

ARNOLDO MONDADORI EDITORE S.p.A.

Share capital 67,451,756,32 Euros

Head Office in Milan, Italy

Administrative Offices in Segrate (MI)

Report on the first half of 2001

Corporate Boards

Board of Directors

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Leonardo Mondadori (*)

Deputy Vice Chairman

Luca Formenton

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Directors

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(*) Members of the Executive Committee

Powers

Chairman: powers of legal representation in dealings with third parties and legal proceedings. Chief Executive: routine powers and power of separate signature limited to actions prescribed by law.

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Chairman

Franco Iorio

Acting Statutory Auditors

Antonio Aiello

Achille Frattini

Substitute Statutory Auditors

Francesco A. Giampaolo

Gianfranco Polerani

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***Report of the Board of Directors
on the results for the first half of 2001***

The Group's business activities

For the Mondadori Group the first half of 2001 was very positive with significant increases, compared with the same period in 2000, both in profitability and revenues.

Revenues increased in almost all the market sectors where the Group operates. The overall total amounted to 1,570.5 billion lire for the first six months of 2001, an increase of 14.3% on the figure of 1,373.6 billion lire for the first half of 2000.

Gross operating profit amounted to 187.8 billion lire, an increase of 15.9% on the total of 162.0 billion lire at 30 June 2000. The percentage of sales increased from 11.8% for the first half of 2000 to 12.0% for the first half of 2001.

Operating profit amounted to 154.6 billion lire, an increase of 19.4% compared with the figure of 129.5 billion lire at 30 June 2000. The percentage increased from 9.4% for the first half of 2000 to 9.8% for the first half of 2001.

Pre-tax profits amounted to 122.8 billion lire, representing an increase of 15.4% compared with the figure of 106.0 billion lire for the first half of 2000, after taking into account the losses deriving from the Internet sector, the results of which, in line with budget forecasts, are shown separately so that they are clear and easier to compare.

Gross cash-flow amounted to 178.8 billion lire, compared with 159.5 billion for the same period in 2000 with the same level of depreciations.

All the main divisions in the Group contributed to the increase in sales.

Of particular interest was the increase in the **magazine sector**, which was partly due to positive contributions from the new initiatives and business opportunities that the Group developed.

During the first half of the year, both circulation and advertising sales registered significant increases in a difficult market characterised by a decrease in growth compared with the same period in the previous year.

In this context the Mondadori Group was able to confirm its ability to develop, with a growth rate higher than the figures for the market in general (+12.4% for advertising sales and + 15% for circulation sales).

In the **book sector**, which since 1 January 2001 no longer includes sales from the retail sector that now comes under the Direct sector, the Mondadori Group consolidated its market leadership with a share of more than 31%, with notable performances registered by Edizioni Mondadori, Einaudi and Sperling & Kupfer.

Among the important events that characterised the six-month period was the joint-venture agreement signed with the Random House Group, concerning the publishing-bookshop sector in Spain and South America, which will be discussed in more detail later on in this report.

Sales also increased in the **printing sector**, thanks to an increase in orders from abroad that confirms the excellent technological level achieved by the production departments.

The increase in printing sales net of the cost of paper and transport amounted to 9.9% compared with the same period in the previous year.

In the **direct sector** significant increases in sales were registered in the retail sector, with Mondadori Franchising and Mondadori Retail, which also benefited from the opening during the period of new sales outlets, and in the direct marketing services sector where Cemit Interactive Media consolidated its position.

In the mail-order sales sector Mondolibri was affected by the general downturn in the market. In this context the company was able to react positively to the adverse situation by containing prices and defining a highly focused marketing policy that enabled the company to maintain the same number of subscribers.

Following the transfer of the direct selling operations carried out in the Milan Multicenter and the Bologna shop to Mondadori Retail, **Mondadori Informatica** concentrated its activities in the education and the specialised publishing sectors.

The development of the business operations continued in accordance with the planned programmes particularly in the education and book sectors, while in the magazine sector circulation figures were fairly stable but advertising sales decreased, in line with the performance of the general market in that sector.

In the **Internet** sector emphasis was placed on continuing with the verification of the business model, in line with a strategy based on achieving the correct balance between investments made and the company's presence in the various sectors linked to the Group's core business. In the first half of 2001 the various companies operating in the Internet sector registered sales of 7.2 billion lire.

Results for the period

The following table of the reclassified income statement provides a summary of the data referred to above.

Reclassified consolidated income statement	bn lire 30 June 2001	bn lire 30 June 2000	% change
Income from sales	1,570.5	1,373.6	14.3%
Personnel costs	245.5	238.7	2.8%
Product and management costs	1,137.2	972.9	16.9%
Gross operating profit	187.8	162.0	15.9%
<i>MOL effect on income</i>	<i>12.0%</i>	<i>11.8%</i>	
Depreciations of fixed assets	33.2	32.5	2.2%
Operating profit	154.6	129.5	19.4%
<i>Operating result effect on income</i>	<i>9.8%</i>	<i>9.4%</i>	
Depreciations of intangible assets	22.9	20.6	11.2%
Net financial income (charges)	4.2	5.1	(17.7%)
Other income (charges), net	(1.1)	2.1	n.a.
Extraordinary income (charges), net	0.6	-	n.a.
Internet activities	(12.6)	(9.7)	29.9%
Profit before taxation	122.8	106.4	15.4%
<i>Net result effect on income</i>	<i>7.8%</i>	<i>7.7%</i>	
Gross cash flow	178.8	159.5	

The following table shows the details of the individual business activities, which have been reclassified compared with 30 June 2000 in order to present them in the light of the new business areas, including the Direct Division that is responsible for the direct marketing and the retail sectors.

Consolidated revenues for each business activity	bn lire 30 June 2001	bn lire 30 June 2000	% change
Books	314.7	310.5	1.4%
Magazines and advertising	911.5	800.4	13.9%
Printing	456.8	391.9	16.6%
Direct	134.4	110.8	21.3%
Computer publishing and new media	23.7	24.8	(4.4%)
Others	19.0	17.7	7.3%
Total sales	1,860.1	1,656.1	12.3%
Intergroup sales	(289.6)	(282.5)	2.5%
Total consolidated sales	1,570.5	1,373.6	14.3%

Consolidated revenues are broken down into the following geographical areas:

Business volumes by geographical area	bn lire 30 June 2001	bn lire 30 June 2000	% change
Italy	1,428.3	1,222.7	16.8%
EEC countries	89.4	107.6	(16.9%)
USA	15.0	10.4	44.2%
Scandinavian countries	0	0.6	n.a.
South America	25.6	24.4	4.9%
Other countries	12.2	7.9	54.4%
Total consolidated revenues	1,570.5	1,373.6	14.3%

Book division

During the first half of 2001 the book market registered a slight increase in terms of copies sold and a notable increase in terms of value.

The market share in the first six months of the year, according to estimates by Demoskopea, registered notable increases for the Mondadori, Longanesi and Rizzoli Groups while figures for the Feltrinelli Group decreased.

During the second half of the year the new publishing law will come into force, making pricing policies in the distribution channels more rigid.

Publisher	Market share 1st half of 2001	Market share 1st half of 2000	% change
Mondadori	20.6%	19.2%	1.4%
Einaudi	5.3%	5.6%	(0.3%)
Sperling & Kupfer	3.9%	3.7%	0.2%
Other companies of the Mondadori Group	1.3%	1.7%	(0.4%)
Total for the Mondadori Group	31.1%	30.2%	0.9%
Rizzoli Group	16.7%	14.4%	2.3%
Longanesi Group	10.7%	9.0%	1.7%
Feltrinelli	4.5%	4.9%	(0.4%)

The Book Division registered total sales of 314.7 billion lire, compared with 310.5 billion lire for the first half of 2000, and were made up as follows:

Books	bn lire 30 June 2001	bn lire 30 June 2000	% change
Edizioni Mondadori	115.0	112.7	2.0%
Einaudi	32.6	29.3	11.3%
Art books and exhibition organisation	32.9	36.3	(9.4%)
Sperling & Kupfer Group	24.1	23.1	4.3%
School textbook editions	40.5	43.8	(7.5%)
Grijalbo Group	38.1	39.8	(4.3%)
Riccardo Ricciardi	0.1	0.2	(50.0%)
Distribuzione Libri	45.4	42.6	6.6%
Total sales	328.7	327.8	0.3%
Intercompany sales	(14.0)	(17.3)	(19.1%)
Total consolidated sales	314.7	310.5	1.4%

Edizioni Mondadori

During the first half of 2001 **Edizioni Mondadori** increased its market share in the bookshop sector (revenues increased by 7.2%), confirming the positive results for large-scale retail outlets for the previous year.

This result was possible thanks to the excellent performances of authors belonging to the Publishing House's portfolio, including Patricia Cornwell, who sold 170,000 hardback copies of *Ultimo Distretto*, and John Grisham, who reconfirmed the success of *I Confratelli* with a further 180,000 copies sold under the I Miti imprint.

Other positive results were achieved by *Sola Come un Gambo di Sedano* by Luciana Littizzetto, with more than 150,000 copies sold, *Tale e Quale* by Luciano De Crescenzo, more than 100,000 copies and Fabio Volo with *Esco a Fare Due Passi*, which sold 54,000 copies.

Books on current events were also successful, particularly *Ecocidio* by Jeremy Rifkin which sold some 20,000 copies.

Einaudi

The first six months of 2001 were characterised by an increase in sales compared with the previous year. In particular, results registered in the bookshop and large-scale retail outlet channels were very encouraging, while returns decreased by 25% compared with the same period in the previous year.

Structural costs and operating expenses were also well under control, although promotional costs increased compared with the previous year as a result of advances.

Among the most important titles during the period were *Non Siamo Capaci di Ascoltarli* by Paolo Crepet, *Io non ho Paura* by Niccolò Ammanniti, *Fantasm* by Vincenzo Cerami, *Il Seme Umano* by Philip Roth, *Laura da Rimini* by Carlo Lucarelli and the first volume of the *Enciclopedia della Musica*.

Art books and exhibition organisation

The fall in sales for the first half of 2001 (32.9 billion lire) compared with the same period in 2000 (36.3 billion lire) was due to a decrease in business in the Great Exhibition sector (last year the "*I Cento Capolavori dell'Ermitage*" exhibition was held). However, there were significant improvements in the Museum Bookshop sector and the sponsorship channel.

Sperling & Kupfer Group

Sales for the first six months of 2001 for **Sperling & Kupfer** increased by 4.3% compared with the same period in 2000. This increase in sales was accompanied by an increase in profitability, thanks to the special attention given to controlling production, shipping and structural costs.

During the first six months of the year no particularly strong titles were published, although new titles and reprints both registered positive sales and this was backed up by the positive impact of the Sperling Paperback sell-in campaign.

In this context, returns increased slightly compared with the figures for the same period in 2000.

Educational publishing

Sales registered for the first six months of the year in the **educational publishing** sector decreased compared with figures for the previous year, mainly because the figures for 2000 benefited from the launch of two important titles in the dictionary lines.

Elemond Scuola maintained its market position for its own titles, with good performances by elementary and lower-middle school titles, while sales of third-party products were also encouraging.

Le Monnier continued with its programme of re-qualifying and up-dating its catalogue. In this context, there was a slight decrease in revenues which, however, had been foreseen in the budget.

The data relative to the adoption of set books for 2001 indicates that all the Group's imprints increased in all types of schools, with particularly encouraging performances for lower and upper middle schools.

In the light of this data forecasts for the second half of the year are extremely positive both in terms of sales and economic results.

Grijalbo Group

The first half of 2001 saw the Group consolidate its position in the Spanish market, with the success of the trilogy *Isabel la Reina*. In South America, which is characterised by a grave economic crisis, sales decreased.

It is worth highlighting the importance of the agreement signed with Ken Follett for his new book.

As far as business development is concerned, a joint-venture has been signed between Arnoldo Mondadori Editore S.p.A. and Random House Bertelsmann for the creation of what will be the second most important publishing group of Spanish-language books and will trade under the name of Grupo Editorial Random House Mondadori. This new company will have a turnover of approximately 100 million dollars per year.

Distribution

The **distribution** process has now consolidated its capacity to furnish a punctual service, with approximately 80% of orders being shipped within 2 or 3 working days.

The new warehouse for processing returns, which came into operation at the end of last year, makes it possible to recover and quickly re-issue part of returned copies onto the market.

The Arianna project, aimed at connecting a significant number of bookshops to a network that enables them to transmit sales data, allowing constant monitoring of market trends and the electronic despatch of a large number of orders, continued to be developed.

Magazine division

The Magazine Division registered consolidated sales of 911.5 billion lire, an increase of 13.9% compared with the first six months of 2000.

Magazines	bn lire 30 June 2001	bn lire 30 June 2000	% change
Circulation	530.5	461.5	15.0%
Advertising	381.0	338.9	12.4%
Total magazines	911.5	800.4	13.9%

The following table gives an overall picture of the situation:

Circulation

Circulation	bn lire 30 June 2001	bn lire 30 June 2000	% change
Mondadori titles	381.6	339.3	12.5%
Specialised titles	7.3	8.5	(14.1%)
Third-party titles	141.6	113.7	24.5%
Total circulation	530.5	461.5	15.0%

The market in which Mondadori operates registered a slight decrease compared with the same period in 2000. However, the Mondadori Group went against this trend and registered an increase of approximately 3.7% in the number of copies, with a market share firmly established above 40%.

This result is due to the capacity of Mondadori to improve and renew the quality of the editorial content of its titles (during the first six months of the year *Sorrisi e Canzoni TV*, *Casaviva*, *Casa Facile*, *Cucina Moderna*, *Tutto* and *Auto oggi* were all re-styled), to decisively restructure its portfolio (closure of the monthly title *Y&S*), to support, with excellent results, recently-launched titles (*Tu*, *Men's Health*,

Cosmopolitan) and to continue to develop the economic and publishing potential of its most important titles (*Panorama, Sorrisi e Canzoni TV*).

In this context, *Sorrisi e Canzoni TV* recorded its highest level of circulation for 10 years and up to June it had already sold, together with the attached CDs in the *Grandi Album* series, a total of 5.8 million copies of CDs, increasing both sales and profits.

The positive results obtained by the magazine compared with the previous year, together with the positive results of the two pocket television guides (*Guida TV* and *Telepiù*), goes against the European-wide trend for decreasing sales of television magazines.

Panorama consolidated its traditional leadership and, during the first six months of the year, established another record for circulation figures with an average of 615,000 copies. The CD Rom issued with the magazine was also very successful during this period.

For the third consecutive year *Chi* continued to increase circulation figures (500,000 copies compared with 459,000 in 2000).

The performance of *Grazia*, 261,000 copies in 2001 with an increase of 5% compared with 2000, indicates the constant capacity of the magazine to develop and keep abreast of changing requirements in the quality women's magazine sector.

During the first six months of the year the new Mondadori-ACI joint venture, aimed at creating the first car communication network, was launched. The first results of this initiative were the radically revamped editions of two ACI house-organs (*Automobile Club* and *Hp Trasporti Club*), the launch of the new monthly *Cambio l'automobile*, the re-styling of *Auto oggi* and the launch of the *In Auto* Internet site.

Advertising

In the first half of 2001 the increase in the advertising market slowed down in comparison with two years ago, registering + 0.7% compared with the same period in 2000. In particular, general printed advertising, which includes both newspapers and magazines, registered an increase of 2%, which can be broken down into a 9.1% increase for magazines and a 2.1% decrease for newspapers.

In this context, Mondadori Pubblicità registered an overall increase of 12.4%, which was largely due to the contribution from women's magazines, home furnishing titles and the new *Cosmopolitan* and *Men's Health* titles.

The excellent results were, however, negatively influenced by advertising sales for newspapers, which decreased quite substantially compared with the previous year.

Advertising market	bn lire 1st half of 2001	bn lire 1st half of 2000	% change
Television	4,571	4,571	-
Magazines	1,229	1,127	9.1%
Newspapers	1,914	1,955	(2.1%)
Radio (*)	330	366	(9.9%)
Placards (*)	216	193	12.2%
Cinema	68	61	11.1%
Total advertising market	8,328	8,273	0.7%

Source: Nielsen

(*): data not comparable

The reduction in growth was linked to the reduction in investments by the main operators in telecommunications, the absence of important placement operations on the financial markets and the crisis in the Internet sector.

However, the fashion and cosmetics sectors, together with the furniture sector were buoyant and continued to maintain high levels of investment, a factor that goes some way to explaining the improved performance of magazines in the general printed advertising sector.

Printing division

After an initial period of growth at the beginning of the year, the printing market began to slow down towards the end of the period, with consequent problems for both the offer and prices.

In this context the **Printing division**, aided by some important new orders, registered overall sales for the period of 456.8 billion lire, an increase of 16.6% compared with the same period in 2000.

This substantial increase was partly due to an increase in the cost of paper that took place during the two periods in question, which means that the effective performance of the Printing division is more accurately represented by the figure for revenues net of the cost of paper and shipping illustrated below, and partly due to the high levels of magazine printing, the recovery compared with the situation in 2000 of revenues from book printing and to the various issues of *Pagine Utili* for the information directories.

Printing revenues net of paper costs	bn lire 30 June 2001	bn lire 30 June 2000	% change
Magazines	121.0	112.6	7.5%
Books	66.5	62.2	6.9%
Catalogues and promotional material	29.5	27.7	6.5%
Directories	5.5	-	n.a.
Total printing sales net of paper costs	222.5	202.5	9.9%

At the beginning of July the new rotogravure printing system entered service in Verona, resulting in further improvements to the efficiency of the company.

Direct division

During the current period a new division has been set up within the Mondadori Group to amalgamate direct marketing and retail.

It has therefore been necessary to reclassify the sales data of 30 June 2000 in order to take into account this new structure.

The Mondadori Group's operations in this sector include the following:

- Mondolibri S.p.A., a joint-venture with the Bertelsmann Group, begun during 1999 after the merger of the business activities carried out by Club degli Editori and Euroclub;
- Cemit Interactive Media S.p.A.;
- Mondadori Franchising S.p.A.;
- Mondadori Retail S.r.l. (formerly Ellemme S.r.l.).

During the first half of 2001 **Mondolibri** was affected by the negative trend in the mail-order book sales sector, registering a 7.1% decrease in sales.

The company is currently working on a strategy designed to reverse this tendency in the second half of the year, by concentrating on the opening of new sales outlets and an important campaign aimed at providing subscribers with the information that from September only the book clubs and e-commerce can offer discounts over 15%.

It should be noted that despite the negative market trend, the number of subscribers has remained stationary at around 1.6 million.

Cemit Interactive Media, in its position of established market leader in the direct marketing sector, continued to improve its performance.

Mondadori's **retail** sector, comprising the subsidiaries Mondadori Franchising and Mondadori Retail, increased sales in a market that was substantially stable, enabling it to reinforce its competitive position thanks in part to an increase in the number of sales outlets.

Mondadori Franchising increased sales by over 44%, as a result of improved performances both from those shops that were already affiliated and from those that have been added over the last twelve months. As of 30 June the number of affiliated shops amounted to 95.

The sales figures for **Mondadori Retail**, which must be combined with the figures for Mondadori Informatica in order to give a meaningful comparison with the figures for the first half of 2000, increased in a significant manner (+46.7%). In order to obtain a correct comparison it should be noted that the Multicenter via Marghera in Milan and the new bookshop in Padua were opened during the second half of 2000.

The number of people who visited these new sales outlets, which represent a new shop format where customers can find a vast range of services, has been excellent up to now.

The former Ellemme bookshops, particularly the one in Milan and the two in Rome, also produced excellent results, registering increased sales of around 10%.

The following table gives a summary of the sales data for the first half of 2000 and the first half of 2001:

Direct	bn lire 30 June 2001	bn lire 30 June 2000	% change
Mondolibri S.p.A. (proportional)	39.3	42.3	(7.1%)
Cemit Interactive Media S.p.A.	31.8	25.2	26.2%
Total Direct marketing	71.1	67.5	5.3%
Mondadori Franchising S.p.A.	12.7	8.8	44.3%
Mondadori Retail S.r.l.	50.6	18.2	n.a.
Mondadori Informatica S.p.A.	0	16.3	n.a.
Total Retail	63.3	43.3	46.2%
Total	134.4	110.8	21.3%

Computer publishing and new media

For **Mondadori Informatica** the first half of 2001 represented the beginning of a new phase, characterised by a more precise definition of the company's core business.

Following the decisions taken the previous year, at the beginning of 2001 the company's retail sector was rented to the Group company that is specifically dedicated to handling shop sales.

In July the company that was the subject of this rental agreement was transferred to Mondadori Retail S.r.l.

As for the sectors where the company continues to operate, the *education* sector continued to develop while the bookshop sector more or less held its own, although the magazine sector continued to be rather weak mainly as a result of a decrease in advertising investments.

In the *education* sector the offices in Milano Oltre and Bologna were joined by the new offices in Rome and Florence, which came into operation during the period.

In April a new company, jointly owned with e-Biscom, was set up offering various distance-learning courses by means of new cable and wide band technology.

Books published by Mondadori Informatica, which are essential reading for computer specialists, continue to grow in terms of sales with an increase of more than 15% compared with the first half of 2000.

Specialised magazines held their own in terms of circulation while there was a decrease in terms of advertising sales.

Internet

The guidelines for the business activities of **Mondadori.com** for 2001 call for a revision of the business model, the renewal of the contents of the various sites and a search for partnerships with companies already operating on the Web and in the telephone sector.

At the end of the first half of 2001 the results registered by the new commercial structure of Mondadori Pubblicità, which is responsible for advertising sales, were inferior to budget forecasts, reflecting the general difficulties of the sector.

The results achieved in the first six-month period for the supply of content were in line with forecasts and mainly concern the agreements signed with Tiscali and Wind.

The publishing projects planned for 2001 resulted in the launch of the new sites *Il Mondo di Silvana*, in collaboration with the editorial staff of the weekly magazine *Chi*, and *My Show*, a site specialised in the entertainment area.

Two important agreements were signed for the ACI-Mondadori and Mondadori-Rodale joint-ventures, the first of which led to the creation of the *InAuto* site, which supplies integrated services for car owners, and the second to the creation of a site linked to the *Men's Health* magazine.

In the second half of the year it is planned to consolidate the new sites, develop a new project in the Health area and re-launch the *Panorama on line*, *My Tech* and *Mondodonna* sites.

The most important negative impact that has occurred in the Internet sector since the first half of 2000 concerns the start-up of the **Bol Books on line Italia** joint-venture, which was launched at the end of 2000 with the aim of becoming the leading seller of books on-line.

Financial position

The Mondadori Group's **financial position** as of 30 June 2001, including debts for leasing amounting to 25 million lire, showed a surplus of 153.8 billion lire, as illustrated in the following table:

Net financial position	bn lire 30 June 2001	bn lire 31 December 2000	bn lire 30 June 2000
Short term bank deposits	287.8	337.3	326.5
Short term borrowing from banks	(137.8)	(148.0)	(134.9)
Financing (short and medium/long term)	(690.6)	(568.3)	(573.9)
	(540.6)	(379.0)	(382.3)
Fixed interest securities	710.3	702.5	509.5
Cash, post office accounts, net receivables from affiliates and third parties and accrued interest income	(15.9)	11.2	(16.5)
Net financial receivables (payables)	153.8	334.7	110.7
Leasing debts	0	(2.4)	(7.3)
Net financial position	153.8	332.3	103.4

Cash flow summary	bn lire 30 June 2001	bn lire 31 December 2000	bn lire 30 June 2000
Initial net financial position	332.3	283.4	283.4
Net result	122.8	137.3	106.4
Depreciations	57.0	109.3	53.9
Self-finance	179.8	246.6	160.3
Changes in working capital	(127.8)	(6.4)	(79.6)
Net investments	(58.2)	(102.0)	(51.3)
Severance indemnities	3.0	7.1	8.4
Buy-back of company shares, net of sales	(1.8)	(48.7)	(63.2)
Other assets/liabilities	(81.6)	36.9	(69.9)
Operating surplus (requirement)	(86.6)	133.5	(95.3)
Dividends	(100.2)	(84.9)	(84.9)
Other capital movement	8.3	0.3	0.2
Financial surplus (requirement)	(178.5)	48.9	(180.0)
Final net financial position	153.8	332.3	103.4

Exchange rates

During the first six months of 2001 the signs of a large reduction in worldwide economic growth and, in particular, in American economic growth induced the FED to implement a series of interest rate cuts that amounted to 275 points (from 6.5% to 3.75%).

In Europe during the same period there were signs of a reduction in economic growth, particularly in Germany, which was linked to high levels of inflation.

In this context the different objectives for economic and monetary policies of the two Central Banks (the ECB, unlike the FED, sees its main priority as maintaining the medium-term stability of prices), led the Central European Bank to reduce interest rates by only 25 points (from 4.75% to 4.50%).

Despite the fact that the difference in interest rates was modified in favour of the Euro, the currency lost value compared with the dollar (-7.3% in the first three months of the year and -3.3% in the second three-month period), confirming the preference of investors for American assets.

During this period there was a belief that the American economy would recover quicker than the European economy.

The stock markets also suffered heavy losses with Nasdaq, the S&P 500 and Nikkei, during the first three months of the year, registering minimum levels that hadn't been seen since the end of 1998.

In such a difficult macroeconomic context the average cost of money for Mondadori was 4.6%.

In the same period the three-month Euribor rate amounted to 4.7%, decreasing from 4.84% at the beginning of the year to 4.44% at the end of June.

As of 30 June 2001 the Mondadori Group had unused lines of credit in the form of bank overdrafts for a total of 2,100 billion lire, 797 billion lire of which were medium-long term.

The short-term credit facilities, amounting to approximately 1,300 billion lire, were used by means of self-liquidating lines of credit (such as discount bills) and stand-up credits with a duration of less than eighteen months minus a day, ensuring a competitive debit mix.

The medium/long term lines were made up of 797 billion lire (774 billion lire) from a revolving multi-currency credit facility with a duration of five years (2000-2005) and subsidised loans for publishers, in accordance with Law 416/81, for approximately 23 billion lire.

As of 30 June 2001 the revolving loan had been used for a total of 470 billion lire at an average interest rate of 4.7%.

The Group's financial activities amounted to 899 billion lire as of 30 June 2001 and are concentrated in **Mondadori International**, which for the first half of 2001 registered gross financial profits of approximately 21 billion lire and in June paid dividends of 12 billion lire to Mondadori.

During the year the company continued with its policy of diversifying the portfolio in order to maintain good profitability of the liquidity invested, based on a conservative approach to risks.

Personnel

As of 30 June 2001 Group companies employed 5,098 people (5,164 at 31 December 2000), while the average number of personnel during the period amounted to 5,100 (5,172 for the same period in 2000).

Compared with 31 December 2000 there was a reduction of 66 people, which was mainly due to a reduction in the number of manual workers employed by the Group.

The following table shows details of Group personnel as of 30 June 2001:

Personnel	30 June 2001	31 December 2000	30 June 2000
Arnoldo Mondadori Editore S.p.A.:			
- Managers, journalists and office staff	1,436	1,431	1,456
- Manual workers	177	182	193
	1,613	1,613	1,649
Italian subsidiaries:			
- Managers, journalists and office staff	1,667	1,675	1,650
- Manual workers	1,334	1,382	1,439
	3,001	3,057	3,089
Foreign subsidiaries:			
- Managers, journalists and office staff	310	314	301
- Manual workers	174	180	182
	484	494	483
Total	5,098	5,164	5,221

The cost of personnel amounted to 248.8 billion lire, an increase of 2.8% compared with the same period in 2000.

As of 30 June 2001 the remuneration part of the National Contract for Commercial Management expired.

Investments

During the first half of 2001 the Group made investments in technical assets that came into production for 14.7 billion lire, including 5.4 billion lire in printing plant and machinery.

As can be seen under “Notes to the Consolidated Balance Sheet”, during the period in question costs amounting to 43 billion lire for technical assets under construction were suspended, bringing the total of “Assets under construction” to 70.3 billion lire.

Almost all of these investments concern the new rotogravure printing system which came into production in July.

Investments in maintenance were also made in industrial complexes (1.2 billion lire), while investments in “Furniture and office machines ” amounted to 6 billion lire.

Disinvestments during the period amounted to 15 billion lire and were mainly concerned with the decommissioning of machinery by the Printing division and the disposal of property that was no longer required by the Elemond Group.

Results of Arnoldo Mondadori Editore S.p.A.

Arnoldo Mondadori Editore S.p.A. closed the first half of 2001 with excellent results both in terms of sales and in terms of profit.

Revenues increased by 10.6%, amounting to 994.9 billion lire, while pre-tax profits increased by 38.4%, amounting to 116.1 billion lire, resulting in the payment of a higher level of dividends, amounting to 17.3 billion lire.

Cash flow amounted to 130.7 billion lire, with 14.6 billion lire allocated for depreciations.

Other information

The following section deals with information about the specific subjects:

Relations with linked companies

We would inform you that with reference to CONSOB communication 97001574 of 20 February 1997 and 98015375 of 27 February 1998, all dealings of a commercial nature with the Fininvest Group are based on normal market conditions.

Plan for converting to Euro

Group companies continued with the Euro-conversion programme and at the end of the first half of the year eight companies had completed this conversion and were operating with the new money of account.

As far as the parent company, Arnoldo Mondadori Editore S.p.A., is concerned, a deliberation to convert the Company's share capital into Euro was made by the extraordinary shareholders' meeting of 24 April 2001 and the operation commenced on 1 August 2001, in order to ensure that the conversion of the share capital and the changeover to the Euro is carried out within the established time limits.

The operation consists of the following steps:

A) conversion into Euro of the par value, equal to 500 lire, of 259,429,832 shares representing the share capital of 129,714,916,000 lire, on the basis of the fixed lire/Euro exchange rate of 1936.27 per Euro and rounding up to the higher cent, with the consequent establishing of the par value of all types of shares at 0.26 Euros;

B) the consequent conversion and free increase of the share capital – represented by 259,429,832 shares with a par value of 0.26 Euros each - to **67,451,756.32 Euros**, corresponding to **130,604,812,209 lire**, by using 889,896,209 lire of the extraordinary reserve from the financial statements of 31 December 2000 as approved by the shareholders' meeting of 24 April 2001.

The conversion calendar for the remaining companies in the Group is proceeding according to plan and will be completed as forecast in the second half of the year.

Creation of the jointly-owned Mondadori Informatica e.BisMedia S.r.l.

In April the subsidiary company Mondadori Informatica and e.BisMedia S.r.l. set up a new jointly-owned company offering educational and training courses to businesses and individuals through the Internet and, in particular, using the new interactive possibilities offered by the wide-band network.

The new company will exploit Mondadori Informatica's experience in organising courses and the e.Biscom Group's know-how in running wide-band networks on IP technology.

Option rights for the acquisition of shares in Athena Finanziaria S.r.l.

In June Arnoldo Mondadori Editore S.p.A. exercised its option, contained in the contract for the acquisition of the Le Monnier Group signed in April 1999, for the acquisition of a further 4% of the share capital of Athena Finanziaria S.r.l., the holding company of the Le Monnier Group.

With this acquisition Arnoldo Mondadori Editore S.p.A. now owns, either directly or indirectly, 100% of the Le Monnier publishing group.

Significant events during the second half of the year

Joint-venture agreement with the Random House group concerning the bookshop divisions in Spain and South America

In July an agreement was signed for a joint-venture with the Random House group, one of the most important companies in the international bookshop publishing sector and the book division of Bertelsmann AG, one of the most important international groups in the media, e.-commerce and interactive contents sectors.

The partners in the new joint-venture company, which is registered in Spain under the name of Grupo Editorial Random House Mondadori, will transfer their respective book imprints and current investments in publishing-bookshops in Spain and South America, which for Mondadori are controlled by the wholly-owned subsidiary company Grijalbo S.A., to the new company.

The new joint-venture, which can count on revenues of more than 100 million dollars, is destined to become the second biggest publisher of books in the Spanish-language market.

The main objective of the operation is to enable the new company to achieve an important competitive position in the Spanish-language book market, which is one of the most interesting on an international level and which, in the opinion of many analysts, is destined to become the second biggest worldwide market after the English-language market, thanks in part to the enormous potential offered by the increase in the Spanish-speaking population of the United States.

The operation was given approval by the European Union Commission at the end of August.

Merger of Libreria Le Monnier S.p.A. and Armando Paoletti S.p.A. into Editoriale e Finanziaria Le Monnier S.p.A.

In the context of the Le Monnier Group, it was decided to merge the non-operative subsidiary company Armando Paoletti S.p.A. and Libreria Le Monnier S.p.A. into Editoriale e Finanziaria Le Monnier, with effect from 1 August 2001.

The merger did not involve an exchange report since the companies involved were wholly and directly owned by the incorporating company.

The objective of the operation is to rationalise and simplify the company structure of the Le Monnier Group and to cut administrative and running costs of companies that no longer have a specific operating function.

Probable evolution of business activities

In the first few months of the second half of the year, the various sectors of the Group have continued to register excellent results, leading to the supposition that the result for the entire year will see a further increase, both in terms of sales and in terms of profit, compared with the previous year.

As of the end of August sales increased by 12% compared with the same period in the previous year.

As for advertising sales, the good results obtained in the first half of the year enabled Mondadori to register results that were substantially better than the market growth rate, and we believe that this advantage will also be maintained in the second half of the year.

For the Board of Directors

Chairman

Leonardo Mondadori

***Consolidated financial statements
of the Mondadori Group
as of 30 June 2001***

***Consolidated balance sheet
and income statement
as of 30 June 2001***

Balance Sheet (in millions of lire)

ASSETS

	6 MONTHS AS AT 30 JUNE 2001			YEAR ENDED	6 MONTHS AS AT
	Sub total 1	Sub total 2	TOTAL 3	31 DECEMBER 2000	30 JUNE 2000
A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL					
B) NON CURRENT ASSETS					
I- INTANGIBLE ASSETS					
1 set-up and expansion costs		5,563		6,987	7,792
2 research, development and advertising costs					
3 industrial patent rights and use of original works		2,304		1,325	934
4 concessions, licences and trade marks		301,789		311,112	308,788
5 goodwill		32,684		36,566	39,288
6 assets under construction and advances		114		218	186
7 others		18,683		18,574	19,164
8 consolidation differences		32,780		34,404	37,918
TOTAL			393,917	409,186	414,070
II- FIXED ASSETS					
1 land and buildings		161,060		164,083	167,276
2 plant and machinery		93,258		112,269	122,901
3 industrial and commercial equipment		5,314		5,639	3,987
4 other assets		38,174		36,943	34,408
5 assets under construction and advances		70,343		27,303	11,531
TOTAL			368,149	346,237	340,103
III- FINANCIAL ASSETS (non current)					
1 investments in:					
a) subsidiary companies		4,927		4,805	9,730
b) affiliated companies		34,210		35,767	25,563
c) other companies		2,463		2,374	3,107
TOTAL		41,600		42,946	38,400
2 current receivables:					
a) from subsidiary companies					
b) from affiliated companies					
c) from parent companies					
d) from other companies	1,490	17,014	18,504	19,783	21,945
TOTAL	1,490	17,014	18,504	19,783	21,945
3 other securities		5		5	5
4 treasury stock		122,327		120,461	134,946
TOTAL			182,436	183,195	195,296
TOTAL NON-CURRENT ASSETS (B)			944,502	938,618	949,469

ASSETS

	6 MONTHS AS AT 30 JUNE 2001			YEAR ENDED	6 MONTHS AS AT
	Sub total 1		Sub total 2	31 DECEMBER 2000	30 JUNE 2000
			TOTAL 3		
C) CURRENT ASSETS					
I- INVENTORIES					
1 raw, ancillary and consumable materials			22,344	31,714	27,288
2 semifinished products, work in progress			36,762	52,718	41,452
3 work in progress to order			22,346	15,261	14,788
4 finished products and goods			182,831	162,994	169,041
5 advances				53	
TOTAL			264,283	262,740	252,569
	<i>within 12 months</i>	<i>over 12 months</i>			
II- RECEIVABLES					
1 trade accounts	831,941	23,188	855,129	765,115	762,383
2 due from subsidiaries	5,813		5,813	7,509	7,154
3 due from affiliated companies	59,909		59,909	56,364	49,161
4 due from parent company	295		295	12	395
5 due from third parties	201,001	788	201,789	190,706	208,697
TOTAL	1,098,959	23,976	1,122,935	1,019,706	1,027,790
III- FINANCIAL ASSETS (current)					
1 investments in subsidiaries					
2 investments in affiliated companies				4,108	
3 other investments					
4 treasury stock					
5 other securities			710,300	702,488	509,515
TOTAL			710,300	706,596	509,515
IV- CASH AND EQUIVALENTS					
1 cash at banks and P.O.			288,441	337,268	327,107
2 cheques			85	74	
3 cash and commercial papers in hand			319	296	337
TOTAL			288,845	337,638	327,444
TOTAL CURRENT ASSETS (C)			2,386,363	2,326,680	2,117,318
D) ACCRUED INCOME AND PREPAYMENTS					
1 accrued income			3,529	1,310	2,032
2 prepayments			7,979	16,967	13,096
3 premium on loans			2,813	3,164	614
TOTAL ACCRUED INCOME AND PREPAYMENTS (D)			14,321	21,441	15,742
TOTAL ASSETS			3,345,186	3,286,739	3,082,529

BALANCE SHEET (in millions of lire)
LIABILITIES

	6 MONTHS AS AT 30 JUNE 2001			YEAR ENDED	6 MONTHS AS AT
	Sub total 1	Sub total 2	TOTAL 3	31 DECEMBER 2000	30 JUNE 2000
A) SHAREHOLDERS' EQUITY					
I- SHARE CAPITAL			129,715	129,715	129,351
II- SHARE PREMIUM RESERVE			433,897	435,762	420,550
III- REVALUATION RESERVE			32,358	32,358	32,358
IV- LEGAL RESERVE			25,943	25,870	25,870
V- RESERVE FOR TREASURY STOCK			122,326	120,461	132,186
VI- STATUTORY RESERVE					
VII- OTHER RESERVES:					
1) Extraordinary reserve		296,824		288,722	289,016
2) Reserve ex Law 675 of 12/8/1977		680		680	680
3) Conferral reserve ex Law 904 of 16/12/1977		1,454		1,454	1,454
4) Capital account reserve		9,782		9,782	9,782
5) Reserve ex Law 124/93 art. 13		73		51	51
6) Other reserves		7,792		(29,406)	(25,863)
			316,605	271,283	275,120
VIII- PROFIT (LOSS) CARRIED FORWARD					
IX- PROFIT (LOSS) FOR THE PERIOD					
1) Pre-tax profit for the half year			122,774		106,401
2) Net profit for the year				137,272	
CONSOLIDATED GROUP SHAREHOLDERS' EQUITY			1,183,618	1,152,721	1,121,836
MINORITY INTERESTS			15,538	15,334	15,084
TOTAL SHAREHOLDERS' EQUITY (A)			1,199,156	1,168,055	1,136,920
B) RESERVE FOR RISKS AND CHARGES					
1 retirement benefits		1,974		2,026	2,228
2 income taxes		30,533		46,836	31,056
3 other		56,371		54,339	53,265
TOTAL RESERVE FOR RISKS AND CHARGES (B)			88,878	103,201	86,549
C) RESERVE FOR SEVERANCE INDEMNITIES			193,350	190,366	191,643
	<i>due within 1 year</i>	<i>due beyond 1 year</i>			
D) DEBT AND OTHER PAYABLES					
1 bonds					
2 convertible bonds					
3 due to banks	802,958	25,469	828,427	716,264	708,853
4 due to third parties					
5 advances	65,482		65,482	68,642	64,874
6 trade accounts	626,164		626,164	642,451	582,012
7 debt represented by credit instruments					
8 due to subsidiaries	1,602		1,602	1,420	652
9 due to affiliated companies	67,793		67,793	75,667	49,913
10 due to parent companies	176		176	606	1,017
11 income taxes payable	16,658		16,658	42,955	16,991
12 due to pension funds and social security entities	29,987		29,987	32,125	28,115
13 other liabilities	202,135	2,802	204,937	219,176	199,776
TOTAL DEBT AND OTHER PAYABLES (D)	1,812,955	28,271	1,841,226	1,799,306	1,652,203
E) ACCRUED LIABILITIES AND DEFERRED INCOME					
1 accrued liabilities			10,715	13,302	6,836
2 deferred income			11,861	12,509	8,378
3 discounts on loans					
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)			22,576	25,811	15,214
TOTAL LIABILITIES			3,345,186	3,286,739	3,082,529
MEMORANDUM ACCOUNTS					
1 GUARANTEES AND SURETIES					
a) in favour of subsidiaries					
b) in favour of affiliated companies			5,393	15,100	14,133
c) in favour of third parties			46,689	49,113	40,425
2 COMMITMENTS			195,238	120,743	50,401
3 RISKS					
4 OTHERS			168,865	159,781	160,713
TOTAL MEMORANDUM ACCOUNTS			416,185	344,737	265,672

- 1) Total of items preceded by lowercase letters and (in certain cases) by arabic numerals
- 2) Total of items preceded by arabic numerals and (in certain cases) by lowercase letters
- 3) Total of items preceded by roman numerals and uppercase letters

For the Board of Directors
Leonardo Mondadori
Chairman

INCOME STATEMENT (in millions of lire)

	6 MONTHS AS AT 30 JUNE 2001			6 MONTHS AS AT	YEAR ENDED
	Sub total 1	Sub total 2	TOTAL 3	30 JUNE 2000	31 DECEMBER 2000
A) PRODUCTION VALUE					
1		1,572,013		1,373,609	2,876,778
2		1,734		10,941	16,487
3		7,084		(37)	505
4		199		214	286
5					
a)	57			164	290
b)	44,200			39,569	91,050
		44,257			
TOTAL PRODUCTION VALUE (A)			1,625,287	1,424,460	2,985,396
B) PRODUCTION COSTS					
6		524,101		446,540	944,858
7		614,069		544,802	1,113,446
8		23,047		20,129	37,890
9					
a)	177,000			169,781	336,924
b)	53,644			52,875	106,829
c)	14,410			15,090	29,060
d)	50			54	58
e)	3,730			4,264	7,073
		248,834		242,064	479,944
10					
a)	23,488			21,249	45,407
b)	33,571			32,601	63,933
c)					
d)	11,061			7,819	17,252
		68,120		61,669	126,592
11		9,474		(1,925)	(6,661)
12		6,739		2,998	9,051
13		51		15	49
14		11,273		9,121	27,369
			1,505,708	1,325,413	2,732,538
TOTAL PRODUCTION COSTS (B)			1,505,708	1,325,413	2,732,538
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)			119,579	99,047	252,858
C) FINANCIAL INCOME AND CHARGES					
15					
a)					
b)					
c)	72			108	68
		72		108	68
16					
a)					
* Subsidiaries					
* Affiliated companies					
* Parent companies					
* Other companies	154			157	290
	154			157	290
b)				245	1,652
c)	21,888			20,399	46,572
d)					
* Subsidiaries	24			39	63
* Affiliated companies	90			97	239
* Parent companies					
* Other companies	9,435			9,843	15,454
	9,549			9,979	15,756
		31,591		30,780	64,270
17					
a)	8			4	10
b)	357			151	425
c)					
d)	21,870			26,207	44,494
		22,235		26,362	44,929
TOTAL FINANCIAL INCOME AND (CHARGES) (C)			9,428	4,526	19,409

(continues)

INCOME STATEMENT (cont'd)

	6 MONTHS AS AT 30 JUNE 2001			6 MONTHS AS AT	YEAR ENDED
	Sub total 1	Sub total 2	TOTAL 3	30 JUNE 2000	31 DECEMBER 2000
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS					
18 REVALUATIONS					
a) investments		4,810		3,541	8,667
b) other long term financial assets					
c) securities					
TOTAL		4,810		3,541	8,667
19 WRITEDOWNS					
a) investments		9,217		2,280	12,150
b) other long term financial assets					
c) securities		5,166			9,997
TOTAL		14,383		2,280	22,147
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)			(9,573)	1,261	(13,480)
E) EXTRAORDINARY ITEMS					
20 INCOME					
a) Gains on disposals		1,582		1,048	5,689
b) Other		1,965		699	987
TOTAL		3,547		1,747	6,676
21 CHARGES					
a) Losses on disposals					707
b) Taxation relative to prior years		67		23	794
c) Other		140		157	3,904
TOTAL		207		180	5,405
TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)			3,340	1,567	1,271
PROFIT (LOSS) BEFORE TAX			122,774	106,401	260,058
22 INCOME TAX FOR THE YEAR					122,003
23 RESULT FOR THE YEAR					138,055
NET PROFIT (LOSS) FOR THE YEAR PERTAINING TO MINORITY INTERESTS					783
NET PROFIT (LOSS) FOR THE YEAR					137,272

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

For the Board of Directors
Leonardo Mondadori
Chairman

*Notes to the
Consolidated financial statements*

Form and contents of the Consolidated financial statements

General policies

In preparing the consolidated financial statements, the Group has complied with the accounting principles and format for Balance Sheets and Income Statements called for by Legislative Decree no. 127 of 9/4/1991, integrated with and based on the Accounting Principles drawn up by the Italian Accounting Profession.

The structure and contents of the Balance Sheet and the Income Statement conform to the regulations concerning the drawing up of Financial Statements as contained in art. 2424 and 2425 of the Civil Code.

The result for the first half of 2001 is gross of taxes for the period and of the adjustments and provisions carried out in accordance with tax regulations as provided for by CONSOB Communication no. 11971 of 14 May 1999.

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

Consolidation area

The consolidated Financial Statements for the Mondadori Group includes:

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

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

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

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 30/06/01	% held as of 31/12/00
Companies consolidated using the line-by-line method:						
<i>Parent Company</i>						
Arnoldo Mondadori Editore S.p.A.	Milan	Publishing	Lire	129,714,916,000		
<i>Italian subsidiaries</i>						
Armando Paoletti S.p.A.	Florence	Printing	Lire	900,000,000	100.00	95.56
Athena Finanziaria S.r.l.	Florence	Financial	Lire	20,000,000	100.00	95.56
Casa Editrice Felice Le Monnier S.p.A.	Florence	Publishing	Euro	12,911,500	100.00	95.56
Casa Editrice Poseidonia S.r.l.	Bologna	Publishing	Euro	11,000	87.50	87.50
Cemit Interactive Media S.p.A.	S.Mauro	Trade	Euro	3,835,000	100.00	100.00
	Torinese					
Editoriale e Finanziaria Le Monnier S.p.A.	Florence	Publishing	Euro	2,797,200	100.00	95.56
Edizioni Frassinelli S.r.l.	Milan	Publishing	Euro	10,400	100.00	100.00
Elemond S.p.A.	Milan	Publishing	Lire	49,400,000,000	100.00	100.00
Electa Napoli S.r.l.	Naples	Publishing	Euro	155,000	60.00	60.00
Mondadori Retail S.r.l.	Milan	Trade	Lire	10,000,000,000	100.00	100.00
Fied S.p.A.	Milan	Financial publishing	Euro	416,000	100.00	100.00
Giulio Einaudi Editore S.p.A.	Turin	Publishing	Euro	23,920,000	70.00	70.00
Libreria Le Monnier S.p.A.	Florence	Trade	Lire	1,078,920,000	100.00	95.56
Mondadori.com S.p.A.	Milan	Trade publishing	Euro	7,800,000	99.99	99.99
Mondadori Informatica S.p.A.	Milan	Publishing	Euro	2,600,000	100.00	100.00
Mondadori Printing S.p.A.	Milan	Printing	Euro	45,396,000	100.00	100.00
Mondadori Pubblicità S.p.A.	Milan	Advertising agent	Euro	3,120,000	100.00	100.00
Mondadori Franchising S.p.A.	Rimini	Trade	Euro	1,954,000	100.00	100.00
Programmi Editoriali S.p.A.	Milan	Publishing	Euro	3,120,000	100.00	100.00
Riccardo Ricciardi Editore S.p.A.	Milan	Publishing	Euro	1,814,670	100.00	100.00
Sperling & Kupfer Editori S.p.A.	Milan	Publishing	Euro	388,800	100.00	100.00
<i>Foreign subsidiaries</i>						
Arnoweb SA	Luxembourg	Financial	Euro	25,000,000	99.99	99.99
Artes Graficas Toledo SA	Toledo	Printing	Ptas	900,000,000	100.00	100.00
Digrisa SA de C.V.	Mexico	Publishing	Pesos	50,000	99.80	99.80
Distrib.Exclusiva Grijalbo SA	Bogotá	Trade	Pesos	1,400,000	99.98	99.98
Grijalbo Mondadori SA	Barcelona	Trade	Ptas	100,000,000	100.00	100.00
Editorial Grijalbo SA de C.V.	Mexico	Publishing	Pesos	50,000,000	100.00	100.00
Editorial Grijalbo SA	Santiago	Publishing	Pesos	55,642,872	100.00	100.00
Editorial Grijalbo Ltda	Bogotá	Publishing	Pesos	10,000,000	98.98	98.98
Grijalbo Editor SA	Montevideo	Publishing	N. Pesos	500,000	100.00	100.00
Grijalbo SA	Caracas	Publishing	Bolivares	150,000	100.00	100.00
Grijalbo SA	Buenos Aires	Publishing	Australes	6	100.00	100.00
Mondadori International SA	Luxembourg	Financial	Euro	393,625,900	99.99	99.99
Prisco International NV	Dutch Antilles	Financial	US \$	6,000	100.00	100.00
Webmond SA	Luxembourg	Financial	Euro	25,000,100	99.99	99.99

Name	Legal office	Business	Currency	Share capital expressed in local currency	% held as of 30/06/01	% held as of 31/12/00
Companies valued using the proportional method:						
Mondolibri S.p.A.	Milan	Trade publishing	Euro	1,040,000	50.00	50.00
Companies valued using the net equity method:						
Aci Mondadori S.r.l.	Milan	Publishing	Lire	2,000,000,000	50.00	50.00
Ag. Lombarda Distrib. Giornali e Riviste S.r.l.	Milan	Trade	Euro	400,000	50.00	50.00
BOL Books on Line Italia S.p.A.	Segrate	Trade	Euro	6,000,000	50.00	50.00
Edizioni Electa Bruno Mondadori S.r.l.	Milan	Publishing	Euro	10,400	50.00	50.00
Edizioni EL S.r.l.	Trieste	Publishing	Euro	620,000	35.00	35.00
Grüner und Jahr / Mondadori S.p.A.	Milan	Publishing	Lire	4,856,000,000	50.00	50.00
Harlequin Mondadori S.p.A.	Milan	Publishing	Euro	258,250	50.00	50.00
Hearst Mondadori Editoriale S.r.l.	Milan	Publishing	Euro	99,600	50.00	50.00
Librorama S.r.l. (in liq.)	Milan	Publishing	Lire	150,000,000	50.00	50.00
Mach 2 Libri S.p.A.	Milan	Trade	Lire	1,250,000,000	24.00	24.00
Mondadori Rodale S.r.l.	Milan	Publishing	Euro	90,000	50.00	50.00
Mondadori Sole 24 Ore S.p.A.	Milan	Publishing	Euro	500,000	50.00	50.00
SAGE Seregni Azienda Grafica Editoriale SpA						50.00
S.A.I.R.E. S.r.l.						25.00
SIES Società Italiana Editrice Stampatrice SpA						50.00
Società Europea di Edizioni S.p.A.	Milan	Publishing	Lire	4,872,000,000	41.67	41.67
Companies valued at cost:						
AME Publishing Ltd.	New York	Services	US \$	50,000	99.99	99.99
Arnoldo Mondadori Deutschland GmbH	Munich	Services	DM	50,000	99.99	99.99
Consuedit S.r.l.	Milan	Services	Lire	20,000,000	9.54	9.54
Consorzio Aeromobili Fininvest	Milan	Services	Euro	520,000	3.00	3.00
Cons Sistemi Informativi Editoriali Distributivi	Milan	Services	Lire	200,000,000	10.00	10.00
Editrice Portoria S.p.A.	Milan	Publishing	Euro	364,000	16.78	16.78
Editrice Storia Illustrata S.r.l. (in liq.)	Milan	Publishing	Lire	20,000,000	8.39	8.39
Edizioni di Comunità S.r.l.	Turin	Publishing	Euro	25,822	70.00	70.00
Edizioni Venete S.r.l.	Venice	Publishing	Lire	20,000,000	75.00	75.00
Euromedia Luxembourg Two SA	Luxembourg	Financial	US \$	42,500,000	11.76	11.76
Europrint S.r.l.	Milan	Publishing and printing	Lire	28,800,000	28.23	28.23
Giulio Einaudi Editore S.p.A. (under extraordinary administration)	Turin		Lire	3,000,000,000	7.35	7.35
Immobiliare Editori Giornali S.r.l.	Rome	Real estate	Lire	1,608,000,000	7.88	7.88
Istud – Istituto Studi Direzionali S.p.A.	Milan	Services	Lire	2,200,000,000	0.59	0.59
Jumpy S.p.A.	Milan	Services	Euro	10,257,120	0.39	0.39
Marchgrange Limited	Dublin	Finance	£ irl.	12	99.99	99.99
Market Self S.A.	Buenos Aires	Publishing	Ars	30,200	15.00	15.00
Mondadori Belgium S.A.	Brussels	Finance	Euro	62,000	99.98	-
Mondadori.Com. USA Inc.	Delaware	Services	US \$	4,500,000	99.99	99.99
Mondadori Informatica e-BisMedia S.r.l.	Milan	Services	Euro	3,100,000	50.00	-
Morinvest S.r.l.	Milan	Publishing	Euro	102,800	100.00	100.00
News Alert Investors Ilc	New York	Services	US \$	20,528,461	11.21	11.21
Paperback GmbH (in liq.)	Furth		DM	50,000	100.00	95.56
Parafernalìa S.r.l. (in liq.)	Florence		Lire	20,000,000	100.00	95.56
Selcon S.r.l.	Milan	Services	Lire	40,000,000	17.60	17.60
Società Editrice Il Mulino S.p.A.	Bologna	Publishing	Lire	1,175,000,000	7.05	7.00
STS Società Tipografica Siciliana S.p.A.	Catania	Printing	Lire	3,000,000,000	22.92	22.92
Veleno S.p.A.	Milan	Trade	Euro	5,000,000	24.00	24.00
Venezia Musei Società Consortile a R.L.	Venice	Services	Lire	20,000,000	34.00	34.00

Financial statements used

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

Consolidation policies

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

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

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

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

Policies and exchange rates applied in the translation of financial statements expressed in foreign currency

The conversion of Financial statements expressed in foreign currency is carried out in accordance with the following policies: Balance sheet items are translated into Italian lire at the year-end exchange rate, while Income Statement items are translated at the average exchange rate for the year.

The difference between the result for the year, calculated on the result of the translation at the average exchange rate and the result from translation at the year-end exchange rate, and the effect of changes in exchange rates between the beginning of the year and end of the year, is booked to an equity account called “Conversion reserves”.

The exchange rates for foreign currency are as follows:

	Exchange rate at 30 June 2001		Exchange rate at 31 December 2000		Exchange rate at 30 June 2000	
	average	exact	average	exact	average	exact
USA dollar	2,158.21	2,283.34	2,135.58	2,080.89	1,964.07	2,026.87
Swiss franc	1,264.85	1,271.52	1,263.03	1,271.19	1,204.87	1,217.09
Spanish peseta	11.64	11.64	11.64	11.64	11.64	11.64
Euro	1,936.27	1,936.27	1,936.27	1,936.27	1,936.27	1,936.27

Accounting principles and valuation methods

The accounting principles and valuation methods adopted in preparing the consolidated financial Statements as at 30 June 2001 are in accordance with current regulations and are based on those issued by the Italian Accounting Profession and, where necessary, on International Accounting Principles (I.A.S.).

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

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

a) Intangible assets

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

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

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

The value of titles is constantly reviewed in the light of economic prospects. Amortisation of series is normally charged over a twenty-year period.

The titles acquired along with the activities of Silvio Berlusconi Editore S.p.A. are amortised over a period of 20 years.

Consolidation differences in the consolidated financial statements are the differences between the book value of the investments and the corresponding value of the shareholders' equity of the company acquired.

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

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

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

Fiscal category	Depreciation period 2001	Depreciation period 2000
Set-up and expansion costs	5 years	5 years
Industrial patents and rights to use original work	3 – 5 years	3 – 5 years
Concessions, licences, trade marks and similar	5 – 10 years	5 – 10 years
Goodwill	5 – 10 years	5 – 10 years
Others	3 – 5 years	3 – 5 years
Consolidation differences	5 – 10 years	5 – 10 years

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

b) Fixed assets

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

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

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

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

Fixed assets are systematically amortised every year at a constant rate, on the basis of an economic-technical rate that depends on the residual useful life of the assets, which is

periodically checked in order to take into account the technical-economic condition of the assets themselves.

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

Fiscal category	% rate 2001	% rate 2000
Land and buildings	3.00	3.00
Plant and machinery	10.00 – 25.00	10.00 – 25.00
Industrial and commercial equipment	25.00	25.00
Other assets:		
- works of art	-	-
- electronic office equipment	20.00	20.00
- furniture and fixtures	12.00	12.00
- sundry small equipment	25.00	25.00
- motor vehicles	20.00 – 25.00	20.00 – 25.00

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

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

c) Financial assets

Consistent assets in investments in subsidiary and affiliated companies and other companies that are not consolidated are valued at acquisition or subscription cost, reduced where necessary to take into account permanent reductions in value.

The original cost is restored if, in subsequent periods, the forecasts on which the writedowns were based prove to be unfounded.

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

The book value also contains the highest cost paid, attributable to goodwill. Profits and losses deriving from the application of the net equity method are booked to the Income Statement, under “Revaluation of investments” and “Investment writedowns”. Other investments are valued at cost.

The company’s own shares bought in accordance with art. 2357 of the Civil Code and in accordance with the deliberations of the Shareholders’ Meetings of 16 March 1998, 29 April 1999 and 3 May 2000, are valued at purchase price, while those that come from the former shareholders of AMEF who exercised their right to sell their shares following the change of corporate purpose as a result of its merger with the former Arnoldo Mondadori Editore S.p.A., are valued at the price fixed by the Shareholders’ Meeting of 30 July 1991. L.I.F.O. valorization criteria are applied.

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

d) Inventory

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

The cost is established:

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

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

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

e) Receivables and payables

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

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

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

f) Financial activities that do not constitute assets

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

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

g) Accruals and prepayments

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

h) Reserves for risks and charges

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

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

i) Reserve for severance indemnities

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

l) Revenues, costs, income and charges

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

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

m) Commitments and guarantees

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

n) Covering operations

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

Costs deriving from the introduction of the Euro

The costs incurred in adjusting the systems, programmes and individual instruments to the introduction of the EURO are shown and entered in the Income Statement in the year in which they are incurred under production costs.

The costs relative to the acquisition of new fixed and intangible assets are entered under the company activities in accordance with normal procedures.

The nature and consistency of operations already carried out, currently being carried out and yet to be carried out, including any eventual writedowns to be attributed to items already entered in the assets, are referred to in the report on the running of the company.

Other information

With reference to the assessment notice received on 11 April 1995, with which the local direct tax office maintained, with reference to 1991, that the merger deficit in relation to the merger of AMEF (Arnoldo Mondadori Editore S.p.A.) was subject to taxation, it should be noted that the Milan Regional Tax Commission rejected the appeal by the Tax Office and that no other news was heard about the matter in 2000.

As for the Court of Milan's investigation of the Fiscal Police, as mentioned in recent financial statements (regarding the "provision" and alleged non-payment of withholding tax), there have been no further developments during the first half of the year.

We therefore confirm that the consolidated financial statements for the first half of the year are correct in terms of form and substance and that the consolidated financial statements provide a fair representation of the Group's economic and financial position.

Details of items in the consolidated Financial Statements

In the following sections the amounts in brackets, which are expressed in millions of lire, refer to the Balance Sheet and Income Statements as of 31 December 2000.

Notes on the items in the Balance sheet

Assets

B) NON-CURRENT ASSETS

B.I. Intangible assets

Amounted to 393,917 million lire (409,186 million lire). Movements of intangible assets and amortisation are as follows:

Intangible assets	Gross value	Accumulated amortisation	Net book value
Balance at 31 December 2000	688,474	(279,288)	409,186
Additions during the period	7,831		7,831
Amortisation		(23,488)	(23,488)
Reclassifications and reversals	(8,800)	9,201	401
Disposals and other movements	(3,404)	3,391	(13)
Total intangible assets	684,101	(290,184)	393,917

The capitalised costs of 7,831 million for the period mainly concern:
costs paid by Arnoldo Mondadori Editore S.p.A. for registering or renewing trade marks and for the renovation of buildings and offices, for 2,001 million lire;
- costs paid by Mondadori Informatica S.p.A. for the renovation of third party assets, for 366 million lire;
- costs paid by the Elemond Group for the renewal of trade marks, the acquisition of rights and the renovation of buildings and offices, for 330 million lire;
- purchase of database user rights by Cemit Interactive Media S.p.A., for 1,500 million lire;
- the attribution for the highest price paid for the purchase of the remaining 4.444% of the Le Monnier Group, trade marks and titles for 1,337 million lire and the the consolidation difference of 1,993 million lire.

The item “Reclassifications and reversals” mainly concerns intangible asset reversals depreciated as of 30 June 2001.

The balance at 30 June 2001 is made up as follows:

Intangible assets	Set-up and expansion costs	Patents and use of original work	Concessions, licences, trade marks	Goodwill	Assets under construction	Other	Consolidation differences	Total
Start-up costs/changes in by-laws	531							531
Increased costs/reconstruction capital	5,032							5,032
Set-up costs								-
Patents/rights		818						818
Software		1,486						1,486
Titles and publishing brands			242,636					242,636
Series			58,005					58,005
Licences			1,148					1,148
Goodwill				32,684				32,684
Assets under construction and advances					114			114
Cost of purchase of software						7,674		7,674
Building, office and other renovation						6,370		6,370
Leasehold acquisition costs						2,064		2,064
Others						2,575		2,575
Consolidation differences							32,780	32,780
Total intangible assets	5,563	2,304	301,789	32,684	114	18,683	32,780	393,917

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

This period is periodically reviewed in the light of economic prospects while the assets are amortised over a period of 5-10 years.

Consolidation differences concern the Elemond Group for 10,058 million lire, Cemit S.p.A. for 928 million lire, the Sperling & Kupfer Group for 3,182 million lire, Mondadori Informatica S.p.A. for 301 million lire, the Grijalbo Group for 81 million lire and the Le Monnier Group for 18,230 million lire.

B.II. Fixed assets

Amounted to 368,149 million lire (346,237 million lire) and are made up as follows:

Fixed assets	Opening balance	Additions	Disposals	Changes in work in progress	Changes in consolidation area	Other changes	Closing balance	Amortisation reserve	Net closing balance
	(=)	(+)	(-)	(+0-)		(+0-)	(=)	(-)	(=)
Land and buildings	264,536	1,288	(585)			53	265,292	(104,232)	161,060
Plant and machinery	571,816	5,435	(11,315)			3,129	569,065	(475,807)	93,258
Equipment	16,453	707	(189)			(301)	16,670	(11,356)	5,314
Furniture and office machines	102,216	6,017	(1,590)			(585)	106,058	(72,029)	34,029
Motor vehicles	13,602	1,231	(1,364)			21	13,490	(9,345)	4,145
Assets under construction	27,303			43,040			70,343		70,343
Total fixed assets	995,926	14,678	(15,043)	43,040	0	2,317	1,040,918	(672,769)	368,149

Investments made during the period, equal to 14,678 million lire, were concerned with Mondadori Printing S.p.A. and Artes Graficas Toledo S.A. (5,370 million lire), Arnoldo Mondadori Editore S.p.A. (4,234 million lire), Mondadori.com S.p.A. (470 million lire), Mondadori Informatica S.p.A. (387 million lire), the Elemond Group (1,331 million lire), the Grijalbo Group (511 million lire), Cemit Interactive Media S.p.A. (604 million lire) and other companies in the Group.

Investments made during the period by Mondadori Printing S.p.A. and Artes Graficas Toledo S.A. were for the expansion of production establishments and the purchase of new printing and rotary equipment to replace obsolete machinery, while other Group companies invested mainly in office automation (personal computers and local networks), as a result of the normal turn-over of these assets and in order to equip new sales outlets.

Disposals during the period were concerned with Mondadori Printing S.p.A. and Artes Graficas Toledo S.A. (11,315 million lire), Arnaldo Mondadori Editore S.p.A. (184 million lire), the Elemond Group (1,672 million lire) and other companies in the Group.

During the period “Assets under construction” increased by more than 43 billion lire, almost entirely due to Mondadori Printing S.p.A. initially suspending the cost of the new rotary printing system, which came into operation at the end of June, until 30 June 2001.

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

Revaluations	Law no. 576/1975	Law no. 72/1983	Voluntary revaluation in 1984	Law no. 408/1990 and 413/1991
Land and buildings	135	6,984	77,024	15,982
Plant and machinery	2,471	6,401	10,440	-
Furniture and office machines	3	17	-	-
Other assets	-	13	-	-
Total revaluations	2,609	13,415	87,464	15,982

Movements of accumulated depreciations were as follows:

Accumulated depreciations	Balance at 31/12/2000	Depreciations for period	Disposals	Variations in consolidation area	Other changes	Balance at 30/06/2001
	(=)	(+)	(-)	(+o-)	(+o-)	(=)
Land and buildings	100,453	3,901	(123)		1	104,232
Plant and machinery	459,547	22,702	(10,913)		4,471	475,807
Equipment	10,814	847	(181)		(124)	11,356
Furniture and office machines	69,410	5,193	(1,180)		(1,394)	72,029
Motor vehicles	9,465	928	(1,078)		30	9,345
Total	649,689	33,571	(13,475)	0	2,984	672,769

Fixed assets are burdened with mortgages and liens to guarantee loans granted to the Group amounting to 26.9 billion lire at 30 June 2000.

B.III. Non-current financial assets

B.III.1) Investments amounted to 41,600 million lire (42,946 million lire) and are made up as follows:

	Millions of lire 30 June 2001	Millions of lire 31 December 2000
Investments valued at net equity	20,911	22,102
Investments valued at cost	20,689	20,844
Total investments	41,600	42,946

For details, please refer to the section entitled “Consolidation area”.

Movements during the period as follows:

	Value at net equity	Value at cost	Total
Balance at 31 December 2000	22,102	20,844	42,946
Movements during the period:			
- results of equity investments	(3,967)	-	(3,967)
- acquisitions, start-ups and increases in capital	2,904	1,111	4,015
- dividends	(1,755)	-	(1,755)
- changes from net equity to cost	1,000	(1,000)	0
- changes to investments in working capital	-	-	0
- writedowns, disposals and other adjustments	627	(266)	361
Total investments	20,911	20,689	41,600

The main operations that have affected the value of investments concern the setting up of Mondadori Informatica e-BisMedia S.r.l. for 901 million lire and the increase in capital in Bol Books on line Italia S.r.l. for 2,904 million lire.

The balance of investments is contained in the item “Reserve for risks and charges” which contains a reserve for losses that exceed the net equity for a total of 3,384 million lire.

B.III.2.d) Other receivables fell slightly in comparison with 31 December 2000, mainly due to the utilisation of “Tax credits for severance indemnities”, and amounted to 18,504 million lire (19,783 million lire) and are made up as follows:

	Millions of lire 30 June 2001		Millions of lire 31 December 2000	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Guarantee deposits	16	1,699	13	1,603
Earnest money	-	800	400	800
Tax credits for severance indemnities	1,305	14,420	1,541	15,095
Loans	81	50	131	50
Others	88	45	107	43
Total other receivables	1,490	17,014	2,192	17,591

B.III.4) Treasury stock amounted to 122,327 million lire (120,461 million lire) and is represented by shares in Arnoldo Mondadori Editore S.p.A.

Movements of treasury stock concern acquisitions totalling 1,866 million lire. At 30 June 2001 the portfolio of treasury stock amounted to 3.40% of the share capital.

C) WORKING CAPITAL

C.I. Inventory

“Inventory” amounted to 264,283 million lire (262,740 million lire) net of writedowns for 31,173 million lire (29,461 million lire).

	Millions of lire 30 June 2001	Millions of lire 31 December 2000
Raw, ancillary and consumable materials	23,187	32,541
Writedowns of raw, ancillary and consumable materials	(843)	(827)
Total raw, ancillary and consumable materials	22,344	31,714
Work in progress and semi-finished goods	38,600	54,548
Writedowns of work in progress and semi-finished goods	(1,838)	(1,830)
Total work in progress and semi-finished goods	36,762	52,718
Work in progress to order	22,346	15,261
Writedowns of work in progress to order	-	-
Total work in progress to order	22,346	15,261
Finished products and goods	211,323	189,798
Writedowns of finished products and goods	(28,492)	(26,804)
Total finished products and goods	182,831	162,994
Advances	-	53
Total inventory	264,283	262,740

Figures for “Raw, ancillary and consumable materials” fell in comparison with the figures both at 31 December 2000 and twelve months before, which was due to all the companies in the Group reducing their stock.

“Finished products” increased compared with 31 December 2000 as a result of the seasonal nature of the school textbook sector. By 30 June 2000 Elemond and Le Monnier had already filled a large part of their production, destined to be sold in the second half of the year.

However, the figures increased significantly compared with 30 June 2000 mainly as a result of the development of the retail sector.

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

As a consequence of this, various pulping and sell-off operations were carried out and when the financial statements were drawn up a writedown reserve was created in order to rectify the “Inventory” value.

Movements in warehouse writedowns	31.12.2000	Changes in consol.n area/others	Millions of lire		30.06.2001
			Provisions	Utilisations	
Writedowns of raw materials	827		16	-	843
Writedowns of work in progress and semi-finished products	1,830	8	-	-	1,838
Writedowns of work in progress to order	-	-	-	-	-
Writedowns of finished products and goods	26,804	825	1,820	(957)	28,492
Total	29,461	833	1,836	(957)	31,173

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

C.II. Receivables

Trade and other receivables amounted to 1,122,935 million lire (1,019,706 million lire) and included the following:

C.II.1) Trade receivables amounted to 855,129 million lire (765,115 million lire) and can be broken down in the following way:

	Millions of lire 30 June 2001		Millions of lire 31 December 2000	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Book clients	260,559	123	267,489	229
Magazine clients	132,093	-	119,931	-
School clients	46,553	-	25,647	106
Instalment clients	29,004	23,064	30,901	24,612
Advertising clients	308,001	-	290,381	-
Printing work clients	130,330	-	116,000	-
Subscription clients and various	46,303	1	55,394	-
Direct marketing services clients	43,423	-	37,263	-
Invoices to be issued	33,175	-	9,953	-
Credit notes to be issued	(5,737)	-	(9,161)	-
Returned goods client account	(140,642)	-	(148,116)	-
Fiscal receivables writedowns	(15,611)	-	(21,637)	-
Taxed receivables writedowns	(34,956)	-	(33,323)	-
Interest in arrears risk reserve	(554)	-	(554)	-
Total trade receivables	831,941	23,188	740,168	24,947

The changes in comparison with 31 December 2000 reflect the seasonal nature of some sectors and the performance in other sectors.

Figures for “Book clients” fell as a result of a decrease in sales compared with the figure for the end of the year, the figures for “School clients” are affected by the seasonal nature of the sector while receivables from “Magazine clients” and “Direct marketing” increased as a result of an increase in sales.

There was a reduction in both the returned goods and the receivable writedown reserves, a demonstration of the efficiency of commercial policies and of a decrease in the problem of aging.

This decrease in the receivable writedown reserve was decided by each of the companies in the Group after analysing the state of receivables in dispute according to how long each of them had existed and what the real chance of collectability was.

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

Movements in writedowns of receivables	31.12.2000	Changes in consolid.n area/others	Millions of lire		30.06.2001
			Provisions	Utilisations	
Writedowns of fiscal receivables	21,637	391	6,172	(12,589)	15,611
Writedowns of taxed receivables	33,323	(148)	4,889	(3,108)	34,956
Total	54,960	243	11,061	(15,697)	50,567

Amounts due after 12 months (and within five years) mainly relate to Giulio Einaudi Editore S.p.A. for receivables from instalment customers.

“Receivables from clients” include 21,262 million lire from companies in the Fininvest Group. The most significant of these concern Pagine Italia S.p.A. for 17,167 million lire, Jumpy S.p.A. for 307 million lire, RTI S.p.A. for 2,835 million lire and Promoservice Italia S.r.l. for 451 million lire. These receivables are of a commercial nature and derive from dealings carried out according to market conditions.

C.II.2) Receivables from subsidiary companies amounted to 5,813 million lire (7,509 million lire), and are made up as follows:

	Millions of lire		Millions of lire	
	30 June 2001		31 December 2000	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial receivables:				
- Edizioni di Comunità S.r.l.	291	-	135	-
- Mondolibri S.p.A.	4,664	-	6,481	-
- Paperback GmbH	-	-	9	-
- Mondadori.com Usa Inc.	9	-	-	-
Financial receivables:				
- Edizioni di Comunità S.r.l.	849	-	884	-
Total receivables from subsidiary companies	5,813	0	7,509	0

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

C.II.3) Receivables from affiliated companies amounted to 59,909 million lire (56,364 million lire).

The increase in comparison with 31 December 2000 is mainly due to the new Aci-Mondadori joint-venture, as can be seen in the following table:

	Millions of lire 30 June 2001		Millions of lire 31 December 2000	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial receivables:				
- Editrice Portoria S.p.A.	131	-	418	-
- Grüner und Jahr/Mondadori S.p.A.	3,129	-	3,637	-
- Mach 2 Libri S.p.A.	25,201	-	22,004	-
- Agenzia Lombarda Distribuzione Giornali e Riviste S.r.l.	2,172	-	2,390	-
- Harlequin Mondadori S.p.A.	1,613	-	1,505	-
- Mondadori De Agostini S.p.A.	-	-	-	-
- Hearst Mondadori Editoriale S.r.l.	2,221	-	3,598	-
- Mondadori Rodale S.r.l.	10,473	-	9,599	-
- Mondadori Sole 24 Ore S.p.A.	2,343	-	3,341	-
- Edizioni Electa Bruno Mondadori S.r.l.	1,118	-	1,392	-
- Edizioni EL S.r.l.	671	-	743	-
- Baldini & Castoldi S.r.l.	-	-	-	-
- Società Europea di Edizioni S.p.A.	132	-	1,512	-
- S.A.G.E. S.p.A.	-	-	5	-
- Books on line Italia S.r.l.	822	-	788	-
- Aci Mondadori S.r.l.	6,594	-	74	-
Financial receivables:				
- Aci Mondadori S.r.l.	797	-	-	-
- Editrice Portoria S.p.A.	274	-	1,421	-
- Mach 2 Libri S.p.A.	26	-	1,042	-
- Hearst Mondadori Editoriale S.r.l.	333	-	-	-
- Mondadori Rodale S.r.l.	-	-	200	-
- Mondadori Sole 24 Ore S.p.A.	1,459	-	1,845	-
- Edizioni Electa Bruno Mondadori S.r.l.	400	-	850	-
Total receivables from affiliated companies	59,909	0	56,364	0

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

C.II.4) Receivables from parent companies amounted to 295 million lire (12 million lire), and concern operations that are carried out according to market conditions.

C.II.5) Other receivables amounted to 201,789 million lire (190,706 million lire).

The most significant changes with respect to the situation at 31 December 2000 are mainly due to the following factors:

- payment of advanced tax;
- increased advances to authors, collaborators and agents;
- repayment by the Bertelsmann Group to Mondolibri S.p.A. of the credit for 13,500 million lire, booked under the item "Others" at 31 December 2000.

	Millions of lire 30 June 2001		Millions of lire 31 December 2000	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Receivables from tax authorities for VAT to be recovered	13,661	-	18,835	-
Receivables from tax authorities for IRPEG/ILOR reimbursements	8,031	-	7,899	-
Receivables from tax authorities for IRPEG/ILOR	1,514	-	1,269	-
Receivables from tax authorities for IRPEG advances	28,687	-	2,384	-
Receivables from tax authorities for IRAP advances	11,023	-	1,720	-
Receivables from tax authorities for tax paid in advanced	29,910	-	30,218	-
Receivables from tax authorities for withholding tax	1,695	-	1,170	-
Other receivables from tax authorities	1,201	-	1,074	-
Advances to agents	13,763	-	14,479	-
Advances to authors and collaborators	69,780	-	73,881	-
Advances to suppliers	6,938	-	7,971	-
Advances to personnel	3,190	788	1,736	764
Receivables for insurance indemnities	769	-	500	-
Receivables from social security institutions	178	-	124	-
Receivables for deposits	757	-	739	-
Others	9,904	-	25,812	131
Total other receivables	201,001	788	189,811	895

There are no receivables due in more than five years.

C.III. Financial activities that do not constitute assets

These amounted to 710,300 million lire (706,596 million lire) and are represented by **other shares** entered in the Balance Sheet of Mondadori International S.A.

These concern investments in ABS Finance Fund (404.3 billion lire), Sicav, the Luxembourg company jointly owned (38.5%) by Mondadori and Mediaset Investment and Trefinance (Fininvest) which own the remaining shares. 90% of Sicav's assets are made up of bonds while the other 10% are shares. The remaining amount of 305.8 billion lire is invested in variable-rate bonds and arbitrage instruments in stocks and shares.

C.IV. Cash and banks

The total of liquid assets amounted to 288,845 million lire (337,638 million lire).

These are represented by:

- deposits in bank accounts held by Group companies with Istituti di Credito for 287,836 million lire and in post office accounts for 605 million lire;
- cheques and cash for 404 million lire, for small day-to-day payments.

D) ACCRUED INCOME AND PREPAYMENTS

Amounted to 14,321 million lire (21,441 million lire) and are made up as follows:

	Millions of lire 30 June 2001	Millions of lire 31 December 2000
Interest earned	1,644	1,235
Others	1,885	75
Total accrued income	3,529	1,310
Interest paid	-	386
Lease payments and rents	551	1,337
Insurance	276	107
Third party publications for sale	3,538	13,161
Commission, rights	191	206
Others	3,423	1,770
Total prepayments	7,979	16,967
Premium on loans	2,813	3,164
Total prepayments and accrued income	14,321	21,441

The comparison with the amount registered at 31 December 2000 is influenced by the seasonal nature of the distribution of products for third parties, where figures are generally lower in June.

Compared with 30 June 2000 this item decreased by 2,931 billion lire, which was mainly due to the fall in the distribution of products from the Baldini & Castoldi Group.

Liabilities

A) SHAREHOLDERS' EQUITY

Amounted to 1,183,618 million lire (1,152,721 million lire).

The share capital, fully subscribed and paid up, as of 30 June 2001 is represented by 259,278,420 ordinary shares and 151,412 savings shares with a par value of 500 lire.

The most significant changes during the period concerned the destination of the previous year's profits and the relative distribution of the dividend for 100,262 million lire, together with the decrease in the "Others" item (A.VII.6) following the consolidation entries and the attribution of the results of the Group companies.

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

B) RESERVE FOR RISKS AND CHARGES

This amounted to 88,878 million lire (103,201 million lire) and is made up as follows:

	Millions of lire 30 June 2001	Millions of lire 31 December 2000
Retirement reserve and similar obligations	1,974	2,026
Tax reserve	30,533	46,836
Others:		
- legal risks	17,626	17,886
- uncollectables	4,395	4,532
- exchange losses	658	279
- commitments to advertising agency	13,149	12,912
- risks for contractual disputes	4,175	4,175
- other risks	16,368	14,555
Total reserve for risks and other charges	88,878	103,201

The item “Retirement reserve and similar obligations” includes indemnities for freelance journalists and the relative contributions. Provisions for 50 million lire and utilisations for 102 million lire were made during the period.

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

The “Legal risks reserve” is calculated on the basis of an analysis of potential liabilities arising from lawsuits involving former employees, collaborators or third parties in general taken out against companies belonging to the Group, and is considered to be adequate to meet any such eventualities. During the period there were provisions for 1,071 million lire, utilisations for 1,131 million and other negative variations for 200 million.

The “Commitments to advertising agency” item is made up of provisions made by Group companies to cover any eventual losses on advertising receivables sustained by Mondadori Pubblicità S.p.A. During the period this item increased by 1,329 million lire of provisions and decreased by 1,092 million lire for utilisations.

C) SEVERANCE INDEMNITIES

Amounted to 193,350 million lire (190,366 million lire) and the changes during the period were as follows:

	Millions of lire 30 June 2001	Millions of lire 31 December 2000
Total severance indemnities at beginning of period:	190,366	183,263
Movements during the year:		
- provisions	14,410	29,060
- payments	(9,133)	(19,312)
- contribution to pension fund as per Law 297/82	(560)	(1,200)
- transfers to/from other companies	(1,145)	123
- utilisation for pension funds	(444)	(1,012)
- utilisation for advances	-	(482)
- variations in consolidation area	(144)	(74)
Total severance indemnities at end of period	193,350	190,366

D) PAYABLES

Trade and other payables amounted to 1,841,226 million lire (1,799,306 million lire). These are made up as follows:

D.3) Amounts due to banks amounted to 828,427 million lire (716,264 million lire) and concerned current account overdrafts for 137,739 million lire and loans for 690,688 million lire.

	Interest rates	Millions of lire 30 June 2001		Millions of lire 31 December 2000	
		Within 12 months	Over 12 months	Within 12 months	Over 12 months
Secured loans:					
- IMI	3.517%	4,760	20,427	4,676	22,828
- Ministero Industria Commercio e Artigianato	0.908%	-	1,422	-	1,422
- Mediocredito	13.49%	62	211	119	211
Unsecured loans:					
- Banco di Napoli	4.74%	25,000	-	25,000	-
- San Paolo IMI	4.79%	75,000	-	50,000	-
- Credito Emiliano	4.63%	40,000	-	50,000	-
- Pool Comit BZW Barclays Bank	4.77%	470,000	-	310,000	-
- Credito Bergamasco	4.49%	50,000	-	-	-
- Cassa di Risparmio di Verona	-	-	-	100,000	-
- Mediocredito Lombardo	3.15%	397	3,409	391	3,609
Total payables for loans		665,219	25,469	540,186	28,070

There are accrued payments due for more than 5 years amounting to 11,317 million lire.

D.5) Advances amounted to 65,482 million lire (68,642 million lire) and include advances from customers for subscriptions for magazines for 59,352 million lire, shipping expenses advanced by foreign subscribers for 400 million lire and various advances from suppliers for 5,730 million lire.

D.6) Trade payables amounted to 626,164 million lire (642,451 million lire) and are all due within 12 months.

These include loans for 25 million lire for the purchase of fixed assets under leasing formulas.

Payables to companies in the Fininvest Group amount to 10,304 million lire. The most significant of these concern amounts to Publitalia '80 S.p.A. for 5,245 million lire, Medusa Film S.p.A. for 1,881 million lire, RTI S.p.A. for 2,135 million lire, Radio e Reti S.r.l. for 342 million lire and Promoservice Italia S.r.l. for 170 million lire.

These loans are of a commercial nature and all transactions with the Fininvest Group are based on market conditions.

D.8) The amounts due to subsidiary companies amount to 1,602 million lire (1,420 million lire) and are made up as follows:

	Millions of lire		Millions of lire	
	30 June 2001		31 December 2000	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial payables:				
- Edizioni di Comunità S.r.l.	254	-	226	-
- Mondolibri S.p.A.	980	-	559	-
- Ame Publishing Ltd.	25	-	30	-
- Morinvest S.r.l.	-	-	3	-
- A. M. Deutschland GmbH	10	-	250	-
- Marchgrange Ltd.	-	-	29	-
Financial payables:				
- Morinvest S.r.l.	333	-	323	-
Total amounts due to subsidiary companies	1,602	0	1,420	0

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

D.9) The amounts due to affiliated companies of 67,793 million lire (75,667 million lire) are made up as follows:

	Millions of lire		Millions of lire	
	30 June 2001		31 December 2000	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Commercial payables:				
- Editrice Portoria S.p.A.	233	-	1,296	-
- Grüner und Jahr/Mondadori S.p.A.	14,068	-	17,688	-
- Mach 2 Libri S.p.A.	7	-	676	-
- Agenzia Lombarda Distribuzione Giornali e Riviste S.r.l.	-	-	-	-
- Harlequin Mondadori S.p.A.	-	-	-	-
- Hearst Mondadori Editoriale S.r.l.	4,684	-	4,889	-
- Mondadori Rodale S.r.l.	16,299	-	13,825	-
- Mondadori Sole 24 Ore S.p.A.	177	-	475	-
- Edizioni Electa Bruno Mondadori S.r.l.	13	-	11	-
- Edizioni EL S.r.l.	4,429	-	4,349	-
- Baldini & Castoldi S.r.l.	-	-	-	-
- Società Europea di Edizioni S.p.A.	7,328	-	13,058	-
- Books on line Italia S.r.l.	285	-	-	-
- Aci Mondadori S.r.l.	5,250	-	700	-
Financial payables:				
- Grüner und Jahr/Mondadori S.p.A.	2,775	-	2,245	-
- Euromedia Luxembourg Two Sa	4,845	-	7,202	-
- Mach 2 Libri S.p.A.	-	-	-	-
- Mondadori Rodale S.r.l.	852	-	-	-
- Harlequin Mondadori S.p.A.	6,548	-	7,947	-
- Hearst Mondadori Editoriale S.r.l.	-	-	1,306	-
Total amounts due to affiliated companies	67,793	0	75,667	0

The most significant changes compared with 31 December 2000 concern the new joint-venture Aci-Mondadori S.r.l. and Società Europea di Edizioni S.p.A., as well as the decrease in advertising sales in *Il Giornale*.

D.10) The amounts due to parent companies of 176 million lire (606 million lire) derive from operations of a commercial nature, which are based on normal market conditions.

D.11) Income taxes payable amounted to 16,658 million lire (42,955 million lire). It is not possible to make a comparison with the data referring to 31 December 2000 since the fiscal payments for the six-month periods had not been calculated and the companies had, during the six-month period, paid the Tax authorities the amount due for the previous financial period.

Compared with 30 June 2000, there is very little change.

	Millions of lire		Millions of lire	
	30 June 2001		31 December 2000	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
IRPEG on income for the year	663	-	14,726	-
IRAP for the year	105	-	5,486	-
Withholding taxes on wages and salaries	10,661	-	15,556	-
Substitutive tax	785	-	1,395	-
Other taxes withheld	4,444	-	5,792	-
Total income taxes payable	16,658	0	42,955	0

D.12) The amounts due to pension funds and social security institutions of 29,987 million lire (32,125 million lire) include:

	Millions of lire 30 June 2001		Millions of lire 31 December 2000	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
INPS contributions	12,331	-	14,963	-
INAIL contributions	126	-	196	-
INPDAI and INPGI contributions	4,070	-	3,929	-
PREVINDAI contributions	375	-	317	-
ENASARCO contributions	550	-	630	-
Others	12,535	-	12,090	-
Total amounts due to pension funds and social security institutions	29,987	0	32,125	0

“Others” include contributions to payables for personnel, amounting to 10,163 million lire.

D.13) Other liabilities amounted to 204,937 million lire (219,176 million lire) and include:

	Millions of lire 30 June 2001		Millions of lire 31 December 2000	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
Payroll and other amounts due to personnel	55,485	-	54,069	-
Authors and collaborators	96,861	-	85,647	-
Agents	24,434	2,802	43,730	2,766
Subscriber and instalment customers	15,622	-	22,085	-
Loans payable	1,181	-	1,259	-
Dividends for shareholders	274	-	248	-
Others	8,278	-	9,372	-
Total other liabilities	202,135	2,802	216,410	2,766

The item “Payroll and other amounts due to personnel” also includes amounts for holidays due but not taken, which at 30 June 2001 was higher than at 31 December 2000.

The item “Payables to agents” refers to commissions that have not yet been paid, and client expenses due as of 31 June 2001, classified under payables over 12 months.

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

There are no payables due for a period longer than 5 years.

E) ACCRUED LIABILITIES AND DEFERRED INCOME

These amounted to 22,576 million lire (25,811 million lire) and are made up as follows:

	Millions of lire 30 June 2001	Millions of lire 31 December 2000
Interest payable	3,880	4,320
Deferred payroll expenses	2,478	4,825
Others	4,357	4,157
Total accrued liabilities	10,715	13,302
Interest receivable	2,158	2,508
Rent payable	53	3,293
Others	9,650	6,708
Total deferred income	11,861	12,509
Premium on loans	-	-
Total accrued liabilities and deferred income	22,576	25,811

“Interest payable” concerns Arnoldo Mondadori Editore S.p.A. and refers to short-term rates for loans payable.

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

Memorandum accounts

Guarantees, sureties and endorsements

Amounted to 52,082 million lire (64,213 million lire).

These include letters of patronage for 2,000 million lire, sureties issued mainly by banks to the Tax Authorities for prize-giving operations and competitions and to the VAT offices for a total of 49,385 million, and other guarantees for 697 million.

Commitments

Amounted to 195,238 million lire (120,743 million lire).

These refer to fixed term contracts for sales of foreign currency for 32,995 million lire, fixed term contracts for the purchase of foreign currency for 70,181 million lire and “commodity swap” contracts for 92,062 million lire.

Others

Amount to 168,865 million lire (159,781 million lire) refer to third-party goods on deposit for distribution and ale for 166,067 million lire, while the remaining amount refers to third-party paper for processing.

Commitments and risks

For a correct valuation of the Group’s Balance Sheet and financial position, we would inform you that at 30 June 2001 the following other commitments were not included in the memorandum accounts of the Holding Company: 8.9 billion lire per year for the rent of the Head Office under lease until 30 June 2002, with the right to extend the lease until 30 June 2008, subject to contractual rent reviews, and commitments by Mondadori Printing S.p.A. to purchase new plant for 28.1 billion lire.

There are also synthetic swap operations in force concerning the Group’s entire annual gross average debt. These operations have modified the duration of the debts, aligning it to the financial investments of Mondadori International with the aim protecting the Group from the risk of increases interest rates. The operations, which involve JPMorgan – Chase and Unicredit Banca Mobiliare, will determine the income/payment, on a quarterly basis, of the interest differential between the market rate at the time (three-month Euribor) and the rate fixed in the contract for the same period. In the six-month period up to 30 June 2001 the Company earned a differential of 292,626.21 Euro.

Notes on the items in the Consolidated income statement

In the following sections the amounts in brackets, which are expressed in millions of lire, refer to the Consolidated statement as of 30 June 2000.

A) PRODUCTION VALUE

A.1) Sales of goods and services

Amounted to 1,572,013 million lire (1,373,609 million lire), an increase of 14.4% compared with the amount at 30 June 2000.

Sales of “Books”, “Magazines” and “Direct marketing” are shown net of VAT borne by the publisher for 7,227 million lire, 14,965 million lire and 507 million lire.

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

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

Amounted to 1,734 million lire (10,941 million lire). Details of the changes are given in the Balance Sheet under “Inventory”.

A.3) Changes in work in progress to order

Amounted to 7,084 million lire (-37 million lire). Details of the changes are given in the Balance Sheet under “Inventory”.

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

During the first half of 2001 labour costs for 199 million lire (214 million lire) were booked under fixed assets.

A.5) Other income and revenues

Amounted to 44,257 million lire (39,733 million lire) and were made up as follows:

	Millions of lire 1 st half of 2001	Millions of lire 1 st half of 2000
Expenses recovered from third parties	36,167	31,070
Capital gains of disposals of assets	503	1,031
Supplier bonuses and other third party contributions	2,310	3,234
Rents	451	243
Instalments	1,043	1,075
Contingent assets	1,040	862
Contributions in financial accounts	57	164
Others	2,686	2,054
Total other income and revenues	44,257	39,733

B) PRODUCTION COSTS

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

Amounted to 524,101 million lire (446,540 million lire) and are made up as follows:

	Millions of lire 1 st half of 2001	Millions of lire 1 st half of 2000
Paper	226,803	192,876
Electricity, water, gas, fuel	13,006	10,522
Other production materials	30,131	18,766
Total purchase of raw and ancillary materials	269,940	222,164
Goods for sale	219,873	185,437
Consumption and maintenance materials	34,288	38,939
Total purchase of consumable materials and goods	254,161	224,376
Total cost of raw, ancillary and consumable materials and goods	524,101	446,540

All the increases are due to the increased volume of production and sales.

The cost of "Paper" (+17.6%) increased as a result of higher consumption, which was due to new titles that had not been launched as of 30 June 2000, and increases in supplier costs.

The cost of "Goods for sale" increased by 18.6% and included sales figures from Mondadori Retail S.r.l. for 6,892 million lire, for products sold in bookshops, the Elemond Group for 4,606 million lire, for products sold in museum bookshops and sales from exhibitions, Arnoldo Mondadori Editore S.p.A. for 7,056 million lire, mainly due to increases in titles for third parties and affiliated companies and Mondadori Franchising S.p.A. for 1,777 million lire, as a result of the increase in affiliated shops, while the remaining increase was due almost exclusively to affiliated companies.

B.7) Services

Amounted to 614,069 million lire (544,802 million lire), an increase of 12.7%.

The general increase in all the items was the result of an increase in the volume of business.

“Directors’ and statutory auditors’ fees” are made up of fees paid to Directors and Statutory Auditors for 2,030 million and 378 million lire.

	Millions of lire 1st half of 2001	Millions of lire 1st half of 2000
Commissions	50,092	41,514
Rights and royalties	103,104	93,840
Third-party consultancy and collaboration	53,081	52,750
	206,277	188,104
Third-party processing	124,666	107,005
Purchase of advertising space	72,728	56,138
Transport and shipping	60,007	53,862
Advertising services	55,811	56,485
Other services	36,554	27,088
Post office and telephone	11,261	12,330
Travel and other expense reimbursements	12,308	12,037
Job order services	12,306	11,943
Maintenance	8,466	7,013
Canteen and cleaning services	5,636	5,002
Insurance	2,970	2,885
Market research	2,671	2,845
Directors’ and statutory auditors’ fees	2,408	2,065
Total cost for services	614,069	544,802

B.8) Use of third-party assets

Amounted to 23,047 million lire (20,129 million lire) and include:

	Millions of lire 1st half of 2001	Millions of lire 1st half of 2000
Rent	16,284	14,293
Lease payments	5,846	5,182
Others	917	654
Total cost of use of third-party assets	23,047	20,129

B.9) Personnel costs

Personnel costs amounted to 248,834 million lire (242,064 million lire). The increase is due to acquisitions and new initiatives undertaken in the last twelve months.

At 30 June 2001 the Group had 5,098 employees, while the average number during the six-month period was 5,100.

Average number of employees	1st half of 2001	1st half of 2000
Executives	179	179
Journalists	437	468
Office staff	2,780	2,703
Factory workers	1,704	1,822
Total	5,100	5,172

B.10) Depreciations and writedowns

Amounted to 68,120 million lire (61,669 million lire). Details are given in the Balance Sheet under “Intangible assets” and “Fixed assets”, for depreciations and under “Trade payables” for writedowns.

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

Amounted to 9,474 million lire (– 1,925 million lire). A comment on “Inventory” can be found in the relative item in the Balance Sheet.

B.12) Provision for risks

Amounted to 6,739 million lire (2,998 million lire) and include provisions booked to the liability risk reserve. Details can be found in the Balance Sheet under “Reserve for risks and charges”.

B.13) Other provisions

Amounted to 51 million lire (15 million lire) and are represented by depreciations on capital goods utilised by the Holding Company pertaining to the company rental contract.

B.14) Other operating costs

Amounted to 11,273 million lire (9,121 million lire).

The following details demonstrate that the most significant change occurred under the item "Bad debts", attributable to Artes Graficas Toledo S.A. that was responsible for booking 8,110 million lire of bad debts to the Income Statement, all of which is covered by the reserve for receivable writedowns.

	Millions of lire 1st half of 2001	Millions of lire 1st half of 2000
Settlements and reimbursements	4,230	4,203
Bad debts	15,693	8,645
Contributions and grants	1,664	1,481
Capital losses	475	715
Contingent liabilities	554	513
Information material, entertainment expenses and others	4,323	5,398
Utilisation of risk reserve	(19,250)	(14,282)
Sub total	7,689	6,673
Taxes and dues	3,584	2,448
Total cost of other operating costs	11,273	9,121

It will be noted that the most significant item is that of "bad debts". This is attributable to Artes Graficas Toledo Sa having booked the income statement for bad debts totalling 8,110 million lire, a sum that was entirely covered by a fund for credit write offs.

C) FINANCIAL INCOME AND CHARGES

C.15) Income from investments

Amounted to 72 million lire (108 million lire) and includes:

	Millions of lire 1st half of 2001	Millions of lire 1st half of 2000
Mach 2 Libri S.p.A.	72	108
Total income from investments	72	108

C.16) Other financial income

Amounted to 31,591 million lire (30,780 million lire) and includes:

	Millions of lire 1st half of 2001	Millions of lire 1st half of 2000
Financial income from long-term receivables	154	157
Financial income from capital gains	-	245
Financial income from short-term securities	21,888	20,399
Interest from banks	5,741	1,049
Interest from subsidiary companies	24	39
Interest from affiliated companies	90	97
Interest from customers	173	201
Exchange gains	2,438	8,261
Others	1,083	332
Total other financial income	31,591	30,780

“Financial income from short-term securities” and “Interest from banks” were both influenced by the liquidity investment operations carried out by Mondadori International S.A.

C.17) Interest and other financial charges

Amounted to 22,235 million lire (26,362 million lire).

The most significant change is found under “Interest on loans” that increased following an increase in average interest rates compared with the first half of 2000 and greater exposure, while “Exchange losses” were largely due to foreign currency operations carried out by Mondadori International S.A.

	Millions of lire 1st half of 2001	Millions of lire 1st half of 2000
Interest to banks	2,738	543
Interest to subsidiary companies	8	4
Interest to affiliated companies	357	151
Interest on short-term loans	13,541	5,241
Interest on medium/long term loans	479	5,468
Interest payable on leasing and others	2,915	2,947
Exchange losses	2,197	12,008
Total interest and other financial charges	22,235	26,362

D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

D.18) Revaluations

Amounted to 4,810 million lire (3,541 million lire) and are made up as follows:

	Millions of lire 1st half of 2001	Millions of lire 1st half of 2000
- Harlequin Mondadori S.p.A.	362	411
- Mondadori Sole 24 Ore S.p.A.	271	-
- Mondadori Rodale S.r.l.	1,006	35
- Mach 2 Libri S.p.A.	179	119
- Grüner und Jahr/Mondadori S.p.A.	2,489	2,502
- Agenzia Lombarda Distribuzione Giornali e Riviste S.r.l.	137	100
- S.I.E.S. S.p.A.	-	1
- S.A.G.E. S.p.A.	-	32
- Società Europea di Edizioni S.p.A.	-	199
- Edizioni EL S.r.l.	366	142
Total revaluations	4,810	3,541

D.19) Writedowns

Amounted to 14,383 million lire (2,280 million lire) and are made up as follows:

	Millions of lire 1 st half of 2001	Millions of lire 1 st half of 2000
Affiliated companies:		
- Società Europea di Edizioni S.p.A.	3,041	-
- Aci Mondadori S.r.l.	1,000	-
- Books on line Italia S.r.l.	4,438	-
- Hearst Mondadori Editoriale S.r.l.	239	1,193
- Mondadori Sole 24 Ore S.p.A.	-	995
- Edizioni Electa Bruno Mondadori S.r.l.	59	85
	<hr/> 8,777	<hr/> 2,273
Companies valued at cost:		
- Edizioni di Comunità S.r.l.	48	-
- Market Self	392	-
- Mondadori De Agostini S.p.A.	-	7
	<hr/> 440	<hr/> 7
- Stocks	5,166	-
Total writedowns	<hr/> 14,383	<hr/> 2,280

“Provisions for risks” includes 3,384 million lire to cover losses that exceed the net equity of some investments.

Stock writedowns make it possible to adjust the cost value, stocks and shares booked under assets when they are less than market price at the time the financial statements are drawn up.

E) EXTRAORDINARY INCOME AND CHARGES

E.20) Income

Amounted to 3,547 million lire (1,747 million lire) and is made up as follows:

	Millions of lire 1 st half of 2001	Millions of lire 1 st half of 2000
Gains on disposals	1,582	1,048
Others	1,965	699
Total extraordinary income	<hr/> 3,547	<hr/> 1,747

“Gains on disposals” were due to the Le Monnier Group for 788 million lire, as a result of the penalty paid by the former owners in accordance with the share acquisition contract, and to Arnoldo Mondadori Editore S.p.A. for 794 million lire, following the disposal of its shares in the Gruppo Seregna printing company.

“Others” includes contingent assets of an extraordinary

E.21) Charges

Amounted to 207 million lire (180 million lire) and are made up as follows:

	Millions of lire 1st half of 2001	Millions of lire 1st half of 2000
Losses on disposals	-	-
Tax for previous year	67	23
Others	140	157
Total extraordinary charges	207	180

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

The reconciliation of the shareholders' equity and net profit shown in the financial statements of Arnoldo Mondadori Editore S.p.A. for the first half of 2001 and those shown in the consolidated financial statements is as follows:

	Shareholders' equity Millions of lire	Net profit for the period Millions of lire
Balances as per Holding Company's financial statements	1,169,141	116,089
Share of net profit made by subsidiary and affiliated companies	-	40,497
Writedowns of investments by the Holding Company	-	15,044
Dividends received from subsidiary and affiliated companies	-	(26,448)
Elimination of intercompany profits	(3,409)	-
Excess of the share of net equity over the book value of the investments in non-consolidated subsidiary and affiliated companies	13,026	-
Excess of the share of net equity over the book value of investments in consolidated companies	218,121	-
Other adjustments	(213,261)	(22,408)
Consolidated Financial Statement	1,183,618	122,774

Mondadori Group
Changes in shareholders' equity

Consolidated statement of changes in shareholders' equity as at 31 December 2000

Millions of lire	Share capital	Share premium	Law no. 72	Law no. 413/91	Legal reserve
Balances at 1/1/2000	129,351	483,752	23,279	9,079	25,819
Movements:					
- Changes in consolidation area	-	-	-	-	-
- Increases in paid-up capital at 24/7/2000	69	3,487	-	-	-
- Increase in bonus capital at 24/7/2000	295	-	-	-	-
- Transfer to legal reserve	-	-	-	-	51
- Transfer to extraordinary reserve	-	-	-	-	-
- Transfer to other reserves	-	-	-	-	-
- Payment of dividends	-	-	-	-	-
- Reclassification	-	(51,477)	-	-	-
- Other movements	-	-	-	-	-
- Currency translation increases	-	-	-	-	-
- Net profit for the period	-	-	-	-	-
Balances at 31/12/2000	129,715	435,762	23,279	9,079	25,870

Consolidated statement of changes in shareholders' equity as at 30 June 2001

Millions of lire	Share capital	Share premium	Law no. 72	Law no. 413/91	Legal reserve
Balances at 1/1/2001	129,715	435,762	23,279	9,079	25,870
Movements:					
- Changes to consolidation area	-	-	-	-	-
- Transfer to legal reserve	-	-	-	-	73
- Transfer to extraordinary reserve	-	-	-	-	-
- Transfer to other reserves	-	-	-	-	-
- Payment of dividend	-	-	-	-	-
- Reclassification	-	(1,865)	-	-	-
- Other movements	-	-	-	-	-
- Currency translation increase	-	-	-	-	-
- Net profit for period	-	-	-	-	-
Balances at 30/06/2001	129,715	433,897	23,279	9,079	25,943

Treasury stock	Extra. reserve	Reserve Law no. 675	Reserve Law no. 124/93	Reserve Law no. 904	Reserve Govt. Grants	Other reserve	Net profit for year	Total shareholders' equity
68,984	32,522	680	28	1,454	9,782	162,633	152,765	1,100,128
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	3,556
-	(295)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(51)	-
-	256,496	-	-	-	-	-	(256,496)	-
-	(1)	-	23	-	-	(188,740)	188,718	-
-	-	-	-	-	-	-	(84,936)	(84,936)
51,477	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(5,674)	-	(5,674)
-	-	-	-	-	-	2,375	-	2,375
-	-	-	-	-	-	-	137,272	137,272
120,461	288,722	680	51	1,454	9,782	(29,406)	137,272	1,152,721

Treasury stock	Extra. reserve	Reserve Law no. 675	Reserve Law no. 124/93	Reserve Law no. 904	Reserve Govt. Grants	Other reserve	Net profit for year	Total shareholders' equity
120,461	288,722	680	51	1,454	9,782	(29,406)	137,272	1,152,721
-	-	-	-	-	-	498	-	498
-	-	-	-	-	-	-	(73)	0
-	8,102	-	-	-	-	-	(8,102)	0
-	-	-	22	-	-	28,826	(28,848)	0
-	-	-	-	-	-	-	(100,249)	(100,249)
1,865	-	-	-	-	-	-	-	0
-	-	-	-	-	-	734	-	734
-	-	-	-	-	-	7,140	-	7,140
-	-	-	-	-	-	-	122,774	122,774
122,326	296,824	680	73	1,454	9,782	7,792	122,774	1,183,618

Mondadori Group

Reclassified consolidated balance sheet

Reclassified consolidated balance sheet and income statement

Reclassified consolidated balance sheet	Billions of lire 30 June 2001	Billions of lire 31 December 2000	Billions of lire 30 June 2000
Intangible assets	393.9	409.1	414.1
Fixed assets	368.2	346.2	340.1
Financial assets	182.4	183.2	195.3
Inventories	264.3	262.8	252.6
Receivables and other assets	1,129.1	1,004.8	1,037.8
Cash and banks	1,007.3	1,080.6	842.7
Total assets	3,345.2	3,286.7	3,082.6
Shareholders' equity	1,183.6	1,152.7	1,121.8
Minority interests	15.5	15.3	15.1
Reserves for risks and charges	88.9	103.2	86.6
Reserve for severance indemnities	193.4	190.4	191.7
Other payables and liabilities	1,010.3	1,076.8	933.6
Financial payables	853.5	748.3	722.8
Total liabilities	3,345.2	3,286.7	3,082.6

Reclassified consolidated income statement	Billions of lire 30 June 2001	Billions of lire 30 June 2000	% change
Income from sales	1,570.5	1,373.6	14.3%
Personnel costs	245.5	238.7	2.8%
Product and operating costs	1,137.2	972.9	16.9%
Gross operating profit	187.8	162.0	15.9%
<i>MOL effect on income</i>	<i>12.0%</i>	<i>11.8%</i>	
Depreciation of fixed assets	33.2	32.5	2.2%
Operating profit	154.6	129.5	19.4%
<i>Effect of operating profit on income</i>	<i>9.8%</i>	<i>9.4%</i>	
Depreciation of intangible assets	22.9	20.6	11.2%
Net financial income (charges)	4.2	5.1	(17.7%)
Other income (charges), net	(1.1)	2.1	n.a.
Extraordinary income (charges), net	0.6	-	n.a.
Internet	(12.6)	(9.7)	29.9%
Profit before taxation	122.8	106.4	15.4%
<i>Effect of net profit on income</i>	<i>7.8%</i>	<i>7.7%</i>	

Mondadori Group

***Consolidated balance sheet
and income statement in Euros
as of 30 June 2001***

Balance Sheet (in thousands of euros)

ASSETS

	6 MONTHS AS AT 30 JUNE 2001			YEAR ENDED	6 MONTHS AS AT
	Sub total 1	Sub total 2	TOTAL 3	31 DECEMBER 2000	30 JUNE 2000
A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL					
B) NON CURRENT ASSETS					
I- INTANGIBLE ASSETS					
1 set-up and expansion costs		2,873		3,608	4,024
2 research, development and advertising costs					
3 industrial patent rights and use of original works		1,190		684	482
4 concessions, licences and trade marks		155,861		160,676	159,476
5 goodwill		16,880		18,885	20,291
6 assets under construction and advances		59		113	96
7 others		9,649		9,593	9,897
8 consolidation differences		16,929		17,768	19,583
TOTAL			203,441	211,327	213,849
II- FIXED ASSETS					
1 land and buildings		83,181		84,742	86,391
2 plant and machinery		48,164		57,982	63,473
3 industrial and commercial equipment		2,744		2,912	2,059
4 other assets		19,715		19,079	17,770
5 assets under construction and advances		36,329		14,101	5,955
TOTAL			190,133	178,816	175,648
III- FINANCIAL ASSETS (non current)					
1 investments in:					
a) subsidiary companies		2,545		2,482	5,025
b) affiliated companies		17,668		18,472	13,202
c) other companies		1,272		1,226	1,605
TOTAL		21,485		22,180	19,832
2 current receivables:					
a) from subsidiary companies					
b) from affiliated companies					
c) from parent companies					
d) from other companies		770	8,787	9,557	10,217
TOTAL		770	8,787	9,557	10,217
3 other securities		3		3	3
4 treasury stock		63,177		62,213	69,694
TOTAL			94,222	94,613	100,863
TOTAL NON-CURRENT ASSETS (B)			487,796	484,756	490,360

ASSETS

	6 MONTHS AS AT 30 JUNE 2001		TOTAL 3	YEAR ENDED	6 MONTHS AS AT
	Sub total 1	Sub total 2		31 DECEMBER 2000	30 JUNE 2000
C) CURRENT ASSETS					
I- INVENTORIES					
1 raw, ancillary and consumable materials		11,540		16,379	14,093
2 semifinished products, work in progress		18,986		27,227	21,408
3 work in progress to order		11,541		7,882	7,637
4 finished products and goods		94,424		84,179	87,302
5 advances				27	
TOTAL			136,491	135,694	130,440
II- RECEIVABLES					
1 trade accounts	429,661	11,976	441,637	395,149	393,738
2 due from subsidiaries	3,002		3,002	3,878	3,695
3 due from affiliated companies	30,940		30,940	29,110	25,390
4 due from parent company	152		152	6	204
5 due from third parties	103,808	407	104,215	98,491	107,783
TOTAL	567,563	12,383	579,946	526,634	530,810
III- FINANCIAL ASSETS (current)					
1 investments in subsidiaries					
2 investments in affiliated companies				2,122	
3 other investments					
4 treasury stock					
5 other securities			366,839	362,805	263,143
TOTAL			366,839	364,927	263,143
IV- CASH AND EQUIVALENTS					
1 cash at banks and P.O.			148,967	174,184	168,936
2 cheques			44	38	
3 cash and commercial papers in hand			165	153	174
TOTAL			149,176	174,375	169,110
TOTAL CURRENT ASSETS (C)			1,232,452	1,201,630	1,093,503
D) ACCRUED INCOME AND PREPAYMENTS					
1 accrued income		1,822		677	1,049
2 prepayments		4,121		8,763	6,764
3 premium on loans		1,453		1,634	317
TOTAL ACCRUED INCOME AND PREPAYMENTS (D)			7,396	11,074	8,130
TOTAL ASSETS			1,727,644	1,697,460	1,591,993

BALANCE SHEET (in thousands of euros)

LIABILITIES

	6 MONTHS AS AT 30 JUNE 2001			YEAR ENDED	6 MONTHS AS AT
	Sub total 1	Sub total 2	TOTAL 3	31 DECEMBER 2000	30 JUNE 2000
A) SHAREHOLDERS' EQUITY					
I- SHARE CAPITAL			66,992	66,992	66,804
II- SHARE PREMIUM RESERVE			224,089	225,053	217,196
III- REVALUATION RESERVE			16,712	16,712	16,712
IV- LEGAL RESERVE			13,398	13,361	13,361
V- RESERVE FOR TREASURY STOCK			63,176	62,213	68,268
VI- STATUTORY RESERVE					
VII- OTHER RESERVES:					
1) Extraordinary reserve		153,297		149,112	149,264
2) Reserve ex Law 675 of 12/8/1977		351		351	351
3) Conferral reserve ex Law 904 of 16/12/1977		751		751	751
4) Capital account reserve		5,052		5,052	5,052
5) Reserve ex Law 124/93 art. 13		38		26	26
6) Other reserves		4,024		(15,187)	(13,357)
			163,513	140,105	142,087
VIII- PROFIT (LOSS) CARRIED FORWARD					
IX- PROFIT (LOSS) FOR THE PERIOD					
1) Pre-tax profit for the half year			63,407		54,952
2) Net profit for the year				70,895	
CONSOLIDATED GROUP SHAREHOLDERS' EQUITY			611,287	595,331	579,380
MINORITY INTERESTS			8,025	7,919	7,790
TOTAL SHAREHOLDERS' EQUITY (A)			619,312	603,250	587,170
B) RESERVE FOR RISKS AND CHARGES					
1 retirement benefits		1,019		1,046	1,151
2 income taxes		15,769		24,189	16,039
3 other		29,113		28,064	27,509
TOTAL RESERVE FOR RISKS AND CHARGES (B)			45,901	53,299	44,699
C) RESERVE FOR SEVERANCE INDEMNITIES			99,857	98,316	98,975
D) DEBT AND OTHER PAYABLES					
1 bonds					
2 convertible bonds					
3 due to banks	414,693	13,154	427,847	369,920	366,092
4 due to third parties					
5 advances	33,819		33,819	35,451	33,505
6 trade accounts	323,387		323,387	331,798	300,584
7 debt represented by credit instruments					
8 due to subsidiaries	827		827	733	337
9 due to affiliated companies	35,012		35,012	39,079	25,778
10 due to parent companies	91		91	313	525
11 income taxes payable	8,603		8,603	22,184	8,775
12 due to pension funds and social security entities	15,487		15,487	16,591	14,520
13 other liabilities	104,394	1,447	105,841	113,196	103,176
TOTAL DEBT AND OTHER PAYABLES (D)	936,313	14,601	950,914	929,265	853,292
E) ACCRUED LIABILITIES AND DEFERRED INCOME					
1 accrued liabilities		5,534		6,870	3,530
2 deferred income		6,126		6,460	4,327
3 discounts on loans					
TOTAL ACCRUED LIABILITIES AND DEFERRED			11,660	13,330	7,857
TOTAL LIABILITIES			1,727,644	1,697,460	1,591,993
MEMORANDUM ACCOUNTS					
1 GUARANTEES AND SURETIES					
a) in favour of subsidiaries					
b) in favour of affiliated companies			2,785	7,798	7,299
c) in favour of third parties			24,113	25,365	20,878
2 COMMITMENTS			100,832	62,359	26,030
3 RISKS					
4 OTHERS			87,211	82,520	83,001
TOTAL MEMORANDUM ACCOUNTS			214,941	178,042	137,208
1) Total of items preceded by lowercase letters and (in certain cases) by arabic numerals					
2) Total of items preceded by arabic numerals and (in certain cases) by lowercase letters					
3) Total of items preceded by romanian numerals and uppercase letters					

For the Board of Directors
Leonardo Mondadori
Chairman

INCOME STATEMENT (in thousands of euros)

	6 MONTHS AS AT 30 JUNE 2001			6 MONTHS AS AT	YEAR ENDED
	Sub total 1	Sub total 2	TOTAL 3	30 JUNE 2000	31 DECEMBER 2000
A) PRODUCTION VALUE					
1 INCOME FROM SALES OF GOODS AND SERVICES		811,877		709,410	1,485,732
2 CHANGE IN INVENTORY OF SEMIFINISHED AND FINISHED PRODUCTS		896		5,650	8,515
3 CHANGE IN WIP TO ORDER		3,659		(19)	261
4 CAPITALIZED COSTS		103		111	148
5 OTHER INCOME AND REVENUES					
a) operating grants	29			84	150
b) other income and revenues	22,827			20,436	47,023
		22,856			
TOTAL PRODUCTION VALUE (A)			839,391	735,672	1,541,829
B) PRODUCTION COSTS					
6 RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		270,676		230,618	487,978
7 SERVICES		317,140		281,367	575,047
8 USE OF THIRD PARTY ASSETS		11,903		10,396	19,569
9 PERSONNEL COSTS:					
a) wages and salaries	91,413			87,685	174,007
b) social contributions	27,705			27,308	55,173
c) severance indemnities	7,442			7,793	15,008
d) retirement benefits	26			28	30
e) other costs	1,926			2,202	3,653
TOTAL		128,512		125,016	247,871
10 DEPRECIATION, AMORTISATION AND WRITEDOWNS					
a) amortisation of intangible assets	12,131			10,974	23,451
b) depreciation of fixed assets	17,338			16,837	33,019
c) other writedowns of assets					
d) writedown of doubtful accounts	5,713			4,038	8,910
TOTAL		35,182		31,849	65,380
11 CHANGE IN INVENTORY OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		4,893		(994)	(3,440)
12 PROVISIONS FOR RISKS		3,480		1,548	4,674
13 OTHER PROVISIONS		26		8	25
14 OTHER OPERATING EXPENSES		5,822		4,710	14,135
TOTAL PRODUCTION COSTS (B)			777,634	684,518	1,411,239
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)			61,757	51,154	130,590
C) FINANCIAL INCOME AND CHARGES					
15 INCOME FROM INVESTMENTS:					
a) Subsidiaries					
b) Affiliated companies					
c) Other companies		37		56	35
TOTAL		37		56	35
16 OTHER FINANCIAL INCOME					
a) from long term receivables					
* Subsidiaries					
* Affiliated companies					
* Parent companies					
* Other companies		80		81	150
TOTAL		80		81	150
b) from long term securities				127	853
c) from short term securities		11,304		10,535	24,052
d) other income					
* Subsidiaries		12		20	33
* Affiliated companies		46		50	123
* Parent companies					
* Other companies		4,873		5,084	7,981
TOTAL		4,931		5,154	8,137
TOTAL		16,315		15,897	33,192
17 INTEREST AND OTHER FINANCIAL CHARGES					
a) Subsidiaries		4		2	5
b) Affiliated companies		184		78	219
c) Parent companies					
d) Other companies		11,295		13,535	22,979
TOTAL		11,483		13,615	23,203
TOTAL FINANCIAL INCOME AND (CHARGES) (C)			4,869	2,338	10,024

(continues)

INCOME STATEMENT (cont'd)

	6 MONTHS AS AT 30 JUNE 2001			6 MONTHS AS AT	YEAR ENDED
	Sub total	Sub total	TOTAL	30 JUNE 2000	31 DECEMBER 2000
	1	2	3		
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS					
18 REVALUATIONS					
a) investments		2,484		1,829	4,476
b) other long term financial assets					
c) securities					
TOTAL		2,484		1,829	4,476
19 WRITEDOWNS					
a) investments		4,760		1,178	6,275
b) other long term financial assets					
c) securities		2,668			5,163
TOTAL		7,428		1,178	11,438
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)			(4,944)	651	(6,962)
E) EXTRAORDINARY ITEMS					
20 INCOME					
a) Gains on disposals		817		541	2,938
b) Other		1,015		361	510
TOTAL			1,832	902	3,448
21 CHARGES					
a) Losses on disposals					365
b) Taxation relative to prior years		35		12	410
c) Other		72		81	2,017
TOTAL			107	93	2,792
TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)			1,725	809	656
PROFIT (LOSS) BEFORE TAX			63,407	54,952	134,308
22 INCOME TAX FOR THE YEAR					63,009
23 RESULT FOR THE YEAR					71,299
NET PROFIT (LOSS) FOR THE YEAR PERTAINING TO MINORITY INTERESTS					404
NET PROFIT (LOSS) FOR THE YEAR					70,895

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

For the Board of Directors
Leonardo Mondadori
Chairman

Mondadori Group
Report of the External Auditors

Report of the External Auditors on the limited audit of the 2001 Interim Consolidated Financial Statements of the Mondadori Group.

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

1. We have carried out a limited audit of the consolidated financial statements of the Arnoldo Mondadori Editore Group for the first six months of 2001, comprising the balance sheet and income statement, as well as Arnoldo Mondadori Editore S.p.A., of the parent company and the consolidated companies of the Group. We have also examined the notes and comments in the management report, with a view to ensuring concordance with the rest of the interim report.
2. Our examination has been carried out in accordance with the auditing standards recommended by CONSOB resolution N° 10867 of 31/07/1997. The limited audit primarily consists in gathering information from the accounts and verifying the evaluation criteria through interviews with management and analyses of the balance sheet on the figures contained in the summaries. The limited audit does not include standard auditing techniques, such as conformity checks or controls on the validity of assets and liabilities and therefore involves significantly less effort than a complete audit carried out in line with international procedures. Consequently, unlike for a full audit on the company's annual consolidated financial statements, we do not express a professional opinion on the interim report.
3. The comparative data relating to the annual report and the interim report for the previous year have been examined and subjected to a limited audit by other auditors and we therefore make reference to their reports of April 6, 2001 and September 21, 2000.
4. During the six-month period the parent company, Arnoldo Mondadori Editore S.p.A., received dividends for the year 2000 amounting to Lire 52,896 million. As indicated in the notes to the interim report, dividends were adjusted for an amount equal to 50% through the booking of deferred income. Had the parent company not made the benefit deriving from the receipt of dividends for the two half-year periods proportional, the parent company Arnoldo Mondadori Editore S.p.A.'s final result on June 30, 2001 would have been greater by Lire 26,448 million.
5. On the basis of our examinations, with the exception of the preceding paragraph, we are not aware of any significant variations or inclusions that should be added to the notes and comments identified in Para. 1 of this report, to ensure conformity with the guidelines concerning the preparation of interim reports as set out in CONSOB resolution N° 11971 of May 14, 1999 and successive modifications.

6. We would point out the following:

- as indicated in the notes and comments of the interim report, Arnoldo Mondadori Editore S.p.A., has, in line with the provisions of Para. 7 Art. 81 of the Consob Resolution N° 11971 of May 14, 1999 and successive modifications, presented its results for the period before deductions for tax. Therefore, the company has not made adjustments and the reserves for current and deferred taxes deriving from the application of taxation regulations and the accounting principle relative to taxation on earnings;
- Arnoldo Mondadori Editore S.p.A. has chosen to announce its consolidated result for the period before deducting minority interest.

Milan, September 28, 2001

Reconta Ernst & Young S.p.A.

Maurizio Serafini
Partner

Information for shareholders and investors

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

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