HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2018

GRUPPO MONDADORI

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital € 67,979,168.40

Registered Office in Milan
Administrative Offices in Segrate (Milan)

HALF-YEAR FINANCIAL REPORT
AT 30 JUNE 2018

Arnoldo Mondadori Editore S.p.A.

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MONDADORI GROUP HIGHLIGHTS IN FIRST HALF 2018

(Euro/millions)	1H 2018	1H 2017*	*Var.***
Mondadori Group			
Revenue	**543.8**	**573.1**	***(29.3)***
Adjusted EBITDA	**24.2**	**22.2**	***2.0***
% on revenue	*4.4%*	*3.9%*	
EBITDA	**14.3**	**27.6**	***(13.3)***
% on revenue	*2.6%*	*4.8%*	
EBIT	**(1.1)**	**11.5**	***(12.6)***
% on revenue	*(0.2%)*	*2.0%*	
Net result	**(12.5)**	**4.4**	***(16.9)***
Business Areas			
Revenue	**543.8**	**573.1**	***(29.3)***
Books	178.5	171.6	*6.9*
Retail	83.1	84.7	*(1.6)*
Magazines Italy	147.5	165.7	*(18.1)*
Magazines France	152.9	164.9	*(12.0)*
Corporate & Shared Services	17.4	13.0	*4.4*
Intercompany	(35.5)	(26.8)	(8.8)
ADJ. EBITDA	**24.2**	**22.2**	***2.0***
Books	13.3	6.0	*7.3*
Retail	(3.2)	(3.7)	*0.5*
Magazines Italy	6.8	11.0	*(4.2)*
Magazines France	12.1	12.5	*(0.4)*
Corporate & Shared Services	(4.1)	(3.7)	*(0.4)*
Intercompany	(0.7)	0.2	*(0.9)*
Balance Sheet			
Equity	334.9	322.8	*12.1*
Net financial position	**(238.4)**	**(284.4)**	***46.0***
Human Resources			
End-of-period headcount	**2,962**	**3,112**	***(150)***

** 2017 revenue: comparative amounts reclassified under IFRS 15.*
*** Changes in this report were calculated on amounts expressed in Euro thousands.*

COMPOSITION OF CORPORATE BODIES

*Board of Directors**

Chairman
Marina Berlusconi

CEO
Ernesto Mauri

Directors
Pier Silvio Berlusconi
Paolo Ainio
Elena Biffi**
Francesco Currò
Patrizia Michela Giangualano**
Martina Forneron Mondadori**
Danilo Pellegrino
Roberto Poli
Oddone Pozzi
Angelo Renoldi**
Mario Resca
Cristina Rossello**

*Board of Statutory Auditors**

Chairman
Sara Fornasiero

Standing Auditors
Flavia Daunia Minutillo
Ezio Simonelli

Substitute Auditors
Mario Civetta
Annalisa Firmani
Francesco Vittadini

** The Board of Directors and the Board of Statutory Auditors currently in office were appointed by the Shareholders' Meeting of 24 April 2018*
*** Independent Director*

MONDADORI GROUP STRUCTURE

ARNOLDO MONDADORI EDITORE S.P.A.

Books	Retail	Magazines Italy	Magazines France	Other business
Mondadori Libri S.p.A. **100%**	Mondadori Retail S.p.A. **100%**	AdKaora S.r.l. **100%**	Mondadori France S.a.s. **100%**	Società Europea di Edizioni S.p.A. **36,89%**
Giulio Einaudi editore S.p.A. **100%**		Mondadori International Business S.r.l. **100%**		Monradio S.r.l. **20%**
Edizioni EL S.r.l. **50%**		Attica Publications S.A. **41,98%**		
Mondadori Education S.p.A. **100%**		Press-di S.r.l. **100%**		
Mondadori Electa S.p.A. **100%**		Mondadori Scienza S.p.A. **100%**		
Rizzoli Education S.p.A. **99,99%**		Press-di Abbonamenti S.p.A. **100%**		
Mach 2 Libri S.p.A.* **44,91%**		Mediamond S.p.A. **50%**		
		Mondadori Seec (Beijing) Advertising Co.Ltd **50%**		

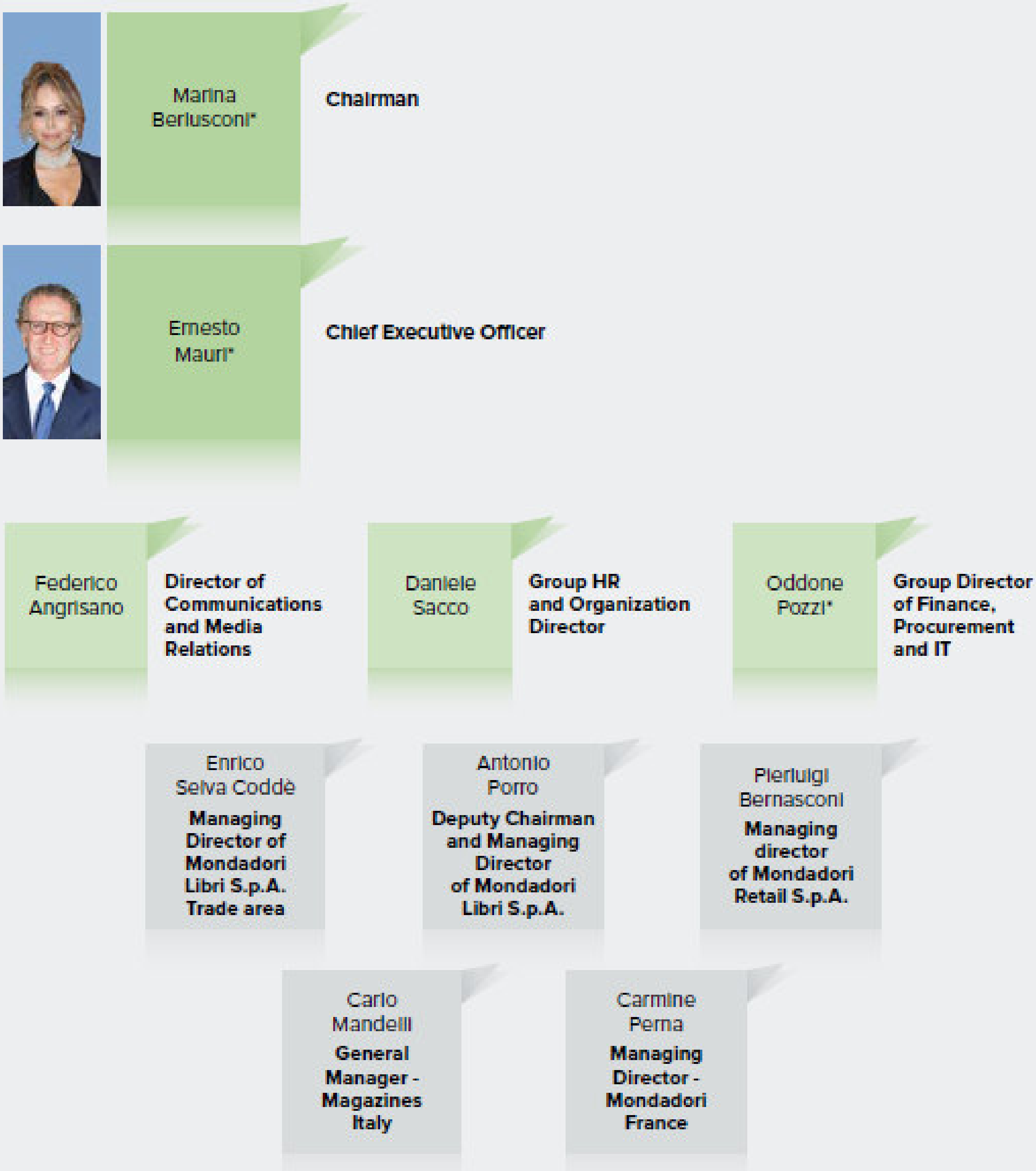
Legenda:

Affiliated companies	Subsidiary companies

** Put into liquidation.*

As at 31 July 2018

MONDADORI GROUP ORGANIZATION CHART



* Board of Directors members
As at the date of approval of this 2017 Annual Report (March 2018)

DIRECTORS' REPORT ON OPERATIONS AT 30 JUNE 2018

DIRECTORS' REPORT ON OPERATIONS AT 30 JUNE 2018

In first half 2018, the Group recorded a **9% increase in adjusted EBITDA**, rebounding from the weaker performance of the first quarter of the year, in line with the forecast operating plans.

Actions continued on improving operations in the Books Area, reducing costs and focusing on the core business in the Magazines areas.

Against this backdrop, the half year comprised restructuring and reorganization costs functional to the structural reduction in operating costs, as well as the disposal of non-strategic and non-profitable businesses in the Magazines Italy Area. Half year 2017 had, instead, benefited from certain gains from the disposal of assets.

This trend, together with the **enduring positive performance of cash generation** from ordinary operations, makes the **achievement of the targets** set and disclosed for the whole 2018 financial year increasingly feasible.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN FIRST HALF 2018

€ millions	1° Half 2018	Percentage on revenue	1° Half 2017	Percentage on revenue	Var. %
Revenue from sales and services	**543.8**	*100.0%*	**573.1**	*100.0%*	***-5.1%***
Cost of sold items	144.7	*26.6%*	151.0	*26.3%*	*-4.2%*
Variable costs	217.9	*40.1%*	231.6	*40.4%*	*-5.9%*
Fixed costs	43.8	*8.0%*	48.9	*8.5%*	*-10.5%*
Cost of personnel *	113.3	*20.8%*	119.5	*20.8%*	*-5.1%*
Adjusted EBITDA	**24.2**	*4.4%*	**22.2**	*3.9%*	***9.0%***
Restructuring costs	6.4		2.9		*n.s.*
Negative/(positive) extraordinary items	3.5		-8.2		*n.s.*
EBITDA	**14.3**	*2.6%*	**27.6**	*4.8%*	***-48.1%***
Amortization, depreciation and impairment	15.4	*2.8%*	16.0	*2.8%*	*-4.0%*
EBIT	**-1.1**	*-0.2%*	**11.5**	*2.0%*	***n.s.***
Net financial expense (income)	3.2	*0.6%*	7.1	*1.2%*	*-55.6%*
Result - associates (income)	8.2	*1.5%*	0.3	*0.0%*	*n.s.*
Expense (income) from other investments	0.0	*0.0%*	0.0	*0.0%*	*n.s.*
Result before taxes for the period	**-12.4**	*-2.3%*	**4.1**	*0.7%*	***n.s.***
Income taxes	-1.0	*-0.2%*	-1.6	*-0.3%*	*-34.9%*
Result attributable to non-controlling interests	1.1	*0.2%*	1.3	*0.2%*	*-17.2%*
Net result	**-12.5**	*-2.3%*	**4.4**	*0.8%*	***n.s.***

* Cost of personnel includes costs for collaborations and temporary employment.

Beginning from 1 January 2018 (and to provide a consistent presentation, also for 2017), the Group has adopted the new IFRS 15 - Revenue from Contracts with Customers - *revenue recognition standard, which applies to all contracts stipulated with customers, with the exception of those that fall within the scope of application of other IAS/IFRS standards such as leases, insurance contracts and financial instruments; the new standard provides for:*

- the booking of circulation revenue based on the cover price or, in any case, on the price actually paid by the purchaser, gross of all commissions paid. Accordingly and unlike the previous accounting treatment, the commission has been recognized separately as distribution cost, no longer as a reduction in revenue. Magazines Italy and France, as a result, saw an increase in revenue;

- the presentation of revenue from the distribution of third publishers' products, net of relating acquisition costs, previously booked in cost of sold items. The Books Area, as a result, saw a decrease in revenue.

The new IFRS 15 presents revenue and costs differently, with no effect on EBITDA.

Beginning from 2018, considering the nature of the associates (consolidated at equity), their result, previously classified in EBITDA, is shown under EBIT; for consistency, 2017 has been reclassified accordingly.

ALTERNATIVE PERFORMANCE MEASURES

This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures in order to provide a better understanding of the operating and financial performance of the Group, the definition of which is explained in the section "Glossary of terms and alternative performance measures used".

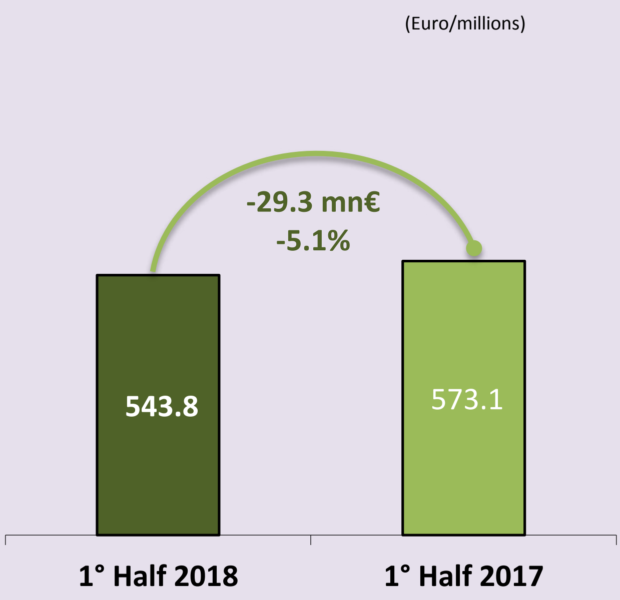
INCOME STATEMENT

REVENUE

Consolidated revenue in first half 2018 amounted to approximately **544 million Euro**, down by 5.1% versus the prior year, due to the performance of the Magazines areas, attributable to the persisting negative trends of the relevant markets, in terms of both circulation and advertising.

In the Books Area, revenue in first half 2018 **grew by 4%**, driven by the good performance of the Educational segment in particular, due partly to a different timing of revenue from supplies to a number of clients in the School Textbooks segment versus the first half of the prior year.

The Retail Area saw a slight fall in revenue, due mainly to the *Megastores* channel as a result of the closure of a number of stores.



Revenue by Business Area *(Euro/millions)*	**1° Half 2018**	**1° Half 2017**	***Var. %***
Books	178.5	171.6	*4.0%*
Retail	83.1	84.7	*(1.9%)*
Magazines Italy	147.5	165.7	*(11.0%)*
Magazines France	152.9	164.9	*(7.3%)*
Corporate & Shared Services	17.4	13.0	*33.6%*
Total aggregate revenue	**579.4**	**599.9**	***(3.4%)***
Intercompany revenue	(35.5)	(26.8)	*32.8%*
Total consolidated revenue	**543.8**	**573.1**	***(5.1%)***

Revenue by geographic area *(Euro/millions)*	**1° Half 2018**	**1° Half 2017**	***Var. %***
Italy	368.5	386.4	*(4.6%)*
France	150.6	158.1	*(4.7%)*
Other UE Countries	8.7	16.6	*(47.6%)*
Other extra UE Countries	16.1	12.0	*33.4%*
Total consolidated revenue	**543.8**	**573.1**	***(5.1%)***

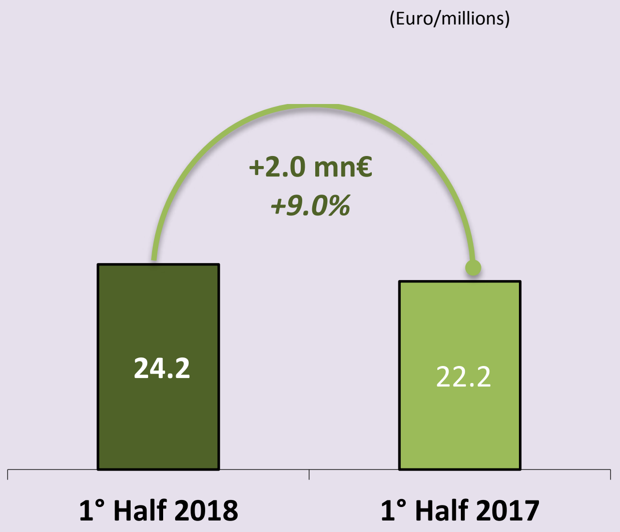
EBITDA

In the first half under review, the Group more than made up for the operating loss recorded in the first quarter, which was entirely attributable to Magazines Italy.

Adjusted EBITDA in first half 2018 came to **€ 24.2 million**, **up by 9%** versus the same period of the prior year (€ 22.2 million in first half 2017) - with a percentage on revenue growing **from 3.9% to 4.4%** and with different trends reported by the various businesses:

- The **Books** Area reported a **sharp rise** in the period, driven by further operating efficiencies and for a different timing in revenue from the supplies to a number of clients in the School Textbooks segment;
- a gradual improvement in the **Retail** Area as a result of the rationalization of directly-managed stores;
- a steady performance by the **Magazines France** Area (net of the discontinuity associated with the disposal of *NaturaBuy* in 2017);
- a fall in the **Magazines Italy** Area, previously recognized in the first quarter, while in the second the ongoing actions to cut operating and structural costs offset the decline in revenue triggered by the trend of the traditional markets.

The Group has also successfully implemented measures to curb fixed overheads, which reduced their impact on revenue from 8.5% to 8.0% in the first half of the year.



Adjusted EBITDA by Business Area *(Euro/millions)*	**1° Half 2018**	**1° Half 2017**	***Var.***
Books	13.3	6.0	*7.3*
Retail	(3.2)	(3.7)	*0.5*
Magazines Italy	6.8	11.0	*(4.2)*
Magazines France	12.1	12.5	*(0.4)*
Corporate & Shared Services	(4.1)	(3.7)	*(0.4)*
Intercompany	(0.7)	0.2	*(0.9)*
Total adjusted EBITDA	**24.2**	**22.2**	***2.0***

Consolidated EBITDA decreased versus the first half of the prior year from € 27.6 million to € 14.3 million.

This downturn reflects:

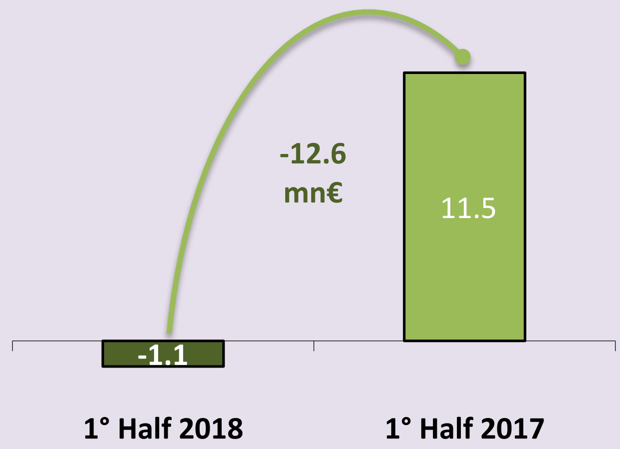
- less positive non-ordinary items versus first half 2017, which had benefited from gains of approximately € 8.5 million (€ 4.3 million from the disposal of *NaturaBuy* in the Magazines France Area and € 4.2 million from the disposal of a property in the Corporate & Shared Services Area);
- a loss (approximately € 2 million) by the Magazines Italy Area, due to the disposal of Inthera;
- higher restructuring costs recorded in the first half, due mostly to the Magazines Italy Area and functional to the reorganization and revision of the operating and overhead costs structure.

Consolidated EBITDA by Business Area *(Euro/millions)*	**1° Half 2018**	**1° Half 2017**	***Var.***
Books	12.5	5.6	*6.9*
Retail	(3.5)	(5.0)	*1.5*
Magazines Italy	(0.1)	10.8	*(10.9)*
Magazines France	10.8	15.7	*(4.9)*
Corporate & Shared Services	(4.7)	0.3	*(5.0)*
Intercompany	(0.7)	0.2	*(0.9)*
Total EBITDA	**14.3**	**27.6**	***(13.3)***

EBIT

(Euro/millions)

Consolidated EBIT at 30 June 2018 came to € -1.1 million versus € 11.5 million at 30 June 2017, and includes amortization, depreciation and impairment losses of € 15.4 million, down versus € 16.0 million in the prior year, due to the dynamics of the abovementioned non-ordinary items.



Consolidated EBIT by Business Area *(Euro/millions)*	**1° Half 2018**	**1° Half 2017**	***Var.***
Books	6.8	0.1	*6.8*
Retail	(5.1)	(6.8)	*1.7*
Magazines Italy	(2.2)	8.8	*(11.0)*
Magazines France	5.5	9.8	*(4.3)*
Corporate & Shared Services	(5.4)	(0.6)	*(4.9)*
Intercompany	(0.7)	0.2	*(0.9)*
Total EBIT	**(1.1)**	**11.5**	***(12.6)***

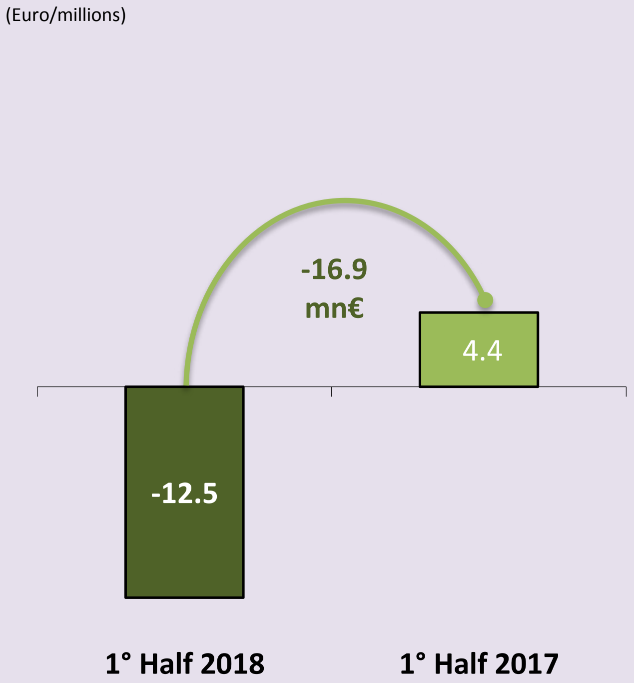
NET RESULT

The consolidated result before taxes came to € -12.4 million and included:

- the **sharp drop in financial expense** (from € 7.1 to € 3.2 million), as a result of an **average interest rate that has more than halved** versus the prior year (from **4.36%** to **2.13%**), and of a **lower average net debt**;
- a negative performance by associates (consolidated at equity), down from € -0.3 million to € -8.2 million, due in particular to Mach2 Libri, active in the distribution of books in the Large Retailers channel and put into liquidation in 2018.

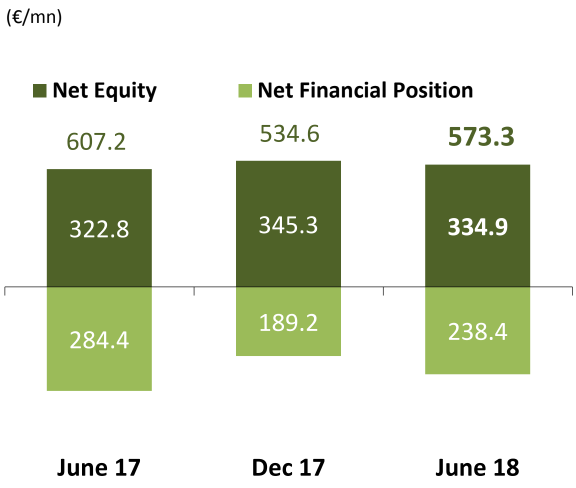
The overall tax burden for the period came to a positive € 1.0 million (€ 1.6 million in 2017). The taxable result for the two years is basically the same, since the result of associates, as well as non-ordinary components from the sale of investments, are tax-neutral.

The net result came to € -12.5 million versus € 4.4 million at 30 June 2017.



FINANCIAL RESULTS

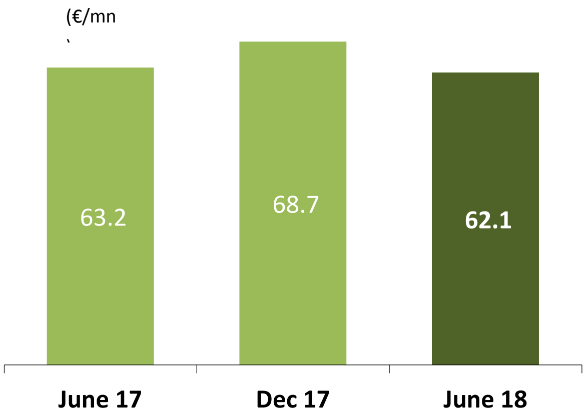
NET INVESTED CAPITAL



The **Group's net invested capital** at 30 June 2018 amounted to **€ 573.3 million, down** versus € 607.2 million at 30 June 2017 (€ 534.6 million at end 2017), as a result of the further decrease in Net Working Capital, of the increase in provisions, and of the reduction in fixed assets following amortization, depreciation and write-downs made in the last 12 months.

The **Group's net financial position** at 30 June 2018 stood at **€ -238.4 million**, **improving by approximately 16%** versus € -284.4 million at 30 June 2017, due to the **positive cash generation** of the Group of **approximately € 46 million**.

LTM CASH FLOW



At 30 June 2018, **cash flow from operations** in the last twelve months came to a **positive € 80.3 million**; **cash flow** from **ordinary operations** (after outlays for financial expense, management of investments and taxes for the period) came to **€ 62.1 million**, confirming the **strong path of cash generation and financial improvement of the Group**, and the **cash conversion** of adjusted EBITDA (rolling basis) to **over 50%**.

The **cash flow from non-ordinary operations came to € 16 million** as a result of:

- a negative acquisition/disposal value of € 5 million;

- restructuring costs of approximately € 11 million

CONSOLIDATED FINANCIAL HIGHLIGHTS IN SECOND QUARTER 2018

€ millions	2° Quarter 2018	*Percentage on revenue*	2° Quarter 2017	*Percentage on revenue*	*Var. %*
Revenue from sales and services	**290.4**	*100.0%*	**301.5**	*100.0%*	***-3.7%***
Cost of sold items	75.7	*26.0%*	79.0	*26.2%*	*-4.3%*
Variable costs	112.1	*38.6%*	120.5	*40.0%*	*-7.0%*
Fixed costs	23.3	*8.0%*	25.0	*8.3%*	*-6.7%*
Cost of personnel * *	55.7	*19.2%*	58.8	*19.5%*	*-5.3%*
Adjusted EBITDA	**23.7**	*8.2%*	**18.2**	*6.0%*	***30.2%***
Restructuring costs	3.0		1.4		*n.s.*
Negative/(positive) extraordinary items	3.4		-8.5		*n.s.*
EBITDA	**17.3**	*6.0%*	**25.2**	*8.4%*	***-31.5%***
Amortization, depreciation and impairment	7.7	*2.7%*	8.1	*2.7%*	*-4.4%*
EBIT	**9.6**	*3.3%*	**17.2**	*5.7%*	***-44.3%***
Net financial expense (income)	1.7	*0.6%*	3.7	*1.2%*	*-54.8%*
Result - associates (income)	5.4	*1.9%*	-0.2	*-0.1%*	*n.s.*
Expense (income) from other investments	0.0	*0.0%*	0.0	*0.0%*	*n.s.*
Result before taxes for the period	**2.5**	*0.9%*	**13.6**	*4.5%*	***-81.7%***
Income taxes	1.1	*0.4%*	-0.6	*-0.2%*	*n.s.*
Result attributable to non-controlling interests	0.4	*0.1%*	0.7	*0.2%*	*-49.1%*
Net result	**1.1**	*0.4%*	**13.5**	*4.5%*	***-92.0%***

* Cost of personnel includes costs for collaborations and temporary employment.

Beginning from 1 January 2018 (and to provide a consistent presentation, also for 2017), the Group has adopted the new IFRS 15 - Revenue from Contracts with Customers *- revenue recognition standard, which applies to all contracts stipulated with customers, with the exception of those that fall within the scope of application of other IAS/IFRS standards such as leases, insurance contracts and financial instruments; the new standard provides for:*

- the booking of circulation revenue based on the cover price or, in any case, on the price actually paid by the purchaser, gross of all commissions paid. Accordingly and unlike the previous accounting treatment, the commission has been recognized separately as distribution cost, no longer as a reduction in revenue. Magazines Italy and France, as a result, saw an increase in revenue;

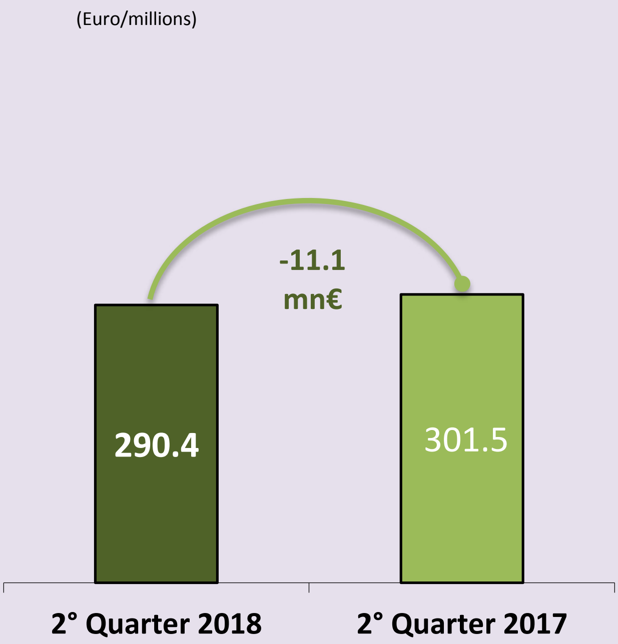
- the presentation of revenue from the distribution of third publishers' products, net of relating acquisition costs, previously booked in cost of sold items. The Books Area, as a result, saw a decrease in revenue.

The new IFRS 15 presents revenue and costs differently, with no effect on EBITDA.

Beginning from 2018, the result generated by associates (consolidated at equity), previously classified in adjusted EBITDA, is shown under EBIT; for consistency, 2017 has been reclassified accordingly.

Consolidated revenue in second quarter 2018 amounted to approximately **€ 290 million**, down by 3.7% versus the prior year, attributable mainly to the Magazines areas: the Magazines Italy Area, however, saw a steady improvement in the drop in the quarter which, net of the disposal of Inthera, would have amounted to 6.7%.

In the Books Area, revenue for the months of April-June 2018 **grew by 6.2%**, due partly to a different timing in the Educational segment.



Revenue by Business Area *(Euro/millions)*	**2° Quarter 2018**	**2° Quarter 2017**	***Var. %***
Books	105.1	99.0	*6.2%*
Retail	39.8	41.8	*(4.7%)*
Magazines Italy	77.4	84.5	*(8.4%)*
Magazines France	77.3	84.2	*(8.2%)*
Corporate & Shared Services	8.6	5.5	*57.2%*
Total aggregate revenue	**308.2**	**314.9**	***(2.1%)***
Intercompany revenue	(17.8)	(13.4)	*32.4%*
Total consolidated revenue	**290.4**	**301.5**	***(3.7%)***

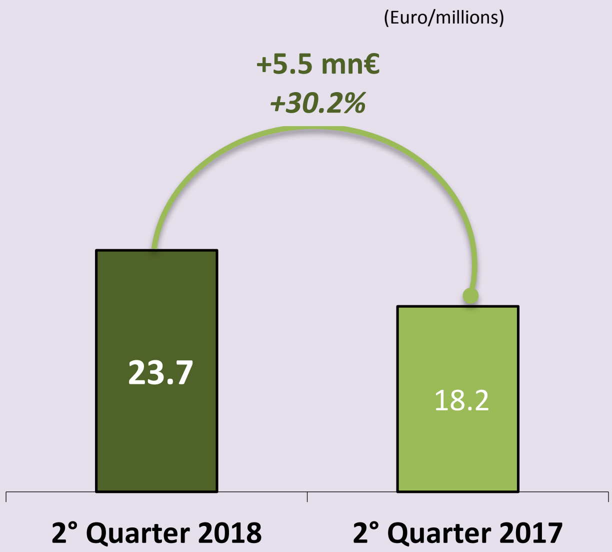
EBITDA

Adjusted EBITDA in second quarter 2018 **amounted to € 23.7 million, up significantly** from € 18.2 million in the same period of 2017, thanks mainly to the Books Area (€ +5.2 million).

At a consolidated level, all cost items in the quarter under review reduce their percentage on revenue, despite the contraction of the latter.

The Books Area continued to improve profitability, up by € 5.2 million.

In the Magazines areas - both in Italy and France - the lower drop in overall revenue, triggered by the trend of the traditional markets, as a result of the positive results achieved from the measures to reduce operating costs and overheads, helped reach basically steady results versus second quarter 2017.



Adjusted EBITDA by Business Area *(Euro/millions)*	**2° Quarter 2018**	**2° Quarter 2017**	***Var.***
Books	14.1	8.8	*5.2*
Retail	(1.3)	(1.7)	*0.3*
Magazines Italy	4.7	4.5	*0.2*
Magazines France	8.8	8.9	*(0.1)*
Corporate & Shared Services	(2.0)	(1.9)	*(0.2)*
Intercompany	(0.5)	(0.5)	*0.1*
Total adjusted EBITDA	**23.7**	**18.2**	***5.5***

The trend of **consolidated EBITDA** (from € 25.2 million to € 17.3 million) reflects, as mentioned:

- a negative value for non-ordinary items of € 3.5 million (relating mainly to the loss from the disposal of Inthera) versus a positive value of € 8.2 million in second quarter 2017 (gains from the disposal of assets);
- higher restructuring costs recorded in the quarter versus 2Q 2017, functional to the reorganization and reduction process of the costs structure.

Consolidated EBITDA by Business Area *(Euro/millions)*	**2° Quarter 2018**	**2° Quarter 2017**	***Var.***
Books	13.5	8.7	*4.8*
Retail	(1.4)	(2.1)	*0.6*
Magazines Italy	0.7	4.3	*(3.6)*
Magazines France	7.6	12.7	*(5.1)*
Corporate & Shared Services	(2.5)	2.1	*(4.7)*
Intercompany	(0.5)	(0.5)	*0.1*
Total EBITDA	**17.3**	**25.2**	***(8.0)***

PERFORMANCE BY BUSINESS AREA

(Euro/millions)	Revenue		Adjusted EBITDA		EBITDA		Amortization, depreciation and impairment		EBIT	
	1° Half 2018	1° Half 2017	1° Half 2018	1° Half 2017	1° Half 2018	1° Half 2017	1° Half 2018	1° Half 2017	1° Half 2018	1° Half 2017
Books	178.5	171.6	13.3	6.0	12.5	5.6	5.7	5.5	6.8	0.1
Retail	83.1	84.7	(3.2)	(3.7)	(3.5)	(5.0)	1.6	1.8	(5.1)	(6.8)
Magazines Italy	147.5	165.7	6.8	11.0	(0.1)	10.8	2.1	2.0	(2.2)	8.8
Magazines France	152.9	164.9	12.1	12.5	10.8	15.7	5.2	5.9	5.5	9.8
Corporate & Shared Services	17.4	13.0	(4.1)	(3.7)	(4.7)	0.3	0.8	0.9	(5.4)	(0.6)
Adjustments and cancellations	(35.5)	(26.8)	(0.7)	0.2	(0.7)	0.2			(0.7)	0.2
TOTAL	**543.8**	**573.1**	**24.2**	**22.2**	**14.3**	**27.6**	**15.4**	**16.0**	**(1.1)**	**11.5**

The breakdown of performance by business area reflects the system used by Management to oversee Group performance, in accordance with IFRS 8.

BOOKS

Mondadori Libri S.p.A. is the company at the head of all Group activities in the Books Area.

The Mondadori Group is Italy's market leader in the **Trade** Books Area: the publishing products that traditionally make up the core business are fiction, non-fiction, and books for young readers, both in print and electronic format; the Mondadori Group operates under various publishing brands: **Mondadori**, **Giulio Einaudi Editore**, **Piemme**, **Sperling & Kupfer**, **Rizzoli**, **BUR**, and **Fabbri Editori**.

In the **Educational** segment, the Group is present in the Italian school textbooks, legal, professional and university publishing market through the publications of Mondadori Education and of the Rizzoli Education brands (such as Fabbri, Etas, La Nuova Italia, Sansoni, and Tramontana), and in art and illustrated book publishing, management of museum concessions, and organization of exhibitions and cultural events through Mondadori Electa.

The Group is also active in the United States through Rizzoli International Publications under the Rizzoli Electa, Rizzoli New York and Universe brands, and in retail management, with the Rizzoli Bookstore in Broadway (NYC) and with five corners managed at the Eataly locations in the United States.

Relevant market performance

In the first six months of the year, the **Trade Books** market **was basically steady** versus the same period of the prior year **(-0.1%)**[1].

Sales channels continued the trends seen in the last quarters:

- bookstore chains (accounting for approximately 43% of the total market) recorded a **slight fall (-1.2%)**, while independent bookstores (approximately 26% of the market) dropped by **-3.2%**;
- e-commerce increased by **+11.6%**, making for 23% of the total market;
- large retailers continued the downward trend recorded over the last few quarters, dropping by **-12.5%** and making for 8% of the market.

As for products, hardcovers (which make for 82% of the market at 30 June) closed the first half in line with the same period of the prior year, while catalogue products (*Paperbacks*) dropped slightly (-0.6%).

Trade Market Shares

	30 June 2018	30 June 2017
Mondadori Group	**27.8%**	**29.3%**
GeMS Group	9.4%	10.7%
Giunti Group	8.6%	7.9%
Feltrinelli	5.1%	4.8%
Other	49.2%	47.3%

Source: GFK, June 2018 (figures in terms of market value)

[1] Source: GFK, June 2018 (figures in terms of market value)

Mondadori Libri was, once again, market leader, boasting an overall **27.8% share** from 29.3% at 30 June 2017, due also to the ongoing downtrend of the Large Retailers channel, where the Group maintains a larger portion of the market, and despite the fact that the Group holds a total of **6 positions out of the ten bestselling titles** in terms of value in the first six months of the year:

#	Title	Author	Publisher
1	***Storie della buonanotte per bambine ribelli 2.***	**Cavallo Francesca, Favilli Elena**	**MONDADORI**
2	*Il metodo Catalanotti*	Camilleri Andrea	SELLERIO EDITORE PALERMO
3	***Quando tutto inizia***	**Volo Fabio**	**MONDADORI**
4	***Storie della buonanotte per bambine ribelli. 100 vite di donne straordinarie.***	**Cavallo Francesca, Favilli Elena**	**MONDADORI**
5	***Origin***	**Brown Dan**	**MONDADORI**
6	*La scomparsa di Stephanie Mailer*	Dicker Joël	LA NAVE DI TESEO
7	***Il morso della reclusa***	**Vargas Fred**	**EINAUDI**
8	*Mio caro serial killer*	Giménez Bartlett Alicia	SELLERIO EDITORE PALERMO
9	**Divertiti con Luì e Sofì. Il fantalibro dei Me contro Te**	**Me contro Te**	**MONDADORI ELECTA**
10	*Wonder*	Palacio R. J.	GIUNTI EDITORE

Source: GFK, June 2018 (ranking in terms of cover value)

In the first half, the Education segment was marked by the seasonal nature of the school textbooks business; as a result, the relevant market shares are still unavailable at 30 June 2018.

Performance of the Books Area

Revenue

Books *(Euro/millions)*	**1° Half 2018**	**1° Half 2017**	***Var.***
Revenue	178.5	171.6	*6.9*
Adjusted EBITDA	13.3	6.0	*7.3*
EBITDA	12.5	5.6	*6.9*
EBIT	6.8	0.1	*6.8*

(Euro/millions) Books Revenue	6 months 2018	6 months 2017	*Var. %*
Total TRADE	**97.9**	**103.5**	***(5.4%)***
EDUCATION	**37.1**	**27.0**	***37.2%***
Mondadori Electa	26.2	25.3	*3.6%*
Rizzoli International Publications	12.5	11.3	*10.8%*
Intercompany	(0.5)	(0.2)	*n.s.*
Total EDUCATIONAL	**75.3**	**63.4**	***18.8%***
Distribution and other services	5.3	4.7	*12.2%*
Total revenue	**178.5**	**171.6**	***4.0%***

Revenue in first half 2018 amounted to **€ 178.5 million**, up by **4%** overall versus the same period of 2017, driven by the positive performance of the **Educational** Area (**approximately +19%**):

- **Trade Books Revenue**: Trade Area revenue in the first half (€ 98.0 million) fell by 5.4% versus the same period of the prior year, due mainly to the continued strategy of selective production of new titles, and the meticulous management of the related print runs, aimed at increasing operating efficiency and, therefore, overall profitability.

  In the **Hardcover** segment, the five main publishers released the following titles.

  - **Mondadori:** the main titles were *Storie della buonanotte per bambine ribelli 2* by F. Cavallo and E. Favilli, *Darker* by EL James, *Sono sempre io* by Jojo Moyes, *Storie della mia ansia* by D. Bignardi and *Ventun giorni per rinascere* by Berrino-Lumera-Mariani. Mention should also be made of S. Dandini with *Il catalogo delle donne valorose* and of debuter M. Sicignano with *Io, te e il mare*.
    The sales success of the bestsellers released at end 2017 continued (*Origin* by D. Brown, *La colonna di fuoco* by K. Follett, *Quando tutto inizia* by F. Volo).
  - **Einaudi:** the main titles of the first half include *Il morso della reclusa* by F. Vargas, *Divorare il cielo by* P. Giordano and *Resto qui* by M. Balzano, the latter among the finalists of the 2018 Strega Prize;
  - **Piemme:** the Fiction titles include *Il lato oscuro dell'addio,* the new book by M. Connelly, while for Non Fiction titles, mention should especially be made of the book by Pope Francis *Dio è giovane*;
  - **Sperling & Kupfer:** after *Sleeping Beauties*, a four-handed title released at end 2017 and written with his son Owen, Stephen King confirmed his success with *La scatola dei bottoni di Gwendy* (a four-handed title with R. Chizmar); Fiction also includes *Una magia a Parigi* by D. Steel and *Ogni respiro* by N. Sparks*;*
  - **Rizzoli**: the main new titles in the first half are *Sara al tramonto* by M. De Giovanni and *Davanti agli occhi* by R. Emanuelli for Italian Fiction, and *Macbeth* by Jo Nesbo for Foreign Fiction.

In the **Paperback** segment**,** Group revenue **increased by 9%** versus the same period of 2017, thanks to the publication in paperback format of the new titles of 2017, and of the promotional operations by *Miti* and *Mondadori Hits.*

- **Educational Books Revenue**: the segment's revenue in the first half of the year amounted to € 75.3 million, rising sharply versus the same period of 2017 (+18.8%), due mainly to the timing of invoicing to large customers in the school textbooks business, which had been accounted for last year in the third quarter.

    - **School Textbooks:** At 30 June 2018, **Mondadori Education** reported **revenue** of **€ 17.6 million** versus € 14.8 million in the same period of the prior year, **up by 18.3%**, while **Rizzoli Education** reported **revenue** of **€ 19.6 million** versus € 12.2 million in the same period of the prior year, **up by over 60%**; these trends are due mainly to the different timing of revenue from supplies to direct customers versus the prior year.

    - In the first six months of the year, **Mondadori Electa** reported **revenue of € 26.2 million, increasing** versus € 25.3 million achieved in first half 2017 **(+3.6%)**.
      The growth was seen mostly in the management and organization of exhibitions, while the publication of books and catalogues kept steady.
        - <u>Publication of books and catalogues</u>. The publishing house increased its market share to 1.5%. Specifically, positive results were achieved by *Divertiti con Luì e Sofì. Il fantalibro dei Me contro Te*, the *web star* series and the *Cube Kid* series (which sold more than 130 thousand copies with 5 volumes).
        - <u>Management and organization of exhibitions</u>. The growth trend continued in first half 2018, thanks mainly to the increase in visitors to the Colosseum; the positive trend in exhibitions involved not only the sites in Rome and Milan, but also Bergamo.

    - In the first half, **Rizzoli International Publications** generated **revenue of € 12.5 million (+10.8% versus 2017)**, an increase in both its publishing and retail businesses.

- **Revenue from distribution and services on behalf of Third Publishers**: revenue, which amounted to **€ 5.3 million** and, regarding the distribution of titles of third-party publishers outside the Group, is expressed "at a premium", i.e. net of the relating purchase cost in compliance with international accounting standards (“IFRS 15"), increased by 12% versus the same period of the prior year.

<u>E-book</u>

Revenue from *e-book* sales is in line with the same period of the prior year, representing **5.8% of total publishing revenue**.

The main digital titles in the first half were *Origin* by Dan Brown, *Darker* by E. L. James and *La colonna di fuoco* by Ken Follet (all published by Mondadori), *Il morso della reclusa* by Fred Vargas (Einaudi) and *Il lato oscuro dell’addio* by Michael Connelly (Edizioni Piemme).

In first half 2018, Mondadori Libri published new digital titles, increasing the digital catalogue to almost 23,000 *e-books*.

EBITDA

Adjusted EBITDA in the Books Area amounted to **€ 13.3 million**, **improving strongly** versus the same period of the prior year (€ 6.0 million), as a result of further operating efficiencies and of the continued management streamlining process undertaken in recent years, and of the different timing of revenue from supplies to a number of clients in the Education Area.

EBITDA amounted to **€ 12.5 million**, confirming the abovementioned growth versus the prior year (€ 5.6 million at 30 June 2017).

RETAIL

The Mondadori Group operates in Italy with a network of approximately 590 bookshops composed of directly-managed bookstores, megastores, franchised bookstores (including under the *Mondadori Point* sign), in addition to shop-in-shops, the web channel (www.mondadoristore.it) and book clubs.

Relevant market performance

The relevant market for the Retail Area is **books (approximately 80% of revenue[2])**, which were basically steady in the first half (-0.1%) versus the prior year, with bookstore chains losing -1.2%[3].

In the period under review, the **market share** of Mondadori Retail in the Books segment stood at **14.1%** (14.3% at 30 June 2017).

Mondadori Retail network trend

STORES	June 2018	Dec. 2017	June 2017	*Var. YoY*
Megastores	7	8	11	*-4*
Directly-managed bookstores	24	23	20	+4
Franchised bookstores	559	565	541	+18
TOTAL	**590**	**596**	**572**	**+18**

Performance of the Retail Area

Retail *(Euro/millions)*	**1° Half 2018**	**1° Half 2017**	***Var.***
Revenue	83.1	84.7	*(1.6)*
Adjusted EBITDA	(3.2)	(3.7)	*0.5*
EBITDA	(3.5)	(5.0)	*1.5*
EBIT	(5.1)	(6.8)	*1.7*

[2] Store revenue on a like-for-like basis
[3] Source: GFK, June 2018 (figures in terms of market value)

Revenue

In the first six months of the year, the Retail Area recorded revenue of € 83.1 million, down slightly (approximately 1.9%) versus the same period of the prior year, with a performance by **Books of -0.8%** (or -0.4% on a like-for-like basis in terms of stores).

(Euro/millions) **Retail**	**1H 2018**	**1H 2017**	***Var. %***
Directly-managed bookstores	15.1	14.7	*2.3%*
Megastores	17.7	19.9	*(11.1%)*
Franchised bookstores	36.2	34.9	*3.6%*
Online	6.3	6.4	*(1.0%)*
Stores	**75.3**	**75.9**	***(0.8%)***
Book clubs and other	7.8	8.7	*(10.2%)*
Total revenue	**83.1**	**84.7**	***(1.9%)***

Revenue from **Stores** fell by **-0.8%** versus first half 2017.

The analysis by channel shows the following:

- a 2.3% **growth** in directly-managed Bookstores, driven by the **positive performance of Books (+4.1%)**; in April 2018, the new store was inaugurated in Rome (in the Valle Aurelia shopping centre); on a like-for-like basis in terms of stores, the performance would have been -1.4%;
- an approximately 11% drop by Megastores, due not only to the shrinking sales in Consumer Electronics, but also to the closure of the Palermo and San Pietro all'Orto stores, net of which the performance would be basically steady versus the prior year. **The Books category, on a like-for-like basis in terms of stores, achieved a positive performance of 1.1%**;
- a **positive performance** in the period of **Franchised Bookstores** of **+3.6%,** confirmed also on a like-for-like basis in terms of stores (+2.0%); the Group continued its strategy to focus on developing this channel by strengthening the network with new openings (+18 shops net balance between openings and closures versus 30 June 2017);
- a slight drop in the online segment (-1%);
- a lower drop reported by the book clubs than last year.

At product level, the six months under review saw an increase versus the prior year in the stationery and media product categories, attributable to the extension of these categories in the various sales channels, also through strategic partnerships with a number of suppliers.

EBITDA

Mondadori Retail **improved adjusted EBITDA** in the first half to reach **€ -3.2 million** (€ -3.7 million at 30 June 2017), due to the rationalization plan of directly-managed stores. **EBITDA** came to **€ -3.5 million**, rebounding sharply versus the six months of 2017 (€ -5.0 million), as a result of lower restructuring costs.

MAGAZINES ITALY

Relevant market performance

Relevant markets in the first five months of 2018 reported a strong downward trend.

- The advertising market dropped slightly overall (-1.4%), the downturn involving the whole range of print media, specifically: newspapers (-7.9%) and magazines (-8.6%); the Internet market closed in positive territory (+2.1%)[4].
- The magazine circulation market dropped by 9.1%, with a slowdown in both the newsstands and subscriptions channels; in this context, Mondadori retained its **market leadership** with a **31.4% share** (31.7% at May 2017)[5].
- The add-ons market in the first 5 months of the year delivered a rather negative performance (-16.4%), slightly improving versus the trend seen in 2017.

Performance of Magazines Italy

Magazines Italy *(Euro/millions)*	**1° Half 2018**	**1° Half 2017**	***Var.***
Revenue	147.5	165.7	*(18.1)*
Adjusted EBITDA	6.8	11.0	*(4.2)*
EBITDA	(0.1)	10.8	*(10.9)*
EBIT	(2.2)	8.8	*(11.0)*

Revenue

Magazines Italy posted **revenue of € 147.5 million**, down by 11% versus the same period of the prior year, due also to the sharp drop in add-on sales. Net of the disposal of Inthera in May, the decline would have come to 9.7%: specifically, this performance reflects a steady improvement recorded in the second quarter, which shows a 6.7% decrease (on a like-for-like basis).

[4] Source: Nielsen, cumulative figures at May 2018
[5] Internal source: Press-Di, cumulative figures at May 2018 (newsstands + subscriptions) in terms of value

(Euro/millions) **Magazines Italy**	**1H 2018**	**1H 2017**	***Var. %***
Circulation	60.9	65.5	*(7.1%)*
Add-on sales	22.1	28.9	*(23.6%)*
Advertising	41.2	44.4	*(7.1%)*
Distribution and revenue towards third publishers	16.6	17.2	*(3.4%)*
Other revenue	6.8	9.7	*(30.2%)*
Total revenue	**147.5**	**165.7**	***(11.0%)***

- **Circulation** revenue (newsstands + subscriptions) lost 7.1%, performing slightly better than the relevant market in the newsstands channel, due also to the contribution of the new titles *Giallo Zafferano* and *Spy*, published in the second quarter of 2017.
- **Advertising** revenue *(print* + *web*) was **down by 7%**; web advertising sales were steady versus first half 2017**,** while print sales were basically in line with the market.
  The percentage of **digital advertising sales** on the total increased to **30%** (from 28% in 1° half 2017).
- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines**,** dropped sharply (approximately -24%) versus the same period of 2017, especially in the Home Video and Music product categories, which benefited in the first half of the prior year from the enduring success of a number of releases launched in the last quarter of 2016.
- **Press-Di distribution and revenue towards third parties** in the first half was down by 3.4% versus the prior year, beating the market, thanks to the ongoing commitment to developing distributed third-publisher portfolios, which outperformed the market trend.
- Other revenue includes:
  - **international operations**, which achieved revenue of € 1.8 million in the reporting period, down from € 2.1 million reported in the first six months of 2017, as a result of the drop in licensing activities;
  - revenue from ***Digital Marketing Service*** activities (€ 5.7 million versus € 8.6 million) dropped as a result of the negative performance and the disposal of Inthera (on 2 May 2018).

The **Mondadori Group** reaches a **total audience of 27.7 million users/month**[6], **up by +15%** versus 2017**.** The reach on the market is close to 76% of the Italian digital population.

The Group retained its position as **Italy's top traditional publisher also in the digital business**, leader in key vertical segments such as *women*, *food*, *wellness*, *fashion* and *education*, with 16 million unique users of *Donna Moderna*, over 12 million users of *GialloZafferano*, 5.8 million of *Starbene*, over 3 million of *Grazia* and 9.3 million of *Studenti.it*.

[6] Source: comScore, average figure Jan.-May 2018

EBITDA

In the **second quarter** of the year, the more moderate drop in overall revenue, due also to the different phasing of a number of initiatives, together with the benefits from the actions taken to curb operating and structural costs, helped achieve results that were **basically steady** versus the second quarter of 2017.

In the first six months, **adjusted EBITDA** of the **Magazines Italy** Area posted **a negative result versus 2017** (€ 6.8 million from € 11.0 million), due to the drop previously recorded in the first quarter of the current year.

Additionally, the **digital** area continued to improve and **increased** its adjusted EBITDA by over € 1 million in the half year.

The Area's **reported EBITDA** (€ -0.1 million versus € 10.8 million in first half 2017) reflects higher restructuring costs recorded in the period from the necessary accelerated structural reorganization and cost reduction process and from the loss generated by the disposal of Inthera.

MAGAZINES FRANCE

Relevant market performance

In the period under review, Mondadori France's relevant markets continued to decline versus the prior year:

- in sales in the newsstands channel (**-5.3%** at May)[7];
- in print advertising sales (-**10.7%** at April)[8].
  In the reporting period, Mondadori France held a **10.1%** share[9], basically steady versus the prior year, ranking as **second top player** on the magazine advertising market.

Performance of Magazines France

Magazines France *(Euro/millions)*	**1° Half 2018**	**1° Half 2017**	***Var.***
Revenue	152.9	164.9	*(12.0)*
Adjusted EBITDA	12.1	12.5	*(0.4)*
EBITDA	10.8	15.7	*(4.9)*
EBIT	5.5	9.8	*(4.3)*

Revenue

In first half 2018, revenue from Mondadori France amounted to **€ 152.9 million**, down by 7.3% versus the same period of 2017.

(Euro/millions)	**6 months 2018**	**6 months 2017**	***Var. %***
Circulation	117.6	126.0	*(6.7%)*
Advertising	28.6	30.8	*(7.3%)*
Other revenue	6.8	8.1	*(16.0%)*
Total revenue	**152.9**	**164.9**	***(7.3%)***

[7] Source: Mondadori France + Presstalis, figure at May 2018
[8] Source: Net Index, cumulative figures in terms of value at April 2018
[9] Source: Kantar Media, cumulative figures in terms of volume at April 2018

Circulation revenue, accounting for approximately 77% of the total, fell by **6.7%** versus the prior year; revenue from the newsstands channel fell by 7.7%, while revenue from the subscriptions channel dropped by 5.7%.

First half 2018 reported the positive trend of *Dr. Good* and *Tirmag*, the first title reaching 200 thousand average copies sold of the first 3 issues of 2018.

L'atelier de Roxane, a magazine dedicated to *teenager YouTube stars*, sold 40 thousand copies with its first release.

Revenue from the sale of digital copies grew sharply in the first half versus 2017 (**+192%**), driven by the increased number of partnerships with French telco players to offer Mondadori France brands to their subscriber base.

Advertising revenue fell by an overall **-7.3%** versus the same period of 2017; print advertising, accounting for **87%** of total advertising revenue, dropped by **-5.6%** in the reporting period, lower than the drop reported by the relevant market (-10.7%).

EBITDA

Adjusted EBITDA amounted to **€ 12.1 million**, basically steady versus € 12.5 million of the six months of the prior year, net of the discontinuity from *NaturaBuy* (sold in May 2017), thanks to the effective actions launched in 2017 to contain industrial costs, and to the reorganization of the Advertising and Digital teams, which started to produce benefits, fully offsetting the decline in revenue triggered by the trend of the markets.

Adjusted EBITDA from **digital operations** ended **positive** versus the loss recorded in first half 2017.

Reported EBITDA amounted to **€ 10.8 million**, down versus € 15.7 million in first half 2017, which had benefited from the gain of € 4.3 million from the abovementioned disposal.

CORPORATE & SHARED SERVICES

The ***Corporate & Shared Services*** segment includes - besides the Group's top management organizations - the Shared Services functions providing services to Group companies and the different business areas. These services are mainly associated with activities regarding: Administration, Management Control and Planning, Treasury and Finance, Purchasing, IT, Human Resources, Legal and Corporate Affairs, and External and Institutional Relations.

Revenue refers mainly to amounts billed for Shared Services to subsidiaries and associates as well as other entities using the above services.

Adjusted EBITDA of the **Corporate & Shared Services** Area - which includes corporate costs not charged to the business areas, came to an overall € -4.1 million versus € -3.7 million in first half 2017, dropping due mainly to the costs incurred to comply with the GDPR *(General Data Protection Regulation*)[10].

The Area EBITDA shows a loss of € 4.7 million, down from the positive figure of € 0.3 million in first half 2017, which had benefited from a gain of € 4.2 million from the disposal of a property in Verona, aimed also at outsourcing logistics activities.

The segment also includes the results of the minority interests in Monradio S.r.l. (20%) and Società Europea di Edizioni S.p.A., publisher of the daily *Il Giornale* (included in "Result - associates").

[10] Regulation (EU) 2016/679 of the European Parliament on the protection of natural persons with regard to the processing and free movement of personal data.

BALANCE SHEET

The average cost of the Mondadori Group's net debt at 30 June 2018 was 2.13% versus 4.36% in 2017, due mainly to the renegotiation of committed lines in December 2017.

The overall credit lines available to the Group at 30 June 2018 amounted to € 654.1 million, € 450.0 million of which committed, the latter unchanged versus 31 December 2017.

The Group’s short-term loans, amounting to € 204.1 million, € 20.1 million of which drawn down at 30 June, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 30 June, the € 450.0 million pool consisted of:

(Euro/millions)	Bank pool		of which: unutilized	of which: with interest rate hedge
Term Loan A	150.0	(1)	-	100.0
Term Loan B	100.0	(2)	-	75.0
RCF	100.0	(3)	100.0	-
Acquisition Line C	100.0	(4)	100.0	
Total loans	**450.0**		**200.0**	**175.0**

(1) Maturity dates: € 15.0 million December 2018, € 17.5 million December 2019, € 22.5 million December 2020, € 27.5 million December 2021, € 67.5 million December 2022
(2) Maturity dates: (a) bullet 30/6/2019, or (b) where the extension option in favour of Mondadori is exercised, € 5.0 million December 2019 and December 2020, € 7.5 million December 2021, € 82.5 million December 2022
(3) bullet loan, coming to maturity in December 2022
(4) bullet loan, coming to maturity in December 2022

The Mondadori Group’s net financial position at 30 June 2018 stood at € -238.4 million, dropping sharply versus € -284.4 million at June 2017 (the comparison with € -189.2 million at December 2017 is affected by the seasonal nature of the business).

Net financial position *(Euro/millions)*	**30 June 2018**	**30 June 2017**	**31 December 2017**
Cash and cash equivalents	26.7	60.4	66.6
Assets (liabilities) from derivative instruments	(0.6)	(0.9)	(0.3)
Other financial assets (liabilities)	1.2	(4.4)	(10.0)
Loans (short and medium/long term)	(265.7)	(339.5)	(245.4)
Net financial position	**(238.4)**	**(284.4)**	**(189.2)**

The Group's net financial position and the relating LTM cash flow are detailed below:

LTM (€mn)	June 18	Dec. 17
NFP beginning of period	**(284.4)**	**(263.6)**
Adjusted EBITDA	112.5	110.5
Dividends minorities	(3.3)	(3.3)
Change in NWC + provisions	(8.7)	4.2
CAPEX	(20.3)	(19.3)
Cash flow from operations	80.3	92.2
Financial expense	(10.0)	(14.0)
Management of investments in associates	(2.8)	(1.8)
Taxes	(5.4)	(7.6)
Cash flow from ordinary operations	**62.1**	**68.7**
Restructuring costs	(11.4)	(13.8)
Extraordinary tax amounts / prior years	0.3	6.8
Acquisition/disposal of assets	(5.0)	12.7
Cash flow from extraordinary operations	(16.0)	5.7
Total Cash Flow	46.0	74.4
NFP end of period	**(238.4)**	**(189.2)**

In the last twelve months, the Group's net financial position improved by approximately € 46 million, with net financial debt decreasing to reach **€ 238.4 million** versus € -284.4 million at 30 June 2017.

Cash generation in the last 12 months is structured as follows:

- **cash flow from ordinary operations** stood at **€ 62.1 million**, € 80.3 million of which from operations minus taxes and financial expense of € 15.4 million, and the management of investments in associates. Cash flow from operations is the result of operations net of non-ordinary items, amounting to a positive € 112.5 million, alleviated by capital expenditure of approximately € 20 million and by a net working capital (including provisions) absorption of approximately € 9 million, relating to the Magazines areas which, in light of the persisting decline in revenue and a negative structural NWC, recorded an absorption of working capital;
- **cash flow from non-ordinary operations came to approximately € -16 million** and included:
  - cash-outs for **restructuring costs** of € 11.4 million;
  - financial outflows from the disposal of Inthera in May 2018, as well as a number of minor acquisitions (including Direct Channel) in Magazines Italy.

Trend of key balance sheet figures versus 30 June 2017:

	June 18	Dec. 17	June 17	C18 vs C17
Trade receivables	266.4	298.0	268.8	-0.9%
Inventory	146.4	127.6	160.5	-8.8%
Trade payables	(385.6)	(416.3)	(407.9)	-5.4%
Other assets (liabilities)	16.2	(12.1)	24.3	-33.1%
NWC	43.4	-2.8	45.7	-5.0%
Intangible assets	590.6	593.0	602.3	-1.9%
Property, plant and equipment	25.1	26.9	28.7	-12.5%
Investments	36.8	38.0	41.6	-11.7%
NET FIXED ASSETS	652.5	657.9	672.5	-3.0%
Provisions and post-employment benefits	(122.6)	(120.6)	(111.0)	10.5%
NET INVESTED CAPITAL	**573.3**	**534.6**	**607.2**	**-5.6%**
Share capital	68.0	68.0	68.0	0.0%
Reserves	248.8	217.4	218.9	13.6%
Profit (loss) for the period	(12.5)	30.4	4.4	-384.6%
Share capital and reserves attributable to non-controlling interests	30.6	29.5	31.5	-3.0%
EQUITY	334.9	345.3	322.9	3.7%
NET FINANCIAL POSITION (DEBT)	238.4	189.2	284.4	-16.2%
TOTAL EQUITY	**573.3**	**534.6**	**607.2**	**-5.6%**

- **trade receivables** fell less than the revenue trend, as a result of revenue from the Educational Area generated mostly in the last few weeks of the first half, while such revenue had been recorded in the first few weeks of the second half of the prior year;

- **inventories**, down by 9%, reflect, in addition to the drop from the fall in revenue, greater operating efficiency;

- **trade payables** fell due to lower purchase volumes, consistent with the revenue trend;

- **other assets (liabilities)** were down by € 8.1 million, due mainly to the use of pre-paid taxes recognized against prior tax losses, based on the taxable income achieved in the last 12 months;

- **fixed assets** decreased by € 20 million, due to amortization and write-downs of € 39.0 million in the period, partly offset by capital expenditure (€ 20.3 million) mainly from the costs incurred for the creation of school textbooks and for software;

- **provisions and post-employment benefits** increased by € 11.6 million versus 30 June 2017, due to higher provisions for onerous contracts relating to the cultural heritage business and to the provision set up to cover the estimated liquidation costs of Mach 2 Libri S.p.A..

INVESTOR RELATIONS

Arnoldo Mondadori Editore S.p.A. ordinary shares have been listed on the Milan Stock Exchange since 1982 (ISIN Code: IT0001469383).
The Mondadori share is listed in the following

- general indexes of Borsa Italiana: FTSE Italia *All Share*, FTSE Italia *Star* and FTSE Italia *Small Cap*;
- Industry specific: FTSE Italia Servizi al consumo and FTSE Italia Media.

In first half 2018, the Mondadori average share price was **€ 1.759** (average market capitalization of € 459.9 million).
On 29 June 2018, Mondadori share price recorded a closing price of € 1.306 with a market capitalization of € 341.5 million.

Share price and share trading data	1° half 2018
Closing price on 29/06/2018 (in Euro)	**1.306**
Average price	1.759
Maximum price (23/01)	2.485
Minimum price (29/05)	1.204
Average volume (thousands)	**933.6**
Maximum volume (16/03)	5,837.3
Minimum volume (23/04)	144.8
No. of ordinary shares (mn)*	**261,458,340**
Average market capitalization (in Euro millions*)	459.9
Market capitalization at 29/06/2018 (in Euro millions)	341.5

Source: Borsa Italiana

** Number of shares issued at 30 June 2018*

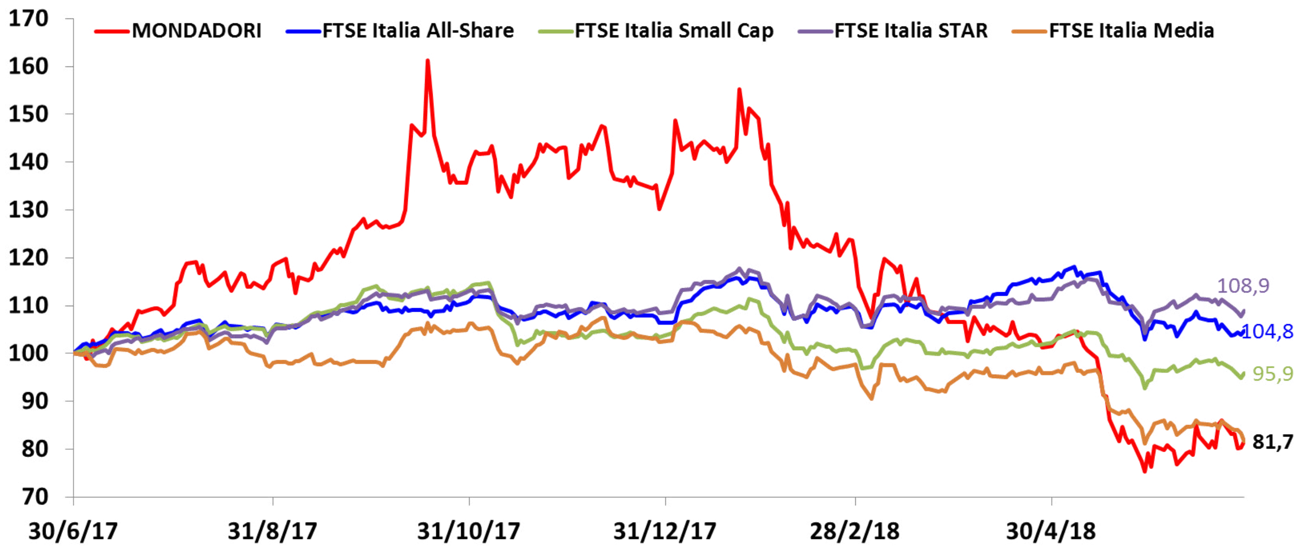
Shareholder base

At 30 June 2018, the Company's share capital amounts to € 67,979,168.40, corresponding to 261,458,340 ordinary shares with a nominal value of € 0.26 each.

At the same date, to the knowledge of the Company, based on the disclosures received pursuant to art. 120 of the Finance Consolidation Act and other available information, the Company ownership structure includes the following relevant equity investments (above 3%):

<u>**Shareholders**</u>	<u>**Equity investment at 30/06/2018**</u>
Fininvest S.p.A.	53.3%
Silchester International Investors Llp	12.4%

Mondadori share price performance against the main Italian SE indexes in the last 12 months



Source: Bloomberg

The macroeconomic situation in Italy shows a moderately positive tone, with GDP growth expected to average +1.3% in 2018 and 2019. The Country risk has increased (spread at approximately 235bps) following the general elections and the formation of the new government.

The global economic climate continues to see sustained growth, with possible risks arising from developments in the trade and monetary policies of advanced and emerging countries (due to the adoption of duties and tariffs, and to the increase in interest rates).

At 30 June 2018, Mondadori's performance stood at -37.3% from the start of the year, while the main indexes showed the following trends:

FTSE *All Share* -1.5%, FTSE ITALIA STAR +0.5%, FTSE Italia *Small Cap* -7.2% and FTSE Italia *Media* -20.3%.

At the same date, the 12-month performance of the Mondadori share was -18.4% versus +4.8% for the FTSE *All* Share index, +8.9% for the FTSE ITALIA STAR, -4.1% for the FTSE Italia *Small Cap* and -18.3% for the FTSE Italia *Media*.

PERSONNEL

Human resources

At 30 June 2018, Group employees with a fixed-term and permanent labour contract amounted to **2,962 units**, **down by 4.8%** from 3,112 units at 30 June 2017, as a result mainly of the disposal of the subsidiary Inthera, despite the acquisition of Direct Channel, and of the ongoing restructuring and efficiency improvement measures involving each of the Group's business areas.

Net of these discontinuities, the **drop would have been around 3.4%.**

Group employees at 30 June 2018:

	30 June 2018	30 June 2017
Arnoldo Mondadori Editore S.p.A.:	980	935
- Managers, journalists, office staff	974	930
- Blue collars	6	5
Italian subsidiaries:	1,191	1,334
- Managers, journalists, office staff	1,183	1,325
- Blue collars	8	9
Foreign subsidiaries:	791	843
- Managers, journalists, office staff	791	843
- Blue collars	-	-
Total	**2,962**	**3,112**

Headcount by Business Area	30 June 2018	30 June 2017	Var. %
Books	649	657	*(1.2%)*
Magazines Italy	716	772	*(7.3%)*
Magazines France	743	797	*(6.8%)*
Retail	399	424	*(5.9%)*
Corporate & Shared Services	455	462	*(1.5%)*
Total	**2,962**	**3,112**	***(4.8%)***

In the **Books** Area, the workforce was basically steady versus June 2017.

Magazines Italy's trend reflects both the disposal of Inthera in May 2018 and the acquisition of Direct Channel, leader in Italy in subscription selling, net of which the reduction would amount to -1.6%.

The decrease in the **Retail** Area reflects both structural efficiency and the effects of the closure of a number of stores (-1.3% on a like-for-like basis in terms of stores).

The **Corporate & Shared Services** Area saw an approximately 2% decrease in headcount, despite the effects of the insourcing from RCS MediaGroup of the IT services and administrative activities of Rizzoli Libri; net of these effects, headcount would be down by approximately 7%.

Cost of personnel[11] in the first six months amounted to € 113.3 million, **down by approximately 5%** versus the same period of 2017, as a result of the ongoing reduction in headcount, of the outsourcing of logistics activities, completed on 1 May 2017, and of the disposal of Inthera from May 2018.

Net of these transactions, the **organic drop in cost of personnel** would amount to **3.5%**.

	30/06/2018	**30/06/2017**	***Var. %***
Euro/millions			
Cost of enlarged personnel (before restructuring)	**113.3**	119.5	*(5.1%)*

[11] *Cost of enlarged personnel includes costs for collaborations and temporary employment*.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Creation of a single business area covering the Group's book activities

On **1 February 2018**, the Mondadori Group adopted a new organizational structure hinged on a single business area covering the whole range of book activities, from the trade area to school textbooks, from illustrated books and international publications to art and exhibitions.

Head of the new area is Antonio Porro, who has also been appointed Deputy Chairman and Managing Director of Mondadori Libri S.p.A., a company chaired by Ernesto Mauri, CEO of the Parent Arnoldo Mondadori Editore S.p.A..

Acquisition of Direct Channel

On **6 February 2018**, the Mondadori Group, through Press-Di Abbonamenti S.p.A., leader in Italy in subscription selling, expanded its offering and services for third-party publishers by acquiring Direct Channel, specialized in marketing-related database management and information systems through the development of management systems and CRM for magazine subscription selling and the planning of marketing and fundraising activities for important non-profit bodies.

Appointment of new corporate bodies

On **24 April 2018**, the Ordinary Shareholders' Meeting appointed the new corporate bodies of the Company:

APPOINTMENT OF THE BOARD OF DIRECTORS

The Meeting appointed the new Board of Directors; the 14 members will remain in office for three years until approval of the financial statements for the year ending 31 December 2020.

The Board was elected on the basis of the lists submitted by the shareholder Fininvest S.p.A., holder of 53.299% of the share capital for a total of no. 139,355,950 shares, and by a grouping of shareholders formed by asset management companies and institutional investors holding a total of no. 8,065,686 shares, equal to 3.084% of the share capital.

The members of the new Board of Directors are:

- **Marina Berlusconi** (Chairman), **Ernesto Mauri, Pier Silvio Berlusconi, Oddone Maria Pozzi, Paolo Guglielmo Ainio, Elena Biffi, Francesco Currò, Martina Forneron Mondadori, Danilo Pellegrino, Roberto Poli, Angelo Renoldi, Mario Resca, Cristina Rossello** (from the majority list submitted by the shareholder Fininvest S.p.A.);

- **Patrizia Michela Giangualano** (from the minority list submitted by a group of shareholders formed by asset management companies and institutional investors).

The majority list received 69.245% of votes.

The Board of Directors of Arnoldo Mondadori Editore S.p.A., convened at the end of the Meeting and chaired by Marina Berlusconi, confirmed **Ernesto Mauri as CEO**, vesting him with the relevant powers of management.

In accordance with the provisions of the Corporate Governance Code, Ernesto Mauri was identified as "Director in charge of the internal control and risk management system".

Directors Elena Biffi, Angelo Renoldi, Cristina Rossello and Patrizia Michela Giangualano declared that they met the **independence requirements** set out in art. 148, par. 3, of Legislative Decree No. 58/1998 and in the Corporate Governance Code for Listed Companies.
Director Martina Forneron Mondadori declared that she met the independence requirements set out in art. 148, par. 3, of Legislative Decree no. 58/1998.
The composition of the Board of Directors complies with the provisions on gender equality set out in art. 147-ter, par. 1-ter, of Legislative Decree no. 58/1998.
The Board of Directors also appointed the members of the following committees in compliance with the principles established by the Governance Code adopted:

- **Control and Risk Committee:** Cristina Rossello, as Chairman (independent); Angelo Renoldi (independent); Patrizia Michela Giangualano (independent);
- **Remuneration and Appointments Committee**: Angelo Renoldi as Chairman (independent); Cristina Rossello (independent); Elena Biffi (independent);
- **Committee for Related Party Transactions**: Angelo Renoldi, as Chairman (independent); Cristina Rossello (independent); Elena Biffi (independent).

The Board also confirmed, until expiry of its term, therefore, until approval of the financial statements for the year ending 31 December 2020:

- Cristina Rossello as Lead Independent Director;
- Oddone Maria Pozzi as Financial Reporting Manager.

The executive Directors are: Marina Berlusconi, Ernesto Mauri, Oddone Pozzi and Mario Resca.

The CVs of the members of the new Board of Directors and the additional documentation required by current legislation are available in the Governance section of www.mondadori.it.

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

The Shareholders' Meeting also appointed the Board of Statutory Auditors, composed as follows:

- **Sara Fornasiero** as **Chairman** (elected based on the minority list submitted by a group of shareholders formed by asset management companies and institutional investors);
- **Ezio Simonelli** and **Flavia Daunia Minutillo** as **Standing Auditors** (elected based on the majority list submitted by the shareholder Fininvest S.p.A.);
- **Francesco Vittadini** and **Annalisa Firmani** as **Alternate Auditors** (elected based on the majority list submitted by the shareholder Fininvest S.p.A.);
- **Mario Civetta** as **Alternate Auditor** (elected based on the minority list submitted by a group of shareholders formed by asset management companies and institutional investors).

The majority list received 85.558% of votes.

The Chairman of the Board of Statutory Auditors, Sara Fornasiero, declared that she met the **independence requirements** set out in art. 148, par. 3, of Legislative Decree no. 58/1998 and in the Corporate Governance Code for Listed Companies.

Standing Auditors Flavia Daunia Minutillo and Ezio Simonelli declared that they met the independence requirements set out in art. 148, par. 3, of Legislative Decree no. 58/1998.

The composition of the Board of Statutory Auditors complies with the provisions on gender equality set out in art. 148, par. 1-*bis* of Legislative Decree no. 58/1998.

The CVs of the members of the Board of Statutory Auditors and the additional documentation required by current legislation are available in the Governance section of www.mondadori.it.

Disposal of Inthera

On **2 May 2018**, Arnoldo Mondadori Editore S.p.A. concluded an agreement on the disposal of 100% of the share capital of Inthera S.p.A., specialized in strategy, planning and development of content & data driven marketing solutions, CRM, database analysis and management, for a price of € 1.8 million. The agreement contains a price adjustment clause equal to the difference between equity (net of fixed assets) at 31/12/2017 and equity at 30/04/2018.

In the most recently approved financial statements (2017), the company achieved revenue of € 11.1 million and adjusted EBITDA of € 1.8 million.

Agreement with journalists' trade unions

On **15 June**, the Board of Directors of Arnoldo Mondadori Editore S.p.A. resolved not to accept the binding offers received from European Network for the acquisition of the *Tustyle* and *Confidenze* magazines. The Company has identified a new organizational and cost management structure aimed at achieving improvement targets for the two magazines. An agreement has been reached on a reduction of the remuneration package for *Tustyle* and *Confidenze* journalists from 1 July 2018, consistent with the structural decline of the market, and on the application of a solidarity contract for journalists from the other publications in the Magazines Italy Area, in force until 31 December 2018.

The Company and the trade unions have underwritten their commitment to make the cost structure and the organization of the work of Magazines Italy consistent with market trends by the end of the year, in order to safeguard sustainability.

Start of purchase of treasury shares

On **25 June**, the Group announced the start of a share buyback plan - under art. 5 of Regulation (EU) No. 596/2014 - on the Electronic Stock Market (MTA) to provide the Company with 1.24 million shares to service the Incentive Plan named "2018 - 2020 Performance Share Plan" approved by the Shareholders' Meeting on 24 April 2018, and to service the continuation of the "2017 - 2019 Performance Share Plan".

On **2 July**, the Company announced the purchase, in the period from 25 to 29 June, of **27,500** ordinary shares (equal to 0.011% of the share capital) at an average unit price of € 1.3006, for a total amount of € 35,766.85.

At 30 June 2018, Arnoldo Mondadori Editore S.p.A. held no. 947,500 treasury shares, representing 0.3624% of the share capital.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On **9 July**, the Group announced the purchase, in the period from 2 to 6 July, of a further **16,000** ordinary shares (equal to 0.006% of the share capital) at an average unit price of € 1.3530, for a total amount of € 21,648.10.

On **16 July**, the Group announced the purchase, in the period from 9 to 13 July, of a further **17,500** ordinary shares (equal to 0.007% of the share capital) at an average unit price of € 1.4700, for a total amount of € 25,725.70.

On **23 July**, the Group announced the purchase, in the period from 16 to 20 July, of a further **17,500** ordinary shares (equal to 0.007% of the share capital) at an average unit price of € 1.5102, for a total amount of € 26,428.50.

On **30 July**, the Group announced the purchase, in the period from 23 to 27 July, of a further 27,000 ordinary shares (equal to 0.010% of the share capital) at an average unit price of € 1.4606 for a total amount of € 39,435.25.

Following the purchases made so far, Arnoldo Mondadori Editore S.p.A. holds to date no. 1,025,500 treasury shares, equal to 0.392% of the share capital (including the 80,000 shares purchased in the period from 30 November to 2 December 2016, as per disclosure to the market on 6 December 2016).

OTHER INFORMATION

Adhesion to the legislative simplification process adopted by Consob resolution No. 18079 of 20 January 2012. Disclosure pursuant to art. 70, par. 8, and art. 71, par. 1-bis, of Consob Regulation No. 11971/99 as subsequently amended

On and with effect from 13 November 2012, the Board of Directors of Arnoldo Mondadori Editore S.p.A., pursuant to art. 3 of Consob Resolution No. 18079 of January 20, 2012 and in relation to the provisions set out in art. 70, par. 8, and art. 71, par. 1-bis, of Consob Regulation No. 11971/1999, resolved to avail itself of the right to waive the obligation of disclosure envisaged by the aforementioned Consob Regulation on the occasion of significant transactions relating to mergers, spin-offs and capital increases through contribution of assets in nature, acquisitions and transfers.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES USED

This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures, in order to provide a better understanding of the operating and financial performance of the Group. These statements and measures should not be considered as a replacement of those required by IFRS. With regard to these figures, in accordance with the recommendations contained in Consob Communication no. 6064293 of 28 July 2006, and in Consob communication no. 0092543 of 3 December 2015, as well as with the 2015/1415 ESMA guidelines on alternative performance measures ("Non GAAP Measures”), explanations are given on the criteria adopted in their preparation and the relevant notes to the items appearing in the mandatory statements.

Specifically, the alternative measures used include:

Gross Operating Profit (EBITDA): EBITDA, or gross operating profit, is equal to earnings before interest, taxes, depreciation and amortization. The Group also provides information on the percentage of EBITDA on net sales. EBITDA measured by the Group allows operating results to be compared with those of other companies, net of any effects from financial and tax items, and of depreciation and amortization, which may vary from company to company for reasons unrelated to general operating performance.

Adjusted gross operating profit (adjusted EBITDA): gross operating profit as explained above, net of income and expense of a non-ordinary nature such as:

(i) income and expense from restructuring, reorganization and business combinations;

(ii) clearly identified income and expense not directly related to the ordinary course of business;

(iii) as well as any income and expense from non-ordinary relevant events and transactions as set out in Consob communication DEM6064293 of 28/07/2006.

With regard to adjusted EBITDA in first half 2017, the following items were excluded from EBITDA:

Restructuring costs for a total amount of € 2.9 million, included in "Cost of personnel" in the income statement;

Income of a non-ordinary nature totaling € 8.7 million, attributable to gains from the sale of assets: € 4.2 million from the disposal of the former logistics property, € 4.3 million from the disposal of NaturaBuy, and € 0.2 million from disposals made in the Retail Area;

Expense of a non-ordinary nature for a total of € 0.5 million, included mainly in "Cost of services".

With regard to adjusted EBITDA in first half 2018, the following items were excluded from EBITDA:

a) restructuring costs for a total of € 6.4 million, included in "Cost of personnel" in the income statement;

b) expense of a non-ordinary nature totaling € 3.5 million, of which € 2.3 million attributable to losses from the disposal of investments classified under Other (income) expense, and mainly to legal advice fees classified under "Cost of services". **Operating profit** (**EBIT**): net result for the period before income taxes, and other income and expense.

Net invested capital: the algebraic sum of Fixed Capital, which includes non-current assets and non-current liabilities (net of non-current financial liabilities included in the Net Financial Position) and Net Working Capital, which includes current assets (net of cash and cash equivalents and current financial assets included in the Net Financial Position), and current liabilities (net of current financial liabilities included in the Net Financial Position).

Cash flow from operations: adjusted EBITDA, as explained above, plus or minus the decrease/(increase) in working capital in the period, minus capital expenditure (CAPEX/Investment).

Cash flow from ordinary operations: cash flow from operations as explained above, net of financial expense, taxes paid in the period, and income/expense from investments in associates.

LTM cash flow from ordinary operations: cash flow from ordinary operations in the last twelve months.

Cash flow from extraordinary operations: cash flow generated/used in transactions that are not considered ordinary, such as company restructuring and reorganization, share capital transactions and acquisitions/disposals.

BUSINESS OUTLOOK

In light of the current relevant context and the results achieved in the first six months of the year, the forecasts on **2018**, on a like-for-like basis, previously disclosed to the market, can be reasonably confirmed versus 2017:

- **consolidated revenue slightly down**
- **adjusted EBITDA basically steady**
- **net profit** up sharply in second half 2018 versus the same period of the prior year and down by approximately € 7 million for the full year versus 2017, which had included positive non-ordinary items.

Cash flow from ordinary operations around **€ 55/60 million**.

For the Board of Directors

The Chairman

Marina Berlusconi

CONSOLIDATED BALANCE SHEET

INCOME STATEMENT AND
CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Consolidated balance sheet

Assets (Euro/thousands)	Notes	**30 June 2018**	**31 December 2017**
Intangible assets	9	**590,626**	**593,004**
Investment property	10	**2,797**	**2,831**
Land and buildings		3,292	3,389
Plant and equipment		5,206	5,828
Other tangible assets		13,788	14,837
Property, plant and equipment	11	**22,286**	**24,054**
Equity-accounted investees		35,867	37,139
Other investments		893	902
Total investments	12	**36,760**	**38,041**
Non-current financial assets	19	**7,834**	**1,772**
Pre-paid tax assets	13	**66,819**	**64,933**
Other non-current assets	14	**2,307**	**2,102**
Total non-current assets		**729,429**	**726,737**
Tax receivables	15	**31,034**	**29,373**
Other current assets	16	**99,867**	**86,945**
Inventory	17	**146,398**	**127,607**
Trade receivables	18	**266,418**	**298,012**
Other current financial assets	19	**2,395**	**1,683**
Cash and cash equivalents	20	**26,721**	**66,585**
Total current assets		**572,833**	**610,205**
Discontinued assets		**-**	**-**
Total assets		**1,302,262**	**1,336,942**

Consolidated balance sheet

Liabilities (Euro/thousands)	Notes	**30 June 2018**	**31 December 2017**
Share capital		**67,979**	**67,979**
Share premium reserve		**-**	**-**
Treasury shares		**(1,696)**	**(1,654)**
Other reserves and profit/(loss) carried forward		**250,521**	**219,072**
Profit (loss) for the period		**(12,479)**	**30,417**
Group equity	21	**304,325**	**315,814**
Share capital and reserves attributable to non-controlling interests	21	**30,584**	**29,500**
Total equity		**334,909**	**345,314**
Provisions	22	**77,274**	**73,110**
Post-employment benefits	23	**45,275**	**47,505**
Non-current financial liabilities	24	**231,453**	**232,736**
Deferred tax liabilities	13	**59,353**	**60,597**
Other non-current liabilities		**-**	**-**
Total non-current liabilities		**413,355**	**413,948**
Income tax payables	15	**3,943**	**5,750**
Other current liabilities	25	**203,720**	**221,844**
Trade payables	26	**302,414**	**323,538**
Payables to banks and other financial liabilities	24	**43,921**	**26,548**
Total current liabilities		**553,998**	**577,680**
Discontinued liabilities		**-**	**-**
Total liabilities		**1,302,262**	**1,336,942**

Consolidated income statement

(Euro/thousands)	Notes	30 June 2018	30 June 2017
Revenue from sales and services	27	**543,820**	**573,101**
Decrease (increase) in inventory	17	(18,620)	(17,156)
Cost of raw and ancillary materials, consumables and goods	28	94,558	99,294
Cost of services	29	339,568	357,610
Cost of personnel	30	112,234	114,655
Other (income) expense	31	1,787	(8,856)
EBITDA		**14,293**	**27,554**
Depreciation and impairment loss on property, plant and equipment	10-11	3,427	3,528
Amortization and impairment loss on intangible assets	9	11,969	12,517
EBIT		**(1,103)**	**11,509**
Financial income (expense)	32	(3,168)	(7,139)
Income (expense) from investments	33	(8,154)	(268)
Result before taxes		**(12,425)**	**4,102**
Income taxes	34	(1,030)	(1,583)
Result from continuing operations		**(11,395)**	**5,685**
Result from discontinued operations		-	-
Net result		**(11,395)**	**5,685**
Attributable to:			
- Non-controlling interests	21	**1,084**	**1,309**
- Parent Company shareholders		**(12,479)**	**4,376**
Net earnings per share (in Euro units)	35	(0.048)	0.017
Diluted net earnings per share (in Euro units)	35	(0.048)	0.017

Consolidated income statement - second quarter

(Euro/thousands)	**Second quarter 2018**	**Second quarter 2017**
Revenue from sales and services	**290,434**	**301,492**
Decrease (increase) in inventory	(7,762)	(8,999)
Cost of raw and ancillary materials, consumables and goods	50,521	55,506
Cost of services	170,794	178,164
Cost of personnel	55,005	56,747
Other (income) expense	4,593	(5,162)
EBITDA	**17,283**	**25,236**
Depreciation and impairment loss on property, plant and equipment	1,739	1,749
Amortization and impairment loss on intangible assets	5,985	6,335
EBIT	**9,559**	**17,152**
Financial income (expense)	(1,691)	(3,739)
Income (expense) from investments	(5,367)	224
Result before taxes	**2,501**	**13,637**
Income taxes	1,060	(620)
Result from continuing operations	**1,441**	**14,257**
Result from discontinued operations	-	-
Net result	**1,441**	**14,257**
Attributable to:		
- Non-controlling interests	**363**	**714**
- Parent Company shareholders	**1,078**	**13,543**

Consolidated comprehensive income statement

(Euro/thousands)	Notes	30 June 2018	30 June 2017
Net result		**(11,395)**	**5,685**
Items reclassifiable to income statement			
Profit (loss) from the conversion of currency denominated financial statements of foreign companies	21	575	(1,829)
Other profit (loss) from equity-accounted investees	21	51	53
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	19-24	(284)	271
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax effect on other profit (loss) reclassifiable to income statement		68	169
Items reclassified to income statement			
Profit (loss) on cash flow hedge instruments		150	199
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax effect on other profit (loss) reclassified to income statement		(36)	48
Items not reclassifiable to income statement			
Actuarial profit (loss)	23	(49)	426
Tax effect on other profit (loss) not reclassifiable to income statement		12	(39)
Total other profit (loss) net of tax effect		487	(702)
Comprehensive result for the period		**(10,908)**	**4,983**
Attributable to:			
- Non-controlling interests		**1,084**	**3,674**
- Parent Company shareholders		**(11,992)**	**1,309**

For the Board of Directors
The Chairman
Marina Berlusconi

Amounts in Euro thousands

Statement of changes in Group consolidated equity at 30 June 2017

Euro/thousands	Notes	Share capital	Treasury shares	Performance share reserve	Cash flow hedge reserve	Fair value reserve	Currency reserve	Post-employment discounting reserve	Other reserves	Profit (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total
Balance at 1 January 2017		**67,979**	**(73)**	**0**	**(2,240)**	**0**	**1,924**	**(1,037)**	**198,226**	**22,544**	**287,323**	**30,475**	**317,798**
- Allocation of result									22,544	(22,544)	-		-
- Dividends paid											-		-
- Change in consolidation scope											-		-
- Capital increase											-		-
- Transactions on treasury shares			(285)								(285)		(285)
- Performance share				343							343		343
- Other changes									242		242	(238)	4
- Comprehensive profit (loss)					687		(1,745)	387	(31)	4,376	3,674	1,309	4,983
Balance at 30 June 2017	**21**	**67,979**	**(358)**	**343**	**(1,553)**	**0**	**179**	**(650)**	**220,981**	**4,376**	**291,297**	**31,546**	**322,843**

Statement of changes in Group consolidated equity at 30 June 2018

Euro/thousands	Notes	Share capital	Treasury shares	Performance share reserve	Cash flow hedge reserve	Fair value reserve	Currency reserve	Post-employment discounting reserve	Other reserves	Profit (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total
Balance at 1 January 2018		**67,979**	**(1,654)**	**850**	**(940)**	**0**	**(1,230)**	**(533)**	**220,925**	**30,417**	**315,814**	**29,500**	**345,314**
- Allocation of result									30,417	(30,417)	-		-
- Dividends paid											-		-
- Change in consolidation scope											-		-
- Transactions on treasury shares			(42)								(42)		(42)
- Performance share				807							807		807
- Adoption IFRS 9									(268)		(268)		(268)
- Other changes									6		6		6
- Comprehensive profit (loss)					(102)		596	(37)	30	(12,479)	(11,992)	1,084	(10,908)
Balance at 30 June 2018	**21**	**67,979**	**(1,696)**	**1,657**	**(1,042)**	**0**	**(634)**	**(570)**	**251,110**	**(12,479)**	**304,325**	**30,584**	**334,909**

For the Board of Directors
The Chairman
Marina Berlusconi

Amounts in Euro thousands

Consolidated cash flow statement

	Notes	Euro/thousands 30/06/2018	Euro/thousands 30/06/2017
Net result for the period from continuing operations		(12,479)	4,376
Adjustments			
Amortization, depreciation and impairment	9-10-11	15,396	16,045
Income taxes for the period	34	(862)	(2,783)
Performance Share		807	343
Provisions (utilization) and post-employment benefits		2,838	(4,005)
Capital loss (gain) from the disposal of intangible assets, property, plant and equipment, investments		2,092	(8,725)
Capital loss (gain) from the measurement of financial assets		-	(6)
(Income) expense of equity-accounted investees	33	8,185	574
Net financial expense on loans and transactions with derivatives	32	2,438	6,093
Cash flow generation from operations		**18,415**	**11,912**
(Increase) decrease in trade receivables		29,114	26,627
(Increase) decrease in inventory		(20,716)	(15,913)
Increase (decrease) in trade payables		(18,724)	(5,655)
Income tax payments		(3,076)	(4,519)
Advances and post-employment benefits		(1,984)	(3,322)
Net difference for other assets/liabilities		(35,617)	(29,219)
Cash flow generated from (absorbed by) operations		**(32,588)**	**(20,089)**
Price collected (paid) net of cash transferred/acquired	7	(2,532)	8,883
(Purchase) disposal of intangible assets		(8,838)	(8,337)
(Purchase) disposal of property, plant and equipment		(2,467)	3,639
(Purchase) disposal of investments		(138)	589
(Purchase) disposal of financial assets		(6,774)	(2,927)
Cash flow generated from (absorbed by) investment activities		**(20,749)**	**1,847**
Net difference in financial liabilities		15,389	7,399
Payment of net financial expense on loans and transactions with derivatives		(1,874)	(6,042)
Capital increase		-	-
(Purchase) disposal of treasury shares	21	(42)	(285)
Dividends paid		-	-
Cash flow generated from (absorbed by) financing activities		**13,473**	**1,072**
Increase (decrease) in cash and cash equivalents		**(39,864)**	**(17,170)**
Cash and cash equivalents at the beginning of the period	20	**66,585**	**77,590**
Cash and cash equivalents at the end of the period	20	**26,721**	**60,420**

For the Board of Directors
The Chairman
Marina Berlusconi

Consolidated Balance Sheet pursuant to Consob Resolution no. 15519 of 27 July 2006

Assets (Euro/thousands)	Notes	**30/06/2018**	of which related parties (Note 39)	**31/12/2017**	of which related parties (Note 39)
Intangible assets	9	**590,626**	**-**	**593,004**	**-**
Investment property	10	**2,797**	**-**	**2,831**	**-**
Land and buildings		3,292	-	3,389	-
Plant and equipment		5,206	-	5,828	-
Other tangible assets		13,788	-	14,837	-
Property, plant and equipment	11	**22,286**	**0**	**24,054**	**0**
Equity-accounted investees		35,867	-	37,139	-
Other investments		893	-	902	-
Total investments	12	**36,760**	**0**	**38,041**	**0**
Non-current financial assets	19	**7,834**	**500**	**1,772**	**500**
Pre-paid tax assets	13	**66,819**	**-**	**64,933**	**-**
Other non-current assets	14	**2,307**	**-**	**2,102**	**-**
Total non-current assets		**729,429**	**500**	**726,737**	**500**
Tax receivables	15	**31,034**	**44**	**29,373**	**199**
Other current assets	16	**99,867**	**84**	**86,945**	**56**
Inventory	17	**146,398**	**-**	**127,607**	**-**
Trade receivables	18	**266,418**	**52,084**	**298,012**	**50,413**
Other current financial assets	19	**2,395**	**25**	**1,683**	**25**
Cash and cash equivalents	20	**26,721**	**-**	**66,585**	**-**
Total current assets		**572,833**	**52,237**	**610,205**	**50,693**
Discontinued assets		**-**	**-**	**-**	**-**
Total assets		**1,302,262**	**52,737**	**1,336,942**	**51,193**

Consolidated Balance Sheet pursuant to Consob Resolution no. 15519 of 27 July 2006

Liabilities (Euro/thousands)	Notes	**30/06/2018**	of which related parties (Note 39)	**31/12/2017**	of which related parties (Note 39)
Share capital		**67,979**	**-**	**67,979**	**-**
Share premium reserve		**-**	**-**	**-**	**-**
Treasury shares		**(1,696)**	**-**	**(1,654)**	**-**
Other reserves and profit/(loss) carried forward		**250,521**	**-**	**219,072**	**-**
Profit (loss) for the period		**(12,479)**	**-**	**30,417**	**-**
Group equity	21	**304,325**	**0**	**315,814**	**0**
Share capital and reserves attributable to non-controlling interests	21	**30,584**	**-**	**29,500**	**-**
Total equity		**334,909**	**0**	**345,314**	**0**
Provisions	22	**77,274**	**-**	**73,110**	**-**
Post-employment benefits	23	**45,275**	**-**	**47,505**	**-**
Non-current financial liabilities	24	**231,453**	**-**	**232,736**	**-**
Deferred tax liabilities	13	**59,353**	**-**	**60,597**	**-**
Other non-current liabilities		**-**	**-**	**-**	**-**
Total non-current liabilities		**413,355**	**0**	**413,948**	**0**
Income tax payables	15	**3,943**	**930**	**5,750**	**4,075**
Other current liabilities	25	**203,720**	**130**	**221,844**	**131**
Trade payables	26	**302,414**	**10,870**	**323,538**	**15,025**
Payables to banks and other financial liabilities	24	**43,921**	**-**	**26,548**	**-**
Total current liabilities		**553,998**	**11,930**	**577,680**	**19,231**
Discontinued liabilities		**-**	**-**	**-**	**-**
Total liabilities		**1,302,262**	**11,930**	**1,336,942**	**19,231**

Consolidated Income Statement pursuant to Consob Resolution no. 15519 of 27 July 2006

(Euro/thousands)	Notes	**2018**	of which related parties (Note 39)	of which non-recurring (income) expense (Note 38)	**Financial year 2017**	of which related parties (Note 39)	of which non-recurring (income) expense (Note 38)
Revenue from sales and services	27	**543,820**	**34,602**	**-**	**573,101**	**46,413**	**-**
Decrease (increase) in inventory	17	(18,620)	-	-	(17,156)	-	-
Cost of raw and ancillary materials, consumables and goods	28	94,558	1,481	-	99,294	1,638	-
Cost of services	29	339,568	1,907	-	357,610	2,927	-
Cost of personnel	30	112,234	(54)	-	114,655	(93)	-
Other (income) expense	31	1,787	71	-	(8,856)	67	-
EBITDA		**14,293**	**31,197**	**0**	**27,554**	**41,874**	**0**
Depreciation and impairment loss on property, plant and equipment	10-11	3,427	-	-	3,528	-	-
Amortization and impairment loss on intangible assets	9	11,969	-	-	12,517	-	-
EBIT		**(1,103)**	**31,197**	**0**	**11,509**	**41,874**	**0**
Financial income (expense)	32	(3,168)	(12)	-	(7,139)	(59)	-
Income (expense) from other investments	33	(8,154)	-	-	(268)	-	-
Result before taxes		**(12,425)**	**31,185**	**0**	**4,102**	**41,815**	**0**
Income taxes	34	(1,030)	-	-	(1,583)	-	-
Result from continuing operations		**(11,395)**	**31,185**	**0**	**5,685**	**41,815**	**0**
Result from discontinued operations		-	-	-	-		-
Net result		**(11,395)**	**31,185**	**0**	**5,685**	**41,815**	**0**
Attributable to:							
- Non-controlling interests	21	**1,084**	**-**	**-**	**1,309**	**-**	**-**
- Parent Company shareholders		**(12,479)**	**31,185**	**-**	**4,376**	**41,815**	**-**

EXPLANATORY NOTES

1. GENERAL INFORMATION

The core business of Arnoldo Mondadori Editore S.p.A. and of its directly or indirectly owned companies (hereinafter jointly referred to as the “Mondadori Group” or the “Group”) is the publishing of books and magazines.

The Group also carries out retailing activities through directly-owned and franchised stores located across Italy.

Arnoldo Mondadori Editore S.p.A., with registered office in Via Bianca di Savoia 12, Milan, and headquarters in Strada privata Mondadori, Segrate/Milan, is listed on the STAR segment of the Electronic Stock Market (MTA) of Borsa Italiana S.p.A..

The publication of the consolidated financial statements of the Mondadori Group at 30 June 2018 was authorized by the Board of Directors’ resolution of 31 July 2018.

2. FORM AND CONTENT

The Consolidated Half-Year Financial Report includes the condensed consolidated half-year financial statements, prepared in compliance with the provisions set out in IAS 34 and art. 154-ter of the Finance Consolidation Act and, therefore, does not include all the supplementary information required for the full-year report, and should be read jointly with the Group's consolidated annual report at 31 December 2017.

The following criteria were adopted in the preparation of these financial statements:

- current and non-current assets and current and non-current liabilities are shown separately in the consolidated balance sheet;
- in the consolidated income statement, the analysis of costs is performed on the basis of the nature of costs, since the Group deems this method more representative than a presentation by function;
- the consolidated comprehensive income statement contains revenue and cost items that are not recognized under income (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

With regard to the requirements of Consob Resolution no. 15519 of 27 July 2006 concerning the tables to the financial statements, specific supplementary tables were included to highlight significant transactions with “Related parties” and “Non-recurring transactions”.

The amounts shown in the tables and in these notes are expressed in Euro thousands unless otherwise stated.

3. CONSOLIDATION SCOPE

In first half 2018, the Mondadori Group completed the disposal of 100% of the share capital of Inthera S.p.A., which resulted in its deconsolidation effective from 1 May.

Preparation criteria

The Mondadori Group's condensed consolidated half-year financial statements have been prepared on a going concern basis, adopting the same accounting standards used in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for those effective as of 1 January 2018, as specified below:

- IFRS 15 – Revenue from Contracts with Customers (published on 28 May 2014 and supplemented with additional clarification published on 12 April 2016), which will replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model for the recognition of revenue, which will be applied to all contracts stipulated with customers except for those falling within the application of other IAS/IFRS standards as leasing, insurance contracts and financial instruments. The key steps in the accounting of revenue based on this new model are:
    - identification of the contract with the customer;
    - identification of the performance obligations included in the contract;
    - pricing;
    - price allocation based on the performance obligations included in the contract;
    - the criteria for the recognition of revenue when the entity meets each performance obligation.

On the first-time adoption of IFRS 15, the full retrospective approach was adopted, resulting in the restatement of the amounts of the comparative financial statements.

The restatement had no effect on the amounts of the balance sheet at 31 December 2017; the table below shows the effects on the income statement for the six months ended 30 June 2017.

Further comments on the nature of the effects of the adoption of IFRS 15 are found in Note 28 - Revenue from sales and services.

Amounts in Euro thousands	**30 June 2017**	**IFRS 15 impact on Books**	**IFRS 15 impact on Magazines Italy**	**IFRS 15 impact on Magazines France**	**30 June 2017 restated**
Revenue from sales and services	552,972	(14,177)	17,526	16,780	573,101
Decrease (increase) in inventory	(17,156)				(17,156)
Cost of raw and ancillary materials, consumables and goods	113,471	(14,177)			99,294
Cost of services	323,304		17,526	16,780	357,610
Cost of personnel	114,655				114,655
Other (income) expense	(8,856)				(8,856)
EBITDA	**27,554**	**-**	**-**	**-**	**27,554**
Depreciation and impairment loss on property, plant and equipment	3,528				3,528
Amortization and impairment loss on intangible assets	12,517				12,517
Impairment loss on equity-accounted investees and other companies	-				-
EBIT	**11,509**	**-**	**-**	**-**	**11,509**
Financial income (expense)	(7,139)				(7,139)
Income (expense) from investments	(268)				(268)
Result before taxes	**4,102**	**-**	**-**	**-**	**4,102**
Income taxes	(1,583)				(1,583)
Result from continuing operations	**5,685**	**-**	**-**	**-**	**5,685**
Result from discontinued operations	-				-
Net result	**5,685**	**-**	**-**	**-**	**5,685**

- Final version of IFRS 9 – Financial Instruments (published on 24 July 2014). The document includes the findings of the IASB project to replace IAS 39:
    - it introduces new criteria for the classification and measurement of financial assets and liabilities;
    - in relation to the impairment model, the new standard requires an entity to base its measurement of expected credit losses (not on the incurred losses model used by IAS 39) on reasonable and supportable information that is available without undue cost or effort, and that includes historical, current and forecast information;
    - it introduces a new hedge accounting model (broadening of the transaction types eligible for hedge accounting, changes in the accounting of forward contracts and options when included in a hedge accounting relationship, changes in the effectiveness test).

Greater flexibility of the new accounting standards is offset by additional requests for information on company risk management activities.

On the first-time application of IFRS 9, the modified retrospective approach was adopted. As a result, no changes were made to the comparative statements, and the relating impacts were recorded in initial equity.

With regard to the main changes introduced by IFRS 9, mention should be made of the following impacts:

Classification and measurement of financial assets and liabilities

The only impact brought by IFRS 9 is the recognition of the fair value difference produced by the renegotiation of the loan payable made in December 2017 as a reduction in equity reserves of € 268 thousand.

The renegotiation produced a non-material change to the loan, resulting in a variation in the current amount of the residual cash flows of the loan below 10% and equal to € 268 thousand. Under IAS 39 in force at the renegotiation date, the transaction did not result in the recognition of income in the income statement for the period. IFRS 9, on the other hand, would have involved the recognition of the above amount in the income statement at the renegotiation date. On the first-time application of IFRS 9 at 01.01.2018, therefore, the amount was recognized in initial equity.

Provision for bad debt

Under IFRS 9, the Expected Credit Loss model was adopted for outstanding receivables.

With regard to trade receivables, in particular, the application of this method involved a specific write-down of receivables that are difficult to collect, and a general write-down for all other receivables, including those that have not fallen due. This approach basically reflects the approach adopted in prior years and, therefore, did not result in the recognition of significant additional write-downs.

Hedge accounting

The company has chosen, as allowed by IFRS 9, to continue applying the hedge accounting rules under IAS 39 to the existing hedge derivative.

Accounting standards, amendments and interpretations not validated yet by the European Union:

- IFRS 16 – Leases (published on 13 January 2016), which will replace IAS 17 – Leases, and the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish leases from service contracts, the differences lying in: the identification of the asset, the right to replace the asset, the right to essentially receive all the financial benefits arising from the use of the asset, and the right to control the use of the asset underlying the contract.

The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is recognized in assets with an offsetting financial liability. The model also provides the possibility of not recognizing as leases those contracts regarding low-value assets and leases with a term of 12 months or less. Conversely, the standard introduces no material changes for the lessor.

The standard is applicable as of 1 January 2019; early adoption is allowed only for those companies that apply IFRS 15 Revenue from Contracts with Customers in advance. The directors expect that the application of IFRS 16 may have a significant impact on the accounting of leases and on the relating disclosures contained in the Group’s consolidated financial statements. With regard to the significance that leases have for the Group, it is considered reasonable to conclude that the impact of this new standard will be material. Specifically, on a balance sheet level, the first order of magnitude of a non-index-related and undiscounted liability for future payments and, consequently, the value of the rights of use, may be represented by the total commitments for leases, as shown in Note 37. Commitments and contingent liabilities.

- Amendment to IFRS 2 "Classification and measurement of share-based payment transactions” (published on 20 June 2016), containing a number of clarifications regarding accounting for the effects of vesting conditions in cases of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics, and regarding accounting for changes to the terms and conditions of a share-based payment that modify the classification from cash-settled to equity-settled. The amendments are effective as from 1 January 2018, and the directors do not expect any significant impact on the Group's consolidated financial statements.
- “Annual Improvements to IFRSs: 2014-2016 Cycle”, published on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard), which partly supplement existing standards. The amendments are effective as from 1 January 2018, and the directors do not expect any significant impact on the Group's consolidated financial statements.
- Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration (published on 8 December 2016). The interpretation intends to provide guidelines on foreign currency transactions if non-monetary advances or payments have been recognized before the recognition of the relating asset, expense or income. The document provides guidance on how an entity should determine the date of a transaction and, therefore, the spot exchange rate to use in the event of foreign currency transactions where payment is made or received in advance. IFRIC 22 is effective as of 1 January 2018, and the directors do not expect any significant impact on the Group's consolidated financial statements.

• Amendment to IAS 40 Transfers of Investment Property (published on 8 December 2016). The amendments clarify the transfers of a property to, or from, investment properties. Specifically, an entity should reclassify a property into, or from, investment property only when there is an evident change in use of the property. Such a change must be traced back to a specific event that occurred and should, therefore, not be restricted to a change of intentions by the Management of an entity. The amendments are effective as of 1 January 2018, and the directors do not expect any significant impact on the Group's consolidated financial statements.
• On 7 June 2017, IASB published the interpretation IFRIC 23 - Uncertainty over Income Tax Treatments. The document deals with the uncertainties over income tax treatments. The document envisages that uncertainties in the determination of tax liabilities or assets be reflected in the financial statements only when the entity is likely to pay or recover the amount in question. Additionally, the document does not contain any new disclosure requirements, but emphasizes that the entity will have to determine whether it will be necessary to provide information on Management's considerations and the uncertainty inherent in the accounting of tax, in accordance with IAS 1. The new interpretation is effective as of 1 January 2019, but early adoption is allowed; the directors do not expect any significant impact on the Mondadori Group's consolidated financial statements.

• Document "Annual Improvements to IFRSs 2015-2017 Cycle", published on 12 December 2017 (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation), which acknowledges the amendments to a number of standards in the context of the annual process for their improvement. The amendments are effective as of 1 January 2019, but early adoption is allowed. The directors do not expect any significant impact on the Mondadori Group's consolidated financial statements.

4. USE OF ESTIMATES

The preparation of the Group's condensed consolidated half-year financial statements and the relevant notes required the use of estimates and assumptions based on subjective judgements, statistics and available information; the final figures may also significantly differ from such estimates according to eventual changes in the criteria used in the determination of such estimates.

For further information on the main accounting estimates, reference should be made to the "Annual Report" at 31 December 2017.

5. SEASONAL NATURE OF BUSINESS ACTIVITIES

Due to the seasonal nature of the school textbooks publishing business, revenue and profits in the second half of the year are expected to be higher.

6. SEGMENT REPORTING

The information under IFRS 8 reflects the Group organizational structure, which includes the following Divisions: Books, Magazines Italy and Magazines France, Retail, Corporate & Shared Services.

This structure gives a clear picture of the Group's diversification in terms of products sold and services rendered and is used by Management as the basis for corporate reporting and in the definition of corporate strategies and plans, as well as in the valuation of investment opportunities and allocation of resources.

Information relating to segment reporting is included in the notes.

7. BUSINESS COMBINATIONS, ACQUISITIONS AND DISPOSALS

The main transactions that have impacted on the Group's consolidation scope are outlined below:

Acquisition of Direct Channel business unit

On 6 February 2018, Press-Di Abbonamenti S.p.A. acquired the Direct Channel business unit, specialized in marketing-related database management and information systems through the development of management systems and CRM for magazine subscription selling and the planning of marketing and fundraising activities for important non-profit bodies, with the aim of expanding the range of services tailored to third-party publishers.

The acquisition, completed for the price of € 605 thousand, was accounted for in accordance with IFRS 3; the resulting difference was provisionally allocated to goodwill.

Acquisition of Direct Channel (Euro/thousands)	
Intangible assets and property, plant and equipment	52
Trade receivables	410
Other business	25
Trade payables	(84)
Provision for post-employment benefits and other provisions	(235)
Other liabilities	(299)
Cash and cash equivalents	89
Price paid	(605)
Goodwill	**647**

Disposal of the investment in Inthera S.p.A.

On 2 May 2018, an agreement was concluded on the disposal to HCI Holding of 100% of the share capital of Inthera S.p.A., specialized in strategy, planning and development of content & data driven marketing solutions, CRM, database analysis and management.

The disposal resulted in the deconsolidation of the income statement and balance sheet amounts of the investment as from 1 May, and generated a loss of € 2,082 thousand and a negative impact of € 2,016 thousand on the Group's net financial position.

Disposal of Inthera S.p.A. (Euro/thousands)	
Intangible assets and property, plant and equipment	(252)
Trade receivables	(3,035)
Inventory	(498)
Other business	(713)
Trade payables	2,517
Provision for post-employment benefits and other provisions	1,125
Other liabilities	790
Cash and cash equivalents	(2,959)
Price collected	943
Loss	**(2,082)**

8. NON-RECURRING INCOME AND EXPENSE

Under Consob resolution no. 15519 of 27 July 2006, in a specific table in the "Explanatory notes", any income and expense deriving from non-recurring transactions have been identified, i.e., transactions and events which, by nature, do not occur repeatedly during normal business.

9. INTANGIBLE ASSETS

"Intangible assets" amounted to € 590,626 thousand and decreased by € 2,378 thousand, due mainly to amortizations recorded in the first half (€ 11,969 thousand), which were higher than new capital expenditure (€ 9,941 thousand).

Intangible assets (Euro/thousands)	**30/06/2018**	**31/12/2017**
Intangible assets with finite useful life	185,652	188,689
Intangible assets with indefinite useful life	404,974	404,315
Total intangible assets	**590,626**	**593,004**

Intangible assets with finite useful life mainly comprise titles published by the Mondadori France Group, such as TéléStar, Closer, Pleine Vie, Le Chasseur Français, and Auto Plus. The useful life of these assets, each of which represents a Cash Generating Unit, is estimated in thirty years; also EMAS list of customers with subscription is included in the same CGU and the relevant value is fully amortized.

Intangible assets with finite useful life (Euro/thousands)	Magazines	Customer lists	Expense on shop lease contract takeovers	Software	Licenses, patents and rights	Other intangible assets - intangible assets in progress and advances	Total
Historical cost at 31/12/2016	247,200	9,684	7,297	32,617	7,845	68,317	372,960
Capital expenditure	-	-		4,080		11,959	16,039
Disposals	-	-		(81)			(81)
Change in the consolidation scope	-	-					0
Other changes	-	-	(5,448)	742	(3,164)	(4,370)	(12,240)
Historical cost at 31/12/2017	247,200	9,684	1,849	37,358	4,681	75,906	376,678
Provision for depreciation and impairment loss at 31/12/2016	93,605	7,086	7,297	24,930	3,332	36,351	172,601
Amortization	7,317	1,756	-	4,555	730	11,398	25,756
Write-downs/(reinstatement of value)	1,540	-	-	-	-	-	1,540
Disposals	-	-	-	-	-	-	0
Change in the consolidation scope	-	-	-	-		-	0
Other changes	-	-	(5,448)	608	(1,804)	(5,264)	(11,908)
Depreciation and impairment losses at 31/12/2017	102,462	8,842	1,849	30,093	2,258	42,485	187,989
Net book value at 31/12/2016	153,595	2,598	0	7,687	4,513	31,966	200,359
Net book value at 31/12/2017	**144,738**	**842**	**0**	**7,265**	**2,423**	**33,421**	**188,689**

In first half 2018, capital expenditure in "Intangible assets with finite useful life", amounting to € 9,294 thousand, referred mainly to:

- € 676 thousand for software (€ 286 thousand the Parent Company, € 180 thousand Mondadori France);
- € 6,021 thousand for costs for the creation and development of publishing products of the Education Area.
- costs for the acquisition of the *oroscopo.it* and *design d'autore* websites for a total of € 820 thousand;
- costs incurred for the SAP project, suspended under fixed assets under construction, for € 1,747 thousand.

Intangible assets with finite useful life (Euro/thousands)	Magazines	Customer lists	Expense on shop lease contract takeovers	Software	Licenses, patents and rights	Other intangible assets - intangible assets in progress and advances	Total
Historical cost at 31/12/2017	247,200	9,684	1,849	37,358	4,681	75,906	376,678
Capital expenditure	-	-	-	676	-	8,618	9,294
Disposals	-	-	-	(6)	-	-	(6)
Change in the consolidation scope	-	-	-	(274)	-	-	(274)
Other changes	-	-	-	(1,868)	4	(8,586)	(10,450)
Historical cost at 30/06/2018	247,200	9,684	1,849	35,886	4,685	75,938	375,242
Depreciation and impairment losses at 31/12/2017	102,462	8,842	1,849	30,093	2,258	42,485	187,989
Amortization	3,709	211	-	1,850	365	5,834	11,969
Write-downs/(reinstatement of value)	-	-	-	-	-	-	0
Disposals	-	-	-	(6)	-	-	(6)
Change in the consolidation scope	-	-	-	(96)	-	-	(96)
Other changes	-	-	-	(1,879)	4	(8,391)	(10,266)
Depreciation and impairment losses at 30/06/2018	106,171	9,053	1,849	29,962	2,627	39,928	189,590
Net book value at 31/12/2017	144,738	842	0	7,265	2,423	33,421	188,689

Net book value at 30/06/2018	**141,029**	**631**	**0**	**5,924**	**2,058**	**36,010**	**185,652**

Intangible assets with indefinite useful life include:

- magazines deriving from the acquisition of the business of Silvio Berlusconi Editore S.p.A., including *TV Sorrisi e Canzoni* and *Chi*,
- series of the Books Area;
- trademarks acquired against payment;
- goodwill.

Intangible assets with indefinite useful life (Euro/thousands)	Magazines	Trademarks and series	Goodwill	Total
Historical cost at 31/12/2016	96,223	48,375	491,677	636,275
Capital expenditure	-	-	400	400
Disposals	-	-	(5,759)	(5,759)
Change in the consolidation scope	-	-	-	0
Other changes	(2,109)	-	(625)	(2,734)
Historical cost at 31/12/2017	94,114	48,375	485,693	628,182
Impairment loss at 31/12/2016	8,890	1,208	214,389	224,487
Write-downs/(reinstatement of value)	-	-	-	0
Other changes/disposals	-	-	(620)	(620)
Impairment loss at 31/12/2017	8,890	1,208	213,769	223,867
Net book value at 31/12/2016	87,333	47,167	277,288	411,788
Net book value at 31/12/2017	**85,224**	**47,167**	**271,924**	**404,315**

The increase in goodwill, amounting to € 647 thousand in first half 2018, is attributable to the acquisition of the Direct Channel business unit, completed by PressDi Abbonamenti S.p.A. with the aim of expanding the range of services tailored to third-party publishers in subscription management.

Intangible assets with indefinite useful life (Euro/thousands)	Magazines	Trademarks and series	Goodwill	Total
Historical cost at 31/12/2017	94,114	48,375	485,693	628,182
Capital expenditure	-	-	647	647
Disposals	-	-	-	0
Change in the consolidation scope	-	-	-	0
Other changes			12	12
Historical cost at 30/06/2018	94,114	48,375	486,352	628,841
Impairment loss at 31/12/2017	8,890	1,208	213,769	223,867
Write-downs/(reinstatement of value)	-	-	-	0
Other changes/disposals	-	-	-	0
Impairment loss at 30/06/2018	8,890	1,208	213,769	223,867
Net book value at 31/12/2017	85,224	47,167	271,924	404,315
Net book value at 30/06/2018	**85,224**	**47,167**	**272,583**	**404,974**

Amortization, write-downs and value reinstatement of intangible assets

Amortization, amounting to € 548 thousand, decreased versus the same period of 2017, due to the completed amortization of the Mondadori France customer list and of certain license costs, partly offset by higher amortization of development costs and of software.

Amortization and impairment loss of intangible assets (Euro/thousands)	**1° half 2018**	**1° half 2017**
Magazines	3,709	3,685
Customer lists	211	878
Expense on shop lease contract takeovers	-	-
Software	1,850	1,668
Licenses, patents and rights	365	917
Cost of development	4,794	4,388
Other intangible assets	1,040	981
Total amortization of intangible assets	**11,969**	**12,517**
Write-downs of intangible assets	-	-
Value reinstatement of intangible assets	-	-
Total write-downs (value reinstatement) of intangible assets	**0**	**0**
Total amortization and impairment loss of intangible assets	**11,969**	**12,517**

The availability and use of intangible assets recognized in these financial statements are not subject to any lien or restriction.

Impairment test

Pursuant to IAS 34, for the purpose of preparing these interim condensed financial statements, an impairment test was carried out to identify any impairment values that occurred after the last impairment test performed.

Market capitalization

In the past twelve months, the Mondadori share price rose from € 1.60 at 30 June 2017 to € 2.08 at 31 December 2017 and to € 1.306 at 30 June 2018.

As a result of this trend, market capitalization decreased significantly versus 31 December 2017, but remains higher than booked equity.

Group performance

Total revenue fell versus first half 2017, basically in line with forecasts.
EBITDA decreased by € 13.3 million, due to the increase in restructuring costs and the impact of extraordinary transactions concluded in the comparative periods (gains of € 8.2 million in 2017 and losses and expense of € 3.5 million in 2018).
Net of these effects, EBITDA increased versus first half 2017, basically in line with forecasts.

Performance of the single CGUs

For all CGUs comprising assets with finite and indefinite useful life and subject to the impairment test, an analysis was carried out in order to verify the performance at 30 June 2018 of the parameters used in the test for the drafting of the 2017 financial statements, including cash generation from operations, operating margins and revenue.

The final operating margin value of magazines belonging to the former Silvio Berlusconi Editore CGU (*TV Sorrisi e Canzoni*, *Chi* and *Telepiù*) in the first half was in line with forecasts, except for *Sorrisi e Canzoni TV*, which fell.

As to the book publishers Einaudi and Mondadori Education, cash generation from operations in the half year under review was in line with forecasts; as to Sperling, Piemme and Rizzoli Trade, incorporated into Mondadori Libri as from 31 December 2017, the analysis was carried out on the income statement by brand, whose indicators were basically in line with forecasts.

Lastly, it should be noted that the net book value coverage rate resulting from the impairment test performed at the end of the prior year was rather high; therefore, the differences from the forecasts on the above CGUs were not so high as to require an impairment test on 30 June 2018.

For the Mondadori France Group CGU, total revenue and EBITDA, net of the positive effects from the disposal of NaturaBuy in 2017, equal to € 4.2 million, were in line with forecasts.
No further impairment test was, therefore, needed. It should, however, be noted that the book value of the CGU was basically in line with its value in use.
As previously reported at 31 December 2017, any deviations from forecasts could lead to write-downs, even relevant ones. The directors will carefully monitor the performance of the French CGU in the course of the year.

Impairment test elements

With regard to the elements that were included in the impairment test at 31 December 2017, the following should be noted:

- the composition and scope of the Cash Generating Units were unchanged versus those identified in the prior year;
- the Euro Area rate performance, taken as reference in the calculation of the discount rate, defined based on the WACC method, did not deviate significantly from the rates used at the end of the prior year.

Conclusions

The elements described above did not result in any need for revision of the guidelines used for the preparation of the budget nor of the long-term plans approved by the Mondadori Board of Directors in February 2018.

Despite the challenging economic scenario and market context, the indicators did not reveal any need for the performance of an impairment test at 30 June 2018, as the book value of the assets with indefinite useful life and goodwill for the CGUs did not show any impairment against the values at 31 December 2017.

10. INVESTMENT PROPERTY

In the first half under review, value-increasing maintenance costs of € 18 thousand were incurred; depreciation was in line with first half 2017, equal to € 53 thousand.

The fair value of investment property at 30 June 2018 was estimated not to be lower than the net book value.

The table below shows a breakdown of “Investment property" in 2017 and in first half 2018:

Investment property (Euro/thousands)	Land	Non-instrumental buildings	Total
Historical cost at 31/12/2016	976	4,022	4,998
Capital expenditure	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Historical cost at 31/12/2017	976	4,022	4,998
Provision for depreciation and impairment loss at 31/12/2016	-	2,061	2,061
Depreciation	-	105	105
Write-downs/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	1	1
Depreciation and impairment losses at 31/12/2017	0	2,167	2,167
Net book value at 31/12/2016	976	1,961	2,937
Net book value at 31/12/2017	**976**	**1,855**	**2,831**

Investment property (Euro/thousands)	Land	Non-instrumental buildings	Total
Historical cost at 31/12/2017	976	4,022	4,998
Capital expenditure	-	18	18
Disposals	-	-	0
Other changes	-	-	0
Historical cost at 30/06/2018	976	4,040	5,016
Depreciation and impairment losses at 31/12/2017	-	2,167	2,167
Depreciation	-	53	53
Write-downs/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	(1)	(1)
Depreciation and impairment losses at 30/06/2018	0	2,219	2,219
Net book value at 31/12/2017	976	1,855	2,831
Net book value at 30/06/2018	**976**	**1,821**	**2,797**

The use of the assets classified under investment property was not subject to any lien or restriction.

11. PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment" amounted to € 22,286 thousand, down by € 1,768 thousand versus 31 December 2017; capital expenditure in the period amounted to € 1,676 thousand, disposals to € 18 thousand, and depreciation to € 3,374 thousand.

The change is attributable mainly to:

- capital expenditure of the Retail Area totaling € 1,117 thousand, € 340 thousand of which in plant and € 255 thousand in furnishing and equipment for the stores;
- capital expenditure of the other Group companies totaling € 559 thousand, 212 thousand of which refers to Mondadori France, mainly in office automation, and € 198 thousand to the Parent Company.

The deconsolidation of Inthera S.p.A., as a result of the disposal made at the beginning of May, led to a reduction in the balance of € 56 thousand.

The table below shows a breakdown of "Property, plant and equipment" in 2017 and in first half 2018:

Property, plant and equipment (Euro/thousands)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Historical cost at 31/12/2016	1,113	14,497	45,505	106,971	168,086
Capital expenditure	-	-	1,082	3,349	4,431
Disposals	(210)	(8,033)	(15,166)	(4,961)	(28,370)
Change in the consolidation scope	-	-	-	-	0
Other changes	-	98	306	(2,111)	(1,707)
Historical cost at 31/12/2017	903	6,562	31,727	103,248	142,440
Provision for depreciation and impairment loss at 31/12/2016	-	9,959	37,553	90,186	137,698
Depreciation	-	215	2,425	4,349	6,989
Write-downs/(reinstatement of value)	-	-	217	435	652
Disposals	-	(6,178)	(14,501)	(4,912)	(25,591)
Change in the consolidation scope	-	-	-	-	0
Other changes	-	80	205	(1,647)	(1,362)
Depreciation and impairment losses at 31/12/2017	0	4,076	25,899	88,411	118,386
Net book value at 31/12/2016	1,113	4,538	7,952	16,785	30,388
Net book value at 31/12/2017	**903**	**2,486**	**5,828**	**14,837**	**24,054**

Property, plant and equipment (Euro/thousands)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Historical cost at 31/12/2017	903	6,562	31,727	103,248	142,440
Capital expenditure			404	1,272	1,676
Disposals			(433)	(1,146)	(1,579)
Change in the consolidation scope	-	-	-	(1,450)	(1,450)
Other changes	-		53	(532)	(479)
Historical cost at 30/06/2018	903	6,562	31,751	101,392	140,608
Depreciation and impairment losses at 31/12/2017	-	4,076	25,899	88,411	118,386
Depreciation	-	97	1,076	2,201	3,374
Write-downs/(reinstatement of value)	-	-	-	-	0
Disposals	-	-	(428)	(1,133)	(1,561)
Change in the consolidation scope	-	-	-	(1,394)	(1,394)
Other changes	-	-	(2)	(481)	(483)
Depreciation and impairment losses at 30/06/2018	0	4,173	26,545	87,604	118,322
Net book value at 31/12/2017	903	2,486	5,828	14,837	24,054
Net book value at 30/06/2018	**903**	**2,389**	**5,206**	**13,788**	**22,286**

“Other tangible assets” is broken down as follows:

Other tangible assets (Euro/thousands)	**30/06/2018**	**31/12/2017**
Industrial and commercial equipment	695	764
Electronic office equipment	2,055	2,411
Office furniture, and machines	5,010	5,381
Motor and transport vehicles	-	1
Leasehold improvements	5,703	5,869
Other assets	14	16
Assets under construction and advances	311	395
Total other tangible assets	**13,788**	**14,837**

Depreciation of property, plant and equipment

Depreciation is basically in line with first half 2017.

Depreciation of property, plant and equipment (Euro/thousands)	**1° half 2018**	**1° half 2017**
Instrumental buildings	97	118
Plant and equipment	1,076	1,190
Equipment	108	191
Electronic office equipment	803	694
Office furniture	649	611
Motor and transport vehicles	1	2
Leasehold improvements	638	667
Other assets	2	2
Total depreciation of property, plant and equipment	**3,374**	**3,475**
Write-downs of tangible assets	-	-
Value reinstatement of tangible assets	-	-
Total write-downs (reinstatement of value) of tangible assets	**0**	**0**
Total depreciation and impairment loss on tangible assets	**3,374**	**3,475**

Leased assets

There are currently no lease contracts in place.

12. INVESTMENTS

"Investments booked at equity" and "Investments in other companies" amounted to € 36,760 thousand.

Investments (Euro/thousands)	**30/06/2018**	**31/12/2017**
Equity-accounted investees	35,867	37,139
Investments in other companies	893	902
Total investments	**36,760**	**38,041**

In first half 2018, no changes were reported in the scope of equity-accounted investees; the main transactions that took place refer to the payment of the called up portion of the capital increase resolved by the Shareholders' Meeting of Società Europea di Edizioni S.p.A., amounting to € 922 thousand, and to the start of the voluntary liquidation procedure of Mach 2 Libri S.p.A..

The total amount of equity-accounted investees decreased by € 1,272 thousand, due mainly to the negative results of Monradio S.r.l. and Società Europea di Edizioni S.p.A..

Equity-accounted investees - Details (Euro/thousands)	**30/06/2018**	**31/12/2017**
Investments in joint ventures:		
- Edizioni EL S.r.l.	3,019	3,322
- Attica Publications Group	12,346	12,242
- Mediamond S.p.A.	1,955	2,034
- Mondadori Seec Advertising Co. Ltd	6,267	5,694
Total investments in joint ventures	**23,587**	**23,292**
Investments in associates:		
- Monradio S.r.l.	6,072	7,162
- Mach 2 Libri S.p.A. in liquidation	-	-
- GD Media Service S.r.l.	148	142
- Società Europea di Edizioni S.p.A.	5,983	6,467
- Venezia Accademia Società per i servizi museali S.c.a r.l.	58	57
- Campania Arte S.c.a r.l.	19	19
Total investments in associates	**12,280**	**13,847**
Total equity-accounted investees	**35,867**	**37,139**

"Investments in other companies".

Investments in other companies - Details (Euro/thousands)	**30/06/2018**	**31/12/2017**
Investments in other companies:		
- Milano Distribuzione Media S.r.l.	164	164
- Società Editrice Il Mulino S.p.A.	197	197
- Consuledit S.r.l.	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali S.r.l.	52	52
- Consorzio Edicola Italiana	10	10
- CTAV	6	6
- Sem Issy Media	3	3
- Pay Car	444	444
- Mediasbook	1	10
- Confidimpresa	5	5
Total investments in other companies	**893**	**902**

Impairment test

Concurrent to the preparation of the annual financial statements, Mondadori Group carries out an impairment test in order to verify the recoverable value of equity investments according to the value in use methodology; when in determining this value an impairment loss is identified, before proceeding with devaluation, the fair value is calculated after having deducted the estimated cost of disposal.

Therefore, an impairment test was carried out to verify that the values identified at 31 December 2017 were still current at 30 June 2018, specifically referring to the investment in Attica Publications S.A..

The final operating results in first half 2018 confirm the forecasts, with no need, therefore, to review the medium-term projections.

The rate performance in the reporting period confirmed the validity of the rates used in the impairment test at 31 December 2017.

Despite the persisting adverse Italian economic scenario, the indicators did not reveal any need for the performance of an impairment test at 30 June 2018, nor did the book value of the investment in Attica Publications show any impairment versus the values at 31 December 2017.

13. PRE-PAID TAX ASSETS AND DEFERRED TAX LIABILITIES

“Pre-paid tax assets", amounting to € 66,819 thousand, increased by € 1,886 thousand; "Deferred tax liabilities", amounting to € 59,353 thousand, decreased by € 1,244 thousand.

(Euro/thousands)	30/06/2018	31/12/2017
IRES on tax losses	21,589	18,804
Pre-paid IRES	43,043	43,693
Pre-paid IRAP	2,187	2,435
Total pre-paid tax assets	**66,819**	**64,932**
Deferred IRES	54,003	55,336
Deferred IRAP	5,350	5,261
Total deferred tax liabilities	**59,353**	**60,597**

Specifically:

- "IRES on tax losses", amounting to € 21,589 thousand versus 31 December 2017, increased as a result of the difference between the Group's taxable income calculated on preparation of the 2017 financial statements and the amount resulting from the UNICO tax form, and of the portion recorded on the loss in the half year under review reported by Rizzoli Education S.p.A.;

  The directors believe that the amounts recognized are fully recoverable, considering:
    - the possibility of a pre-deduction of up to 80% of the Group's prior-years’ tax losses from taxable income, in accordance with the agreement governing relations with the consolidating entity Fininvest S.p.A.;
    - the right to carry forward tax losses without time restrictions;
    - the projections made in the 2018-2020 three-year Plan approved by the Board of Directors and the prepared tax planning documents;
- "Other prepaid tax assets" (IRES and IRAP) decreased by € 898 thousand as a result of the change in provisions subject to taxation;
- the balance of deferred IRES decreased, due mainly to the amortization of the French publications (€ 958 thousand), while deferred IRAP increased by € 89 thousand, due to the off-balance sheet amortization of certain assets.

Temporary differences that led to the recognition of pre-paid tax

	30/06/2018			31/12/2017		
(Euro/thousands)	Amount of temporary differences	Current tax rate	Pre-paid tax	Amount of temporary differences	Current tax rate	Pre-paid tax
Differences between book and tax value of intangible assets	4,055	(*)	925	5,990	(*)	1,438
Difference between book and tax value of investment property and investments in property, plant and equipment	1,402	(*)	338	1,379	(*)	331
Provision for bad debt	26,733	(*)	6,387	26,617	(*)	6,504
Depreciation of inventory	26,384	(*)	6,359	25,288	(*)	6,452
Provision for advances to authors	25,379	(*)	6,097	23,733	(*)	5,752
Provisions	57,044	(*)	13,991	58,118	(*)	14,261
Post-employment benefits	13,047	(*)	3,301	13,268	(*)	3,364
Elimination of intercompany income	11,725	(*)	2,814	11,025	(*)	2,646
Other temporary differences	10,701	(*)	2,831	13,279	(*)	2,945
Total for IRES purposes	**176,470**		**43,043**	**178,697**		**43,693**
Differences between book and tax value of intangible assets	6,981	(*)	264	8,205	(*)	322
Difference between book and tax value of investment property and investments in property, plant and equipment	1,229	(*)	48	1,357	(*)	53
Depreciation of inventory	19,757	(*)	769	18,856	(*)	734
Provision for advances to authors	12,185	(*)	476	12,475	(*)	487
Provisions	1,339	(*)	53	5,982	(*)	235
Post-employment benefits	2,079	(*)	81	3,367	(*)	131
Elimination of intercompany income	11,725	(*)	457	11,026	(*)	430
Other temporary differences	1,037	(*)	39	1,140	(*)	43
Total for IRAP purposes	**56,332**		**2,187**	**62,408**		**2,435**

(*) It should be noted that, with reference to income taxes, each Group company applied the tax rate applicable in the country of residence.
As for IRAP, each Group company applied the tax rate in force, taking into account the distribution of the tax base by region.

Temporary differences that led to the recognition of deferred tax

	30/06/2018			31/12/2017		
(Euro/thousands)	Amount of temporary differences	Current tax rate	Deferred tax	Amount of temporary differences	Current tax rate	Deferred tax
Differences between book and tax value of intangible assets	217,077	(*)	53,658	222,062	(*)	54,848
Difference between book and tax value of investment property and investments in property, plant and equipment	1,179	(*)	283	1,180	(*)	283
Post-employment benefits	200	(*)	46	792	(*)	189
Other temporary differences	67	(*)	16	67	(*)	16
Total for IRES purposes	**218,523**		**54,003**	**224,101**		**55,336**
Differences between book and tax value of intangible assets	136,326	(*)	5,316	133,457	(*)	5,204
Difference between book and tax value of investment property and investments in property, plant and equipment	795	(*)	31	776	(*)	31
Post-employment benefits	78	(*)	3	667	(*)	26
Other temporary differences	-	(*)	-	-	(*)	-
Total for IRAP purposes	**137,199**		**5,350**	**134,900**		**5,261**

(*) It should be noted that, with reference to income taxes, each Group company applied the tax rate applicable in the country of residence.
As for IRAP, each Group company applied the tax rate in force, taking into account the distribution of the tax base by region.

It should be noted that no deferred tax was allocated for undistributed income of subsidiaries and associates.

14. OTHER NON-CURRENT ASSETS

"Other non-current assets", amounting to € 2,307 thousand, was basically in line with 31 December 2017.

Other non-current assets (Euro/thousands)	**30/06/2018**	**31/12/2017**
Guarantee deposits	1,135	1,118
Confirmation deposits	-	-
Other	1,172	984
Total other non-current assets	**2,307**	**2,102**

15. TAX RECEIVABLES AND PAYABLES

Tax receivables (Euro/thousands)	**30/06/2018**	**31/12/2017**
Receivables from the Inland Revenue for IRAP	731	324
Receivables from the Inland Revenue for IRES	6,101	6,751
Receivables from Fininvest for IRES	44	199
Receivables from the Inland Revenue for VAT, direct tax to recover and advances on disputes	24,158	22,099
Total tax receivables	**31,034**	**29,373**

“Tax receivables” increased by € 1,661 thousand versus 31 December 2017:

- the IRAP tax receivable (€ 731 thousand) refers to tax advances for 2017 paid in June, net of the portion accrued in the half-year period;
- "Receivables from the Inland Revenue for IRES", amounting to € 6,101 thousand, includes advances paid by Mondadori France (€ 3,207 thousand), receivables for € 676 thousand booked by Rizzoli Education S.p.A. for partial deductibility of IRAP for IRES purposes, whose application for reimbursement was submitted within the deadlines of law, withholding taxes incurred abroad for a total of € 1,182 thousand, € 448 thousand paid by Mondadori Electa S.p.A. as amounts due pending legal proceedings and in relation to the assessment notices regarding 2012 and 2014 VAT;
- "Receivables from Fininvest for IRES”, amounting to € 44 thousand, refers to withholding taxes accrued in the half year under review;
- “Receivables from the Inland Revenue for VAT, direct tax to recover and advances on disputes” increased by € 2,059 thousand versus 31 December 2017, and includes:
    - the VAT receivable from the Inland Revenue carried forward (€ 12,406 thousand), which includes the VAT receivable of € 3,754 thousand of Mondadori France, and the Group VAT receivable of € 8,648 thousand accrued in first half 2018;

- receivables for tax disputes for a total of € 11,648 thousand. The amounts refer to the temporary payment of a number of tax forms received by Group companies in relation to pending tax disputes. Following tax audits by the Finance Police, a few reports were made on a number of companies.

Specifically, regarding Arnoldo Mondadori Editore S.p.A.:

- Years 1996, 1997, 1998, 1999, following an inspection by INPGI (National Journalists' Social Security Association), assessment notices were notified containing tax for a total of € 186,267.00 and penalties for failure to apply withholding tax for a total of € 209,684.00. All these assessments have been challenged and are now pending before the Regional Tax Commission. The Company has made use of the settlement concession for tax disputes pursuant to art. 11, c. 8, Legislative Decree no. 50 of 24/4/2017; the relating rulings have, therefore, been suspended until 31/12/2018.
- Year 2004, the Central Division of the Lombardy Region raised a few points on the application of a 12.50% withholding tax on the interest paid on a loan stock in favour of a subsidiary for a total of € 999 thousand, plus applicable ancillary expense; against such assessment, an appeal is currently pending before the Court of Cassation.
- Year 2005: the Central Division of the Lombardy Region challenged the omitted payment of a 12.50% withholding plus applicable ancillary expense by means of a tax assessment, in relation to interest paid on a loan stock stated in 2004 for a total of € 3,051 thousand. An appeal is currently pending against such assessment before the Court of Cassation.

as for Mondadori Retail S.p.A.:

- it received tax assessments for IRES, IRAP and VAT relating to the 2003-2006 tax years. All these tax assessments have been challenged before the Provincial Tax Commission, which upheld the appeals. The Office filed an appeal before the Regional Tax Commission, which confirmed the first instance ruling, annulling the contested acts. The Office filed an appeal before the Court of Cassation after receiving cancellation of all assessment notices from the Regional Tax Commission;

as for Giulio Einaudi Editore S.p.A.:

- in 2017, the Regional Tax Commissions of Piedmont and Latium upheld the first instance ruling in favour of the Company, against which the Inland Revenue has filed an appeal regarding the challenge of the assessment notices issued at the time for the years from 2005 to 2009. Following the outcome of the appeal filed by the Inland Revenue before the Court of Cassation against the second instance rulings that confirmed the annulment of the payment notices of the stamp duty of the years 2005, 2006, and 2007, the Supreme Court had referred the case to the Regional Tax Commission of Piedmont. The Company reinstated the case within the time limits of law. In last quarter 2017 and in second quarter 2018, the Inland Revenue notified assessment notices for 2012-2015 IRES and IRAP, following an inspection started by the Finance Police in 2016 and concluded on 17/5/2017. All assessment notices are being defined.

Income tax payables (Euro/thousands)	**30/06/2018**	**31/12/2017**
Payables to the Inland Revenue for IRAP	71	917
Payables to the Inland Revenue for IRES	2,942	758
Payables to Fininvest for IRES	930	4,075
Total income tax payables	**3,943**	**5,750**

“Income tax payables” decreased by € 1,807 thousand, as a result of the amount accrued in 2017 and paid in June.

16. OTHER CURRENT ASSETS

"Other current assets" increased by € 12,923 thousand, due mainly to:

- advance payments to agents that were higher than the commissions accrued in the reporting period, due to the seasonal nature of certain businesses, especially in the Educational Area;
- advances recognized to authors of the Trade Books Area, for the publication of new titles in the second half and in the next financial years;
- marketing, promotion and delivery costs for the issues of magazines pertaining to the second half of the year, as well as advance rentals, included in "Other receivables".

Other current assets (Euro/thousands)	**30/06/2018**	**31/12/2017**
Receivables from agents	6,314	652
Receivables from authors and workers	140,012	131,932
Provision for advances to authors	(70,990)	(67,647)
Receivables from suppliers	7,295	7,615
Receivables from personnel	461	617
Receivables from social security institutions	116	406
Receivables for guarantee deposits	224	232
Other receivables from associates	84	56
Prepayments	2,098	2,123
Other receivables	14,253	10,958
Total other current assets	**99,867**	**86,944**

17. INVENTORY

The increase in “Inventory” versus 31 December 2017, amounting to € 18,791 thousand, is attributable mostly to the seasonal nature of the Education Area business, where production takes place mainly in the first half and sales in the second.

Specifically:

- raw materials, amounting to € 13,865 thousand, increased by € 3,817 thousand, due to the supply of the Education Area;
- “Work in progress and semi-finished products”, amounting to € 10,317 thousand, decreased by € 1,580 thousand, referring mainly to Magazines Italy (€ 1,342 thousand);

- "Finished products and goods", amounting to € 119,858 thousand, increased by € 16,666 thousand, due mainly to the production of school textbooks (€ 9,860 thousand), higher inventory in the Trade Books Area (€ 3,437 thousand), the subsidiary Rizzoli International Publications Inc. (€ 1,648 thousand) and the Retail Area (€ 723 thousand);
- "Contract work in progress" was in line with the balance at December 2017.

Inventory (Euro/thousands)	**30/06/2018**	**31/12/2017**
Raw and ancillary materials and consumables	14,553	10,736
Depreciation of raw and ancillary materials and consumables	(688)	(688)
Total raw and ancillary materials and consumables	**13,865**	**10,048**
Work in progress and semi-finished goods	12,138	13,582
Depreciation of work in progress and semi-finished goods	(1,821)	(1,685)
Total work in progress and semi-finished goods	**10,317**	**11,897**
Contract work in progress	2,395	2,490
Depreciation of contract work in progress	(37)	(20)
Total contract work in progress	**2,358**	**2,470**
Finished products and goods	152,831	134,961
Depreciation of finished products and goods	(32,973)	(31,769)
Total finished products and goods	**119,858**	**103,192**
Advances	-	-
Total inventory	**146,398**	**127,607**

The value of the inventory of products intended for sale includes books produced by the Group, third-party publishers' books purchased for re-sale in the Retail sector and merchandising, paper processing and gifts.

Inventory depreciation was calculated separately and analytically for each Group company, taking into account finished product marketability, any failed revenue generation from orders in progress and semi-finished products, and deterioration of raw materials.

Inventory - Depreciation (Euro/thousands)	Raw materials	Work in progress and semi-finished products	Contract work in progress	Finished products and goods
Balance at 31/12/2016	1,159	1,865	43	29,105
Changes in the year:				
- provisions	243	838	-	8,152
- utilizations	(714)	(346)	(23)	(3,974)
- other changes	-	(672)	-	(1,514)
Balance at 31/12/2017	**688**	**1,685**	**20**	**31,769**
Changes in the year:				
- provisions	-	116	22	4,212
- utilizations	-	-	(5)	(2,918)
- other changes	-	20	-	(90)
Balance at 30/06/2018	**688**	**1,821**	**37**	**32,973**

No inventory is subject to restriction to cover liabilities.

Decrease (increase) in inventory

The income statement effects resulting from the changes in inventory and the provisions for their value adjustments are detailed below.

Decrease (increase) in inventory (Euro/thousands)	**1° half 2018**	**1° half 2017**
Changes in finished products and goods	(17,371)	(21,098)
Provision for finished products and goods	4,212	2,773
Utilization of the provision for finished products and goods	(2,918)	(1,920)
Total changes in inventory of finished products and goods	**(16,077)**	**(20,245)**
Changes in work in progress and semi-finished products	1,544	2,770
Provision for work in progress and semi-finished products	116	30
Utilization of the provision for work in progress and semi-finished products	-	-
Total changes in work in progress and semi-finished products	**1,660**	**2,800**
Changes in contract work in progress	(403)	(131)
Provision for contract work in progress	22	9
Utilization of the provision for contract work in progress	(5)	(5)
Total changes in contract work in progress	**(386)**	**(127)**
Changes in raw and ancillary materials and consumables	(3,817)	1,060
Provision for raw and ancillary materials and consumables	-	-
Utilization of the provision for raw and ancillary materials and consumables	-	(644)
Total changes in inventory of raw and ancillary materials and consumables	**(3,817)**	**416**
Total decrease (increase) in inventory	**(18,620)**	**(17,156)**

18. TRADE RECEIVABLES

Trade receivables (Euro/thousands)	**30/06/2018**	**31/12/2017**
Receivables from customers	214,334	247,599
Receivables from associates	51,977	49,945
Receivables from parent companies	-	4
Receivables from affiliates	107	464
Total trade receivables	**266,418**	**298,012**

In first half 2018, total exposure to customers decreased by € 31,594 thousand, due mainly to changes:

- in the Trade Books Area (€ -25,830 thousand), which reported higher sales at Christmas and a strong performance in last quarter 2017, driven by a number of bestsellers that marked the entire year;
- in the Retail Area (€ -11,373 thousand), where significant revenue was reported in the final part of the year;
- in the Magazines Area (€ - 8,289 thousand), which reported a sharp drop in revenue in both Italy and France;
- in the Educational Area (€ +13,437 thousand), due to the marked seasonal nature of the business.

"Receivables from associates" refers mainly to Mediamond S.p.A. for the advertising business performed for the Magazines Area, and to Mach 2 Libri S.p.A. for book distribution by large retailers.
Receivables due from associates, parent companies and affiliates are explained in Annex "Transactions with related parties"; transactions with related parties are carried out under normal market conditions.

“Customers – returns to receive”, amounting to € 126,070 thousand, dropped by € 25,708 thousand versus 31 December 2017, as a result of the decline in revenue from Magazines Italy and the returns credited in the Books Area.

Trade receivables **Receivables from customers** (Euro/thousands)	**30/06/2018**	**31/12/2017**
Receivables from customers	373,871	432,755
Customers – returns to receive	(126,070)	(151,778)
Provision for bad debt	(33,467)	(33,378)
Total receivables from customers	**214,334**	**247,599**

There were no trade receivables due over five years.

With regard to the provision for bad debt, it should be noted that for each Group company, an accurate analysis is performed of each individual debt item position, considering also the customer solvency rating; the amount of the provision set up to adjust the receivables is in line with the prior year.

Trade receivables **Receivables from customers - Bad debt provision** (Euro/thousands)	**30/06/2018**	**31/12/2017**
Balance at beginning of year	33,378	39,017
Changes in the year:		
- provisions	2,316	7,627
- utilizations	(2,103)	(12,814)
- changes in the consolidation scope and other changes	(124)	(452)
Total bad debt provision	**33,467**	**33,378**

19. FINANCIAL ASSETS

“Non-current financial assets", amounting to € 7,834 thousand, includes amounts coming due over 12 months towards third parties held by Mondadori France and EMAS and amounting to € 6,037 thousand, attributable to the refinancing of Presstalis, national distributor of magazines in France, the financial receivables held by Mondadori France from the disposal of NaturaBuy S.a.s. (€ 1,050 thousand) and the receivable for the loan granted to Attica Publications of € 500 thousand.

Non-current financial assets (Euro/thousands)	**30/06/2018**	**31/12/2017**
Financial receivables from associates	500	500
Financial receivables	7,334	1,272
Financial assets at fair value with adjustments recognized under income statement	-	-
Available-for-sale financial assets	-	-
Assets resulting from derivative instruments	-	-
Total non-current financial assets	**7,834**	**1,772**

"Other current financial assets", amounting to € 2,395 thousand, mainly includes:

- the loan of € 25 thousand granted to the associate Venezia Accademia S.c. a r.l.;
- receivables generated by receipts from ticket offices at the sites of the Special Superintendence for the Colosseum, the National Museum of Rome, and the Archaeological Area of Rome, due from the companies managing the service.

Other current financial assets (Euro/thousands)	**30/06/2018**	**31/12/2017**
Financial receivables from customers	-	133
Financial receivables from associates	25	25
Financial receivables from parent companies	-	-
Financial receivables from affiliates	-	-
Financial receivables from others	2,366	1,521
Total financial receivables	**2,391**	**1,679**
Financial assets at fair value with adjustments recognized under income statement	-	-
Available-for-sale financial assets	4	4
Assets resulting from derivative instruments	-	-
Total other current financial assets	**2,395**	**1,683**

Assets and liabilities resulting from derivative instruments

Assets and liabilities resulting from derivative instruments - Details (Euro/thousands)	Type of derivative instrument	Fair value at 30/06/2018	Fair value at 31/12/2017
Non-current financial assets (liabilities)			
- Rate derivatives	*Cash flow hedge*	(625)	(341)
Current financial assets (liabilities)			
- Currency derivatives	*Trading*	-	-

The Group has adopted a Financial Risk Management policy. The use of derivative instruments is in line with the guidelines contained in such policy. In order to verify hedging efficiency, the Group performs a series of quarterly effectiveness tests set out in the accounting standards applied.

Perspective tests envisage that at the beginning of a hedge transaction and for its entire duration, each individual hedge proves highly effective. This means that any changes in the fair value or cash flow of the hedged item almost completely offset any changes in the fair value or cash flow of the hedged instrument.

Group criteria to test effectiveness include statistic regression analyses and the Dollar Offset Method or Ratio Analysis.

The Group calculates the fair value of current hedge transactions on a quarterly basis.

At 30 June 2018, transactions were in place to hedge the existing interest rate risk (with BPM, Intesa Sanpaolo and Unicredit), applying to the A and B Term Loan Tranches of the amortizing pool loan agreement concluded in December 2017, coming to maturity in December 2022 for a total notional amount of € 175.0 million and a weighted average rate of 0.028%.

Hedge impact on income statement and equity:

Cash flow hedge reserve (Euro/thousands)	30/06/2018	31/12/2017
Initial balance gross of the tax impact	(1,236)	(2,947)
Amount recognized in the period	178	2,420
Amount endorsed from reserve and recognized under income statement:		
- adjustments to expense	(24)	(229)
- adjustments to income	(289)	(480)
Final balance gross of the tax impact	**(1,371)**	**(1,236)**
Inefficient part of hedge	0	0

20. CASH AND CASH EQUIVALENTS

The item amounted to € 26,721 thousand, down versus 2017, in line with the seasonal nature of the business; the fair value of cash and cash equivalents is equal to the relevant book value at 30 June 2018.

Cash and cash equivalents (Euro/thousands)	30/06/2018	31/12/2017
Cash and cash on hand	237	2,058
Bank deposits	25,873	63,951
Postal deposits	611	576
Total cash and cash equivalents	**26,721**	**66,585**

Further details on the changes in cash and cash equivalents are found in the consolidated cash flow statement.

The table below shows the Group net financial position in accordance with Consob recommendations.

	Net financial position (Euro/thousands)	30/06/2018	31/12/2017
A	Cash	237	2,058
	- Bank deposits	25,873	63,951
	- Postal deposits	611	576
B	Other cash and cash equivalents	26,484	64,527
C	**Cash and cash equivalents and other financial assets (A+B)**	**26,721**	**66,585**
D	Securities held for trading		
	- Financial receivables from associates	25	25
	- Financial assets measured at fair value	-	-
	- Available-for-sale financial assets	4	4
	- Derivatives and other financial assets	2,366	1,654
E	Receivables and other current financial assets	2,395	1,683
F	**Current financial assets (D+E)**	**2,395**	**1,683**
G	Current payables to banks	2,612	4,535
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	35,000	15,834
H	Current portion of non-current debt	35,000	15,834
	- Financial payables to associates	-	-
	- Derivatives and other financial liabilities	6,309	6,179
I	Other current financial liabilities	6,309	6,179
L	**Payables to banks and other current financial liabilities (G+H+I)**	**43,921**	**26,548**
M	**Current net financial position (C+F-L)**	**(14,805)**	**41,720**
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	230,728	229,607
N	Debt non-current portion	230,728	229,607
O	Other non-current financial liabilities	725	3,129
P	**Non-current net debt (N+O)**	**231,453**	**232,736**
Q	**Net debt (M-P)**	**(246,258)**	**(191,016)**

Should the balance of “Non-current financial assets”, amounting to € 7,834 thousand and not included in the Consob format, be added to the above data, the Group net financial position would come to € -238,424 thousand.

Further information regarding the Group's net financial position is found in Notes 19 and 24.

21. EQUITY

Equity at 30 June 2018, including non-controlling interests, amounted to € 334,909 thousand, decreasing by € 10,405 thousand versus 31 December 2017.

In addition to the loss of € 11,394 thousand in the first half, including non-controlling interests, the main changes involved:

- the adjustment of the "Cash flow hedge reserve", which resulted in a decrease in equity of € 102 thousand;
- the adjustment of the "Conversion reserve", which resulted in an increase of € 596 thousand;
- entry, in the specific reserve, of the portion relating to the Performance Share Plan accrued during the period, which resulted in an increase in equity of € 807 thousand, and of the value of treasury shares purchased to service the plan for € 42 thousand.

In first half 2018, Arnoldo Mondadori Editore S.p.A. purchased a total of no. 27,500 treasury shares (0.011% of the share capital) on the MTA at an average unit price of € 1.3006, for a total amount of € 36 thousand.
The purchase, authorized by the Shareholders' Meeting of 24 April 2018, was made to service the Performance Share Plan; the fair value of shares assigned to the plan of € 1,657 thousand in the reporting period is recognized in a specific reserve under equity.

Reserves attributable to non-controlling interests refer to Editions Mondadori Axel Springer S.n.c. and Rizzoli Education S.p.A.

22. PROVISIONS

“Provisions", amounting to € 77,274 thousand, increased by € 4,164 thousand, due mainly to the estimated expense from the liquidation of Mach 2 Libri S.p.A..
Decreases in the "Provision for personnel downsizing risks" and the “Provision for legal risks" are attributable to structure streamlining and to disputes settled in the first half or to the updating of the risks from outstanding disputes.

Provisions (Euro/thousands)	31/12/2017	Provisions	Utilizations	Other changes	30/06/2018
Provision for agents' contractual risks	4,313	150	(75)	-	4,388
Provision for personnel downsizing risks	9,469	1,976	(1,431)	-	10,014
Provision for legal risks	27,895	1,257	(5,322)	(35)	23,795
Provision for equity investment risks	964	6,715	-	-	7,679
Provision for tax disputes	11,360	120	(288)	-	11,192
Provision for onerous contracts	9,251	1,367	(5)	-	10,613
Other provisions for risks	9,858	17	(1,333)	1,051	9,593
Total provisions	**73,110**	**11,602**	**(8,454)**	**1,016**	**77,274**

23. POST-EMPLOYMENT BENEFITS

The item, amounting to € 45,275 thousand, decreased by € 2,230 thousand, as a result of the reduction in staff and the disposal of Inthera S.p.A. (€ 1,090 thousand).

Post-employment benefits (Euro/thousands)	**30/06/2018**	**31/12/2017**
Provision for post-employment benefits (TFR)	34,803	36,777
Provision for supplementary agents' indemnity (FISC)	10,337	10,594
Provision for retirement and similar obligations	135	134
Total post-employment benefits	**45,275**	**47,505**

Post-employment benefits and the supplementary agents' indemnity have been determined by applying an actuarial method in compliance with IAS 19 and IAS 37.

It should be noted that for both calculations a discounting rate based on the iBoxx benchmark, Euro area, rating AA and with a 10+ duration was used consistently with past valuations.

Actuarial assumptions to measure TFR	**30/06/2018**	**31/12/2017**
Economic assumptions:		
- increase in cost of living	1.0%	1.0%
- discounting rate	1.45%	1.30%
Demographic assumptions:		
- probability of death	IPS.55 tables	IPS.55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	From 6.74% to 22.65%	From 1.67% to 22.65%
- retirement age	Regulations in force	Regulations in force

Actuarial assumptions to measure FISC	**30/06/2018**	**31/12/2017**
Economic assumptions:		
- discounting rate	1.45%	1.30%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	5.0%	5.0%
- probability of voluntary resignation	1.5%	1.5%
- average age of agency contract termination	Regulations in force	Regulations in force

The "Provision for post-employment benefits (TFR)" decreased due to the reduction in staff (from 3,026 units in December 2017 to 2,962 units in June 2018), attributable to the abovementioned disposal of Inthera S.p.A. and to the structural efficiency measures implemented.
The sensitivity analysis, obtained by increasing and decreasing the rate by 0.5%, shows a higher or lower effect on the provision for post-employment benefits of approximately € 600 thousand.

Post-employment benefits cost items, booked under income statement, include the service cost of companies with less than 50 employees for € 13 thousand, financial expense of € 157 thousand, and the portion paid into the supplementary pension scheme for € 3,930 thousand.

Changes in the "Provision for supplementary agents' indemnity" reflect the turnover in the Group's sales force.

"Provision for retirement" was not subject to discounting as the effects are irrelevant.

Post-employment benefits - Details (Euro/thousands)	TFR	FISC	Provision for retirement
Balance at 31/12/2017	36,777	10,594	134
Changes in 2018:			
- provisions	13	254	1
- utilizations	(1,490)	(498)	-
- reversals		-	-
- discounting	319	-	-
- changes in the consolidation scope and other changes	(816)	(13)	-
Balance at 30/06/2018	**34,803**	**10,337**	**135**

24. FINANCIAL LIABILITIES

Current and non-current financial liabilities, amounting to € 234,241 thousand, increased by € 1,505 thousand.

Non-current financial liabilities (Euro/thousands)	Actual interest rate	Expiry 1-5 years	Expiry over 5 years	**30/06/2018**	**31/12/2017**
Bonds		-	-	-	-
Convertible bonds		-	-	-	-
Borrowings	1.14%	230,728	-	230,728	229,607
Payables to suppliers		-	-	-	-
Payables to associates		-	-	-	-
Payables to parent companies		-	-	-	-
Payables to affiliates		-	-	-	-
Payables for lease agreements		-	-	-	-
Payables for shareholders' contributions		-	-	-	-
Liabilities from derivatives		625	-	625	341
Other financial liabilities		100	-	100	2,788
Total non-current financial liabilities		**231,453**	**0**	**231,453**	**232,736**

"Non-current financial liabilities" includes:

- € 130,843 thousand from the amortized cost of the Line A Amortizing Term Loan, taken out with a pool of banks, coming to maturity in December 2022;
- € 99,885 thousand from the amortized cost of the Line B Amortizing Term Loan, taken out with a pool of banks, coming to maturity in December 2022;
- € 625 thousand from the fair value of the outstanding derivative contracts;
- € 100 thousand from the non-current portion of the amount due as a result of the acquisition of Direct Channel.

Payables to banks and other financial liabilities (Euro/thousands)	Actual interest rate	**30/06/2018**	**31/12/2017**
Bank deposits	0.01%	2,612	4,535
Bonds		-	-
Convertible bonds		-	-
Borrowings	0.49%	35,000	15,834
Payables to suppliers		-	-
Payables to associates		-	-
Payables to parent companies		-	-
Payables to affiliates		-	-
Payables for lease agreements		-	-
Payables for shareholders' contributions		-	-
Liabilities from derivatives		-	-
Other financial liabilities		6,309	6,179
Total payables to banks and other financial liabilities		**43,921**	**26,548**

"Payables to banks and other financial liabilities" came to € 41,133 thousand and included:

- € 15,000 thousand regarding part of the A Term Loan of the pool loan, coming to maturity in December 2018;
- € 20,000 thousand for the use of short-term hot money lines;
- € 2,612 thousand from the balances of current account overdrafts;
- € 2,788 thousand for the fair value of the earn-out from the acquisition of Banzai;
- € 3,521 thousand for other financial liabilities.

At 30 June 2018, the Net Financial Position Financial Covenant resulting from the consolidated half-year report amounted to € -238,424 thousand, far below the cap of € -450,000 thousand set out in the pool loan agreement.

For information relating to the financial instruments reference should be made to Note 19 – "Financial assets" in these Notes.

25. OTHER CURRENT LIABILITIES

"Other current liabilities", amounting to € 203,721 thousand, dropped by € 18,124 thousand versus 31 December 2017.
Specifically:

- "Advances to customers" increased mainly for Mondadori France (€ +1,460 thousand);
- "Payables to welfare and social security entities" decreased by € 5,647 thousand, due to the different impact of additional year-end monthly payments from those recognized in June;
- "Payables to agents" decreased by € 7,916 thousand as a result of the payment of the prior-year commissions adjustment, while payables to authors increased by € 1,694 thousand, as a result of the payment of part of the rights accrued in 2017 in the second half;
- "Payables to subscription and instalment customers" decreased by € 3,427 thousand, as a result of the decline in subscribers to Mondadori France magazines (€ 3,091 thousand) and in subscribers to those published in Italy (€ 336 thousand).
- "Payables to directors and statutory auditors" decreased by € 3,320 thousand, as a result of the payment of fees accrued at the end of the prior year.

Other current liabilities (Euro/thousands)	**30/06/2018**	**31/12/2017**
Advances to customers	23,361	21,697
Tax payables	10,057	9,988
Payables to welfare and social security entities	20,024	25,671
Payables to associates	123	124
Other payables	150,156	164,365
Total other current liabilities	**203,721**	**221,845**

"Other payables" is broken down below.

Other current liabilities – Other payables (Euro/thousands)	**30/06/2018**	**31/12/2017**
Payroll and other amounts to personnel	27,108	26,463
Payables to authors and workers	77,291	75,597
Payables to agents	4,701	12,617
Payables to subscription and instalment customers	30,143	33,570
Payables to directors and statutory auditors	1,229	4,549
Deferred income for advance rents	-	-
Other payables, accrued expense and deferred income	9,684	11,569
Total other payables	**150,156**	**164,365**

26. TRADE PAYABLES

"Trade payables", amounting to € 302,414 thousand, decreased by € 21,124 thousand, referring mainly to the Magazines Italy and Magazines France Area, due to the business trend, and to the Retail Area.

Trade payables (Euro/thousands)	**30/06/2018**	**31/12/2017**
Payables to suppliers	291,542	308,513
Payables to associates	9,123	11,904
Payables to parent companies	32	62
Payables to affiliates	1,717	3,059
Total trade payables	**302,414**	**323,538**

"Payables to associates", amounting to € 9,123 thousand, dropped by € 2,781 thousand, attributable mostly to Mediamond S.p.A..
The item includes the amounts due to:

- Edizioni EL S.r.l. (€ 4,597 thousand) and Società Europea di Edizioni S.p.A. (€ 1,024 thousand), regarding the distribution of publishing products;
- Mediamond S.p.A. (€ 3,141 thousand) for the purchase of goods in exchange for advertising pages.

Payables to associates, parent companies and affiliates are detailed in Annex "Transactions with related parties"; transactions with related parties are carried out under normal market conditions.

There were no trade payables due over five years.

27. REVENUE FROM SALES AND SERVICES

As a result of the application of IFRS 15 - *Revenue from Contracts with Customers* -, effective from 1 January 2018:

- in the Magazines Italy and Magazines France Area, where the Group acts as principal, circulation revenue is booked based on the cover price or, in any case, on the price actually paid by the purchaser gross of commissions paid; the commissions are no longer recognized as a reduction in revenue, but separately as distribution cost;
- in the Books Area, where the Group acts as agent in the distribution of third-party publisher products, revenue from this activity is booked net of the relating purchase costs, previously recognized under "Cost of raw and ancillary materials and consumables".

As a result of the first-time application of the standard based on the full retrospective approach, the income statement amounts of first half 2017 have been restated; the overall impact on revenue amounted to € 20,129 thousand:

- in the Magazines Italy and Magazines France Area, revenue was up by € 17,526 thousand and € 16,780 thousand, respectively;
- the Books Area saw revenue drop by € 16,167 thousand;
- in the cancellations between the Books Area and the Retail Area, revenue grew by € 1,990 thousand.

The adoption of IFRS 15 had no impact on EBITDA.

Consolidated net revenue in first half 2018 amounted to € 543,820 thousand, down by 5.1% versus the same period of 2017.

Revenue from sales and services (Euro/thousands)	**1° half 2018**	**1° half 2017**	**Variation %**
Books	178,500	171,633	4.0%
Retail	83,086	84,675	(1.9%)
Magazines Italy	147,515	165,661	(11.0%)
Magazines France	152,905	164,900	(7.3%)
Corporate & Shared Services	17,363	12,998	33.6%
Aggregate revenue	**579,369**	**599,867**	**(3.4%)**
Intercompany revenue	(35,549)	(26,766)	32.8%
Total revenue from sales and services	**543,820**	**573,101**	**(5.1%)**

Revenue from the Books Area, amounting to € 178,500 thousand, was up by 4% versus first half 2017, driven by the growth in the Educational segment (+18.8%), and was down in Books Trade (-5.4%).

In the Trade segment:

- revenue from Edizioni Mondadori increased, driven by the new titles by Jojo Moyes, EL James and Daria Bignardi, and by the trend of the bestsellers of 2017 published in paperback;
- revenue was basically steady versus the prior year for Einaudi and Rizzoli, publishers of the successful new titles by Fred Vargas, Paolo Giordano and Maurizio De Giovanni;
- Piemme and Sperling lost ground, due to the absence of titles able to replicate the success of those published in 2017, and to the performance of the character Geronimo Stilton.

In the Educational segment:

- Mondadori Education S.p.A. and Rizzoli Education S.p.A. benefited from the advance requests for the supply of products made by a number of major customers with respect to last year's timing;
- Mondadori Electa S.p.A. saw revenue grow from the management of museum services, driven by the increase in visitors to the archaeological area of Rome and by the effects from anticipating bookings for the third quarter. Revenue from the publication of exhibition books and catalogues was in line with first half 2017; revenue from the organization of exhibitions and events reported a decline.
- Rizzoli International Publications reported an increase in publishing revenue, thanks to the performance of catalogue titles and to retailer activities.

Revenue from the Retail Area, amounting to € 83,086 thousand, dropped by 1.9% versus first half 2017, due mainly to the closure of the Palermo and Milano San Pietro all'Orto stores, and to the expected decline in Consumer Electronics sales.

Revenue from Magazines Italy, amounting to € 145,715 thousand, dropped by 11%, due to the decline in the sale of copies (-7.1%), add-on products (-23.6%), advertising sales (-7.1%) and distribution of third publishers' products (-3.4%).
Revenue from licensing (-14%) and digital marketing service activities, disposed of at the beginning of May, reported a decline.

Revenue from Magazines France, amounting to € 152,905 thousand, fell by 7.3%, as a result of the drop in revenue from copies sold (-6.7%) both at newsstands and through subscriptions, and of the decline in advertising sales (-7.3%) on both print media and digital products.

Revenue from Group advertising services totaled € 71,409 thousand.

The "Directors' Report on Operations" provides further details on revenue trends and the Group's various lines of business.

28. COST OF RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

As a result of the adoption of IFRS 15, in the distribution of books by third-party publishers, the amounts reported in first half 2017 for costs relating to the purchase of goods for re-sale dropped by € 14,177 thousand.

Cost of raw and ancillary materials, consumables and goods (Euro/thousands)	**1° half 2018**	**1° half 2017**
Paper	37,118	36,115
Other production materials	-	-
Total cost of raw and ancillary materials	**37,118**	**36,115**
Goods for re-sale	51,822	57,893
Consumables and maintenance materials	70	102
Other	5,548	5,184
Total cost of consumables and goods	**57,440**	**63,179**
Total cost of raw and ancillary materials, consumables and goods	**94,558**	**99,294**

"Cost of raw and ancillary materials, consumables and goods" amounted to € 94,558 thousand, down by € 4,736 thousand.

Paper costs increased as a result of the supply to companies operating in the school textbooks business; in the other business segments, raw material costs decreased, in the Magazines Italy (-9%) and Magazines France (-14%) Area, due to lower revenue.

Costs for goods for re-sale fell versus first half 2017, mostly in the Educational segment, due to the drop in distributed third-publisher sales.
Costs relating to retailer activities carried out by Mondadori Retail S.p.A. and by Mondadori Electa S.p.A. at museums were basically steady.

29. COST OF SERVICES

The adoption of IFRS 15 in the accounting of revenue from the Magazines Italy and Magazines France Area resulted in an increase in cost of services in first half 2017 of € 34,306 thousand.

Cost of services (Euro/thousands)	**1° half 2018**	**1° half 2017**
Rights and royalties	46,817	49,143
Consultancy services and third-party collaborations	29,033	29,939
Commissions	23,743	24,374
Third-party graphical processing	75,983	75,400
Transport and shipping	69,675	76,166
Purchase of advertising space and promotion expenses	13,153	19,592
Fairs, exhibitions and concession expense	10,075	8,747
Travel and other expense reimbursements	2,854	3,257
Maintenance expenses	3,969	4,498
Telephone and postal expenses	1,133	898
Catering and cleaning services	3,005	3,597
Market surveys, news agencies	4,038	3,546
Insurance	1,104	1,286
Subscriptions management	20,083	21,819
Publisher's share	950	1,273
Utilities	1,349	1,784
Bank services and commissions	1,206	1,321
IT services	4,227	3,601
Directors’ and statutory auditors’ fees	2,175	2,352
Temporary work fees	3,359	4,314
Rents and service expenses	10,746	11,389
Leases and rentals	3,624	3,826
Other services	7,267	5,488
Total cost of services	**339,568**	**357,610**

“Cost of services” amounted to € 339,568 thousand, down by € 18,042 thousand versus first half 2017, in line with the revenue trend.

The Books Area, where revenue grew, saw an increase in the cost of services of € 8,791 thousand, of which € 4,698 thousand for printing; the Magazines Italy and Magazines France Area reported a decrease by € 20,007 thousand, attributable to advertising and promotional expenses (€ -5,505 thousand), printing (€ -3,525 thousand), transportation (€ -4,149 thousand), and for rights granted to majors for add-on sales (€ -1,060 thousand).

“Directors’ and statutory auditors’ fees” comprised fees paid to Directors and Statutory Auditors for € 1,911 thousand and € 264 thousand, respectively.

30. COST OF PERSONNEL

Employees with a fixed-term or permanent labour contract working with the Group companies amounted to 2,962 units, down versus 30 June 2017, as a result of the disposal of Inthera S.p.A. completed in May, and of the ongoing efficiency measures implemented across the Group’s areas.

Employees	**Actual 30/06/2018**	**Actual 30/06/2017**	**Average 1° half 2018**	**Average 1° half 2017**
Executives	110	117	110	115
White collars, middle managers and journalists	2,838	2,981	2,892	3,006
Blue collars	14	14	14	72
Total	**2,962**	**3,112**	**3,016**	**3,193**

As a result of the decrease in headcount versus first half 2017, cost of personnel fell by 2.1%, despite higher restructuring costs of € 3,519 thousand.

Cost of personnel (Euro/thousands)	**1° half 2018**	**1° half 2017**
Salaries and wages	77,826	82,276
Social security expense	24,574	25,642
Post-employment benefits TFR	13	22
Supplementary pension scheme plans	3,930	4,022
Retirement indemnity and similar obligations	1	1
Other costs	5,890	2,692
Total cost of personnel	**112,234**	**114,655**

On 27 April 2017, the Shareholders’ Meeting approved the 2017-2019 Performance Share Plan, intended for certain Mondadori Group staff who hold key roles in achieving strategic results.
The cost accrued in first half 2017 and recognized in the income statement, regarding the fair value of shares granted under the Plan, amounted to € 807 thousand.

Pursuant to IFRS 2, granted shares were stated at fair value upon their granting.

31. OTHER (INCOME) EXPENSE

"Other (income) expense" came to € -1,788 thousand versus a net income of € 8,855 thousand in first half 2017.
The change is due mainly to the extraordinary transactions completed in the two comparative half years.

Other (income) expense (Euro/thousands)	**1° half 2018**	**1° half 2017**
Other revenue and income	(3,006)	(12,911)
Other operating expense	4,794	4,056
Total other (income) expense	**1,788**	**(8,855)**

Specifically:

- "Other revenue and income" decreased due to the recognition in 2017 of the gains from the disposals of NaturaBuy S.a.s. (€ 4,251 thousand), of the logistics-related business units (€ 4,570 thousand) and of a location in the Retail Area.

Other (income) expense – Other revenue and income (Euro/thousands)	**1° half 2018**	**1° half 2017**
Year's contributions	5	9
Capital gains from the disposal of fixed assets and business units	4	9,386
Supplier rebates and other third party contributions	254	12
Insurance reimbursements	108	83
Rentals	-	-
Contingent assets	1,281	1,484
Third-party expense reimbursements	1,297	1,656
Other	57	281
Total other revenue and income	**3,006**	**12,911**

- "Other operating expense" increased as a result of the losses from the disposal of Inthera S.p.A. and Autoreflex and the higher expenses from the management of loans, partly mitigated by the greater benefits from legal disputes.

Other (income) expense – Other operating expense (Euro/thousands)	**1° half 2018**	**1° half 2017**
Receivables management	2,106	1,287
Reimbursements and settlements	(2,941)	(1,419)
Contributions and grants	1,377	1,476
Contingent liabilities	510	412
Capital loss from the disposal of fixed assets and business units	2,251	553
Other taxes and duties	1,318	1,664
Other expense	173	83
Total other operating expense	**4,794**	**4,056**

32. FINANCIAL INCOME (EXPENSE)

Net financial expense in first half 2018 improved by € 3,971 thousand versus first half 2017, as a result mainly of:

- lower interest expense on loans for € 3,791 thousand, resulting from lower average debt and lower rates;
- lower commissions on undrawn amounts of € 438 thousand;

both deriving from the renegotiation of committed credit lines made at end December 2017

- lower expense on prior-years' derivative contracts of € 49 thousand;
- lower interest earned on tax receivables collected in first quarter 2017 of € 426 thousand;
- lower financial expense and income of € 119 thousand.

Financial income (expense) (Euro/thousands)	**1° half 2018**	**1° half 2017**
Interest from banks and post offices	-	2
Financial income from derivatives	-	-
Financial income	42	468
Other interest	42	53
Total interest and other financial income	**84**	**523**
Interest to banks and post offices	20	14
Interest on bonds, loans and borrowings and other expense	1,974	5,536
Financial expense from derivatives	464	557
Other financial expense for discounting assets/liabilities	157	183
Other interest	629	1,345
Total interest expense and other financial expense	**3,244**	**7,635**
Realized positive currency differences	87	122
Unrealized positive currency differences	69	18
Realized negative currency differences	(131)	(144)
Unrealized negative currency differences	(33)	(29)
Total income (loss) on currency transactions	**(8)**	**(33)**
Income (expense) from financial assets	-	6
Total financial income (expense)	**(3,168)**	**(7,139)**

33. INCOME (EXPENSE) FROM INVESTMENTS

The income statement effect of companies consolidated at equity and other companies deteriorated by € 7,886 thousand versus first half 2017, due to:

- the negative performance of Società Europea di Edizioni S.p.A., Mach 2 Libri S.p.A. and Monradio S.r.l.;
- the liquidation expense of Mach 2 Libri S.p.A., estimated at the end of first half 2018.

Income (expense) from investments (Euro/thousands)	**1° half 2018**	**1° half 2017**
Equity-accounted investees:		
- Attica Publications Group	117	267
- Società Europea di Edizioni S.p.A.	(1,406)	(912)
- Mach 2 Libri S.p.A. in liquidation	(6,765)	(546)
- GD Media Service S.r.l.	6	(50)
- Venezia Accademia Società per i servizi museali S.c.a r.l.	1	-
- Edizioni EL S.r.l.	472	234
- Mediamond S.p.A.	(29)	38
- Mondadori Seec Advertising Co. Ltd	509	633
- Monradio S.r.l.	(1,090)	(238)
- Income from acquisition of control of Skira-Rizzoli Publications Inc.	-	306
Other investments:		
- Milano Distribuzione Media S.r.l.	31	-
Total income (expense) from investments	**(8,154)**	**(268)**

34. INCOME TAXES

Income taxes (Euro/thousands)	**1° half 2018**	**1° half 2017**
IRES on income for the period	1,945	1,907
IRAP for the period	1,090	1,170
Total current taxes	**3,035**	**3,077**
Deferred/pre-paid taxes for IRES	(767)	(475)
Deferred/pre-paid taxes for IRAP	33	152
Total deferred/pre-paid taxes	**(734)**	**(323)**
Other tax items	(3,331)	(4,337)
Total income taxes	**(1,030)**	**(1,583)**

Total income from current and deferred taxes, amounting to € 1,030 thousand, decreased by € 553 thousand versus the first half of the prior year.

Current taxes are in line with the amount in 2017, despite the significant difference in the result before taxes (€ -12,425 thousand in 2018 versus € +4,102 thousand in 2017).

This is explained by expense and income, which have a low tax impact due to the treatment set out in specific regulations, booked in the two comparative periods, comprising the gain from the disposal of NaturaBuy S.a.s. in 2017 and the loss from the disposal of Inthera S.p.A. in 2018, as well as by the income statement effects of the booking of equity-accounted investees.

Income shown in "Other tax items", amounting to € 3,331 thousand, decreased by € 1,006 thousand, as a result of income accounted for in 2017 to adjust the deferred taxes calculated on the amounts from Mondadori France publications under the new French tax rates.

It includes the positive effects:

- deriving from the lower taxable income defined for 2017, versus the lower taxable income estimated at the time of preparing the prior-year financial statements;
- recognized by Fininvest S.p.A. under the tax consolidation scheme;
- for lower expense relating to outstanding tax disputes.

The positive income statement effects of the dynamics of prepaid and deferred taxes, amounting to € 734 thousand, reflects the changes in taxed provisions and other temporary differences between the value of the Group's assets and liabilities recorded in the financial statements and the value relevant for tax purposes.

35. EARNINGS PER SHARE

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

	1° half 2018	**1° half 2017**
Net result for the period (Euro/000)	(12,479)	4,376
Average number of outstanding ordinary shares (no./000)	260,536	261,284
Basic earnings per share (Euro)	**(0.048)**	**0.017**

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

	1° half 2018	**1° half 2017**
Net result for the period (Euro/000)	(12,479)	4,376
Average number of outstanding ordinary shares (no./000)	260,536	261,284
Number of options with diluted effect (no./000)	0	0
Diluted earnings per share (Euro)	**(0.048)**	**0.017**

36. COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2018, the Mondadori Group has commitments underwritten for a total amount of € 97,490 thousand (€ 95,359 thousand at 31 December 2017), represented mainly by guarantees issued on VAT receivables subject to reimbursement and prize contests transactions.
Additionally, the Group has property leases in place, whose payments as per contract fall due between 2018 and 2030, for a total of € 146,033 thousand.

37. NON-RECURRING (INCOME) EXPENSE

In first half 2018, the Mondadori Group, as in the same period of 2017, recorded no non-recurring income or expense, under Consob Resolution no. 15519 of 27 July 2006.

38. RELATED PARTIES

Transactions carried out with related parties, including intercompany transactions, do not qualify as either atypical or unusual, since they refer to standard business activities performed by Group companies. When performed out of the scope of standard conditions or when they are imposed by specific regulatory conditions, transactions with related parties are in any case carried out under market conditions.

Transactions with related parties: figures at 30 June 2018

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial income (expense)
Parent companies:														
- Fininvest S.p.A.			44		32		930				21			
Associates														
- Mach 2 Libri S.p.A.	11,088				16				(1,385)		1			
- Venezia Musei Società per i servizi museali S.c.a r.l.	260			12										
- Harlequin Mondadori S.p.A.														
- Attica Publications Group	24	500			9									(12)
- Edizioni EL S.r.l.	841			15	4,598				(2,662)	12	8			
- Società Europea di Edizioni S.p.A.	453			46	1,024			123	1,071	119	(4)		(11)	
- ACI-Mondadori S.p.A. (in liquidation)														
- Consorzio COVAR (in liquidation)														
- EMAS Digital S.A.S.														
- Campania Arte S.c.a r.l.														
- Mondadori Independent Media LLC	3													
- Venezia Accademia Soc. per i serv. mus. S.c.a r.l.	6	25			17						15		(5)	
- Mediamond S.p.A.	38,715			11	3,149				38,625	1,206	194		28	
- Mondadori Seec Advertising Co. Ltd	585				69				666				67	
- GD Media Service S.r.l.	2				241				1	143	275			
- Monradio S.r.l.											3		(5)	
- Gold 5 S.r.l.														
- Skira Rizzoli Publications Inc.														
- EDIGITA S.r.l.														
Total associates	**51,977**	**525**	**0**	**84**	**9,123**	**0**	**0**	**123**	**36,316**	**1,480**	**492**	**0**	**74**	**(12)**

Transactions with related parties: figures at 30 June 2018

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial income (expense)
Affiliates:														
- RTI - Reti Televisive Italiane S.p.A.	107				1,194				(2,060)		8	(54)	(3)	
- Publitalia 80 S.p.A.					582						1,271			
- Digitalia ’08 S.r.l.					4						7			
- Banca Mediolanum S.p.A.								7	224					
- Publieurope Ltd														
- Il Teatro Manzoni S.p.A.									108		108			
- Mediaset S.p.A.									1					
- Alba Servizi Autotrasporti S.p.A.														
- Mediolanum Comunicazione S.p.A.									13					
- Fininvest Gestione Servizi S.p.A.														
- Milan Entertainment S.r.l.														
- Mediaset Premium S.p.A.										1				
- Media4Commerce S.p.A..					(65)									
- Mediobanca S.p.A.														
Total affiliates	**107**	**0**	**0**	**0**	**1,715**	**0**	**0**	**7**	**(1,714)**	**1**	**1,394**	**(54)**	**(3)**	**0**
Total related parties	**52,084**	**525**	**44**	**84**	**10,870**	**0**	**930**	**130**	**34,602**	**1,481**	**1,907**	**(54)**	**71**	**(12)**
of which related parties from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage on item	**19.5%**	**1.5%**	**0.1%**	**0.1%**	**3.6%**	**0.0%**	**23.6%**	**0.1%**	**6.4%**	**1.6%**	**0.6%**	**n.s.**	**4.0%**	**0.4%**

Transactions with related parties: balance sheet figures at 31 December 2017 and income statement figures at 30 June 2017

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial income (expense)
Parent companies:														
- Fininvest S.p.A.	4		199		62		4,075				10		21	(47)
Associates														
- Mach 2 Libri S.p.A.	13,325				28				6,547		5			
- Venezia Musei Società per i servizi museali S.c.a r.l.	260			12										
- Harlequin Mondadori S.p.A.														
- Attica Publications Group	46	500			6				(5)					(12)
- Edizioni EL S.r.l.	1,144			15	5,096			1	(2,373)	16				
- Società Europea di Edizioni S.p.A.	483			29	1,109			123	1,057	118			(11)	
- ACI-Mondadori S.p.A. (in liquidation)														
- Consorzio COVAR (in liquidation)														
- EMAS Digital S.A.S.														
- Campania Arte S.c.a r.l.														
- Mondadori Independent Media LLC	3													
- Venezia Accademia Soc. per i serv. mus. S.c.a r.l.	38	25			99						35		(2)	
- Mediamond S.p.A.	33,406				4,972				42,497	1,420	944		64	
- Mondadori Seec Advertising Co. Ltd	1,123				118				268					
- GD Media Service S.r.l.	2				359					164	189			
- Monradio S.r.l.	115				117								(5)	
- Gold 5 S.r.l.														
- Skira Rizzoli Publications Inc.														
- EDIGITA S.r.l.											8			
Total associates	**49,945**	**525**	**0**	**56**	**11,904**	**0**	**0**	**124**	**47,991**	**1,718**	**1181**	**0**	**46**	**(12)**

Transactions with related parties: balance sheet figures at 31 December 2017 and income statement figures at 30 June 2017

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial income (expense)
Affiliates:														
- RTI - Reti Televisive Italiane S.p.A.	435				1,235				7		(11)	(51)		
- Publitalia 80 S.p.A.					1,868				9		1,709			
- Digitalia ’08 S.r.l.					9						27			
- Banca Mediolanum S.p.A.	3							7	356		(1)			
- Publieurope Ltd														
- Il Teatro Manzoni S.p.A.														
- Mediaset S.p.A.	9								1					
- Alba Servizi Autotrasporti S.p.A.											1			
- Mediolanum Comunicazione S.p.A.									12					
- Fininvest Gestione Servizi S.p.A.	2				12						10	(42)		
- Milan Entertainment S.r.l.														
- Mediaset Premium S.p.A.	15													
- Media4Commerce S.p.A..					(65)				(1,963)	(80)	1			
- Mediobanca S.p.A.														
Total affiliates	**464**	**0**	**0**	**0**	**3,059**	**0**	**0**	**7**	**(1,578)**	**(80)**	**1,736**	**(93)**	**0**	**0**
Total related parties	**50,413**	**525**	**199**	**56**	**15,025**	**0**	**4,075**	**131**	**46,413**	**1,638**	**2,927**	**(93)**	**67**	**(59)**
of which related parties from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage on item	**16.9%**	**15.2%**	**0.7%**	**0.1%**	**4.6%**	**0.0%**	**70.9%**	**0.1%**	**8.1%**	**1.6%**	**0.8%**	**n.s.**	**n.s.**	**0.8%**

39. FAIR VALUE MEASUREMENT

Some of the Group's financial assets and liabilities were measured at fair value.

Financial assets (liabilities) (Euro/thousands)	**Fair value 30 June 2018**	**Fair value hierarchy**	**Valuation method and main inputs**
Interest rate swap contracts	(625)	Level 2	*Discounted cash flow.* Projected flows are discounted based on the forward rate curve expected at the end of the period and on the contractual fixing rates, also taking the counterparty default risk into account
Investments in other companies	893	Level 3	Based on the nature of the investments held in other companies, the cost may be considered representative of the fair value.
Earn out Banzai acquisition	2,888	Level 2	The fair value of the Earn Out is represented by the discounting of the valuation of the number of unique users of the websites acquired

40. OPERATING SEGMENTS

The reporting required by IFRS 8 - Operating segments - is provided by taking into account the Group's organizational structure, based on which the periodic reporting is made, used by Management to define actions and strategies, evaluate investment opportunities and allocate resources; the picture versus 2017 remained unchanged.

For the Board of Directors
The Chairman
Marina Berlusconi

Segment information: figures at 30 June 2018

(Euro/thousands)	Books	Retail	Magazines Italy	Magazines France	Corporate & Shared Services	Unallocated items and consolidation adjustments	Consolidated result
Revenue from sales and services from external customers	**159,408**	**82,773**	**147,808**	**152,905**	**926**	**-**	**543,820**
Revenue from sales and services from other sectors	**19,092**	**313**	**(293)**	**-**	**16,437**	**(35,549)**	**0**
EBITDA	**12,499**	**(3,501)**	**(96)**	**10,752**	**(5,361)**	**-**	**14,293**
EBIT	**6,840**	**(5,138)**	**(2,170)**	**5,507**	**(6,142)**	**-**	**(1,103)**
Financial income (expense)	-	-	-	-	(3,168)	-	(3,168)
Income (expense) from equity-accounted investees	(6,292)	-	603	-	(2,496)	-	(8,185)
Result before taxes and non-controlling interests	**111**	**(5,413)**	**(1,613)**	**3,716**	**(9,226)**	**-**	**(12,425)**
Income taxes	-	-	-	-	(1,030)	-	(1,030)
Result attributable to non-controlling interests	-	-	-	1,084	-	-	1,084
Result from discontinued operations	-	-	-	-	-	-	0
Net result	**111**	**(5,413)**	**(1,613)**	**2,632**	**(8,196)**	**-**	**(12,479)**
Amortization, depreciation and impairment	5,659	1,637	2,074	5,245	781	-	15,396
Non-monetary costs	9,459	1,199	1,748	2,388	157	-	14,951
Non-recurring income (expense)	-	-	-	-	-	-	0
Capital expenditure	6,077	1,117	2,091	392	2,010	-	11,687
Equity-accounted investees	3,096	-	20,716	-	12,055	-	35,867
Total assets	403,330	94,211	242,740	419,380	171,294	(28,693)	1,302,262
Total liabilities	257,646	63,631	169,364	112,893	382,358	(18,539)	967,353

	Revenue from sales and services	Fixed assets
Italy	368,451	244,838
France	150,610	367,423
Other EU countries	8,702	-
USA	13,042	3,448
Other countries	3,015	-
Consolidated result	**543,820**	**615,709**

Segment reporting: income statement figures at 30 June 2017 and balance sheet figures at 31 December 2017

(Euro/thousands)	Books	Retail	Magazines Italy	Magazines France	Corporate & Shared Services	Unallocated items and consolidation adjustments	Consolidated result
Revenue from sales and services from external customers	**156,622**	**84,404**	**166,138**	**164,833**	**1,104**	**-**	**573,101**
Revenue from sales and services from other sectors	**15,011**	**271**	**(477)**	**67**	**11,894**	**(26,766)**	**0**
EBITDA	**5,561**	**(4,974)**	**10,837**	**15,683**	**447**	**-**	**27,554**
EBIT	**74**	**(6,792)**	**8,841**	**9,810**	**(424)**	**-**	**11,509**
Financial income (expense)	-	-	-	-	(7,139)	-	(7,139)
Income (expense) from equity-accounted investees	(6)	-	888	-	(1,150)	-	(268)
Result before taxes and non-controlling interests	**(592)**	**(7,155)**	**9,402**	**6,029**	**(3,582)**	**-**	**4,102**
Income taxes	-	-	-	-	(1,538)	-	14,547
Result attributable to non-controlling interests	(1)	-	-	1,310	-	-	1,309
Result from discontinued operations	-	-	-	-	-	-	0
Net result	**(591)**	**(7,155)**	**9,402**	**4,719**	**(1,999)**	**-**	**4,376**
Amortization, depreciation and impairment	5,487	1,818	1,996	5,873	871	-	16,045
Non-monetary costs	6,216	4,007	1,202	1,542	983	-	13,950
Non-recurring income (expense)	-	-	-	-	-	-	0
Capital expenditure	11,536	2,636	941	1,860	4,348	-	21,321
Equity-accounted investees	3,398	-	20,112	-	13,629	-	37,139
Total assets	391,526	103,636	245,197	428,330	200,250	(31,997)	1,336,942
Total liabilities	256,594	79,404	186,426	120,833	372,586	(24,215)	991,628

	Revenue from sales and services	Fixed assets
Italy	386,390	243,938
France	158,078	372,276
Other EU countries	16,595	-
USA	9,388	3,675
Other countries	2,650	-
Consolidated result	**573,101**	**619,889**

LIST OF RELEVANT INVESTMENTS

List of relevant investments (equal or above 10% of share capital held directly or indirectly through subsidiaries)

ARNOLDO MONDADORI EDITORE S.P.A.

at 30 June 2018

COMPANY NAME	SHARE CAPITAL		% OWNED	OWNERSHIP MODE	HOLDER	% OWNED	REGISTERED OFFICE	TAX CODE	DATE OF INCORPORATION
Aranova Freedom Soc. Cons. a r.l. (Italy)	EURO	19,200	16.67%	indirect	Monradio S.r.l.	16.67%	Bologna, Via Guinizzelli 3	02532501208	24/01/2005
Campania Arte S.c. a r.l.- in liquidation (Italy)	EURO	100,000	23.41%	indirect	Mondadori Electa S.p.A.	23.41%	Rome - Via Tunisi 4	09086401008	18/07/2006
Club Dab Italia Società consortile per azioni (Italy)	EURO	240,000	12.5%	indirect	Monradio S.r.l.	12.5%	Milan - Foro Bonaparte 71	97174850152	01/02/1996
Edizioni EL S.r.l. (Italy)	EURO	620,000	50%	indirect	Giulio Einaudi Editore S.p.A.	50%	Trieste - San Dorligo della Valle - Via J. Ressel 5	00627340326	07/05/1984
Giulio Einaudi Editore S.p.A. (Italy)	EURO	23,920,000	100%	indirect	Mondadori Libri S.p.A.	100%	Turin - Via U. Biancamano 2	08367150151	03/06/1986
Mondadori Scienza S.p.A. (Italy)	EURO	2,600,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Luisa Battistotti Sassi 11/A	09440000157	19/09/1988
Mach 2 Libri S.p.A. S.p.A. - in liquidation (Italy)	EURO	646,250	44.91%	indirect	Mondadori Libri S.p.A.	44.91%	Peschiera Borromeo (MI) - Via Galileo Galilei 1	03782990158	06/05/1983
GD Media Service S.r.l. (Italy)	EURO	789,474	38%	indirect	Press-di Distribuzione Stampa e Multimedia S.r.l.	24%	Peschiera Borromeo (MI) - Via Galileo Galilei 1	07014150960	27/04/2010
				indirect	Mach 2 Libri S.p.A. - in liquidation	14%			
MDM Milano Distribuzione Media S.r.l. (Italy)	EURO	611,765	17%	indirect	Press-di Distribuzione Stampa e Multimedia S.r.l.	17%	Milan - Via Carlo Cazzaniga 19	10463540152	02/10/1991
Mediamond S.p.A. (Italy)	EURO	2,400,000	50%	indirect	Press-di Abbonamenti S.p.A.	50%	Milan - Via Bianca di Savoia 12	06703540960	30/07/2009
Mondadori Retail S.p.A. (Italy)	EURO	2,700,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	00212560239	19/11/1946
Mondadori Education S.p.A. (Italy)	EURO	10,608,000	100%	indirect	Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	03261490969	01/10/2001
Mondadori Electa S.p.A. (Italy)	EURO	1,593,735	100%	indirect	Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	01829090123	23/02/1989
Mondadori International Business S.r.l. (Italy)	EURO	200,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08009080964	29/10/2012
Press-Di Abbonamenti S.p.A. (Italy) (former M.Pubblicità)	EURO	3,120,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08696660151	12/02/1987
Monradio S.r.l. (Italy)	EURO	3,030,000	20%	direct	Arnoldo Mondadori Editore S.p.A.	20%	Milan - Via Paleocapa, 3	04571350968	15/10/2004
Press-di Distribuzione Stampa e Multimedia S.r.l. (Italy)	EURO	1,095,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	03864370964	19/02/2003
Società Europea di Edizioni S.p.A. (Italy)	EURO	2,528,875	36.89%	direct	Arnoldo Mondadori Editore S.p.A.	36.89%	Milan - Via G. Negri 4	01790590150	27/02/1974
Venezia Accademia Società per i servizi museali Scarl (Italy)	EURO	10,000	25%	indirect	Mondadori Electa S.p.A.	25%	Venice - Via L. Einaudi 74	03808820272	11/01/2008
Venezia Musei Società per i servizi museali S.c.ar.l. in liquidation (Italy)	EURO	10,000	34%	indirect	Mondadori Electa S.p.A.	34%	Venice - Via L. Einaudi 74	03534350271	22/04/2004
Attica Publications S.A. (Greece)	EURO	4,590,000	41.98%	direct	Arnoldo Mondadori Editore S.p.A.	41.98%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
Editions Mondadori Axel Springer SNC (France)	EURO	152,500	50%	indirect	Mondadori France SAS	50%	France - Montrouge Cedex - 8, rue Francois Ory		09/12/1999
EMAS Digital SAS in liquidation (France)	EURO	27,275,400	50%	indirect	Mondadori France SAS	50%	France - Montrouge Cedex - 8, rue Francois Ory		13/09/2011
Mondadori France SAS (France)	EURO	50,000,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	France - Montrouge Cedex - 8, rue Francois Ory		23/06/2004
Mondadori Magazines France SAS (France)	EURO	60,557,458	100%	indirect	Mondadori France SAS	100%	France - Montrouge Cedex - 8, rue Francois Ory		30/03/2004
Mondadori Seec (Beijing) Advertising Co. Ltd	CNY	40,000,000	50%	indirect	Press-di Abbonamenti S.p.A.	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		4/06/2008
Mondadori UK Limited in liquidation (UK)	GBP	15,000.00	100%	indirect	Mondadori International Business S.r.l.	100%	United Kingdom - London 10 Salisbury Square - St. Bride's House		18/03/2010
Mondadori Libri S.p.A. (Italy)	EURO	30,050,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08856650968	02/12/2014
AdKaora S.r.l. (Italy)	EURO	15,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08105480969	16/01/2013
Rizzoli Education S.p.A. (Italy)	EURO	42,405,000	99.99%	indirect	Mondadori Libri S.p.A.	99.99%	Milan - Via Bianca di Savoia 12	05877160159	30/06/1980
Rizzoli International Publications Inc (USA)	USD	26,900,000	100%	indirect	Rizzoli Education S.p.A.	100%	New York - 300 Park Avenue South		
Rizzoli Bookstore Inc (USA)	USD	3,498,900	100%	indirect	Rizzoli International Publications Inc	100%	New York - 1133 Broadway		

CERTIFICATION OF THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

Certification of the condensed consolidated half-year financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Ernesto Mauri, in his capacity as CEO, and Oddone Pozzi, in his capacity as Financial Reporting Manager of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-bis, par. 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:
   - the adequacy in relation to the Group's characteristics and
   - the actual application of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements at 30 June 2018.

2. The valuation of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements at 30 June 2018 was carried out based on a specific process defined by Arnoldo Mondadori Editore consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which groups together a set of general principles of reference generally accepted at the international level.

3. We also hereby certify that:

   3.1 the condensed consolidated half-year financial statements at 30 June 2018:
   a) have been prepared in compliance with the applicable international accounting standards acknowledged at the EU level, pursuant to EC regulation no. 1606/2002 of the EU Parliament and Council of 19 July 2002, and specifically to IAS 34 - Interim Financial Reporting, and with the provisions set out for the implementation of art. 9 of Legislative Decree no. 38/2005;
   b) reflect the accounting books and entries;
   c) provide a true and fair view of the financial position and results of operations of the Issuer and the group of companies included in the consolidation scope.

   3.2 the interim report on operations includes a reliable analysis of the significant events that took place in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The report also includes a reliable analysis of the main transactions with related parties.

31 July 2018

The CEO

(Ernesto Mauri)

The Financial Reporting Manager

(Oddone Pozzi)

INDEPENDENT AUDITORS' REPORT

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Arnoldo Mondadori Editore S.p.A. and subsidiaries (the Mondadori Group), which comprise the statement of financial position as of June 30, 2018 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Mondadori Group as at June 30, 2018 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Camosci
Partner

Milan, Italy
August 1, 2018

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