HALF-YEAR FINANCIAL REPORT
AT 30 JUNE 2019

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 2019

Arnoldo Mondadori Editore S.p.A.

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MONDADORI GROUP HIGHLIGHTS IN FIRST HALF 2019

(Euro/millions)	*1H 2019 (IFRS 16)*	1H 2019 (no IFRS 16)	1H 2018	*Chg. LFL***
Mondadori Group*				
Revenue	***380.0***	**380.0**	**390.8**	***(3%)***
Adjusted EBITDA	***21.8***	**13.8**	**12.1**	***1.7***
% on revenue	*5.7%*	*3.6%*	*3.1%*	
EBITDA	***20.6***	**12.6**	**3.5**	***9.0***
% on revenue	*5.4%*	*3.3%*	*0.9%*	
EBIT	***2.1***	**1.5**	**(6.6)**	***8.1***
% on revenue	*0.6%*	*0.4%*	*(1.7%)*	
Adjusted result from continuing operations	***(5.7)***	**(5.3)**	**(14.7)**	***9.4***
Net result	***(1.9)***	**(1.5)**	**(12.5)**	***11.0***
Business Areas*				
Revenue	***380.0***	**380.0**	**390.8**	***(3%)***
Books	*183.8*	183.8	179.0	*3%*
Retail	*81.4*	81.4	83.1	*(2%)*
Magazines Italy	*130.9*	130.9	147.5	*(11%)*
Corporate & Shared Services	*19.1*	19.1	17.4	*10%*
Intercompany	*(35.2)*	*(35.2)*	*(36.1)*	*(3%)*
EBIT	***2.1***	**1.5**	**(6.6)**	***8.1***
Books	*9.7*	9.7	6.8	*2.9*
Retail	*(6.0)*	(6.2)	(5.1)	*(1.0)*
Magazines Italy	*3.7*	3.7	(2.2)	*5.8*
Corporate & Shared Services	*(5.3)*	(5.7)	(5.4)	*(0.3)*
Intercompany	-	-	*(0.7)*	*0.7*
Balance Sheet				
Equity	***170.6***	**170.6**	**334.9**	***(49%)***
Net Financial Position	***(306.2)***	**(204.2)**	**(238.4)**	***(14%)***
Human Resources				
End-of-period headcount (incl. Mondadori France)		2,808	2,967	*(5%)*
End-of-period headcount (excl. Mondadori France)		2,117	2,224	*(5%)*

** Comparative scope for continuing operations. See Note on page 12 of this Statement.*
*** Changes in this report were calculated on amounts expressed in thousands of Euro.*

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

- Mondadori Libri S.p.A. **100%** (Subsidiary companies)
  - Giulio Einaudi editore S.p.A. **100%** (Subsidiary companies)
    - Edizioni EL S.r.l. **50%** (Affiliated companies)
  - Mondadori Education S.p.A. **100%** (Subsidiary companies)
  - Mondadori Electa S.p.A. **100%** (Subsidiary companies)
  - Rizzoli Education S.p.A. **99.99%** (Subsidiary companies)
  - Mach 2 Libri S.p.A.* **44.91%** (Affiliated companies)

Retail

- Mondadori Retail S.p.A. **100%** (Subsidiary companies)

Magazines Italy

- AdKaora S.r.l. **100%** (Subsidiary companies)
- Mondadori International Business S.r.l. **100%** (Subsidiary companies)
- Attica Publications S.A. **41.98%** (Affiliated companies)
- Press-di Distribuzione Stampa e Multimedia S.r.l. **100%** (Subsidiary companies)
- Mondadori Scienza S.p.A. **100%** (Subsidiary companies)
- Direct Channel S.p.A. **100%** (Subsidiary companies)
  - Mediamond S.p.A. **50%** (Affiliated companies)
  - Mondadori Seec (Beijing) Advertising Co.Ltd **50%** (Affiliated companies)

Magazines France**

- Mondadori France S.a.s. **100%** (Subsidiary companies)

Other business

- Società Europea di Edizioni S.p.A. **36.89%** (Affiliated companies)
- Monradio S.r.l. **20%** (Affiliated companies)

Legend: Subsidiary companies | Affiliated companies

** Put into liquidation.*
*** Assets held for sale.*

As at 30 June 2019

MONDADORI GROUP ORGANIZATION CHART

Marina Berlusconi
Chairman

Ernesto Mauri
Chief Executive Officer

Federico Angrisano — **Director of Communications and Media Relations**

Daniele Sacco — **Group HR and Organization Director**

Oddone Pozzi — **Group Director of Finance, Procurement and IT**

Enrico Selva Coddè — **Managing Director of Mondadori Libri S.p.A. Trade area**

Antonio Porro — **Deputy Chairman and Managing Director of Mondadori Libri S.p.A.**

Pierluigi Bernasconi — **Managing Director of Mondadori Retail S.p.A.**

Carlo Mandelli — **General Manager - Magazines Italy**

Andrea Santagata — **Chief Innovation Officer**

Carmine Perna — **Managing Director - Mondadori France**

**Members of the Board of Directors*

As at 30 June 2019

DIRECTORS' REPORT ON OPERATIONS AT 30 JUNE 2019

DIRECTORS’ REPORT ON OPERATIONS AT 30 JUNE 2019

In first half 2019, in line with the targets set, the Group recorded **adjusted EBITDA from continuing operations of € 13.8 million, up by 14%**, excluding the effect of the application of IFRS 16.

Actions continued to be taken to improve operations in the Books Area and to reduce costs, as well as to strengthen the Digital component in Magazines Italy.

The six months saw significantly lower restructuring and reorganization costs than in the same period of 2018, due to the planned reduction and different timing of the divestment of non-strategic businesses and the reorganization of Group activities.

This trend, together with the **extended positive performance of cash generation from ordinary operations**, paves the way to the **achievement of the targets** set and disclosed for the entire financial year 2019.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN FIRST HALF 2019

€mn	1H19		1H18		% change
NET REVENUE	**380.0**	***100.0%***	**390.8**	***100.0%***	***(2.8%)***
INDUSTRIAL COST OF PRODUCT	121.7	*32.0%*	124.9	*32.0%*	*(2.6%)*
VARIABLE PRODUCT COSTS	54.6	*14.4%*	58.9	*15.1%*	*(7.2%)*
OTHER VARIABLE COSTS	73.4	*19.3%*	74.1	*19.0%*	*(1.0%)*
STRUCTURAL COSTS	28.9	*7.6%*	28.5	*7.3%*	*1.3%*
EXTENDED LABOUR COST*	79.3	*20.9%*	85.0	*21.7%*	*(6.7%)*
OTHER EXPENSE AND (INCOME)	0.2	*0.1%*	-0.6	*(0.2%)*	*n.s.*
(ADJUSTED) EBITDA	**21.8**	***5.7%***	**19.9**	***5.1%***	***9.4%***
RESTRUCTURING COSTS	1.1	*0.3%*	5.4	*1.4%*	*(78.8%)*
NEGATIVE (POSITIVE) EXTRAORDINARY ITEMS	0.1	*0.0%*	3.1	*0.8%*	*(98.3%)*
EBITDA	**20.6**	***5.4%***	**11.4**	***2.9%***	***81.0%***
AMORTIZATION AND DEPRECIATION	11.1	*2.9%*	10.2	*2.6%*	*9.0%*
AMORTIZATION AND DEPRECIATION IFRS16	7.4	*1.9%*	7.2	*1.8%*	*3.5%*
EBIT	**2.1**	***0.6%***	**-5.9**	***(1.5%)***	***n.s.***
FINANCIAL EXPENSE AND (INCOME)	-0.3	*(0.1%)*	1.4	*0.4%*	*n.s.*
FINANCIAL EXPENSE IFRS16	1.0	*0.3%*	0.7	*0.2%*	*49.5%*
EXPENSE AND (INCOME) FROM INVESTMENTS	3.0	*0.8%*	8.2	*2.1%*	*(63.1%)*
EBT	**-1.6**	***(0.4%)***	**-16.1**	***(4.1%)***	***(90.3%)***
TAX EXPENSE AND (INCOME)	3.0	*0.8%*	-2.5	*(0.6%)*	*n.s.*
NON-CONTROLLING INTERESTS	**1.2**	***0.3%***	**1.1**	***0.3%***	***7.9%***
RESULT FROM CONTINUING OPERATIONS	**-5.7**	***(1.5%)***	**-14.7**	***(3.8%)***	***(61.0%)***
ADJUSTED RESULT FROM DISCONTINUED OPERATIONS	**3.9**	***1.0%***	**2.2**	***0.6%***	***72.8%***
NET RESULT	**-1.9**	***(0.5%)***	**-12.5**	***(3.2%)***	***(85.0%)***
(ADJUSTED) EBITDA EXCLUDING IFRS16	***13.8***	***3.6%***	***12.1***	***3.1%***	***13.9%***
EBITDA EXCLUDING IFRS16	***12.6***	***3.3%***	***3.5***	***0.9%***	***n.s.***
EBIT EXCLUDING IFRS16	***1.5***	***0.4%***	***-6.6***	***(1.7%)***	***n.s.***
EBT EXCLUDING IFRS16	***-1.2***	***(0.3%)***	***-16.1***	***(4.1%)***	***(92.9%)***

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

*** In 2019, the "Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of the disposal group, to reflect the negotiations in progress.*

This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 1.3 million).

The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € 5.2 million in 1H 2019 and € 3.9 million in 1H 2018), prepared in accordance with IFRS international accounting standards.

To enable a like-for-like comparison, 2018 figures have been restated accordingly.

*As of 1 January 2019, the Group has adopted the new **IFRS 16 - Leases**.*

*The new standard provides a **new definition of lease** (**operating leases**) 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,*
- *right to replace the asset,*
- *right to essentially receive all the financial benefits arising from the use of the asset and*
- *right to control the use of the asset underlying the contract.*

*The standard introduces a single lessee accounting model, by which **an asset under an operating lease is recognized in assets with an offsetting financial liability**.*

***P/L will no longer record lease payments** as operating/general costs, **rather the depreciation of the booked asset** and the financial expense implicit in the lease payment.*

An exception to this accounting model are leases regarding low-value assets and those with a term of 12 months or less.

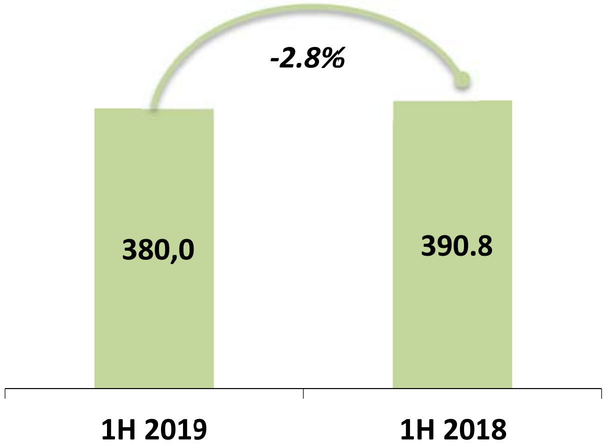
ALTERNATIVE PERFORMANCE MEASURES

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 better evaluate 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 the first six months of 2019 came to **€ 380.0 million (versus € 390.8 million in the same period of the prior year)**, partly as a result of the change in the consolidation scope of Magazines Italy following the sale of Inthera S.p.A. and *Panorama* (€ 11.3 million).



In the **Books** Area, revenue in the first half of the year increased by approximately **+3%**, while the **Retail** Area dropped by **-2%**.

On a like-for-like basis, **Magazines Italy** revenue fell by **-4%** as a result of the dynamics of the relevant markets.

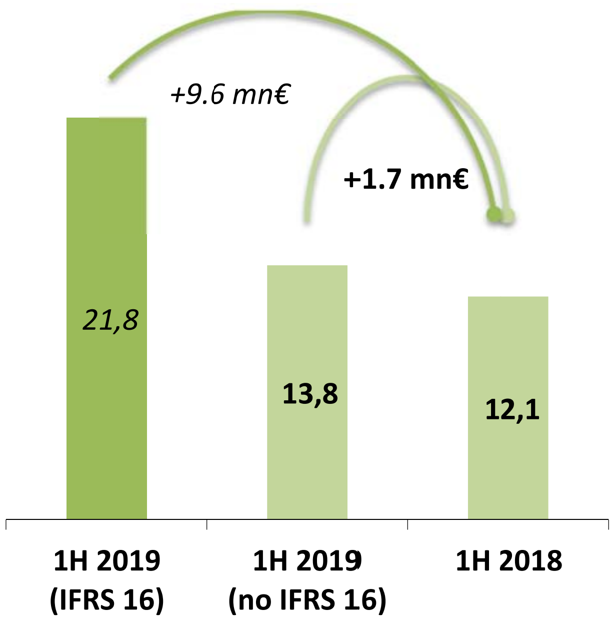
Revenue by Business Area			
(Euro/millions)	**1H 2019**	**1H 2018**	***% change***
Books	183.8	179.0	*2.7%*
Retail	81.4	83.1	*(2.0%)*
Magazines Italy	130.9	147.5	*(11.2%)*
Corporate & Shared Services	19.1	17.4	*10.0%*
Total aggregate revenue	**415.2**	**426.9**	***(2.7%)***
Intercompany revenue	-35.2	-36.1	*(2.5%)*
Total consolidated revenue	**380.0**	**390.8**	***(2.8%)***

Revenue by geographical area			
(Euro/millions)	**1H 2019**	**1H 2018**	***% change***
Italy	356.5	367.6	*(3.0%)*
France	0.2	0.5	*(63.5%)*
Other EU countries	7.6	7.3	*3.6%*
Other extra EU countries	15.7	15.4	*2.2%*
Total consolidated revenue	**380.0**	**390.8**	***(2.8%)***

EBITDA

Adjusted EBITDA (no IFRS 16) in the period under review came to € 13.8 million, **up by € +1.7 million** versus the prior year (€ 12.1 million), with a percentage on revenue increasing from **3.1% to 3.6%** and with different trends reported by the various businesses:

- in line with the revenue trend, the **Books** Area recorded an increase in the period, as a result of the positive performance of both the Trade and Education areas;
- the **Retail** Area contracted as a result of the reduction in revenue;
- the **Magazines Italy** Area ended **basically steady** versus 2018, despite the downward trend of the business, as a result of the disposals that took place, of the ongoing improvement of the digital area and of the actions aimed at reducing operating and structural costs.



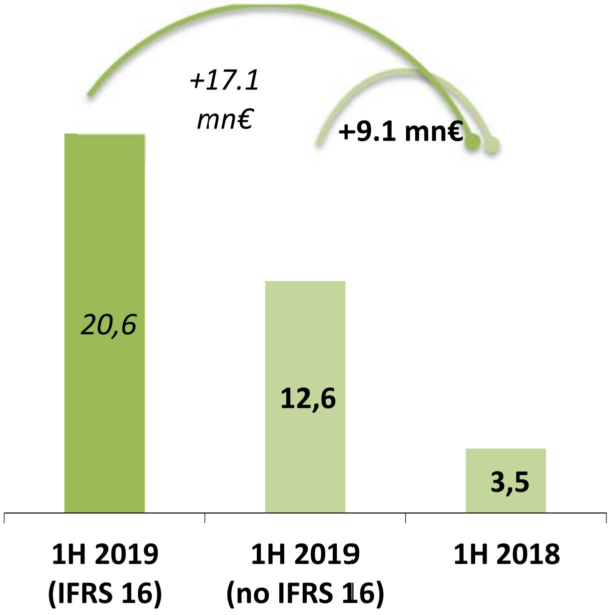
IFRS 16 adjusted EBITDA came to € 21.8 million and includes the IFRS 16 impact of € +8 million.

ADJUSTED EBITDA by Business Area			
(Euro/millions)	***1H19 (IFRS16)***	**1H19 (no IFRS16)**	**1H18 (no IFRS16)**
Books	*16.2*	15.6	13.3
Retail	*-0.6*	-4.6	-3.2
Magazines Italy	*6.9*	6.8	6.8
Corporate	*-0.7*	-4.0	-4.1
Intercompany	*0.0*	0.0	-0.7
Total ADJUSTED EBITDA	***21.8***	**13.8**	**12.1**

Consolidated EBITDA (no IFRS 16) increased sharply versus the prior year, from € 3.5 million to **€ 12.6 million**.

The improvement includes the increase in adjusted EBITDA and strong reductions in restructuring costs recorded in the first half.

IFRS 16 EBITDA amounted to € 20.6 million and includes the IFRS 16 impact of € +8 million.

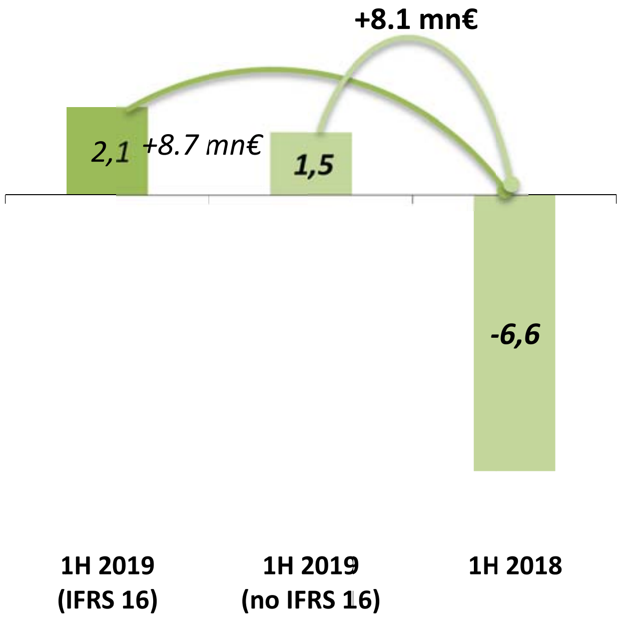


EBITDA by Business Area			
(Euro/millions)	***1H19 (IFRS16)***	**1H19 (no IFRS16)**	**1H18 (no IFRS16)**
Books	*15.8*	15.2	12.5
Retail	*-0.9*	-4.8	-3.5
Magazines Italy	*6.4*	6.3	-0.1
Corporate	*-0.7*	-4.1	-4.7
Intercompany	*0.0*	0.0	-0.7
Total EBITDA	***20.6***	**12.6**	**3.5**

EBIT

EBIT (no IFRS 16) at 30 June 2019 amounted to € 1.5 million, **improving sharply** versus € -6.6 million at 30 June 2018, as a result of the dynamics of the above components, and includes amortization, depreciation and write-downs of € 11.1 million, slightly higher than the prior year.
IFRS 16 amortization and depreciation amounted to € 7.4 million.

IFRS 16 EBIT amounted to € 2.1 million and includes the IFRS 16 impact of € +0.6 million.



EBIT by Business Area

(Euro/millions)	*1H19 (IFRS16)*	1H19 (no IFRS16)	1H18 (no IFRS16)
Books	*9.7*	9.7	6.8
Retail	*-6.0*	-6.2	-5.1
Magazines Italy	*3.7*	3.7	-2.2
Corporate	*-5.3*	-5.7	-5.4
Intercompany	*0.0*	0.0	-0.7
Total EBIT	***2.1***	**1.5**	**-6.6**

ADJUSTED NET RESULT FROM CONTINUING OPERATIONS

The **consolidated result before tax** came to € -1.6 million, **improving sharply** versus € -16.1 million in 1° half 2018 and includes:

- the sharp reduction in financial expense (from a financial expense of € -1.4 million to a financial income of € +0.3 million), as a result of lower average net debt;
- improved performance by associates (consolidated at equity), from € -8.2 million to € -3.0 million.

The total tax burden for the period was **€ +3.0 million** versus € -2.5 million in 2018.

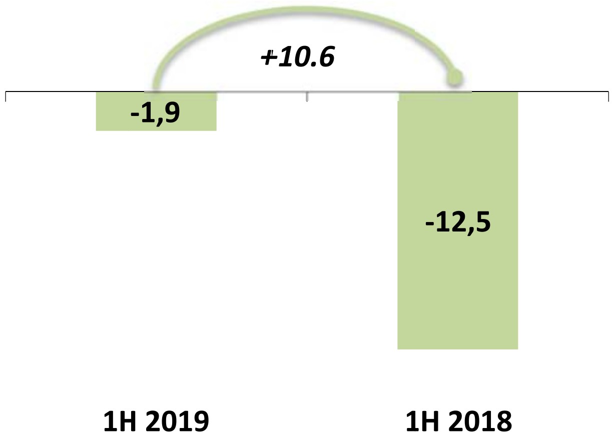
The **adjusted net result from continuing operations improved by** approximately € +9 million and amounted to € -5.7 million versus € -14.7 million at 30 June 2018.

NET RESULT

Mondadori France generated net revenue of € 139.8 million in the period (€ 152.9 million in 1H 2018) and adjusted EBITDA of € 11.4 million (€ 12.1 million in 1H 2018).

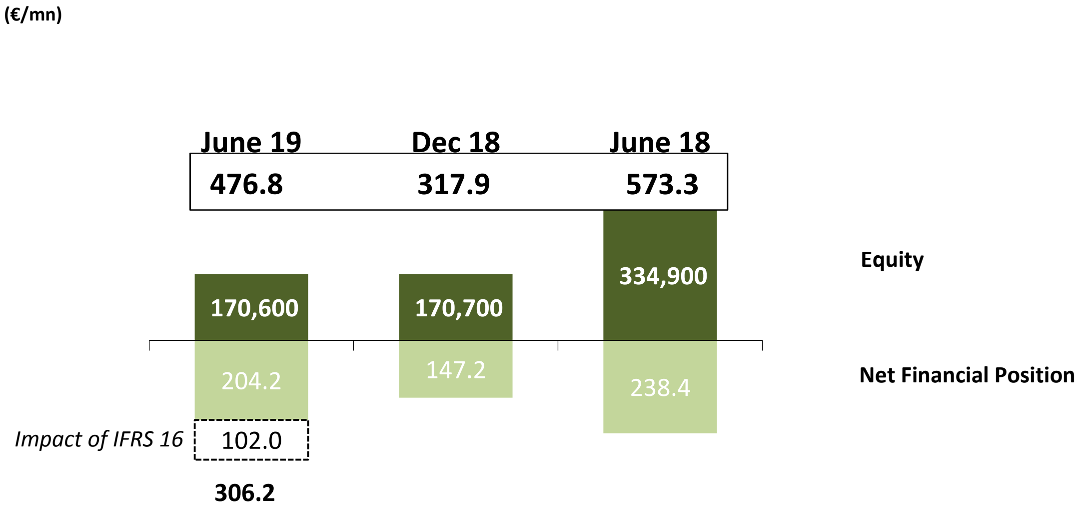
The net result from discontinued operations came to a positive € 3.9 million and includes the net result for 1° half 2019 and the fair value adjustment of Mondadori France at 30 June 2019.

The **Group's net result** was € -1.9 million, **improving strongly** versus € -12.5 million at 30 June 2018.



FINANCIAL RESULTS

NET INVESTED CAPITAL



The **Group's net invested capital** at 30 June amounted to **€ 476.8 million**, down versus € 573.3 million of the prior year.

This change is attributable to:

- the recognition of property, plant and equipment pursuant to IFRS 16 of € +101 million, and
- the fair value adjustment of the Mondadori France asset sold in third quarter 2018 (approximately € -200 million at 30 June 2019).

The Net Financial Position no IFRS 16 at 30 June 2019 stood at **€ -204.2 million, down by approximately -14%** versus € -238.4 million at 30 June 2018.

The **IFRS 16 Net Financial Position** stood at **€ -306.2 million** and includes the IFRS 16 impact of € -102.0 million.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN SECOND QUARTER 2019

€mn	2Q19		2Q18		% change
NET REVENUE	**213.1**	***100.0%***	**213.1**	***100.0%***	***0.0%***
INDUSTRIAL COST OF PRODUCT	64.5	*30.3%*	66.1	*31.0%*	*(2.3%)*
VARIABLE PRODUCT COSTS	30.9	*14.5%*	32.0	*15.0%*	*(3.3%)*
OTHER VARIABLE COSTS	43.1	*20.2%*	41.3	*19.4%*	*4.5%*
STRUCTURAL COSTS	14.2	*6.7%*	13.5	*6.3%*	*5.8%*
EXTENDED LABOUR COST*	39.9	*18.7%*	41.7	*19.6%*	*(4.3%)*
OTHER EXPENSE AND (INCOME)	0.3	*0.1%*	-0.4	*(0.2%)*	*n.s.*
(ADJUSTED) EBITDA	**20.1**	***9.4%***	**18.9**	***8.9%***	***6.2%***
RESTRUCTURING COSTS	0.6	*0.3%*	2.2	*1.0%*	*(73.7%)*
NEGATIVE (POSITIVE) EXTRAORDINARY ITEMS	0.1	*0.0%*	3.0	*1.4%*	*(98.3%)*
EBITDA	**19.5**	***9.1%***	**13.7**	***6.5%***	***41.7%***
AMORTIZATION AND DEPRECIATION	6.3	*3.0%*	5.1	*2.4%*	*23.4%*
AMORTIZATION AND DEPRECIATION IFRS16	3.8	*1.8%*	3.6	*1.7%*	*4.2%*
EBIT	**9.4**	***4.4%***	**5.0**	***2.4%***	***87.3%***
FINANCIAL EXPENSE AND (INCOME)	-0.2	*(0.1%)*	0.8	*0.4%*	*n.s.*
FINANCIAL EXPENSE IFRS16	0.7	*0.3%*	0.4	*0.2%*	*63.5%*
EXPENSE AND (INCOME) FROM INVESTMENTS	1.2	*0.6%*	5.4	*2.5%*	*(77.0%)*
EBT	**7.7**	***3.6%***	**-1.5**	***(0.7%)***	***n.s.***
TAX EXPENSE AND (INCOME)	4.4	*2.1%*	-0.6	*(0.3%)*	*n.s.*
NON-CONTROLLING INTERESTS	**0.6**	***0.3%***	**0.4**	***0.2%***	***71.4%***
RESULT FROM CONTINUING OPERATIONS	**2.7**	***1.2%***	**-1.3**	***(0.6%)***	***n.s.***
ADJUSTED RESULT FROM DISCONTINUED OPERATIONS	**-1.1**	***(0.5%)***	**2.4**	***1.1%***	***n.s.***
NET RESULT	**1.6**	***0.7%***	**1.1**	***0.5%***	***47.9%***
(ADJUSTED) EBITDA EXCLUDING IFRS16	***16.0***	***7.5%***	***14.9***	***7.0%***	***7.7%***
EBITDA EXCLUDING IFRS16	***15.4***	***7.2%***	***9.7***	***4.6%***	***58.8%***
EBIT EXCLUDING IFRS16	***9.1***	***4.3%***	***4.6***	***2.1%***	***98.4%***
EBT EXCLUDING IFRS16	***8.0***	***3.8%***	***-1.5***	***(0.7%)***	***n.s.***

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

*** In 2019, the “Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of the disposal group, to reflect the negotiations in progress.*

This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 0.6 million).

The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € -0.4 million in 2Q 2019 and € 3.2 million in 2Q 2018), prepared in accordance with IFRS international accounting standards.

To enable a like-for-like comparison, 2018 figures have been restated accordingly.

*As of 1 January 2019, the Group has adopted the new **IFRS 16 - Leases**.*

*The new standard provides a **new definition of lease** (**operating leases**) 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,*
- *right to replace the asset,*
- *right to essentially receive all the financial benefits arising from the use of the asset and*
- *right to control the use of the asset underlying the contract.*

*The standard introduces a single lessee accounting model, by which **an asset under an operating lease is recognized in assets with an offsetting financial liability**.*

***P/L will no longer record lease payments** as operating/general costs, **rather the depreciation of the booked asset** and the financial expense implicit in the lease payment.*

An exception to this accounting model are leases regarding low-value assets and those with a term of 12 months or less.

ALTERNATIVE PERFORMANCE MEASURES

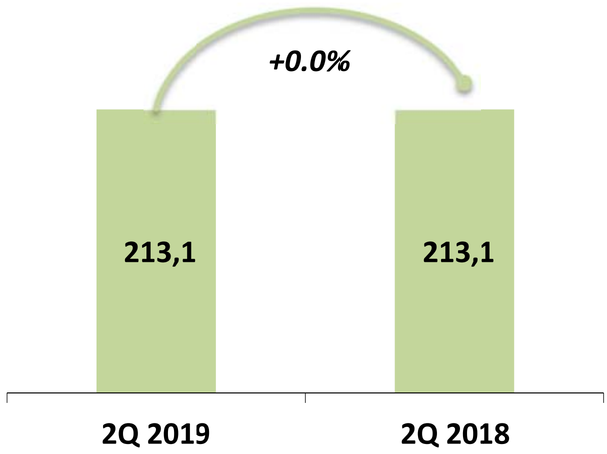
This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures in order to better evaluate the operating and financial performance of the Group, the definition of which is explained in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

REVENUE

Consolidated revenue in second quarter 2019 amounted to **€ 213.1 million, steady** versus the prior year, despite the effect of the change in the consolidation scope of Magazines Italy resulting from the sale of Inthera S.p.A. and *Panorama* (€ 5.7 million).

In the **Books** Area, revenue in the quarter increased by approximately +**8%**, while the **Retail** Area grew by approximately +**1%**.

On a like-for-like basis, **Magazines Italy** revenue fell by **-5%** as a result of the dynamics of the relevant markets.



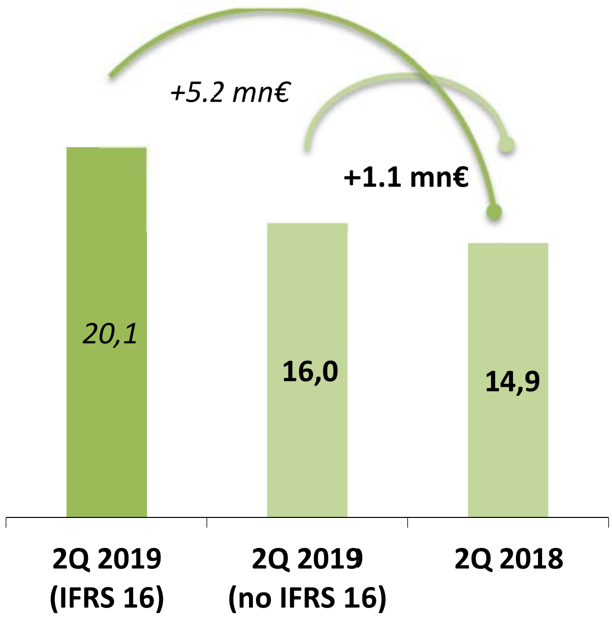
Revenue by Business Area			
(Euro/millions)	**2Q 2019**	**2Q 2018**	***% change***
Books	113.6	105.4	*7.8%*
Retail	40.0	39.8	*0.5%*
Magazines Italy	67.9	77.3	*(12.2%)*
Corporate & Shared Services	9.7	8.6	*12.5%*
Total aggregate revenue	**231.2**	**231.2**	***0.0%***
Intercompany revenue	-18.1	-18.1	*(0.2%)*
Total consolidated revenue	**213.1**	**213.1**	***0.0%***

EBITDA

11

Adjusted EBITDA (no IFRS 16) in the period under review came to € 16.0 million, **up by € 1.1 million** versus the prior year (€ 14.9 million), with different trends reported by the various businesses:

- in line with the revenue trend, the **Books** Area recorded an increase in the period, as a result of the positive performance of both the Trade and Education areas;
- the **Retail** Area, on the other hand, recorded a drop in operating performance;
- the **Magazines Italy** Area ended **basically steady** versus 2018, despite the downward trend of the business, as a result of the disposals that took place, of the ongoing improvement of the digital area and of the actions aimed at reducing operating and structural costs.



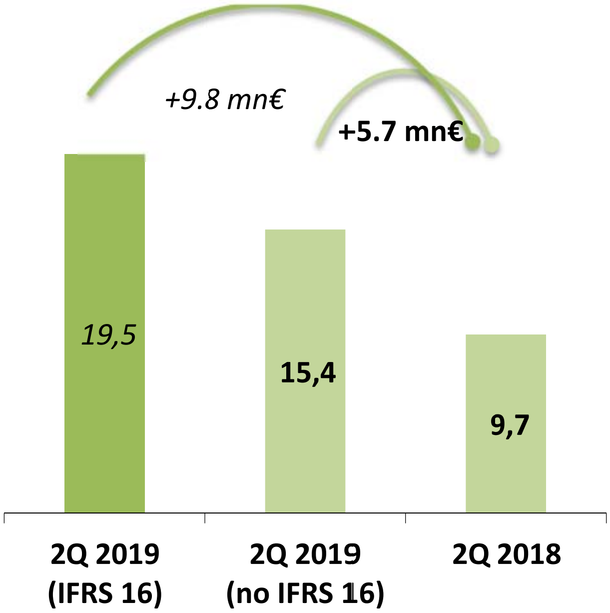
IFRS 16 adjusted EBITDA came to € 20.1 million and includes the IFRS 16 impact of approximately € +4 million.

ADJUSTED EBITDA by Business Area			
(Euro/millions)	*2Q19 (IFRS16)*	2Q19 (no IFRS16)	2Q18 (no IFRS16)
Books	*16.4*	16.0	14.1
Retail	*-0.1*	-2.1	-1.3
Magazines Italy	*4.3*	4.2	4.7
Corporate	*-0.4*	-2.1	-2.0
Intercompany	*0.0*	0.0	-0.5
Total ADJUSTED EBITDA	***20.1***	**16.0**	**14.9**

Consolidated EBITDA (no IFRS 16) increased sharply versus the prior year, from € 9.7 million to € 15.4 million.

The improvement includes the increase in adjusted EBITDA and strong reductions in restructuring costs recorded in the quarter.

IFRS 16 EBITDA amounted to € 19.5 million and includes the IFRS 16 impact of approximately € +4 million.



EBITDA by Business Area			
(Euro/millions)	***2Q19 (IFRS16)***	**2Q19 (no IFRS16)**	**2Q18 (no IFRS16)**
Books	*16.1*	15.7	13.5
Retail	*-0.3*	-2.3	-1.4
Magazines Italy	*4.1*	4.1	0.7
Corporate	*-0.5*	-2.1	-2.5
Intercompany	*0.0*	0.0	-0.5
Total EBITDA	***19.5***	**15.4**	**9.7**

PERFORMANCE BY BUSINESS AREA

(Euro/millions)	**REVENUE**		**ADJUSTED EBITDA**			**EBITDA**			**AMORTIZATION, DEPRECIATION AND IMPAIRMENT**			**EBIT**		
	1H19	1H18	*1H19 (IFRS16)*	1H19 (no IFRS16)	1H18 (no IFRS16)	*1H19 (IFRS16)*	1H19 (no IFRS16)	1H18 (no IFRS16)	*1H19 (IFRS16)*	1H19 (no IFRS16)	1H18 (no IFRS16)	*1H19 (IFRS16)*	1H19 (no IFRS16)	1H18 (no IFRS16)
Books	183.8	179.0	*16.2*	15.6	13.3	*15.8*	15.2	12.5	*(6.1)*	(5.5)	(5.7)	*9.7*	9.7	6.8
Retail	81.4	83.1	*-0.6*	-4.6	-3.2	*-0.9*	-4.8	-3.5	*(5.1)*	(1.4)	(1.6)	*-6.0*	-6.2	-5.1
Magazines Italy	130.9	147.5	*6.9*	6.8	6.8	*6.4*	6.3	-0.1	*(2.7)*	(2.6)	(2.1)	*3.7*	3.7	-2.2
Corporate & Shared Services	19.1	17.4	*-0.7*	-4.0	-4.1	*-0.7*	-4.1	-4.7	*(4.6)*	(1.6)	(0.7)	*-5.3*	-5.7	-5.4
Total	**415.2**	**426.9**							-	-	-			
Intercompany	-35.2	-36.1	*0.0*	0.0	-0.7	*0.0*	0.0	-0.7	-	-	-	*0.0*	0.0	-0.7
TOTAL	**380.0**	**390.8**	***21.8***	**13.8**	**12.1**	***20.6***	**12.6**	**3.5**	***(18.5)***	**(11.1)**	**(10.1)**	***2.1***	**1.5**	**-6.6**

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, Fabbri Editori and Rizzoli Lizard.

In the **Educational** segment, the Group is present in the Italian school textbooks, legal, professional and university publishing market, in art and illustrated books publishing, in the management of museum concessions and in the organization of exhibitions and cultural events.

The Mondadori Group covers the **school textbooks** segment through Mondadori Education and Rizzoli Education, who produce textbooks, courses, teaching tools and multimedia content for every school level, from primary school to the first and second-level secondary schools.

Under the Electa brand, it publishes Art, Kids and Architecture books, including exhibition catalogues, museum guides and sponsor books; under the Mondadori brand, it publishes Illustrated Books, Miscellaneous, Non-Fiction and Tourist Guides; under the Rizzoli brand, it publishes fashion, luxury, photography and sponsor books.

The Group is also active in the United States through Rizzoli International Publications under the Rizzoli, Rizzoli New York and Universe brands and Rizzoli Electa.

Relevant market performance

In the first six months of the year, the **Trade Books market grew** versus the first six months of the prior year **(+4.0%)**[1].

Sales channels performed as follows:

- the **bookstore chains** and **e-commerce** (which account for approximately 70% of the total market) **increased by +6.9%**, driven mainly by the growth of e-commerce;

- **independent bookstores** (approximately 23% of the market) were basically at breakeven (-0.6%);

[1] Source: GFK, June 2019 (figures in terms of market value). As of May 2019, GfK has expanded its coverage panel by increasing the survey of e-commerce players; as a result, the overall market value and the YoY deviations have been restated pro-forma and the details by channel have been reviewed by merging book chains and e-commerce.

- **large retailers** (which account for approximately 7% of the market) continued the downward trend (-8.0%), although less than in prior quarters.

As for **product** categories, **hardcovers increased by +4.6%** versus the same period of the prior year (representing approximately 83% of the market at 30 June), while catalogue products (**paperbacks**) rose by +1.0%.

Trade Market Shares	30 June 2019	30 June 2018
Mondadori Group	**25.3%**	**27.0%**
GeMS Group	10.1%	10.9%
Giunti Group	8.4%	8.5%
Feltrinelli	5.7%	5.0%
Other	50.5%	48.6%

Source: GFK, June 2019 (figures in terms of market value)

The Mondadori Group retained its market leadership position, with an overall **25.3%** share (27.0% at 30 June 2018), rebounding by 0.3 percentage points versus 30 March 2019.

The Group holds **4 positions in the ranking of the ten best-selling titles** in terms of value in the first half:

#	Title	Author	Publisher
1	***La versione di Fenoglio***	**Carofiglio Gianrico**	**EINAUDI**
2	*Il cuoco dell'Alcyon*	Camilleri Andrea	SELLERIO EDITORE PALERMO
3	*Rien ne va plus*	Manzini Antonio	SELLERIO EDITORE PALERMO
4	***Il fantalibro dei Me contro Te***	**Me contro Te**	**MONDADORI ELECTA**
5	*La ragazza della luna. Le sette sorelle*	Riley Lucinda	GIUNTI EDITORE
6	*L'amica geniale*	Ferrante Elena	E/O
7	***#valespo***	**Mazzei Valerio, Sespo**	**MONDADORI ELECTA**
8	*Storia del nuovo cognome. L'amica geniale*	Ferrante Elena	E/O
9	***Km 123***	**Camilleri Andrea**	**MONDADORI**
10	*La guerra dei Courtney*	Smith Wilbur, Churchill David	HARPERCOLLINS ITALIA

Source: GFK, June 2019 (ranking in terms of cover value)

Education Market Shares

In the first half of the year, the Education segment was marked by the seasonal nature of the school textbooks business; the relevant market shares are still unavailable at 30 June 2019.

Performance of the Books Area

Books *(Euro/millions)*	***June 2019 (IFRS16)***	**June 2019 (no IFRS16)**	**June 2018 (no IFRS16)**	***Chg. LFL***
Revenue	*183.8*	183.8	179.0	*4.8*
Adj. EBITDA	*16.2*	15.6	13.3	*2.3*
EBITDA	*15.8*	15.2	12.5	*2.7*
EBIT	*9.7*	9.7	6.8	*2.9*

Revenue

(Euro/millions) **Books Revenue**	**1H 2019**	**1H 2018**	***% change***
Total TRADE	**99.6**	**98.1**	***1.6%***
Education	40.5	37.1	*9.2%*
Mondadori Electa	25.8	26.2	*(1.5%)*
Rizzoli International Publications	13.4	12.5	*7.2%*
Intercompany	*(0.3)*	*(0.5)*	*(40.0%)*
Total EDUCATIONAL	**79.4**	**75.3**	***5.4%***
Distribution and other services	4.8	5.6	*(14.3%)*
Total revenue	**183.8**	**179.0**	***2.7%***

Revenue for the first six months of 2019 amounted to **€ 183.8 million** (€ 179.0 million in 1H 2018).

- **Trade Books**: revenue in the first six months amounted to € 99.6 million (€ 98.1 million in 1H 2018), up by +1.6% versus the prior year.

  In the **Hardcover** segment, the publishing houses released the following works.

  - **Mondadori**: new titles for the period include "*KM123*" by A. Camilleri and "*A un metro da te*" by Lippincott, Daughtry, Iaconis;
  - **Einaudi**: the main titles of the first half of the year include "*La versione di Fenoglio*" by G. Carofiglio, ranking first in the *Top 10* of the success titles of the market in the period, "*Fedeltà*" by M. Missiroli and the second volume of "*L'assassinio del commendatore*" by H. Murakami;
  - **Piemme**: in Fiction, new titles in first half 2019 include the new book by M. Connelly "*Doppia Verità*";

- **Sperling & Kupfer**: the main new titles of the first half include the new edition of "*After*" by A. Todd, linked to its film release, and “Elevation”, the new title of the year by S. King;
- **Rizzoli**: the main new titles include “*Le parole di Sara*" by M. De Giovanni.

In the **Paperback** segment, Group revenue **fell slightly (-1.4%**) versus the same period of 2018 as a result of the different timing of promotional operations (in 2018 the “*Miti*" and "*Mondadori Hits*"*).*

- **Educational Books**: revenue in the first half of the year, marked by the seasonal nature of the school textbooks business, amounted to € 79.4 million versus € 75.3 million in the same period of 2018, up by 5.4%.
  - **Education**: the school textbooks business reported overall revenue of € 40.5 million (+9.2% versus the prior year).
    The turnover achieved in the first half of the year represents only a part of the annual turnover due to the high seasonality of the school textbooks business.
  - **Mondadori Electa**: in first half 2019, it recorded revenue of € 25.8 million versus € 26.2 million in first half 2018 and has 2 titles in the top 10.
  - **Rizzoli International Publications**: revenue in the first half amounted to € 13.4 million (+7.2% versus first half 2018), including retail sales from the Rizzoli bookstore in New York (+10% versus the first 6 months of 2018).

E-books

Revenue from the sale of e-books is in line with the same period of the prior year and represents **6.0% of total publishing revenue.**

The main digital titles in the first half of the year were "*La versione di Fenoglio*" by G. Carofiglio (Einaudi), "*Doppia verità*" by M. Connelly (Piemme), "*Le parole di Sara*" by M. De Giovanni (Rizzoli) and "*After*" by A. Todd (Sperling & Kupfer).

In first half 2019, Mondadori Libri published new digital titles, increasing the digital catalogue with over 24,700 e-book titles.

EBITDA

Adjusted EBITDA (**no IFRS 16**) in the Books Area amounted to **€ 15.6 million**, **improving** versus the same period of the prior year (€ 13.3 million), as a result of the ongoing improvement in operations.

IFRS 16 adjusted EBITDA amounted to € 16.2 million and includes the IFRS 16 impact of approximately € +0.6 million.

Reported EBITDA (no IFRS 16) amounted to **€ 15.2 million**, **improving** versus € 12.5 million at 30 June 2018.

IFRS 16 reported EBITDA amounted to € 15.8 million and includes an impact of approximately € +0.6 million.

RETAIL

The Mondadori Group operates in Italy with a network of 589 bookshops composed of directly-managed bookstores, megastores, franchised bookshops (including under the *Mondadori Point* sign), in addition to the web channel (www.mondadoristore.it) and book clubs.

Relevant market performance

The relevant market for the Retail Area is **books (approximately 83% of revenue[2])**, which **grew by 4.0%** in the first six months of the year versus the prior year[3].

In the period under review, the **market share** of Mondadori Retail in the Books segment stood at **12.8%** (13.3% at 30 June 2018).

Mondadori Retail network trend

STORES	June 2019	Dec. 2018	June 2018	*Chg. yoy*
Megastores	7	7	7	-
Directly-managed bookstores	24	24	24	-
Franchised bookstores	558	564	559	*-1*
TOTAL	**589**	**595**	**590**	***-1***

Performance of the Retail Area

Retail *(Euro/millions)*	***June 2019 (IFRS16)***	**June 2019 (no IFRS16)**	**June 2018 (no IFRS16)**	***Change***
Revenue	*81.4*	81.4	83.1	*(1.7)*
Adj. EBITDA	*(0.6)*	-4.6	-3.2	*-1.4*
EBITDA	*(0.9)*	-4.8	-3.5	*-1.3*
EBIT	*(6.0)*	-6.2	-5.1	*-1.0*

[2] Store revenue
[3] Source: GFK, June 2019 (figures in terms of market value)

Revenue

In the first six months of the year, the Retail Area recorded revenue of € 81.4 million versus € 83.1 million in 1H 2018, down slightly (-2%) versus the same period of the prior year, with a Book performance of -1.5% (-1.8% on a like-for-like basis in terms of stores).

(Euro/millions) **Retail**	**1H 2019**	**1H 2018**	***% change***
Directly-managed bookstores	15.5	15.1	*1.2%*
Megastores	15.4	17.7	*(12.2%)*
Franchised bookstores	36.7	36.2	*(0.1%)*
Online	6.1	6.3	*(3.4%)*
Stores	**73.7**	**75.3**	***(2.9%)***
Book clubs and other	7.7	7.8	*(1.3%)*
Total revenue	**81.4**	**83.1**	***(2.0%)***

The analysis by **channel** shows the following:

- a **+1.2% increase** by directly-managed bookstores, driven by the opening of two new stores (Roma Valle Aurelia in April 2018 and Taranto in September 2018);
  on a like-for-like basis in terms of stores, the performance was -1.8%;
- an approximately -12% drop by Megastores, due mainly to the shrinking sales of consumer electronics; on a like-for-like basis in terms of stores, the performance was -11.3%;
- the Franchised bookstores' performance stayed in line with the prior year (also on a like-for-like basis in terms of stores);
- a slight decrease by the online segment (-3.4%);
- a slight fall by the *Clubs* channel versus the prior year (approximately -3%).

EBITDA

In the first six months, Mondadori Retail reported an **adjusted EBITDA (no IFRS 16)** of € -4.6 million versus € -3.2 million at 30 June 2018.

IFRS 16 adjusted EBITDA amounted to € -0.6 million and includes the IFRS 16 impact of € +3.9 million.

Reported EBITDA (no IFRS 16) amounted to **€ -4.8 million**, down versus € -3.5 million at 30 June 2018.

IFRS 16 reported EBITDA amounted to € -0.9 million and includes an impact of € +3.9 million.

MAGAZINES ITALY

Relevant market performance

The relevant markets performed as follows in the first five months of 2019.

- The **advertising market** in May saw an overall drop of -4.0%, with **growth in the Digital (+2.0%) and Radio (+2.2%) channels**; magazines fell by -15.4%, newspapers by -10.6% and TV by -3.7%[4].

- The magazines **circulation market** declined by -12.3% (with a slowdown in both newsstands and subscriptions channels);
  in this area, Mondadori's **market share stood at 28.8%**, down versus the prior year, as a result mainly of the sale of *Panorama*[5].

- In the first five months of the year, the **add-ons market** fell by -6.9%[5].

Performance of Magazines Italy

Magazines Italy *(Euro/millions)*	***June 2019 (IFRS16)***	**June 2019 (no IFRS16)**	**June 2018 (no IFRS16)**	***Change***
Revenue	*130.9*	130.9	147.5	*(16.6)*
Adj. EBITDA	*6.9*	6.8	6.8	*0*
EBITDA	*6.4*	6.3	-0.1	*6.4*
EBIT	*3.7*	3.7	-2.2	*5.8*

[4] Source: Nielsen, cumulative figures at May 2019
[5] Internal source: Press-Di, cumulative figures at May 2019 (newsstands + subscriptions) in terms of value

Revenue

The Magazines Italy Area recorded **revenue of € 130.9 million** (€ 147.5 million in 1H 2018).

Net of the disposal of Inthera (May 2018) and *Panorama* (November 2018), the **drop was -3.9%**.

(Euro/millions) **Magazines Italy**	**1H 2019**	**1H 2018**	***% change***
Circulation	48.5	59.7	*(18.8%)*
Add-on sales	22.2	21.0	*5.3%*
Advertising	38.8	43.3	*(10.2%)*
Distribution/Other revenue	21.4	23.5	*(9.0%)*
Total revenue	**130.9**	**147.5**	***(11.3%)***

- **Circulation** revenue (newsstands + subscriptions) was down by -18.8%, affected by the sale of *Panorama* (net of which, the decline was -13.7%).
- **Advertising** revenue *(print +digital*) was down by -10.2%;
  digital advertising revenue **grew by approximately +15%** versus first half 2018, due partly to the contribution of AdKaora'*s* proximity marketing solutions.
  Print sales fell by -21.3% (approximately -15% excluding *Panorama* in 1° half 2018, in line with the market).
  The percentage of digital revenue on the total rose to **approximately 39%** (versus 30% in first half 2018).
- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines, **grew by +5.3%** versus the same period of 2018 (+16.9% excluding *Panorama* in 1° half 2018), the best-selling books and CDs categories in particular.
- **Distribution activities and other revenue** in the first half fell by -9.0% versus the prior year, due to the sale of Inthera S.p.A. (+5.9% excluding Inthera in 1° half 2018).

The Mondadori Group retained its position as **Italy's leading digital publisher** in the latest *comScore* survey in May with third place overall (in a *Top 100 ranking* behind Google and Facebook), with a reach of 77% in the month and 29.3 million unique users.

EBITDA

Adjusted EBITDA (**no IFRS 16**) from Magazines Italy came to **€ 6.8 million**, **in line** with the same period of the prior year (€ 6.8 million), as a result of the actions aimed at reducing operating and structural costs, of the ongoing improvement in the **digital** area, and the positive effects of the sale of Inthera S.p.A. and *Panorama*.

IFRS 16 adjusted EBITDA amounted to € 6.9 million.

Reported EBITDA (no IFRS 16) amounted to **€ 6.3 million, improving sharply** versus € -0.1 million at 30 June 2018, as a result of lower restructuring costs.

IFRS 16 reported EBITDA amounted to € 6.4 million.

MAGAZINES FRANCE (DISCONTINUED OPERATIONS)

Relevant market performance

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

- in newsstands sales **(-6.1%** at May)[6];

- in print advertising sales **(-11.2%** at April)[7].

Performance of Magazines France

Revenue

In first half 2019, Mondadori France generated revenue of **€ 139.8 million** (€ 152.9 million in 1H 2018).

(Euro/millions)	1H 2019	1H 2018	% change
Circulation	111.6	117.6	*(5.1%)*
Advertising	23.7	28.6	*(17.0%)*
Other revenue	4.4	6.8	*(35.3%)*
Total revenue	**139.8**	**152.9**	***(8.6%)***

Circulation revenue, accounting for approximately 80% of the total, fell by -5.1% versus the prior year; revenue from the **newsstands channel** decreased by -6.0%, while the **subscriptions channel** lost -4.0%. **Advertising** revenue fell by an overall -17.0% versus the same period of 2018; print advertising, accounting for 87% of total advertising revenue, dropped by -17.8% in the reporting period.

Other revenue decreased by approximately -35% versus first half 2018, specifically:

- other print revenue, which includes mail order and add-on sales, fell by approximately 25%;
- other digital revenue (mainly revenue from digital copies and apps) fell by approximately 52%.

[6] Source: Mondadori France + Presstalis, figure at May 2019
[7] Source: Net Index, cumulative figures in terms of value at April 2019

EBITDA

Adjusted EBITDA came to **€ 11.4 million** versus € 12.1 million in the first six months of the prior year.

Reported EBITDA amounted to **€ 11.0 million** versus € 10.8 million in first half 2018.

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, Logistics, Legal and Corporate Affairs, and External and Institutional Relations.
Revenue consists mainly of services provided to subsidiaries and associates.

Adjusted EBITDA of the Corporate & Shared Services Area came to € -4.0 million (€ -4.1 million in 1° half 2018). Including non-ordinary items, **EBITDA** amounted to € -4.1 million versus € -4.7 million in 2018.

The Area also includes the results of the minority interests in Monradio S.r.l. and Società Europea di Edizioni S.p.A., publisher of the daily *Il Giornale*.

BALANCE SHEET

The Mondadori Group's NFP (no IFRS 16) at 30 June 2019 stood at € -204.2 million, improving by € 34.2 million versus € -238.4 million at June 2018.

The increase versus € -147.2 million at December 2018 is due entirely to the seasonal nature typical of the Group's segments of operation.

Net financial position *(Euro/millions)*	**2019.06**	**2018.06**	**2018.12**
Cash and cash equivalents	34.3	26.5	82.4
Assets (liabilities) from derivative financial instruments	(1.4)	(0.6)	(0.8)
Other financial assets (liabilities)	(0.2)	(5.5)	(1.0)
Loans (short and medium/long term)	(241.5)	(265.7)	(231.8)
Held-for-sale financial assets (liabilities)	4.6	6.9	3.9
Net financial position excluding IFRS16	**(204.2)**	**(238.4)**	**(147.2)**
Financial payables IFRS16	(102.0)	0.0	0.0
Total net financial position	**(306.2)**	**(238.4)**	**(147.2)**

IFRS 16 NFP stood at **€ -306.2 million** and includes the IFRS 16 impact of € -102.0 million.

The overall credit lines available to the Group at 30 June 2019 amounted to € 666.8 million, € 435.0 million of which committed.

The Group's short-term loans, amounting to € 231.8 million, € 10.0 million of which drawn down at 30 June 2019, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 30 June, the € 435.0 million pool consisted of:

(Euro/millions)	Bank pool		of which: unutilized	of which: with interest rate hedge
Term Loan A	135.0	(1)	-	90.0
Term Loan B	100.0	(2)	-	-
RCF	100.0	(3)	100.0	-
Acquisition Line C	100.0	(4)	100.0	
Total loans	**435.0**		**200.0**	**90.0**

(1) Maturity dates: € 17.5 million December 2019, € 22.5 million December 2020, € 27.5 million December 2021, € 67.5 million December 2022

(2) Maturity dates: Bullet loan, coming to maturity on 30/9/2019, in the event of the sale of Mondadori France

(3) Bullet loan, coming to maturity in December 2022

(4) Bullet loan, coming to maturity in December 2022

The Group's **NFP** and the relating **LTM cash flow** are detailed below:

€mn	1H 19 LTM	Dec. 18
NFP beginning of period including IFRS 16	**(347.3)**	**(189.2)**
Financial liabilities - application at 01.01.2019 of IFRS16	(108.9)	
NFP beginning of period excluding IFRS 16	**(238.4)**	**(189.2)**
Adjusted EBITDA (no IFRS16)	91.8	90.1
Change in NWC and provisions	-8.7	(3.8)
Capex	(19.1)	(20.0)
Cash flow from operations	64.0	66.3
Financial expense	(1.1)	(2.9)
Tax	(16.4)	(7.9)
Cash flow from ordinary operations assets held for sale	14.0	15.3
Cash flow from ordinary operations	**60.5**	**70.9**
Restructuring costs	(8.5)	(11.3)
Extraordinary tax amounts / prior years	(0.7)	(1.2)
Management of investments in associates	(5.4)	(3.5)
Acquisition/disposal of assets	(4.0)	(9.5)
Cash flow from extraordinary operations assets held for sale	(5.1)	(3.4)
Other extraordinary cash inflows/outflows	(2.5)	
Cash flow from non-ordinary operations	(26.3)	(28.9)
Total Cash Flow	34.2	42.0
NFP end of period excluding IFRS 16	**(204.2)**	**(147.2)**
IFRS 16 effects for the period	6.9	
NFP end of period including IFRS 16	**(306.2)**	**(147.2)**

In the last twelve months, the Group's net financial position (no IFRS) improved by approximately € 34 million, with net financial debt decreasing to **€ 204.2 million** versus € 238.4 million at 30 June 2018.

Including the effect of the application of IFRS 16, the Group's NFP at 30 June 2019 amounted to € 306.2 million.

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

- **cash flow from ordinary operations came to a positive € 46.5 million, net of assets held for sale, and includes**:
- € 64.0 from operations in the context of continuing operations, deducting tax and financial expense totaling € -17.5 million;
- the performance of cash flow from operations is attributable to **operating income of € 91.8 million**, alleviated by capital expenditure of approximately € 19 million and by net working capital (including

provisions) of € -8.7 million, due mainly to the structural decline recorded by Magazines Italy as a result of the ongoing downturn in revenue and downsizing of activities, as well as the temporary absorption of NWC of the Retail Area.

- the cash flow from ordinary operations in the context of discontinued operations contributed € 14.0 million;
- **cash flow from non-ordinary operations came to approximately € -21 million**, net of the contribution from assets held for sale, and includes:
  - outlays for **restructuring costs** of approximately € 9 million;
  - financial outflows from the sale of Panorama in November 2018, and the costs incurred for the liquidation of Mach2 Libri Spa;
  - recapitalization of the associate Società Europea di Edizioni S.p.A. for € 4.2 million.

To enable a like-for-like comparison, the statement of financial position figures at 30 June 2019 and 30 June 2018 have been reclassified to reflect the separate recognition of assets/liabilities of Mondadori France.

	June 19	Dec. 18	June 18	C19 vs C18
Trade receivables	223.1	219.0	227.9	-2.1%
Inventory	134.6	122.3	140.7	-4.4%
Trade payables	(319.3)	(333.4)	(340.0)	-6.1%
Other assets (liabilities)	62.1	46.1	67.3	-7.7%
NWC	100.5	54.1	95.9	4.7%
Intangible assets	225.8	226.7	226.2	-0.2%
Property, plant and equipment	17.6	19.1	22.1	-20.6%
Property, plant and equipment IFRS 16	101.1			
Investments	30.0	32.3	36.3	-17.3%
NET FIXED ASSETS	374.5	278.2	284.6	31.6%
Provisions and post-employment benefits	(91.7)	(103.3)	(103.6)	-11.4%
Assets/liabilities held for sale	93.5	89.1	296.4	-68.4%
NET INVESTED CAPITAL	**476.8**	**317.9**	**573.3**	**-16.8%**
Share capital	68.0	68.0	68.0	0.0%
Reserves	74.6	251.1	248.8	-70.0%
Profit (loss) for the year	(1.9)	(177.1)	(12.5)	n.s.
Share capital and reserves attributable to non-controlling interests (from assets held for sale)	29.9	28.7	30.6	-2.3%
EQUITY	170.6	170.7	334.9	-49.1%
NET FINANCIAL POSITION	204.2	147.2	238.4	-14.3%
NET FINANCIAL POSITION IFRS 16	102.0			
TOTAL EQUITY	**476.8**	**317.9**	**573.3**	**-16.8%**

Trend of key balance sheet figures versus 30 June 2018:

- **trade receivables** were basically in line with the revenue trend;
- **inventory**, down by -4%, reflects, in addition to the drop resulting from the fall in revenue, greater operating efficiency;
- **trade payables** decreased more than revenue;
- **other assets (liabilities)** fell by approximately -8%, due mainly to the reduction in IRES deferred tax assets, which decreased by approximately € 5 million;
- **fixed assets**, net of IFRS 16, decreased by approximately -4%;

- **provisions and post-employment benefits** decreased by -11% versus 30 June 2018;
  the provisions for risks decreased by approximately € 10 million, while the provision for post-employment benefits decreased by € -3.5 million (approximately -14%), reflecting the trend of staff downsizing.

PERSONNEL

Headcount

Group employees with a fixed-term or permanent labour contract, with regard to continuing operations, amounted to 2,117 units, down by approximately -5% versus 2,224 units at June 2018, as a result of the sale of *Panorama* (in November 2018) and of efficiency gains in the individual business areas, excluding the 691 units of Mondadori France (743 units at 30 June 2018).

Group employees at 30 June 2019:

Headcount	30 June 2019	30 June 2018
Arnoldo Mondadori Editore S.p.A.	910	980
Italian subsidiaries	1,153	1,191
Foreign subsidiaries	745	796
Total	**2,808**	**2,967**

Headcount by Business Area	30 June 2019	30 June 2018	*% change*
Books	656	653	*0.5%*
Retail	374	399	*(6.3%)*
Magazines Italy	656	716	*(8.4%)*
Corporate & Shared Services	431	456	*(5.5%)*
Total	**2,117**	**2,224**	***(4.8%)***
Magazines France	691	743	*(7.0%)*
Total	**2,808**	**2,967**	***(5.4%)***

In the **Books** Area, the number of employees was steady overall versus the same period of 2018.

The decrease in the **Retail** Area reflects structural efficiency actions.

The trend recorded by the **Magazines Italy** Area reflects the sale of *Panorama* (in November 2018), net of which the drop would be approximately -4%.

The workforce in the ***Corporate & Shared Services*** Area decreased by approximately 6%.

Cost of personnel[8] of continuing operations in the first six months of the year amounted to € 79.3 million, **down by approximately 7%** versus the same period of 2018, as a result of the ongoing reduction in the workforce and of the sale of Inthera and *Panorama*.

Net of these transactions, the **organic decrease in labour costs** would be **approximately -3%**.

Euro/millions	**30 June 2019**	**30 June 2018**	***% change***
Cost of enlarged personnel (before restructuring)	**79.3**	85.0	*(6.7%)*

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

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Appointment of Chief Innovation Officer

On **11 February 2019**, the Group appointed Andrea Santagata as *Chief Innovation Officer*.

This new position - reporting directly to CEO Ernesto Mauri - was created with the will of further investing in the development and formulation of digital and transformation strategies that embrace all of the Group's activities.

Signing of a put option for the disposal of Mondadori France to Reworld Media

On 18 February 2019, Arnoldo Mondadori Editore S.p.A. signed a put option that guarantees the right to sell its subsidiary Mondadori France S.A.S. to Reworld Media S.A..

Under the terms for exercising the put option, Arnoldo Mondadori Editore S.p.A. is required to provide the buyer with the customary representations and warranties.

If the put option is exercised, the parties will sign a purchase and sale agreement envisaging completion of the transaction once the following conditions precedent are met:

- clearance from the Autorité de la Concurrence;
- approval of the reserved capital increase by the shareholders of Reworld Media;
- provision of a bank loan to Reworld Media.

Agreement signed on sale of Mondadori France to Reworld Media

On **19 April 2019**, the Group announced that, following the procedure to inform and negotiate with the French trade unions as set out by law, it signed an agreement on the sale of its subsidiary Mondadori France S.A.S. to Reworld Media S.A..

Increase in voting rights

On 5 June, the Group announced the increase in voting rights for no. 139,355,950 ordinary shares of the Company.

Launch of share buyback plan

On **10 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 1.62 million shares to service the Incentive Plan named “2019-2021 Performance Share Plan” approved by the Shareholders' Meeting on 17 April 2019, and to service the continuation of the “2018-2020 Performance Share Plan” and the “2017-2019 Performance Share Plan".

On **17 June**, the Company announced the purchase, in the period from 10 to 14 June, of **59,695** ordinary shares (equal to 0.023% of the share capital) at an average unit price of € 1.5645 for a total value of € 93,391.44.

On **24 June**, the Company announced the purchase, in the period from 17 to 21 June, of **42,750** ordinary shares (equal to 0.016% of the share capital) at an average unit price of € 1.5121 for a total value of € 64,640.60.

On **1 July**, the Group announced the purchase, in the period from 24 to 28 June, of a further **55,555** ordinary shares (equal to 0.021% of the share capital) at an average unit price of € 1.5242 for a total value of € 84,678.14.

At 30 June 2018, Arnoldo Mondadori Editore S.p.A. held no. 1,504,703 treasury shares, equal to 0.576% of the share capital.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Purchase of treasury shares

On **8 July**, the Group announced the purchase, in the period from 1 to 5 July, of a further **55,000** ordinary shares (equal to 0.021% of the share capital) at an average unit price of € 1.5573 for a total value of € 85,653.56.

On **15 July**, the Group announced the purchase, in the period from 8 to 12 July, of a further 55,000 ordinary shares (equal to 0.021% of the share capital) at an average unit price of € 1.5627 for a total value of € 85,949.60.

On **22 July**, the Group announced the purchase, in the period from 15 to 19 July, of a further 55,000 ordinary shares (equal to 0.021% of the share capital) at an average unit price of € 1.5403 for a total value of € 84,715.40.

On **29 July**, the Group announced the purchase, in the period from 22 to 26 July, of a further 59,000 ordinary shares (equal to 0.023% of the share capital) at an average unit price of € 1.4917 for a total value of € 88,012.10.

Following the purchases made so far, Arnoldo Mondadori Editore S.p.A. holds to date 1,728,703 treasury shares, equal to 0.661% 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).

Antitrust clearance for the sale of Mondadori France to Reworld Media

On 24 July 2019, the Group announced that the sale of its subsidiary Mondadori France S.A.S. to Reworld Media S.A. had received clearance from the *Autorité de la Concurrence*.

In accordance with the remedy set out in the clearance, Reworld Media undertakes to sell a title of its choice that could be either *L'Auto-Journal*, published by the joint venture EMAS (Editions Mondadori Axel Springer), or *Auto Moto,* published by Reworld Media.

In this context, as an update to the announcement made last 18 February, the parties have agreed to supplement, as indicated in point (iii), the structure of the consideration from the transaction, which remains - as expected - of € 70 million (cash free/debt free), also adding an earn-out of € 5 million:

(i) 86% of the value of the investment - equal to € 60 million - will be paid in cash, € 50 million of which at the closing date, and € 10 million 24 months from the closing date; the deferred payment is not subject to any condition;
(ii) the remaining 14% of the value of Mondadori France S.A.S., equal to a nominal value of € 10 million, will be paid through issue of no. 3,558,718 Reworld Media S.A. shares, to be subscribed by Arnoldo Mondadori Editore S.p.A. at a price equal to € 2.81 per share;
(iii) Arnoldo Mondadori Editore S.p.A. additionally undertakes to subscribe - in the period from the closing date to 31/1/2020 - to a capital increase for a maximum amount of € 12.6 million in Reworld Media shares, at a price equal to the average closing price over the 20 days prior to the date of approval of the capital increase.

Following the subscriptions, Arnoldo Mondadori Editore S.p.A. will hold an investment between 14% and 16% in Reworld Media S.A.; the estimated improvement in the Mondadori Group's net financial position will be approximately € 63 million.

As already disclosed to the market, completion of the sale is subject to the fulfilment of two conditions precedent:

- approval of the reserved capital increase by the shareholders of Reworld Media (referred to in point ii);
- provision of a bank loan, already authorized, to Reworld Media.

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: net result for the period before income tax, other financial income and expense, amortization, depreciation and impairment of fixed assets. 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 events and transactions as set out in CONSOB communication DEM6064293 of 28/07/2006.

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

Restructuring costs for a total amount of € 5.4 million, included in “cost of personnel” in the income statement;

Expense of a non-ordinary nature totaling € 3.1 million, of which € 2.1 million attributable to the loss from the disposal of investments classified under Other (income) expense, and mainly to legal advice fees classified under “Cost of services”.

With regard to adjusted EBITDA in first half 2019, the following items were excluded from EBITDA:

a) restructuring costs for a total of € 1.1 million, included in “Cost of personnel” in the income statement;

b) Income of a non-ordinary nature for a total of € 0.2 million and expense of a non-ordinary nature for a total of € 0.3 million, included in Other expense (income).

Operating profit (**EBIT**): net result for the period before income tax, and other financial income and expense.

Adjusted result from continuing operations: net result of the Group, excluding the contribution of Mondadori France and the financial expense charged to the subsidiary.

Adjusted result from discontinued operations: net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of the disposal group.
This item also includes the financial expense of the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement.

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, tax 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 non-ordinary 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

The Group will continue its **strategic repositioning and further focus on its core businesses**, in particular by consolidating **its leadership in the Books Area**, completing the sale of Mondadori France and identifying new areas of development.

In line with the outlined strategy and in light of the current relevant context, including the performance in the first half, the operating targets for **2019**, based on the current scope, allow the Group to confirm, at a consolidated level, **a slight decrease in revenue** and a **single-digit growth** of **adjusted EBITDA no IFRS 16** versus 2018.

The **net result from continuing operations** in 2019 is expected to be significantly higher than last year (in the range of € 30-35 million).

Cash flow from ordinary operations in 2019 is forecast at approximately € 45 million, creating sustainable conditions for a possible future return to a dividend.

For the Board of Directors
The Chairman
Marina Berlusconi

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2019

CONSOLIDATED BALANCE SHEET

Assets (Euro/thousands)	Notes	**30 June 2019**	**31 December 2018**
Intangible assets	9	**225,789**	**226,672**
Investment property		**-**	**-**
Land and buildings		2,515	2,593
Plant and equipment		2,873	3,082
Other tangible assets		12,185	13,460
Property, plant and equipment	10	**17,573**	**19,135**
Assets from rights of use	11	**101,103**	**-**
Equity-accounted investees		29,586	31,820
Other investments		439	439
Total investments	12	**30,025**	**32,259**
Non-current financial assets	19	**830**	**500**
Pre-paid tax assets	13	**59,029**	**61,408**
Other non-current assets	14	**689**	**566**
Total non-current assets		**435,038**	**340,540**
Tax receivables	15	**20,070**	**24,630**
Other current assets	16	**88,747**	**83,878**
Inventory	17	**134,573**	**122,336**
Trade receivables	18	**223,092**	**219,031**
Other current financial assets	19	**2,800**	**7,861**
Cash and cash equivalents	20	**34,291**	**82,358**
Total current assets		**503,573**	**540,094**
Assets held for sale		**222,110**	**229,743**
Total assets		**1,160,721**	**1,110,377**

CONSOLIDATED BALANCE SHEET

Liabilities (Euro/thousands)	Notes	30 June 2019	31 December 2018
Share capital		**67,979**	**67,979**
Share premium reserve		**-**	**-**
Treasury shares		**(2,491)**	**(2,282)**
Other reserves and results carried forward		**77,091**	**253,411**
Profit (loss) for the year		**(1,868)**	**(177,133)**
Group equity	21	**140,711**	**141,975**
Share capital and reserves attributable to non-controlling interests	21	**29,885**	**28,724**
Total equity		**170,596**	**170,699**
Provisions	22	**58,377**	**69,826**
Post-employment benefits	23	**33,352**	**33,458**
Non-current financial liabilities	24	**204,393**	**115,055**
Deferred tax liabilities	13	**37,728**	**38,113**
Other non-current liabilities		**-**	**-**
Total non-current liabilities		**333,850**	**256,452**
Income tax payables	15	**2,885**	**15,292**
Other current liabilities	25	**121,316**	**123,322**
Trade payables	26	**263,763**	**281,040**
Payables to banks and other financial liabilities	24	**144,342**	**126,809**
Total current liabilities		**532,306**	**546,463**
Liabilities held for sale		**123,969**	**136,763**
Total liabilities		**1,160,721**	**1,110,377**

CONSOLIDATED INCOME STATEMENT

(Euro/thousands)	Notes	30 June 2019	30 June 2018*
Revenue from sales and services	27	**379,979**	**390,793**
Decrease (increase) in inventory	17	(10,533)	(19,736)
Cost of raw and ancillary materials, consumables and goods	28	76,251	80,748
Cost of services	29	218,712	242,840
Cost of personnel	30	74,178	82,781
Other (income) expense	31	760	619
EBITDA		**20,611**	**3,541**
Depreciation and impairment loss on property, plant and equipment	10-11	9,525	2,419
Amortization and impairment loss on intangible assets	9	8,943	7,732
EBIT		**2,143**	**(6,610)**
Financial expense (income)	32	2,046	3,019
Expense (income) from investments	33	3,013	8,154
Result before tax		**(2,916)**	**(17,783)**
Income tax	34	3,011	(2,506)
Result from continuing operations		**(5,927)**	**(15,276)**
Result from discontinued operations		5,229	3,882
Net result		**(698)**	**(11,394)**
Attributable to:			
- Non-controlling interests	21	**1,170**	**1,085**
- Parent Company shareholders		**(1,868)**	**(12,479)**
Net earnings per share of continuing operations (in Euro units)	35	(0.023)	(0.059)
Diluted earnings per share of continuing operations (in Euro units)	35	(0.023)	(0.059)
Net earnings per share (in Euro units)		(0.007)	(0.048)
Diluted net earnings per share (in Euro units)	35	(0.007)	(0.048)

* Comparative information has been restated following reclassifications made under IFRS 5.

CONSOLIDATED INCOME STATEMENT - SECOND QUARTER *

(Euro/thousands)	Second quarter 2019	Second quarter 2018**
Revenue from sales and services	**213,166**	**213,017**
Decrease (increase) in inventory	683	(8,789)
Cost of raw and ancillary materials, consumables and goods	38,532	43,606
Cost of services	113,899	124,813
Cost of personnel	37,339	39,634
Other (income) expense	3,240	4,045
EBITDA	**19,473**	**9,708**
Depreciation and impairment loss on property, plant and equipment	4,894	1,229
Amortization and impairment loss on intangible assets	5,190	3,892
EBIT	**9,389**	**4,587**
Financial expense (income)	1,178	1,549
Expense (income) from investments	1,236	5,367
Result before tax	**6,975**	**(2,329)**
Income tax	4,373	(605)
Result from continuing operations	**2,602**	**(1,724)**
Result from discontinued operations	(386)	3,165
Net result	**2,216**	**1,441**
Attributable to:		
- Non-controlling interests	**623**	**363**
- Parent Company shareholders	**1,593**	**1,078**

* The figures for second quarter 2019 and 2018 were not subject to a limited review by the independent auditor*.*

** Comparative information has been restated following reclassifications made under IFRS 5.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro/thousands)	Notes	**30 June 2019**	**30 June 2018**
Net result		**(698)**	**(11,395)**
Items reclassifiable to income statement			
Profit (loss) from the conversion of currency denominated financial statements of foreign companies	21	135	575
Other profit (loss) from equity-accounted investees	21	(21)	51
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	19-24	(670)	(284)
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax effect on other profit (loss) reclassifiable to income statement		161	68
Items reclassified to income statement			
Profit (loss) on cash flow hedge instruments		150	150
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax effect on other profit (loss) reclassified to income statement		(36)	(36)
Items not reclassifiable to income statement			
Actuarial profit (loss)	23	(13)	(49)
Tax effect on other profit (loss) not reclassifiable to income statement		5	12
Total other profit (loss) net of tax effect		(289)	487
Comprehensive result for the year		**(987)**	**(10,908)**
Attributable to:			
- **Non-controlling interests**		**1,170**	**1,084**
- **Parent Company shareholders**		**(2,157)**	**(11,992)**

For the Board of Directors

The Chairman

Marina Berlusconi

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	Minority shareholders' equity	Total
Balance at 31 December 2017		**67,979**	**(1,654)**	**850**	**(940)**		**(1,230)**	**(533)**	**220,925**	**30,417**	**315,814**	**29,500**	**345,314**
Effects of the change in accounting standards									**(267)**		**(267)**		**(267)**
Balance at 1 January 2018		**67,979**	**(1,654)**	**850**	**(940)**	**0**	**(1,230)**	**(533)**	**220,658**	**30,417**	**315,547**	**29,500**	**345,047**
- 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
- 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		**67,979**	**(1,696)**	**1657**	**(1042)**	**0**	**(634)**	**(570)**	**251,111**	**(12,479)**	**304,326**	**30,584**	**334,910**

Statement of changes in Group consolidated equity at 30 June 2019

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	Minority shareholders' equity	Total
Balance at 1 January 2019		**67,979**	**(2,282)**	**2,413**	**(1,042)**	**0**	**(294)**	**1,312**	**251,021**	**(177,133)**	**141,974**	**28,725**	**170,699**
- Allocation of result									(177,133)	177,133	-		-
- Dividends paid											-		-
- Change in consolidation scope											-		-
- Transactions on treasury shares			(209)								(209)		(209)
- Performance share				1,105							1,105		1,105
- Other changes									(2)		(2)	(10)	(12)
- Comprehensive profit (loss)					(395)		180	(8)	(66)	(1,868)	(2,157)	1,170	(987)
Balance at 30 June 2019		**67,979**	**(2,491)**	**3,518**	**(1,437)**	**0**	**(114)**	**1,304**	**73,820**	**(1,868)**	**140,711**	**29,885**	**170,596**

For the Board of Directors
The Chairman
Marina Berlusconi

CONSOLIDATED STATEMENT OF CASH FLOWS

(Euro/thousands)	Notes	30/06/2019	30/06/2018*
Net result		(1,868)	(12,479)
Adjustments			
Amortization, depreciation and impairment	9-10-11	18,468	10,151
Income tax for the year	34	3,011	(2,338)
Performance Share		1,105	740
Provisions (utilization) and post-employment benefits		(4,656)	2,197
Capital loss (gain) from the disposal of intangible assets, property, plant and equipment, investments		(2)	2,092
Capital loss (gain) from the measurement of financial assets		-	-
(Income) expense of equity-accounted investees	33	3,013	8,185
Net financial expense on loans, leases and derivative transactions	32	2,279	2,428
Other non-monetary adjustments to assets held for sale		(5,059)	(2,797)
Cash flow generation from operations		**16,291**	**8,179**
(Increase) decrease in trade receivables		(5,182)	24,000
(Increase) decrease in inventory		(10,033)	(21,832)
Increase (decrease) in trade payables		14,298	(23,635)
Income tax payments		(13,106)	(4,620)
Advances and post-employment benefits		(1,094)	(1,984)
Net difference in other assets/liabilities		(26,181)	(30,081)
Cash flow generated from (absorbed by) assets held for sale		(4,352)	17,325
Cash flow generated from (absorbed by) operations		**(29,359)**	**(32,648)**
Price collected (paid) net of cash transferred/acquired		-	(2,532)
(Purchase) disposal of intangible assets		(14,314)	(8,641)
(Purchase) disposal of property, plant and equipment		(2,870)	(2,258)
(Purchase) disposal of investments		(5,928)	(13)
(Purchase) disposal of financial assets		4,731	12,590
Cash flow generated from (absorbed by) assets held for sale		5,567	(19,768)
Cash flow generated from (absorbed by) investing activities		**(12,814)**	**(20,622)**
Net difference in financial liabilities		6,225	14,134
Payment of net financial expense on loans and transactions with derivatives		(1,525)	(1,874)
Net refund leases		(8,035)	-
Interest on leases		(1,033)	-
(Purchase) disposal of treasury shares	21	(209)	(42)
Cash flow generated from (absorbed by) assets held for sale		(1,317)	1,188
Cash flow generated from (absorbed by) financing activities		**(5,894)**	**13,406**
Increase (decrease) in cash and cash equivalents		**(48,067)**	**(39,864)**
Cash and cash equivalents at the beginning of the period	20	**82,358**	**66,585**
Cash and cash equivalents at the end of the period	20	**34,291**	**26,721**

* Comparative information has been restated following application of IFRS 5.

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	**30/06/2019**	of which related parties (Note 37)	**31/12/2018**	of which related parties (Note 37)
Intangible assets	9	**225,789**	**-**	**226,672**	**-**
Investment property		**-**	**-**	**-**	**-**
Land and buildings		2,515	-	2,593	-
Plant and equipment		2,873	-	3,082	-
Other tangible assets		12,185	-	13,460	-
Property, plant and equipment	10	**17,573**	**0**	**19,135**	**0**
Assets from rights of use	11	**101,103**	**-**	**-**	**-**
Equity-accounted investees		29,586	-	31,820	-
Other investments		439	-	439	-
Total investments	12	**30,025**	**0**	**32,259**	**0**
Non-current financial assets	19	**830**	**500**	**500**	**500**
Pre-paid tax assets	13	**59,029**	**-**	**61,408**	**-**
Other non-current assets	14	**689**	**-**	**566**	**-**
Total non-current assets		**435,038**	**500**	**340,540**	**500**
Tax receivables	15	**20,070**	**50**	**24,630**	**143**
Other current assets	16	**88,747**	**(99)**	**83,878**	**296**
Inventory	17	**134,573**	**-**	**122,336**	**-**
Trade receivables	18	**223,092**	**39,030**	**219,031**	**43,288**
Other current financial assets	19	**2,800**	**255**	**7,861**	**25**
Cash and cash equivalents	20	**34,291**	**-**	**82,358**	**-**
Total current assets		**503,573**	**39,236**	**540,094**	**43,752**
Discontinued assets		**222,110**	**-**	**229,743**	**-**
Total assets		**1,160,721**	**39,736**	**1,110,377**	**44,252**

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

Liabilities (Euro/thousands)	Notes	**30/06/2019**	of which related parties (Note 37)	**31/12/2018**	of which related parties (Note 37)
Share capital		**67,979**	**-**	**67,979**	**-**
Share premium reserve		**-**	**-**	**-**	**-**
Treasury shares		**(2,491)**	**-**	**(2,282)**	**-**
Other reserves and results carried forward		**77,091**	**-**	**253,411**	**-**
Profit (loss) for the year		**(1,868)**	**-**	**(177,133)**	**-**
Group equity	21	**140,711**	**0**	**141,975**	**0**
Share capital and reserves attributable to non-controlling interests	21	**29,885**	**-**	**28,724**	**-**
Total equity		**170,596**	**0**	**170,699**	**0**
Provisions	22	**58,377**	**-**	**69,826**	**-**
Post-employment benefits	23	**33,352**	**-**	**33,458**	**-**
Non-current financial liabilities	24	**204,393**	**-**	**115,055**	**-**
Deferred tax liabilities	13	**37,728**	**-**	**38,113**	**-**
Other non-current liabilities		**-**	**-**	**-**	**-**
Total non-current liabilities		**333,850**	**0**	**256,452**	**0**
Income tax payables	15	**2,885**	**599**	**15,292**	**13,217**
Other current liabilities	25	**121,316**	**926**	**123,322**	**610**
Trade payables	26	**263,763**	**8,692**	**281,040**	**14,193**
Payables to banks and other financial liabilities	24	**144,342**	**-**	**126,809**	**738**
Total current liabilities		**532,306**	**10,217**	**546,463**	**28,758**
Discontinued liabilities		**123,969**	**-**	**136,763**	**-**
Total liabilities		**1,160,721**	**10,217**	**1,110,377**	**28,758**

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

(Euro/thousands)	Notes	**30 June 2019**	of which related parties (Note 37)	of which non-recurring (income) expense (Note 38)	**30 June 2018***	of which related parties (Note 37)	of which non-recurring (income) expense (Note 38)
Revenue from sales and services	27	**379,979**	**22,161**	**-**	**390,793**	**24,008**	**-**
Decrease (increase) in inventory	17	(10,533)	-	-	(19,736)	-	-
Cost of raw and ancillary materials, consumables and goods	28	76,251	1,917	-	80,748	1,481	-
Cost of services	29	218,712	1,895	-	242,840	1,907	-
Cost of personnel	30	74,178	-	-	82,781	(54)	-
Other (income) expense	31	760	207	-	619	71	-
EBITDA		**20,611**	**18,142**	**0**	**3,541**	**20,603**	**0**
Depreciation and impairment loss on property, plant and equipment	10-11	9,525	-	-	2,419	-	-
Amortization and impairment loss on intangible assets	9	8,943	-	-	7,732	-	-
EBIT		**2,143**	**18,142**	**0**	**(6,610)**	**20,603**	**0**
Financial expense (income)	32	2,046	(12)	-	3,019	(12)	-
Expense (income) from other investments	33	3,013	-	-	8,154	-	-
Result before tax		**(2,916)**	**18,154**	**0**	**(17,783)**	**20,615**	**0**
Income tax	34	3,011	-	-	(2,506)	-	-
Result from continuing operations		**(5,927)**	**18,154**	**0**	**(15,276)**	**20,615**	**0**
Result from discontinued operations		5,229	-	-	3,882		-
Net result		**(698)**	**18,154**	**0**	**(11,394)**	**20,615**	**0**
Attributable to:							
- Non-controlling interests	21	**1,170**	**-**	**-**	**1,085**	**-**	**-**
- Parent Company shareholders		**(1,868)**	**18,154**	**-**	**(12,479)**	**20,615**	**-**

* Comparative information has been restated following reclassifications made under IFRS 5.

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 2019 was authorized by the Board of Directors' resolution of 30 July 2019.

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 2018.

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 statement of cash flows has been prepared using the indirect method.

Prior-year amounts, where required, have been classified differently for the sake of clarity and comparability; comparative information relating to the consolidated income statement has been restated as a result of the reclassifications made in accordance with IFRS 5.

Regarding the requirements of CONSOB Resolution no. 15519 of 27 July 2006, specific supplementary tables are used 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 2019, the consolidation scope of the Mondadori Group remained unchanged versus 31 December 2018, except for the sale of Paycar by Mondadori France.

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 2018, except for those effective as of 1 January 2019. The Group has not adopted in advance any new standards, interpretations or amendments issued but not yet in force.

IFRS 16 - Leases

On 13 January 2016, IASB published IFRS 16 – Leases, 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. Conversely, the standard introduces no material changes for the lessor. The standard is applicable as of 1 January 2019, but early adoption is allowed.
The process involved several steps, including the complete mapping and review of contracts potentially suitable for containing a lease, in order to understand the main clauses relevant for the purposes of IFRS 16.

The application of the new standard to the identified contracts determines the initial recognition in the balance sheet of (i) an asset representing the right of use under IFRS 16 (equal to the present value of the mandatory minimum future lease payments to be made by the lessee as of 1 January 2019 including prepaid expenses), which will be depreciated over the shorter of the technical-economic life and the residual duration of the contract, and (ii) a financial payable equal to the present value of the mandatory minimum future lease payments to be paid by the lessee as of 1 January 2019, including accrued expenses unpaid at the transition date. The payable will then be reduced as lease payments are made. As from 2019, the lease payment will no longer be recorded in EBITDA in the income statement, recording instead (i) the depreciation of the right of use and (ii) the financial expense on the payable entered.

The Group applies IFRS 16 - Leases for the first time; the adoption of the modified retrospective application of the model did not require the restatement of comparative figures of the prior period and had no effect on initial equity at 1 January 2019.

In the adoption of IFRS 16, the Group made use of the exemptions granted by section IFRS 16.5 (a) relating to short-term leases, and by IFRS 16.5 (b) relating to lease contracts whose underlying asset is a low-value asset. For such contracts, the introduction of IFRS 16 implies the recognition of the financial liability of the lease and the relating right of use, but lease payments will be recognized in the income statement on a straight-line basis for the duration of the respective contracts.

The effects of the first-time application are shown in Note 11.

IFRIC Interpretation 23 - Uncertainty over income tax treatments

The Interpretation defines the accounting of income tax when the tax treatment involves uncertainties that affect the application of IAS 12 and does not apply to tax or duties outside the scope of IAS 12, nor does it specifically include requirements relating to interest or penalties attributable to uncertain tax treatments.

The Interpretation specifically addresses the following points:

- Whether an entity considers uncertain tax treatment separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (or tax loss), tax base, unused tax losses, unused tax credits and tax rates;
- How an entity treats changes in facts and circumstances.

An entity shall define whether to consider each uncertain tax treatment separately or together with other (one or more) uncertain tax treatments. The approach that best predicts the resolution of uncertainty should be followed.

The Group applies significant judgement in identifying uncertainties over the tax treatment of income tax. Since the Group operates in a complex multinational context, it has assessed whether the interpretation could have had an impact on its interim consolidated financial statements.

At the time of adoption of the interpretation, the Group examined the existence of uncertain tax positions and the interpretation had no impact on the Group's consolidated financial statements.

Amendments to IFRS 9 - Prepayments Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value in the statement of comprehensive income, provided that the contractual cash flows are “solely principal and interest payments on the reference amount" (the SPPI criterion) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination of the contract. These changes had no impact on the Group consolidated financial statements.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 set out the accounting rules in the event that, during the reporting period, there is an amendment, curtailment or settlement of the plan. The amendments specify that when a plan amendment, curtailment or settlement takes place during the period, an entity is required to determine the cost of service for the remainder of the period following the amendment, curtailment or settlement of the plan, using key actuarial assumptions to re-measure the net defined benefit liability (asset) so that it reflects the benefits provided by the plan and the plan assets after that event. An entity is also required to determine the net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the plan assets after that event; and the discount rate used to re-measure the net defined benefit liability (asset). These changes had no impact on the Group consolidated financial statements.

Amendments to IAS 28 - Long-term interests in associates and joint ventures

The amendments specify that an entity applies IFRS 9 for long-term investments in an associate or joint venture, to which the equity method is not applied but which, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant as it implies that the expected credit loss model of IFRS 9 applies to such long-term investments. The amendments also clarify that, when applying IFRS 9, an entity shall not take into account any loss of the associate or joint venture or any impairment losses of the investment recognized as an adjustment to the net investment in the associate or joint venture that arise from the application of IAS 28 Investments in Associates and Joint Ventures. These changes had no impact on the 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 differ even significantly from such estimates, following possible changes in the factors considered in the determination of the estimates.

For further information on the main accounting estimates, reference should be made to the “Annual Report” at 31 December 2018.

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, Retail, Corporate & Shared Services.

This structure gives a clear representation of the Group’s differentiation in terms of products sold and services rendered and is used by Top 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. INFORMATION RELATING TO IFRS 5

On 27 September 2018, the Board of Directors of Arnoldo Mondadori Editore S.p.A. authorized the Chief Executive Officer to open exclusive negotiations with Reworld Media SA with a view to the possible sale of Mondadori France.
The transaction falls into the repositioning strategy pursued by the Group and aimed at consolidating its leadership in the books sector.

At the reporting date of the Interim Management Statement at 30 September 2018, owing to the negotiations underway, the Directors deemed that all the requirements of the international accounting standards for the presentation of the transaction as a discontinued operation had been met, including the high likelihood of its being executed under IFRS 5. The successful outcome of the negotiations, in fact, implies the Mondadori Group’s exit from the French magazine publishing market, considered a major line of business under IFRS 5.

At the reporting date of this Half-Year Financial Report, all the requirements of the international accounting standards for the presentation of the transaction as a discontinued operation, under IFRS 5, have been met.

The “Result from discontinued operations" includes the net result recorded by the Mondadori France Group in first half 2019 and the fair value adjustment of the disposal group at the same date.

The adjustment will be updated at the closing date.

In accordance with IFRS 5, the amounts relating to the income statement for first half 2018 have been restated, classifying the net results of the Mondadori France Group in the same line of the income statement.

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” totaled € 225,789 thousand, decreasing by € 883 thousand; as from 1 January 2019, at the end of the process for reconsidering the useful life of magazines, the amounts of *Chi, Tele+ and Interni* were reclassified under assets with finite useful life and amortized over a ten-year period.

The useful life of *TV Sorrisi e Canzoni*, given the popularity and commercial strength of the brand, which allow the title to position itself as the Italian magazine with the highest circulation of copies, was classified again as indefinite.

Intangible assets (Euro/thousands)	**30/06/2019**	**31/12/2018**
Intangible assets with finite useful life	55,735	44,460
Intangible assets with indefinite useful life	170,054	182,212
Total intangible assets	**225,789**	**226,672**

Intangible assets with finite useful life are represented by the titles *Chi, Tele+ and Interni*, published by Arnoldo Mondadori Editore S.p.A., each of which is a Cash Generating Unit; the useful life of these assets is estimated at ten years.

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	-	-	-	2,342	-	16,172	18,514
Disposals	-	-	-	(2,294)	-	-	(2,294)
Change in the consolidation scope	-	-	-	156	-	198	354
Other changes	(247,200)	(8,000)	-	(23,848)	(909)	(19,300)	(299,257)
Historical cost at 31/12/2018	0	1,684	1,849	13,714	3,772	72,976	93,995
Provision for amortization and impairment loss at 31/12/2017	102,462	8,842	1,849	30,093	2,258	42,485	187,989
Amortization	-	421	-	2,816	731	12,192	16,160
Write-downs/(reinstatement of value)	-	-	-	-	-	-	0
Disposals	-	-	-	(2,294)	-	-	(2,294)
Change in the consolidation scope	-	-	-	(96)	-	22	(74)
Other changes	(102,462)	(8,000)	-	(21,872)	(907)	(19,005)	(152,246)
Provision for amortization and impairment loss at 31/12/2018	0	1,263	1,849	8,647	2,082	35,694	49,535
Net book value at 31/12/2017	144,738	842	0	7,265	2,423	33,421	188,689
Net book value at 31/12/2018	**0**	**421**	**0**	**5,067**	**1,690**	**37,282**	**44,460**

In first half 2019, capital expenditure in "intangible assets with finite useful life", amounting to € 8,015 thousand, referred mainly to:

- € 1,649 thousand for software, of which € 1,600 thousand for the development of the SAP management system;
- € 5,823 thousand for costs for the creation and development of publishing products of the Education Area;
- € 204 thousand for costs incurred for the GDPR project, included under assets under construction.

The write-down of € 191 thousand refers to the costs of the ANOBII site, which was subsequently sold.

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 31/12/2018	-	1,684	1,849	13,714	3,772	72,976	93,995
Capital expenditure	-	-	-	1,649	-	6,366	8,015
Disposals	-	-	-	(1,151)	-	(6)	(1,157)
Change in the consolidation scope	-	-	-	-	-	-	0
Other changes	17,288	-	(1,849)	7,178	-	(10,104)	12,513
Cost at 30/06/2019	17,288	1,684	0	21,390	3,772	69,232	113,366
Amortization fund and impairment losses at 31/12/2018	-	1,263	1,849	8,647	2,082	35,694	49,535
Amortization	619	211	-	2,046	349	5,527	8,752
Write-downs/(reinstatement of value)	-	-	-	-	-	191	191
Disposals	-	-	-	(1,151)	-	-	(1,151)
Change in the consolidation scope	-	-	-	-	-	-	0
Other changes	5,141	-	(1,849)	(156)	-	(2,832)	304
Amortization fund and impairment losses at 30/06/2019	5,760	1,474	0	9,386	2,431	38,580	57,631
Net book value at 31/12/2018	0	421	0	5,067	1,690	37,282	44,460
Net book value at 30/06/2019	**11,528**	**210**	**0**	**12,004**	**1,341**	**30,652**	**55,735**

Intangible assets with indefinite useful life include:

- the magazine *TV Sorrisi e Canzoni*;
- the series of the Books Area;
- the trademarks acquired against payment;
- goodwill.

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	-	-	78	78
Disposals	-	-	-	0
Change in the consolidation scope	-	-	(373)	(373)
Other changes	-	-	(430,357)	(430,357)
Historical cost at 31/12/2018	94,114	48,375	55,041	197,530
Impairment loss at 31/12/2017	8,890	1,208	213,769	223,867
Write-downs/(reinstatement of value)	-	-	-	0
Other changes/disposals	-	-	(208,549)	(208,549)
Impairment loss at 31/12/2018	8,890	1,208	5,220	15,318
Net book value at 31/12/2017	85,224	47,167	271,924	404,315
Net book value at 31/12/2018	**85,224**	**47,167**	**49,821**	**182,212**

No investments or disposals were made in first half 2019; the amounts of the magazines *Chi, Tele+ and Interni* were reclassified under intangible assets with finite useful life.

Intangible assets with indefinite useful life (Euro/thousands)	Magazines	Trademarks and series	Goodwill	Total
Historical cost at 31/12/2018	94,114	48,375	55,041	197,530
Capital expenditure	-	-	-	0
Disposals	-	-	-	0
Change in the consolidation scope	-	-	-	0
Other changes	(17,288)	(87)	(2,530)	(19,905)
Cost at 30/06/2019	76,826	48,288	52,511	177,625
Impairment loss at 31/12/2018	8,890	1,208	5,220	15,318
Write-downs/(reinstatement of value)	-	-	-	0
Other changes/disposals	(5,141)	(76)	(2,530)	(7,747)
Impairment loss at 30/06/2019	3,749	1,132	2,690	7,571
Net book value at 31/12/2018	85,224	47,167	49,821	182,212
Net book value at 30/06/2019	**73,077**	**47,156**	**49,821**	**170,054**

Amortization, write-downs and value reinstatements of intangible assets

Amortization, amounting to € 8,943 thousand, increased by € 1,211 thousand, as a result of the amortization of the magazines *Chi, Tele+ and Interni*, classified as assets with finite useful life as from 1 January 2019, and the amortization of the capital expenditure made in 2018 in software and application systems.

Amortization and impairment loss of intangible assets (Euro/thousands)	**1° half 2019**	**1° half 2018**
Magazines	619	-
Trademarks	522	517
Customer lists	211	211
Software	2,046	1,322
Licenses, patents and rights	349	356
Cost of development	4,601	4,794
Other intangible assets	404	532
Total amortization of intangible assets	**8,752**	**7,732**
Write-downs of intangible assets	191	-
Value reinstatement of intangible assets	-	-
Total write-downs (reinstatement of value) of intangible assets	**191**	**0**
Total amortization and impairment loss of intangible assets	**8,943**	**7,732**

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.

Market capitalization

In the past twelve months, the Mondadori share price rose from € 1.306 at 30 June 2018 to € 1.71 at 31 December 2018 and to € 1.584 at 30 June 2019.

As a result of this trend, market capitalization decreased significantly versus 31 December 2018, but remains higher than booked equity.

Group performance

Total revenue fell by 2.8% versus first half 2018, but was higher than expected.
EBITDA increased by € 9.2 million, as a result mainly of lower restructuring costs and the impact of extraordinary operations, and the containment of personnel and operating costs.

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 2019 of the parameters used in the test for the drafting of the 2018 financial statements, including cash generation from operations, operating margins and revenue.

For magazines (*TV Sorrisi e Canzoni, Chi, Telepiù, Interni*), the final operating margin for the first half of the year was basically in line with forecasts, except for *TV Sorrisi e Canzoni*, which performed better than expected.

As for the book publishers Einaudi and Mondadori Education, cash generation from operations in the half year under review was in line with forecasts; as for 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, the indicators of which were in line with or higher than expectations.

Also in consideration of the net book value coverage rate, which is derived from the impairment test carried out at the end of last year, there are no such indicators of impairment as to require an impairment test at 30 June 2019.

Impairment test elements

The impairment process at 31 December 2018 was based on the operating and financial figures inferable from the budget prepared for 2019 and approved by the Board of Directors on 14 February 2019, as well as on the projected results for the following two years.
On 15 May 2019, the Board of Directors approved the forecast figures for 2020 and 2021, based on which there are no such indicators of impairment that require an impairment test at 30 June 2019.

With regard to the elements that were included in the impairment test at 31 December 2018, 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 trend, taken as reference in the calculation of the discount rate, defined based on the WACC method, decreased versus the rate used at the end of the prior year, from 7.98% to 7.04%, as a result mainly of the reduction in the equity risk premium.

Conclusions

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 2019, 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 2018.

10. PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment" amounted to € 17,573 thousand, down by € 1,562 thousand versus 31 December 2018; capital expenditure in the period amounted to € 533 thousand, disposals to € 1 thousand, and depreciation to € 2,113 thousand.

The change is attributable mainly to:

- capital expenditure in equipment, furnishings and maintenance of third-party premises made by Mondadori Retail S.p.A. and Mondadori Electa S.p.A. at certain points of sale, for € 287 thousand;
- capital expenditure totaling € 246 thousand, mainly in office automation.

The table below shows a breakdown of "Property, plant and equipment" in 2018 and in first half 2019:

Property, plant and equipment (Euro/thousands)	Land	Instrumental buildings	Plant and equipment	Other tangible assets	Total
Historical cost at 31/12/2017	903	6,562	31,727	103,248	142,440
Capital expenditure	-	-	795	3,601	4,396
Disposals	-	(957)	(1,221)	(11,215)	(13,393)
Change in the consolidation scope	-	-	14	(1,510)	(1,496)
Other changes	-	-	(9,714)	(35,799)	(45,513)
Historical cost at 31/12/2018	903	5,605	21,601	58,325	86,434
Depreciation and impairment losses at 31/12/2017	-	4,076	25,899	88,411	118,386
Depreciation	-	191	905	3,898	4,994
Write-downs/(reinstatement of value)	-	-	-	-	0
Disposals	-	(352)	(1,088)	(10,987)	(12,427)
Change in the consolidation scope	-	-	18	(1,450)	(1,432)
Other changes	-	-	(7,215)	(35,007)	(42,222)
Depreciation fund and impairment losses at 31/12/2018	0	3,915	18,519	44,865	67,299
Net book value at 31/12/2017	903	2,486	5,828	14,837	24,054
Net book value at 31/12/2018	**903**	**1,690**	**3,082**	**13,460**	**19,135**

Property, plant and equipment (Euro/thousands)	Land	Instrumental buildings	Plant and equipment	Other tangible assets	Total
Historical cost at 31/12/2018	903	5,605	21,601	58,325	86,434
Capital expenditure	-	-	89	444	533
Disposals	-	-	-	(13)	(13)
Change in the consolidation scope	-	-	-	-	0
Other changes	-	-	(108)	111	3
Cost at 30/06/2019	903	5,605	21,582	58,867	86,957
Depreciation fund and impairment losses at 31/12/2018	-	3,915	18,519	44,865	67,299
Depreciation	-	78	416	1,619	2,113
Write-downs/(reinstatement of value)	-	-	-	-	0
Disposals	-	-	-	(12)	(12)
Change in the consolidation scope	-	-	-	-	0
Other changes	-	-	(226)	210	(16)
Depreciation fund and impairment losses at 30/06/2019	0	3,993	18,709	46,682	69,384
Net book value at 31/12/2018	903	1,690	3,082	13,460	19,135
Net book value at 30/06/2019	**903**	**1,612**	**2,873**	**12,185**	**17,573**

"Other tangible assets" can be broken down as follows:

Other tangible assets (Euro/thousands)	**30/06/2019**	**31/12/2018**
Industrial and commercial equipment	192	515
Electronic office equipment	2,043	2,071
Office furniture, and machines	4,420	4,740
Motor and transport vehicles	39	44
Leasehold improvements	5,409	5,722
Other tangible assets	-	12
Assets under construction and advances	82	356
Total other tangible assets	**12,185**	**13,460**

Depreciation of property, plant and equipment

Depreciation is basically in line with first half 2018.

Depreciation of property, plant and equipment (Euro/thousands)	**1° half 2019**	**1° half 2018**
Instrumental buildings	78	97
Plant and equipment	416	437
Equipment	42	102
Electronic office equipment	608	602
Office furniture	482	487
Motor and transport vehicles	5	1
Leasehold improvements	482	638
Other tangible assets	-	2
Total depreciation of property, plant and equipment	**2,113**	**2,366**
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	**2,113**	**2,366**

11. ASSETS FROM RIGHTS OF USE

Assets from right of use, as set out in lease contracts, rental contracts or contracts for the use of third party assets, were recognized separately and, at 1 January 2019, the date of first-time application of IFRS 16, amounted to € 108,513 thousand.

The only changes that took place in first half 2019 are attributable to depreciation, amounting to € 7,412 thousand.

Assets from rights of use (Euro/thousands)	Instrumental buildings	Motor vehicles	Office equipment	Total
Historical cost at 1/1/2019	106,859	1,124	530	108,513
Capital expenditure	-	-	-	0
Disposals	-	-	-	0
Change in the consolidation scope	-	-	-	0
Other changes	-	-	-	0
Cost at 30/06/2019	106,859	1,124	530	108,513
Depreciation fund at 1/1/2019	-	-	-	0
Depreciation	7,092	188	132	7,412
Disposals	-	-	-	0
Change in the consolidation scope	-	-	-	0
Other changes	(2)	-	-	(2)
Depreciation fund at 30/06/2019	7,090	188	132	7,410
Net value at 1/1/2019	106,859	1,124	530	108,513
Net book value at 30/06/2019	**99,769**	**936**	**398**	**101,103**

12. INVESTMENTS

"Equity-accounted investees" and "Investments in other companies" totaled € 30,025 thousand, down by € 2,234 thousand versus 31 December 2018.

Investments (Euro/thousands)	**30/06/2019**	**31/12/2018**
Equity-accounted investees	29,586	31,820
Investments in other companies	439	439
Total investments	**30,025**	**32,259**

In first half 2019, no changes were reported in the scope of equity-accounted investees; the main transactions that took place referred to payments of € 1,637 thousand to Società Europea di Edizioni S.p.A. for future capital increases, and € 5,126 thousand to Mach 2 Libri S.p.A. in liquidation.

The total amount of equity-accounted investees decreased, due mainly to the negative results of Mediamond S.p.A. and Società Europea di edizioni S.p.A.

Equity-accounted investees - Details (Euro/thousands)	**30/06/2019**	**31/12/2018**
Investments in joint ventures:		
- Edizioni EL S.r.l.	3,308	3,575
- Attica Publications Group	9,698	9,587
- Mediamond S.p.A.	1,685	2,048
- Mondadori Seec Advertising Co. Ltd	5,855	5,924
Total investments in joint ventures	**20,546**	**21,134**
Investments in associates:		
- Monradio S.r.l.	5,488	6,023
- Mach 2 Libri S.p.A. in liquidation	-	-
- GD Media Service S.r.l.	162	162
- Società Europea di Edizioni S.p.A.	3,327	4,424
- Venezia Accademia Società per i servizi museali S.c.a r.l.	58	58
- Campania Arte S.c.a r.l.	5	19
Total investments in associates	**9,040**	**10,686**
Total equity-accounted investees	**29,586**	**31,820**

"Investments in other companies”.

Investments in other companies - Details (Euro/thousands)	**30/06/2019**	**31/12/2018**
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
- Confidimpresa	5	5
Total investments in other companies	**439**	**439**

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.

An impairment test was carried out to verify that the amounts identified at 31 December 2018 were still current at 30 June 2019, specifically referring to the investment in Attica Publications S.A.; the actual operating results of first half 2019 confirm the forecasts and the trend in the discount rate shows a significant decrease, falling from 10.14% in December 2018 to 7.51%, as a result mainly of the reduction in risk-free rates in Greece.

Despite the persisting adverse Italian economic scenario, the indicators did not reveal any need for the performance of an impairment test at 30 June 2019, nor did the book value of the investment in Attica Publications show any impairment versus the values at 31 December 2018.

13. PRE-PAID TAX ASSETS AND DEFERRED TAX LIABILITIES

“Pre-paid tax assets", amounting to € 59,029 thousand, decreased by € 2,379 thousand; "Deferred tax liabilities", amounting to € 37,728 thousand, decreased by € 385 thousand.

(Euro/thousands)	**30/06/2019**	**31/12/2018**
IRES on tax losses	10,800	9,762
Pre-paid IRES	44,422	47,437
Pre-paid IRAP	3,807	4,209
Total pre-paid tax assets	**59,029**	**61,408**
Deferred IRES	32,485	32,666
Deferred IRAP	5,243	5,447
Total deferred tax liabilities	**37,728**	**38,113**

Specifically:

- “IRES on tax losses", amounting to € 10,800 thousand versus the amounts at 31 December 2018, increased as a result of the share recognized in the six months on the loss for the period generated by Rizzoli Education S.p.A.; the Directors consider the amounts recorded to be fully recoverable, considering the right to carry forward tax losses without time limits and the expected results envisaged in the business plans;
- "Other prepaid tax assets" (IRES and IRAP) decreased by € 3,417 thousand as a result of the change in provisions subject to taxation;
- deferred IRES and IRAP are in line with the amounts at 31 December 2018.

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

(Euro/thousands)	30/06/2019 Amount of temporary differences	Current tax rate	Pre-paid tax	31/12/2018 Amount of temporary differences	Current tax rate	Pre-paid tax
Difference between book and tax value of intangible assets	2,521	(*)	605	2,854	(*)	637
Difference between book and tax value of investment property and investments in property, plant and equipment	642	(*)	154	1,441	(*)	345
Provision for bad debt	22,976	(*)	5,531	22,019	(*)	5,220
Write-down of inventory	28,986	(*)	7,015	28,216	(*)	6,770
Provision for advances to authors	23,858	(*)	5,742	22,236	(*)	5,335
Provisions	51,103	(*)	11,545	54,056	(*)	12,967
Post-employment benefits	2,427	(*)	582	2,341	(*)	556
Elimination of intercompany income	11,521	(*)	2,765	11,521	(*)	2,765
Returns to receive	36,168	(*)	8,680	44,449	(*)	10,668
Other temporary differences	7,363	(*)	1,803	8,459	(*)	2,174
Total for IRES purposes	**187,565**		**44,422**	**197,592**		**47,437**
Difference between book and tax value of intangible assets	2,125	(*)	83	5,508	(*)	208
Difference between book and tax value of investment property and investments in property, plant and equipment	155	(*)	6	1,126	(*)	44
Write-down of inventory	23,366	(*)	911	23,030	(*)	895
Provision for advances to authors	21,176	(*)	826	19,522	(*)	763
Provisions	1,002	(*)	39	851	(*)	33
Post-employment benefits	1,267	(*)	49	1,313	(*)	51
Elimination of intercompany income	11,521	(*)	449	11,521	(*)	449
Returns to receive	36,168	(*)	1,411	44,449	(*)	1,734
Other temporary differences	879	(*)	33	847	(*)	32
Total for IRAP purposes	**97,659**		**3,807**	**108,167**		**4,209**

(*) It should be noted that, with reference to income tax, 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

(Euro/thousands)	30/06/2019 Amount of temporary differences	Current tax rate	Deferred tax	31/12/2018 Amount of temporary differences	Current tax rate	Deferred tax
Difference between book and tax value of intangible assets	132,614	(*)	31,827	135,004	(*)	32,401
Difference between book and tax value of investment property and investments in property, plant and equipment	895	(*)	215	838	(*)	201
Post-employment benefits	210	(*)	51	213	(*)	51
Other temporary differences	5,420	(*)	392	54	(*)	13
Total for IRES purposes	**139,139**		**32,485**	**136,109**		**32,666**
Difference between book and tax value of intangible assets	133,939	(*)	5,224	139,154	(*)	5,427
Difference between book and tax value of investment property and investments in property, plant and equipment	499	(*)	19	513	(*)	20
Post-employment benefits	-	(*)	-	-	(*)	-
Other temporary differences	-	(*)	-	-	(*)	-
Total for IRAP purposes	**134,438**		**5,243**	**139,667**		**5,447**

(*) Income tax is calculated by each Group company according to the tax rate in force in the country of residence.
IRAP is calculated by each Group company according to the tax rate in force.

14. OTHER NON-CURRENT ASSETS

"Other non-current assets", amounting to € 689 thousand, was basically in line with 31 December 2018.

Other non-current assets (Euro/thousands)	**30/06/2019**	**31/12/2018**
Guarantee deposits	139	134
Other	550	432
Total other non-current assets	**689**	**566**

15. TAX RECEIVABLES AND PAYABLES

Tax receivables (Euro/thousands)	**30/06/2019**	**31/12/2018**
Receivables for IRAP	462	279
Receivables for IRES	2,898	3,003
Receivables from Fininvest for IRES	50	143
Receivables for VAT, direct tax to recover and advances on disputes	16,660	21,205
Total tax receivables	**20,070**	**24,630**

"Tax receivables" decreased by € 4,560 thousand versus 31 December 2018, due mainly to the collection of the VAT credit generated in fourth quarter 2018.

Specifically:

- the IRAP tax receivable (€ 462 thousand) refers to the residual amount with respect to the advance payments made in 2018;
- "Receivables from the Inland Revenue for IRES", amounting to € 2,898 thousand, includes receivables booked by Rizzoli Education S.p.A. for partial deductibility of IRAP for IRES purposes, whose application for reimbursement for € 676 thousand was submitted within the deadlines of law, advances paid by Rizzoli Education S.p.A. in prior years for € 129 thousand, withholding tax incurred abroad for a total of € 1,173 thousand, € 463 thousand paid by Mondadori Electa S.p.A. as amounts due pending legal proceedings and in relation to the assessment notices regarding 2013 and 2014 VAT;
- "Receivables from Fininvest for IRES", amounting to € 50 thousand, refers to withholding tax accrued in the half year under review;

“Receivables from the Inland Revenue Office for VAT, direct tax to recover and advances on disputes”, amounting to € 16,660 thousand, include:

- the VAT receivable carried forward for € 6,719 thousand;
- receivables for tax disputes for a total of € 9,848 thousand. The amounts refer to the temporary payment of tax demands received by Group companies for pending tax disputes. Following tax audits by the Revenue Commissioners, a few points were raised on a number of companies.

Specifically:

- regarding Arnoldo Mondadori Editore S.p.A.:
  - 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;
- as for Mondadori Electa, mention should be made of the Tax Audit Report by means of which the Revenue Agency challenged certain VAT violations for 2014.

  Assessment notices were then served relating to 2012-2014. With regard to the year:

- o 2012, the Company filed an appeal, upheld by the competent Tax Commission. The Inland Revenue Office filed an appeal before the Regional Tax Commission;
- o 2013, the Company filed an appeal, but the related date of the hearing has not been set yet;
- o 2014, the Company filed an appeal. The competent tax commission partly upheld the Company's arguments.

Income tax payables (Euro/thousands)	**30/06/2019**	**31/12/2018**
Payables to the Inland Revenue for IRAP	2,286	1,511
Payables to the Inland Revenue for IRES	-	564
Payables to Fininvest for IRES	599	13,217
Total income tax payables	**2,885**	**15,292**

“Income tax payables” decreased by € 12,407 thousand, as a result of the amount accrued in 2018 and paid in June.

16. OTHER CURRENT ASSETS

"Other current assets" increased by € 4,869 thousand, as a result mainly of:

- 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, accrued income and prepaid expenses”.

Other current assets (Euro/thousands)	**30/06/2019**	**31/12/2018**
Receivables from agents	6,506	450
Receivables from authors and associates	130,742	126,670
Provision for advances to authors	(65,925)	(64,322)
Receivables from suppliers	8,693	8,228
Receivables from personnel	451	518
Receivables from social security institutions	27	95
Receivables for guarantee deposits	181	185
Other receivables from associates	(85)	296
Other receivables, accrued income and prepaid expenses	8,157	11,758
Total other current assets	**88,747**	**83,878**

17. INVENTORY

The increase in “Inventory” versus 31 December 2018, amounting to € 12,237 thousand, is attributable mainly to the seasonal nature of the Education Area business, where production takes place mainly in the first half of the year and sales in the second.

Specifically:

- raw materials, amounting to € 10,006 thousand, increased by € 3,258 thousand, as a result of the supply of the Education Area and of the Trade Books Area;
- "Work in progress, semi-finished products and contract work in progress", amounting to € 9,154 thousand, decreased by € 2,466 thousand, in the Magazines Italy Area by € 1,403 thousand and in the Books Area by € 1,063 thousand;
- "Finished products and goods", amounting to € 115,413 thousand, rose by € 11,445 thousand, due mainly to the production of school textbooks, which increased by € 11,247 thousand. The Trade Books Area and the Retail Area grew and fell by approximately € 500 thousand respectively.

Inventory (Euro/thousands)	**30/06/2019**	**31/12/2018**
Raw and ancillary materials and consumables	10,508	7,250
Depreciation of raw and ancillary materials and consumables	(502)	(502)
Total raw and ancillary materials and consumables	**10,006**	**6,748**
Work in progress, semi-finished products and contract work	10,253	12,794
Write-down of work in progress, semi-finished products and contract work	(1,099)	(1,174)
Total work in progress and semi-finished goods	**9,154**	**11,620**
Finished products and goods	197,322	187,527
Depreciation of finished products and goods	(81,909)	(83,559)
Total finished products and goods	**115,413**	**103,968**
Total inventory	**134,573**	**122,336**

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 and contract work	Finished products and goods
Balance at 31/12/2017	688	1,705	88,268
Changes in the year:			
- provisions	171	168	
- utilizations	(222)	(239)	(2,807)
- other changes	(135)	(460)	(1,902)
Balance at 31/12/2018	**502**	**1,174**	**83,559**
Changes in the year:			
- provisions	-	-	-
- utilizations	-	(84)	(2,120)
- other changes	-	9	470
Balance at 30/06/2019	**502**	**1,099**	**81,909**

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 value adjustments are detailed below.

Decrease (increase) in inventory (Euro/thousands)	**1° half 2019**	**1° half 2018**
Changes in finished products and goods	(7,679)	(24,936)
Provision for finished products and goods	-	10,380
Utilization of the provision for finished products and goods	(2,120)	(2,517)
Total changes in inventory of finished products and goods	**(9,799)**	**(17,073)**
Changes in work in progress and semi-finished products	2,608	1,126
Provision for work in progress and semi-finished products	-	138
Utilization of the provision for work in progress and semi-finished products	(84)	(5)
Total changes in work in progress and semi-finished products	**2,524**	**1,259**
Changes in raw and ancillary materials and consumables	(3,258)	(3,922)
Provision for raw and ancillary materials and consumables	-	-
Utilization of the provision for raw and ancillary materials and consumables	-	-
Total changes in inventory of raw and ancillary materials and consumables	**(3,258)**	**(3,922)**
Total decrease (increase) in inventory	**(10,533)**	**(19,736)**

18. TRADE RECEIVABLES

Trade receivables (Euro/thousands)	**30/06/2019**	**31/12/2018**
Receivables from customers	184,068	175,743
Receivables from associates	38,661	42,128
Receivables from parent companies	11	4
Receivables from affiliates	352	1,156
Total trade receivables	**223,092**	**219,031**

In first half 2019, "Trade receivables", amounting to € 184,068 thousand, increased by € 8,325 thousand, due mainly to changes:

- in the Trade Books Area (€ -11,903 thousand), marked by Christmas sales receipts;
- in the Retail Area (€ -8,012 thousand), for Christmas sales receipts;
- in the Magazines Area (€ +5,825 thousand), due to the increase in revenue from the provision of services, the collection of which is more deferred than revenue from the sale of magazines;
- in the Educational Area (€ +23,027 thousand), due to the marked seasonal nature of the business.

“Receivables from associates", amounting to € 38,661 thousand, fell due to Mach 2 Libri S.p.A. in liquidation, as a result of the termination of the contract for the distribution of books in the large retailers segment; the main portion refers to the receivable from the advertising agency activity carried out by Mediamond S.p.A. for the Magazines Italy Area.
Receivables 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 € 133,464 thousand, dropped by € 1,561 thousand versus 31 December 2018, 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)	**30/06/2019**	**31/12/2018**
Receivables from customers	344,459	336,551
Customers – returns to receive	(133,464)	(135,025)
Provision for bad debt	(26,927)	(25,783)
Total receivables from customers	**184,068**	**175,743**

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)	**30/06/2019**	**31/12/2018**
Balance at beginning of year	25,783	33,378
Changes in the year:		
- provisions	2,172	6,459
- utilizations	(1,050)	(11,516)
- changes in the consolidation scope and other changes	22	(2,538)
Total bad debt provision	**26,927**	**25,783**

19. FINANCIAL ASSETS

“Non-current financial assets", amounting to € 830 thousand, includes the loan granted to Attica Publications of € 500 thousand.

Non-current financial assets (Euro/thousands)	30/06/2019	31/12/2018
Financial receivables from associates	500	500
Financial receivables	330	-
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	**830**	**500**

"Other current financial assets”, amounting to € 2,800 thousand, mainly includes:

- the loan granted to the associate Venezia Accademia S.c. a r.l. of € 25 thousand and a receivable from Mediamond S.p.A. of € 229 thousand;
- 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 of € 1,838 thousand;
- the residual receivable from the sale of *Panorama*, amounting to € 475 thousand.

Other current financial assets (Euro/thousands)	30/06/2019	31/12/2018
Financial receivables from customers		
Financial receivables from associates	254	25
Financial receivables from parent companies	-	-
Financial receivables from affiliates	-	-
Financial receivables from others	2,540	7,830
Total financial receivables	**2,794**	**7,855**
Financial assets at fair value with adjustments recognized under income statement	-	-
Available-for-sale financial assets	6	6
Assets resulting from derivative instruments	-	-
Total other current financial assets	**2,800**	**7,861**

Assets and liabilities resulting from derivative instruments

Assets and liabilities resulting from derivative instruments - Details (Euro/thousands)	Type of derivative instrument	Fair value at 30/06/2019	Fair value at 31/12/2018
Non-current financial assets (liabilities)			
- Rate derivatives	*Cash flow hedge*	(1,447)	(777)
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 monthly basis.

At 30 June 2019, transactions were in place to hedge the existing interest rate risk (with BPM, Intesa Sanpaolo and Unicredit), applying to the A Term Loan Tranche of the amortizing pool loan agreement concluded in December 2017, coming to maturity in December 2022 for a total notional amount of € 90.0 million and a weighted average rate of 0.20%.

Hedge impact on income statement and equity:

Cash flow hedge reserve (Euro/thousands)	**30/06/2019**	**31/12/2018**
Initial balance gross of the tax impact	(1,371)	(1,236)
Amount recognized in the year	(250)	491
Amount endorsed from reserve and recognized under income statement:		
- adjustments to expense	(15)	(49)
- adjustments to income	(255)	(577)
Final balance gross of the tax impact	**(1,891)**	**(1,371)**
Inefficient part of hedge	0	0

20. CASH AND CASH EQUIVALENTS

The item amounted to € 34,291 thousand, down versus 31 December 2018, 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 2019.

Cash and cash equivalents (Euro/thousands)	30/06/2019	31/12/2018
Cash and cash on hand	169	181
Bank deposits	33,572	81,830
Postal deposits	550	347
Total cash and cash equivalents	**34,291**	**82,358**

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

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

Net financial position (Euro/thousands)	30/06/2019	31/12/2018
A Cash	169	181
- Bank deposits	33,572	81,830
- Postal deposits	550	347
B Other cash and cash equivalents	34,122	82,177
C Cash and cash equivalents and other financial assets (A+B)	**34,291**	**82,358**
D Securities held for trading		
- Financial receivables from associates	254	25
- Financial assets measured at fair value	-	-
- Available-for-sale financial assets	6	6
- Derivatives and other financial assets	2,540	7,830
E Receivables and other current financial assets	2,800	7,861
F Current financial assets (D+E)	**2,800**	**7,861**
G Current payables to banks	2,237	2,942
- Bonds	-	-
- Loans	-	-
- Borrowings	127,500	117,585
- Payables under IFRS 16	13,470	-
H Current portion of non-current debt	140,970	117,585
- Financial payables to associates	-	738
- Derivatives and other financial liabilities	1,135	5,544
I Other current financial payables	1,135	6,282
L Payables to banks and other current financial liabilities (G+H+I)	**144,342**	**126,809**
M Current net financial position (C+F-L)	**(107,251)**	**(36,590)**
- Bonds	-	-
- Loans	-	-
- Borrowings	113,984	114,178
- Payables under IFRS 16	88,521	-
N Debt non-current portion	202,505	114,178
O Other non-current financial payables	1,888	877
P Non-current net debt (N+O)	**204,393**	**115,055**
Q Net financial position (M-P)	**(311,644)**	**(151,645)**

Should the balance of discontinued current financial assets of € 4,606 thousand and the balance of "Non-current financial assets" of € 830 thousand, not included in the CONSOB format, be added to the amount of the above table, the net financial position would stand at € -306,208 thousand.

With respect to the latter amount, if short and medium/long-term financial payables, recorded as a result of the application of IFRS 16, are excluded, the net financial position stands at € -204,217 thousand.

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

21. EQUITY

Equity at 30 June 2019, including non-controlling interests, amounted to € 170,596 thousand, decreasing by € 103 thousand versus 31 December 2018.

The main changes in the first half are shown below:

- the loss, including the result attributable to non-controlling interests, of € 698 thousand;
- the adjustment of the "Cash flow hedge reserve", which resulted in a decrease in equity of € 395 thousand;
- the adjustment of the "Conversion reserve", which resulted in an increase of € 180 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 € 1,105 thousand, and of the value of treasury shares purchased to service the plan for € 209 thousand.

In first half 2019, Arnoldo Mondadori Editore S.p.A. purchased a total of no. 158,000 treasury shares (0.576% of the share capital) on the MTA at an average unit price of € 1.53, for a total amount of € 209 thousand.
The purchases, authorized by the Shareholders' Meetings of 24 April 2018 and 17 April 2019, are intended to provide the company with the shares to service the Performance Share Plans for the three-year periods 2017-2019, 2018-2020 and 2019-2021; the fair value of the shares assigned, amounting to € 3,518 thousand, is recorded in a specific equity reserve.

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 € 58,377 thousand, decreased by € 11,449 thousand; in particular:

- the “Provision for equity investment risks" decreased by € 5,126 thousand, as a result of the payments made in the period to Mach 2 Libri S.p.A. in liquidation;
- the “Provision for personnel downsizing risks" decreased by € 929 thousand, as a result of the actions aimed at improving the efficiency of the structures;
- the "Provision for legal risks" decreased by € 4,129 thousand, as a result of the closure of certain disputes and the updated risk of those still outstanding;
- “Other provisions for risks" decreased by € 1,073 thousand, as a result of the reduction in contractual risks relating to the Magazines Italy Area.

Provisions (Euro/thousands)	31/12/2018	Provisions	Utilizations	Other changes	30/06/2019
Provision for agents' contractual risks	4,340	-	-	-	4,340
Provision for personnel downsizing risks	3,161	-	(929)	-	2,232
Provision for legal risks	23,336	660	(4,789)	-	19,207
Provision for equity investment risks	10,066	-	(5,126)	-	4,940
Provision for tax disputes	10,857	-	-	-	10,857
Provision for onerous contracts	10,229	2,748	(2,940)	-	10,037
Other provisions for risks	7,837	17	(1,090)	-	6,764
Total provisions	**69,826**	**3,425**	**(14,874)**	**0**	**58,377**

23. POST-EMPLOYMENT BENEFITS

The item, amounting to € 33,352 thousand, decreased by € 106 thousand; severance indemnity decreased as a result of the reduction in headcount, while the supplementary agents' indemnity increased due to the effects of the actuarial valuation.

Post-employment benefits (Euro/thousands)	**30/06/2019**	**31/12/2018**
Provision for post-employment benefits (TFR)	21,685	22,486
Provision for supplementary agents' indemnity (FISC)	11,596	10,902
Provision for retirement and similar obligations	71	70
Total post-employment benefits	**33,352**	**33,458**

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	**30/06/2019**	**31/12/2018**
Economic assumptions:		
- increase in cost of living	1.2%	1.0%
- discounting rate	0.77%	1.57%
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 4.08% to 26.88%	From 4.08% to 26.88%
- retirement age	Regulations in force	Regulations in force

Actuarial assumptions to measure FISC	30/06/2019	31/12/2018
Economic assumptions:		
- discounting rate	0.77%	1.57%
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 as a result of the reduction in headcount (from 2,132 units in December 2018 to 2,117 units in June 2019), due to the efficiency gains in the structures.

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 € 16 thousand, financial expense of € 170 thousand, and the portion paid into the supplementary pension scheme for € 3,785 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 31/12/2018	22,486	10,902	70
Changes in 2019:			
- provisions	(85)	858	1
- utilizations	(985)	(109)	-
- reversals	-	-	-
- discounting	170	-	-
- changes in the consolidation scope and other changes	99	(55)	-
Balance at 30/06/2019	**21,685**	**11,596**	**71**

24. FINANCIAL LIABILITIES

Current and non-current financial liabilities amounted to € 348,735 thousand; net of financial payables under IFRS 16, financial liabilities, amounting to € 246,744 thousand, increased by € 4,880 thousand, due mainly to the difference between the greater utilizations of Uncommitted loans (€ 10,000 thousand) and the reduction in financial payables (€ 4,806 thousand) resulting from payment of the earn-outs of Banzai.

Non-current financial liabilities (Euro/thousands)	Actual interest rate	Expiry 1-5 years	Expiry over 5 years	**30/06/2019**	**31/12/2018**
Borrowings	1.08%	113,984	-	113,984	114,178
Financial payables to associates		-	-	-	-
Financial payables to parent companies		-	-	-	-
Financial payables to affiliates		-	-	-	-
Liabilities from derivatives		1,447	-	1,447	777
Other financial payables		441	-	441	100
Payables under IFRS 16		55,060	33,461	88,521	-
Total non-current financial liabilities		**170,932**	**33,461**	**204,393**	**115,055**

"Non-current financial liabilities" includes:

- € 113,984 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;
- € 1,447 thousand for the fair value of the existing derivative contracts;
- € 441 thousand for other medium/long-term financial payables;
- € 88,521 thousand for the financial payable relating to the application of IFRS 16.

Payables to banks and other financial liabilities (Euro/thousands)	Actual interest rate	**30/06/2019**	**31/12/2018**
Bank deposits	1.05%	2,237	2,942
Borrowings	0.71%	127,500	117,585
Financial payables to associates		-	738
Financial payables to parent companies		-	-
Financial payables to affiliates		-	-
Liabilities from derivatives		-	-
Other financial payables		1,135	5,544
Payables under IFRS 16		13,470	-
Total payables to banks and other financial liabilities		**144,342**	**126,809**

"Payables to banks and other financial liabilities" came to € 144,342 thousand and included:

- € 17,500 thousand for the portion of the A Term Loan of the pool loan, coming to maturity in December 2019;
- € 100,000 thousand for the portion of the B Term Loan of the pool loan, coming to maturity in September 2019, concurrent to the sale of the investment in Mondadori France;
- € 10,000 thousand for the use of short-term hot money lines;
- € 2,237 thousand from the balances of current account overdrafts;
- € 1,135 thousand for other financial liabilities;
- € 13,470 thousand for the financial payable relating to the application of IFRS 16.

At 30 June 2019, the Net Financial Position Covenant, resulting from the Half-Year Financial Report, amounted to € -204,217 thousand, net of the effects from the application of IFRS 16 (as per contractual provisions), well below the cap of € -435,000 thousand envisaged by 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 € 121,316 thousand, dropped by € 2,006 thousand versus 31 December 2018.

Specifically:

- “Customer advances", which includes payables to subscribers, decreased by € 1,103 thousand in the Books Area;
- "Payables to welfare and social security entities" decreased by € 1,570 thousand, due to the different impact of additional year-end monthly payments from those recognized in June;
- “Payables to authors and associates” increased by € 4,141 thousand, as a result of the positive trend of revenue in the Trade and Educational Books Area.

Other current liabilities (Euro/thousands)	**30/06/2019**	**31/12/2018**
Customer advances	21,754	22,857
Tax payables	4,223	5,875
Payables to welfare and social security entities	12,528	14,098
Payables to associates	-	123
Other payables	82,811	80,369
Total other current liabilities	**121,316**	**123,322**

"Other payables" is broken down below.

Other current liabilities – Other payables (Euro/thousands)	**30/06/2019**	**31/12/2018**
Payroll and other amounts to personnel	17,792	18,530
Payables to authors and associates	55,569	51,428
Other payables, accrued expense and deferred income	9,450	10,411
Total other payables	**82,811**	**80,369**

26. TRADE PAYABLES

“Trade payables", amounting to € 263,763 thousand, decreased by € 17,277 thousand, mainly in the Retail Area and in the Magazines Italy Area, as a result of the performance of the business.

Trade payables (Euro/thousands)	30/06/2019	31/12/2018
Payables to suppliers	254,663	266,847
Payables to associates	6,844	12,036
Payables to parent companies	-	40
Payables to affiliates	2,256	2,117
Total trade payables	**263,763**	**281,040**

“Payables to associates”, amounting to € 6,844 thousand, dropped by € 5,192 thousand, attributable mainly to dealings with Edizioni EL S.r.l., as a result of the contract for the distribution of the associate’s publishing product.
The balance at 30 June 2019 is attributable mainly to Mediamond S.p.A. 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

Consolidated revenue in the first six months of 2019 amounted to € 379,979 thousand versus € 390,793 thousand in the prior year, partly as a result of the change in the consolidation scope of the Magazines Italy Area following the sale of Inthera S.p.A. and *Panorama* (€ 11.3 million).

Revenue from sales and services (Euro/thousands)	1° half 2019	1° half 2018	Variation %
Books	183,793	179,000	2.7%
Retail	81,369	83,086	(2.1%)
Magazines Italy	130,867	147,486	(11.3%)
Corporate & Shared Services	19,130	17,363	10.2%
Aggregate revenue	**415,159**	**426,935**	**(2.8%)**
Intercompany revenue	(35,180)	(36,142)	(2.6%)
Total revenue from sales and services	**379,979**	**390,793**	**(2.8%)**

Revenue from the Books Area, amounting to € 183,793 thousand, increased by 2.7% versus first half 2018, as a result of the growth in the Trade Books (+1.6%) and Educational Books (+5.4%) segments.

In the Trade segment:

- Edizioni Mondadori saw a drop in revenue, as a result of the different publishing calendar from 2018; new titles for the period include "KM123" by A. Camilleri and "A un metro da te" by Lippincott, Daughtry and Iaconis;
- revenue from the Group's other publishing houses grew: Einaudi's main titles of the first six months include "La versione di Fenoglio" by G. Carofiglio, "Fedeltà" by M. Missiroli (in the final five of the Strega Prize) and the second volume of "L'assassinio del commendatore" by H. Murakami; Piemme launched the new book by M. Connelly "Doppia Verità; Sperling & Kupfer's most successful new titles include the new edition of "After" by A. Todd, linked to the related film release, and the new title of the year by S. King "Elevation"; Rizzoli published the work by M. De Giovanni "Le parole di Sara".

In the Educational segment:

- Mondadori Education S.p.A. and Rizzoli Education S.p.A. reported an increase in revenue, mostly from a number of wholesalers;
- Mondadori Electa S.p.A. was in line with the amounts reported in first half 2018, as a result of a drop in the organization of exhibitions and the management of museum concessions and an increase in trade books, which in the first half of the year placed two titles in the top ten best-selling books;
- Rizzoli International Publications reported an increase in publishing revenue, as a result of the performance of catalogue titles and to retailer activities.

Revenue from the Retail Area, amounting to € 81,369 thousand, fell by 2.1% versus first half 2018 (-1.8% on a like-for-like basis in terms of stores); specifically, revenue from Bookstores increased by 1.2% (-1.8% on a like-for-like basis in terms of stores), revenue from Megastores fell by 12% (-11.3% on a like-for-like basis in terms of stores), as a result of the decline in sales from Consumer Electronics, and revenue from franchised Bookstores was on the same line of 2018.
Online sales were down (-3.4%) and in the Clubs channel (-3%).

Revenue from the Magazines Italy Area, amounting to € 130,867 thousand, fell by 11.3% (-3.9% net of the sale of Inthera and *Panorama* in May and November 2018), as a result of the fall in the sale of copies (-18.8%; on a like-for-like basis -13.7%), advertising sales (-10.2%; with the digital channel up by 15% and print down by 21.3% on a like-for-like basis), and the distribution of third publishers' products and other activities (-9.0%).
Revenue from add-on products increased (+5.3%; on a like-for-like basis +16.9%).
Mondadori retained its position as Italy's leading digital publisher, with a reach of 77% in the month and 29.3 million unique users.

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

28. COST OF RAW MATERIALS, GOODS AND CONSUMABLES

“Cost of raw materials, goods and consumables" decreased by € 4,497 thousand versus first half 2018. Costs for the purchase of paper fell by € 3,505 thousand, as a result of the lower print runs in the Magazines Italy Area (€ -1,487 thousand), and of a different procurement schedule in the Books Area (€ -2,018 thousand); costs for the purchase of goods and consumables fell by € 992 thousand, as a result of the increase by Rizzoli Education S.p.A. for the purchase of English-language books, and the contraction by Mondadori Retail S.p.A., which reduced its stocks.

Cost of raw materials, goods and consumables (Euro/thousands)	**1° half 2019**	**1° half 2018**
Paper	23,175	26,680
Goods for re-sale and consumables	53,076	54,068
Total cost of raw materials, goods and consumables	**76,251**	**80,748**

29. COST OF SERVICES

“Cost of services" decreased by € 24,377 thousand (€ -16,342 thousand net of the IFRS 16 effect), in line with the revenue trend; the most significant decreases concern:

- printing costs (€ -3,642 thousand in the Magazines Area and € -1,999 thousand in the Retail Area);
- costs for rights and royalties (€ -1,239 thousand in the Magazines Area and € -2,847 thousand in the Books Area, partly due to lower write-offs of non-recoverable advances);
- logistics costs, as a result of lower volumes handled and better rates (€ -2,807 thousand in the Magazines Area, € -1,310 thousand in the Retail Area).

Commission costs, amounting to € 13,481 thousand, increased as a result of the growth in revenue in the Books Area and the valuation of the agents’ termination indemnity based on the actuarial method.

Costs relating to the publisher's share increased by € 749 thousand as a result of the growth in advertising sales by Adkaora on the websites of third-party publishers.

Cost of services (Euro/thousands)	**1° half 2019**	**1° half 2018**
Rights and royalties	40,143	42,990
Commissions and costs for agents	13,481	11,811
Printing and external processing	60,106	66,097
Logistics costs	22,573	26,306
Consultancy services and collaborations	19,829	18,840
Newsstands channel fee	15,332	16,814
Purchase of advertising space and promotion expenses	11,426	11,331
Publisher's share	1,699	950
Travel, gifts and entertainment expenses	2,241	2,945
Directors' and statutory auditors' fees	2,309	2,175
Insurance	1,123	1,017
Utilities	2,993	3,051
Catering, security and cleaning services	2,122	2,362
Market surveys, news agencies	1,585	1,939
Bank services and commissions	603	753
IT, technical support and administrative services	11,465	11,675
Temporary work fees	2,736	3,287
Rents and service expenses	1,051	9,730
Other services	5,895	8,767
Total cost of services	**218,712**	**242,840**

"Directors' and statutory auditors' fees" comprised fees paid to Directors and Statutory Auditors for € 2,072 thousand and € 236 thousand, respectively.

30. COST OF PERSONNEL

Employees with a fixed-term or permanent labour contract working with the Group companies amounted to 2,117 units, down versus 30 June 2018, as a result of the sale of Inthera S.p.A. and *Panorama* in 2018 and the ongoing efficiency gains implemented across the Group's areas.

Headcount	**Actual 30/06/2019**	**Actual 30/06/2018**	**Average 1° half 2019**	**Average 1° half 2018**
Executives	100	100	100	101
White collars, middle managers and journalists	2,005	2,110	2,009	2,145
Blue collars	12	14	12	14
Total	**2,117**	**2,224**	**2,121**	**2,260**

Cost of personnel decreased by 10.4% versus first half 2018, as a result of the reduction in headcount, changes in the consolidation scope and lower restructuring costs of € 4,261 thousand.

Cost of personnel (Euro/thousands)	**1° half 2019**	**1° half 2018**
Salaries and wages	54,075	57,471
Social security expense	15,399	16,387
Post-employment benefits TFR	(87)	14
Supplementary pension scheme plans	3,785	3,930
Other costs	1,006	4,979
Total cost of personnel	**74,178**	**82,781**

The Shareholders' Meetings of 27 April 2017, 24 April 2018 and 17 April 2019 approved Performance Share Plans for the three-year periods 2017-2019, 2018-2020 and 2019-2021, intended for certain Mondadori Group staff who hold key roles in achieving strategic results.
The cost accrued in first half 2019 and recognized in the income statement, regarding the fair value of shares granted, amounted to € 633 thousand.

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

31. OTHER (INCOME) EXPENSE

"Other (income) expense" came to € -760 thousand, increasing by € 141 thousand.

Other (income) expense (Euro/thousands)	**1° half 2019**	**1° half 2018**
Other revenue and income	(363)	(2,251)
Other operating expense	1,123	2,870
Total other (income) expense	**760**	**619**

Specifically:

- "Other revenue and income" decreased by € 1,888 thousand, as a result mainly of the recognition of lower contingent assets versus 2018;

Other (income) expense – Other revenue and income (Euro/thousands)	**1° half 2019**	**1° half 2018**
Year's contributions	82	259
Capital gains from the disposal of fixed assets and business units	3	4
Rentals	-	557
Contingent assets	235	1,265
Other	43	166
Total other revenue and income	**363**	**2,251**

- “Other operating expense" decreased by € 1,747 thousand, due mainly to the capital losses incurred in 2018 from the sale of Inthera S.p.A.

Other (income) expense – Other operating expense (Euro/thousands)	**1° half 2019**	**1° half 2018**
Receivables management	2,192	1,867
Reimbursements and settlements	(2,307)	(3,181)
Contributions and grants	852	801
Contingent liabilities	116	498
Capital loss from the disposal of fixed assets and business units	-	2,096
Other tax and duties	1,264	834
Other expense	(994)	(45)
Total other operating expense	**1,123**	**2,870**

32. FINANCIAL EXPENSE (INCOME)

Net financial expense in 2019 decreased by € 973 thousand versus the prior year, as a result mainly of:

- the decrease in interest expense (€ 1,138 thousand), due to the change in the debt rate from the pool loan (€ 920 thousand) and the reduction in the cost of committed lines (€ 218 thousand);
- higher financial income from a substitute tax refund on medium/long-term loans for € 523 thousand;
- higher financial expense of € 1,033 thousand from the application of IFRS 16 as from 1 January 2019;
- lower net sundry financial expense (other interest, discounting of post-employment benefits, exchange differences) of € 345 thousand.

Financial expense (income) (Euro/thousands)	**1° half 2019**	**1° half 2018**
Interest from banks and post offices	32	-
Financial income from derivatives	-	-
Financial income	544	20
Other interest	14	13
Total interest and other financial income	**590**	**33**
Interest to banks and post offices	-	2
Interest on bonds, loans and borrowings and other expense	826	1,964
Financial expense from derivatives	420	464
Other financial expense for discounting assets/liabilities	170	157
Other interest	167	425
Total interest expense and other financial expense	**1,583**	**3,012**
Exchange losses (gains)	**20**	**40**
Financial expense IFRS 16	1,033	-
Total financial expense (income)	**2,046**	**3,019**

33. EXPENSE (INCOME) FROM INVESTMENTS

The income statement effect of companies consolidated at equity and other companies improved by € 5,141 thousand versus first half 2018, as a result of the write-down of Mach 2 Libri S.p.A. in liquidation in 2018, mitigated by the increase in the negative results of Società Europea di Edizioni S.p.A., Mediamond S.p.A. and Mondadori Seec Advertising Co. Ltd.

Expense (income) from investments (Euro/thousands)	**1° half 2019**	**1° half 2018**
Equity-accounted investees:		
- Attica Publications Group	(129)	(117)
- Società Europea di Edizioni S.p.A.	2,734	1,406
- Mach 2 Libri S.p.A. in liquidation	-	6,765
- GD Media Service S.r.l.	-	(6)
- Campania Arte S.c.a r.l.	14	-
- Venezia Accademia Società per i servizi museali S.c.a r.l.	-	(1)
- Edizioni EL S.r.l.	(570)	(472)
- Mediamond S.p.A.	309	29
- Mondadori Seec Advertising Co. Ltd	114	(509)
- Monradio S.r.l.	541	1,090
- Milano Distribuzione Media S.r.l.	-	(31)
Total expense (income) from investments	**3,013**	**8,154**

34. INCOME TAX

Income tax (Euro/thousands)	**1° half 2019**	**1° half 2018**
IRES on income for the period	761	(489)
IRAP for the period	819	1,090
Total current tax	**1,580**	**601**
Deferred/pre-paid tax for IRES	1,814	(344)
Deferred/pre-paid tax for IRAP	197	330
Total deferred/pre-paid tax	**2,011**	**(14)**
Other tax items	(580)	(3,093)
Total income tax	**3,011**	**(2,506)**

The comparison between the tax income of € 2,506 thousand in first half 2018 and the tax charge of € 3,011 thousand at the end of the first half under review resulted in a higher cost of € 5,517 thousand between the two periods.

The increase in tax charges is due mainly to the improvement in the operating results achieved by the Group in 2019, and to the greater benefits deriving from the tax consolidation in 2018.

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 2019	1° half 2018
Net result for the period (Euro/000)	(5,927)	(15,276)
Weighted average number of outstanding ordinary shares (no./000)	260,098	260,536
Basic earnings per share from continuing operations (Euro)	**(0.023)**	**(0.059)**

	1° half 2019	1° half 2018
Net result for the period (Euro/000)	(1,868)	(12,479)
Weighted average number of outstanding ordinary shares (no./000)	260,098	260,536
Basic earnings per share (Euro)	**(0.007)**	**(0.048)**

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 2019	1° half 2018
Net result for the period (Euro/000)	(5,927)	(15,276)
Weighted average number of outstanding ordinary shares (no./000)	261,598	260,536
Number of options with diluted effect (no./000)		
Diluted earnings per share of continuing operations (Euro)	**(0.023)**	**(0.059)**

	1° half 2019	1° half 2018
Net result for the period (Euro/000)	(1,868)	(12,479)
Weighted average number of outstanding ordinary shares (no./000)	261,598	260,536
Number of options with diluted effect (no./000)		
Diluted earnings per share (Euro)	**(0.007)**	**(0.048)**

36. COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2019, the Mondadori Group has commitments underwritten for a total amount of € 95,163 thousand (€ 95,766 thousand at 31 December 2018), represented mainly by guarantees issued on VAT receivables subject to reimbursement and prize contests transactions.

37. 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 2019

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Cost of raw materials	Cost of services	Personnel expense	Other (income) expense	Financial (income) expense
Parent companies:														
- Fininvest S.p.A.			50		3		599				3			
Associates														
- Mach 2 Libri S.p.A.	2,984				44				(2,188)	2				
- Venezia Musei Società per i servizi museali S.c.a r.l.				13										
- Harlequin Mondadori S.p.A.														
- Attica Publications Group	22	500			19				1					(12)
- Edizioni EL S.r.l.	726			22	960				779	14	3			
- Società Europea di Edizioni S.p.A.	531			(68)	567				(8,111)	75	6			
- Venezia Accademia Soc. per i serv. mus. S.c.a r.l.	51	25			50						24			
- Mediamond S.p.A.	33,966	230		(71)	4,212			421	32,566	1,549	525		176	
- Mondadori Seec Advertising Co. Ltd	383				355				1,091				31	
- GD Media Service S.r.l.					267					277	444			
- Monradio S.r.l.	5				4									
Total associates	**38,668**	**755**	**0**	**(104)**	**6,478**	**0**	**0**	**421**	**24,138**	**1,917**	**1,002**	**0**	**207**	**(12)**

Transactions with related parties: figures at 30 June 2019

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Cost of raw materials	Cost of services	Personnel expense	Other (income) expense	Financial (income) expense
Affiliates:														
- RTI - Reti Televisive Italiane S.p.A.	338				1,684			8	(2,015)		33			
- Publitalia 80 S.p.A.				2	569			489	1		837			
- Digitalia ’08 S.r.l.														
- Banca Mediolanum S.p.A.								7						
- Publieurope Ltd														
- Il Teatro Manzoni S.p.A.	18								15					
- Mediaset S.p.A.									2					
- Alba Servizi Autotrasporti S.p.A.											23			
- Mediolanum Comunicazione S.p.A.									15					
- Fininvest Real Estate Services S.p.A.														
- Milan Entertainment S.r.l.														
- Mediaset Premium S.p.A.														
- Media4Commerce S.p.A.					(65)									
- Mediobanca S.p.A.														
- Medusa Film S.p.A.					16									
- TaoDue S.r.l.				3							(3)			
- Radio Mediaset S.p.A.	7				7				6					
Total affiliates	**363**	**0**	**0**	**5**	**2,211**	**0**	**0**	**504**	**(1,976)**	**0**	**890**	**0**	**0**	**0**
Total related parties	**39,030**	**755**	**50**	**(99)**	**8,692**	**0**	**599**	**926**	**22,161**	**1,917**	**1,895**	**0**	**207**	**(12)**
of which related parties from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage on item	**17.5%**	**20.8%**	**0.2%**	**n.s.**	**3.3%**	**n.s.**	**20.8%**	**0.8%**	**5.8%**	**2.5%**	**0.9%**	**n.s.**	**27.2%**	**n.s.**

Transactions with related parties: balance sheet figures at 31 December 2018 and income statement 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	Cost of raw materials	Cost of services	Personnel expense	Other (income) expense	Financial (income) expense
Parent companies:														
- Fininvest S.p.A.	4		143		40		13,217				21			
Associates														
- Mach 2 Libri S.p.A.	8,278				31				(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	38	500			14									(12)
- Edizioni EL S.r.l.	971			12	5,834				(2,662)	12	8			
- Società Europea di Edizioni S.p.A.	494			43	460	738		123	(9,523)	119	(4)		(11)	
- Venezia Accademia Soc. per i serv. mus. S.c.a r.l.	45	25			18						15		(5)	
- Mediamond S.p.A.	31,494			229	5,015				38,625	1,206	194		28	
- Mondadori Seec Advertising Co. Ltd	532				300				666				67	
- GD Media Service S.r.l.					364				1	143	275			
- Monradio S.r.l.	16										3		(5)	
Total associates	**42,128**	**525**	**0**	**296**	**12,036**	**738**	**0**	**123**	**25,722**	**1,480**	**492**	**0**	**74**	**(12)**

Transactions with related parties: balance sheet figures at 31 December 2018 and income statement 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	Cost of raw materials	Cost of services	Personnel expense	Other (income) expense	Financial (income) expense
Affiliates:														
- RTI - Reti Televisive Italiane S.p.A.	1,116				1,356			480	(2,060)		8	(54)	(3)	
- Publitalia 80 S.p.A.					739						1,271			
- Digitalia ’08 S.r.l.					10						7			
- Banca Mediolanum S.p.A.	29							7	224					
- Publieurope Ltd														
- Il Teatro Manzoni S.p.A.									108		108			
- Mediaset S.p.A.	11								1					
- Alba Servizi Autotrasporti S.p.A.														
- Mediolanum Comunicazione S.p.A.									13					
- Fininvest Real Estate Services S.p.A.					12									
- Milan Entertainment S.r.l.														
- Mediaset Premium S.p.A.										1				
- Media4Commerce S.p.A..														
- Mediobanca S.p.A.														
Total affiliates	**1,156**	**0**	**0**	**0**	**2,117**	**0**	**0**	**487**	**(1,714)**	**1**	**1,394**	**(54)**	**(3)**	**0**
Total related parties	**43,288**	**525**	**143**	**296**	**14,193**	**738**	**13,217**	**610**	**24,008**	**1,481**	**1,907**	**(54)**	**71**	**(12)**
of which related parties from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage on item	**19.8%**	**6.3%**	**0.6%**	**0.4%**	**5.5%**	**0.6%**	**86.4%**	**0.4%**	**6.1%**	**1.8%**	**0.8%**	**n.s.**	**11.5%**	**n.s.**

38. NON-RECURRING (INCOME) EXPENSE

In first half 2019, the Mondadori Group, as in the same period of 2018, recorded no non-recurring income or expense, under CONSOB Resolution no. 15519 of 27 July 2006.

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 2019**	**Fair value hierarchy**	**Valuation method and main inputs**
Interest rate swap contracts	(1,447)	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	439	Level 3	Based on the nature of the investments held in other enterprises, the cost may be considered representative of the fair value.

40. OPERATING SEGMENTS

The disclosure 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 the Top Management to define actions and strategies, evaluate investment opportunities and allocate resources.

As a result of the discontinuity of Mondadori France, the presentation has changed from the situation shown in the Half-Year Financial Report at 30 June 2018, but in continuity with the Annual Financial Report at 31 December 2018.

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Directors' Report on Operations contains a description of the events that occurred after 30 June 2019.

For the Board of Directors
The Chairman
Marina Berlusconi

Segment reporting: figures at 30 June 2019

(Euro/thousands)	Books	Retail	Magazines Italy	Corporate & Shared Services	Consolidation adjustments and discontinued operations	Consolidated result
Revenue from sales and services from external customers	**166,357**	**81,050**	**131,384**	**1,188**	**-**	**379,979**
Revenue from sales and services from other sectors	**17,436**	**319**	**(517)**	**17,942**	**(35,180)**	**0**
EBITDA	**15,798**	**(852)**	**6,414**	**(749)**	**-**	**20,611**
EBIT	**9,740**	**(5,989)**	**3,670**	**(5,278)**	**-**	**2,143**
Financial expense (income)	333	502	162	(309)	1,358	2,046
Expense (income) from equity-accounted investees	(556)	-	294	3,275	-	3,013
Result before tax and non-controlling interests	**9,963**	**(6,490)**	**3,214**	**(8,245)**	**(1,358)**	**(2,916)**
Income tax	-	-	-	3,011	-	3,011
Result attributable to non-controlling interests	-	-	-	-	1,170	1,170
Result from discontinued operations	-	-	-	(1,000)	6,229	5,229
Net result	**9,963**	**(6,490)**	**3,214**	**(12,256)**	**3,701**	**(1,868)**
Amortization, depreciation and impairment	6,057	5,136	2,743	4,532	-	18,468
Other non-monetary costs	4,189	1,090	825	11	-	6,115
Capital expenditure	6,028	240	391	1,890	-	8,549
Equity-accounted investees	3,372	-	17,399	8,815	-	29,586
Total assets	554,100	129,412	193,073	482,790	(198,654)	1,160,721
Total liabilities	253,605	134,576	158,097	561,272	(117,425)	990,125

	Revenue from sales and services	Fixed assets
Italy	356,487	336,368
France	195	-
Other EU countries	7,572	-
USA	13,506	8,097
Other countries	2,219	-
Consolidated result	**379,979**	**344,465**

Segment reporting: income statement figures at 30 June 2018 and balance sheet figures at 31 December 2018

(Euro/thousands)	**Books**	**Retail**	**Magazines Italy**	**Corporate & Shared Services**	**Consolidation adjustments and discontinued operations**	**Consolidated result**
Revenue from sales and services from external customers	**159,408**	**82,773**	**147,686**	**926**	**-**	**390,793**
Revenue from sales and services from other sectors	**19,592**	**313**	**(200)**	**16,437**	**(36,142)**	**0**
EBITDA	**12,499**	**(3,501)**	**(96)**	**(5,361)**	**-**	**3,541**
EBIT	**6,840**	**(5,138)**	**(2,170)**	**(6,142)**	**-**	**(6,610)**
Financial expense (income)	437	275	77	588	1,642	3,019
Expense (income) from equity-accounted investees	6,292	-	(603)	2,496	-	8,185
Result before tax and non-controlling interests	**111**	**(5,413)**	**(1,613)**	**(9,226)**	**(1,642)**	**(17,783)**
Income tax	-	-	-	(2,506)	-	(2,506)
Result attributable to non-controlling interests	-	-	-	-	1,085	1,085
Result from discontinued operations	-	-	-	-	3,882	3,882
Net result	**111**	**(5,413)**	**(1,613)**	**(6,720)**	**1,156**	**(12,479)**
Amortization, depreciation and impairment	5,659	1,637	2,074	781	-	10,151
Other non-monetary costs	16,393	1,224	1,814	23	-	19,454
Capital expenditure	10,389	2,626	2,596	7,478	-	23,089
Equity-accounted investees	3,652	-	17,721	10,447	-	31,820
Total assets	610,945	103,964	199,730	494,360	(298,622)	1,110,377
Total liabilities	270,225	107,433	169,162	606,527	(213,669)	939,678

	Revenue from sales and services	**Fixed assets**
Italy	367,567	242,591
France	534	-
Other EU countries	7,307	-
USA	12,990	3,216
Other countries	2,395	-
Consolidated result	**390,793**	**245,807**

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 2019

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	24,19%	indirect	Mondadori Electa S.p.A.	24,19%	Rome - Via Sommacampagna 9	09086401008	18/07/2006
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 Bianca di Savoia 12	09440000157	19/09/1988
Mach 2 Libri S.r.l. - in liquidation (Italy)	EURO	646.250	44,91%	indirect	Mondadori Libri S.p.A.	44.91%	Milan (MI) - Via Felice Casati 20	03782990158	06/05/1983
GD Media Service S.r.l. (Italy)	EURO	789.474	29%	indirect	Press-Di Distribuzione Stampa e Multimedia S.r.l.	29%	Milan (MI) - Via Carlo Cazzaniga 19	07014150960	27/04/2010
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	Direct Channel 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
Direct Channel S.p.A.	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 S.c.a.r.l. (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	Direct Channel S.p.A.	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		4/06/2008
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 Company's characteristics and
   - the actual application of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements of the first six months of 2019.

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 2019 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 certify that:

   3.1 the condensed consolidated half-year financial statements at 30 June 2019:
   - 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) give a true and fair view of the financial position and results of operations of the Issuer and the 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.

30 July 2019

The CEO

(Ernesto Mauri)

The Financial Reporting Manager

(Oddone Pozzi)

INDEPENDENT AUDITORS' REPORT

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Review report on the condensed consolidated half-year financial statements
(Translation from the original Italian text)

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

Introduction

We have reviewed the condensed consolidated half-year financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated comprehensive income statement, the statement of changes in Group consolidated equity, the consolidated statement of cash flows and the related explanatory notes of Arnoldo Mondadori Editore S.p.A. and its subsidiaries (the "Mondadori Group") as of June 30, 2019. The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the condensed consolidated half-year financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half-year financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of condensed consolidated half-year 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 on the condensed consolidated half-year financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-year financial statements of Mondadori Group as of June 30, 2019 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other matters

The consolidated financial statements for the year ended December 31, 2018 and the condensed consolidated half-year financial statements for the half-year period ended June 30, 2018 have been respectively audited and reviewed by another auditor who expressed an unqualified opinion on the consolidated financial statements on March 27, 2019 and expressed an unqualified conclusion on the condensed consolidated half-year financial statements on August 1, 2018.

Milan, July 31, 2019

EY S.p.A.
Signed by: Luca Pellizzoni (Partner)

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