ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital € 67,979,168.40
Registered Office in Milan
Administrative Offices in Segrate (Milan)

Half-Year Report at 30 June 2020

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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
Alessandro Franzosi***
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*

**** Appointed Director, by co-optation, by resolution of the Board of Directors of 14 May 2020*

MONDADORI GROUP ORGANIZATION

ARNOLDO MONDADORI EDITORE S.P.A.

Books

- Mondadori Libri S.p.A. **100%**
  - Giulio Einaudi editore S.p.A. **100%**
    - Edizioni EL S.r.l. **50%**
  - Mondadori Education S.p.A. **100%**
  - Electa S.p.A. **100%**
    - Abscondita S.r.l. **80%**
  - Rizzoli Education S.p.A. **99.99%**
  - Mach 2 Libri S.p.A.* **44.91%**

Retail

- Mondadori Retail S.p.A. **100%**

Media

- Mondadori Media S.p.A. **100%**
  - AdKaora S.r.l. **100%**
  - Attica Publications S.A. **41.98%**
  - Direct Channel S.p.A. **100%**
    - Mediamond S.p.A. **50%**
    - Mondadori Seec (Beijing) Advertising Co.Ltd **50%**
- Mondadori Scienza S.p.A. **100%**
- Press-di S.r.l. **100%**

Other business

- Reworld Media **17.3%**
- Società Europea di Edizioni S.p.A. **18.445%**
- Monradio S.r.l. **20%**
- Stile Italia Edizioni S.r.l. **25%**

Legend:

Subsidiary companies | Affiliated companies

As at 30 June 2020

* Put into liquidation

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**
Alessandro Franzosi	**Group Chief Financial Officer**
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.**
Carmine Perna	**Managing Director of Mondadori Retail S.p.A.**
Carlo Mandelli	**General Manager - Magazines Italy**
Andrea Santagata	**Chief Innovation Officer**

As at 30 June 2020

* Members of the Board of Directors

DIRECTORS’ REPORT ON OPERATIONS AT 30 JUNE 2020

MONDADORI GROUP HIGHLIGHTS IN 1° HALF 2020

(Euro/millions)	1H 2020	1H 2019	*Chg.*
Revenue	**288.9**	**380.0**	***(24.0%)***
Adjusted EBITDA	**11.0**	**21.8**	***(10.9)***
% on revenue	*3.8%*	*5.7%*	
EBITDA	**8.4**	**20.6**	***(12.2)***
% on revenue	*2.9%*	*5.4%*	
EBIT	**(17.2)**	**2.1**	***(19.3)***
% on revenue	*(5.9%)*	*0.6%*	
Result from continuing operations	**(25.0)**	**(4.6)**	***(20.4)***
Group net result	**(25.0)**	**(1.9)**	***(23.1)***
Revenue	**288.9**	**380.0**	***(24.0%)***
Books	145.9	183.8	*(20.6%)*
Retail	59.0	81.4	*(27.5%)*
Media	95.8	130.9	*(26.8%)*
Corporate & Shared Services	22.1	19.1	*15.5%*
Intercompany	*(33.8)*	*(35.2)*	*(3.9%)*
EBIT	**(17.2)**	**2.1**	***(19.3)***
Books	3.9	9.7	*(5.8)*
Retail	(8.2)	(6.0)	*(2.2)*
Media	(7.9)	3.7	*(11.6)*
Corporate & Shared Services	(6.0)	(5.3)	*(0.7)*
Intercompany	*1.0*	*0.0*	*1.0*
Group Equity	**144.9**	**140.7**	***3.0%***
Net Financial Position	**(219.5)**	**(306.2)**	***(28.3%)***
End-of-period headcount	**1,928**	**2,117**	***(8.9%)***

** Changes in this report were calculated on amounts expressed in Euro thousands*

MAIN ELEMENTS IN MONDADORI BUSINESS AREAS

The first six months of 2020 were regrettably and inevitably marked by the adverse effects of the health emergency brought by the spread of COVID-19.

Starting from the first ten days of March, in fact, the gradual and increasingly widespread application of restrictive measures to social and economic activities has significantly curtailed most of the activities related to the businesses where the Group operates as a leader.

From 12 March up to the end of April, the adoption of government measures to contain the pandemic led to the closure of bookstores throughout Italy, with the resulting suspension of most of the activities related to the Group's **Retail** business.

Parallel to that and over the same period, the **Trade** business had to tackle the shutdown of the physical channel for the marketing of its products and, consequently, could only rely on the online channel for the sale of books which, moreover, had to apply restrictions to the delivery of books arising from the need to prioritize the distribution of staple goods.

The emergency measures concurrently led to the closure of museum sites, archaeological parks and relating bookstores across all Italian regions, with the resulting interruption of the Group's activities for managing museums and cultural heritage.

Lastly, the **Media** business[1] too recorded declines following closure of part of the newsstands in Italy and the reduction of advertising investments.

In order to address this situation, the Group has set up and implemented a series of actions and measures aimed, first and foremost, at ensuring that its employees continue to work remotely (smart working) and/or in conditions of total safety, and also at **containing operating and personnel costs** with the aim of offsetting the operating and financial impact from the measures adopted by the authorities to contain the pandemic.

Starting from May, with the lifting of the lockdown restrictions, the Trade book market showed stronger and stronger signs of recovery over the last 6 weeks of the half-year period, with double-digit growth rates versus the same period of the prior year.

The recovery has propelled the growth of the **Trade** and **Retail** businesses, allowing them to partly regain revenue lost in the March-April period.

Conversely, the reopening procedures of museum and archaeological sites (restrictions on access, distancing, sanitation obligations) and the decline of tourist flows have greatly hindered the recovery phase of the **museum business** capable of curbing and countering the constant erosion of revenue versus the prior year and the plans originally scheduled for the current year.

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[1] As from 1 January 2020, the activities referring to Mondadori Group magazines and websites, as well as the investments in the Magazines Italy Area, were transferred to the wholly-owned subsidiary Mondadori Media S.p.A. (see Media section p. 38).

The **Media** business instead, which had witnessed a sharp and sudden reduction in advertising investments during the lockdown period that affected both the print and digital components, failed to achieve the solid recovery in advertising sales, but saw at least some resilience in circulation and consequent revenue.

In light of the outlined context, the Group's operating and financial profile in the first half of the year is as follows:

- **revenue** amounted to **€ 288.9 million**, down by **-24%** versus the same period of 2019 **(-22%** on a like- for-like basis);
- **Adjusted EBITDA** (including the IFRS 16 effect) amounted to **€ 11.0 million** versus **€ 21.8 million** in the prior year (down by € 10.9 million versus the same period of 2019);
- the **result of continuing operations**, amounting to **€ -25.0 million**, fell by € -20.4 million versus the prior year, due largely to (i) the change from indefinite to finite useful life of *TV Sorrisi e Canzoni* and the resulting start of the amortization process of the magazine and its concurrent impairment as well as goodwill (a total of € 7.3 million), and (ii) non-recurring items such as the write-down of Reworld Media shares held (€ 6.6 million), higher financial expense (€ +2.7 million[2]), higher restructuring and/or extraordinary costs (€ 1.4 million), as well as higher losses by the investees (€ 0.4 million);
- **cash flow from ordinary operations** in the context of continuing operations over the last 12 months amounted to **€ 36.7 million** versus € 48.5 million at 31 December 2019, confirming the business's cash generation ability despite the highly deteriorated context of the six months under review;
- **net debt (no IFRS 16)** amounted to **€ -130.1 million**, improving strongly **(approximately +36%**) versus **€ -204.2 million** at 30 June 2019, due also to the proceeds (€ 62.8 million) from the disposal completed in July 2019 of Mondadori France.

The Group's financial situation and medium-term prospects, despite the significant stress put on the entire global economic system in this specific historical juncture, allow it to maintain a positive attitude towards future developments, albeit in a partly and inevitably affected economic scenario impacted by the COVID-19 health emergency.

COVID-19 FOCUS

Since 23 February 2020, the Group has taken immediate action to both implement all the preventive measures required to protect the health of its employees and associates, in accordance with the provisions of the Ministry of Health and in conjunction with the company health officer, and curb the impact of the health emergency on the operations and performance of the business areas.

[2] First half 2019 had benefited from the recognition under this item of i) a positive component of € 0.9 million from the application of IFRS 9 and ii) a substitute tax refund (€ 0.5 million).

These actions have been integrated by constantly monitoring the situation and providing updates on developments, also in order to guarantee the entire company population real-time access to information deemed essential for working safely.

Specifically, the Mondadori Group has:

i. set up a cross-functional **Crisis Committee**, including workers' representatives, which has been tasked with putting forward the necessary urgent measures and coordinating actions, taking account of the specific nature of each company area;

ii. promptly encouraged the use of **smart working**, enabling almost all workers to do so, with a physical presence only of staff tasked with monitoring the sites;

iii. published and made available to the entire company population a **Company Anti-Contagion Protocol**, containing the principles and rules adopted and to adopt;

iv. fitted itself with the necessary personal and corporate **protective equipment**, distributed face masks and sanitizers to the company population, and installed spray dispensers inside the premises. It has taken steps to sanitize the workplace in coordination with the company health officer, the relevant authorities, Safety Managers and Workers' Trade Union Representatives;

v. launched a **new intranet platform** accessible from all devices, which has allowed employees and associates to engage seamlessly with the company even remotely;

vi. carried out, through workshops and online webinars, **training** on how to behave in order to carry out remote activities safely;

vii. introduced **new services for employees and associates**, including a website that is permanently accessible with all the necessary information, a dedicated email address to submit specific questions and requests, and psychological counseling desks both online and within the company;

viii. offered employees the possibility of taking advantage, during the period of social distancing, of a series of initiatives launched by the Group's publishing houses, bookstores and brands, including a year's free digital subscription to the Group's magazines and a temporary service that allows employees to purchase books from their home at the same conditions applied by the company bookstore;

ix. assessed the adequacy of the measures taken and their compliance with the principles of **privacy** law.

With regard to the measures implemented, **disclosure** has been provided to the corporate control bodies and Internal Committees, also in order to receive guidance on the strategies to adopt, both in the initial phase of the health emergency and in preparing the gradual return of workers to the premises.

It should be noted that the Group has started an analysis of the organization models and processes to make the most of the current experiences and use them to gain ongoing benefits in terms of efficiency of a number of adopted and planned solutions (e.g. digitization, computerization and smart working most of all).

On top of these actions, the Group has also adopted a series of measures to contain the impact on results from the health emergency (and its containment measures) and safeguard its operating and financial profile, specifically, it has:

i. taken steps to **contain and cut operating costs** also by renegotiating contracts and reviewing rates, with total savings estimated at **€ 13 million** for the entire year;
ii. implemented actions to reduce the cost of personnel, estimated at **approximately € 15 million** for the entire year, by using outstanding holidays and resorting to **social safety nets**, as well as resolving to reduce the **variable remuneration** of **Management** for 2020 and, lastly, **suspending remuneration and hiring policies**;
iii. placed particular emphasis on optimizing the **Group's working capital** (with specific actions on customers and suppliers);
iv. implemented a policy of **deferred payments** in favour of the book chains, independent and franchised bookstores of the Retail Area, aimed at safeguarding the strength of the distribution channels and **supporting the chain** in the Group’s area of operation.

Additionally, for the different business activities:

- in the **Trade** Area, the editorial programmes have been reshaped, with a plan to phase out "minor" titles;
- in the **Education** Area, actions have been taken to curb or eliminate the costs related to the stoppage and canceling of museum and archaeological park activities;
- in the **Media** Area, a strict policy has been adopted to reduce the production costs of the Group's various magazines, also by merging and re-calendaring the issues of various titles including *Grazia* and *Icon*, as well as reducing the number of pages;
- in the **Retail** Area, a plan has been implemented to reduce the overheads of the points of sale, to rationalize the units and to streamline the portfolio of points of sale, which envisages the opening of new locations and the closure of the more marginal ones.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 1° HALF

	1H 2020		1H 2019		*Chg. vs PY*	*Chg. vs PY %*
REVENUE	**288.9**	*100.0%*	**380.0**	*100.0%*	***(91.0)***	***(24%)***
INDUSTRIAL PRODUCT COST	84.8	*29.4%*	121.4	*31.9%*	*(36.6)*	*(30%)*
VARIABLE PRODUCT COSTS	42.9	*14.9%*	54.6	*14.4%*	*(11.7)*	*(21%)*
OTHER VARIABLE COSTS	60.7	*21.0%*	74.5	*19.6%*	*(13.8)*	*(18%)*
STRUCTURAL COSTS	24.2	*8.4%*	28.1	*7.4%*	*(3.9)*	*(14%)*
EXTENDED LABOUR COST	65.5	*22.7%*	79.3	*20.9%*	*(13.8)*	*(17%)*
OTHER EXPENSE (INCOME)	(0.2)	*(0.1%)*	0.2	*0.1%*	*(0.5)*	*n.s.*
ADJUSTED EBITDA	**11.0**	***3.8%***	**21.8**	***5.7%***	***(10.9)***	***(50%)***
RESTRUCTURING COSTS	1.6	*0.6%*	1.1	*0.3%*	*0.5*	*41%*
EXTRAORDINARY EXPENSE (INCOME)	0.9	*0.3%*	0.1	*0.0%*	*0.9*	*n.s.*
EBITDA	**8.4**	***2.9%***	**20.6**	***5.4%***	***(12.2)***	***(59%)***
AMORTIZATION AND DEPRECIATION	18.2	*6.3%*	11.1	*2.9%*	*7.2*	*65%*
AMORTIZATION AND DEPRECIATION IFRS 16	7.4	*2.5%*	7.4	*1.9%*	*(0.0)*	*(1%)*
EBIT	**(17.2)**	***(6.0%)***	**2.1**	***0.6%***	***(19.3)***	***n.s.***
FINANCIAL EXPENSE AND (INCOME)	2.4	*0.8%*	(0.3)	*(0.1%)*	*2.7*	*n.s.*
FINANCIAL EXPENSE IFRS 16	1.3	*0.5%*	1.0	*0.3%*	*0.3*	*26%*
FINANCIAL EXPENSE (INCOME) FROM SECURITIES VALUATION	6.6	*2.3%*		*0.0%*	*6.6*	*n.s.*
EXPENSE AND (INCOME) FROM INVESTMENTS	3.4	*1.2%*	3.0	*0.8%*	*0.4*	*12%*
EBT	**(30.9)**	***(10.7%)***	**(1.6)**	***(0.4%)***	***(29.3)***	***n.s.***
TAX EXPENSE (INCOME)	(5.9)	*(2.0%)*	3.0	*0.8%*	*(8.9)*	*n.s.*
RESULT FROM CONTINUING OPERATIONS	**(25.0)**	***(8.7%)***	**(4.6)**	***(1.2%)***	***(20.4)***	***n.s.***
RESULT FROM DISCONTINUED OR DISCONTINUING OPERATIONS		***0.0%***	**3.9**	***1.0%***	***(3.9)***	***n.s.***
NET RESULT FOR THE PERIOD (GROUP AND NON-CONTROLLING INTERESTS)	**(25.0)**	***(8.7%)***	**(0.7)**	***(0.2%)***	***(24.3)***	***n.s.***
NON-CONTROLLING INTERESTS	**(0.0)**	***(0.0%)***	**1.2**	***0.3%***	***(1.2)***	***n.s.***
GROUP INTERESTS	**(25.0)**	***(8.7%)***	**(1.9)**	***(0.5%)***	***(23.1)***	***n.s.***

The item *Extended Labour Cost* includes costs for collaborations and temporary employment.

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

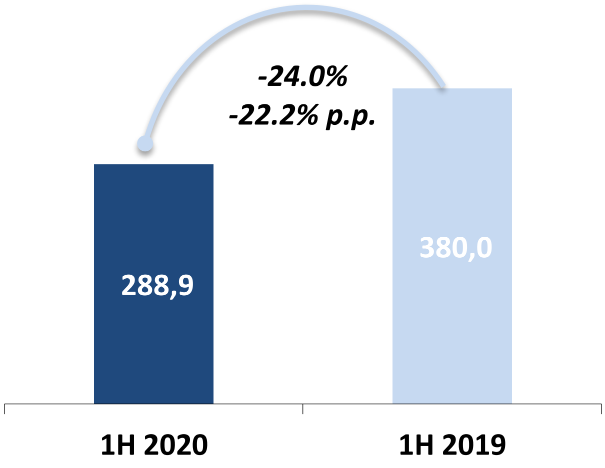
REVENUE

Consolidated revenue in 1° half 2020 amounted to **€ 288.9 million** (down by 24% versus € 380.0 million in the prior year).

Net of the change in the scope of consolidation of the Media Area from the disposal of the titles and websites of *Sale&Pepe*, *Cucina Moderna*, *Starbene*, *Tu Style* and *Confidenze*, **revenue fell by approximately -22%, due basically to the effects of COVID-19**.

In the **Books** Area, revenue decreased by **approximately -21%**, while the **Retail** Area dropped by **-27.5%**.

In the **Media** Area, revenue was down by **-21.5%** on a like-for-like basis.



Revenue by Business Area

(Euro/millions)	**2020**	**2019**	***% chg.***
Books	145.9	183.8	*(20.6%)*
Retail	59.0	81.4	*(27.5%)*
Media	95.8	130.9	*(26.8%)*
Corporate & Shared Services	22.1	19.1	*15.5%*
Total aggregate revenue	**322.7**	**415.2**	***(22.3%)***
Intercompany	(33.8)	(35.2)	*(3.9%)*
Total consolidated revenue	**288.9**	**380.0**	***(24.0%)***

Revenue by geographical area

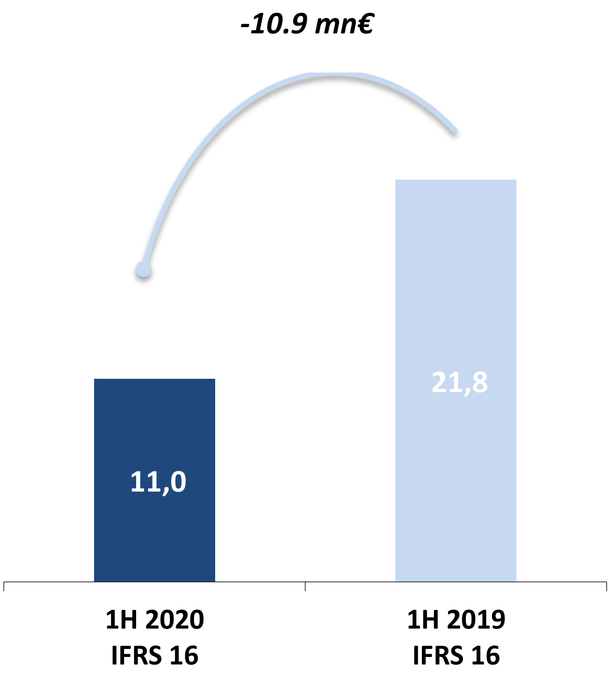
(Euro/millions)	**2020**	**2019**	***% chg.***
Italy	264.5	356.5	*(25.8%)*
Other EU countries	10.3	7.8	*32.6%*
Other extra EU countries	14.1	15.7	*(10.3%)*
Total consolidated revenue	**288.9**	**380.0**	***(24.0%)***

EBITDA

Adjusted EBITDA for the period under review amounted to **€ 11.0 million**, down by **€ -10.9 million** versus 1° half 2019 (€ 21.8 million); **also at the adjusted EBITDA level, the decline basically reflects the consequences of COVID-19 as well as the first positive effects of the countermeasures adopted by the Group**.

More specifically:

- the **Books** Area fell by **€ -5.3 million** in the period;
- the **Retail** Area declined by **€ -2.2 million**;
- the **Media** Area dropped by **€ -5.0 million**.

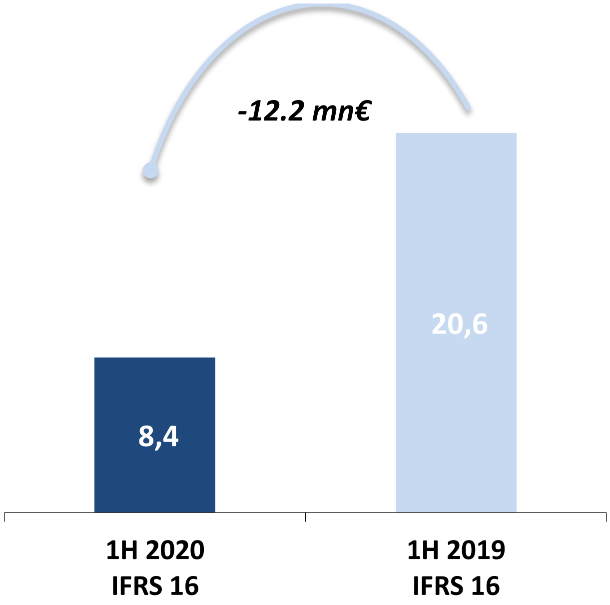


ADJUSTED EBITDA by Business Area

(Euro/millions)	**2020**	**2019**	***% chg.***
Books	10.9	16.2	*(32.5%)*
Retail	(2.8)	(0.6)	*n.s.*
Media	2.0	6.9	*(71.4%)*
Corporate & Shared Services	(0.2)	(0.7)	*(71.6%)*
Intercompany	1.0	0.0	-
Total ADJUSTED EBITDA	**11.0**	**21.8**	***(49.8%)***

EBITDA fell from € 20.6 million to **€ 8.4 million** versus the prior year.

In the first half of the year, restructuring costs amounted to € 1.6 million (€ +0.5 million versus 30 June 2019), while extraordinary costs amounted to € 0.9 million (€ +0.9 million versus 1° half 2019).

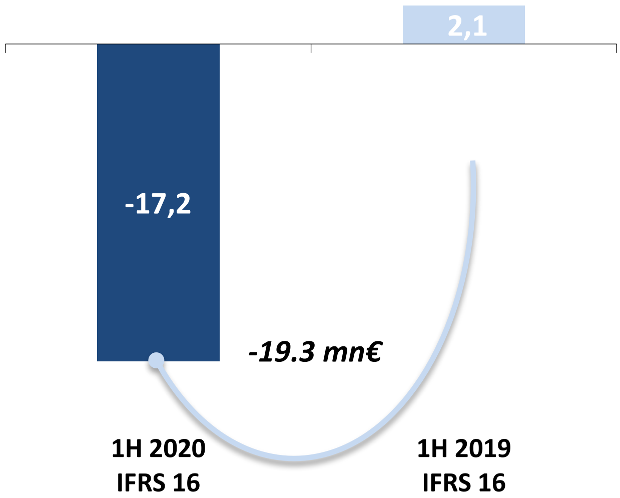


EBITDA by Business Area

(Euro/millions)	**2020**	**2019**	***% chg.***
Books	10.3	15.8	*(34.7%)*
Retail	(3.3)	(0.9)	*n.s.*
Media	1.7	6.4	*(74.0%)*
Corporate & Shared Services	(1.3)	(0.7)	*67.9%*
Intercompany	1.0	0.0	-
Total EBITDA	**8.4**	**20.6**	***(59.2%)***

EBIT

EBIT at 30 June 2020 amounted to **€ -17.2 million**, down by € -19.3 million versus 30 June 2019, due mainly to the trend of the abovementioned components and the start of the amortization process for *TV Sorrisi e Canzoni* (€ 1.5 million) and the concurrent write-down of the title and the goodwill of several other titles for a total of € 5.8 million.



EBIT by Business Area

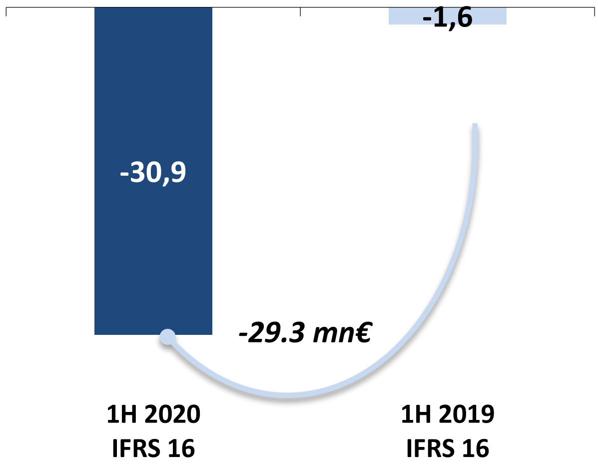
(Euro/millions)	**2020**	**2019**	***% chg.***
Books	3.9	9.7	*(60.1%)*
Retail	(8.2)	(6.0)	*36.1%*
Media	(7.9)	3.7	*n.s.*
Corporate & Shared Services	(6.0)	(5.3)	*14.1%*
Intercompany	1.0	0.0	-
Total consolidated EBIT	**(17.2)**	**2.1**	***n.s.***

CONSOLIDATED RESULT BEFORE TAX

The **consolidated result before tax** amounted to **€ -30.9 million** versus **€ -1.6 million** in 1° half 2019.

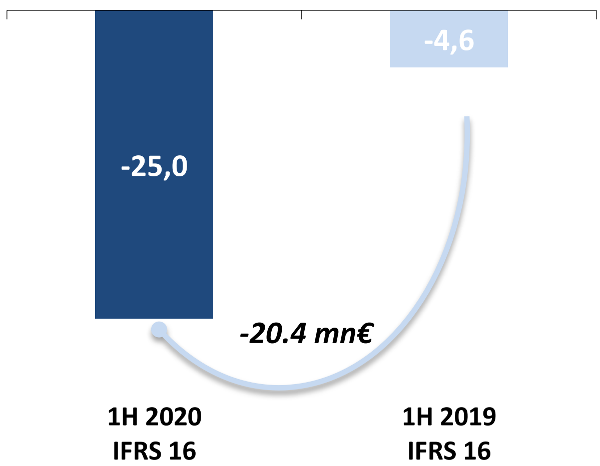
In addition to the above comments, most of the loss is attributable mainly to the following items:

- the increase in financial expense (from **€ -0.3 million** to **€ 2.4 million**), due mainly to the accounting in 2019 of:
  - a gain from the adjustment of the amortized cost pursuant to IFRS 9 on the medium/long-term loan;
  - gains from a substitute tax refund on medium/long-term loans;
- the adjustment of the investment in Reworld Media to the stock market price, which resulted in a write-down of **€ -6.6 million** (share price from € 2.75 to € 1.98);
- deteriorated performance of associates (consolidated at equity), from € -3.0 million to **€ -3.4 million**.



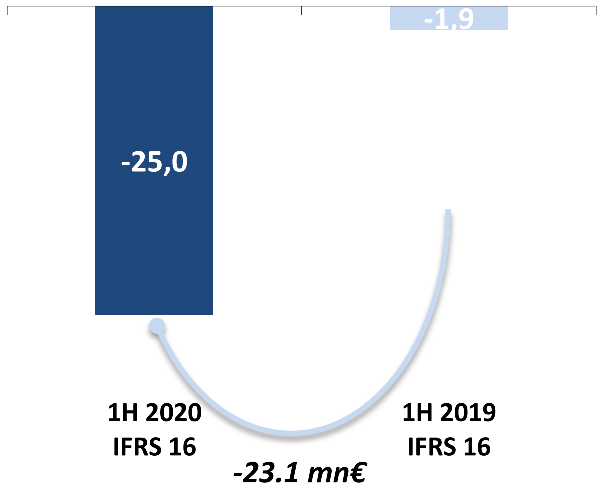
RESULT FROM CONTINUING OPERATIONS

The **result from continuing** operations amounted to **€ -25.0 million** (down by € -20.4 million versus 2019), as the tax burden for the period came to a positive **€ 5.9 million** versus **€ -3.0 million** in 1° first 2019.



NET RESULT

The **Group's net result** amounted to **€ -25.0 million** versus **€ -1.9 million** in 1° half 2019 (which temporarily included € 2.7 million from discontinued operations, net of minorities).



FINANCIAL RESULTS

	June 2020	June 2019	*Chg. vs PY €*	*Chg. vs PY %*
TRADE RECEIVABLES	181.4	228.1	*(46.7)*	*(20.5%)*
INVENTORY	143.5	134.6	*8.9*	*6.6%*
TRADE PAYABLES	231.1	262.5	*(31.4)*	*(12.0%)*
PAYABLES TO SUBSCRIBERS	19.2	19.1	*0.0*	*0.2%*
RECEIVABLES (PAYABLES) FROM/TO AUTHORS	7.7	9.2	*(1.5)*	*(16.6%)*
DEFERRED TAX ASSETS (LIABILITIES)	17.8	21.3	*(3.5)*	*(16.2%)*
DISCONTINUED OR DISCONTINUING ASSETS (LIABILITIES)		93.5	*(93.5)*	*(100.0%)*
OTHER ASSETS (LIABILITIES)	2.6	(14.3)	*16.8*	*n.s.*
NET WORKING CAPITAL	**102.8**	**190.9**	***(88.1)***	***(46.2%)***
INTANGIBLE ASSETS	211.6	225.8	*(14.2)*	*(6.3%)*
PROPERTY, PLANT AND EQUIPMENT	17.9	17.6	*0.3*	*1.7%*
ASSETS FROM RIGHTS OF USE IFRS 16	86.7	101.1	*(14.4)*	*(14.2%)*
INVESTMENTS	23.7	30.0	*(6.3)*	*(21.0%)*
NET FIXED ASSETS	**339.9**	**374.5**	***(34.6)***	***(9.2%)***
PROVISIONS FOR RISKS	46.1	54.0	*(7.8)*	*(14.5%)*
POST-EMPLOYMENT BENEFITS	32.1	34.7	*(2.6)*	*(7.4%)*
PROVISIONS	**78.2**	**88.6**	***(10.4)***	***(11.7%)***
NET INVESTED CAPITAL	**364.5**	**476.8**	***(112.3)***	***(23.6%)***
SHARE CAPITAL	68.0	68.0	*0.0*	*0.0%*
RESERVES	102.0	74.6	*27.4*	*36.7%*
PROFIT (LOSS) FOR THE PERIOD	(25.0)	(1.9)	*(23.1)*	*n.s.*
GROUP EQUITY	**144.9**	**140.7**	***4.2***	***3.0%***
NON-CONTROLLING INTERESTS' EQUITY	0.1	29.9	*(29.8)*	*(99.8%)*
EQUITY	**145.0**	**170.6**	***(25.6)***	***(15.0%)***
NET FINANCIAL POSITION NO IFRS 16	130.1	204.2	*(74.1)*	*(36.3%)*
NET FINANCIAL POSITION IFRS 16	89.4	102.0	*(12.6)*	*(12.4%)*
NET FINANCIAL POSITION	**219.5**	**306.2**	***(86.7)***	***(28.3%)***
SOURCES	**364.5**	**476.8**	***(112.3)***	***(23.6%)***

The Group's **Net Invested Capital** at 30 June amounted to **€ 364.5 million**, down slightly (approximately -5%) versus € 476.8 million at 30 June 2019, net of the **€ 93.5 million** from **discontinuing operations**.

The **Net Working Capital** amounted to **€ 102.8 million,** up on a like-for-like basis by **approximately +5%**.

Net Fixed Assets amounted to **€ 339.9 million** versus € 374.5 million and decreased as a result of the reduction in assets from rights of use consistent with the life cycle of the contracts.

Group equity increased by **€ 4.2 million**, while **consolidated equity** decreased as a result of the deconsolidation of share capital and reserves attributable to non-controlling interests following the disposal of Mondadori France on 31 July 2019.

The Net Financial Position no IFRS 16 at 30 June 2020 amounted to **€ -130.1 million**, **down sharply** versus € -204.2 million at 30 June 2019, due to the disposal of Mondadori France (€ 62.8 million) and cash generated over the last 12 months.

The **IFRS 16 Net Financial Position** stood at **€ -219.5 million** and includes the IFRS 16 impact of **€ -89.4 million**. Net of this impact, the Net Financial Position stood at € -130.1 million.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 2° QUARTER

	Q2 2020		Q2 2019		Chg. vs PY	Chg. vs PY %
REVENUE	**153.6**	*100.0%*	**213.1**	*100.0%*	***(59.5)***	***(28%)***
INDUSTRIAL PRODUCT COST	40.3	*26.2%*	64.5	*30.3%*	*(24.2)*	*(38%)*
VARIABLE PRODUCT COSTS	23.7	*15.4%*	30.9	*14.5%*	*(7.2)*	*(23%)*
OTHER VARIABLE COSTS	33.8	*22.0%*	43.9	*20.6%*	*(10.1)*	*(23%)*
STRUCTURAL COSTS	12.2	*8.0%*	13.5	*6.3%*	*(1.3)*	*(10%)*
EXTENDED LABOUR COST	29.6	*19.3%*	39.9	*18.7%*	*(10.3)*	*(26%)*
OTHER EXPENSE (INCOME)	(0.1)	*(0.1%)*	0.3	*0.1%*	*(0.4)*	*n.s.*
ADJUSTED EBITDA	**14.0**	*9.1%*	**20.1**	*9.4%*	***(6.1)***	***(30%)***
RESTRUCTURING COSTS	1.1	*0.7%*	0.6	*0.3%*	*0.5*	*88%*
EXTRAORDINARY EXPENSE (INCOME)	0.3	*0.2%*	0.1	*0.0%*	*0.3*	*n.s.*
EBITDA	**12.7**	*8.2%*	**19.5**	*9.1%*	***(6.8)***	***(35%)***
AMORTIZATION AND DEPRECIATION	12.2	*7.9%*	6.3	*3.0%*	*5.9*	*93%*
AMORTIZATION AND DEPRECIATION IFRS 16	3.7	*2.4%*	3.8	*1.8%*	*(0.1)*	*(3%)*
EBIT	**(3.2)**	*(2.1%)*	**9.4**	*4.4%*	***(12.6)***	***n.s.***
FINANCIAL EXPENSE AND (INCOME)	1.4	*0.9%*	(0.2)	*(0.1%)*	*1.6*	*n.s.*
FINANCIAL EXPENSE IFRS 16	0.6	*0.4%*	0.7	*0.3%*	*(0.1)*	*(11%)*
FINANCIAL EXPENSE (INCOME) FROM SECURITIES VALUATION	(0.3)	*(0.2%)*		*0.0%*	*(0.3)*	*n.s.*
EXPENSE AND (INCOME) FROM INVESTMENTS	2.1	*1.4%*	1.2	*0.6%*	*0.9*	*71%*
EBT	**(7.1)**	*(4.6%)*	**7.7**	*3.6%*	***(14.7)***	***n.s.***
TAX EXPENSE (INCOME)	(1.2)	*(0.8%)*	4.4	*2.1%*	*(5.5)*	*n.s.*
RESULT FROM CONTINUING OPERATIONS	**(5.9)**	*(3.8%)*	**3.3**	*1.5%*	***(9.2)***	***n.s.***
RESULT FROM DISCONTINUED OR DISCONTINUING OPERATION		*0.0%*	**(1.1)**	*(0.5%)*	***1.1***	***100%***
NET RESULT FOR THE PERIOD (GROUP AND NON-CONTR	**(5.9)**	*(3.8%)*	**2.2**	*1.0%*	***(8.1)***	***n.s.***
NON-CONTROLLING INTERESTS	**0.0**	*0.0%*	**0.6**	*0.3%*	***(0.6)***	***(100%)***
GROUP INTERESTS	**(5.9)**	*(3.8%)*	**1.6**	*0.7%*	***(7.5)***	***n.s.***

The item *Extended Labour Cost* includes costs for collaborations and temporary employment.

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

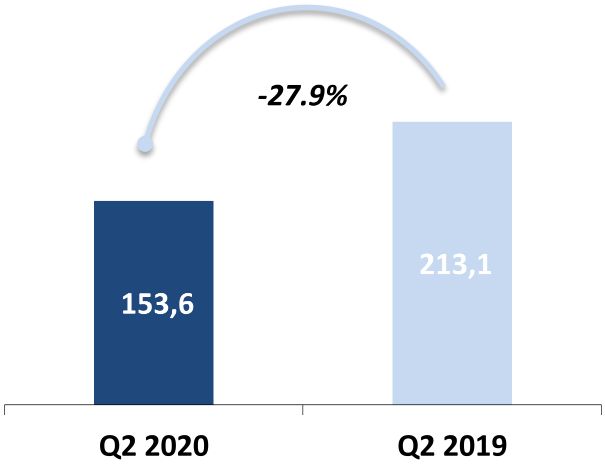
REVENUE

Consolidated revenue in 2° quarter 2020 amounted to **€ 153.6 million** (€ 213.1 million in the prior year).

The downturn is attributable fundamentally to the effects of COVID-19.

In the **Books** Area, revenue decreased by approximately **-23%**, while the **Retail** Area dropped by **approximately -30%**.

In the **Media** Area, revenue was down by **approximately -33%**.



Revenue by Business Area

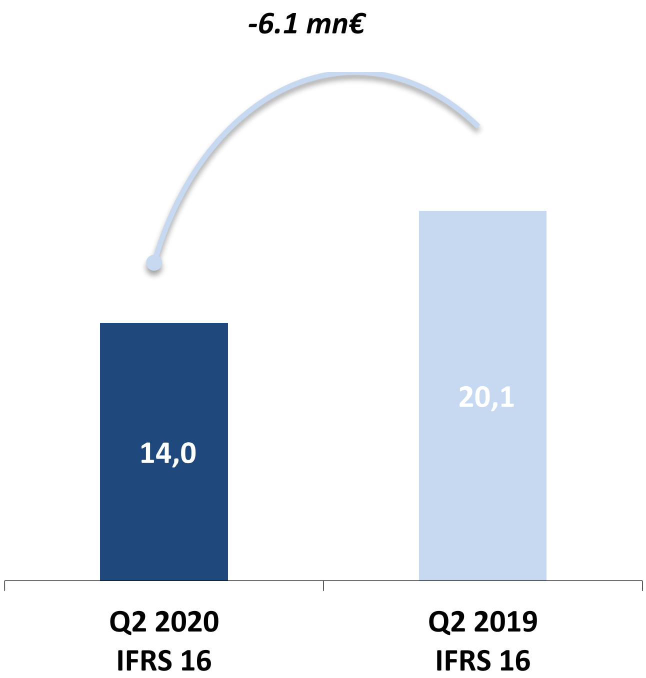
(Euro/millions)	**Q2 2020**	**Q2 2019**	***% chg.***
Books	87.7	113.6	*(22.8%)*
Retail	27.9	40.0	*(30.3%)*
Media	45.2	67.9	*(33.5%)*
Corporate & Shared Services	11.0	9.7	*13.4%*
Total aggregate revenue	**171.7**	**231.2**	***(25.7%)***
Intercompany	(18.2)	(18.1)	*0.6%*
Total consolidated revenue	**153.6**	**213.1**	***(27.9%)***

EBITDA

Adjusted EBITDA for the period under review amounted to **€ 14.0 million**, down by **€ -6.1 million** versus 2° half 2019 (€ 20.1 million); **the reduction, attributable mainly to COVID-19, reflects the initial positive effects of the actions taken by the Group to counter and contain costs**.

More specifically:

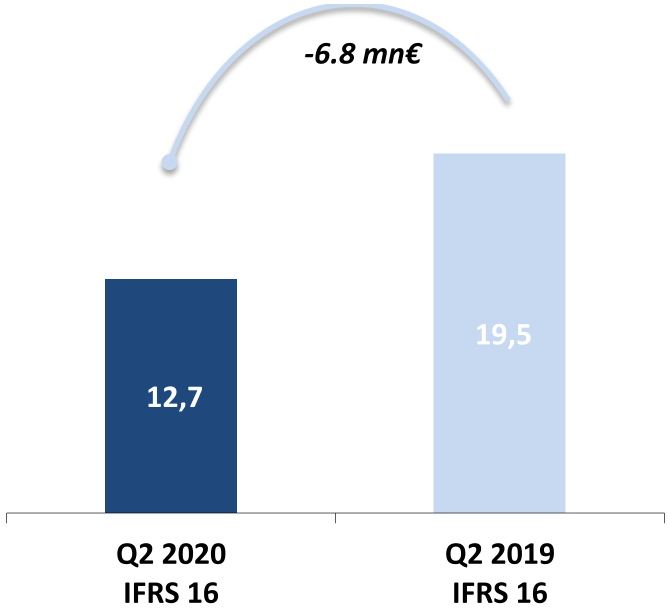
- the **Books** Area posted a result in the period that was € 1 million lower than the same quarter of the prior year;
- the **Retail** Area declined by **€ -1.3 million**;
- the **Media** Area dropped by approximately **€ -4 million**.



ADJUSTED EBITDA by Business Area

(Euro/millions)	**Q2 2020**	**Q2 2019**	***% chg.***
Books	15.5	16.4	*(5.5%)*
Retail	(1.6)	(0.1)	*n.s.*
Media	(0.1)	4.3	*n.s.*
Corporate & Shared Services	(0.2)	(0.4)	*(57.2%)*
Intercompany	0.3	0.0	-
Total ADJUSTED EBITDA	**14.0**	**20.1**	***(30.1%)***

EBITDA was down from **€ 19.5 million to € 12.7 million** versus the prior year.



EBITDA by Business Area

(Euro/millions)	**Q2 2020**	**Q2 2019**	***% chg.***
Books	15.5	16.1	*(3.6%)*
Retail	(2.0)	(0.3)	*n.s.*
Media	(0.1)	4.1	*n.s.*
Corporate & Shared Services	(1.1)	(0.5)	*n.s.*
Intercompany	0.3	0.0	-
Total EBITDA	**12.7**	**19.5**	***(35.0%)***

PERFORMANCE BY BUSINESS AREA

(Euro/millions)	**REVENUE**		**ADJUSTED EBITDA**		**EBITDA**		**AMORTIZATION, DEPRECIATION AND WRITE-DOWNS**		**EBIT**	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Books	145.9	183.8	10.9	16.2	10.3	15.8	(6.4)	(6.1)	3.9	9.7
Retail	59.0	81.4	(2.8)	(0.6)	(3.3)	(0.9)	(4.8)	(5.1)	(8.2)	(6.0)
Media	95.8	130.9	2.0	6.9	1.7	6.4	(9.6)	(2.7)	(7.9)	3.7
Corporate & Shared Services	22.1	19.1	(0.2)	(0.7)	(1.3)	(0.7)	(4.8)	(4.5)	(6.0)	(5.3)
Intercompany	(33.8)	(35.2)	1.0	0.0	1.0	0.0	0.0	0.0	1.0	0.0
TOTAL	**288.9**	**380.0**	**11.0**	**21.8**	**8.4**	**20.6**	**(25.6)**	**(18.5)**	**(17.2)**	**2.1**

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*, *Frassinelli*, *Rizzoli*, *BUR*, *Fabbri Editori*, *Rizzoli Lizard* and *Mondadori Electa*.

In the **Educational** segment, the Mondadori Group operates in the Italian school textbooks, legal and, to a lesser extent, 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, which produce textbooks, courses, teaching tools and multimedia content for every school level, from primary school to the first and second-level secondary schools.

The publishing house publishes Electa-branded titles in the Art and Architecture areas, including exhibition catalogues, museum guides and sponsor books. In December 2019, Electa completed the acquisition of *Abscondita*, a Milan-based art literature publishing house.

The Group is also active in the United States through the publishing house Rizzoli International Publications under the brands *Rizzoli*, *Rizzoli New York*, *Rizzoli Electa* and *Universe* and with the *Rizzoli Bookstore* located in New York.

Relevant market performance

Until February, the Trade Book market had decreased in terms of value by -1.1% versus the same period of 2019.

Due to the COVID-19 emergency and related health measures (closure of bookstores), in March alone, the market fell by -29.2%, deteriorating further to -45.8% in April, as the e-commerce channel alone was unable to set off the loss of sell-out on physical channels[3].

The gradual reopening at the beginning of May of the independent bookstores and book chains allowed the market to make a strong recovery, with a double-digit growth recorded in the last six weeks of the six-month period, and with a +13.5% growth in June versus the same month of the prior year.

In terms of value, the market was down by **-10.1%** at 30 June versus first half 2019.

As for **products**, **hardcovers**, which make for approximately 82.4% of the market, fell by -10.9%, due also to the postponement of the publication of the new products originally planned for the lockdown period, while **paperbacks** dropped at a more moderate pace (-6.2%).

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

[3] *GFK*, June 2020 (in terms of value)

#	Title	Author	Publisher
1	*Ah l'amore l'amore*	Manzini Antonio	SELLERIO EDITORE PALERMO
2	*Le storie del mistero*	Lyon Gamer	MAGAZZINI SALANI
3	*La ragazza del sole. Le sette sorelle*	Riley Lucinda	GIUNTI EDITORE
4	*I Leoni di Sicilia. La saga dei Florio*	Auci Stefania	NORD
5	***La misura del tempo***	**Carofiglio Gianrico**	**EINAUDI**
6	***Sfida il Signor S con Luì e Sofì***	**Me contro Te**	**MONDADORI ELECTA**
7	***Le fantafiabe di Luì e Sofì***	**Me contro Te**	**MONDADORI ELECTA**
8	*La casa delle voci*	Carrisi Donato	LONGANESI
8	***In cucina con voi! Tutte le nuove ricette di «Fatto in casa da Benedetta»***	**Rossi Benedetta**	**MONDADORI ELECTA**
10	*L' enigma della camera 622*	Dicker Joël	LA NAVE DI TESEO

Against this backdrop, the Mondadori Group outstripped the market performance in the last 6 weeks of the half-year period and retained its leadership, with an overall market share of **24.8%**.

Trade Market shares	30 June 2020	30 June 2019
Mondadori Group	**24.8%**	**25.2%**
GeMS Group	10.9%	10.2%
Giunti Group	7.7%	8.5%
Feltrinelli	5.1%	5.7%
Other publishers	51.5%	50.4%

GFK, June 2020 (in terms of value)

School textbooks experience a typical seasonal performance that sees sales squeezed in the second half of the year following the adoption campaign: this strongly limited the impact of COVID-19 on the segment's results in the first half. Owing to the delayed adoption campaign attributable to the health emergency, the relevant market shares are unavailable to date.

The **museum** segment shows a totally different picture, with its operations severely impacted by the closure of sites and exhibitions owing to the measures to contain the pandemic, and by the virtual collapse of tourist travel.

Performance of the Books Area

Books *(Euro/millions)*	**2020**	**2019**	***Chg.***	***% chg.***
Revenue	145.9	183.8	*(37.9)*	*(20.6%)*
Adj. EBITDA	10.9	16.2	*(5.3)*	*(32.5%)*
EBITDA	10.3	15.8	*(5.5)*	*(34.7%)*
EBIT	3.9	9.7	*(5.9)*	*(60.1%)*

Revenue

Books Revenue *(Euro/millions)*	**1H 2020**	**1H 2019**	***% chg.***
Total TRADE	**90.0**	**106.8**	***(15.8%)***
School textbooks	34.4	40.5	*(15.0%)*
Cultural Heritage and Museums	5.8	18.6	*(68.8%)*
Rizzoli International Publications	12.7	13.4	*(5.2%)*
Intercompany	*(0.1)*	*(0.1)*	*+36.5%*
Total EDUCATIONAL	**52.8**	**72.4**	***(27.1%)***
Distribution and other services	3.0	4.6	*(35.0%)*
Total revenue	**145.9**	**183.8**	***(20.6%)***

* 1H 2019 restated following the spin-off of Electa's Trade books BU, incorporated as from 1 January 2020 in the Trade books segment (approximately € 7.0 million).

Revenue for the first six months of 2020 amounted to **€ 145.9 million** (€ 183.8 million in 1H 2019).

Trade Books Revenue

Specifically, revenue in the first half of the year in the Trade Area amounted to **€ 90.0 million** (€ 106.8 million in 1H 2019), down by -15.8% versus the prior year, due to the abovementioned effects of the COVID-19 health emergency.

The closure of the Bookstores and Chains channels from the second half of March until the beginning of May made it clearly impossible to supply a significant part of the market (approximately 65% of the total). Despite the increases recorded in the e-commerce channel, and the strong performance recorded in the last six weeks of the half-year, the impact on revenue was heavy.

In order to cope with the closure of the distribution channel, the Group, among other things, set aside the planned launch of new titles and rescheduled them. The editorial programmes remain confirmed, albeit with a different timing and the phase out of a number of minor titles.

In the Hardcovers segment, despite the above difficulties, the Group's publishing houses published a range of successful authors. Specifically:

- for Mondadori, "*Ballata dell'usignolo e del serpente. Hunger Games*" by S. Collins, "*Come un respiro*" by F. Ozpetek, "*L'ultima storia*" by J. Grisham and "*Baci da Polignano*" by L. Bianchini;
- for Einaudi, "*L'inverno più nero*" by C. Lucarelli, "*Breviario per un confuso presente*" by C. Augias, "*Olive, ancora lei*" by E. Strout and "*Oriente e Occidente. Massa e individuo*" by F. Rampini;
- for Piemme, "*La fiamma nel buio*" by M. Connelly and "*Quel che affidiamo al vento*" by L. Imai Messina;
- for Sperling & Kupfer, "*Se scorre il sangue*" by S. King and "*La magia del ritorno*" by N. Sparks;
- for Rizzoli, "*Una lettera per Sara*" by M. De Giovanni;

- and lastly for Mondadori Electa, “*Sfida il signor S con Luì e Sofi*” by Me contro Te and “*Supereroi per caso*” by Mates.

Educational Revenue

In first half 2020, revenue amounted to **€ 52.8 million**, down by **-27.1%** versus the same period of 2019 (€ 72.4 million).

- **School textbooks**: revenue totaled € 34.4 million, down by 15% versus the prior year, due to the different timing to supply top accounts.
  As every year, the turnover achieved in the first half of the year still accounts for a small part of the annual turnover, owing to the seasonality of the school textbooks business.
- **Electa**: revenue in the first six months of 2020 totaled € 5.8 million versus € 18.6 million in the prior year, down by almost 70%; from early March, the Company suffered the impact of the COVID-19 health emergency and the extraordinary measures introduced by the authorities to contain the spread, which resulted in the cancellation, early closure or postponement of scheduled exhibitions and the suspension of scheduled events. Overall, the impact of the pandemic is estimated at over € 15 million in lower revenue across all the Company's businesses, i.e. ticket offices, exhibitions, services, bookstores and related publishing.
  From January this year, the scope of the segment also includes revenue from the Abscondita art books publishing house, controlled by Electa.
- **Rizzoli International Publications** recorded revenue of € 12.7 million in the first half of the year (-5.2% versus first half 2019); the drop in turnover, amounting to approximately € 1.5 million, was impacted by the consequences of the pandemic, which started spreading in the United States about one month after Italy, affecting both the Publisher's revenue, despite the upswing in sales of catalogue titles on the e-commerce channel, and the sales at the New York bookstore, which closed in mid-March and reopened on 13 July.

E-books and audiobooks

Revenue from e-book and audiobook sales, which accounts for **9.0%** of total publishing revenue, bucked the trend of physical book sales and rose sharply in the lockdown period, closing the half year with a 37% increase versus the prior year. Listening hours of the audiobook catalogue jumped by over 75% versus 2019, while downloads of e-books increased by 45%.

The main digital titles in the first half are “*La misura del tempo*” by G. Carofiglio (Einaudi), “*La fiamma nel buio*” by M. Connelly (Piemme), “*Profezie*” by S. Browne and “*Virus, la grande sfida*” by R. Burioni. In first half 2019, Mondadori Libri published new digital titles, increasing its digital catalogue to over 25,000 titles. The most popular titles in the audiobooks segment are “*I pilastri della terra*” by Ken Follet and “*Quel che rimane*” by Patricia Cornwell.

EBITDA

Adjusted EBITDA (IFRS 16) in the Books Area amounted to **€ 10.9 million** versus € 16.2 million in 2019, a deterioration attributable to the negative trend in revenue, only partly mitigated by the cost containment actions implemented by Management.

Reported EBITDA (IFRS 16) amounted to € 10.3 million versus € 15.8 million at 30 June 2019, deteriorating due mainly to the same components that impacted on adjusted EBITDA.

EBIT (IFRS 16) amounted to **€ 3.9 million** versus € 9.7 million in 2019.

RETAIL

The Mondadori Group operates in Italy with a network of **553** stores:

Stores	**June 2020**	**Dec. 2019**	**June 2019**	***Chg. yoy***
Directly-managed bookstores	35	35	35	*+0*
Franchised bookstores[4]	518	540	554	*-36*
Total	**553**	**575**	**589**	***-36***

The number of points of sale fell versus June 2019, due to the closure of 36 bookstores (small franchises in particular), as a result of the streamlining actions on the network.

Directly-managed stores, steady at 35 units, saw the opening of the store in Limbiate in January 2020 and the closure, again in January 2020, of the store in Ferrara.

Further openings for the franchised channel and directly-managed stores are planned for the second half of the year.

Added to these physical stores, the online channel with the e-commerce website www.mondadoristore.it.

Relevant market performance

The Book market (which accounts for **over 80%** of the Retail Division's revenue[5]) was affected in first half 2020 by the COVID-19 emergency, as mentioned earlier and despite the strong recovery in the last few weeks of the period, dropping by **-10.1%**[6] versus the same period of the prior year.

Specifically, the first half was negatively impacted by the urgent measures to contain the spread, which led to the closure of physical bookstores throughout the country from 12 March 2020 until the first days of May.

At end May, which marks the end of the lockdown period, the Book market (in the first five months) fell by -14.4% versus the first five months of the prior year, but in June alone spiked by +13.5%.

Against this backdrop, the **market share** of **Mondadori Retail** stood at **10.9%** (**12.8%** at 30 June 2019), operating with no interruption through the online channel alone. June witnessed a robust rebound, a month in which Mondadori Retail's market share grew to 12.1%, thanks to the remarkable performance of the franchised channel and further growth in the online channel (+71.6% in the first six months of the year).

[4] Smaller network due to the closure of 36 stores mainly under the Point brand name
[5] Product revenue excluding Club revenue
[6] *GFK* (in terms of value)

Performance of the Retail Area

Retail *(Euro/millions)*	**2020**	**2019**	***Chg.***	***% chg.***
Revenue	59.0	81.4	*(22.4)*	*(27.5%)*
Adj. EBITDA	(2.8)	(0.6)	*(2.2)*	*n.s.*
EBITDA	(3.3)	(0.9)	*(2.5)*	*n.s.*
EBIT	(8.2)	(6.0)	*(2.2)*	*36.1%*

Revenue

In the first six months of the year, the Retail Area recorded revenue of **€ 59.0 million**, down (**approximately -27%**) versus the same period of the prior year, due to the abovementioned government COVID-19 measures.

Mention should be made that Mondadori Retail, thanks also to the rapid reopening in May of more than 500 stores, posted a fall in revenue in June of only -4.1%, thanks to the strong rebound of book sales.

In March and April, sales were -72.3% lower than in 2019. The performance of the online channel bucked the trend (+71.6% in the first six months of the year), which saw its sales grow by approximately 190% during the lockdown period.

The revenue trend by channel is as follows:

Revenue – Retail (Euro/millions)	**1H 2020**	**1H 2019**	***% chg.***
Directly-managed bookstores	16.7	30.9	*(46.0%)*
Franchised bookstores	25.4	36.7	*(30.7%)*
Online	10.4	6.1	*71.6%*
Stores	**52.5**	**73.7**	*(28.8%)*
Book clubs and other	6.5	7.7	*(15.6%)*
Total revenue	**59.0**	**81.4**	***(27.5%)***

As far as the product categories are concerned:

- **books** were the main item of revenue **(over 80% of total**), down by **-23.2%** versus 2019 (but recovering after the end of the lockdown: June +2.7%);
- the **Extra-Books** segment posted a decline (with the Game and Stationery, Technology and Media categories losing over 50%), due to the COVID effects and to the strategic decision to increase focus more on the books product.

EBITDA

In the first six months of the current year, Mondadori Retail recorded **IFRS 16 adjusted EBITDA** of **€ -2.8 million** versus **€ -0.6 million** in the same period of 2019.

Despite the drastic drop in revenue caused by the lockdown, the impact in terms of EBITDA was contained thanks to careful cost management and a deep organizational and process revision carried out in the second half of 2019 and continued even during the harshest period of the COVID-19 health emergency.

Excluding the lockdown months, **Mondadori Retail improved margins both in the first months of the year** (€ +0.3 million versus the same period of the prior year) and in June alone (€ +0.7 million versus the same period of the prior year).

At the end of the first half, **reported EBITDA** amounted to **€ -3.3 million** (versus **€ -0.9 million** in the first six months of 2019).

IFRS 16 EBIT amounted to **€ -8.2 million** (versus **€ -6.0 million** in first quarter 2019).

MEDIA

As from 1 January 2020, all the activities referring to Mondadori Group magazines and websites, as well as the investments in the Magazines Italy Area, were transferred to Mondadori Media S.p.A. (100% owned by Arnoldo Mondadori Editore S.p.A.).

More specifically, the business unit transferred to Mondadori Media S.p.A. comprised:

- the print+digital magazines and relating shared services;

- the subsidiaries Direct Channel S.p.A. (100%), Press-di Distribuzione Stampa e Multimedia S.r.l. (100%), Adkaora S.r.l. (100%), Mondadori Scienza S.p.A. (100%) and the investees Mediamond (50%) and Mondadori Seec (Beijing) Advertising Co. Ltd (50%), publisher of the magazine *Grazia* in China.

Relevant market performance

The performance of the relevant markets in 2020 shows the following trends:

- in an **advertising market** that was down **-28.3%** overall, all channels reported a reduction: **digital (-17.2%**), **TV (-24.5%**), **newspapers** (**-27.4%**), **radio** (**-39.2%**) and **magazines (-41.5%**)[7];
- the magazine **circulation market** fell by **-11.3%**; **Mondadori's market share stood at 23.7%** (versus 25.6% in 2019 on a like-for-like basis, net of the disposal of *Sale&Pepe*, *Cucina Moderna*, *Starbene*, *Tu Style* and *Confidenze*)[8];
- the **add-ons market** fell by **-3.7%**[9].

The market, in particular the advertising market, has clearly felt the brunt of the COVID-19 health emergency.

Performance of the Media Area

Media *(Euro/millions)*	**2020**	**2019**	***Chg.***	***% chg.***
Revenue	95.8	130.9	*(35.1)*	*(26.8%)*
Adj. EBITDA	2.0	6.9	*(5.0)*	*(71.4%)*
EBITDA	1.7	6.4	*(4.7)*	*(74.0%)*
EBIT	(7.9)	3.7	*(11.6)*	*n.s.*

[7] *Nielsen*, cumulative figures at May 2020
[8] Internal source: Press-di, figures at May 2020 (newsstands + subscriptions channel) in terms of value
[9] Internal source: Press-di, figures at May 2020 (newsstands + subscriptions channel) in terms of value

Revenue

The Media Area recorded revenue of **€ 95.8 million** (approximately **-27%** versus € 130.9 million in 2019); net of the disposal of the titles and the abovementioned related websites (December 2019), the drop came to **-21.5%.**

Media *(Euro/millions)*	**1H 2020**	**1H 2019**	***% chg.***
Circulation	37.2	48.5	*(23.4%)*
Add-on sales	16.8	22.2	*(24.2%)*
Advertising	22.5	38.8	*(42.1%)*
Distribution/Other revenue	19.3	21.4	*(9.6%)*
Total revenue	**95.8**	**130.9**	***(26.8%)***

- **Circulation** revenue (newsstands + subscriptions) was down by **approximately -23%**, a performance affected both by the mentioned disposal of the five titles and the COVID-19 impact; net of these discontinuities, the estimated decline was around -9%.
- Revenue from **add-on products** (DVDs, CDs, gifts and books), sold in attachment to Mondadori magazines, was down by **approximately -24%** versus 2019, due also to a different scheduling of planned releases; net of the disposal of the five titles and the COVID-19 impact, the fall was approximately **-14%**.
- **Advertising** revenue was down by a total of **approximately -42%**; this is the form of revenue most affected by the COVID emergency and its lockdown, which led to the cancellation of an important event such as the *Salone del Mobile* and lower customer interest in proximity marketing solutions (AdKaora).

  Net of scope discontinuities and COVID impacts, the change in advertising revenue would be approximately -4%/-5%.

  A point worth mentioning is that digital revenue on total advertising revenue now accounts for over **50%** (from 39% in 2019) of the total.
- Other revenue, which includes revenue from distribution activities, was down by **-9.6%** versus the prior year, reflecting both the performance of the circulation market and the drop in royalties generated by the international editions of *Grazia* (in particular the Chinese edition of the magazine).

The Mondadori Group retained its position as the leading multimedia publisher in Italy, on the web with an 84% reach (approximately 33 million unique users in May)[10] and in social media with an aggregate fan base of 33.5 million spread across 100 social profiles[11].

[10] *Comscore* (May 2020)
[11] *Shareablee* (June 2020)

EBITDA

Adjusted EBITDA in the Media Area amounted to **€ 2.0 million**, down by approximately € -5 million versus 1° half 2019.

The sharp drop in revenue was alleviated by the effective measures to contain operating costs, which curbed the negative impact.

Reported EBITDA amounted to **€ 1.7 million** versus € 6.4 million in 2019.

EBIT amounted to **€ -7.9 million** versus € 3.7 million.

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 comes mainly from services provided to subsidiaries and associates.

Adjusted EBITDA for the Area amounted to **€ -0.2 million** (€ -0.7 million in 2019).

Including non-ordinary items, **EBITDA** amounted to **€ -1.3 million**.

EBIT of the Area amounted to **€ -6.0 million** (€ -5.3 million in 2019).

Corporate & Shared Services *(Euro/millions)*	**2020**	**2019**	***Chg.***	***% chg.***
Revenue	22.1	19.1	*3.0*	*15.5%*
Adj. EBITDA	(0.2)	(0.7)	*0.5*	*(71.6%)*
EBITDA	(1.3)	(0.7)	*(0.5)*	*67.9%*
EBIT	(6.0)	(5.3)	*(0.7)*	*14.1%*

BALANCE SHEET

The **Mondadori Group's Net Financial Position no IFRS 16** at 30 June 2020 stood at **€ -130.1 million**, improving strongly by € 74.1 million versus € -204.2 million in June 2019.

Net financial position *(Euro/millions)*	**June 2020**	**June 2019**	**December 2019**
Cash and cash equivalents	27.5	34.3	44.2
Assets (liabilities) from derivative financial instruments	(1.0)	(1.4)	(1.0)
Other financial assets (liabilities)	24.3	(0.2)	126.7
Loans (short and medium/long term)	(180.9)	(241.5)	(129.5)
Held-for-sale financial assets (liabilities)	0.0	4.6	0.0
Net financial position no IFRS 16	**(130.1)**	**(204.2)**	**40.4**
Financial payables IFRS 16	(89.4)	(102.0)	(95.9)
Total net financial position	**(219.5)**	**(306.2)**	**(55.4)**

IFRS 16 NFP stood at **€ -219.5 million** and includes the IFRS 16 impact of € -89.4 million.

The overall credit lines available to the Group at 30 June 2020 amounted to € 554.1 million, € 317.5 million of which committed.

The Group's short-term loans, amounting to € 236.6 million, € 64.7 million of which drawn down at 30 June 2020, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 30 June, the € 317.5 million pool consisted of:

(Euro/millions)	Bank pool	of which: unutilized	of which: with interest rate hedge
Term Loan A	117.5[12]	-	78.3
RCF	100.0[13]	100.0	-
Acquisition Line C	100.0[14]	100.0	
Total loans	**317.5**	**200.0**	**78.3**

[12] Maturity date: € 22.5 million December 2020, € 27.5 million December 2021, € 67.5 million December 2022
[13] Bullet loan, coming to maturity in December 2022
[14] Bullet loan, coming to maturity in December 2022

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

	LTM
ADJUSTED EBITDA (NO IFRS 16)	83.7
NWC AND PROVISIONS	(9.4)
CAPEX NO IFRS 16	(19.2)
CASH FLOW FROM OPERATIONS	**55.1**
FINANCIAL INCOME (EXPENSE) NO IFRS 16	(4.0)
TAX	(14.5)
CF FROM ORDINARY OPERATIONS DISCONTINUED OR DISCONTINUING OPERATIONS	(1.4)
CASH FLOW FROM ORDINARY OPERATIONS	**35.3**
RESTRUCTURING COSTS	(5.8)
EXTRAORDINARY TAX	0.3
SHARE CAPITAL INCREASE/DIVIDENDS NON CONTROLLING INTERESTS AND ASSOCIATES	(4.6)
PURCHASE OF ASSETS	(0.4)
DISPOSAL OF ASSETS	58.5
OTHER INCOME AND EXPENDITURE	(9.2)
CF EXTRAORDINARY OPERATIONS DISCONTINUED OR DISCONTINUING OPERATIONS	(0.1)
CASH FLOW FROM EXTRAORDINARY OPERATIONS	**38.8**
TOTAL CASH FLOW	**74.0**
NET FINANCIAL POSITION NO IFRS 16	**(130.1)**
IFRS 16 EFFECTS IN THE PERIOD	**12.5**
FINAL NET FINANCIAL POSITION	**(219.5)**

Cash generation over the last 12 months is structured as follows.

Cash flow from ordinary operations closes with a positive € 36.7 million net of discontinued operations and includes approximately € 55 million from operations in the context of continuing operations, deducting tax and financial expense for a total of approximately € -18.5 million; cash flow from operations is the result of **operating income of approximately € 84 million**, capital expenditure for approximately € 19 million and net working capital dynamics (including provisions) for approximately € -9 million, attributable mainly to the trend of NWC in the Media and Retail areas.

The effects of COVID-19 on cash flow generation derive mainly from the lack of revenue from directly-managed Retail stores and museum and bookshop activities.

Cash flow from ordinary operations in the context of discontinued operations contributed € 1.4 million.

Cash flow from non-ordinary operations came to a positive € 38.9 million, **net of discontinued operations**, and includes:

- outlays for **restructuring costs** of **€ 5.8 million**;
- recapitalization of the associate **SEE S.p.A.** for **€ 4.5 million**;

- proceeds from the disposal of **Mondadori France** for **€ 62.8 million** (gross of transaction costs);
- the subscription of a reserved capital increase of **€ 17.6 million** by Reworld Media as part of the disposal of Mondadori France.

	June 2020	June 2019	*Chg. vs PY €*	*Chg. vs PY %*
TRADE RECEIVABLES	181.4	228.1	*(46.7)*	*(20.5%)*
INVENTORY	143.5	134.6	*8.9*	*6.6%*
TRADE PAYABLES	231.1	262.5	*(31.4)*	*(12.0%)*
PAYABLES TO SUBSCRIBERS	19.2	19.1	*0.0*	*0.2%*
RECEIVABLES (PAYABLES) FROM/TO AUTHORS	7.7	9.2	*(1.5)*	*(16.6%)*
DEFERRED TAX ASSETS (LIABILITIES)	17.8	21.3	*(3.5)*	*(16.2%)*
DISCONTINUED OR DISCONTINUING ASSETS (LIABILITIES)		93.5	*(93.5)*	*(100.0%)*
OTHER ASSETS (LIABILITIES)	2.6	(14.3)	*16.8*	*n.s.*
NET WORKING CAPITAL	**102.8**	**190.9**	***(88.1)***	***(46.2%)***
INTANGIBLE ASSETS	211.6	225.8	*(14.2)*	*(6.3%)*
PROPERTY, PLANT AND EQUIPMENT	17.9	17.6	*0.3*	*1.7%*
ASSETS FROM RIGHTS OF USE IFRS 16	86.7	101.1	*(14.4)*	*(14.2%)*
INVESTMENTS	23.7	30.0	*(6.3)*	*(21.0%)*
NET FIXED ASSETS	**339.9**	**374.5**	***(34.6)***	***(9.2%)***
PROVISIONS FOR RISKS	46.1	54.0	*(7.8)*	*(14.5%)*
POST-EMPLOYMENT BENEFITS	32.1	34.7	*(2.6)*	*(7.4%)*
PROVISIONS	**78.2**	**88.6**	***(10.4)***	***(11.7%)***
NET INVESTED CAPITAL	**364.5**	**476.8**	***(112.3)***	***(23.6%)***
SHARE CAPITAL	68.0	68.0	*0.0*	*0.0%*
RESERVES	102.0	74.6	*27.4*	*36.7%*
PROFIT (LOSS) FOR THE PERIOD	(25.0)	(1.9)	*(23.1)*	*n.s.*
GROUP EQUITY	**144.9**	**140.7**	***4.2***	***3.0%***
NON-CONTROLLING INTERESTS' EQUITY	0.1	29.9	*(29.8)*	*(99.8%)*
EQUITY	**145.0**	**170.6**	***(25.6)***	***(15.0%)***
NET FINANCIAL POSITION NO IFRS 16	130.1	204.2	*(74.1)*	*(36.3%)*
NET FINANCIAL POSITION IFRS 16	89.4	102.0	*(12.6)*	*(12.4%)*
NET FINANCIAL POSITION	**219.5**	**306.2**	***(86.7)***	***(28.3%)***
SOURCES	**364.5**	**476.8**	***(112.3)***	***(23.6%)***

Trend of key balance sheet figures versus 30 June 2019:

- the trend of **trade receivables** is consistent with the drop in revenue due to the effects of COVID-19;
- **inventory** grew by € 8.9 million, due to a postponement in shipments in the Trade and Education Books segment;
- **trade payables** and balances with authors decreased due to lower **purchases and the trend in revenue**, respectively;
- **deferred tax assets** decreased, due to the use of prior tax losses at 31 December 2019 and the reduction in taxed provisions;
- **other assets and liabilities** increased by approximately **€ 17 million** versus the prior year, due to lower payables arising from current tax;
- **intangible assets** decreased, as a result of the amortization process underway and the impairment of certain titles, recorded in 2019 and in the half-year under review;
- **assets from rights of use**, marked in the last twelve months by few changes in number and duration of lease contracts, decreased owing to amortization;

- **investments** decreased, due mainly to the disposal of 50% of the stake held in the share capital of SEE and to the poor results recorded by associates in the last twelve months;
- **provisions** decreased, as a result mainly of the settlement of a number of legal disputes; **post-employment benefits** decreased as a result of the reduction in the workforce.

PERSONNEL

Group employees with a fixed-term or permanent labour contract in the context of Group continuing operations amounted to **1,928 units, down by approximately -9%** versus 2,117 units at 30 June 2019 (excluding the employees of Mondadori France at 30 June 2019), as a result of the disposal of the five titles in the Media Area (in December 2019) and efficiency gains in the individual business areas.

Group Employees at 31 March 2019:

Headcount	30 June 2020	30 June 2019
Arnoldo Mondadori Editore S.p.A.	279	910
Italian subsidiaries	1,603	1,153
Foreign subsidiaries	46	54
Total	**1,928**	**2,117**

As from 1 January 2020, all the resources relating to Arnoldo Mondadori Editore S.p.A. magazines were transferred to Mondadori Media S.p.A., wholly owned by Arnoldo Mondadori Editore S.p.A.; in January 2020, the Group also announced the completion of the outsourcing of the IT Factory BU.

Headcount by Business Area	30 June 2020	30 June 2019	*% chg.*
Books	641	656	*(2.3%)*
Retail	351	375	*(6.4%)*
Media	584	660	*(11.5%)*
Corporate & Shared Services	352	426	*(17.4%)*
Total	**1,928**	**2,117**	***(8.9%)***

In the **Books** Area, the number of employees was down slightly versus 2019.

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

The trend recorded by the **Media** Area also reflects the disposal of the five titles (in December 2019), net of which the reduction would be -3.5%.

The workforce in the **Corporate & Shared Services** Area decreased by **approximately -17%**, due to the outsourcing of the IT Factory BU (in January 2020), net of which the reduction would be -9.7%.

Cost of personnel[15] amounted to **€ 65.5 million**, **down by approximately -17%**.

Euro/millions	30 June 2020	30 June 2019	*% chg.*
Cost of enlarged personnel (before restructuring)	**65.5**	79.3	*(17.3%)*

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

SIGNIFICANT EVENTS IN FIRST HALF

DISPOSAL TO PBF S.R.L. OF 50% OF THE INVESTMENT HELD IN SOCIETÀ EUROPEA DI EDIZIONI S.P.A.

On 18 March 2020, Arnoldo Mondadori Editore S.p.A. announced the disposal to PBF S.r.l. of 50% of its investment in the associate Società Europea di Edizioni S.p.A.. Following this transaction, Arnoldo Mondadori Editore S.p.A.'s investment in the share capital of Società Europea di Edizioni S.p.A., publisher of *Il Giornale*, drops to 18.445%.

RESIGNATION OF ODDONE POZZI AS CFO AND FINANCIAL REPORTING MANAGER ON 3 JUNE

On 20 March 2020, the Mondadori Group announced the resignation of Oddone Pozzi from the position of Group Director of Finance, Procurement, Legal Affairs, IT and Logistics, of Financial Reporting Manager, and from all of the directorships held both in the parent company Arnoldo Mondadori Editore S.p.A. (as Executive Director) and in the other companies of the Group. In order to ensure the activities regarding the Shareholders' Meeting called for the approval of the financial statements at 31 December 2019 and the approval of the Interim Management Statement at 31 March 2020, the resignation from the position of Group Director and Financial Reporting Manager took effect from 3 June 2020, while the resignation from the various directorships took effect from 22 April 2020, after the Shareholders' Meeting.

ALESSANDRO FRANZOSI CHIEF FINANCIAL OFFICER FROM 4 JUNE 2020

On 23 March 2020, the Mondadori Group announced that Alessandro Franzosi would take on the position of Chief Financial Officer from 4 June. Franzosi was previously Corporate Finance and Business Development Director of Fininvest S.p.A..

PURCHASE OF TREASURY SHARES

On **1 June 2020**, the Mondadori Group announced the start of a share buyback plan - under Article 5 of Regulation (EU) no. 596/2014 - on the Electronic Stock Market (MTA) to provide the Company with 543,232 thousand shares to service the Incentive Plan named “2020-2022 Performance Share Plan” approved by the Shareholders' Meeting on 22 April 2020, and to service the continuation of the “2019-2021 Performance Share Plan” and the “2018-2020 Performance Share Plan".

On 8 June 2020, the Company announced the purchase, in the period from 1 to 5 June, of 465,000 ordinary shares (equal to 0.178% of the share capital), at an average unit price of € 1.0856 for a total amount of € 504,789.99.

On 15 June 2020, the Company announced the purchase, on 8 June, of 85,000 ordinary shares (equal to 0.033% of the share capital), at an average unit price of € 1.1689 for a total amount of € 99,356.50.

At 30 June 2020, Arnoldo Mondadori Editore S.p.A. held 1,838,326 treasury shares, equal to 0.703% of the share capital and 0.459% of total voting rights.

OTHER INFORMATION

Adhesion to the legislative simplification process adopted by CONSOB resolution no. 18079 of 20 January 2012. Disclosure pursuant to Article 70, paragraph 8, and Article 71, paragraph 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 Article 3 of CONSOB Resolution no. 18079 of January 20, 2012 and in relation to the provisions set out in Article 70, paragraph 8, and Article 71, paragraph 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 2019, the following items were excluded from EBITDA:

a) Restructuring costs for a total amount 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)".

With regard to adjusted EBITDA in first half 2020, the following items were excluded from EBITDA:

a) Restructuring costs for a total amount of € 1.6 million, included in "Cost of personnel" in the income statement;
b) Expense of a non-ordinary nature for a total of € 0.9 million, included in "Sundry expense (income)" and "Cost of services".

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 assets being sold, previously measured at value in use.

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.

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

BUSINESS OUTLOOK

To date, Group forecasts reflect the inevitable caution from the uncertainty surrounding the pandemic, which does not allow it to fully factor in the encouraging signs brought by the market, in certain segments in particular.

- Revenue

The trend of revenue - expected to decline by 16% and 18% in the current year versus 2019 - is expected to reflect the following dynamics at the level of the individual Business Units:

- Trade Books: against a backdrop of strong post-lockdown growth of the market, the quality of the Group's publishing plan is expected to outperform the market;
- School textbooks: this is the business unit least affected by the health crisis, therefore revenue is estimated to be basically in line with 2019;
- Cultural and museum assets: the continued containment measures and the virtual collapse of tourism show no room for a recovery in revenue; however, the small size of the business (approximately 10% of the Books Area revenue) curbs the impact on the Group's consolidated operating profile;
- Retail: the upswing of the publishing market is expected to drive the recovery of part of revenue lost in the two months of lockdown. The over-representation of the Group (in terms of percentage of revenue) leads to moderate optimism over the recovery of part of revenue lost during the lockdown periods;
- Media (magazines + digital): forecasts point to a relatively moderate reduction in circulation revenue and greater than advertising revenue;

- EBITDA

The Group is expected to continue to show a solid double-digit (adjusted) EBITDA margin (approximately 11-12%), the result of the following forecast trends of the Business Units:

- Trade Books: profitability percentage showing some resilience;
- School textbooks: profitability percentage basically steady;
- Museums: the business model and the cost-cutting measures aim at a substantial breakeven, despite the drastic drop in revenue;
- Retail: the new Levi Law (discount reduction from 15% to 5%) is expected to drive the recovery of profitability;
- Media: positive, albeit declining, profitability.

- Cash Flow

Positive cash generation, but down versus the past;

- Net financial position

The Group's financial debt at the end of the period will depend on the amount of restructuring costs that will be financed from the cash flow from ordinary operations. In any event, the Group's financial debt will not exceed the situation at 31 December 2019.

For the Board of Directors

The Chairman

Marina Berlusconi

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2020

CONSOLIDATED BALANCE SHEET

Assets (Euro/thousands)	Notes	30 June 2020	31 December 2019
Intangible assets	10	**211,611**	**220,349**
Investment property		**-**	**-**
Land and buildings		2,369	2,437
Plant and equipment		3,126	2,971
Other tangible assets		12,376	12,532
Property, plant and equipment	11	**17,871**	**17,940**
Assets from rights of use	12	**86,715**	**93,939**
Equity-accounted investees		23,281	27,716
Other investments		434	434
Total investments	13	**23,715**	**28,150**
Non-current financial assets	20	**11,027**	**12,569**
Pre-paid tax assets	14	**52,510**	**54,891**
Other non-current assets	15	**1,731**	**1,400**
Total non-current assets		**405,180**	**429,238**
Tax receivables	16	**20,085**	**10,002**
Other current assets	17	**91,904**	**82,964**
Inventory	18	**143,495**	**120,784**
Trade receivables	19	**181,443**	**222,687**
Other current financial assets	20	**17,166**	**24,541**
Cash and cash equivalents	21	**27,454**	**44,211**
Total current assets		**481,547**	**505,189**
Discontinued operations		**-**	**-**
Total assets		**886,727**	**934,427**

CONSOLIDATED BALANCE SHEET

Liabilities (Euro/thousands)	Notes	30 June 2020	31 December 2019
Share capital		**67,979**	**67,979**
Share premium reserve		**-**	**-**
Treasury shares		**(2,771)**	**(4,940)**
Other reserves and results carried forward		**104,755**	**78,793**
Profit (loss) for the period		**(25,014)**	**28,200**
Group equity	22	**144,949**	**170,032**
Share capital and reserves attributable to non-controlling interests	22	**73**	**9**
Total equity		**145,022**	**170,041**
Provisions	23	**46,125**	**55,110**
Post-employment benefits	24	**32,102**	**33,364**
Non-current financial liabilities	25	**94,127**	**93,541**
Financial liabilities IFRS 16		**76,897**	**82,777**
Deferred tax liabilities	14	**34,661**	**38,174**
Other non-current liabilities		**-**	**-**
Total non-current liabilities		**283,912**	**302,966**
Income tax payables	16	**457**	**8,208**
Other current liabilities	26	**122,160**	**123,608**
Trade payables	27	**231,080**	**273,341**
Payables to banks and other financial liabilities	25	**91,634**	**43,189**
Financial liabilities IFRS 16	25	**12,462**	**13,074**
Total current liabilities		**457,793**	**461,420**
Discontinued liabilities		**-**	**-**
Total liabilities		**886,727**	**934,427**

CONSOLIDATED INCOME STATEMENT

(Euro/thousands)	Notes	30 June 2020	30 June 2019
Revenue from sales and services	28	**288,914**	**379,979**
Decrease (increase) in inventory	18	(17,630)	(10,533)
Cost of raw and ancillary materials, consumables and goods	29	52,236	76,251
Cost of services	30	180,724	218,712
Cost of personnel	31	61,947	74,178
Other (income) expense	32	3,223	760
EBITDA		**8,414**	**20,611**
Depreciation and impairment loss on property, plant and equipment	11-12	2,082	2,113
Depreciation of assets from rights of use		7,366	7,412
Amortization and impairment loss on intangible assets	10	16,168	8,943
EBIT		**(17,202)**	**2,143**
Financial expense (income)	33	10,285	2,046
Expense (income) from investments	34	3,388	3,013
Profit (loss) before tax		**(30,875)**	**(2,916)**
Income tax	35	(5,859)	3,011
Result from continuing operations		**(25,016)**	**(5,927)**
Result from discontinued operations		-	5,229
Net result		**(25,016)**	**(698)**
Attributable to:			
- Minority shareholders	22	**(2)**	**1,170**
- Parent Company shareholders		**(25,014)**	**(1,868)**
Net earnings per share of continuing operations (in Euro units)	36	(0.097)	(0.023)
Diluted earnings per share of continuing operations (in Euro units)	36	(0.096)	(0.023)
Net earnings per share (in Euro units)		(0.097)	(0.007)
Diluted net earnings per share (in Euro units)	36	(0.096)	(0.007)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro/thousands)	Notes	**30 June 2020**	**30 June 2019**
Net result		**(25,016)**	**(698)**
Items reclassifiable to income statement			
Profit (loss) deriving from the conversion of currency denominated financial statements of foreign companies	22	86	135
Other profit (loss) from equity-accounted investees	22	(196)	(21)
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	20-25	(3)	(670)
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax effect on other profit (loss) reclassifiable to income statement		1	161
Items reclassified to income statement			
Profit (loss) on cash flow hedge instruments		151	150
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax effect on other profit (loss) reclassified to income statement		(37)	(36)
Items not reclassifiable to income statement			
Actuarial profit (loss)	247	(117)	(13)
Tax effect on other profit (loss) not reclassifiable to income statement		33	5
Total other profit (loss) net of tax effect		(82)	(289)
Comprehensive result for the period		**(25,098)**	**(987)**
Attributable to:			
- Non-controlling interests		**(2)**	**1,170**
- Parent Company shareholders		**(25,096)**	**(2,157)**

For the Board of Directors

The Chairman

Marina Berlusconi

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**

Statement of changes in Group consolidated equity at 30 June 2020

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 2020		**67,979**	**(4,940)**	**4,311**	**(977)**	**0**	**172**	**719**	**74,568**	**28,200**	**170,032**	**9**	**170,041**
- Allocation of result									28,200	(28,200)	-		-
- Dividends paid											-		-
- Change in consolidation scope											-	69	69
- Transactions on treasury shares			(605)								(605)		(605)
- Performance share				643							643		643
- Other changes			2,774	(3,052)			(3)	1	254		(26)	(3)	(29)
- Comprehensive profit (loss)					113		19	(84)	(129)	(25,014)	(25,095)	(2)	(25,097)
Balance at 30 June 2020		**67,979**	**(2,771)**	**1,902**	**(864)**	**0**	**188**	**636**	**102,893**	**(25,014)**	**144,949**	**73**	**145,022**

For the Board of Directors
The Chairman
Marina Berlusconi

CONSOLIDATED STATEMENT OF CASH FLOWS

(Euro/thousands)	Notes	30/06/2020	30/06/2019
Net result		(25,014)	(1,868)
Adjustments			
Amortization, depreciation and impairment	10-11-12	25,616	18,468
Income tax for the period	35	(5,859)	3,011
Performance Share		588	1,105
Provisions (utilization) and post-employment benefits		6,114	(4,656)
Capital loss (gain) from the disposal of intangible assets, property, plant and equipment, investments		(2)	(2)
Capital loss (gain) from the measurement of financial assets		6,606	-
(Income) expense of equity-accounted investees	34	3,388	3,013
Net financial expense on loans, leases and derivative transactions	33	2,988	2,279
Other non-monetary adjustments to assets held for sale		-	(5,059)
Cash flow generated from operations		**14,425**	**16,291**
(Increase) decrease in trade receivables		40,560	(5,182)
(Increase) decrease in inventory		(28,306)	(10,033)
Increase (decrease) in trade payables		(42,713)	14,298
Income tax payments		(6,869)	(13,106)
Advances and post-employment benefits		(1,771)	(1,094)
Net change in other assets/liabilities		(22,408)	(26,181)
Cash flow generated from (absorbed by) assets held for sale		-	(4,352)
Cash flow generated from (absorbed by) operations		**(47,082)**	**(29,359)**
Price collected (paid) net of cash transferred/acquired		(1,510)	-
(Purchase) disposal of intangible assets		(6,372)	(14,314)
(Purchase) disposal of property, plant and equipment		(2,480)	(2,870)
(Purchase) disposal of investments		(611)	(5,928)
(Purchase) disposal of financial assets		2,388	4,731
Cash flow generated from (absorbed by) assets held for sale		-	5,567
Cash flow generated from (absorbed by) investing activities		**(8,585)**	**(12,814)**
Net difference in financial liabilities		49,762	6,225
Payment of net financial expense on loans and transactions with derivatives		(926)	(1,525)
Net refund leases		(8,016)	(8,035)
Interest on leases		(1,305)	(1,033)
(Purchase) disposal of treasury shares	22	(605)	(209)
Cash flow generated from (absorbed by) assets held for sale		-	(1,317)
Cash flow generated from (absorbed by) financing activities		**38,910**	**(5,894)**
Increase (decrease) in cash and cash equivalents		**(16,757)**	**(48,067)**
Cash and cash equivalents at the beginning of the period	21	**44,211**	**82,358**
Cash and cash equivalents at the end of the period	21	**27,454**	**34,291**

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	**30/06/2020**	of which related parties (Note 38)	**31/12/2019**	of which related parties (Note 38)
Intangible assets	10	**211,611**	**-**	**220,349**	**-**
Investment property		**-**	**-**	**-**	**-**
Land and buildings		2,369	-	2,437	-
Plant and equipment		3,126	-	2,971	-
Other tangible assets		12,376	-	12,532	-
Property, plant and equipment	11	**17,871**	**0**	**17,940**	**0**
Assets from rights of use		**86,715**		**93,939**	**-**
Equity-accounted investees		23,280	-	27,716	-
Other investments		435	-	434	-
Total investments	13	**23,715**	**0**	**28,150**	**0**
Non-current financial assets	20	**11,028**	**500**	**12,569**	**500**
Pre-paid tax assets	14	**52,510**	**-**	**54,891**	**-**
Other non-current assets	15	**1,730**	**-**	**1,400**	**-**
Total non-current assets		**405,180**	**500**	**429,238**	**500**
Tax receivables	16	**20,085**	**5,150**	**10,002**	**1,466**
Other current assets	17	**91,904**	**13**	**82,964**	**38**
Inventory	18	**143,495**	**-**	**120,784**	**-**
Trade receivables	19	**181,443**	**23,054**	**222,687**	**40,576**
Other current financial assets	20	**17,166**	**25**	**24,541**	**25**
Cash and cash equivalents	21	**27,454**	**-**	**44,211**	**-**
Total current assets		**481,547**	**28,242**	**505,189**	**42,105**
Discontinued operations			**-**	**-**	**-**
Total assets		**886,727**	**28,742**	**934,427**	**42,605**

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

Liabilities (Euro/thousands)	Notes	30/06/2020	of which related parties (Note 38)	31/12/2019	of which related parties (Note 38)
Share capital		**67,979**	**-**	**67,979**	**-**
Share premium reserve		**-**	**-**	**-**	**-**
Treasury shares		**(2,771)**	**-**	**(4,940)**	**-**
Other reserves and results carried forward		**104,755**	**-**	**78,793**	**-**
Profit (loss) for the period		**(25,014)**	**-**	**28,200**	**-**
Group equity	22	**144,949**	**0**	**170,032**	**0**
Share capital and reserves attributable to non-controlling interests	22	**73**	**-**	**9**	**-**
Total equity		**145,022**	**0**	**170,041**	**0**
Provisions	23	**46,125**	**-**	**55,110**	**-**
Post-employment benefits	24	**32,102**	**-**	**33,364**	**-**
Non-current financial liabilities	25	**94,127**	**-**	**93,541**	**-**
Financial liabilities IFRS 16		**76,897**		**82,777**	
Deferred tax liabilities	14	**34,661**	**-**	**38,174**	**-**
Other non-current liabilities		**-**	**-**	**-**	**-**
Total non-current liabilities		**283,912**	**0**	**302,966**	**0**
Income tax payables	16	**457**	**2**	**8,208**	**7,616**
Other current liabilities	26	**122,160**	**216**	**123,608**	**239**
Trade payables	27	**231,080**	**11,272**	**273,341**	**13,645**
Payables to banks and other financial liabilities	25	**91,634**	**300**	**43,189**	**1,776**
Financial liabilities IFRS 16		**12,462**		**13,074**	
Total current liabilities		**457,793**	**11,790**	**461,420**	**23,276**
Discontinued liabilities			**-**	**-**	**-**
Total liabilities		**886,727**	**11,790**	**934,427**	**23,276**

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

(Euro/thousands)	Notes	30 June 2020	of which related parties (Note 38)	of which non-recurring (income) expense (Note 39)	- 30 June 2019	of which related parties (Note 38)	of which non-recurring (income) expense (Note 39)
Revenue from sales and services	28	**288,914**	**8,870**	**-**	**379,979**	**22,161**	**-**
Decrease (increase) in inventory	18	(17,630)	-	-	(10,533)	-	-
Cost of raw and ancillary materials, consumables and goods	29	52,236	1,286	-	76,251	1,917	-
Cost of services	30	180,724	3,484	-	218,712	1,895	-
Cost of personnel	31	61,947	(93)	-	74,178	-	-
Other (income) costs	32	3,223	53	-	760	207	-
EBITDA		**8,414**	**4,140**	**0**	**20,611**	**18,142**	**0**
Depreciation and impairment loss on property, plant and equipment	11-12	2,082	-	-	2,113	-	-
Depreciation of assets from rights of use		7,366			7,412		
Amortization and impairment loss on intangible assets	10	16,168	-	-	8,943	-	-
EBIT		**(17,202)**	**4,140**	**0**	**2,143**	**18,142**	**0**
Financial expense (income)	33	10,285	(12)	-	2,046	(12)	-
Expense (income) from other investments	34	3,388	-	-	3,013	-	-
Profit (loss) before tax		**(30,875)**	**4,152**	**0**	**(2,916)**	**18,154**	**0**
Income tax	35	(5,859)	-	-	3,011	-	-
Result from continuing operations		**(25,016)**	**4,152**	**0**	**(5,927)**	**18,154**	**0**
Result from discontinued operations			-	-	5,229		-
Net result		**(25,016)**	**4,152**	**0**	**(698)**	**18,154**	**0**
Attributable to:							
- Minority shareholders	22	**(2)**	**-**	**-**	**1,170**	**-**	**-**
- Parent Company shareholders		**(25,014)**	**4,152**	**-**	**(1,868)**	**18,154**	**-**

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 2020 was authorized by the Board of Directors’ resolution of 30 July 2020.

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 Article 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 2019.

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 was prepared using the indirect method.

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 2020, the consolidation scope of the Mondadori Group remained unchanged versus 31 December 2019, except for the acquisition of control of the publishing house Abscondita S.r.l..

Preparation criteria

The Mondadori Group's condensed consolidated half-year financial statements have been prepared on a going concern basis.
The Group's financial situation and medium-term prospects, despite the significant stress put on the entire global economic system in this specific historical juncture, allow it to maintain a positive attitude towards future developments, albeit in a partly and inevitably affected economic scenario impacted by the COVID-19 health emergency.

The same accounting standards adopted for the preparation of the annual financial statements for the year ended 31 December 2019. have been used herein.
The Group has not adopted in advance any new standards, interpretations or amendments issued but not yet in force.
Various amendments and interpretations apply for the first time in 2020, but had no impact on the Group's condensed half-year financial statements.

Amendments to IFRS 3: Definition of a business

The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, one underlying input and process that together contribute significantly to the ability to create an output. Additionally, it has clarified that a business can exist without including all of the inputs and processes needed to create an output. These amendments had no impact on the Group’s consolidated half-year financial statements.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform

Amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform.

A hedging relationship is affected if the reform generates uncertainties about the timing and/or amount of cash flows based on benchmarks of the hedged item or hedging instrument. These amendments had no impact on the Group's consolidated half-year financial statements.

Amendments to IAS 1 and IAS 8: Definition of material

The amendments provide a new definition of materiality that states that 'information is material if it is reasonable to assume that its omission, misrepresentation or obscuring could influence the decisions that the primary users of financial statements prepared for general purposes make on the basis of those financial statements, which provide financial information about the specific entity preparing the financial statements. Materiality depends on the nature or magnitude of the information, or both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements as a whole.

The information is obscured if it is disclosed in such a way as to have, for the primary users of financial statements, a similar effect to the omission or misstatement of the same information.

These amendments had no impact on the consolidated half-year financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard and none of the concepts contained therein override the concepts or requirements of a standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there are no standards applicable in the specific circumstances and to help all parties involved to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the Group's consolidated half-year financial statements.

4. USE OF ESTIMATES

The preparation of the condensed consolidated half-year financial statements and related notes required the uses of estimates and assumptions based on subjective judgements, statistics and available information; as a result of COVID-19, for the current macroeconomic and market context, estimates were prepared taking account of the high degree of uncertainty.

Therefore, one cannot rule out the possibility that the figures may require adjustments in future years that cannot be foreseen or measured at this time.

The most significant accounting estimates are outlined below:

Goodwill and intangible assets

The value of goodwill and intangible assets is tested by comparing the carrying amount of the Cash Generating Units with their recoverable value, represented by the higher of fair value less costs to sell and value in use. This process includes, among others, the application of methods such as discounted cash flow, with the relevant assumptions.

Amortization

The useful life of tangible and intangible assets is determined by the Directors when the asset is purchased. The Company regularly assesses any changes in technology, market conditions and expectations of future events that could have an impact on the useful life and duration of amortization.

Provision for advances to authors

The Group estimates the amount of the advances paid to authors to be written down, as they are considered non-recoverable, based on the analyses carried out for published literary works and those yet to be published.

Write-down of inventory

The Group estimates the amount of inventory to subject to impairment loss based on specific analyses ascertaining finished product marketability and the relevant turnover rates, and, for orders in progress, the Group considers the relevant risk of failed completion.

Provision for bad debts

The recoverability of receivables is measured by considering the risk of non-payment, ageing and losses on receivables expected to arise on the receivables, based on the Expected Credit Loss model.

Returns to receive

In the publishing sector, it is an accepted practice that unsold books and magazines are returned to the publisher under pre-established conditions.
Therefore, at the end of each financial year, the Group measures the quantities that are expected to be returned in subsequent years: this estimate is based on statistics and takes account also of the level of circulation of books and magazines.

Provision for risks

Provisions made in relation to costs for judicial, fiscal and arbitration disputes are based on complex estimates that take into account the probability of losing the disputes.

Post-employment benefits

Provisions made in favour of employees are based on actuarial assumptions: any changes in the underlying assumptions may have significant effects on the provisions.

Income tax

Income tax (both current and deferred) is calculated based on the applicable rates in each individual country in which the Group operates, according to a prudent interpretation of currently applicable tax laws.

5. SEASONAL NATURE OF BUSINESS ACTIVITIES

Due in particular 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, 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. ACQUISITION IN THE FIRST HALF

On 18 December 2019, Electa S.p.A. acquired control of the publishing house Abscondita S.r.l.; the transaction, effective from 1 January 2020, involved the payment of a consideration of € 276 thousand for the ownership of 80% of the share capital.
At the date of this Half-Year Report, the purchase price allocation process has yet to be completed; therefore, goodwill is recognized on a provisional basis.

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. IMPAIRMENT PROCESS

During the preparation of the condensed consolidated half-year financial statements, particular attention was paid to the identification of any impairment indicators, given also the changed macroeconomic context as a result of COVID-19 which, as explained below, had a significant impact on the Group's relevant markets.

In the Magazines segment, the advertising market fell by 41.5% in print and 17.1 in digital (*Nielsen*: figures at May in terms of value), the circulation market dropped by 11.3% (*Press Di Distribuzione*: figures at May in terms of value) and the add-on sales market lost 3.7% (*Press Di Distribuzione*: figures at May in terms of value); in the Trade Books segment, the market slipped by 10.1% (*GFK*: figures at June in terms of value).

The Group's total revenue decreased by approximately 24% versus first half 2019. All Mondadori’s businesses of operation were impacted by the measures adopted by the government to counter the spread of COVID-19:

- in the Books Area, revenue fell by 21%, 15.8% of which pertaining to the Trade segment, affected by the closure of bookstores. The weeks following the lockdown, with the reopening of the bookstores, witnessed an 18% increase in revenue versus the same period of the prior year, with returns in line with forecasts and down versus the prior year, due also to the growth in revenue through digital sales channels and e-commerce; in order to alleviate the negative impact, Mondadori implemented a series of actions, such as the revision of the publishing schedule and the shedding of a few titles with lower sales potential, the cutting of advertising costs, related to the launch of new titles in the trade segment, and of essays in the educational segment, the reduction in structural costs and general and administrative expenses, the resort to social safety nets and the use of untaken holiday entitlement;
- in the Magazines Area, the drop in circulation (-23.4%), add-on sales (-24.2%) and advertising sales (-42.1%) led to an overall loss of approximately 27% in revenue. The actions to contain the negative impact of the revenue trend involved the reduction in print runs and the number of pages of magazines, the merging of some of the magazines into joint issues, cost cutting for events and promotional initiatives, and saving on cost of personnel as mentioned earlier;

- in the Retail Area, which interrupted sales to the public at its own and franchised stores for over two months, revenue fell by 27% at the end of the first half of the year. In the weeks following the lockdown, franchised bookstores performed positively and above budget, while the directly-managed stores, located mostly in large cities and shopping centres, were affected respectively by fewer commuters and lower tourist flows, as well as by entry restrictions; in this area of business too, Mondadori resorted to the redundancy fund, both for bookstore and megastore staff and for the staff of other company departments, obtained a discount on certain monthly lease payments and discontinued the supply of certain services provided to the points of sale.

Against this backdrop, the Mondadori share price over the last twelve months stood at € 1.58 on 30 June 2019, € 2.06 on 31 December 2019, and € 0.96 on 30 June 2020. As a result of this trend, market capitalization versus 31 December 2019 fell sharply, but remains still far higher than booked equity (market capitalization at 30 June 2020 stood at € 249.2 million versus a consolidated equity at the same date of € 145 million).

In view of the above, at 30 June 2020, the CGUs under the Magazines Area (including digital verticals), the Books Area and the Retail Area as well as the investment in the Attica Group were tested for impairment.

Key elements to calculate the recoverable value are:

Cash Generating Unit	Criterion used	Economics	Growth rate on terminal value	Discounting rate
CGU magazines former Silvio Berlusconi Ed.	*Value in use / Fair value*	EBITDA 2020-2022 Revenue 2020-2022	g = -3	5.71%
CGU magazines former Elemond	Fair value	Revenue 2020-2022	g = -3	5.71%
CGU former Gruner+Jahr Mondadori	Fair value	Revenue 2020-2022	g = -3	5.71%
Digital CGU	Value in use	EBITDA 2020-2022	g = 0; g = 2	5.71%
Trade Books CGU	Value in use	EBITDA 2020-2022	g = 0	5.71%
Einaudi CGU	Value in use	Cash flow 2020-2022	g = 0	5.71%
Sperling & Kupfer CGU	Value in use	EBITDA 2020-2022	g = 0	5.71%
Piemme CGU	Value in use	EBITDA 2020-2022	g = 0	5.71%
Education CGU	Value in use	Cash flow 2020-2022	g = 0	5.71%
Retail CGU	Value in use	EBITDA 2020-2022	g = 0	5.71%
Investment in Attica (Greece)	Value in use	EBITDA 2020-2022	g = 0; g = 2	5.95%

An impairment test was developed considering the latest revised 2020 budget ("Revised 2020 Budget"), an update of the 2020 budget included in the 2020-2022 three-year plan approved by the Board of Directors on 17 March 2020 (the "Plan").

The Revised 2020 Budget, specifically approved by the Board of Directors on 30 July 2020, reflects the COVID-19 effects on the figures for the first half of the current year and the new estimates prepared by Management for the entire 2020 year.

In the absence of the development of a new medium-term plan, mention should be made in particular that the differences emerging between the Revised 2020 Budget and the 2020 budget from the Plan have been projected also for the years 2021 and 2022 under the Plan, breaking them down by the Group's different business segments and by each of the years in question.
The cash flows beyond 2022 were inferred starting from the last year under the Plan, as it is believed that the COVID-19 impacts, with regard to the Group's businesses and assets subject to impairment, are not long-term.
The above was carried out to estimate a scenario considered representative for the purposes of the impairment test in question.

The value in use is estimated by applying the Discounted Cash Flow method, with the unlevered formula, by discounting back analytically expected flows. The fair value less costs of disposal, used as the carrying amount test method for a number of magazine titles, is calculated using the royalty method based on estimated revenue in the Group's forecast scenarios deriving from the use of the titles in question.

The discount rate, in keeping with the method adopted in prior years, was defined in terms of weighted average cost of capital (WACC) for the individual Cash Generating Unit/Country and shown net of tax, consistently with the expected cash flows used. WACC is an adjusted risk rate, measured directly based on the cost that the company must bear to collect resources from lending entities, internal and external, to finance any specific investment. WACC expresses an opportunity cost of capital and is calculated as the weighted average of the cost of the risk capital and the cost of the debt capital. At 30 June 2020, the WACC used in the cash flow evaluation of the Italian CGUs was 5.71% (5.28% at 31 December 2019), while the WACC used for the Greek subsidiary was 5.95% (4.86% at 31 December 2019).

The results of the impairment test required the adjustment of the carrying amount of the magazine *TV Sorrisi e Canzoni*, whose useful life in the first half of the year was reclassified from indefinite to finite, and the write off of the residual value attributed to goodwill arising from the acquisition of former Silvio Berlusconi Editore S.p.A. for a total of € 5,846 thousand.

To complete the impairment test, a sensitivity analysis of the results obtained was performed, varying a number of parameters from the basic assumptions.

As a result of the sensitivity analysis, the 0.5% increase in the discount rate would result in further write-downs of € 2.8 million regarding the CGUs of the magazine titles.

10. INTANGIBLE ASSETS

"Intangible assets", amounting to € 211,611 thousand, decreased by € 8,738 thousand versus 31 December 2019.

As from 1 January 2020, following the review of the useful life of magazines, which qualified the useful life of *TV Sorrisi e Canzoni* as finite, the related carrying amount was reclassified under assets with finite useful life.

Intangible assets (Euro/thousands)	**30/06/2020**	**31/12/2019**
Intangible assets with finite useful life	115,087	50,288
Intangible assets with indefinite useful life	96,524	170,061
Total intangible assets	**211,611**	**220,349**

"Intangible assets with finite useful life" include:

- the magazine titles *Chi, Tele+, Interni* and *TV Sorrisi e Canzoni*, published by Arnoldo Mondadori Editore *S*.p.A., each of which is a Cash Generating Unit;
- proprietary and licensed application software;
- development costs, represented by the costs for the launch of new publishing projects in the Educational Area;
- intangible assets in progress, also attributable mainly to new publishing projects.

Intangible assets with finite useful life (Euro/thousands)	Magazines	Trademarks	Customer lists	Expense on shop lease contract takeovers	Software, licenses, patents and rights	Cost of development	Other assets, assets in progress and advances	Total
Historical cost at 31/12/2018	-	18,655	1,684	1,849	17,486	34,882	18,295	92,851
Capital expenditure	-	25	-	-	2,938	6,823	5,286	15,072
Disposals	-	-	-	-	(272)	-	(2,887)	(3,159)
Change in the consolidation scope	-	-	-	-	-	-	-	0
Other changes	17,289	1,162	-	(1,849)	5,590	(4,064)	(11,622)	6,506
Historical cost at 31/12/2019	17,289	19,842	1,684	0	25,742	37,641	9,072	111,270
Accumulated amortization and impairment loss at 31/12/2018	-	5,006	1,263	1,849	10,729	25,419	4,148	48,414
Amortization	1,215	1,046	421	-	4,891	9,831	750	18,154
Write-downs/(write-backs)	2,710	353	-	-	3	-	191	3,257
Disposals	-	-	-	-	(271)	-	(2,848)	(3,119)
Change in the consolidation scope	-	-	-	-	-	-	-	0
Other changes	5,141	1,126	-	(1,849)	(1,755)	(8,414)	27	(5,724)
Accumulated amortization and impairment loss at 31/12/2019	9,066	7,531	1,684	0	13,597	26,836	2,268	60,982
Net book value at 31/12/2018	0	13,649	421	0	6,757	9,463	14,147	44,437
Net book value at 31/12/2019	**8,223**	**12,311**	**0**	**0**	**12,145**	**10,805**	**6,804**	**50,288**

In first half 2020, capital expenditure in "intangible assets with finite useful life", amounting to € 7,153 thousand, referred mainly to:

- € 6,486 thousand for costs for the creation and development of publishing products of the Education Area;
- € 385 thousand for software.

Amortization and write-downs of assets with finite useful life, amounting to € 15,436 thousand, increased by € 6,493 thousand, due to the higher amortization of the magazines, as a result of the requalification of the useful life of *TV Sorrisi e Canzoni* from indefinite to finite, and of the write-down of the value of the same title, carried out at the end of the impairment test.

Intangible assets with finite useful life (Euro/thousands)	Magazines	Trademarks	Software, licenses, patents and rights	Cost of development	Other assets, assets in progress and advances	Total
Historical cost at 31/12/2019	17,289	19,842	25,742	37,641	9,072	109,586
Capital expenditure	-	-	385	4,662	2,106	7,153
Disposals	-	-	-	-	-	0
Change in the consolidation scope	-	-	-	-	7	7
Other changes	76,825	-	894	3,546	(4,432)	76,833
Cost at 30/06/2020	94,114	19,842	27,021	45,849	6,753	193,579
Accumulated amortization and impairment loss at 31/12/2019	9,066	7,531	13,597	26,836	2,268	59,298
Amortization	2,069	524	2,493	4,852	384	10,322
Write-downs/(write-backs)	5,114	-	-	-	-	5,114
Disposals	-	-	-	-	-	0
Change in the consolidation scope	-	-	-	-	5	5
Other changes	3,749	-	-	-	4	3,753
Accumulated amortization and impairment loss at 30/06/2020	19,998	8,055	16,090	31,688	2,661	78,492
Net book value at 31/12/2019	8,223	12,311	12,145	10,805	6,804	50,288
Net book value at 30/06/2020	**74,116**	**11,787**	**10,931**	**14,161**	**4,092**	**115,087**

Intangible assets with indefinite useful life include:

- 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 31/12/2018	94,114	49,449	55,041	198,604
Capital expenditure	-	-	-	0
Disposals	-	-	-	0
Change in the consolidation scope	-	-	-	0
Other changes	(17,289)	(1,298)	(1,523)	(20,110)
Historical cost at 31/12/2019	76,825	48,151	53,518	178,494
Impairment loss at 31/12/2018	8,890	2,259	5,220	16,369
Write-downs/(write-backs)	-	-	-	0
Other changes/disposals	(5,141)	(1,265)	(1,530)	(7,936)
Impairment loss at 31/12/2019	3,749	994	3,690	8,433
Net book value at 31/12/2018	85,224	47,190	49,821	182,235
Net book value at 31/12/2019	**73,076**	**47,157**	**49,828**	**170,061**

In first half 2020, the related goodwill for € 271 thousand was recognized, albeit on a provisional basis, since the purchase price allocation process of the cost relating to the acquisition of the controlling stake in Abscondita S.r.l. was yet to be completed at the date of this Half-Year Report.

At the end of the impairment process, goodwill relating to the former SBE CGU group was written down by € 732 thousand.

Intangible assets with indefinite useful life (Euro/thousands)	Magazines	Trademarks and series	Goodwill	Total
Historical cost at 31/12/2019	76,825	48,151	53,518	178,494
Capital expenditure	-	-	-	0
Disposals	-	-	-	0
Change in the consolidation scope	-	-	271	271
Other changes	(76,825)	-	-	(76,825)
Cost at 30/06/2020	0	48,151	53,789	101,940
Impairment loss at 31/12/2019	3,749	994	3,690	8,433
Write-downs/(write-backs)	-	-	732	732
Other changes/disposals	(3,749)	-	-	(3,749)
Impairment loss at 30/06/2020	0	994	4,422	5,416
Net book value at 31/12/2019	73,076	47,157	49,828	170,061
Net book value at 30/06/2020	**0**	**47,157**	**49,367**	**96,524**

Amortization, write-downs and write-backs of intangible assets

Amortization and write-downs of intangible assets, amounting to € 16,168 thousand, increased by € 7,225 thousand, as a result mainly of amortization and write-downs attributable to *TV Sorrisi e Canzoni* and the impairment of goodwill relating to the former SBE CGU group.

Amortization and impairment loss of intangible assets (Euro/thousands)	**1° half 2020**	**1° half 2019**
Magazines	2,069	619
Trademarks	524	522
Customer lists	-	211
Software	2,143	2,046
Licenses, patents and rights	350	349
Cost of development	4,852	4,601
Other intangible assets	384	404
Total amortization of intangible assets	**10,322**	**8,752**
Write-downs of intangible assets	5,846	191
Write-backs of intangible assets	-	-
Total write-downs (write-backs) of intangible assets	**5,846**	**191**
Total amortization and impairment loss of intangible assets	**16,168**	**8,943**

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

11. PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment" totaled € 17,871 thousand, in line with the amount at 31 December 2019 of € 17,940 thousand.

In the first half of the year, capital expenditure amounted to € 2,015 thousand, represented mainly by extraordinary maintenance work on the premises, the entry into operation of the new access and time recording system, and the acquisition of personal computers and equipment designed to encourage staff smart working.

Disposals during the six-month period involved assets that were almost completely depreciated.

The table below shows a breakdown of "Property, plant and equipment" in 2019 and in first half 2020:

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	-	-	639	2,838	3,477
Disposals	-	-	(34)	(2,486)	(2,520)
Change in the consolidation scope	-	-	-	-	0
Other changes	-	-	(267)	(958)	(1,225)
Historical cost at 31/12/2019	903	5,605	21,939	57,719	86,166
Accumulated depreciation and impairment loss at 31/12/2018	-	3,915	18,519	44,865	67,299
Depreciation	-	156	818	3,228	4,202
Write-downs/(write-backs)	-	-	46	279	325
Disposals	-	-	(34)	(2,387)	(2,421)
Change in the consolidation scope	-	-	-	-	0
Other changes	-	-	(381)	(798)	(1,179)
Accumulated depreciation and impairment loss at 31/12/2019	0	4,071	18,968	45,187	68,226
Net book value at 31/12/2018	903	1,690	3,082	13,460	19,135
Net book value at 31/12/2019	**903**	**1,534**	**2,971**	**12,532**	**17,940**

Property, plant and equipment (Euro/thousands)	Land	Instrumental buildings	Plant and equipment	Other tangible assets	Total
Historical cost at 31/12/2019	903	5,605	21,939	57,719	86,166
Capital expenditure	-	-	450	1,565	2,015
Disposals	-	-	(7)	(856)	(863)
Change in the consolidation scope	-	-	-	17	17
Other changes	-	-	112	(111)	1
Cost at 30/06/2020	903	5,605	22,494	58,334	87,336
Accumulated depreciation and impairment loss at 31/12/2019	-	4,071	18,968	45,187	68,226
Depreciation	-	69	404	1,609	2,082
Write-downs/(write-backs)	-	-	-	-	0
Disposals	-	-	(4)	(855)	(859)
Change in the consolidation scope	-	-	-	16	16
Other changes	-	-	-	-	0
Depreciation and impairment losses at 30/06/2020	0	4,140	19,368	45,957	69,465
Net book value at 31/12/2019	903	1,534	2,971	12,532	17,940
Net book value at 30/06/2020	**903**	**1,465**	**3,126**	**12,377**	**17,871**

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

Other tangible assets (Euro/thousands)	**30/06/2020**	**31/12/2019**
Industrial and commercial equipment	186	182
Electronic office equipment	2,350	2,100
Office furniture, facilities and fittings	3,808	4,100
Motor and transport vehicles	30	34
Leasehold improvements	5,924	5,718
Assets under construction and advances	79	398
Total other tangible assets	**12,377**	**12,532**

Depreciation of property, plant and equipment

Depreciation, considering the small amount of capital expenditure in the second half of 2019 and in the half year under review, decreased by € 31 thousand, from € 2,113 thousand to € 2,082 thousand.

Depreciation of property, plant and equipment (Euro/thousands)	**1° half 2020**	**1° half 2019**
Instrumental buildings	69	78
Plant and equipment	404	416
Equipment	40	42
Electronic office equipment	587	608
Furniture and fittings	441	482
Motor and transport vehicles	5	5
Leasehold improvements	536	482
Total depreciation of property, plant and equipment	**2,082**	**2,113**
Write-downs of tangible assets	-	-
Write-backs of tangible assets	-	-
Total write-downs (reinstatement of value) of tangible assets	**0**	**0**
Total depreciation and impairment loss on tangible assets	**2,082**	**2,113**

12. ASSETS FROM RIGHTS OF USE

During the first half of 2020, assets under lease contracts for third-party assets referred mainly to the signing of the new lease on the Rizzoli International Publications Inc. headquarters, depreciation for the period and closure of a number of contracts.

Assets from rights of use (Euro/thousands)	Rights of use buildings	Rights of use motor vehicles	Rights of use hardware	Total
Historical cost at 1/1/2019	106,748	645	530	107,923
Capital expenditure	764	-	1,306	2,070
Disposals	(1,633)	-	(530)	(2,163)
Other changes	108	-	-	108
Historical cost at 31/12/2019	105,987	645	1,306	107,938
Depreciation fund at 1/1/2019	-	-	-	0
Depreciation	14,182	188	264	14,634
Disposals	(392)	-	(243)	(635)
Other changes	-	-	-	0
Accumulated depreciation at 31/12/2019	13,790	188	21	13,999
Net value at 1/1/2019	106,748	645	530	107,923
Net book value at 31/12/2019	**92,197**	**457**	**1,285**	**93,939**

Assets from rights of use (Euro/thousands)	Rights of use buildings	Rights of use motor vehicles	Rights of use hardware	Total
Historical cost at 31/12/2019	105,987	645	1,306	107,938
Capital expenditure	4,345	-	-	4,345
Disposals	(5,594)	-	-	(5,594)
Other changes	(36)	-	-	(36)
Cost at 30/06/2020	104,702	645	1,306	106,653
Accumulated depreciation at 31/12/2019	13,790	188	21	13,999
Depreciation	7,143	94	129	7,366
Disposals	(1,421)	-	-	(1,421)
Other changes	(6)	-	-	(6)
Accumulated depreciation at 30/06/2020	19,506	282	150	19,938
Net book value at 31/12/2019	92,197	457	1,285	93,939
Net book value at 30/06/2020	**85,196**	**363**	**1,156**	**86,715**

13. INVESTMENTS

"Investments booked at equity" and "Investments in other companies" totaled € 23,715 thousand, down by € 4,435 thousand versus 31 December 2019.

Investments (Euro/thousands)	**30/06/2020**	**31/12/2019**
Equity-accounted investees	23,281	27,716
Investments in other companies	434	434
Total investments	**23,715**	**28,150**

The only change in the first half of 2020 in the scope of equity-accounted investees was represented by the disposal of 50% of the stake held in Società Europea di Edizioni S.p.A.; as a result of this transaction, the Mondadori Group at 30 June 2020 held 18.445% of the share capital.

The total amount of equity-accounted investees decreased, due, in addition to the above disposal, to the negative results of the associates in the period of Mediamond S.p.A., Monradio S.r.l. and Società Europea di Edizioni S.p.A..

Equity-accounted investees – Details (Euro/thousands)	**30/06/2020**	**31/12/2019**
Investments in joint ventures:		
- Edizioni EL S.r.l.	3,921	3,649
- Attica Publications Group	9,233	9,571
- Mediamond S.p.A.	618	1,981
- Mondadori Seec Advertising Co. Ltd	5,018	5,317
- DI 2 S.r.l.	108	84
Total investments in joint ventures	**18,898**	**20,602**
Investments in associates:		
- Monradio S.r.l.	3,898	4,834
- Mach 2 Libri S.p.A.	-	-
- GD Media Service S.r.l.	160	162
- Società Europea di Edizioni S.p.A.	262	2,000
- Venezia Accademia Società per i servizi museali S.c.a r.l.	58	58
- Campania Arte S.c.ar.l. in liquidation	5	5
- Stile Italia Edizioni S.r.l.	-	55
Total investments in associates	**4,383**	**7,114**
Total equity-accounted investees	**23,281**	**27,716**

"Investments in other companies”.

Investments in other companies - Details (Euro/thousands)	**30/06/2020**	**31/12/2019**
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	-	-
Total investments in other companies	**434**	**434**

14. PRE-PAID TAX ASSETS AND DEFERRED TAX LIABILITIES

“Pre-paid tax assets", amounting to € 52,510 thousand, decreased by € 2,381 thousand; "Deferred tax liabilities", amounting to € 34,661 thousand, decreased by € 3,513 thousand.

(Euro/thousands)	**30/06/2020**	**31/12/2019**
IRES on tax losses	8,961	7,796
Pre-paid IRES	40,023	43,373
Pre-paid IRAP	3,526	3,722
Total pre-paid tax assets	**52,510**	**54,891**
Deferred IRES	29,855	33,065
Deferred IRAP	4,806	5,109
Total deferred tax liabilities	**34,661**	**38,174**

Specifically:

- “IRES on tax losses", amounting to € 8,961 thousand versus the amounts at 31 December 2019, 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 € 3,546 thousand as a result of the change in provisions subject to taxation;
- Deferred IRES and deferred IRAP decreased, due mainly to the write-down of *TV Sorrisi e Canzoni*, following the impairment process, and the amortization of magazine titles.

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

(Euro/thousands)	30/06/2020 Amount of temporary differences	Current tax rate	Pre-paid tax	31/12/2019 Amount of temporary differences	Current tax rate	Pre-paid tax
Difference between book and tax value of intangible assets	1,836	(*)	441	2,576	(*)	618
Difference between book and tax value of investment property and investments in property, plant and equipment	685	(*)	164	711	(*)	171
Provision for bad debts	21,842	(*)	5,266	23,010	(*)	5,236
Write-down of inventory	27,276	(*)	6,580	27,936	(*)	6,745
Provision for advances to authors	23,276	(*)	5,598	20,205	(*)	4,864
Provisions	44,153	(*)	10,524	49,155	(*)	12,112
Post-employment benefits	2,552	(*)	613	2,454	(*)	589
Elimination of intercompany income	10,429	(*)	2,503	11,446	(*)	2,747
Returns to receive	28,946	(*)	6,947	35,896	(*)	8,615
Other temporary differences	5,647	(*)	1,387	6,837	(*)	1,676
Total for IRES purposes	**166,642**		**40,023**	**180,226**		**43,373**
Difference between book and tax value of intangible assets	1,437	(*)	56	2,157	(*)	84
Difference between book and tax value of investment property and investments in property, plant and equipment	147	(*)	6	417	(*)	16
Write-down of inventory	24,002	(*)	936	24,573	(*)	958
Provision for advances to authors	21,822	(*)	851	18,269	(*)	713
Provisions	1,827	(*)	71	1,222	(*)	48
Post-employment benefits	1,312	(*)	51	1,257	(*)	49
Elimination of intercompany income	10,429	(*)	405	11,446	(*)	445
Returns to receive	28,946	(*)	1,129	35,896	(*)	1,400
Other temporary differences	478	(*)	21	225	(*)	9
Total for IRAP purposes	**90,400**		**3,526**	**95,462**		**3,722**

(*) With regard 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)	30/06/2020 Amount of temporary differences	Current tax rate	Deferred tax	31/12/2019 Amount of temporary differences	Current tax rate	Deferred tax
Difference between book and tax value of intangible assets	119,494	(*)	28,679	128,085	(*)	30,740
Difference between book and tax value of investment property and investments in property, plant and equipment	793	(*)	190	903	(*)	217
Post-employment benefits	182	(*)	43	205	(*)	49
Other temporary differences	3,931	(*)	943	8,582	(*)	2,059
Total for IRES purposes	**124,400**		**29,855**	**137,775**		**33,065**
Difference between book and tax value of intangible assets	122,403	(*)	4,774	130,161	(*)	5,076
Difference between book and tax value of investment property and investments in property, plant and equipment	820	(*)	32	821	(*)	33
Total for IRAP purposes	**123,223**		**4,806**	**130,982**		**5,109**

(*) With regard 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.

15. OTHER NON-CURRENT ASSETS

"Other non-current assets", amounting to € 1,731 thousand, increased by € 329 thousand versus 31 December 2019, due mainly to the rescheduling of the collection deadlines of the consideration from the disposal of 75% of Stile Italia Edizioni S.r.l..

Other non-current assets (Euro/thousands)	**30/06/2020**	**31/12/2019**
Guarantee deposits	151	153
Other	1,580	1,247
Total other non-current assets	**1,731**	**1,400**

16. TAX RECEIVABLES AND PAYABLES

Tax receivables (Euro/thousands)	**30/06/2020**	**31/12/2019**
Receivables from the Inland Revenue for IRAP	1,161	1,415
Receivables from the Inland Revenue for IRES	18	18
Receivables from Fininvest for IRES	5,971	1,466
Receivables from the Inland Revenue for VAT	11,525	5,714
Receivables from the Inland Revenue for direct tax to recover and advances on disputes	1,410	1,389
Total tax receivables	**20,085**	**10,002**

"Tax receivables", equal to € 20,085 thousand, increased by € 10,083 thousand versus 31 December 2019, as a result of:

- the higher receivable accrued by Mondadori from the transfer of negative taxable income to Fininvest S.p.A., as part of the contract governing tax consolidation;
- the higher VAT receivable, represented by the settlements of the first two quarters of the current year, versus a balance at end 2019 which had included the settlement of the fourth quarter of the year.

"Receivables from the Inland Revenue Office for direct tax to recover and advances on disputes", amounting to € 1,410 thousand, include:

- receivables for € 676 thousand, recognized as a result of the deductibility of IRAP from the IRES taxable base, with the filing of the relating refund application;
- receivables for tax disputes totaling € 9,930 thousand, written down by € 9,457 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 Electa S.p.A., 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, all of which were settled with the Inland Revenue through a tax settlement proposal.

Income tax payables (Euro/thousands)	**30/06/2020**	**31/12/2019**
Payables to the Inland Revenue for IRAP	56	63
Payables to the Inland Revenue for IRES	401	685
Payables to Fininvest for IRES	-	7,460
Total income tax payables	**457**	**8,208**

“Income tax payables", amounting to € 457 thousand, fell by € 7,751 thousand, due to lower current tax accrued in the six months, following the decrease in operating results.

17. OTHER CURRENT ASSETS

“Other current assets", amounting to € 91,904 thousand, increased by € 8,940 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.

“Other receivables, accrued income and prepaid expenses" includes marketing, promotion and delivery costs relating to magazine issues for the second half of the year, as well as costs for advance fees.

Other current assets (Euro/thousands)	**30/06/2020**	**31/12/2019**
Receivables from agents	4,920	338
Receivables from authors	130,316	122,200
Provision for advances to authors	(61,122)	(57,604)
Receivables from suppliers and associates	7,031	6,699
Accrued income and prepaid expenses	7,336	7,829
Other receivables from associates	12	38
Other receivables	3,411	3,464
Total other current assets	**91,904**	**82,964**

18. INVENTORY

The increase in “Inventory” versus 31 December 2019, amounting to € 22,711 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 € 8,673 thousand, increased by € 422 thousand, due to the supply of the Books Area (€ +1,259 thousand) and the reduction in the Magazines Area (€ -837 thousand);
- "Work in progress, semi-finished and contract work in progress", amounting to € 10,210 thousand, was basically in line with the amount at 31 December 2019, due to an increase in the Books Area of € 1,086 thousand and a decrease in the Magazines Area of € 1,454 thousand;
- "Finished products and goods", amounting to € 124,612 thousand, increased by € 22,664 thousand, due mainly to the production of school textbooks and books for the Trade market, which increased by € 16,370 thousand and € 7,139 thousand respectively.

Inventory (Euro/thousands)	**30/06/2020**	**31/12/2019**
Raw and ancillary materials and consumables	9,244	8,822
Write-down of raw and ancillary materials and consumables	(571)	(571)
Total raw and ancillary materials and consumables	**8,673**	**8,251**
Work in progress, semi-finished products and contract work	11,256	11,631
Write-down of work in progress, semi-finished products and contract work	(1,046)	(1,046)
Total work in progress and semi-finished goods	**10,210**	**10,585**
Finished products and goods	210,973	183,025
Write-down of finished products and goods	(86,361)	(81,077)
Total finished products and goods	**124,612**	**101,948**
Total inventory	**143,495**	**120,784**

Inventory of "Finished products and goods" included books produced by the Group, third-party publishers' books purchased for re-sale in the Retail sector and merchandising, paper processing and gifts.

Inventory write-down 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 goods, and deterioration of raw materials.

Inventory - Write-down (Euro/thousands)	Raw materials	Work in progress and semi-finished products and contract work	Finished products and goods
Balance at 31/12/2018	502	1,174	83,867
Changes in the period:			
- provisions	144	-	-
- utilizations	(75)	(139)	(2,863)
- other changes	-	11	73
Balance at 31/12/2019	**571**	**1,046**	**81,077**
Changes in the period:			
- provisions	-	-	5,863
- utilizations	-	-	(164)
- other changes	-	-	(415)
Balance at 30/06/2020	**571**	**1,046**	**86,361**

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 2020**	**1° half 2019**
Changes in finished products and goods	(23,282)	(7,679)
Allocation to the provision for write-downs of finished products and goods	5,863	-
Utilization of the provision for write-downs of finished products and goods	(164)	(2,120)
Total changes in finished products and goods	**(17,583)**	**(9,799)**
Changes in work in progress and semi-finished goods	375	2,608
Allocation to the provision for write-downs of work in progress and semi-finished goods	-	-
Utilization of the provision for work in progress and semi-finished goods	-	(84)
Total changes in work in progress and semi-finished goods	**375**	**2,524**
Changes in raw and ancillary materials and consumables	(422)	(3,258)
Allocation to the provision for write-downs of raw and ancillary materials and consumables	-	-
Utilization of the provision for write-downs of raw and ancillary materials and consumables	-	-
Total changes in raw and ancillary materials and consumables	**(422)**	**(3,258)**
Total decrease (increase) in inventory	**(17,630)**	**(10,533)**

19. TRADE RECEIVABLES

Trade receivables (Euro/thousands)	**30/06/2020**	**31/12/2019**
Receivables from customers	158,390	182,110
Receivables from associates	22,371	39,749
Receivables from parent companies	41	19
Receivables from affiliates	641	809
Total trade receivables	**181,443**	**222,687**

"Trade receivables", amounting to € 158,390 thousand, fell by € 23,720 thousand versus 31 December 2019, and by € 30,722 thousand versus 30 June 2019, more consistent owing to the seasonal nature of a number of businesses.

The lower exposure to customers is largely attributable, in all of Mondadori's segments of operation, to the revenue trend; specifically, versus the same period of 2019:

- the Trade Books Area (€ -12,579 thousand) was affected by the lockdown period and the failed launch of new titles on the market;
- the Educational Area (€ -11,814 thousand), which usually increases the balance of trade receivables in the first half of the year owing to the strong seasonal nature of the business, was affected in 2020 by the

negative impacts of the stoppage of activities in the cultural heritage sector and the postponement of supplies to bookstores of school products;

- the Retail Area (€ -1,622 thousand) was impacted to a limited extent by the closure of the stores, given the way in which collections are made;
- the Magazines Area (€ -4,761 thousand) was down, due mainly to the decline in advertising revenue.

“Receivables from associates", amounting to € 22,371 thousand, decreased, attributable almost entirely to Mediamond S.p.A., the Group's ad agency, as a result of the sharp fall in advertising sales.
Receivables from associates, parent companies and affiliates are explained in the Annex "Transactions with related parties"; transactions with related parties are carried out under normal market conditions.

“Customers – returns to receive”, amounting to € 100,293 thousand, decreased by € 42,743 thousand versus 31 December 2019, due to a reduction in revenue and an increase in returns credited to customers, both in the Magazines and the Books Area; in the latter segment, the decrease is due also to the growth in sales volumes through the e-commerce and e-books channels, marked by a much lower rate of returns than the traditional channels.

Trade receivables **Receivables from customers** (Euro/thousands)	**30/06/2020**	**31/12/2019**
Receivables from customers	280,547	346,179
Customers – returns to receive	(100,293)	(143,036)
Provision for bad debts	(21,864)	(21,033)
Total receivables from customers	**158,390**	**182,110**

There were no trade receivables due over five years.

With regard to the provision for bad debts, 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, together with an assessment of expected losses based on historical data and forward looking information.

Trade receivables **Receivables from customers - Provision for bad debts** (Euro/thousands)	**30/06/2020**	**31/12/2019**
Balance at beginning of year	21,033	20,627
Changes in the period:		
- provisions	1,934	4,966
- utilizations	(1,145)	(4,553)
- changes in the consolidation scope and other changes	42	(7)
Total provision for bad debts	**21,864**	**21,033**

20. FINANCIAL ASSETS

"Non-current financial assets", amounting to € 11,027 thousand, includes:

- the discounting back of € 10,000 thousand, as part of the price relating to the disposal of Mondadori France, the collection of which is scheduled to be postponed to July 2021;
- the receivable for the loan granted to Attica Publications of € 500 thousand.

Non-current financial assets (Euro/thousands)	**30/06/2020**	**31/12/2019**
Financial receivables from associates	500	500
Financial receivables	10,527	12,069
Total non-current financial assets	**11,027**	**12,569**

"Other current financial assets”, amounting to € 17,166 thousand, includes mainly:

- Reworld Media shares, listed on the Bourse de Paris, equal to € 16,986 thousand (a total of 8,578,659 shares at the price of € 1.98 per share on 30 June 2020). These assets are classified as financial assets "held for trading" in accordance with points a) and b) of Annex A of IFRS 9;
- the loan of € 25 thousand granted to the associate Venezia Accademia S.c. a r.l. and a receivable relating to a number of sublease contracts.

Other current financial assets (Euro/thousands)	**30/06/2020**	**31/12/2019**
Financial receivables from customers	-	-
Financial receivables from associates	25	25
Financial receivables from parent companies	-	-
Financial receivables from affiliates	-	-
Financial receivables from others	147	918
Total financial receivables	**172**	**943**
Financial assets at fair value with adjustments recognized in the income statement	16,986	23,591
Available-for-sale financial assets	8	7
Assets from derivative instruments	-	-
Total other current financial assets	**17,166**	**24,541**

Assets and liabilities resulting from derivative instruments

Assets and liabilities resulting from derivative instruments - Details (Euro/thousands)	Type of derivative instrument	Fair value at 30/06/2020	Fair value at 31/12/2019
Non-current financial assets (liabilities)			
- Rate derivatives	*Cash flow hedge*	(996)	(994)
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 monthly 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 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 2020, three 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 € 78.3 million and a weighted average rate of 0.20%.

Hedge impact on income statement and equity:

Cash flow hedge reserve (Euro/thousands)	**30/06/2020**	**31/12/2019**
Initial balance gross of the tax impact	(1,286)	(1,371)
Amount recognized in the period	374	621
Amount endorsed from reserve and recognized in the income statement:		
- adjustments to expense	(79)	(107)
- adjustments to income	(147)	(429)
Final balance gross of the tax impact	**(1,138)**	**(1,286)**
Inefficient part of hedge	0	0

21. CASH AND CASH EQUIVALENTS

The item amounted to € 27,454 thousand, down versus 31 December 2019, 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 2020.

Cash and cash equivalents (Euro/thousands)	**30/06/2020**	**31/12/2019**
Cash and cash on hand	158	1,981
Bank deposits	26,901	41,783
Postal deposits	395	447
Total cash and cash equivalents	**27,454**	**44,211**

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)	**30/06/2020**	**31/12/2019**
A Cash	158	1,981
- Bank deposits	26,901	41,783
- Postal deposits	395	447
B Other cash and cash equivalents	27,296	42,230
C Securities held for trading	16,986	23,591
D Cash and cash equivalents and other financial assets (A+B)	**44,440**	**67,802**
- Financial receivables from associates	25	25
- Financial assets measured at fair value	-	-
- Available-for-sale financial assets	8	7
- Derivatives and other financial assets	147	918
E Receivables and other current financial assets	180	950
F Current financial assets (E)	**180**	**950**
G Current payables to banks	1,326	2,609
- Bonds	-	-
- Loans	-	-
- Borrowings	87,979	37,200
H Current portion of non-current debt	87,979	37,200
- Financial payables to associates	300	1,776
- Financial liabilities IFRS 16	12,462	13,074
- Derivatives and other financial liabilities	2,029	1,604
I Other current financial payables	14,791	16,454
L Payables to banks and other current financial liabilities (G+H+I)	**104,096**	**56,263**
M Current net financial position (D+F-L)	**(59,476)**	**12,489**
- Bonds	-	-
- Loans	-	-
- Borrowings	92,903	92,264
N Debt non-current portion	92,903	92,264
- Financial liabilities IFRS 16	76,896	82,777
- Derivatives and other financial liabilities	1,224	1,277
O Other non-current financial payables	78,120	84,054
P Non-current financial debt (N+O)	**171,023**	**176,318**
Q Net financial position (M-P)	**(230,499)**	**(163,829)**

Should the balance of “Non-current financial assets”, amounting to € 11,027 thousand and not included in the CONSOB format, be added to the above table, the Group net financial position would come to € -219,472 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 € -130,114 thousand.

Further information regarding the Group's net financial position is found in Notes 20 and 25.

22. EQUITY

Equity at 30 June 2020, including non-controlling interests, amounted to € 145,022 thousand, decreasing by € 25,019 thousand versus 31 December 2019.

The main changes in the first half are shown below:

- the loss, including the result attributable to non-controlling interests, of € 25,016 thousand;
- the adjustment of the "Cash flow hedge reserve", which resulted in an increase in equity of € 113 thousand;
- the adjustment of the "Conversion reserve", which resulted in an increase of € 16 thousand;
- the entry, in the specific reserve, of the portion relating to the Performance Share Plan accrued in the six months, which resulted in an increase in equity of € 643 thousand;
- the increase in the value of treasury shares purchased to service the Performance Share plans for € 605 thousand.

In first half 2020, Arnoldo Mondadori Editore S.p.A. purchased a total of no. 550,000 treasury shares (0.210% of the share capital) on the MTA at an average unit price of € 1.10, for a total amount of € 604 thousand.
The purchases, authorized by the Shareholders' Meetings of 24 April 2018, 17 April 2019 and 22 April 2020, are intended to provide the company with the shares to service the Performance Share Plans for the three-year periods 2018-2020, 2019-2021 and 2020-2022; the fair value of the shares assigned, amounting to € 2,771 thousand, is recorded in a specific equity reserve.

Reserves attributable to non-controlling interests refer to Rizzoli Education S.p.A. and Abscondita S.r.l..

23. PROVISIONS

“Provisions", amounting to € 46,125 thousand, decreased by € 8,985 thousand; specifically, the most significant changes regarded:

- the "Provision for investment risks", which decreased by € 1,461 thousand, as a result of payments requested by the liquidator of Mach 2 Libri S.r.l., offset against credit positions;
- the “Provision for personnel downsizing risks”, which decreased by € 2,763 thousand, as a result of the actions aimed at improving the efficiency of the structures;
- the "Provision for legal risks”, which decreased by € 2,302 thousand, as a result of the closure of certain disputes and the updated risk of those still outstanding;
- the “Provisions for contractual commitment", which decreased by € 2,464 thousand, due to capital expenditure made under the concession agreement with Parco del Colosseo.

Provisions (Euro/thousands)	31/12/2019	Provisions	Utilizations	30/06/2020
Provision for agents' contractual risks	4,605	-	(586)	4,019
Provision for personnel downsizing risks	3,939	48	(2,811)	1,176
Provision for legal risks	17,997	30	(2,332)	15,695
Provision for investment risks	3,562	-	(1,461)	2,101
Provision for tax disputes	800	300	-	1,100
Provision for contractual commitments	10,352	7	(2,471)	7,888
Provision for contractual commitments ad agency	4,758	74	(440)	4,392
Other provisions for risks	9,097	1,409	(752)	9,754
Total provisions	**55,110**	**1,868**	**(10,853)**	**46,125**

24. POST-EMPLOYMENT BENEFITS

The item, amounting to € 32,102 thousand, decreased by € 1,262 thousand; the indemnity for post-employment benefits decreased, as a result of the reduction in staff, the provision for supplementary agents' indemnity, due to the termination of certain relationships that led to the payment of post-employment benefits to agents.

Post-employment benefits (Euro/thousands)	**30/06/2020**	**31/12/2019**
Provision for post-employment benefits (TFR)	18,628	19,634
Provision for supplementary agents’ indemnity (FISC)	13,452	13,708
Provision for retirement and kindred obligations	22	22
Total post-employment benefits	**32,102**	**33,364**

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	**30/06/2020**	**31/12/2019**
Economic assumptions:		
- increase in cost of living	0.8%	1.0%
- discounting rate	0.74%	0.79%
Demographic assumptions:		
- probability of death	IPS55 tables	IPS55 tables
- probability of disability	INPS-2000 tables	INPS-2000 tables
- probability of leaving for other reasons	From 2.17% to 17.03%	From 2.17% to 17.03%
- retirement age	Regulations in force	Regulations in force

Actuarial assumptions to measure FISC	30/06/2020	31/12/2019
Economic assumptions:		
- discounting rate	0.74%	0.79%
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 staff (from 2,018 resources in December 2019 to 1,928 resources in June 2020), due to the structural efficiency measures implemented.
The sensitivity analysis, obtained by increasing and decreasing the rate by 0.5%, shows a higher or lower effect on the provision for post-employment benefits of approximately € 500 thousand.

Post-employment benefits cost items, booked under income statement, include the service cost of companies with less than 50 employees for € 15 thousand, financial expense of € 75 thousand, and the portion paid into the supplementary pension scheme for € 3,338 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 would be irrelevant.

Post-employment benefits – Details (Euro/thousands)	TFR	FISC	Provision for retirement
Balance at 31/12/2019	19,634	13,707	21
Changes in 2020:			
- provisions	14	695	-
- utilizations	(1,292)	(933)	-
- reversals	-	-	-
- discounting	75	-	-
- changes in the consolidation scope and other changes	197	(17)	-
Balance at 30/06/2020	**18,628**	**13,452**	**21**

25. FINANCIAL LIABILITIES

Financial liabilities, both current and non-current, including the amount recorded pursuant to IFRS 16, totaled € 275,120 thousand, up by € 49,031 thousand, due to the normal dynamics of cash used in the first half of the year, and down by € 6,492 thousand, due to the component under IFRS 16.

Non-current financial liabilities (Euro/thousands)	Actual interest rate	Maturity 1-5 years	Maturity over 5 years	**30/06/2020**	**31/12/2019**
Borrowings	1.08%	92,903	-	92,903	92,264
Liabilities from derivatives		996	-	996	994
Other financial payables		228	-	228	283
Total non-current financial liabilities		**94,127**	**0**	**94,127**	**93,541**

"Non-current financial liabilities" includes:

- € 92,903 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;
- € 996 thousand for the fair value of the existing derivative contracts;
- € 228 thousand for other medium/long-term financial payables;

Payables to banks and other financial liabilities (Euro/thousands)	Actual interest rate	**30/06/2020**	**31/12/2019**
Bank deposits	0.05%	1,326	2,609
Borrowings	0.70%	87,979	37,200
Financial payables to associates		300	1,776
Other financial payables		2,029	1,604
Total payables to banks and other financial liabilities		**91,634**	**43,189**

"Payables to banks and other financial liabilities" came to € 91,634 thousand and included:

- € 22,500 thousand for the portion of the A Term Loan of the pool loan, coming to maturity in December 2020;
- € 64,700 thousand for the use of short-term hot money lines;
- € 1,326 thousand from the balances of current account overdrafts;
- € 2,329 thousand for other financial liabilities.

At 30 June 2020, the Net Financial Position Covenant, resulting from the Half-Year Financial Report, amounted to € -130,114 thousand, net of the effects from the application of IFRS 16 (as per contractual provisions), well below the cap of € -412,500 thousand envisaged by the pool loan agreement.

Information on derivative financial instruments is found in Note 20 - "Financial assets" in these Notes.

Financial liabilities IFRS 16 (Euro/thousands)	Maturity 1-5 years	Maturity over 5 years	**30/06/2020**	**31/12/2019**
Non-current financial liabilities IFRS 16	34,749	42,148	76,897	82,777
Current financial liabilities IFRS 16			12,462	13,074
Total financial liabilities IFRS 16	**34,749**	**42,148**	**89,359**	**95,851**

“Financial liabilities IFRS 16" decreased by € 6,492 thousand, due to payables repaid, partly offset by the increase from the new lease agreement concluded by Rizzoli International Publications Inc. for its headquarters.

26. OTHER CURRENT LIABILITIES

“Other current liabilities”, amounting to € 122,160 thousand, dropped by € 1,448 thousand versus 31 December 2019.

Specifically:

- “Customer advances", which includes payables to subscribers, increased by € 740 thousand, due to advances received on supplies to be completed in the Books Area;
- “Tax payables" increased by € 405 thousand, due to the settlement of a tax dispute;
- “Payables due to welfare and social security entities” and “Payroll and other amounts due to personnel" decreased by € 3,291 thousand and € 4,464 thousand, respectively, owing to the different impact of additional months' pay at the end of the year versus June, to the reduction in the amount of holidays to be taken and to the use of social safety nets introduced by recent Prime Ministerial Decrees;
- “Payables to authors and associates" increased by € 5,741 thousand, as a result of the amounts accrued during the period.

Other current liabilities (Euro/thousands)	**30/06/2020**	**31/12/2019**
Customer advances	1,954	1,214
Tax payables	5,575	5,170
Payables to welfare and social security entities	9,983	13,274
Payables to associates and affiliates	216	239
Other payables	104,432	103,711
Total other current liabilities	**122,160**	**123,608**

"Other payables" is broken down below.

Other current liabilities – Other payables (Euro/thousands)	**30/06/2020**	**31/12/2019**
Payroll and other amounts to personnel	14,117	18,581
Payables to authors and associates	61,478	55,737
Payables to subscription and instalment customers	19,162	18,176
Other payables, accrued liabilities and deferred income	9,675	11,217
Total other payables	**104,432**	**103,711**

27. TRADE PAYABLES

“Trade payables", amounting to € 231,080 thousand, decreased by € 42,261 thousand, mainly in the Retail Area (€ -16,757 thousand), the Magazines Area (€ -13,211 thousand) and the Books Area (€ -12,217 thousand), due to lower purchases during the period, in line with the trend in revenue.

Trade payables (Euro/thousands)	**30/06/2020**	**31/12/2019**
Payables to suppliers	219,808	259,696
Payables to associates	9,711	10,920
Payables to parent companies	35	14
Payables to affiliates	1,526	2,711
Total trade payables	**231,080**	**273,341**

“Payables to associates”, amounting to € 9,711 thousand, dropped by € 1,209 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, and 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.

28. REVENUE FROM SALES AND SERVICES

Consolidated revenue in first half 2020 amounted to € 288,914 thousand versus € 379,979 thousand in the prior year, due to the impact of the COVID-19 health emergency and the resulting adoption of increasingly restrictive measures on social and economic activities from the beginning of March until the first weeks of May.

Revenue from sales and services (Euro/thousands)	**1° half 2020**	**1° half 2019**	**Difference %**
Books	145,874	183,793	(20.6%)
Retail	58,991	81,369	(27.5%)
Magazines	95,769	130,867	(26.8%)
Corporate & Shared Services	22,104	19,130	15.5%
Aggregate revenue	**322,738**	**415,159**	**(22.3%)**
Intercompany revenue	(33,824)	(35,180)	(3.9%)
Total revenue from sales and services	**288,914**	**379,979**	**(24.0%)**

The Books Area, in the trade segment, was impacted by the closure of bookstores, its main sales channel in terms of volume, from 12 March to the beginning of May; in the educational segment, the Area was affected by the government measure to close museums and all exhibition activities, which continued in certain contexts even after the lockdown period.
As a result, revenue, amounting to € 145,874 thousand, fell by approximately 21% versus first half 2019, hitting the peak of 68% in the cultural heritage segment; in first half 2020, Mondadori recorded four titles in the top ten bestselling books.

The closure of owned and franchised bookstores led to a reduction in revenue in the Retail Area, which amounted to € 58,991 thousand, or 27%; the online channel delivered a strong performance in the period, with an increase in sales of over 70% versus first half 2019, while revenue from the bookclub confirmed the downward trend of prior years.

Revenue from the Magazines Area, amounting to € 95,769 thousand, dropped by approximately 27% versus 2019, affected mainly by the fall in advertising sales (-42.1%), add-on sales (-24.2%) and circulation (-23.4%).

Mondadori retained its position as Italy's leading digital publisher, with a reach of 84% in the month and 33 million unique users.

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

29. COST OF RAW MATERIALS, GOODS AND CONSUMABLES

"Cost of raw materials, goods and consumables", amounting to € 52,236 thousand, decreased by € 24,015 thousand versus first half 2019, in line with the revenue trend.
Costs for the purchase of paper declined by € 5,505 thousand, due to lower print runs in the Magazines Area, which contributed € 3,896 thousand to the reduction, and the lower production of titles in the Books Area, both catalogues and new publications.

Costs for the purchase of goods and consumables decreased by € 18,510 thousand, mainly in the Retail Area, due to the closure of bookstores, for € 10,918 thousand, in Rizzoli Education S.p.A., due to the stoppage of imports of books by foreign publishers distributed, for € 3,086 thousand, and in Electa S.p.A., due to the closure of museum bookstores, for € 2,137 thousand.

Cost of raw materials, goods and consumables (Euro/thousands)	**1° half 2020**	**1° half 2019**
Paper	17,670	23,175
Goods for re-sale and consumables	34,566	53,076
Total cost of raw materials, goods and consumables	**52,236**	**76,251**

30. COST OF SERVICES

"Cost of services", amounting to € 180,724 thousand, fell by € 37,988 thousand, not only in terms of variable components, in line with the revenue trend, but also in terms of costs not strictly related to production or sales activities, as a result of the actions taken by all the Group's business units to mitigate the negative impact of COVID-19.

The most significant changes regarded:

- advertising costs, amounting to € 7,437 thousand, down by 35% as a result of the cost-curbing actions, in the Magazines Area, due to the cancellation of promotional initiatives, and in the Books Area, due to the lower amount of promotional material supplied to teaching staff during the school textbooks adoption campaign, and the postponement of activities to support the launch of new publications in the trade segment;

- costs for consultancy services and collaborations, amounting to € 15,051 thousand, down by 24% in the various business areas and on the Corporate (-11%);
- costs for rights and royalties, amounting to € 32,626 thousand, down by 19%, in the Magazines Area due to lower fees to pay to majors, as part of the sale of add-on products, and in the Books Area, due also to lower write-offs of non-recoverable advances;
- commission costs, amounting to € 10,693 thousand, down by 21% in the Magazines and Books Areas, respectively, due to the sharp drop in advertising revenue and revenue from miscellaneous books;
- printing and processing costs, amounting to € 55,307 thousand, down by 8% in the Magazines Area, due to lower print runs and number of pages, and in the Retail Area, due to the lower number of titles produced by the bookclub.

Cost of services (Euro/thousands)	**1° half 2020**	**1° half 2019**
Rights and royalties	32,626	40,143
Commissions and costs for agents	10,693	13,481
Printing and external processing	55,307	60,106
Logistics costs	21,904	22,573
Consultancy services and collaborations	15,051	19,829
Newsstands channel fee	11,833	15,332
Purchase of advertising space and promotion expenses	7,437	11,426
Publisher's share	1,427	1,699
Travel, gifts and entertainment expenses	1,143	2,241
Directors’ and statutory auditors’ fees	2,091	2,309
Insurance	1,139	1,123
Utilities	2,173	2,993
Catering, security and cleaning services	1,875	2,122
Market surveys, news agencies	1,199	1,585
Bank services and commissions	644	603
IT, technical support and administrative services	10,866	11,465
Temporary work fees	2,054	2,736
Rents and service expenses	280	1,051
Other services	982	5,895
Total cost of services	**180,724**	**218,712**

“Directors’ and statutory auditors’ fees” comprised fees paid to Directors and Statutory Auditors for € 1,846 thousand and € 245 thousand, respectively.

31. COST OF PERSONNEL

Employees with a fixed-term or permanent labour contract working with the Group companies amounted to 1,928 units, down by 189 units versus 30 June 2019, as a result of the sale of the magazines *Confidenze, Cucina Moderna, Sale&Pepe, Starbene* and *Tu Style* to Stile Italia Edizioni S.r.l. in December 2019, and as a result of efficiency gains in the various areas of the Group.

Headcount	Actual 30/06/2020	Actual 30/06/2019	Average 1° half 2020	Average 1° half 2019
Executives	97	100	98	100
White collars, middle managers and journalists	1,819	2,005	1,838	2,009
Blue collars	12	12	12	12
Total	**1,928**	**2,117**	**1,948**	**2,121**

Cost of personnel, amounting to € 61,947 thousand, decreased by € 12,231 thousand, or 16.5%, versus first half 2019, as a result of the:

- reduction in personnel;
- use of social safety nets introduced by government decrees to alleviate the negative effects on businesses caused by the lockdown period;
- use of untaken holiday entitlement by employees;
- reduction of the variable remuneration of Management.

Cost of personnel (Euro/thousands)	**1° half 2020**	**1° half 2019**
Salaries and wages	45,185	54,075
Social security expense	13,231	15,399
Post-employment benefits TFR	14	(87)
Supplementary pension scheme plans	3,338	3,785
Other costs	179	1,006
Total cost of personnel	**61,947**	**74,178**

The Shareholders' Meetings of 24 April 2018, 17 April 2019 and 22 April 2020 approved the Performance Share Plans for the three-year periods 2018-2020, 2019-2021 and 2020-2022, intended for certain Mondadori Group staff who hold key roles in achieving strategic results.
The cost accrued in first half 2020 and recognized in the income statement, regarding the fair value of shares granted, amounted to € 293 thousand.

In first half 2020, the Performance Share Plan for the three-year period 2017-2019 came to maturity.

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

32. OTHER (INCOME) EXPENSE

“Other (income) expense” came to € -3,223 thousand, increasing by € 2,463 thousand.

Other (income) expense (Euro/thousands)	1° half 2020	1° half 2019
Other revenue and income	(554)	(363)
Other operating expense	3,777	1,123
Total other (income) expense	**3,223**	**760**

Specifically:

- “Other revenue and income" rose by € 191 thousand, due to extraordinary items for the period and other income;

Other (income) expense – Other revenue and income (Euro/thousands)	1° half 2020	1° half 2019
Year's contributions	42	82
Capital gains from the disposal of fixed assets and business units	2	3
Contingent assets	291	235
Other	219	43
Total other revenue and income	**554**	**363**

- “Other operating expense" increased by € 2,657 thousand, due mainly to the lower positive impact from compensation paid following settlements, net of the utilization of the relating provisions set aside in prior years, and the increase in "Other expense", which includes the recording of the expense from the agreement concluded with the Revenue Agency for a VAT dispute.

Other (income) expense – Other operating expense (Euro/thousands)	1° half 2020	1° half 2019
Receivables management	2,000	2,192
Reimbursements and settlements	(1,075)	(2,307)
Contributions and grants	804	852
Contingent liabilities	184	116
Capital loss from the disposal of fixed assets and business units	-	-
Other tax and duties	1,093	1,264
Other expense	774	(994)
Total other operating expense	**3,780**	**1,123**

33. FINANCIAL EXPENSE (INCOME)

Net financial expense at 30 June 2020 increased by € 8,239 thousand versus the first six months of the prior year, as a result mainly of:

- lower interest expense (€ 483 thousand), due to the reduction in the Group's bank exposure and the reduction in the average cost of debt;
- the income, amounting to € 920 thousand, recorded in first half 2019, due to the adjustment of the amortized cost on the medium/long-term loan in accordance with IFRS 9;
- higher expense of € 6,608 thousand from the valuation at 30 June 2020 of Reworld Media shares acquired in the II half of 2019;
- higher IFRS 16 expense of € 272 thousand;
- lower financial income of € 409 thousand, due mainly to a substitute tax refund on medium/long-term loans in I half 2019;
- lower net sundry financial expense (write-down of financial receivables, other interest, discounting of post-employment benefits, exchange differences) of € 614 thousand.

Financial expense (income) (Euro/thousands)	**1° half 2020**	**1° half 2019**
Interest from banks and post offices	1	32
Financial income from derivatives	-	-
Financial income	134	544
Other interest	12	14
Total interest and other financial income	**147**	**590**
Interest expense to banks	2	-
Interest on bonds, loans and borrowings and other expense	1,307	826
Financial expense from derivatives	376	420
Other financial expense for discounting assets/liabilities	75	170
Other interest	672	167
Total interest expense and other financial expense	**2,432**	**1,583**
Exchange losses (gains)	**87**	**20**
Expense (income) from financial assets	6,608	-
Financial expense IFRS 16	1,305	1,033
Total financial expense (income)	**10,285**	**2,046**

34. EXPENSE (INCOME) FROM INVESTMENTS

“Expense (income) from investments", amounting to € 3,388 thousand, deteriorated by € 375 thousand versus first half 2019, due mainly to the negative results of Mediamond S.p.A., Monradio S.r.l. and Attica Publications, offset by the lower impact of the performance of Società Europea di Edizioni S.p.A., held 18.445% by the Group as of the end of March 2020.

Expense (income) from investments (Euro/thousands)	**1° half 2020**	**1° half 2019**
Equity-accounted investees:		
- Attica Publications Group	250	(129)
- Società Europea di Edizioni S.p.A.	738	2,734
- GD Media Service S.r.l.	5	-
- Campania Arte S.c.a r.l.	-	14
- Stile Italia Edizioni S.r.l.	55	-
- Edizioni EL S.r.l.	(272)	(570)
- Mediamond S.p.A.	1,305	309
- Mondadori Seec Advertising Co. Ltd	235	114
- Monradio S.r.l.	945	541
- DI2 S.r.l.	127	-
Total expense (income) from investments	**3,388**	**3,013**

35. INCOME TAX

Income tax (Euro/thousands)	**1° half 2020**	**1° half 2019**
IRES on income for the period	(4,774)	761
IRAP for the period	310	819
Total current tax	**(4,464)**	**1,580**
Deferred/pre-paid tax for IRES	(1,023)	1,814
Deferred/pre-paid tax for IRAP	(107)	197
Total deferred/pre-paid tax	**(1,130)**	**2,011**
Other tax items	(265)	(580)
Total income tax	**(5,859)**	**3,011**

The comparison between the tax income of € 5,859 thousand in first half 2020 and the tax expense of € 3,011 thousand in first half 2019 resulted in a greater positive effect between the two periods of € 8,870 thousand.

The difference is due, respectively, for the current tax component, to the deterioration of results versus 2019, and, for the deferred component, to write-downs of certain assets and higher depreciation and amortization recognized in 2020.

36. 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 2020	1° half 2019
Net result for the period (Euro/000)	(25,016)	(5,927)
Weighted average number of outstanding ordinary shares (no./000)	258,612	260,098
Basic earnings per share from continuing operations (Euro)	**(0.097)**	**(0.023)**

	1° half 2020	1° half 2019
Net result for the period (Euro/000)	(25,014)	(1,868)
Weighted average number of outstanding ordinary shares (no./000)	258,612	260,098
Basic earnings per share (Euro)	**(0.097)**	**(0.007)**

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 2020	1° half 2019
Net result for the period (Euro/000)	(25,016)	(5,927)
Weighted average number of outstanding ordinary shares (no./000)	258,612	260,098
Number of options with diluted effect (no./000)	1,006	1,500
Diluted earnings per share from continuing operations (Euro)	**(0.096)**	**(0.023)**

	1° half 2020	1° half 2019
Net result for the period (Euro/000)	(25,014)	(1,868)
Weighted average number of outstanding ordinary shares (no./000)	258,612	260,098
Number of options with diluted effect (no./000)	1,006	1,500
Diluted earnings per share (Euro)	**(0.096)**	**(0.007)**

37. COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2020, the Mondadori Group has commitments underwritten for a total amount of € 72,354 thousand (€ 72,164 thousand at 31 December 2019), represented mainly by guarantees issued on VAT receivables subject to reimbursement and prize contests transactions.

38. RELATED PARTIES

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

Transactions with related parties: figures at 30 June 2020

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial (income) expense
Parent companies:														
- Fininvest S.p.A.	41		4,912		35		2				21	(22)		
Associates														
- Mach 2 Libri S.p.A.	1,458				2									
- Venezia Musei Società per i servizi museali S.c.a r.l.				13										
- Harlequin Mondadori S.p.A.														
- Attica Publications Group	61	500	3		10				4					(12)
- Edizioni EL S.r.l.	785			21	3,662			1	903	31	26			
- Società Europea di Edizioni S.p.A.	604			(81)	385	300		52	(6,959)	24	(9)		9	
- ACI-Mondadori S.p.A. (in liquidation)														
- Consorzio COVAR (in liquidation)														
- Stile Italia Edizioni S.r.l.	1,627			(14)	774				(2,837)		(1,289)	(43)		
- Campania Arte S.c.a r.l.														
- Mondadori Independent Media LLC														
- Venezia Accademia Soc. per i serv. mus. S.c.a r.l.	16	25											(1)	
- Mediamond S.p.A.	17,263			74	2,823			155	18,294	843	492		28	
- Mondadori Seec Advertising Co. Ltd	540		235		317				261				17	
- GD Media Service S.r.l.					314					265	354			
- Monradio S.r.l.	16				2						2			
- Gold 5 S.r.l.														
- Skira Rizzoli Publications Inc.														
- DI2 S.r.l.	1				1,422						2,951			
Total associates	**22,371**	**525**	**238**	**13**	**9,711**	**300**	**0**	**208**	**9,666**	**1,163**	**2,527**	**(43)**	**53**	**(12)**

Transactions with related parties: figures at 30 June 2020

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial (income) expense
Affiliates:														
- RTI - Reti Televisive Italiane S.p.A.	433				827			1	(1,062)	123	7			
- Publitalia 80 S.p.A.	48				635						757			
- Digitalia ’08 S.r.l.														
- Banca Mediolanum S.p.A.								7						
- TaoDue S.r.l.									36					
- Il Teatro Manzoni S.p.A.	18								15		15	(28)		
- Mediaset S.p.A.														
- Alba Servizi Autotrasporti S.p.A.														
- Mediolanum Comunicazione S.p.A.														
- Fininvest Real Estate Services S.p.A.											10			
- RMC Italia S.p.A.											1			
- Radio Subasio S.r.l..	18				16				15		15			
- Medusa Film S.p.A.					16									
- Radio Mediaset S.p.A.	124				32				200		131			
Total affiliates	**641**	**0**	**0**	**0**	**1,526**	**0**	**0**	**8**	**(796)**	**123**	**936**	**(28)**	**0**	**0**
Total related parties	**23,054**	**525**	**5,150**	**13**	**11,272**	**300**	**2**	**216**	**8,870**	**1,286**	**3,484**	**(93)**	**53**	**(12)**
of which related parties from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage on item	**12.7%**	**18.7%**	**26.1%**	**n.s.**	**4.9%**	**3.3%**	**0.4%**	**0.2%**	**3.1%**	**2.5%**	**1.9%**	**n.s.**	**1.7%**	**n.s.**

Transactions with related parties: balance sheet figures at 31 December 2019 and income statement 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	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial (income) expense
Parent companies:														
- Fininvest S.p.A.	19		1,466		14		7,616				3			
Associates														
- Mach 2 Libri S.p.A.	2,916				2				(2,188)	2				
- Venezia Musei Società per i servizi museali S.c.a r.l.				13										
- Harlequin Mondadori S.p.A.														
- Attica Publications Group	74	500			13				1					(12)
- Edizioni EL S.r.l.	1,249			20	6,791				779	14	3			
- Società Europea di Edizioni S.p.A.	469			(74)	(1,070)	1,776		52	(8,111)	75	6			
- ACI-Mondadori S.p.A. (in liquidation)														
- Consorzio COVAR (in liquidation)														
- Stile Italia Edizioni S.r.l.														
- Campania Arte S.c.a r.l.														
- Mondadori Independent Media LLC														
- Venezia Accademia Soc. per i serv. mus. S.c.a r.l.	51	25			35						24			
- Mediamond S.p.A.	33,872			79	4,082			179	32,566	1,549	525		176	
- Mondadori Seec Advertising Co. Ltd	1,098				424				1,091				31	
- GD Media Service S.r.l.					266					277	444			
- Monradio S.r.l.	19				5									
- Gold 5 S.r.l.														
- Skira Rizzoli Publications Inc.														
- DI2 S.r.l.					372									
Total associates	**39,748**	**525**	**0**	**38**	**10,920**	**1,776**	**0**	**231**	**24,138**	**1,917**	**1,002**	**0**	**207**	**(12)**

Transactions with related parties: balance sheet figures at 31 December 2019 and income statement 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	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial (income) expense
Affiliates:														
- RTI - Reti Televisive Italiane S.p.A.	464				1,304			1	(2,015)		33			
- Publitalia 80 S.p.A.	39				1,093				1		837			
- Digitalia ’08 S.r.l.					12									
- Banca Mediolanum S.p.A.								7						
- TaoDue S.r.l.											(3)			
- Il Teatro Manzoni S.p.A.	9								15					
- Mediaset S.p.A.	12								2					
- Alba Servizi Autotrasporti S.p.A.											23			
- Mediolanum Comunicazione S.p.A.									15					
- Fininvest Real Estate Services S.p.A.														
- RMC Italia S.p.A.					1									
- Radio Subasio S.r.l.														
- Medusa Film S.p.A.					16									
- Radio Mediaset S.p.A.	285				285				6					
Total affiliates	**809**	**0**	**0**	**0**	**2,711**	**0**	**0**	**8**	**(1,976)**	**0**	**890**	**0**	**0**	**0**
Total related parties	**40,576**	**525**	**1,466**	**38**	**13,645**	**1,776**	**7,616**	**239**	**22,162**	**1,917**	**1,895**	**0**	**207**	**(12)**
of which related parties from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage on item	**18.2%**	**1.4%**	**14.7%**	**n.s.**	**5.5%**	**4.1%**	**92.8%**	**0.2%**	**5.8%**	**2.5%**	**0.9%**	**n.s.**	**5.5%**	**n.s.**

39. NON-RECURRING (INCOME) EXPENSE

In first half 2020, the Mondadori Group, as in the same period of 2019, recorded no non-recurring income or expense, under CONSOB Resolution no. 15519 of 27 July 2006.

40. 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 2020**	**Fair value hierarchy**	**Valuation method and main inputs**
Securities measured at fair value "held for trading”	16,986	Level 1	Stock market price at 30 June 2020, as these shares are listed on the Bourse de Paris.
Interest rate swap contracts	(996)	Level 2	*Discounted cash flow*. Future cash 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

41. 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.
The presentation is unchanged from the situation shown in the 2019 Annual Report.

42. SIGNIFICANT EVENTS AFTER FIRST HALF

No significant events occurred after 30 June 2020.

For the Board of Directors
The Chairman
Marina Berlusconi

Segment reporting: figures at 30 June 2020

(Euro/thousands)	Books	Retail	Media	Corporate & Shared Services	Unallocated items and consolidation adjustments	Consolidated result
Revenue from sales and services from external customers	**132,893**	**58,697**	**96,550**	**774**	**-**	**288,914**
Revenue from sales and services from other sectors	**12,978**	**293**	**(782)**	**21,329**	**(33,818)**	**0**
EBITDA	**10,312**	**(3,325)**	**1,665**	**(1,255)**	**1,016**	**8,413**
EBIT	**3,884**	**(8,151)**	**(7,930)**	**(6,022)**	**1,016**	**(17,203)**
Financial expense (income)	484	610	442	8,749	-	10,285
Expense (income) from equity-accounted investees	(272)	-	1,977	1,683	-	3,388
Result before tax and non-controlling interests	**3,672**	**(8,761)**	**(10,349)**	**(16,454)**	**1,016**	**(30,876)**
Income tax	-	-	-	(5,859)	-	(5,859)
Result attributable to non-controlling interests	(3)	-	-	-	-	(3)
Result from discontinued operations	-	-	-	-	-	0
Net result	**3,674**	**(8,761)**	**(10,349)**	**(10,594)**	**1,016**	**(25,014)**
Amortization, depreciation and write-downs	6,428	4,826	9,595	4,767	-	25,616
Non-monetary costs	11,330	724	821	8,925	-	21,800
Capital expenditure	6,916	408	500	1,773	-	9,597
Equity-accounted investees	3,986	-	15,134	4,160	-	23,280
Total assets	485,359	110,020	218,142	305,553	(232,347)	886,727
Total liabilities	245,796	119,796	177,993	422,082	(223,962)	741,705

	Revenue from sales and services	Fixed assets
Italy	264,511	227,193
Other EU countries	10,296	-
USA	12,796	2,289
Other extra EU countries	1,311	-
Consolidated result	**288,914**	**229,482**

Segment reporting: income statement figures at 30 June 2019 and balance sheet figures at 31 December 2019

(Euro/thousands)	Books	Retail	Media	Corporate & Shared Services	Unallocated items and consolidation adjustments	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 write-downs	6,057	5,136	2,743	4,532	-	18,468
Non-monetary costs	4,189	1,090	825	11	-	6,115
Capital expenditure	11,610	2,139	1,080	3,830	-	18,659
Equity-accounted investees	3,714	-	17,167	6,835	-	27,716
Total assets	617,158	130,677	178,897	315,722	(308,027)	934,427
Total liabilities	250,715	132,822	147,582	532,570	(299,303)	764,386

	Revenue from sales and services	Fixed assets
Italy	356,487	235,701
Other EU countries	7,767	-
USA	13,506	2,588
Other extra EU countries	2,219	-
Consolidated result	**379,979**	**238,289**

Certification of the condensed consolidated half-year financial statements pursuant to Article 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 Alessandro Franzosi, in his capacity as Financial Reporting Manager of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in Article 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 2020.

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 2020 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 2020:
   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 Article 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 2020

The CEO

(Ernesto Mauri)

The Financial Reporting Manager

(Alessandro Franzosi)

Building a better working world

Arnoldo Mondadori Editore S.p.A.

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

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Building a better working world

Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

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

Introduction

We have reviewed the interim condensed consolidated 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 30 June 2020. The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the interim condensed consolidated 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 interim condensed consolidated 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 interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Mondadori Group as of June 30, 2020 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.

Milan, July 31, 2020

EY S.p.A.
Signed by: Luca Pellizzoni, Statutory Auditor

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

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