100.00	100.00
Mondadori International SA	Luxembourg	Financial	Euro	393,625,900.00	99.99	99.99

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 30/06/02	% held as of 31/12/01
<i>Companies valued using the proportional method</i>						
Mondolibri SpA	Milan	Trade and publishing	Euro	1,040,000.00	50.00	50.00
<i>Companies valued using the net equity method</i>						
Aci Mondadori Srl	Milan	Publishing	Euro	1,032,900.00	50.00	50.00
Ag. Lombarda Distrib. Giornali e Riviste Srl	Milan	Trade	Euro	400,000.00	50.00	50.00
BOL Books on Line Italia SpA	Milan	Trade	Euro	6,000,000.00	50.00	50.00
Digrisa SA de C.V.	Mexico	Publishing	Pesos	50,000	49.90	99.80
Distrib.Exclusiva Grijalbo SA	Bogotá	Trade	Pesos	1,400,000	49.99	44.44
Editorial Debate SA	Madrid	Publishing	Euro	61,000.00	50.00	44.45
Editorial Grijalbo SA de C.V.	Mexico	Publishing	Pesos	50,000,000	50.00	99.995
Editorial Grijalbo SA	Santiago	Publishing	Pesos	55,642,872	50.00	44.45
Editorial Grijalbo Ltda	Bogotá	Publishing	Pesos	10,000,000	49.49	44.00
Editorial Lumen SA	Barcelona	Publishing	Euro	65,999.96	50.00	44.45
Editorial Sudamericana SA	Buenos Aires	Publishing	Pesos	1,000,000	49.38	43.90
Editorial Sudamericana Chilena Ltda	Santiago	Publishing	Pesos	1,715,059,294	50.00	44.45
Editorial Sudamericana Uruguay SA	Montevideo	Publishing	Pesos	1,200,000	49.38	43.90
Edizioni Electa Bruno Mondadori Srl	Milan	Publishing	Euro	10,400.00	50.00	50.00
Edizioni EL Srl	Trieste	Publishing	Euro	620,000.00	50.00	50.00
Grijalbo Editor SA	Montevideo	Publishing	N. Pesos	500,000	50.00	44.45
Grijalbo SA	Caracas	Publishing	Bolivares	150,000	50.00	44.45
Grijalbo SA	Buenos Aires	Publishing	Australes	6	50.00	44.45
Grüner und Jahr / Mondadori SpA	Milan	Publishing	Euro	2,600,000.00	50.00	50.00
Grupo Editorial Random House Mondadori SL	Barcelona	Publishing	Euro	10,000,000.00	50.00	44.45
Harlequin Mondadori SpA	Milan	Publishing	Euro	258,250.00	50.00	50.00
Hearst Mondadori Editoriale Srl	Milan	Publishing	Euro	99,600.00	50.00	50.00
Libreria Catalonia SA	Barcelona	Publishing	Euro	74,866.90	48.00	42.67
Mach 2 Libri SpA	Milan	Trade	Euro	646,250.00	24.00	24.00
Market Self SA	Buenos Aires	Publishing	Ars	30,200	24.78	22.03
Mondadori Informatica e-BisMedia Srl	Milan	Services	Euro	3,100,000.00	50.00	50.00
Mondadori Rodale Srl	Milan	Publishing	Euro	90,000.00	50.00	50.00
Mondadori Sole 24 Ore SpA					(*)	50.00
Nuevas Ediciones de Bolsillo SL	Barcelona	Publishing	Euro	60,000.00	50.00	44.45
Nueva Galaxia Gutenberg SL	Barcelona	Publishing	Euro	60,200.14	45.00	40.00
Plaza y Janes Editores SA	Barcelona	Publishing	Euro	6,824,606.63	50.00	44.45
Plaza y Janes Mexico SA de Cv	Mexico	Publishing	Pesos	19,843,942	50.00	44.45
Prisco Spain SA (formerly Prisco International NV)	Barcelona	Financial	Euro	60,101.30	100.00	100.00
Società Europea di Edizioni SpA	Milan	Publishing	Euro	2,533,440.00	41.67	41.67

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 30/06/02	% held as of 31/12/01
<i>Companies valued at cost</i>						
AME Publishing Ltd.	New York	Services	US \$	50,000	99.99	99.99
Arnoldo Mondadori Deutschland GmbH	Monaco	Services	DM	50,000	99.99	99.99
Consuledit Srl	Milan	Services	Euro	20,000.00	9.54	9.54
Consorzio Aeromobili Fininvest	Milan	Services	Euro	520,000.00	3.00	3.00
Cons Sistemi Informativi Editoriali Distributivi	Milan	Services	Euro	103,291.38	10.00	10.00
Editrice Portoria SpA	Milan	Publishing	Euro	364,000.00	16.78	16.78
Editrice Storia Illustrata Srl (in liq.)	Milan	Publishing	Lire	20,000,000	8.39	8.39
Edizioni di Comunità Srl	Turin	Publishing	Euro	25,822.00	100.00	100.00
Euromedia Luxembourg Two SA	Luxembourg	Financial	US \$	42,500,000	11.76	11.76
Europrint Srl	Milan	Publishing and printing	Euro	14,976.00	28.23	28.23
Giulio Einaudi Editore SpA (under extraordinary administration)	Turin		Lire	3,000,000,000	7.35	7.35
Immobiliare Editori Giornali Srl	Rome	Real estate	Euro	830,462.00	7.88	7.88
Istud – Istituto Studi Direzionali SpA	Milan	Services	Euro	1,136,212.00	0.59	0.59
Marchgrange Limited	Dublin	Financial	£ irl.	12	99.99	99.99
Mondadori Belgium SA	Brussels	Financial	Euro	62,000.00	99.98	99.98
Mondadori.Com. USA Inc.	Delaware	Services	US \$	4,500,000	99.99	99.99
Morinvest Srl	Milan	Publishing	Euro	102,800.00	100.00	100.00
News Alert Investors Ilc	New York	Services	US \$	20,528,461	11.21	11.21
Paraferalia Srl					(**)	99.50
Selcon Srl	Milan	Services	Euro	20,800.00	17.60	17.60
Società Editrice Il Mulino SpA	Bologna	Publishing	Euro	1,175,000.00	7.05	7.05
Veleno SpA	Milan	Trade	Euro	5,000,000.00	24.00	24.00
Venezia Accademia Società Consortile a R.L.	Mestre	Services	Euro	15,000.00	26.00	-
Venezia Musei Società Consortile a R.L.	Venice	Services	Euro	10,000.00	34.00	34.00

The most significant changes in the consolidation area during the first half of 2002 were as follows:

(*) disposal of stake in Mondadori Sole 24 Ore SpA;

(**) liquidation of Paraferalia Srl.

Financial statements used

The Financial Statements used in the consolidation are those drawn up by the individual companies in the Group as of 30 June 2002, in accordance with Group accounting principles.

Consolidation policies

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

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

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

- the net book value of investments in companies included in the consolidated area is eliminated against the related net equity;
- the positive difference between the purchase cost of investments and their net equity at the date of acquisition is booked to adjustments in the specific item on the basis of the value of the title or series. Any eventual residue is booked to intangible assets under “Consolidation differences”. Negative differences are booked to net equity under the title “Consolidation reserve”;
- the amount of capital and reserves of companies consolidated on a line-by-line basis, corresponding to minority interests, is booked to net equity under “Minority interest capital and reserves”. The share of the consolidated financial result for the year, corresponding to third party investments, is booked under “Net profit (loss) for the year pertaining to minority interest”
- receivables and payables, together with charges and income resulting from transactions between companies included in the consolidation area are cancelled. Profits and losses resulting from transactions between these companies and included in their equity are eliminated;
- value adjustments and provisions made exclusively in application of tax regulations are eliminated.

Accounting principles and valuation methods

The accounting principles and valuation methods adopted in preparing the consolidated Financial Statements as of 30 June 2002 are in accordance with current regulations and are based on those issued by the Italian Accounting Profession

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

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

a) Intangible assets

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

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

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

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

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

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

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

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

Fiscal category	Depreciation period
Set-up and expansion costs	5 years
Industrial patents and right to use original work	3 – 5 years
Concessions, licences, trade marks and similar	5 – 20 years
Goodwill	10 years
Others	3 – 5 years
Consolidation differences	10 years

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

b) Fixed assets

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

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

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

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

Fixed assets are systematically amortised every year at a constant rate, on the basis of an economic-technical rate that depends on the residual useful life of the assets, which is periodically checked in order to take into account the technical-economic condition of the assets themselves.

The annual depreciation rate is compared with the reference period in the following way:

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

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

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

c) Financial assets

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

The book value also contains the highest cost paid, attributable to goodwill.

Profits and losses deriving from the application of the net equity method are booked to the Income Statement, under “Revaluation of investments” and “Investment writedowns”.

Other investments are valued at cost.

The company’s own shares bought in accordance with art. 2357 of the Civil Code and in accordance with the deliberations of the Shareholders’ Meetings of 16 March 1998, 29 April 1999, 3 May 2000 and 24 April 2001, are valued at purchase price, while those that come from the former shareholders of AMEF who exercised their right to sell their shares following the change of corporate purpose as a result of its merger with the former Arnoldo Mondadori Editore S.p.A., are

valued at the price fixed by the Shareholders' Meeting of 30 July 1991. L.I.F.O. valorization criteria are applied.

Other shares are valued at the lower of purchase cost and the market value.

d) Inventory

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

The cost is established:

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

The following percentages are shown in comparison to the reference period:

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

e) Receivables and payables

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

Receivables and payables in foreign currencies that are not part of the Euro area are booked at the exchange rate in force when they were due.

Adjustments made in order to take into account any potential exchange losses, deriving from the assessment of receivables and payables in foreign currency at the year-end exchange rate, are credited to the "Reserve for risks and charges".

f) Financial activities that do not constitute assets

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

In order to take into account the permanent loss of value, the cost is adequately reduced. However, if in subsequent periods the forecasts on which the writedowns were based prove to be unfounded, the original cost is restored.

g) Accruals and prepayments

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

h) Reserves for risks and charges

The provisions for risks and charges are to cover notable losses or liabilities that certainly or probably exist, but whose amount or date of occurrence was impossible to establish at the end of the year.

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

i) Reserve for severance indemnities

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

l) Revenues, costs, income and charges

Revenues are recognised when ownership is transferred and at the time services are rendered or completed.

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

m) Income taxes

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

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

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

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

Liabilities for deferred taxes are entered under B2, “Reserve for risks and charges – tax reserves”, while assets for advance taxes are entered under C5, “Receivables from others”. The offset between deferred taxes and advance taxes is applied by the individual companies in the consolidation only if there is a legal right to a balance offset. In the consolidated financial statement the balances relative to the individual companies included in the consolidation are not offset if there is no legal right to this.

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

n) Commitments and guarantees

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

o) Covering operations

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

Other information

With reference to the assessment notice received on 11 April 1995, with which the local direct tax office maintained, with reference to 1991, that the merger deficit in relation to the merger of AMEF (Arnoldo Mondadori Editore S.p.A.) was subject to taxation, it should be noted that the Milan Regional Tax Commission rejected the appeal by the Tax Office and that no other news was heard about the matter during 2002.

We therefore confirm that the financial statements at 30 June 2002 are correct in terms of form and substance and that the consolidated financial statements provide a fair representation of the Group's economic and financial position.

Details of items in the Consolidated Financial Statements

In the following sections the amounts, which are expressed in thousands of euros, refer to the Consolidated Financial Statement as of 31 December 2001.

Assets

B) NON-CURRENT ASSETS

B.I. Intangible assets

Amounted to 174,940 thousand euros (185,633 thousand euros). Movements of intangible assets and amortisation are as follows:

Intangible assets	Gross value	Amortisation funds	Net book value
Balance at 31/12/2001	342,383	(156,750)	185,633
Additions during the period	736	-	736
Amortisation	-	(11,549)	(11,549)
Reclassifications and reversals	(11,477)	11,721	244
Disposals and other movements	(856)	732	(124)
Total intangible assets	330,786	(155,846)	174,940

The capitalised costs of 736 thousand euros for the period mainly concern:

- costs of 333 thousand euros paid for patents and use of original work (Arnoldo Mondadori Editore SpA 229 thousand euros, other companies 104 thousand euros);
- costs of 277 thousand euros paid by various Group companies for the maintenance of third-party assets.

The item “Reclassifications and reversals” mainly concerns intangible asset reversals depreciated as of 30 June 2002.

The net value of Intangible assets at 30 June 2002 is made up as follows:

Intangible assets	Set-up and expansion costs	Patents and use of original work	Concessions, licences, trademarks	Goodwill	Assets under construction	Others	Consolidation differences	Total
Start-up costs/changes in statutes	419							419
Capital increase/reconstruction	1,137							1,137
Set-up costs								-
Patents/rights		660						660
Software		304						304
Titles and publishing brands			111,039					111,039
Series			26,914					26,914
Licences			72					72
Goodwill				14,065				14,065
Assets under construction and advances					65			65
Cost of software purchase						2,577		2,577
Building, office and other renovation						3,654		3,654
Leasehold acquisition costs								
						430		430
Others						190		190
Consolidation differences							13,414	13,414
Total intangible assets	1,556	964	138,025	14,065	65	6,851	13,414	174,940

The titles acquired in 1994 from Silvio Berlusconi Editore are amortised over a period of 20 years in accordance with the recommendations expressed by the National Board of Accountants based on IAS 38 international principles.

This value is periodically reviewed in the light of economic prospects

Residual goodwill is mainly due to the purchase of “Mursia Scuola” for 4,699 thousand euros, the purchase of book selling activities by means of franchising agreements for 969 thousand euros, the purchase of the company division responsible for the sales outlet in via Marghera in Milan for 2,262

thousand euros, the purchase of the Volftp division for 1,196 thousand euros and the purchase of the former Silvio Berlusconi Editore for 3,365 thousand euros.

Consolidation differences concern Elemond SpA for 2,074 thousand euros, Edumond SpA for 1,734 thousand euros, Cemit Interactive Media SpA for 139 thousand euros, the Sperling & Kupfer Group for 1,278 thousand euros and the Le Monnier Group for 8,189 thousand euros.

B.II. Fixed assets

Amounted to 211,258 thousand euros (210,864 thousand euros) and are made up as follows:

Fixed assets	Opening balance	Additions	Disposals	Changes in work in progress	Changes in consolidation area	Other changes	Closing balance	Amortisation reserve	Net closing balance
	(=)	(+)	(-)	(+0-)		(+0-)	(=)	(-)	(=)
Land and buildings	142,417	1,705	(445)			130	143,807	(57,458)	86,349
Plant and machinery	339,899	7,388	(3,194)			(1,008)	343,085	(254,152)	88,933
Equipment	7,347	488	(67)			130	7,898	(5,848)	2,050
Furniture and office machines	57,443	2,394	(1,172)			(2,037)	56,628	(39,592)	17,036
Motor vehicles	6,602	728	(437)			6	6,899	(4,778)	2,121
Assets under construction	8,681			6,088			14,769		14,769
Total fixed assets	562,389	12,703	(5,315)	6,088	0	(2,779)	573,086	(361,828)	211,258

Investments made during the period, equal to 12,703 thousand euros, were concerned with Mondadori Printing SpA and Artes Graficas Toledo SA (8,800 thousand euros), Arnoldo Mondadori Editore SpA (1,621 thousand euros), Cemit Interactive Media SpA (210 thousand euros), Mondadori Electa SpA (148 thousand euros), Edumond SpA (120 thousand euros), Giulio Einaudi Editore SpA (146 thousand euros), Mondadori Retail Srl (857 thousand euros) and other companies in the Group.

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

Disposals during the period, equal to 5,315 thousand euros, were concerned with Mondadori Printing SpA and Artes Graficas Toledo SA (1,774 thousand euros), Arnoldo Mondadori Editore SpA (442 thousand euros), Mondadori Informatica SpA (80 thousand euros), Giulio Einaudi Editore SpA (112 thousand euros), Le Monnier Group (745 thousand euros) and other companies in the Group.

During the first half of the year a non-strategic property in Milan was disposed of, while the Group's manufacturing companies replaced obsolete plant and other Group companies replaced various assets and office equipment.

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

Revaluations	Law no. 576/1975	Law no. 72/1983	Voluntary revaluation in 1984	Law no. 408/1990	Law 413/1991
Land and buildings	49	3,551	39,779	8,090	163
Plant and machinery	1,276	3,306	5,392	-	-
Furniture and office equipment	2	9	-	-	-
Other assets	-	7	-	-	-
Total revaluation	1,327	6,873	45,171	8,090	163

Movements of accumulated depreciations were as follows:

Accumulated depreciations	Balance at 31/12/2001	Depreciation for period	Disposals	Variations in consolidation area	Other changes	Balance at 30/06/2002
	(=)	(+)	(-)	(+o-)	(+o-)	(=)
Land and buildings	55,566	1,987	(102)		7	57,458
Plant and machinery	245,706	12,222	(3,055)		(721)	254,152
Equipment	5,762	315	(61)		(168)	5,848
Furniture and office equipment	39,803	2,782	(1,100)		(1,893)	39,592
Motor vehicles	4,688	399	(270)		(39)	4,778
Total investments	351,525	17,705	(4,588)	0	(2,814)	361,828

Fixed assets are burdened with mortgages and liens to guarantee loans to the Group amounting to 14.6 million euros at 30 june 2002.

B.III. Non-current financial assets

B.III.1) Investments amounted to 59,955 thousand euros (73,448 thousand euros) and are made up as follows:

	Thousands of euros 30 June 2002	Thousands of euros 31 December 2001
Investments valued at net equity	51,401	63,804
Investments valued at cost	8,554	9,644
Total investments	59,955	73,448

Movements during the year were as follows:

	Valued at net equity	Valued at cost	Total
Balance at 31 December 2001	63,804	9,644	73,448
Movements during the year:			
- result of equity investments	(2,131)	-	(2,131)
- acquisitions, start-ups and increases in capital	1,864	7	1,871
- dividends	(2,607)	-	(2,607)
- change from net equity to cost	-	-	0
- changes to investments in working capital	-	-	0
- writedowns, disposals and other adjustments	(9,529)	(1,097)	(10,626)
Total investments	51,401	8,554	59,955

In the first half of 2002 the operations that affected the value of investments held by Mondadori concerned the transfer of the total stake held by Prisco Spain S.A. in Editorial Grijalbo S.A. de C.V. Mexico to Grupo Editorial Random House Mondadori S.A.

As a result of this operation the stake held by Mondadori Group in Grupo Editorial Random House Mondadori increased from 44.45% to 50%.

The decrease in the value of investments is mainly due to the changes in exchange rates that affected the accounts of the South American companies involved in the joint-venture referred to above.

The following table shows details of the balance at 30 June 2002:

	Thousands of euros 30 June 2002	Thousands of euros 31 December 2001
Investments in subsidiary companies:		
- Ame Publishing Ltd	33	33
- Morinvest Srl	193	193
- A. M. Deutschland Gmbh	20	20
- Marchgrange Ltd	15	15
- Prisco Spain S.A.	56	7,706
- Mondadori.com Inc	1,125	2,025
- Edizioni di Comunità Srl	26	-
- Mondadori Belgium SA	62	62
Total investments in subsidiary companies	1,530	10,054
Investments in affiliated companies:		
- Grüner und Jahr/Mondadori SpA	3,443	3,410
- Mach 2 Libri SpA	1,597	1,447
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	281	368
- Harlequin Mondadori SpA	385	699
- Hearst Mondadori Editoriale Srl	113	99
- Mondadori Rodale Srl	572	327
- Mondadori Sole 24 Ore SpA	-	579
- Edizioni Electa Bruno Mondadori Srl	17	257
- Edizioni EL Srl	1,470	1,575
- Grupo Editorial Random House Mondadori SL	33,993	36,471
- Società Europea Edizioni SpA	7,536	8,893
- Mondadori Informatica e-Bismedia Srl	803	1,130
- Books on line Italia Srl	1,228	370
- Aci Mondadori Srl	(93)	473
- Veleno SpA	1,030	1,200
- Euromedia Luxembourg Two Sa	5,189	5,189
- Venezia Musei Scarl	3	3
- Venezia Accademia Scarl	4	-
- Consorzio Forma	1	-
- Consorzio Covar	1	1
Total investments in affiliated companies	57,573	62,491
Investments in other companies:		
- Società Editrice Il Mulino SpA	113	113
- Consuedit Srl	1	1
- Consorzio Aeromobili Fininvest	15	15
- Cons Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali Srl	52	52
- Istud – Istituto Studi Direzionali SpA	7	7
- Europrint Srl	649	702
- Novamusa arcal	2	-
- Conai	1	1
- Consorzio Fridriciano	2	2
Total investments in other companies	852	903
Total investments	59,955	73,448

B.III.2.d) Other receivables amounted to 8,164 thousand euros (8,516 thousand euros, representing a decrease compared with 31 December 2001 as a result of the use of tax credits for severance indemnities for the advanced payment of tax on severance pay.

	Thousands of euros		Thousands of euros	
	30 June 2002		31 December 2001	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Guarantee deposits	9	832	9	776
Earnest money	207	206	206	207
Tax credits for severance indemnity	476	6,371	504	6,714
Loans	38	-	64	-
Others	-	25	-	36
Total other receivables	730	7,434	783	7,733

B.III.4) Treasury stock amounted to 56,606 thousand euros (56,150 thousand euros) and is represented by shares in Arnoldo Mondadori Editore SpA.

Movements of treasury stock concern acquisitions totalling 456 thousand euros. At 30 June 2002 the portfolio of treasury stock amounted to 3.24% of the share capital.

C) *WORKING CAPITAL*

C.I. *Inventory*

“Inventory” amounted to 118,755 thousand euros (118,434 thousand euros), net of writedowns for 10,298 thousand euros (9,980 thousand euros).

	Thousands of euros 30 June 2002	Thousands of euros 31 December 2001
Raw, ancillary and consumable materials	12,497	11,363
Writedowns of raw, ancillary and consumable materials	(490)	(478)
Total raw, ancillary and consumable materials	12,007	10,885
Work in progress and semi-finished goods	17,869	27,787
Writedowns of work in progress and semi-finished goods	(1,061)	(1,061)
Total work in progress and semi-finished goods	16,808	26,726
Work in progress to order	9,060	9,077
Writedowns of work in progress to order	-	-
Total work in progress to order	9,060	9,077
Finished products and goods	89,627	80,174
Writedowns of finished products and goods	(8,747)	(8,441)
Total finished products and goods	80,880	71,733
Advances	-	13
Total inventory	118,755	118,434

The changes compared with 31 December 2001 refer to “Raw, ancillary and consumable material” and “Finished products and goods”. In the former case the increase was due to the production in some sectors that is concentrated in the third quarter of the year, while in the second case the increase is mainly due to the seasonal nature of the school sector where the production, which is partly manufactured in June, is sold in the second half of the year.

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

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

Movements in warehouse writedowns	Thousands of euros				
	31.12.2001	Changes in consolidation areas/others	Provisions	Utilisations	30.06.2002
Writedowns of raw materials	478	-	12	-	490
Writedowns of work in progress and semi-finished products	1,061	-	-	-	1,061
Writedowns of work in progress to order	-	-	-	-	-
Writedowns of finished products and goods	8,441	-	529	(223)	8,747
Total	9,980	0	541	(223)	10,298

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

C.II. Receivables

Trade and other receivables amounted to 554,699 thousands of euros (488,894 thousands of euros), and included the following:

C.II.1) Trade receivables amounted to 384,452 thousands of euros (344,197 thousands of euros) and can be broken down in the following way:

	Thousands of euros		Thousands of euros	
	30 June 2002		31 December 2001	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Book clients	99,566	124	102,202	199
Magazine clients	60,308	-	66,627	-
School clients	22,696	-	16,180	-
Instalment clients	10,767	12,069	11,504	13,182
Advertising clients	169,989	-	131,335	-
Printing work clients	51,420	-	61,315	-
Subscription clients and various	22,433	-	24,641	-
Direct marketing services clients	18,587	-	22,453	-
Invoices to be issued	11,345	-	6,224	-
Credit notes to be issued	(873)	-	(4,909)	-
Returned goods client account	(68,422)	-	(81,966)	-
Fiscal receivables writedowns	(5,788)	-	(5,606)	-
Taxed receivables writedown	(19,594)	-	(19,009)	-
Interest in arrears risk reserve	(175)	-	(175)	-
Total trade receivables	372,259	12,193	330,816	13,381

The most significant changes in comparison with 31 December 2001 reflect the seasonal nature of some sectors of the business. With the exception of “School clients” receivables, which in June is higher than in December because the first shipment of new texts is made in that month, and “Advertising clients” receivables, which was influenced by a factorising operation carried out in December, receivables from all other categories of clients was lower compared with the figure at 30 June 2001 as a result of a decrease in business, as explained in the Report on the period.

As a consequence of the decrease in revenues, the allocation relative to future returns also decreased compared with the data both for December and June 2001.

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

The receivable writedown reserve, the movements of which are illustrated in the table that follows, was decided by each of the companies of the Group influenced by some Group companies after analysing the state of receivables in dispute according to how long each of them had existed and what the real chance of collectability was.

The reserve was utilised when there were losses on receivables booked to the Income Statement of the various Group companies.

Movements in writedowns of receivables		Thousands of euros			
	31.12.2001	Changes in consolidation areas/others	Provisions	Utilisations	30.06.2002
Writedowns of fiscal receivables	5,606	-	2,151	(1,969)	5,788
Writedowns of taxed receivables	19,009	-	1,801	(1,216)	19,594
Total	24,615	0	3,952	(3,185)	25,382

“Receivables from clients ” include 5,630 thousand euros from companies in the Fininvest Group. The most significant of these concern Pagine Italia SpA for 3,929 thousand euros, Medusa Video Srl for 144 thousand euros, RTI SpA for 863 thousand euros, Promoservice Italia Srl for 223 thousand euros and Publitalia 80 SpA for 352 thousand euros. These receivables are of a commercial nature and derive from dealings carried out according to market conditions.

C.II.2) Receivables from subsidiary companies amounted to 649 thousand euros (3,994 thousand euros), as illustrated in the following table:

	Thousands of euros		Thousands of euros	
	30 June 2002		31 December 2001	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial receivables:				
- Edizioni di Comunità Srl	127	-	104	-
- Mondolibri SpA	-	-	3,313	-
- Mondadori.com Usa	8	-	9	-
Financial receivables:				
- Edizioni di Comunità Srl	500	-	564	-
- Marchgrange Limited	14	-	4	-
Total receivables from subsidiary companies	649	0	3,994	0

The significant difference compared with 31 December 2001 is a result of classifying Mondolibri SpA as an affiliated company following the disposal of the controlling stake held by Mondadori.

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

C.II.3) Receivables from affiliated companies amounted to 45,814 thousand euros (44,162 thousand euros).

The increase in comparison to 31 December 2001 was mainly due to the classifying of Mondolibri SpA as an affiliated company, following the disposal of the controlling stake held by Mondadori.

	Thousands of euros		Thousands of euros	
	30 June 2002		31 December 2001	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial receivables:				
- Editrice Portoria SpA	68	-	68	-
- Grüner und Jahr/Mondadori SpA	1,240	-	1,555	-
- Mach 2 Libri SpA	11,690	-	10,790	-
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	1,018	-	628	-
- Harlequin Mondadori SpA	1,182	-	324	-
- Hearst Mondadori Editoriale Srl	1,242	-	1,218	-
- Mondadori Rodale Srl	4,618	-	5,150	-
- Mondadori Sole 24 Ore SpA	-	-	1,461	-
- Edizioni Electa Bruno Mondadori Srl	510	-	124	-
- Edizioni EL Srl	718	-	448	-
- Grupo Editorial Random House Mondadori SL	701	-	525	-
- Società Europea Edizioni SpA	89	-	502	-
- Mondadori Informatica e-Bismedia Srl	111	-	207	-
- Mondolibri SpA	3,460	-	-	-
- Books on line Italia Srl	352	-	704	-
- Aci Mondadori Srl	3,114	-	3,737	-
Financial receivables:				
- Editrice Portoria SpA	134	-	131	-
- Mach 2 Libri SpA	-	-	2,056	-
- Hearst Mondadori Editoriale Srl	513	-	934	-
- Mondadori Rodale Srl	1,041	-	284	-
- Aci Mondadori Srl	2,474	-	1,546	-
- Grupo Editorial Random House Mondadori SL	11,199	-	10,989	-
- Mondadori Sole 24 Ore SpA	-	-	31	-
- Edizioni Electa Bruno Mondadori Srl	340	-	750	-
Total receivables from affiliated companies	45,814	0	44,162	0

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

C.II.4) Receivables from parent companies amounted to 2 thousand euros (19 thousand euros), and concern operations carried out according to market conditions.

C.II.5) Other receivables amounted to 123,782 thousand euros (96,522 thousand euros).

The most significant changes with respect to the situation at 31 December 2001 are mainly due to the following factors:

- reimbursements from the Tax authorities for corporation and local taxes;
- increased receivables from the Tax authorities for taxes paid in June;
- increased receivables from agents, authors and collaborators for commission advances and rights prepayments made during the period.

“Others” include financial receivables, together with accrued interest, from the Bertelsmann Group for 7,747 thousand euros.

	Thousands of euros 30 June 2002		Thousands of euros 31 December 2001	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Receivables from tax authorities for VAT to be recovered	7,504	-	4,674	-
Receivables from tax authorities for IRPEG/ILOR reimbursements	331	-	4,810	-
Receivables from tax authorities for IRPEG/ILOR	916	-	637	-
Receivables from tax authorities for IRPEG advances	16,724	-	1,864	-
Receivables from tax authorities for IRAP advances	6,262	-	210	-
Receivables from tax authorities for tax paid in advanced	29,750	-	30,165	-
Receivables from tax authorities for withholding tax	54	-	13	-
Other receivables from tax authorities	1,326	-	363	-
Advances to agents	4,868	-	1,629	-
Advances to authors and collaborators	37,359	-	34,048	-
Advances to suppliers	1,839	-	1,936	-
Advances to personnel	1,114	390	825	320
Receivables for insurance indemnities	-	-	682	-
Receivables from social security institutions	319	-	38	-
Receivables for deposits	345	-	362	-
Others	14,681	-	13,942	4
Total other receivables	123,392	390	96,198	324

There are no receivables due in more than five years.

C.III. Financial activities that do not constitute assets

These amounted to 287,126 thousand euros (364,478 thousand euros) and are represented by **other shares** entered in the Balance Sheet of Mondadori International SA.

The decrease was almost entirely due to the decision to reduce the investment in the Sicav Luxembourg ABS Finance Fund in favour of investments in bank deposits, while part of the difference (4.7 million euros) was also to a reduction in the shares held in Sicav.

At 30 June 2002, Mondadori International SA held 34.64% of Sicav with the remaining part held by Mediaset Investment SA and Trefinance SA (Fininvest Group).

C.IV. Cash and banks

The total of liquid assets amounted to 217,268 thousand euros (185,096 thousand euros).

These are represented by:

- deposits in bank accounts held by Group companies with banks for 216,316 thousand euros and in post offices for 653 thousand euros;
- cheques and cash for 299 thousand euros, for small day-to-day payments.

D) ACCRUED INCOME AND PREPAYMENTS

Amounted to 6,548 thousand euros (10,515 thousand euros), in line with the amount at 30 June 2001. The seasonal nature of the distribution of third-party products is the reason for the decrease in prepayments compared with 31 December 2001.

	Thousands of euros 30 June 2002	Thousands of euros 31 December 2001
Interest earned	1,105	733
Others	119	54
Total accrued income	1,224	787
Interest paid	-	80
Lease payments and rents	624	646
Insurance	612	411
Third party publications for sale	1,066	5,930
Commission, rights	57	38
Others	1,876	1,352
Total prepayments	4,235	8,457
Premium on loans	1,089	1,271
Total prepayments and accrued income	6,548	10,515

Liabilities

A) SHAREHOLDERS' EQUITY

Amounted to 509,127 thousands of euros (616,792 thousands of euros).

The share capital, fully subscribed and paid up, as of 30 June 2002 is represented by 259,278,420 ordinary shares and 151,412 savings shares with a par valued of 0.26 euros.

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

B) RESERVE FOR RISKS AND CHARGES

Amounted to 45,574 thousand euros (57,270 thousand euros) and is made up as follows:

	Thousands of euros 30 June 2002	Thousands of euros 31 December 2001
Retirement reserve and similar obligations	937	959
Tax reserve	19,290	27,563
Others:		
- legal risks	11,147	9,245
- uncollectables	2,593	2,807
- exchange losses	84	120
- commitments to advertising agency	6,643	6,594
- risks for contractual disputes	2,156	2,156
- other risks	4,724	7,826
Total reserve for risks and other charges	47,574	57,270

The item "Retirement reserve and similar obligations" includes indemnities for freelance journalists and the relative contributions. During the period provisions for 43 thousand euros and utilisations for 80 thousand euros were made.

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

The “Legal risks reserve ” is calculated on the basis of an analysis of potential liabilities arising from lawsuits involving former employees, collaborators or third parties in general taken out against companies belonging to the Group, and is considered to be adequate to meet any such eventualities. During the period there were provisions for 490 thousand euros, utilisations for 1,342 thousand euros and other negative variations for 2,754 thousand euros.

The “Commitments to advertising agency” item is made up of provisions made by Group companies to cover any eventual losses on advertising receivables sustained by Mondadori Pubblicità SpA. During the period this item increased by 189 thousand euros of provisions and decreased by 140 thousand euros for utilisations.

C) SEVERANCE INDEMNITIES

These amounted to 101,870 thousand euros (99,643 thousand euros) and the changes during the year were as follows:

	Thousands of euros 30 June 2002	Thousands of euros 31 December 2001
Total severance indemnities at beginning of year	99,643	98,316
Movements during the year:		
- provisions	7,674	14,607
- payments	(4,367)	(10,972)
- contribution to pension fund as per Law 297/82	(318)	(576)
- transfers to/from other companies	75	(333)
- utilisation for pension funds	(457)	(745)
- utilisation for advances	(74)	(114)
- variations in consolidation area	(306)	(540)
Total severance indemnities at end of year	101,870	99,643

D) PAYABLES

Trade and other payables amounted to 1,025,675 thousand euros (916,372 thousand euros). These are made up as follows:

D.3) Amounts due to banks amounted to 527,986 thousand euros (373,779 thousand euros), and concerned current account overdrafts for 42,540 thousand euros and loans for 485,446 thousand euros.

		Thousands of euros 30 June 2002		Thousands of euros 31 December 2001	
	Interest rate	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Secured loans:					
- IMI	2.930% 3.912%	2,547	8,003	2,502	9,288
- Ministero Industria Commercio e Artigianato	3.630%	-	735	-	735
- Mediocredito	7.000%	75	-	70	39
- Mediocredito Lombardo	2.900%	81	736	80	777
- Mediocredito Trentino	4.600%	-	3,181	-	3,181
Unsecured loans:					
- Pool Comit/Eurorev	3.660%	350,000	-	195,000	-
- Credito Bergamasco	3.450%	25,800	-	25,000	-
- Ministero Industria Commercio e Artigianato	3,540%	-	1,793	-	-
- San Paolo IMI	3.490%	38,734	-	38,734	-
- Credito Emiliano	3.590%	52,000	-	25,823	-
- Cassa di Risparmio di Verona	3.450%	-	-	20,658	-
- Mediocredito Lombardo	3.150%	212	1,549	208	1,656
Total payables on loans		469,449	15,997	308,075	15,676

Accrued payments due for a period longer than 5 years amounted to 7,924 thousand euros.

As of 30 June 2002, mortgages on property owned by the Group for a total of 14.6 thousand euros were granted as guarantees for loans.

D.5) Advances amounted to 33,202 thousand euros (31,109 thousand euros) and include advances from customers for subscriptions for magazines for 25,305 thousand euros, shipping expenses advanced by foreign subscribers for 134 thousand euros and various advances from suppliers for 7,763 thousand euros.

D.6) Trade payables amounted to 316,063 thousand euros (331,339 thousand euros) and are all due within 12 months.

Payables to companies in the Fininvest Group amount to 8,383 thousand euros. The most significant of these concern amounts to Publitalia 80 SpA for 7,657 thousand euros, Medusa Film SpA for 158 thousand euros, RTI SpA for 229 thousand euros, Medusa Video Srl for 106 thousand euros and Promoservice Italia Srl for 42 thousand euros.

It should be noted that these loans are of a commercial nature and that all the transactions referred to above are based on market conditions.

D.8) The **amounts due to subsidiary companies** amounted to 408 thousand euros (672 thousand euros) and are illustrated in the following table:

	Thousands of euros		Thousands of euros	
	30 June 2002		31 December 2001	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial payables:				
- Edizioni di Comunità Srl	216	-	213	-
- Mondolibri SpA	-	-	220	-
- Ame Publishing Ltd	13	-	64	-
Financial payables:				
- Morinvest Srl	179	-	175	-
Total amounts due to subsidiary companies	408	0	672	0

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

D.9) The **amounts due to affiliated companies** of 39,561 thousand euros (41,414 thousand euros) are illustrated in the following table:

	Thousands of euros		Thousands of euros	
	30 June 2002		31 December 2001	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial payables:				
- Editrice Portoria SpA	120	-	120	-
- Grüner und Jahr/Mondadori SpA	4,639	-	11,374	-
- Mach 2 Libri SpA	120	-	307	-
- Books on line Italia Srl	36	-	-	-
- Venezia Accademia Scarl	78	-	-	-
- Venezia Musei Scarl	64	-	211	-
- Hearst Mondadori Editoriale Srl	2,937	-	2,962	-
- Mondadori Rodale Srl	9,486	-	8,652	-
- Mondadori Sole 24 Ore SpA	-	-	8	-
- Edizioni Electa Bruno Mondadori Srl	-	-	4	-
- Edizioni EL Srl	2,598	-	2,536	-
- Grupo Editorial Random House Mondadori SL	18	-	28	-
- Società Europea Edizioni SpA	6,481	-	3,827	-
- Mondadori Informatica e-Bismedia Srl	-	-	478	-
- Aci Mondadori Srl	3,315	-	4,090	-
- Mondolibri SpA	127	-	-	-
Financial payables:				
- Grüner und Jahr/Mondadori SpA	2,995	-	151	-
- Euromedia Luxembourg Two Sa	2,502	-	2,502	-
- Mondadori Informatica e-Bismedia Srl	465	-	-	-
- Harlequin Mondadori SpA	3,580	-	4,164	-
Total amounts due to affiliated companies	39,561	0	41,414	0

There was no significant overall variation compared with 31 December 2001.

D.10) Payables to parent companies amounted to 3 thousand euros (zero at 31 December 2001) for commercial operations carried out according to market conditions..

D.11) Income tax payables amounted to 7,624 thousand euros (26,012 thousand euros). A comparison with the data at 31 December 2001 is of little significance since the tax burden for the six-month period has not been calculated and because, during the first half of the year, the company paid the Financial Authorities the monies owed for the previous financial period.

If the figures are compared with 30 June 2001 there is little difference in the balance.

	Thousands of euros		Thousands of euros	
	30 June 2002		31 December 2001	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
IRPEG on income for the period	116	-	7,422	-
IRAP for the period	-	-	2,124	-
Withholding taxes on wages and salaries	5,290	-	8,728	-
Substitutive tax	229	-	5,860	-
Other taxes withheld	1,989	-	1,878	-
Total income taxes payable	7,624	0	26,012	0

D.12) The amounts due to pension funds and social security institutions of 13,924 thousand euros (15,411 thousand euros) include:

	Thousands of euros		Thousands of euros	
	30 June 2002		31 December 2001	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
INPS contributions	5,131	-	5,925	-
INAIL contributions	-	-	56	-
INPDAI and INPGI contributions	2,336	-	2,232	-
PREVINDAI contributions	533	-	214	-
ENASARCO contributions	340	-	319	-
Others	5,584	-	6,665	-
Total amounts due to pension funds and social security institutions	13,924	0	15,411	0

The most important amount in the item “Others” relates to contributions to payables for personnel of 4,749 thousand euros.

D.13) Other liabilities amounted to 86,904 thousand euros (96,636 thousand euros) and include:

	Thousands of euros		Thousands of euros	
	30 June 2002		31 December 2001	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Payroll and other amounts due to personnel	27,496	-	26,263	-
Authors and collaborators	32,974	-	31,113	-
Agents	10,777	1,485	16,851	1,400
Subscriber and instalment customers	7,234	-	10,127	-
Loans payable	1,321	-	5,058	-
Dividends for shareholders	204	-	7	-
Others	5,413	-	5,817	-
Total other liabilities	85,419	1,485	95,236	1,400

The most significant changes refer to “Payables to authors and collaborators” for rights that will be due and paid in the first few months of the next period and “Payables to agents” for commissions in the school sector that generally are due in the second half of the year.

“Payables to subscribers and instalments customers” relate to the Group’s commitment for subscriptions taken out but not yet collected at the date of the financial statements and for instalment works that have been ordered. Subscriptions that have been taken out and paid for are shown under “Advances”.

There are no payables due for periods longer than 5 years.

E) ACCRUED LIABILITIES AND DEFERRED INCOME

These amounted to 10,726 thousand euros (11,432 thousand euros) and are made up as follows:

	Thousands of euros 30 June 2002	Thousands of euros 31 December 2001
Interest payable	1,701	1,132
Deferred payroll expenses	846	2,254
Others	2,299	2,516
Total accrued liabilities	4,846	5,902
Interest receivable	1,021	864
Rent payable	1,411	1,492
Others	3,448	3,174
Total deferred income	5,880	5,530
Premium on loans	-	-
Total accrued liabilities and deferred income	10,726	11,432

“Interest payable” mainly concerns loans taken out for the most part by the Holding Company.

“Other deferred income” includes compensation calculated by Giulio Einaudi Editore SpA for instalment sales.

Memorandum accounts

Guarantees, sureties and endorsements

Amounted to 33,774 thousand euros (28,673 thousand euros).

They include letters of patronage for 1,032 thousand euros, sureties issued by banks to the Tax Authorities for prize-giving operations and competitions and to the VAT offices for a total of 30,891 thousand euros, and other guarantees for 1,851 thousand euros.

Commitments

Amounted to 52,050 thousand euros (51,751 thousand euros).

These refer to fixed term contracts for sales of foreign currency for 21,851 thousand euros and commodity swap contracts for 30,199 thousand euros.

Others

Amounted to 85,586 thousand euros (84,233 thousand euros) and refer to third-party goods on deposit for distribution and sale for 84,519 thousand euros and third-party paper for processing and deposits.

Commitments and risks

For a correct valuation of the Group's Balance Sheet and financial position, we would inform you that at 30/06/2002 the following other commitments were not included in the memorandum accounts: 4.6 million euros per year for the rent of the Head Office under lease until 30 June 2008, subject to contractual rent reviews, and commitments by Mondadori Printing SpA to purchase new plant for 5,632 thousand euros.

There are also synthetic swap operations in force concerning the entire annual gross average debt (325 million euros). The objective of these operations is to protect the Group from the risk of increases in market interest rates by:

- reducing the impact on the income statement of financial charges;
- making any future financial charges as stable as possible by reducing their volatility.

The operations have a five-year duration (May 2002 – May 2007) and involve JPMorgan – Chase.

During the first half of the year the Group earned a differential on synthetic swap operations of approximately 0.5 million euros.

Notes on the items in the consolidated Income statement

In the following sections the amounts in brackets, which are expressed in thousands of euros, refer to the Consolidated statement as of 30 June 2001.

A) PRODUCTION VALUE

A.1) Sales of goods and services

Amounted to 721,005 thousand euros (811,877 thousand euros), a decrease of 11.2% compared with 30 June 2001. It should be noted that on a comparable basis, consolidating the Grijalbo Group using the net equity method, the decrease drops to 4.8%.

Sales of “Books”, “Magazines” and “Direct marketing” are shown net of VAT borne by the publisher for 2,666 thousand euros, 7,199 thousand euros and 194 thousand euros, respectively.

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

The Mondadori Group billed the Fininvest Group for 7,372 thousand euros, including 6,092 thousand euros to Pagine Italia SpA mainly for printing operations, 758 thousand euros to RTI SpA mainly for printing operations, 91 thousand euros to Medusa Video Srl for the disposal of books, 91 thousand euros to Publitalia 80 SpA and 149 thousand euros to Radio e Reti Srl mainly for advertising.

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

Amounted to –525 thousand euros (896 thousand euros). Details of the changes are given in the Balance Sheet under “Inventory”.

A.3) Changes in work in progress to order

Amounted to -17 thousand euros (3,659 thousand euros). Details of the changes are given in the Balance Sheet under “Inventory”.

A.4) Increase in non-current assets for internal work

During the first half of the year labour costs of 93 thousand euros (103 thousand euros) were booked under fixed assets.

A.5) Other income and revenues

Amounted to 22,757 thousand euros (22,856 thousand euros) and included the recovery of development and distribution costs for magazines (2,466 thousand euros compared with 4,760 thousand euros), transportation costs (1,270 thousand euros compared with 204 thousand euros), personnel costs (434 thousand euros compared with 263 thousand euros), income from the billing of production rejects and from the sale of paper by the Group’s manufacturing divisions (2,345 thousand euros compared with 3,090 thousand euros).

	Thousands of euros 1st half of 2002	Thousands of euros 1st half of 2001
Expenses recovered from third parties	17,006	18,678
Capital gains of disposals of assets	696	260
Supplier bonuses and other third party contributions	1,510	1,193
Rents	258	233
Instalments	493	539
Contingent assets	662	537
Contributions in financial accounts	35	29
Others	2,097	1,387
Total other income and revenues	22,757	22,856

The Mondadori Group billed the Fininvest Group for 130 thousand euros, including 30 thousand euros to Logilab SpA, 29 thousand euros to Mediolanum SpA and 67 thousand euros to RTI SpA mainly for the recovery of costs.

B) PRODUCTION COSTS

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

Amounted to 224,307 thousand euros (270,676 thousand euros) and are made up as follows:

	Thousands of euros 1st half of 2002	Thousands of euros 1st half of 2001
Paper	102,643	117,135
Electricity, water, gas, fuel	7,690	6,717
Other production materials	14,033	15,561
Total purchase of raw and ancillary materials	124,366	139,413
Goods for sale	78,578	113,555
Consumption and maintenance materials	21,016	17,708
Others	347	-
Total purchase of consumable materials and goods	99,941	131,263
Total cost of raw, ancillary and consumable materials and goods	224,307	270,676

The main changes compared with the first half of 2001 are concerned with the decrease in the cost of purchasing “Paper”, following the reduction in the price of the raw material and lower production, the latter of which was also the reason for the reduction in the costs of “Other production materials”, and the costs relating to “Goods for sale”, which was affected by the expiry of the contract for distributing magazine titles of the Gruppo Editoriale L’Espresso.

However, there was an increase in the cost of “Electricity, water, gas and fuel” as a result of the increase in oil prices and fluctuations in the American dollar.

The cost of “Raw and ancillary materials” was almost entirely due to Mondadori Printing SpA and Artes Graficas Toledo S.A., since they are the Group’s manufacturing companies. The cost of “Goods for sale” were almost entirely due to the companies operating in the retail sector (Mondadori Retail SpA, 18,985 thousand euros and Mondadori Franchising SpA, 4,462 thousand euros), Mondadori Electa SpA, which is responsible for numerous museum bookshops, for 1,087 thousand euros, Edumond SpA, which distributes foreign publishers, for 1,627 thousand euros and Arnoldo Mondadori Editore SpA, which distributes books and magazines for third parties, for over 48,000 thousand euros.

The Mondadori Group purchased goods from the Fininvest Group for a total of 843 thousand euros, including 609 thousand euros to RTI SpA for the distribution of the magazine “La Macchina del Tempo” and 234 thousand euros to Medusa Video Srl.

B.7) Services

Amounted to 282,802 thousand euros (317,140 thousand euros). The large decrease was attributable to the fall in production, the expiry of the contract for the distribution of magazine titles of the Gruppo Editoriale L’Espresso and to the policy of containing and rationalising costs.

“Directors’ and statutory auditors’ fees” are made up of fees paid to Directors and Statutory Auditors for 1,191 thousand and 312 thousand euros respectively.

The Mondadori Group purchased services from companies in the Fininvest Group for a total of 10,354 thousand euros, including 9,206 thousand euros to Publitalia 80 SpA for advertising space, 37 thousand euros to RTI SpA for advertising space in the magazine “La Macchina del Tempo”, 18 thousand euros to Medusa Film SpA for the purchase of rights and 149 thousand euros to Radio e Reti Srl for advertising space.

	Thousands of euros 1st half of 2002	Thousands of euros 1st half of 2001
Commissions	22,130	25,870
Rights and royalties	53,142	53,249
Third-party consultancy and collaboration	23,214	27,414
	98,486	106,533
Third-party processing	52,003	64,384
Purchase of advertising space	37,222	37,560
Transport and shipping	25,780	30,991
Advertising services	24,769	28,824
Other services	15,768	18,879
Post office and telephone	6,743	5,816
Travel and other expense reimbursements	5,427	6,357
Job order services	4,694	6,356
Maintenance	3,992	4,372
Canteen and cleaning services	2,832	2,911
Insurance	1,627	1,534
Market research	1,956	1,379
Directors’ and statutory auditors’ fees	1,503	1,244
Total cost for services	282,802	317,140

B.8) Use of third-party assets

Amounted to 10,884 thousand euros (11,903 thousand euros) and include:

	Thousands of euros 1st half of 2002	Thousands of euros 1st half of 2001
Rent	7,751	8,410
Lease payments	2,700	3,019
Others	433	474
Total cost of use of third-party assets	10,884	11,903

The Mondadori Group had costs for the use of third-party assets referring to the Fininvest Group for a total of 64 thousand euros, including 10 thousand euros to RTI SpA and 51 thousand euros to Consorzio Aeromobili Fininvest for leasing.

B.9) Personnel costs

Personnel costs amounted to 123,696 thousand euros (128,512 thousand euros). The decrease is mainly due to the reduction in the number of personnel which at 30 June 2002 amounted to 4,715. Compared with 31 December 2001, this represents a decrease of 67 people. The average number of personnel during the period was 4,726.

Average number of employees	1st half of 2002	1st half of 2001
Managers	165	179
Journalists	427	437
Office workers	2,526	2,780
Manual workers	1,608	1,704
Total	4,726	5,100

B.10) Depreciations and writedowns

Amounted to 33,206 thousand euros (35,020 thousand euros). Details are given in the Balance Sheet under “Intangible assets” and “Fixed assets”, for depreciations and under “Trade payables” for writedowns.

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

Amounted to -1,148 thousand euros (4,893 thousand euros). A comment on “Inventory” can be found in the relative item in the Balance Sheet.

B.12) Provision for risks

Amounted to 930 thousand euros (3,480 thousand euros) and include provisions booked to the liability risk reserve. Details can be found in the Balance Sheet under “Reserve for risks and charges”.

B.13) Other provisions

Amounted to 24 thousand euros (26 thousand euros) and are represented by depreciations on capital goods utilised by the Holding Company pertaining to the company rental contract.

B.14) Other operating costs

Amounted to 6,444 thousand euros (5,822 thousand euros). The details for the different items included here have not changed in any significant way in comparison with the previous period.

The most significant are:

- the cost of “Settlements and reimbursements” attributable mainly to the Holding Company (1,460 thousand euros) for legal expenses, and to Mondadori Printing SpA (230 thousand euros) for delays or production problems;
- “Bad debts” are booked to the Income Statement of Arnoldo Mondadori Editore SpA for 1,052 thousand euros, Mondolibri SpA for 1,056 thousand euros, Mondadori Pubblicità SpA for 482 thousand euros, Mondadori Printing SpA for 218 thousand euros, Giulio Einaudi SpA for 114 thousand euros and other Group companies for the remaining amount.

	Thousands of euros 1st half of 2002	Thousands of euros 1st half of 2001
Settlements and reimbursements	2,686	2,185
Bad debts	3,297	8,105
Contributions and grants	1,039	859
Capital losses	108	245
Contingent liabilities	629	286
Information material, entertainment expenses and others	3,138	2,233
Utilisation of risk reserve	(5,453)	(9,942)
Sub total	5,444	3,971
Taxes and dues	1,000	1,851
Total cost of other operating costs	6,444	5,822

C) FINANCIAL INCOME AND CHARGES

C.15) Income from investments

Amounted to 0 thousand euros (37 thousand euros):

	Thousands of euros 1 st half of 2002	Thousands of euros 1 st half of 2001
Venezia Musei Scarl	-	-
Mach 2 Libri SpA	-	37
Total income from investments	0	37

C.16) Other financial income

Amounted to 9,228 thousand euros (16,315 thousand euros) and is made up as follows:

	Thousands of euros 1 st half of 2002	Thousands of euros 1 st half of 2001
Financial income from long-term receivables	72	80
Financial income from capital gains	-	-
Financial income from short-term securities	4,152	11,304
Interest from banks	2,466	2,965
Interest from subsidiary companies	11	12
Interest from affiliated companies	263	46
Interest from customers	118	89
Exchange gains	1,204	1,259
Others	942	560
Total other financial income	9,228	16,315

In comparison with the previous year, the most significant variations concern “Financial income from short-term securities” that refers to the liquidity of Mondadori International Sa.

The decrease in income from Mondadori International Sa is linked to difficulties that the financial markets encountered during 2002.

C.17) Interest and other financial charges

Amounted to 8,753 thousand euros (11,483 thousand euros).

	Thousands of euros 1 st half of 2002	Thousands of euros 1 st half of 2001
Interest to banks	650	1,414
Interest to subsidiary companies	3	4
Interest to affiliated companies	190	184
Interest on loans	6,067	7,241
Exchange losses	516	1,135
Others	1,327	1,505
Total interest and other financial charges	8,753	11,483

D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

D.18) Revaluations

As a result of the application of the net equity consolidation method, the affiliated companies were re-valued at 2,061 thousand euros (2,484 thousand euros), as illustrated in the table below:

	Thousands of euros 1 st half of 2002	Thousands of euros 1 st half of 2001
- Harlequin Mondadori SpA	177	187
- Mondadori Rodale Srl	250	520
- Mondadori Sole 24 Ore SpA	-	140
- Mach 2 Libri SpA	88	92
- Grüner und Jahr/Mondadori SpA	1,318	1,285
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	39	71
- Hearst Mondadori Srl	14	-
- Edizioni EL Srl	175	189
Total revaluations	2,061	2,484

D.19) Writedowns

Amounted to 10,272 thousand euros (7,590 thousand euros) and are made up as follows:

	Thousands of euros 1st half of 2002	Thousands of euros 1st half of 2001
Affiliated companies		
- Società Europea Edizioni SpA	1,360	1,733
- Mondadori Informatica –e-Bismedia Srl	327	-
- Books on line Italia SpA	642	2,293
- Grupo Editorial Random House Mondadori SL	1,923	-
- Prisco Spain SA	3	-
- Hearst Mondadori Editoriale Srl	-	123
- Aci Mondadori Srl	593	516
- Edizioni Electa Bruno Mondadori Srl	40	30
	4,888	4,695
Companies valued at cost:		
- Edizioni di Comunità Srl	-	25
- Veleno SpA	170	-
- Mondadori.com Inc	900	-
- Market Self	-	202
- Europrint SpA	53	-
	1,123	227
- Stocks	4,261	2,668
Total writedowns	10,272	7,590

Stock writedowns made it possible to adjust the value of stocks and shares booked under assets, since at the date of the financial statement it was lower than the purchase costs.

E) EXTRAORDINARY INCOME AND CHARGES

E.20) Income

Amounted to 2,606 thousand euros (1,832 thousand euros) and is made up as follows:

	Thousands of euros 1st half of 2002	Thousands of euros 1st half of 2001
Gains on disposals	1,636	817
Others	970	1,015
Total extraordinary income	2,606	1,832

The “Gains on disposals” were mainly due to the disposal of shares in Mondadori Sole 24 Ore SpA and of the Sperling & Kupfer SpA professional titles, *Espansione*, *Il giornale della Banca* and *Il giornale delle Assicurazioni*.

“Others” include contingent assets of an extraordinary nature and adjustments of the results registered at 31 December 2001 of companies valued by the net equity method.

E.21) Charges

Amounted to 886 thousand euros (107 thousand euros) and are made up as follows:

	Thousands of euros 1st half of 2002	Thousands of euros 1st half of 2001
Losses on disposals	-	-
Tax for previous year	70	35
Others	816	72
Total extraordinary charges	886	107

“Others” include contingent assets of an extraordinary nature and adjustments of the results registered at 31 December 2001 of companies valued by the net equity method.

Mondadori Group

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

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

The reconciliation of the shareholders' equity and net profit shown in the financial statements of Arnoldo Mondadori Editore SpA at 30 June 2002 and those shown in the consolidated financial statements is as follows:

	Shareholders' equity Thousands of euros	Net result for the period Thousands of euros
Balances as per Holding Company's financial statements	536,113	64,890
Share of net profit made by subsidiary and affiliated companies	-	10,526
Writedowns of investments by the Holding Company	-	4,456
Dividends received from subsidiary and affiliated companies	-	(9,097)
Elimination of intercompany profits	(3,943)	(1,771)
Excess of the share of net equity over the book value of the investments in non-consolidated subsidiary and affiliated companies	(13,573)	-
Excess of the share of net equity over the book value of investments in consolidated companies	114,342	-
Other adjustments	(123,812)	(12,852)
Consolidated Financial Statement	509,127	56,152

Mondadori Group

Changes in shareholders' equity

Consolidated statement of changes in shareholders' equity as at 31 December 2001

Thousands of euros	Share capital	Share premium	Law no. 72	Law no. 413/91	Legal reserve	Share capital
Balances at 1/1/2001	66,992	225,052	12,023	4,689	13,361	62,213
Movements:						
- Changes to consolidation area	-	-	-	-	-	-
- Transfer to legal reserve	-	-	-	-	38	-
- Transfer to extraordinary reserve	-	-	-	-	-	-
- Transfer to other reserves	-	-	-	-	-	-
- Payment of dividends	-	-	-	-	-	-
- Reclassification	460	6,064	-	-	(1)	(6,063)
- Currency translation increases (decreases)	-	-	-	-	-	-
- Other movements	-	-	-	-	-	-
- Net profit for period	-	-	-	-	-	-
Balances at 31/12/2001	67,452	231,116	12,023	4,689	13,398	56,150

Consolidated statement of changes in shareholders' equity as at 30 June 2002

Thousands of euros	Share capital	Share premium	Law no. 72	Law no. 413/91	Legal reserve	Share capital
Balances at 1/1/2002	67,452	231,116	12,023	4,689	13,398	56,150
Movements:						
- Changes to consolidation area	-	-	-	-	-	-
- Transfer to legal reserve	-	-	-	-	92	-
- Transfer to extraordinary reserve	-	-	-	-	-	-
- Transfer to other reserves	-	-	-	-	-	-
- Payment of dividends	-	-	-	-	-	-
- Reclassification	-	(456)	-	-	-	456
- Currency translation increases (decreases)	-	-	-	-	-	-
- Other movements	-	(1)	-	-	-	-
- Net profit for period	-	-	-	-	-	-
Balances at 30/06/2002	67,452	230,659	12,023	4,689	13,490	56,606

Extra reserve	Law no. 675	Law no. 124/93	Law no. 904	Govt. grants	Other reserves	Profit (loss) carried forward	Profit (loss) for period	Total shareholders' equity
38,586	351	26	751	5,052	7,267	88,073	70,895	595,331
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(38)	-
4,185	-	-	-	-	-	-	(4,185)	-
-	-	11	-	-	-	14,887	(14,898)	-
-	-	-	-	-	-	-	(51,774)	(51,774)
(460)	-	1	-	-	-	-	-	1
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(648)	-	(648)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	73,882	73,882
42,311	351	38	751	5,052	7,267	102,312	73,882	616,792

Extra reserve	Law no. 675	Law no. 124/93	Law no. 904	Govt. grants	Other reserves	Profit (loss) carried forward	Profit (loss) for period	Total shareholders' equity
42,311	351	38	751	5,052	7,267	102,312	73,882	616,792
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(92)	-
27,693	-	-	-	-	-	-	(27,693)	-
-	-	15	-	-	-	(9,157)	9,142	-
(70,004)	-	-	-	-	-	(30,429)	(55,239)	(155,672)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	(8,206)	-	-	(8,206)
-	-	-	-	-	-	62	-	61
-	-	-	-	-	-	-	56,152	56,152
-	351	53	751	5,052	(939)	62,788	56,152	509,127

Mondadori Group

Reclassified consolidated balance sheet

Reclassified consolidated balance sheet

Reclassified consolidated balance sheet	Millions of euros 30 June 2002	Millions of euros 31 December 2001	Millions of euros 30 June 2001
Intangible assets	174.9	185.6	197.5
Fixed assets	211.3	210.9	190.1
Financial assets	124.7	138.1	100.2
Inventories	118.8	118.4	136.5
Receivables and other assets	504.3	472.3	583.1
Cash and banks	561.3	576.7	520.2
Total assets	1,695.3	1,702.0	1,727.6
Shareholders' equity	509.1	616.8	611.3
Minority interests	0.3	0.5	8.0
Reserves for risks and charges	47.6	57.3	45.9
Reserve for severance indemnities	101.9	99.6	99.8
Other payables and liabilities	464.4	539.6	521.8
Financial payables	572.0	388.2	440.8
Total liabilities	1,695.3	1,702.0	1,727.6

Reclassified consolidated income statement	Millions of euros 30 June 2002	Millions of euros 30 June 2001	% change
Income from sales	720.3	(*) 811.1	(11.2%)
Personnel costs	122.5	126.8	(3.4%)
Product and operating costs	503.6	587.3	(14.3%)
Gross operating profit	94.2	97.0	(2.9%)
<i>MOL effect on income</i>	<i>13.1%</i>	<i>12.0%</i>	
Depreciation of fixed assets	17.5	17.2	1.7%
Operating profit	76.7	79.8	(3.9%)
<i>Effect of operating profit on income</i>	<i>10.6%</i>	<i>9.8%</i>	
Depreciation of intangible assets	11.2	11.6	(3.4%)
Net financial income (charges)	(3.7)	2.3	n.a.
Other income (charges), net	(2.5)	(0.9)	n.a.
Extraordinary income (charges), net	0.1	0.3	(66.7%)
Internet	(3.2)	(6.5)	(50.8%)
Profit before taxation	56.2	63.4	(11.4%)
<i>Effect of net profit in income</i>	<i>7.8%</i>	<i>7.8%</i>	

(*) The sales figure to 30 June 2001 includes both the revenues of Grijalbo and circulation revenues for the distribution of the magazine titles of Gruppo Editoriale L'Espresso. For a like-for-like reading of the figures please see the chart "Revenues by business area" below.

Mondadori Group

Appendices

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

In accordance with art. 126 of the regulations approved by CONSOB deliberation no. 11971 of 14/05/1999 concerning prominent investments in accordance with art. 120 of Legs. Decree no. 58/1998

Reference date 30/06/2002								
NAME (COUNTRY WHERE REGISTERED)	SHARE CAPITAL	TOTAL % OF SHARES HELD	SHARE MODALITY	SHAREHOLDER	%HELD	LEGAL OFFICE	TAX REG.N NUMBER	COMPANY REG.N DATE
ACI-Mondadori Srl (Italy)	EUR	1,032,900	50%	Direct	Arnoldo Mondadori Editore SpA	50%	Milan - Via Bianca di Savoia 12	13277400159 17/11/2000
Agenzia Lombarda Distribuzione Giornali e Riviste Srl (Italy)	EUR	400,000	50%	Direct	Arnoldo Mondadori Editore SpA	50%	Milan - Via Edolo 29	10463540152 02/10/1991
Athena Finanziaria Srl (Italy)	EUR	10,500	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Bagno a Ripoli (FI) - Loc. Grassina, Via Meucci 2	04346290481 24/12/1991
BOL Books on Line Italia SpA (Italy)	EUR	6,000,000	50%	Direct	Arnoldo Mondadori Editore SpA	50%	Milan - Via Lampedusa 13	13074160154 22/02/2000
Casa Editrice Felice Le Monnier SpA (Italy)	EUR	12,911,500	100%	Indirect	Editoriale Le Monnier SpA	100%	Bagno a Ripoli (FI) - Loc. Grassina, Via Meucci 2	04190330482 13/02/1990
Casa Editrice Poseidonia Srl (Italy)	EUR	11,000	100%	Indirect	Edumond SpA	100%	Bologna - via della Cooperazione n.5	03259730376 27/10/1982
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
Editoriale Le Monnier SpA (Italy)	EUR	2,797,200	100%	Indirect	Edumond SpA	100%	Bagno a Ripoli (FI) - Loc. Grassina, Via Meucci 2	00431840487 15/04/1946
Editrice Portoria SpA (Italy)	EUR	364,000	16.785%	Direct	Arnoldo Mondadori Editore SpA	16.785%	Milan - via Chiossetto 1	02305160158 26/03/1975
Edizioni di Comunità Srl (Italy)	EUR	25,822	100%	Indirect	Giulio Einaudi Editore SpA	100%	Turin - via U. Biancamano 2	00890420151 08/03/1947
Edizioni EL Srl (Italy)	EUR	620,000	50%	Indirect	Giulio Einaudi Editore SpA	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326 07/05/1984
Edizioni Electa Bruno Mondadori Srl (Italy)	EUR	10,400	50%	Indirect	Edumond SpA	50%	Milan - via Trentacoste 7	06976090156 05/05/1983
Edizioni Frassinelli Srl (Italy)	EUR	10,400	100%	Indirect	Sperling & Kupfer Editori SpA	100%	Milan - via Borgonuovo 24	07254880151 12/01/1984
Edumond SpA (Italy)	EUR	10,608,000	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Milan, Via Bianca di Savoia 12	03261490969 01/10/2001
Electa Napoli Srl (Italy)	EUR	155,000	60%	Indirect	Mondadori Electa SpA	60%	Naples - via Francesco Caracciolo 13	04230890636 27/09/1983
Mondadori Electa SpA (Italy) (formerly Elemond SpA)	EUR	1,593,735	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Trentacoste 7	01829090123 23/02/1989
Fied SpA (Italy)	EUR	416,000	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	04591640158 26/10/1979
Giulio Einaudi Editore SpA (Italy)	EUR	23,920,000	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Turin - via U. Biancamano 2	08367150151 03/06/1986
Grüner + Jahr/Mondadori SpA (Italy)	EUR	2,600,000	50%	Direct	Arnoldo Mondadori Editore SpA	50%	Milan - Corso Monforte 54	09440000157 10/09/1988
Harlequin Mondadori SpA (Italy)	EUR	258,250	50%	Direct	Arnoldo Mondadori Editore SpA	50%	Milan - Corso Concordia 7	05946780151 15/10/1980
Hearst Mondadori Editoriale Srl (Italy)	EUR	99,600	50%	Direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	12980290154 17/12/1999
Mach 2 Libri SpA (Italy)	EUR	646,250	24%	Direct	Arnoldo Mondadori Editore SpA	20%	Milan - via Quaranta 40	03782990158 06/05/1983
Mondadori Franchising SpA (Italy)	EUR	1,954,000	100%	Indirect Direct	Sperling & Kupfer Ed. SpA Arnoldo Mondadori Editore SpA	4% 100%	Verucchio (RN) - Fraz. di Villa Verucchio - Via Statale Marecchia n. 51-51/a	08853520156 28/05/1987
Mondadori Informatica SpA (Italy)	EUR	2,600,000	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	09341220151 24/06/1988
Mondadori Informatica-e.Bismedia Srl (Italy)	EUR	3,100,000	50%	Indirect	Mondadori Informatica SpA	50%	Milan - via Bianca di Savoia 12	13430930159 11/04/2001
Mondadori Printing SpA (Italy)	EUR	45,396,000	100%	Direct Indirect	Arnoldo Mondadori Editore SpA Mondadori International SA	57.05% 42.95%	Milan - via Bianca di Savoia 12	12319410150 28/11/1997
Mondadori Pubblicità SpA (Italy)	EUR	3,120,000	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	08696660151 12/02/1987
Mondadori Retail Srl (ex Ellemme Srl) (Italy)	EUR	7,660,000	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00212560239 19/11/1946
Mondadori.com SpA (Italy)	EUR	3,600,000	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	06746360582 09/11/1984
Mondadori-Rodale Srl (Italy)	EUR	90,000	50%	Direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13066890156 25/02/2000
Mondolibri SpA (Italy)	EUR	1,040,000	50%	Direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Lampedusa n. 13	12853650153 25/06/1999
Morinvest Srl in liquidation (Italy)	EUR	102,800	100%	Indirect	Mondadori Retail Srl	100%	Milan - via Bianca di Savoia 12	03782341006 23/01/1990
Programmi Editoriali SpA (Italy)	EUR	3,120,000	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	02475390965 07/02/1995
Riccardo Ricciardi Editore SpA (Italy)	EUR	1,814,670	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00748570157 16/04/1943
Società Europea di Edizioni SpA (Italy)	EUR	2,533,440	41.665%	Direct Indirect	Arnoldo Mondadori Editore SpA Fied SpA	33.125% 8.54%	Milan - via G. Negri 4	01790590150 27/02/1974
Sperling & Kupfer Editori SpA (Italy)	EUR	388,800	100%	Direct Indirect	Arnoldo Mondadori Editore SpA Programmi Editoriali SpA	43.75% 56.25%	Milan - via Borgonuovo 24	00802780155 03/11/1927
Veleno SpA (Italy)	EUR	5,000,000	24%	Direct	Arnoldo Mondadori Editore SpA	24%	Milan - Via Paleocapa 3	13203780153 27/07/2000
Venezia Accademia Società Consortile a rl (Italy)	EUR	15,000	26%	Indirect	Mondadori Electa SpA	26%	Venice Mestre - Via Manin 51	03377400274 21/03/2002
Venezia Musei Società Consortile a rl (Italy)	EUR	10,000	34%	Indirect	Mondadori Electa SpA	34%	Venice Mestre - Via Manin 51	03233710270 9/05/2000

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

In accordance with art. 126 of the regulations approved by CONSOB deliberation no. 11971 of 14/05/1999 concerning prominent investments in accordance with art. 120 of Legs. Decree no. 58/1998

Reference Date 30/06/2002

NAME (COUNTRY WHERE REGISTERED)	SHARE CAPITAL	TOTAL % OF SHARES HELD	SHARE MODALITY	SHAREHOLDER	% HELD	LEGAL OFFICE	TAX REG.N NUMBER	COMPANY REG.N DATE
ABS Finance Fund Sicav (Luxembourg)	EUR	3,743,084.26	34.64%	Indirect	Mondadori International SA	38.66%	Luxembourg - 19 - 21 Boulevard 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	01/02/1982
Arnoldo Mondadori Deutschland GmbH (Germany)	DEM	50,000	100%	Indirect	Mondadori International SA	100%	Germany - Monaco - Tal 21	14/05/1970
Arnoweb SA (Luxembourg)	EUR	46,500,000	99.9998%	Direct	Arnoldo Mondadori Editore SpA	99.9998%	Luxembourg - 31 Bd du Prince Henri	16/12/1999
Artes Graficas Toledo SA (Spain)	EUR	5,409,000	100%	Indirect	Mondadori Printing SpA	100%	Spain - Toledo - C/Jarama S/N - Poligono Industrial	03/10/1974
Euromedia Luxembourg Two SA (Luxembourg)	USD	42,500,000	11.765%	Indirect	Mondadori International SA	11.765%	Luxembourg - 140 Bd de la Petrusse	13/03/2000
Grupo Editorial Random House Mondadori SL (Spain)	EUR	10,000,000	50%	Indirect	Arnoweb SA	33.99%	Spain - Barcelona, Calle Traversera de Gracia 47/49	07/03/1991
				Direct	Arnoldo Mondadori Editore SpA	6.01%		
				Indirect	Prisco Spain SA	10%		
Marchgrange Limited (Ireland)	GBP	12	100%	Indirect	Mondadori International SA	100%	Ireland - Dublino - Earlsfort Terrace	13/12/1999
Mondadori Belgium SA (Belgium)	EUR	62,000	99.984%	Direct	Arnoldo Mondadori Editore SpA	99.984%	Belgium - Brussels - Avenue Louise 109	22/03/2001
Mondadori International SA (Luxembourg)	EUR	393,625,900	99.99%	Direct	Arnoldo Mondadori Editore SpA	99.99%	Luxembourg - 19-21 Boulevard du Prince Henri	18/09/1970
Mondadori.com USA Inc. (USA)	USD	4,500,000	100%	Indirect	Arnoweb SA	100%	USA - Delaware - 1013 Centre Rd Wilmington 19805, New Castle Country	16/09/1999
News Alert Investors LLC (USA)	USD	20,528.461	11.21%	Indirect	Mondadori.com USA Inc.	11.21%	USA - New York 10022 - 575 Lexington Avenue, Suite 410	1999
Prisco Spain SA (Spain) (formerly Prisco International NV - Dutch Antilles)	EUR	60,101.30	100%	Direct	Arnoldo Mondadori Editore SpA	100%	Spain - Barcelona, Calle Traversera de Gracia 47/49	06/12/1988

Mondadori Group

Report of the external auditors

**AUDITORS' REPORT ON THE REVIEW
OF THE HALF-YEAR MANAGEMENT REPORT
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2002**

(Translation from the original Italian version)

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

1. We have reviewed the Financial Information (Consolidated Balance Sheet and Consolidated Statement of Income) and accompanying Explanatory Notes included in the Half-Year Report at June 30, 2002 of Arnoldo Mondadori Editore S.p.A. We have also reviewed that part of the Explanatory Notes relating to the Group's operations solely for the purpose of evaluating its consistency with the other parts of the Half-Year Report.

2. Our review was conducted in accordance with review standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of July 31, 1997. The Half-Year data of an associated company have been examined by an other auditor, whose review report has been furnished to us, and our opinion, insofar as it relates to the amount of this investment, respectively representing 57% and 2% of total investments and total consolidated assets, is based also on the review report of the other auditor. A review consists mainly of obtaining information with respect to the amounts included in the Financial Information and in evaluating the consistency of the accounting principles applied through discussions with management, and applying analytical techniques to the Financial Information presented. A review does not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures for the verification of assets and liabilities and the scope of work is significantly less than a full scope audit performed in accordance with generally accepted auditing standards. Consequently, unlike for the annual consolidated accounts we do not express a professional audit opinion on the Half-Year Report.

3. With respect to the consolidated comparative data from the Consolidated Balance Sheet and Half-Year Report of the previous year, reference should be made to our audit and review reports issued on April 4, 2002 and on September 28, 2001.
4. On the basis of our review, we did not become aware of any significant modifications that should be made to the Financial Information and related Explanatory Notes identified in paragraph 1 of this report, in order for them to be in conformity with the criteria for the presentation of the Half-Year Report set out in art. 81 of CONSOB regulations approved by resolution No. 11971 of May 14, 1999 and subsequent modifications.
5. We would point out that as indicated in the accompanying Explanatory Notes included in the Half-Year Report, Arnoldo Mondadori Editore S.p.A. has, in line with the provisions of Para. 7 of the above mentioned Art. 81 of the Consob resolution, presented its consolidated results for the period before tax. Therefore, the company has not made the adjustments and the accruals for current and deferred taxes in accordance with the tax regulations and the accounting principle related to income taxes.

Milan, September 23, 2002

Reconta Ernst & Young S.p.A.

Signed by: Maurizio Serafini

(Partner)

Information for shareholders and investors

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

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