

ARNOLDO MONDADORI EDITORE S.p.A.

Share capital euro 64,079,168.40

Registered Office in Milan

Administrative Offices in Segrate (MI)

Half-Year Report at June 30, 2012

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Half-Year Report on operations

Mondadori Group operations

The decidedly negative economic trend, with some countries reaching stagnation in the first quarter of the year, worsened further in the second quarter.

Prospects for a European recovery are still linked to the uncertainty about the evolution of the sovereign debt crisis, while the squeeze in the financial markets, which had eased up somewhat in the first months of the year, intensified again in April.

The perception that European governments are perhaps irreconcilably divided about the orientation of European governance reform and which mechanisms to adopt in order to deal with the crisis in the Euro area augmented investors' concerns about single domestic economic situations.

GDP in Italy shrank for the third consecutive quarter, with indication of -2.3% for the second quarter of 2012, a significant drop in domestic demand and consumer spending and investments. The confirmation of the difficult situation is reflected in a pessimistic outlook by consumers, with figures indicating that the unemployment rate is about to reach a record high at 10%.

The following points describe the situation in the sector in which the Mondadori Group operates:

- the book market in Italy showed plummeting figures on a year on year basis (-9.1%), with some signs of improvement in the last weeks of June;
- magazines (data as at end of June) continued to drop, both in terms of circulation (-9.4%) and sales from advertising (-14.6%);
- add-on items confirmed the downtrend registered in the first part of the year (-25.2%).

In France, sales from advertising in magazines (data as at end of May) were in line with the past year (-0.5%), while circulation at newsstands shrank (-5.3%), though at a lower rate compared to the Italian market in general, while subscriptions held steady.

Mondadori Group results in the first half of 2012 mainly confirm the trend of the first quarter; in particular, sales dropped by 8.5% against last year with a consequent reduction in EBIT (-39%) due - by one third - to the lower contribution of non-recurrent items and higher costs resulting from restructuring.

The first half of 2012 closed with a net result of euro 7.5 million and a net financial position of euro -370.0 million.

In the second half of the year cost reduction actions will continue according to new guidelines identified in these last months to increase the previously indicated objectives in order to tackle the difficult market situation, which is expected to last beyond current projections.

Here below are the financial highlights as at June 30, 2012:

Consolidated sales amounted to euro 676.2 million, down 8.5% against euro 738.7 million of 2011. Net of the consolidation of Edizioni Mondadori Axel Springer S.n.c. in Mondadori France, sales would have dropped 11.1%.

Consolidated EBITDA equaled euro 36.0 million, down 39.0% against euro 59.0 million of the last year. This difference is due to lower capital gains and higher restructuring costs.

Consolidated EBIT totaled euro 23.8 million against euro 47.9 million of 2011, with amortization and depreciation of intangible and tangible assets for euro 12.2 million (euro 11.1 million in 2011).

Consolidated profit before taxes amounted to euro 15.6 million against euro 37.5 million of the previous year. Financial costs for the period totaled euro 8.2 million, up euro 2.2 million against 2011.

Consolidated net profit totaled euro 7.5 million (after euro 1.6 million attributed to minority shareholders) against euro 22.7 million registered in the same period of the previous year.

Gross cash flow in the first half of 2012 equaled euro 19.7 million, against euro 33.8 in 2011.

The **net financial position** fell from euro -335.4 million as at 2011 year end to euro -370.0 million at June 30, 2012 (euro -399.2 million at June 30, 2011).

The performance relative to each sector of activity in which Mondadori operates is analyzed in detail in a section dedicated to the Group's divisions. Here below is a summary of the key elements.

Financial and non-financial indicators

| Consolidated income statement (Euro/million) | 1st half 2012 | 1st half 2011 | Var. % |
|--|----------------------|----------------------|----------------|
| Revenues from sales and services | 676.2 | 738.7 | (8.5%) |
| Personnel | 142.0 | 137.7 | 3.1% |
| Cost of sales and operating costs (*) | 503.3 | 554.3 | (9.2%) |
| Income (charges) from investments valued at equity | 5.1 | 12.3 | (58.5%) |
| EBITDA | 36.0 | 59.0 | (39.0%) |
| <i>EBITDA incidence on revenues</i> | <i>5.3%</i> | <i>8.0%</i> | |
| Depreciation of properties, plants and machinery | 5.6 | 5.6 | - |
| Amortization of intangible assets | 6.6 | 5.5 | 20.0% |
| EBIT | 23.8 | 47.9 | (50.3%) |
| <i>EBIT incidence on revenues</i> | <i>3.5%</i> | <i>6.5%</i> | |
| Net financial revenues (costs) | (8.2) | (10.4) | (21.2%) |
| Revenues (costs) from other investments | - | - | |
| Profit before taxes for the period | 15.6 | 37.5 | (58.4%) |
| Income tax | 6.5 | 14.8 | (56.1%) |
| Third party profits | (1.6) | - | n.s. |
| Net profit | 7.5 | 22.7 | (67.0%) |

(*) This item includes the following sub-items: decrease (increase) in inventory; costs for raw, ancillary, consumption materials and goods; costs for services; other costs (revenues).

Consolidated revenues amounted to euro 676.2 million, down 8.5%.

| Sales by sector of activity (Euro/million) | 1st half 2012 | 1st half 2011 | Var. % |
|--|----------------------|----------------------|---------------|
| Books | 144.6 | 166.9 | (13.4%) |
| Magazines Italy | 209.9 | 247.8 | (15.3%) |
| Magazines France | 193.6 | 172.4 | 12.3% |
| Advertising | 96.0 | 117.5 | (18.3%) |
| Direct | 113.1 | 128.0 | (11.6%) |
| Radio | 7.6 | 8.2 | (7.3%) |
| Corporate and other activities | 11.0 | 12.4 | (11.3%) |
| Total aggregate revenues | 775.8 | 853.2 | (9.1%) |
| Intercompany revenues | (99.6) | (114.5) | (13.0%) |
| Total consolidated revenues | 676.2 | 738.7 | (8.5%) |

Consolidated revenues by geographical area are broken down in the table below.

| Sales by geographical area (Euro/million) | 1st half 2012 | 1st half 2011 | Var. % |
|---|----------------------|----------------------|---------------|
| Italian domestic market | 471.7 | 551.5 | (14.5%) |
| France | 180.0 | 164.8 | 9.2% |
| Other EU countries | 16.0 | 17.5 | (8.6%) |
| US market | 0.3 | 0.2 | 50.0% |
| Other countries | 8.2 | 4.7 | 74.5% |
| Total consolidated revenues | 676.2 | 738.7 | (8.5%) |

Books

Mondadori Group confirmed its leadership in the book market in Italy: the editorial products that traditionally make up its core business are fiction, (non-fiction) essays, paperbacks and books for young readers.

The Group mainly operates through four publishing houses: Edizioni Mondadori, Giulio Einaudi Editore, Edizioni Piemme and Sperling & Kupfer. The Group is also present in the education segment and in the publication of art books, the management of museum concessions and the organization and management of exhibitions and cultural events.

Through Mondadori Education, the Group plays an important role in the Italian school textbook market, while Mondadori Electa is Italy's most prominent publisher in the sector of art and illustrated books.

At the international level, Mondadori Group has been operating for over twenty years in the Spanish market through Random House Mondadori, a joint venture with the German publisher Bertelsmann.

The Book area also includes Distribution and Logistics, managed by the relevant divisions.

Market performance

In the first half of 2012 the Trade Book market continued to fall, both in terms of copies sold (-7.6%) and value (-9.1%) against the same period of 2011 (source: Nielsen), showing a very slight increase against the data for the first quarter of 2012. The reduction refers to all channels surveyed: bookshops, hypermarkets and on-line.

In the first half of 2012, the Mondadori Group confirmed its leadership in the trade segment with a 26.1% market share (source: Nielsen).

| Publisher | Market share 1st half 2012 | Market share 1st half 2011 |
|---------------------------------|---------------------------------------|---------------------------------------|
| Mondadori | 12.7% | 13.1% |
| Einaudi | 5.0% | 5.7% |
| Sperling & Kupfer | 2.9% | 2.2% |
| Piemme | 4.2% | 4.0% |
| Other Mondadori Group companies | 1.3% | 1.4% |
| Total Mondadori Group | 26.1% | 26.4% |
| RCS group | 11.1% | 11.4% |
| Gems group | 10.5% | 10.4% |
| Giunti group | 6.0% | 6.1% |
| Feltrinelli | 4.3% | 4.2% |

Source: Nielsen Bookscan, value data

The Book market performance

The table below shows the main financial highlights of the Book Area. Revenues amount to euro 144.6 million, down 13.4% against the previous year; EBITDA also registered a downtrend though less significant as a result of the implemented cost reduction policy.

| (Euro/million) | 1st half 2012 | 1st half 2011 |
|----------------------------------|----------------------|----------------------|
| Revenues from the sales of books | 141.5 | 163.7 |
| Other revenues | 3.1 | 3.2 |
| | 144.6 | 166.9 |
| Operating costs | (130.5) | (151.2) |
| EBITDA | 14.1 | 15.7 |
| Amortization and depreciation | (0.7) | (0.7) |
| EBIT | 13.4 | 15.0 |

Below is a breakdown of revenues by publisher and the corresponding comment.

| Books (Euro/million) | 1st half 2012 | 1st half 2011 | Var. % |
|------------------------------------|----------------------|----------------------|----------------|
| Edizioni Mondadori | 46.6 | 60.1 | (22.5%) |
| Einaudi | 22.9 | 25.7 | (10.9%) |
| Sperling & Kupfer | 14.5 | 12.9 | 12.4% |
| Edizioni Piemme | 18.2 | 20.6 | (11.7%) |
| Mondadori Electa | 13.8 | 16.2 | (14.8%) |
| Mondadori Education | 15.0 | 14.1 | 6.4% |
| Distribuzione Libri | 11.0 | 14.1 | (22.0%) |
| Other revenues | 2.6 | 3.2 | (18.8%) |
| Total consolidated revenues | 144.6 | 166.9 | (13.4%) |

Edizioni Mondadori

In the first half of 2012 Edizioni Mondadori confirmed its leadership in the trade segment with a 12.7% market share and sales equal to euro 46.6 million.

In the quarter, two installments of E.L. James's trilogy *Cinquanta sfumature* scored excellent results. This is an erotic novel for women readers, which has been wildly successful worldwide, topping 30 million copies sold in just four months.

Mondadori published the first installment, *Cinquanta sfumature di grigio*, on June 8, and the second, *Cinquanta sfumature di nero*, on June 26: in just three weeks the two installments topped the Italian best-seller lists with 200,000 copies sold. The third and last installment of the trilogy was released on July 13, with an initial print run of 350,000 copies.

As for mainstream/entertainment fiction, two books are worth mentioning: the launch at the end of June of the new novel *Calico Joe*, by the king of legal thrillers, John Grisham, set in the golden era of baseball (85,000 copies sold) and the summer collection of the six books by international best-selling authors, including Sharon Bolton, Harlan Coben, Robert Crais and Patrizia Tamà, at the price of euro 12.90 each.

Worth mentioning is also the result of the next to last, long awaited episode of the saga - *Le cronache del ghiaccio e del fuoco – I fuochi di Valyria*, by George R.R. Martin, which sold more than 30,000 copies in just one month.

As for literary fiction, the new “libellule” series, launched in January, boasts 11 books published in just six months and over 350,000 copies sold. Among the best-selling books of the series there are: *Dizionario delle cose perdute* by Francesco Guccini and *Il diavolo, certamente* by Andrea Camilleri, ranking second and seventh, respectively, in the general best-seller list.

Alessandro Piperno, with *Inseparabili*, the second installment of the diptych “*Il fuoco amico dei ricordi*”, came third in the top five books at the 2012 Strega Awards, winning the prize on July 5.

As for Non Fiction, in various segments, *Giochiamo ancora* by Alessandro Del Piero, is to be noted, which topped 140,000 copies sold in just two months, staying in the top positions in the best-seller lists.

In the same Non Fiction ranking is also *The Magic*, by Rhonda Byrne, with 50,000 copies launched at end of June, in the wake of the success registered by *The Power*, which sold more than 75,000 copies.

As for Paperbacks, Oscar Mondadori confirmed its leadership in a very challenging, shrinking market (in book stores: -9.2%; source: Nielsen).

Worth noting are also the six volumes of the historical saga, *Storia di Roma*, introduced by Valerio Massimo Manfredi, the six women's hardcovers priced at euro 9.90 each and the positioning of George R.R. Martin's books in the tie-in editions linked to the *Il trono di spade* TV series (250,000 copies sold in the first half of 2012).

NumeriPrimi^o, a trade paperback trademark, celebrates its first year of activity with the publication of sixty books, topping two million copies sold and confirming the success of the initiative.

In the Children's category, there was the commercial success of *Hunger Games*, published under the newborn Chrysalide brand, which, after the publication of the third and last installment of the trilogy, took the top spot in the Fiction foreign best-seller lists with 250,000 copies sold, comprehensively.

Two episodes of the successful *Percy Jackson e gli dei dell'Olimpo* by Rick Riordan were published in June to conclude the saga for the 10-14 year target, and *La Ragazza Drago*, by Licia Troisi, her fifth and last book, also posted excellent sales results.

Giulio Einaudi Editore

Einaudi closed the first half of 2012 with sales equal to euro 22.9 million, down 10.9% against euro 25.7 million of the previous year.

The reduction registered in the Paperback segment is attributable, in addition to the difficult market scenario, to the Levi law on the price of books and the promotional campaign at the beginning of the year, which was shorter and offered lower discounts compared to 2011.

Foreign fiction registered a downtrend against the previous year, during which it benefited from an important new entry: *Libertà*, by Jonathan Franzen. Among the best sellers of the period posting good results were *Goodbye, Columbus*, by Philip Roth and *IQ84. Libro 1 e 2. Aprile-settembre* by Haruki Murakami.

As for Italian Fiction, revenues increased significantly. Best sellers included *Il rumore dei baci a vuoto* by Luciano Ligabue, with approximately 146,000 copies sold; *Limbo*, by Melania Mazzucco, a new entry in 2012, with over 40,000 copies sold; *L'incontro*, by Michela Murgia, with 52,000 copies sold and *Nel tempo di mezzo* by Marcello Fois, in the group of five finalists at the 2012 Strega Prize and also short listed for the Campiello Prize.

The Stile Libero trademark performed very well thanks to the success of new books, including *Il momento è delicato* by Niccolò Ammaniti, with over 170,000 copies sold; *Respiro corto* by Massimo Carlotto, another new entry, with 66,000 copies sold; the new novels *Lo spettro* by Jo Nesbo and *Io sono il libanese* by Giancarlo De Cataldo, top publications of the promotional campaign scheduled for July.

In the Non Fiction segment, the good performance of *Credere e Conoscere*, by Ignazio Marino and Carlo Maria Martini is worthy of mention, topping 19,000 copies sold.

E-book sales (equal to euro 187,000) increased against 2011, with the excellent performance of the special daily offer on Haruki Murakami's *1Q84*.

Sperling & Kupfer

Sperling & Kupfer is the Group Publishing House that controls the Sperling & Kupfer, Frassinelli and Mondadori Informatica trademarks. Revenues in the first half of 2012 were equal to euro 14.5 million, up against euro the 12.9 million registered in 2011.

In Fiction, excellent results were obtained by traditional authors like Nicholas Sparks, Guillaume Musso and Danielle Steel, but above all by Sveva Casati Modignani, with *Léonie*, launched in April, which remained in the top ten of the best-seller list of Italian books throughout the period.

As for Non Fiction, the excellent performance of Pierre Dukan's books is noteworthy: 520,000 copies sold in the period. The success of *La dieta Dukan* and *Le ricette della dieta Dukan* was accompanied by *La dieta Dukan Illustrata* and *La dieta Dukan: i 100 alimenti a volontà*, published during the first half of 2012, which also topped the rankings in the segment. Also for Non Fiction, good performances were posted by *Ciliegie o ciliege?* by Valeria Della Valle and Giuseppe Patota; *Oro, argento e birra* by Antonio Caprarica, including a detailed essay on the next 2012 Olympic Games and *One dream, one direction. 100% unofficial* by Ellen Bailey.

Edizioni Piemme

In the first half of 2012, Piemme registered sales for euro 18.2 million, matching the negative market trend with an 11.7% reduction on a year on year basis (euro 20.6 million).

As for Fiction, Michael Connelly confirmed his success with *Il respiro del drago* (63,000 copies sold, ranking first in the Foreign Fiction best-seller list) followed by *La cattedrale ai confini del mondo* by Paloma Sánchez-Garnica (over 40,000 copies sold).

As for Non Fiction, the top position is held by Sherry Argov, another portfolio author, with *La magnifica stronza* (47,000 copies sold). The good performance of Padre Amorth's *L'ultimo esorcista* (44,000 copies sold) and Al Bano Carrisi's *Io ci credo* (42,000 copies sold) is also noteworthy, along with the launch of Filippo Ongaro, author in the "nutrition and diet" segment, with his second successful title, *Mangia che dimagrisci* (30,000 copies sold).

As for Paperbacks, *L'uomo di neve*, by Jo Nesbo (31,000 copies sold) and *Profumo di Lavanda* by Paolo Brosio (29,800 copies sold), published under the NumeriPrimi[®] trademark, proved the best-selling books.

In the Junior segment, the Stilton brand posted excellent results both in the high-price series (the best-selling books include *Viaggio nel tempo 5* with 68,600 copies sold and *Le avventure di Marco Polo* with 54,600 copies sold) and in the Paperback series with *I Preistotopi (Sei nella lava fino al collo, Stiltonùt!)* 31,000 copies sold).

Il Battello a Vapore confirmed the success of the GOL! Series by Luigi Garlando with five new books, each one topping 16,000 copies sold.

The Freeway series, dedicated to young adults, featured Sophie Jordan, with *Firelight* (25,900 copies sold at the price of 9.90 Euro).

Art books and exhibitions

In the first half of 2012, Mondadori Electa posted sales equal to euro 13.8 million, down against euro 16.2 million registered in 2011.

The reduction in the Book segment is attributable to the difficult scenario of the market of illustrated books, tourist guides and art books, as well as to the postponed annual promotional campaign for cookbooks, which was held in April last year and provided a sales boost for the period.

In any case, the following good performances stood out: *Piccola pasticceria salata* by Luca Montersino, with over 5,500 copies sold in the cookbook segment, and Flavio Caroli's trilogy in the art books segment. Also "Electa Kids", the new series dedicated to children, posted a noteworthy success.

Shrinking revenues in the activities regarding the management of Cultural Heritage assets, equal to 8.5%, are mainly attributable to the postponement of initiatives commissioned by the Campania region and GNAM of Rome.

In this segment, the reduction in sales in museum bookshops was partially offset by an increase in the activities performed in favor of the archeological sites in Rome, the success of the exhibition dedicated to Antinoo at Villa Adriana in Tivoli and the great sales success of the prestigious volume, "Atlante di Roma antica" by Andrea Carandini.

Mondadori Education

At June 30, 2012, Mondadori Education posted net revenues for euro 15 million, up 6.4% against the first half of the previous year.

In the primary school segment, only a few changes were applied, almost exclusively referring to religion. In this subject area, Mondadori Education, with its Piemme trademark, registered a slight increase, consolidating the significant market share already held. Good quality results were also obtained in the segment of vacation workbooks and interactive books.

A slight drop was registered in the junior high school segment, as expected. The Sensini grammar book performed well, while the great success of Castello's music book continued (over 50,000 copies).

The "digit" initiative is also worth mentioning. For a significant number of courses, a DVD-ROM was added for students, which not only allows students to view the same text on the PC, but also to underline or highlight the text, add notes and view interactive material relative to the same subject.

In the secondary high schools, sales resulting from the adoption of new texts were up 2%. Mondadori Education concentrated on the last three years, following the introduction of new programs and subjects.

The most successful textbooks were Caforio's physics text in all of its versions (approximately 50,000 copies adopted), a text on the history of literature adapted to the

various categories of school (about 30,000 copies adopted) and an English literature text (over 25,000 copies adopted).

In the first half of 2012, the www.mondadorieducation.it website multiplied the number of single visitors (over 100,000/month on average) and inaugurated some theme-based channels dedicated to specific teaching subjects. The website also offers the possibility of directly purchasing the digital version of the officially adopted school textbooks.

E-Book

In the second quarter of 2012, the e-book segment posted increased sales thanks to the books which also proved successful in the traditional format; the first indications predict a similar performance also for E.L. James's *Cinquanta sfumature*.

Intensified promotional activities were organized with the stores in concomitance with special events, like the inclusion of Alessandro Piperno and Marcello Fois in the set of five finalists for the Strega Prize and Michael Connelly's presence in Italy for a promotional tour. All these activities increased the visibility and performance of backlisted books by the same authors.

The opening of the Google store is also worth mentioning, as it opens up new potential sales around the Android universe.

Distribution and logistics

Sales generated from the distribution of products published by third party publishers in the first half of 2012 amounted to euro 11 million (-22.0%), confirming the trend registered in the first quarter.

The 27 million copies corresponding to the aforementioned sales figure were shipped from the Verona logistics center. An increase in sales is expected from the Third Publisher segment as a result of new distribution contracts stipulated recently.

Magazines

Mondadori Group is Italy's leading publisher in the sector by market share and number of magazines (over 40) and one of the most important in Europe. It has consolidated its presence over time in the sector, covering different segments of activity.

In addition to the publication of weekly and monthly magazines sold at newsstands and by subscription (also developed through the joint ventures with Gruner+Jahr and ACI), the Group also focused on the sector of combined sales and designed websites and portals that enabled it to reach a larger number of Mondadori readers by exploiting the relevant brands.

Through its subsidiary, Press-Di Distribuzione Stampa e Multimedia, the Group distributes its own magazines and third party magazines at the national level.

Through its subsidiary Mondadori France (among the first three publishers of magazines in France with 27 titles) and the affiliated company Attica Publications, a leader in the magazines sector in the South-Eastern European markets, Mondadori is also active abroad through licensing agreements with international publishers for the publication of Italian magazines in foreign markets.

Moreover, Mondadori operates in the Chinese and Russian markets through two 50% owned joint ventures.

Magazines Italy

The persistent economic-financial crisis forced investors to further reduce, postpone and re-allocate investments in advertising as a result of shrinking revenues and pervasive uncertainty, typical of any recession, as households limited the number of purchases of high-price non-commodities.

In the first five months of 2012, such behavior led to a 14.6% reduction in investments in advertising in magazines (source: Nielsen); reduced circulation of magazines in the newsstand channel on the order of 9.4% (12% on a like-for-like basis; value data, internal source) and falling sales of add-ons (by 25.2%, value data, internal source).

The performance of Magazines Italy

In this difficult market scenario, Mondadori sales in this Area fell by 15.3%, going from euro 247.8 million to euro 209.9 million, with consequent repercussions on the relevant economic results. To this end, it should be noted that 2011 data included a euro 10.1 million worth capital gain resulting from the transfer of the interest held in Hearst Mondadori Editoriale S.r.l.

| (Euro/million) | 1st half 2012 | 1st half 2011 |
|-------------------------------|---------------|---------------|
| Revenues from magazines | 192.3 | 229.3 |
| Other revenues | 17.6 | 18.5 |
| | 209.9 | 247.8 |
| Operating costs | (195.1) | (203.6) |
| EBITDA | 14.8 | 44.2 |
| Amortization and depreciation | (0.3) | (0.3) |
| EBIT | 14.5 | 43.9 |

In particular :

- revenues from circulation: -9.9%, penalized by reduced subscriptions, a lower number of copies sold on average at newsstands and a lower average price;
- revenues from add-ons: -23.6%, mainly due to a different scheduling of collectables and books and lower home video sales;
- revenues from advertising: -17.6%, due to some differences, including the discontinued publication of *Flair* (the new version is expected to be launched in September) and the closure of *Economy*, as well as the composition of the product portfolio, which is more exposed to shrinking investments in the Interior Design and Consumables segments.

Mondadori titles

The copies circulated by Mondadori in the first five months were down 8.7%, in line with like-for-like market data (internal source).

The criticalities of the current market scenario, already identified in the first quarter, were confirmed during the second quarter, including:

- new regulation about circulation certification on a monthly basis, with consequent modification of the marketing investment planning policy;
- implementation of the FIEG/Poste Italiane agreement, stipulated in 2010, which involves the almost complete cancellation of government subsidies on the postal tariffs applied to subscriptions;
- launch of low price magazines by competitors;
- lower number of days during which magazines are offered on sale at newsstands as a result of a forced interpretation, promoted by the trade unions of newsstand owners and managers, of Article 39 of the liberalization law, which allows newsstand owners and managers to return unsold magazines and papers at their discretion, regardless of the relevant periodicity. In addition to a negative effect on sales, this phenomenon is currently generating significant problems in the supply chain in relation to logistics and management of the financial aspects.

Mondadori is continuing its re-styling and re-launching activities, started in 2010, with *Chi* re-styling and the re-launch of *Panorama* and *Starbene*. *Tv Sorrisi e Canzoni* and *Grazia* will be subject to makeovers in the coming months.

The re-styling and re-launching program of the entire Mondadori magazine portfolio is expected to be completed by the end of 2012.

Add-on sales

The market of add-on sales in the first five months of the year registered a particularly significant drop as a result of the drastic decrease in consumer spending: -25.2% in value at constant volumes and lower prices (data: internal source).

Mondadori slightly outperformed the market, though suffering sharp decreases (approx. -23.6%) both in relation to the particularly penalizing comparison with the first months of 2011, characterized by a few very successful and unrepeatable initiatives, and products offered at a higher price than the market average, making them more vulnerable to the difficult market scenario.

The music area is in line with the previous year; books and collectables are heavily down in the period as a result of the different scheduling of the initiatives, which are expected to recover in the second half.

The home video channel is more complex, because the effects of the financial crisis have to be added onto the negative effects of increased piracy, shifting habits in the use of digital products and pay per view and the competition from new e-commerce players.

Press-Di Distribuzione Stampa e Multimedia

Press-Di Distribuzione Stampa e Multimedia S.r.l. is a Mondadori Group distribution company, whose scope is the circulation and sale of magazines, newspapers and multimedia products in the Newsstand, Large-Scale Retailer and Subscription channels.

In the first half of 2012 the market of reference posted a negative performance in terms of copies (-5%) and value (-9%) against the same period of the previous year (internal source).

In this difficult context, the company firmly implemented actions to strengthen its competitive position through the acquisition of the distribution rights of new publishers, which are expected to bring in approximately euro 20 million in sales on a yearly basis (euro 10 million in 2012).

Sales in the first half of 2012 amounted to euro 303 million (euro 349 million at June 30, 2011), down 13.3% against the previous year.

Net revenues at June 30, 2012 totaled euro 33 million, down 5% against the previous year. In particular, revenues from services offered to publishers were down -7.4% and cellophane wrapping -18%, while subscriptions were up slightly.

International

International activities confirmed the positive trend posted in 2011, with an additional expansion of the network:

Licensing: the international editions of *Grazia*, with the launch of *Grazia Sud Africa* in May 2012, reached nineteen units.

In August, *Flair Germania* will be launched. This is a magazine with a completely new and special concept, combining fashion and interior design. It will be published in Germany by Klambt-Trend-Verlag, publisher of *Grazia Germania*, in partnership with Gruner & Jahr.

Advertising: in the Fashion and Interior Design segments, the growing sales from advertising in the Italian market were up sharply (+27%), for an increase of euro 3.1 million compared to the previous year.

The French, English and German edition of *Grazia* turned in excellent performances and the Russian edition posted a startling +66% against 2011.

Investments: Mondadori is present in Greece, Bulgaria and Serbia through the interest held in Attica Publications, and in China and Russia through joint ventures with local partners.

Attica Publications: the leading publisher in the Greek market with sixteen magazines and three radio stations. Despite the ongoing economic crisis in the country, Attica's results are still in line with expectations also thanks to the effect of the restructuring plan implemented in 2011 and in the first months of 2012. The closing of *T3* and *Playstation* at the end of June are part of this plan. Conversely, the great success of the add-on sales through *Tiletheatris* and *Tilerama*, the two market-leader TV guides, contributed positively.

China: Mondadori has a 50% stake in Mondadori Seec Advertising Co. Ltd, an exclusive advertising sales agency for the local edition of *Grazia*. The magazine, launched in February 2009, confirmed the excellent performance registered in 2011, closing the first half of 2012 with revenues equal to euro 4.8 million, +58% against the same period of 2011.

Russia: *Grazia Russia*, which just celebrated the fifth anniversary of its first publication, posted revenues in the first half of 2012 up 22% against the same period of previous year.

Properties

In the first half of 2012 *Properties* associated with the main Mondadori magazines posted improving results in terms of traffic, with revenues from advertising showing significant growth.

In the shrinking advertising market, only Internet posted growth figures (+10.2%, source: Nielsen); sales from advertising on the Group's core websites in 2012 posted an excellent performance with +29% against the first half of 2011.

These results were corroborated by the main *Properties*:

- the www.donnamoderna.com website confirmed its status as one of the main women's websites thanks to growing traffic exceeding the market average with a significant increase of Visited Pages (+52%) and Single Users (+60%); the website is also leader among Italy's women's magazines in the main social networks, with more than 140,000 fans on Facebook (+32% against 2011) and 115,000 followers on Twitter (+310% against 2011), extending its presence also on other emerging social media (Instagram, G+ and Pinterest). In the first half of the year the website, showing a 14% growth in revenues, further strengthened its network through new partnerships (Eurosalus, 2Spaghi and Mysia), making the target even more attractive for advertising purposes;
- in the first half of 2012 the www.grazia.it website posted a significant growth in sales from advertising (+55% against the first half of 2011) and a positive performance in traffic, repaying the actions implemented in 2012 to make navigation quicker and more efficient. The link to the blog universe, developed thanks to "IT BLOGS", the network including some of Italy's most popular fashion, beauty and lifestyle bloggers, increased considerably;
- the completely restyled version of the www.panorama.it website was launched last June, which included not only a graphic restyling, but also new content (real time news, opinions, etc.), user-experience, interaction with users and multimedia. The new website is expected to further increase the already positive performance in terms of traffic and revenues from advertising, which registered a +49% growth against the first half of 2011;
- www.Panoramauto.it, online for less than a year, immediately jumped to the first positions among the automotive information websites. The website, present in the main social networks with over 80,000 fans on Facebook, is characterized by multi-target content. The recent partnership with www.patentati.it reaches young people and new drivers, while the "car-woman" section reached 38% of the female audience. A new business section is currently being designed (expected to be online this coming September) in collaboration with *Panoramauto*.

Magazines France

Mondadori Group has been present in France since 2006 through Mondadori France, one of the main Publishing Houses in the country, with a portfolio that includes some of the most popular magazines, among which *Closer*, *Pleine Vie*, *Science & Vie*, *Téléstar* and *Auto Plus*. In August 2009 Mondadori launched *Grazia France*, the first upscale women's fashion and news magazine in France.

The penetration of one of the most important European markets for magazines in terms of circulation and advertising sales was an important step forward for the Mondadori Group's international strategy; the Group has implemented an expansion policy since the '90s through the establishment of collaborations and joint ventures with leading international publishers.

The performance of Magazines France

Despite the difficult market for magazines in France, Mondadori France performed well in the first half of 2012.

Consolidated revenues reached euro 193.6 million, up 12.3% against the same period of the previous year (euro 172.4 million). On a like for like basis (excluding the effects of the changes applied to the consolidation method of the Editions Mondadori Axel Springer S.n.c. joint venture), revenues were in line with the previous year.

The continuous product improvement and the good performance in advertising sales combined with a consistent cost reduction policy enabled the Company to increase its EBITDA, equal to euro 20 million (10.3% of revenues), by 7.3%.

| (Euro/million) | 1st half 2012 | 1st half 2011 |
|-------------------------------|---------------|---------------|
| Revenues from magazines | 188.7 | 165.8 |
| Other revenues | 4.9 | 6.6 |
| | 193.6 | 172.4 |
| Operating costs | (173.6) | (153.7) |
| EBITDA | 20.0 | 18.7 |
| Amortization and depreciation | (5.9) | (4.8) |
| EBIT | 14.1 | 13.9 |

Revenues from advertising: for the third consecutive year Mondadori, up 2.9% against the previous year, registered the best performance in the market of reference at constant perimeter, showing a 0.5% reduction in value in the first five months (source: Kantar Media).

This excellent performance is mainly due to the upscale women's magazines; the weekly *Grazia* (+11.1%) and the monthly *Biba* (+14.4%) as well as the publications *L'Auto Journal* (+9.8%), *Sport Auto* (+7.7%) and *Mode & Travaux* (9.8%).

Revenues from circulation: these include both sales at newsstands and subscriptions, and account for 70% of total revenues. They showed a slight decrease at the consolidated level (-1.5% at constant perimeter).

Sales at newsstands, though showing a 4.4% downtrend against the first half of the previous year, decreased less than the average of the market of reference (-5.3%, internal source).

Subscriptions continue their positive trend (+1.5% against the same period of the previous year), accounting for 33.6% of Mondadori France revenues, with a portfolio of more than three million subscribers.

In the first half of 2012 three new versions of *Biba*, *Modes & Travaux* and *Auto Journal* were launched and the brand extension policy was further implemented with the launch of the quarterly *AutoPlus Classiques* and two publications attached to the weekly *Closer*: *Closer C'est leur histoire* and *Closer Plage*.

Other magazines showed an increase in the number of copies circulated: *Biba* 354,000 copies (+7.7%), *Ami des Jardins*, 156,000 copies (+6.7%), *Modes & Travaux* 436,000 copies (+2.1%); *Grazia*, launched in 2009, confirmed its success, growing 3.3% to 187,000 copies.

Digital: in the first half of 2012, Mondadori continued investing in the digital market, by extending the implementation of the same platform to all of the Group's French websites and by enhancing the dedicated infrastructures, particularly the technical ones.

As to the performance of the websites and the digital versions of the magazines the following should be noted:

- significant growth of Nielsen audience, topping 4.8 million of Single Viewers in May 2012, compared to 2.7 million of December 2011;
- new version of the *Grazia* website, on line since May 31, and the new versions of *AutoPlus*, *TopSanté* and *Closer* are expected to be online in the second half of the year;
- digital newsstand: the Group magazines are present in the various existing Digital Newsstands in the market (www.relay.fr; www.lekiosque.fr; Apple Newsstand; www.zinio.com) with significantly increased sales;
- the iPad versions increased considerably. In February 2012 the *AutoPlus* iPad version was launched, while *Science & Vie Kids* (iPad adjustment of *Science & Vie*

Découvertes) and *Skypix Science e Vie* (sky chart and astronomic guide) showed an interesting success.

Lastly, in the light of diversification, the *AutoReflex* portal consolidated its challenger position in the market of small car ads with a relevant growth in professional clients, becoming an important market player alongside the market leaders Le Boncoin and La Centrale.

Advertising

The market

The performance of the advertising market at May 2012 showed an overall reduction equal to 9.5% against the same period of the previous year as a result of the persistent uncertainties deriving from the financial crisis and trust levels set on minimum values.

The table below shows that all non-web media posted a reduction. Television posted -10.0%, with a contradictory performance among free and pay broadcasters. The latter showed a double digit growth, while radio posted a -5.5% drop. Dailies and Magazines registered a -13.5% and -14.6% reduction, respectively, further down against the first quarter of 2012.

| Advertising market (Euro/million) | 2012 | 2011 | Var. % |
|---|--------------|--------------|---------------|
| Television | 1,931 | 2,145 | (10.0%) |
| Magazines | 316 | 367 | (14.6%) |
| Dailies | 502 | 580 | (13.5%) |
| Radio | 172 | 182 | (5.5%) |
| Internet | 277 | 250 | 10.6% |
| Other | 286 | 326 | (12.3%) |
| Total advertising market | 3,484 | 3,850 | (9.5%) |

Source: Nielsen Media Research

With reference to Magazines and similarly to the previous months, the reduction in advertising investments involved almost all segments, including Fashion and Cosmetics, which in 2011 were the only segments showing a positive performance along with Furniture, Consumables and Automotive. Only Pharmaceuticals and Media/Publishing had a positive performance.

The performance of the advertising agency

| (Euro/million) | 1st half 2012 | 1st half 2011 |
|-------------------------------|---------------|---------------|
| Revenues from advertising | 94.3 | 115.0 |
| Other revenues | 1.7 | 2.5 |
| | 96.0 | 117.5 |
| Operating costs | (99.2) | (120.6) |
| EBITDA | (3.2) | (3.1) |
| Amortization and depreciation | (0.1) | |
| EBIT | (3.3) | (3.1) |

In the first half of 2012, Mondadori Pubblicità S.p.A. generated revenues for euro 96 million, down 18.3% against the previous year (euro 117.5 million).

Mondadori Magazines registered an 18.3% drop in revenues, mainly due to the negative performance of Consumables and Interior Design.

Considering the magazines published in joint venture and third publishers' magazines, the reduction would have been 23.4%; instead, on a like for like basis, that is, net of the discontinued publication of *Economy*, the temporary suspension of the publication of *Flair* and the transfer of *Cosmopolitan*, the reduction would have been equal to approximately 20%.

The reduction in revenues for the period in question is equally distributed between weeklies and monthlies as a result of the particularly complicated competitive scenario and investors' increased focus on prices.

Revenues generated from the radio segment, down 2.9% against the first half of 2011, are attributed to a similar performance for both radio stations for which the advertising agency operates.

As for the activities relating to the organization and management of events, in addition to the success obtained by the Milan Fashion Design, the setting up of *Donna Moderna's* Experience Store and the Pitti Uomo and Pitti Bimbo trade shows are also worthy of mention.

For the Internet channel, the joint venture Mediamond S.p.A. scored excellent results, targeting an overall 65% growth against 2011, relying on the sales of 32 vertical websites, 12 million single viewers on a monthly basis and numerous case histories.

Specifically for Mondadori, the positive performance of *Donna Moderna* (+14%), *Grazia* (+54.4%) and *Panorama* (+48%) is worth noting.

For the Rti Group, the excellent performance of TG.com (+18%) and Sport Mediaset (+45.2%) is also noteworthy.

Particularly positive was also the performance of the www.video.mediaset.it website, included in the advertising agency's portfolio in January 2012, which allowed the Company to exploit the growing market potential of the video formats.

Digital

Consistently with the new organizational structure and the internal reporting policy, the data included in these financial statements regarding digital activities refer to the following:

- for publishing activities, e-book, properties, subscriptions and online advertising in the segments of reference, Books, Magazines Italy and Magazines France;
- for e-commerce, activities carried out through the www.bol.it website and online book club in Direct;
- for diversification and investment activities to support the business, gaming, application and CRM in the Other Business segment.

Together, the activities described above generated sales equal to euro 21.4 million in the first half of 2012, with a negative EBITDA of euro 11.5 million.

Direct

The Direct Area, comprising retail business and direct marketing, operates through a network of 595 points of sale at June 30, 2012:

- bookshops, of which 22 directly managed and 300 in franchising with an offering concentrated for 80% on books and publishing products;
- multicenters, a total of 8 directly managed multicenters with a very broad offering, comprising media, dailies and magazines; multimedia products and services and consumer electronics, very similar to a department store;
- newsstands, 205 in franchising, a formula that combines the characteristics of a bookshop and a newsstand, offering a wide range of publishing and non-publishing products;
- book clubs, of which 10 directly managed and 50 in franchising, with an offering exclusively dedicated to members of the six theme-based book clubs;

and through Cemit, a market leader in the offering of diversified strategies for the design and development of one-to-one communication tools and CRM (*Customer Relationship Management*) tools, thanks to a massive databank of over 30 million private users and companies, which is constantly updated.

Despite the current recession in the market, the activities started in the first quarter continued with a view to recovering profitability and identifying new revenue sources.

In particular, the bookshop network was rationalized, including the shutting down of the Milano Berchet unit and of some other minor points of sale; the Emporio Mondadori branded product range was extended (in addition to paper products and stationery gadgets, small leather accessories and gifts) together with the BoxForYou range, by offering them also in bookshops outside the Mondadori network and in hypermarkets, and, lastly, corner shops were set up inside larger stores in collaboration with external partners.

The performance of the Direct Area

The following table shows the main economic indicators of the last two financial years. It should be noted that 2011 indicators have been adjusted to include data referred to the activity performed through the www.bol.it website, attributed to the Direct Area business starting from the beginning of 2012.

| (Euro/million) | 1st half 2012 | 1st half 2011 |
|--|---------------|---------------|
| Revenues | 110.5 | 124.7 |
| Other revenues | 2.6 | 3.3 |
| | 113.1 | 128.0 |
| Operating costs | (116.9) | (132.7) |
| EBITDA | (3.8) | (4.7) |
| Amortization, depreciation and impairment loss | (2.9) | (2.9) |
| EBIT | (6.7) | (7.6) |

Sales, down 11.6%, can be broken down as follows:

- sales from retail activities and other revenues, equal to euro 83.5 million, were down 12.1% as a result of the general market downturn, the shutting down of some points of sale in the second half of 2011 and in the first half of 2012 and the new commercial organization, which is based on a different model of management of the divisions, whereby some product categories are now treated as fees on sold items;

- sales from direct marketing, equal to euro 23.9 million, were down 6% overall, as a result of the cost reduction policy adopted by businesses, the significant reduction in household spending and the shifting process of purchases in favor of retailers;
- sales from e-commerce activities, managed through the www.bol.it website, equal to euro 5.7 million, were down approximately 25%, as a result of the current market context, the overall competitive scenario, which led to the consolidation of some competitors' market positions in 2012, and the new discounting mechanisms.

Radio

Through Monradio S.r.l., the Radio Area manages the national Radio *R101* broadcasting station, whose positioning is directed to an adult target and whose broadcasting format – based on news and entertainment – is consistent with the Group's main activities. The signal has full territorial coverage now, thanks to the numerous acquisitions made over the years.

The performance of the Radio Area

Sales from advertising in Italy in the radio area dropped by 5.5% in the first five months of 2012, registering a trough of 12.6% in May (source: FCP Assoradio).

The Mondadori Group radio area generated revenues from advertising in the first half of 2012 equal to euro 7.6 million, down 7.3% against the previous year; despite the revenue performance, EBITDA improved thanks to a strict cost control policy.

| (Euro/million) | 1st half 2012 | 1st half 2011 |
|--|---------------|---------------|
| Revenues | 7.6 | 8.2 |
| Other revenues | - | - |
| | 7.6 | 8.2 |
| Operating costs | (8.0) | (8.9) |
| EBITDA | (0.4) | (0.7) |
| Amortization, depreciation and impairment loss | (0.9) | (0.8) |
| EBIT | (1.3) | (1.5) |

From a publishing perspective, the first half of 2012 was characterized by an ongoing process of renovation of the radio stations: new programs, new announcers and an improved program schedule, particularly on weekends.

Since January, “Stile Libero” has been on the air every day. This is the most surprising and irreverent program of the entire schedule, directed by Marco Santin and Giorgio Gherarducci of the Gialappa's band, with Flavia Cercato.

The marketing activities in this first part of the year concentrated on the organization and sponsorship of events in the territory: the winter tour of “Quota 101” in the main ski resorts in Italy; the “Stramilano” city Marathon and the media partner role for the “Giro d'Italia” bicycle race with entertainment events along the various daily stages, interviews and live broadcasting.

R101 also continued to strengthen its positioning as an online music channel, thus developing digital along with the traditional radio activities, extending the variety of the offer with the goal of reaching different audience groups, forging a deeper relationship with the fans and attracting advertisers with new promotional spaces.

Currently, there are five theme-based web radio channels (dedicated to the most popular songs of the '70s, '80s, '90s and '00s and a selection of the best pop music of the last 40 years), which can be listened to on the Radio's website and downloaded on next generation smartphones, thanks to dedicated apps. To date, approximately 80,000 listeners made use of it.

R101 is also present on the main social networks - Facebook, Twitter, FriendFeed and YouTube - with official fan pages and proprietary channels, which are essential media for daily communication with its vast audience.

The website, recently enhanced with a new Home Page and a new web TV offering the radio station's entire video production, shows significant web traffic figures (over 200,000 single visitors and about 2 million page visits per month) while the Radio's official Facebook page recently reached about 180,000 fans.

Corporate and other businesses

The Corporate segment includes the Parent Company functions, concentrated on service activities in favor of the Group companies, and the business units, in addition to the structures in charge of managing the Group's financial assets.

These services mainly consist of activities regarding ITC, administration, management control and planning, treasury and finance, human resources, legal and corporate affairs and public relations.

Revenues mainly referred to amounts billed to subsidiaries and affiliates, as well as other entities using the services described above.

Mondadori International

The financial assets managed by the company as at June 30, 2012 amounted to euro 31.5 million (euro 30.9 at December 31, 2011). In the period the Company posted income equal to euro 0.3 million.

Assets at June 30, 2012 are broken down here below:

- current accounts, cash and cash equivalents and time deposits with leading Italian banks with maturity lower than three months for a total of euro 20.6 million;
- float-rate bonds available for sale for a total of euro 10.9 million.

Financial position

Mondadori Group's financial position at June 30, 2012 showed a deficit equal to euro 370 million.

| Net financial position (Euro/million) | 06/30/2012 | 12/31/2011 | 06/30/2011 |
|---|-------------------|-------------------|-------------------|
| Cash and cash equivalents | 66.9 | 82.9 | 29.0 |
| Financial assets at fair value | | - | - |
| Financial assets available for sale | 10.8 | 15.7 | 19.8 |
| Assets (liabilities) in derivatives | (14.4) | (11.6) | (2.0) |
| Other financial assets (liabilities) | (8.3) | 3.7 | (15.9) |
| Loans (short and medium-long term) | (425.0) | (426.1) | (430.1) |
| Net financial position | (370.0) | (335.4) | (399.2) |

It should be noted that the net financial position would show a deficit of euro 376.9 million, if calculated according to the method recommended by Consob as indicated in note 19 of the Explanatory Notes, as it would not include the balance of "Non-current financial assets".

Interest and exchange rate trends

In the second quarter of 2012 the growth of the global economy slowed down considerably, with significant differences between countries and regions. Various structural hindrances hampered growth and confidence in the recovery of the most industrialized countries, while emerging countries continue to thrive, though at a lesser pace than in the past.

Global inflation tended to diminish, thanks to decreasing raw material prices, particularly that of energy and food products.

Especially critical is the situation in Europe, where recent indications for a period of further weakening and increased uncertainties added up to a growth rate of next to zero for the first four months of the year. Various negative factors are affecting the current scenario: the persistent sovereign debt crisis and its impact on the availability of credit in some countries,

the process of trimming national deficits and the implementation of the relevant restrictive tax policies and, last but not least, the high unemployment rate.

In this scenario, on July 5, the European Central Bank adopted measures intended to reduce the principal refinancing rate by 0.25%, lowering it to 0.75%. This is a new record low.

In line with the foregoing, the 3-month Euribor rate dropped lower since the beginning of 2012: from 1.343% at the beginning of the year to the trough of 0.652% on June 27. The average value for the first semester was equal to 0.873%. The average cost of Mondadori Group's debt in the same period was equal to 3.15%.

After various fluctuations, the Euro/Dollar exchange rate worsened and plummeted towards the end of April: at the end of June it was at 1.267. In the first six months of the year, the average exchange rate was approximately 1.297 \$/euro.

The Euro/Sterling exchange rate showed a similar trend. After fluctuating between 0.83 and 0.84, it started dropping swiftly in April, closing at 0.806 at the end of June.

The average exchange rate in the first six months of the year was approximately 0.823.

The overall credit lines available to the Group at June 30, 2012 amounted to 1,076.4 million, of which euro 755.6 million committed.

The Group's short-term loans, equal to Euro 320.8 million and used for a total of 38.1 million at June 30, 2012, included overdraft credit lines on current accounts and advances subject to collection.

The main medium to long-term loans are:

- Euro 320.0 million for a float rate bank loan with expiry in December 2014, granted by a pool of leading banks with international standing; the loan specifically includes a term loan for Euro 150.0 million, entirely utilized at June 30, and a Revolving Facility loan for Euro 170.0 million, still unused; some Interest Rate Swaps contracts have been attached to the term loan for the purpose of transforming the float rate into fixed rate;
- a float rate term loan for Euro 50.0 million, expiring in May 2013, granted by Intesa Sanpaolo, entirely used at June 30;
- a float rate loan for Euro 200.0 million, expiring in December 2016, granted by Intesa Sanpaolo, broken down into a term loan for Euro 50 million and a Revolving Facility loan for Euro 150 million, used for euro 25 million at June 30; an Interest Rate Swap contract was attached to part of the Term Loan, with expiry in January 2014;

- a float rate amortizing loan for euro 78 million, specifically a Term Loan with expiry in June 2015, granted by a pool of leading Italian banks; an Interest Rate Swap Amortizing contract is attached to part of the loan;
- a float rate bullet loan for Euro 50 million, specifically a Term Loan, granted by Mediobanca, expiring in March 2017; an Interest Rate Swap contract was attached to the term loan for the purpose of transforming the float rate into fixed rate;
- a float rate bullet loan for Euro 50 million, specifically a Revolving Credit Facility, granted by Mediobanca in July 2011 with expiry in December 2017, utilized for Euro 15 million at June 30.

Personnel

Human resources

Employees with a fixed-term or permanent work contract employed by the Group companies at June 30, 2012 totaled 3,745 units, down against both year-end personnel count and the corresponding figure at June 30, 2011 on a like-for-like basis (-51 employees equal to -1.3%).

The differences take into account, vis-à-vis 2011, the changes in the consolidation perimeter following the consolidation of the French company Editions Mondadori Axel Springer S.n.c. and the Italian start-up Glaming S.r.l. as of January 2012.

Conversely, there are no changes in the perimeter vis-à-vis March 2012 (3,764 employees) and, consequently, the reduction in the employee count is entirely ascribable to organization efficiency measures.

Overall, it may therefore be confirmed that the personnel management policy subsequent to the implementation of the restructuring plan in the previous two years proved effective in extending the positive effects of the implemented labor cost control policy.

The following table provides a detailed overview of the Group personnel at June 30, 2012:

| Personnel | 06/30/2012 | 12/31/2011 | 06/30/2011 |
|---------------------------------------|-------------------|-------------------|-------------------|
| Arnoldo Mondadori Editore S.p.A.: | | | |
| - Managers, journalists, office staff | 1,167 | 1,153 | 1,129 |
| - Workers | 84 | 90 | 91 |
| | 1,251 | 1,243 | 1,220 |
| Italian subsidiaries: | | | |
| - Managers, journalists, office staff | 1,438 | 1,452 | 1,490 |
| - Workers | 65 | 57 | 66 |
| | 1,503 | 1,509 | 1,556 |
| Foreign subsidiaries: | | | |
| - Managers, journalists, office staff | 991 | 912 | 925 |
| - Workers | - | - | - |
| | 991 | 912 | 925 |
| Total | 3,745 | 3,664 | 3,701 |

Capital expenditures

During the first half of 2012, the Group made investments in technical assets totaling about Euro 2.9 million, mostly for the purpose of replacing electronic office equipment, furniture, décor and equipment for the new bookstores opened in the Direct Area and in relation to the setup of the radio station activity.

Goods were disposed of with a residual value of Euro 0.3 million.

Main risks and uncertainties to which the Mondadori Group is exposed

In defining the guidelines of its Internal Control System, pursuant to the provisions of the Corporate Governance Code of listed companies and to Italian Legislative Decree 195/2007 on transparency, the Mondadori Group implemented a process aimed at identifying and managing the main risks and uncertainties the Group's various business units are exposed to. The internal model developed for the identification, assessment and management of risk is based on the principles of "COSO – Enterprise Risk Management" (COSO ERM), an international standard and one of the most authoritative and widely adopted approaches at the Italian and international level.

Risks are identified and assessed through a self-assessment process by the heads of the business unit or function, who concurrently devise any necessary mitigating actions aimed at reducing the impact of risk factors. The assessment is based on two parameters: the likelihood that the event will occur and its impact. The latter is measured also against the potential impact on financial performance, market share, competitive advantage and reputation.

Every risk factor is connected to strategic goals, both at the Group level, identified by the Deputy Chairman and CEO, and at the function level, according to the procedures defined by the first line management.

The results of the Risk Management process are illustrated in a specific communication to the Internal Control Committee, Board of Auditors and Board of Directors. These elements represent the basis for further in-depth analyses by the functions and bodies involved.

The actual existence and effectiveness of mitigating actions is verified by the Internal Auditing function.

The risk situation is reviewed and updated on a yearly basis, according to the criteria described hereinabove.

The following is a brief summary of the main risks and uncertainties the Group is exposed to, as evidenced in the Report on Operations of April 19, 2012, with particular attention to significant changes in the risk areas analyzed:

- risks related to the economic scenario;
- business risk: competitive scenario and strategic risk;
- financial and credit risks;
- regulatory risk;
- risk associated with brand protection.

Risks related to the economic scenario

According to Istat data, the first half of 2012 in Italy was characterized by a persistent GDP slackening following the negative trend of domestic demand resulting from lower consumer (record low) and business confidence index, squeezed by the current uncertain economic context and higher taxation. This critical situation had a negative impact on industrial investments, private spending and youth unemployment.

As evidenced in the latest Risk Assessment, Mondadori Group is heavily dependent on the economic situation in which it operates. Specifically, investments in advertising dropped sharply, both in terms of sales volumes and average prices, with negative values for almost all communication media, except the web, and with large fluctuations. Expectations for the second half of the year are for a slight recovery. Consequently, the Group responded to this critical situation by promptly meeting advertisers' requirements through ongoing innovation of the product portfolio with a multimedia and integrated approach; by protecting value through the implementation of measures aimed at retaining the average price level and through the reorganization of the sales networks.

Other risk factors include lower consumption, which may affect Group performance, causing a slow recovery of revenues and margins. Focus on product quality and innovation, both in traditional markets and as regards the development of digital markets and the value

of the brands represent the key measures to mitigate and limit the risks related to the economic scenario.

Business risks: competitive scenario and strategic risk

The publishing and media sector is still characterized by deep discontinuity and major changes, driven above all by the increasingly digital evolution of business models, which leads publishers to re-think their role and activities in order to update and continue to value traditional assets (content, authors, brands, reader community) in the emerging scenarios. The inability to tackle the crisis in a proactive way, and thus suffer its effects by adhering to a conservative approach, is a factor of uncertainty that may translate, in some cases, into a destabilizing risk instead of into a great development opportunity.

Consequently, the main business risks are related to specific aspects of technology discontinuity, also in terms of expertise / know-how and technical advancements, which is faced through the prompt development of products and services in line with the market trends, with a view to closely integrating traditional and new media, taking advantage of the value of the Group's brands and intangible assets.

In the light of the current market scenario, other risk factors relate to the competition arena, characterized by pressure from traditional competitors and new players from other industries (e.g. Google, Amazon). The Group is continuing to invest in product quality, making the most of the resources and know-how generated by business synergies and taking advantage of the Company's leadership position in several market sectors (e.g. books, magazines), in order to extend and re-thing the offer with the aim of distinguishing it from its competitors.

Another significant risk factor is the insufficient focus on product innovation, which could jeopardize the ability to adequately live up to market demands. This risk is mitigated by the constant re-design of the publishing offer (e.g. restyling and reviewing magazines, series, strategies, formats), always taking advantage of the brand's consolidated standing and content quality, combining the unchanged focus on traditional business with a determined digital growth, so as to diversify the platforms and offer a greater added value to both end customers and advertisers.

Financial and credit risks

The critical issues linked to the current economic-financial situation persist, with significant reverberations on business trends, above all in a moment of remarkable technological /structural evolution for the publishing industry.

In particular, the financial risks the Group is exposed to are linked to the availability and cost of money, due to the credit crunch. This risk is managed by favoring recourse to committed financing, in order to ensure that maturities are distributed over an extended timeframe in line with the objective of achieving financial balance.

The current market situation and future trend, as well as the Group's financial performance, could affect the value of assets in the financial statements, failing to ensuring adequate coverage. This risk is managed through accurate monitoring to ensure that financial performance is in line with forecasts, which includes regular and consistent reporting to top management and the Board of Directors in order to enable the implementation of prompt measures in case of discrepancies, improve performance and minimize the likelihood and scope of the risk.

The risk associated with trade receivables, amplified by the current market difficulties, arises from the prolonging of average collection times (also when doing business with the Public Administration) and includes the risk of contract and counterparty default. This risk is managed through continuous monitoring with *ad hoc* analysis of customer credit exposure, aimed at achieving a sustainable balance in the needs of both sides and adequate hedging instruments.

The "general financial risk management policy" approved by the Board of Directors regulates financial risks deriving from the Group's activities and provides guidelines for the various risk categories on goals, hedging and operating limitations.

Regulatory risk

The Mondadori Group operates in a complex regulatory context due to the ongoing evolution of regulations. The potential changes introduced by new legislation with regard to specific issues, such as Italian Legislative Decree 231/2001 (Administrative liability of legal persons), Italian Legislative Decree 196/2003 (Privacy), Italian Law 262/2005 (protection of savings), and fiscal obligations may significantly affect Governance & Compliance internal processes and competitiveness as well as market conditions in some business areas. The Group promptly implements any new regulation and regulatory changes in its internal policies, by adjusting business activities to the new regulatory framework and constantly monitoring any evolution of tax regulations, as well as through the adoption of a Group Organizational, Management and Control Model.

Risk associated with brand protection

The Mondadori Group is aware that the value of its brands, content, authors and reader community is a key asset for continued growth in the publishing business scenario. Corporate policies are therefore aimed at preserving and increasing the value of such intangible assets, preventing or limiting any negative repercussions resulting from the occurrence of any event that might damage the Group's reputation.

Relevant events occurred in the period

Transfer to the Pozzoni Group of the 20% residual shareholding held in Mondadori Printing S.p.A.

On 10 January 2012, the residual 20% stake in the share capital of Mondadori Printing S.p.A., held by Arnoldo Mondadori Editore S.p.A., was transferred to Pozzoni S.p.A.

The transaction was completed following the exercise of the call option granted in the preliminary contract, stipulated on 19 November 2008, by virtue of which Mondadori had transferred to the Pozzoni group 80% of the share capital of Mondadori Printing S.p.A., which manages all the Group's Graphic Division activities and has four industrial plants in Italy – Verona, Cles (Trento), Melzo (Milan) and Pomezia (Rome) – and one in Spain, in Toledo.

The call option was exercised at the price of Euro 19.2 million, as defined in the 2008 agreement.

As a result of the transaction, Mondadori Printing S.p.A. is now fully owned by Pozzoni Group.

The eight-year printing agreement signed by the parties at the same time as the abovementioned 2008 agreement remains in full effect.

Renewal of the authorization to purchase and sell Treasury Shares

The Shareholders' Meeting of April 19, 2012 resolved to renew the authorization to purchase, following the expiry of the preceding authorization resolved upon on April 21, 2011.

It should be noted that the Shareholders' Meeting of April 21, 2011 authorized the purchase of a maximum of 16,546,887 shares up to the limit of 10.52% of the Company's capital, represented by 25,942,982 ordinary shares, taking into account the effects of the cancellation of 12,971,492 Treasury Shares in the portfolio concurrently resolved upon and 9,396,095 shares already either directly or indirectly owned.

In the period of duration of the aforementioned authorization of April 21, 2011 coming to maturity, Mondadori purchased 4,159,114 Treasury Shares on the market, corresponding to 1.68% of the Company's capital, for a price of euro 7,135,831.86. Taking the shares already owned into account, the total Treasury Shares owned as at the date of the Shareholders' Meeting of April 19, 2012, amounted to 13,555,209 (5.50% of the Company's capital), of

which 9,037,723 directly in Arnoldo Mondadori Editore S.p.A.'s portfolio and 4,517,486 owned by the subsidiary Mondadori International S.p.A.

The Shareholders' Meeting also resolved upon the authorization, pursuant to Article 2357 ter of the Italian Civil Code, to sell the Treasury Shares purchased or already in the Company's portfolio.

Here below are the main elements of the repurchase plan authorized by the Shareholders' Meeting:

Motivations

The renewal of the authorization to purchase and sell Treasury Shares is aimed at maintaining the possibility of picking up any investment opportunity or operation on the treasury shares owned, vesting the Board of Directors with the power:

- to possibly take advantage of investment opportunities, if considered strategic by the Company, also in relation to available liquidity;
- to use the Treasury shares purchased or already in the Company portfolio against the exercise of option rights, including conversion rights, deriving from financial instruments issued by the company, its subsidiaries or third parties;
- to use the Treasury shares purchased or already in the Company portfolio as compensation for the acquisition of interests within the framework of the Company's investments;
- To sell Treasury shares against the exercise of option rights for the relevant purchase granted to the beneficiaries of the Stock Option Plans established by the Shareholders' Meeting.

Duration

Until the approval of the 2012 financial statements.

Maximum number of purchasable Treasury Shares

The new authorization refers to the purchase up to a maximum additional 11,090,625 shares, equal to 4.50% of the Company's capital, which, taking into account the overall 13,555,209 treasury shares already owned either directly or indirectly by the Company as at the date of the aforementioned Shareholders' Meeting, enables to reach 10% of the Company's capital, represented by 24,645,834 shares.

Purchase criteria and indication of the minimum and maximum price

Purchases would be made on markets regulated pursuant to art. 132 of Italian Legislative Decree 58 of 24 February 1998 and art. 144 bis, par. 1, letter B of Consob Regulation 11971/99 in accordance with the operating procedures established by the rules for the organization and management of said markets, which do not allow the direct matching of buy orders with predetermined sell orders.

The minimum and maximum purchase price is determined under the same conditions established by the preceding Shareholders' Meeting authorizations and, therefore, at a unit price not lower than the official Stock Exchange price of the day preceding the purchase transaction, reduced by 20%, and not higher than the official Stock Exchange price of the day preceding the purchase transaction, increased by 10%.

In terms of daily prices and volumes the purchase transactions would be completed in compliance with the conditions established in EC Regulation 2273/2003, and, specifically:

- the Company shall not purchase Treasury shares at a price higher than the highest between the price of the latest single transaction and that of the highest single bid traded in the regulated market in which such purchase takes place;
- in terms of daily purchase volumes, the Company shall not purchase a quantity of shares higher than 25% of the daily average volume of Mondadori shares traded in the regulated market and calculated based on the daily average traded volume of Mondadori shares in the 20 trading days preceding the dates of purchase.

Purchases of Treasury Shares in the first half of 2012

In the first half of 2012, Arnoldo Mondadori Editore S.p.A. purchased on the Telematic Stock Exchange a total of 2,630,583 treasury shares, corresponding to 1.06% of the Company's capital, for an overall price equal to euro 3,039,364.08.

At June 30, 2012 Treasury shares comprehensively owned for a total book value of euro 73.5 million, amount to 14,953,500 corresponding to 6.067% of the Company's capital, of which 10,436,014 are directly owned by Arnoldo Mondadori Editore S.p.A. and 4,517,486 are owned by the subsidiary Mondadori International S.p.A.

Significant events occurred after closure

No significant events occurred after closure.

Other information

It is underscored that in the financial period of reference Arnoldo Mondadori Editore S.p.A. did not carry out any Research & Development activities. At closure or in the period of investigation, it did not hold any shares in Parent Companies, not even through trusts or trustees.

Here below is information in relation to the following specific items:

Transactions with related parties

In compliance with Article 2391 bis of the Italian Civil Code and pursuant to the general principles established in the “Regulation in the matter of transactions with related parties” (the “Consob Regulation”), issued by Consob through Resolution 17221 of March 12, 2010 and subsequent amendments, the Board of Directors approved the “Procedures regarding Transactions with Related Parties” (the “Mondadori Procedures”) on November 25, 2010, subject to prior opinion in favor of a Committee exclusively composed of directors qualified as independent, in application of the Corporate Governance Code issued by Borsa Italiana S.p.A.

The Procedures, replacing the preceding regulation adopted by the Board of Directors in the matter as of January 1, 2011, describe the rules, roles, responsibilities and activities adopted in order to ensure transparency and substantial and procedural correctness of the transactions completed with related parties by the Company either directly or through subsidiaries.

The “Procedures regarding Transactions with Related Parties” are available on the www.mondadori.it website, Governance section, governance system, regulations and procedures.

With reference to the provisions set out in Article 5, par. 8, of Consob Regulation, the following information is provided in relation to the period under investigation:

- no transactions of major relevance, as defined in Mondadori Procedures, were completed in compliance with Consob Regulation provisions;
- no transactions were completed with related parties, as defined pursuant to Article 2427, par. 2, of the Italian Civil Code, which had a significant impact on the Company's financial position or performance;
- no changes or developments were identified in the transactions with related parties, as described in the latest annual financial report, which had a significant impact on the Company's financial position or performance in the period of reference.

It should also be noted that, also pursuant to Italian Legislative Decree 173 of November 3, 2008, which amended, among others, Article 2427 of the Italian Civil Code and introduced

number 22 bis and ter, no atypical or unusual transactions were completed outside the regular company management.

Transactions with related parties were completed at standard market conditions. Those concluded with Mondadori Group companies are intercompany current account trade and financial transactions, managed by Arnoldo Mondadori Editore S.p.A., in which the various subsidiaries and associated companies participate based on their relevant debt and credit positions.

For further details, reference should be made to the Explanatory Notes to the Group's Consolidated Financial Statements at June 30, 2012.

Reconciliation between Parent Company's net equity and results and the Group's consolidated net equity and results

The following table shows a comparison between Arnoldo Mondadori Editore S.p.A.'s Shareholders' equity and results in the first half of 2012 and the Group's consolidated Shareholders' equity and results.

| (Euro/thousand) | Net equity | Net result for the period |
|--|----------------|---------------------------|
| Balance - Parent Company's financial statements | 544,897 | 24,687 |
| Dividends received by the Parent Company from subsidiary and associated companies | | (28,282) |
| Cancellation of intercompany profits | (8,453) | 267 |
| Equity and financial contribution from directly associated companies | 10,967 | 3,112 |
| Equity and financial contribution from subsidiary and indirectly associated companies, net of the aforementioned items | 27,755 | 7,752 |
| Balance - Group's consolidated financial statements | 575,166 | 7,536 |

Foreseeable evolution

In the last months of the semester of reference, the economy worsened further throughout Europe and above all in Italy, with a progressive deterioration of the economic data on all fronts: spending, investments and, consequently, manufacturing.

The projections of the main research institutes and the Bank of Italy on GDP rates have been revised downward again recently, with a reduction exceeding 2% expected for 2012. Overall, the recession is expected to continue throughout the second part of the year, with the unemployment rate confirmed at around 10% and another worsening in 2013.

In the entire Euro area uncertainties will prevail, with short-medium projections strictly linked to the developments of the sovereign debt crisis and the relevant effects on credit, household and company confidence, internal demand and the economies of the US and the emerging markets.

Mondadori has the following priorities: consolidation of international activities also through partnerships; development of the digital area; quality control and product innovation; re-organization of the processes and restructuring according to the new guidelines identified in order to further increase the objectives of cost containment.

The foregoing, in the presence of a still very difficult market situation, is expected to hamper the achievement of the profitability levels of the past year also in the upcoming months.

For the Board of Directors
The Chairman
Marina Berlusconi

***Consolidated Financial Statement
at June 30, 2012***

Consolidated balance sheet

| Assets (Euro/000) | Note | 06/30/2012 | 12/31/2011 |
|--|------|-------------------|-------------------|
| Intangible assets | 9 | 941,822 | 947,303 |
| Property investments | 10 | 2,768 | 2,761 |
| Land and buildings | | 9,860 | 10,215 |
| Plants and machinery | | 11,456 | 12,405 |
| Other tangible assets | | 28,975 | 30,651 |
| Property, plants and machinery | 11 | 50,291 | 53,271 |
| Investments valued at equity | | 109,444 | 126,134 |
| Other investments | | 1,010 | 995 |
| Total investments | 12 | 110,454 | 127,129 |
| Non-current financial assets | 19 | 6,925 | 6,925 |
| Anticipated tax assets | 13 | 43,428 | 48,137 |
| Other non-current assets | 14 | 1,176 | 1,052 |
| Total non-current assets | | 1,156,864 | 1,186,578 |
| Tax receivables | 15 | 44,356 | 40,831 |
| Other current assets | 16 | 99,513 | 80,280 |
| Inventory | 17 | 136,932 | 137,066 |
| Trade receivables | 18 | 345,657 | 360,369 |
| Other current financial assets | 19 | 32,236 | 24,583 |
| Cash and other cash equivalents | 19 | 66,914 | 82,942 |
| Total current assets | | 725,608 | 726,071 |
| Assets held for sale or transferred | | - | - |
| Total assets | | 1,882,472 | 1,912,649 |

Consolidated balance sheet

| Liabilities (Euro/000) | Note | 06/30/2012 | 12/31/2011 |
|--|------|-------------------|-------------------|
| Share capital | | 64,079 | 64,079 |
| Share premium reserve | | 210,200 | 210,200 |
| Treasury shares | | (73,497) | (70,456) |
| Other reserves and result carried forward | | 366,848 | 320,367 |
| Income (loss) for the period | | 7,536 | 49,621 |
| Group's Shareholders' equity | 20 | 575,166 | 573,811 |
| Minority shareholders' capital and reserves | 20 | 33,488 | 35,068 |
| Total net equity | | 608,654 | 608,879 |
| Provisions | 21 | 43,077 | 47,443 |
| Post-employment benefits | 22 | 52,781 | 53,508 |
| Non-current financial liabilities | 19 | 412,899 | 412,812 |
| Deferred tax liabilities | 13 | 104,610 | 103,259 |
| Other non-current liabilities | | - | - |
| Total non-current liabilities | | 613,367 | 617,022 |
| Income tax payables | 23 | 13,578 | 22,938 |
| Other current liabilities | 24 | 243,782 | 259,932 |
| Trade payables | 25 | 339,947 | 366,837 |
| Payables due to banks and other financial liabilities | 19 | 63,144 | 37,041 |
| Total current liabilities | | 660,451 | 686,748 |
| Liabilities held for sale or transferred | | - | - |
| Total liabilities | | 1,882,472 | 1,912,649 |

Consolidated income statement

| (Euro/000) | Note | 06/30/2012 | 06/30/2011 |
|--|-------|----------------|----------------|
| Revenues from sales and services | 26 | 676,207 | 738,719 |
| Inventory decrease (increase) | 17 | 34 | (3,305) |
| Cost of raw, ancillary, consumption materials and goods | 27 | 98,541 | 114,352 |
| Cost of services | 28 | 400,683 | 425,928 |
| Personnel | 29 | 141,961 | 137,711 |
| Other costs (revenues) | 30 | 4,089 | 17,391 |
| Revenues (costs) from investments valued at equity | 31 | 5,105 | 12,344 |
| EBITDA | | 36,004 | 58,986 |
| Depreciation and impairment loss on investments, plants and machinery | 10-11 | 5,579 | 5,559 |
| Amortization and impairment loss on intangible assets | 9 | 6,636 | 5,477 |
| EBIT | | 23,789 | 47,950 |
| Financial revenues (costs) | 32 | (8,212) | (10,395) |
| Revenues (costs) from other investments | | - | - |
| Pre-tax result | | 15,577 | 37,555 |
| Income tax | 33 | 6,492 | 14,813 |
| Result from operations | | 9,085 | 22,742 |
| Revenues (costs) from assets/liabilities held for sale or transferred | | - | - |
| Net result | | 9,085 | 22,742 |
| Attributable to: | | | |
| - Minority shareholders | | 1,549 | 25 |
| - Parent Company's shareholders | | 7,536 | 22,717 |
| Net earnings per share (in euro units) | 34 | 0.03 | 0.10 |
| Diluted net earnings per share (in euro units) | 34 | 0.03 | 0.10 |

Group's consolidated comprehensive income statement

| (Euro/000) | Note | 06/30/2012 | 06/30/2011 |
|--|------|----------------|---------------|
| Net result before minority interest | | 9,085 | 22,742 |
| Income (loss) deriving from the conversion of currency denominated financial statements of foreign companies | 20 | - | (3) |
| Other income (loss) from companies valued at equity | 20 | 65 | (1.825) |
| Effective portion of income (loss) on cash flow hedge instruments | 19 | (2,713) | 3,220 |
| Income (loss) deriving from assets held for sale (<i>fair value</i>) | 19 | (487) | 1,035 |
| Tax impact on other income (loss) | | 488 | - |
| Total other income (loss) net of tax impact | | (2,647) | 2,427 |
| Comprehensive income for the period | | 6,438 | 25,169 |
| Attributable to: | | | |
| - Parent Company's shareholders | | 1,549 | 25 |
| - Minority shareholders | | 4,889 | 25,144 |

For the Board of Directors
The Chairman
Marina Berlusconi

Half-Year Report at June 30, 2012
Tables to the Group's Half-Year Consolidated Financial Statements
Amounts in euro thousands

Table of changes in the Group's consolidated Shareholders' equity at June 30, 2011

| Euro/000 | Note | Share capital | Share premium reserve | Treasury shares | Stock options reserve | Cash flow hedge reserve | <i>Fair value reserve</i> | Currency reserve | Other reserve | Income (loss) for the period | Total Group's equity | Minority shareholders' equity | Total |
|-------------------------------------|------|---------------|-----------------------|-----------------|-----------------------|-------------------------|---------------------------|------------------|---------------|------------------------------|----------------------|-------------------------------|----------|
| Balance at 01/01/2011 | | 67,452 | 286,857 | (144,968) | 7,125 | (5,235) | (1,793) | (610) | 328,284 | 42,101 | 579,213 | 1,750 | 580,963 |
| - Allocation of net income | | | | | | | | | 1,800 | (1,800) | - | - | - |
| - Dividend payout | | | | | | | | | | (40,301) | (40,301) | (533) | (40,834) |
| - Changes in the consolidation area | | | | | | | | | | | - | - | - |
| - Transactions on Treasury shares | 20 | | | | | | | | | | - | - | - |
| - Stock options | 29 | | | | (1,487) | | | | 1,815 | | 328 | | 328 |
| - Other changes | 20 | | | | | | | | 431 | | 431 | 356 | 787 |
| - Comprehensive income (loss) | | | | | | 3,220 | 1,035 | (1,828) | | 22,717 | 25,144 | 25 | 25,169 |
| Balance at 06/30/2011 | | 67,452 | 286,857 | (144,968) | 5,638 | (2,015) | (758) | (2,438) | 332,330 | 22,717 | 564,815 | 1,598 | 566,413 |

Table of changes in the Group's consolidated Shareholders' equity at June 30, 2012

| Euro/000 | Note | Share capital | Share premium reserve | Treasury shares | Stock options reserve | Cash flow hedge reserve | <i>Fair value reserve</i> | Currency reserve | Other reserve | Income (loss) for the period | Total Group's equity | Minority shareholders' equity | Total |
|-------------------------------------|------|---------------|-----------------------|-----------------|-----------------------|-------------------------|---------------------------|------------------|---------------|------------------------------|----------------------|-------------------------------|---------|
| Balance at 01/01/2012 | | 64,079 | 210,200 | (70,456) | 5,949 | (10,459) | (4,396) | (2,230) | 331,503 | 49,621 | 573,811 | 35,068 | 608,879 |
| - Allocation of net income | | | | | | | | | 49,621 | (49,621) | - | - | - |
| - Dividend payout | | | | | | | | | | | - | (3,681) | (3,681) |
| - Changes in the consolidation area | | | | | | | | | (554) | | (554) | 554 | - |
| - Disposal of Treasury shares | 20 | | | | | | | | | | - | - | - |
| - Transactions on Treasury shares | 20 | | | (3,041) | | | | | | | (3,041) | | (3,041) |
| - Stock options | 29 | | | | 99 | | | | | | 99 | | 99 |
| - Other changes | 20 | | | | | | | | (38) | | (38) | (2) | (40) |
| - Comprehensive income (loss) | | | | | | (2,225) | (487) | 65 | | 7,536 | 4,889 | 1,549 | 6,438 |
| Balance at 06/30/2012 | | 64,079 | 210,200 | (73,497) | 6,048 | (12,684) | (4,883) | (2,165) | 380,532 | 7,536 | 575,166 | 33,488 | 608,654 |

For the Board of Directors
The Chairman
Marina Berlusconi

Consolidated cash flow statement

| | Note | Euro/000 06/30/2012 | Euro/000 06/30/2011 |
|---|---------|--------------------------------|--------------------------------|
| Net result for the period | | 7,536 | 22,717 |
| <i>Adjustments</i> | | | |
| Amortization, depreciation and write-downs | 9-10-11 | 12,215 | 11,036 |
| Income tax for the period | 33 | 6,492 | 14,813 |
| Stock options | 29 | 98 | 328 |
| Fund provisions (utilization) and post-employment benefits | | (16,723) | (4,325) |
| Capital loss (gain) from the transfer of intangible assets, properties, plants and machinery, investments | | (97) | (176) |
| Capital loss (gain) from financial assets valuation | 32 | (118) | 725 |
| (Revenues) costs of companies valued at equity | 31 | (5,585) | (12,344) |
| Net financial costs on loans and transactions with derivatives | 32 | 6,995 | 8,221 |
| Cash flow generations from operations | | 10,813 | 40,995 |
| Trade receivable (increase) decrease | | 19,793 | 25,226 |
| Inventory (increase) decrease | | 5,483 | (280) |
| Trade payable increase (decrease) | | (26,840) | (43,258) |
| Income tax payments | | (14,983) | (1,287) |
| Advances and post-employment benefits | | (1,611) | (1,699) |
| Net difference for other assets/liabilities | | (33,788) | (36,208) |
| Cash flow generated (absorbed) by operations | | (41,133) | (16,511) |
| Price collected (paid) net of cash transferred / acquired | | - | (66) |
| (Purchase) disposal of intangible assets | | (2,330) | (8,856) |
| (Purchase) disposal of properties, plants and machinery | | (1,358) | (1,263) |
| (Purchase) disposal of investments | | 21,078 | 14,928 |
| (Purchase) disposal of financial assets | | (10,247) | 1,791 |
| Cash flow generated (absorbed) by investment activities | | 7,143 | 6,534 |
| Net difference in financial liabilities | | 28,283 | 1,495 |
| Payment of net financial costs on loans and transactions with derivatives | | (7,280) | (7,099) |
| (Purchase) transfer of treasury shares | 20 | (3,041) | - |
| Dividends paid out | 20 | - | (40,301) |
| Cash flow generated (absorbed) by the financing activity | | 17,962 | (45,905) |
| Increase (decrease) of cash and cash equivalents | | (16,028) | (55,882) |
| Cash and cash equivalents at the beginning of the period | 19 | 82,942 | 84,901 |
| Cash and cash equivalents at the end of the period | 19 | 66,914 | 29,019 |
| Cash and other cash equivalents composition | | | |
| Cash, cheques and securities | | 2,192 | 1,304 |
| Bank and postal deposits | | 64,722 | 27,715 |
| | 19 | 66,914 | 29,019 |

For the Board of Directors
The Chairman
Marina Berlusconi

Half-Year Report at June 30, 2012
Tables to the Group's Half-Year Consolidated Financial Statements
Amounts in euro thousands

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

| Assets (Euro/000) | Note | 06/30/2012 | of which related parties (note 33) | 12/31/2011 | of which related parties (note 33) |
|--|------|------------------|---------------------------------------|------------------|---------------------------------------|
| Intangible assets | 9 | 941,822 | - | 947,303 | - |
| Property investments | 10 | 2,768 | - | 2,761 | - |
| Land and buildings | | 9,860 | - | 10,215 | - |
| Plants and machinery | | 11,456 | - | 12,405 | - |
| Other tangible assets | | 28,975 | - | 30,651 | - |
| Property, plants and machinery | 11 | 50,291 | 0 | 53,271 | 0 |
| Investments valued at equity | | 109,444 | - | 126,134 | - |
| Other investments | | 1,010 | - | 995 | - |
| Total investments | 12 | 110,454 | 0 | 127,129 | 0 |
| Non-current financial assets | 19 | 6,925 | 6,477 | 6,925 | 6,477 |
| Anticipated tax assets | 13 | 43,428 | - | 48,137 | - |
| Other non-current assets | 14 | 1,176 | - | 1,052 | - |
| Total non-current assets | | 1,156,864 | 6,477 | 1,186,578 | 6,477 |
| Tax receivables | 15 | 44,356 | 2,470 | 40,831 | 2,470 |
| Other current assets | 16 | 99,513 | - | 80,280 | - |
| Inventory | 17 | 136,932 | - | 137,066 | - |
| Trade receivables | 18 | 345,657 | 37,123 | 360,369 | 38,478 |
| Other current financial assets | 19 | 32,236 | 4,077 | 24,583 | 3,057 |
| Cash and other cash equivalents | 19 | 66,914 | - | 82,942 | - |
| Total current assets | | 725,608 | 43,670 | 726,071 | 44,005 |
| Assets held for sale or transferred | | - | - | - | - |
| Total assets | | 1,882,472 | 50,147 | 1,912,649 | 50,482 |

Half-Year Report at June 30, 2012
Tables to the Group's Half-Year Consolidated Financial Statements
Amounts in euro thousands

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

| Liabilities (Euro/000) | Note | 06/30/2012 | of which related parties (note 33) | 12/31/2011 | of which related parties (note 33) |
|---|------|------------------|---------------------------------------|------------------|---------------------------------------|
| Shareholders' equity | | 64,079 | - | 64,079 | - |
| Share premium reserve | | 210,200 | - | 210,200 | - |
| Treasury shares | | (73,497) | - | (70,456) | - |
| Other reserves and result carried forward | | 366,848 | - | 320,367 | - |
| Income (loss) for the period | | 7,536 | - | 49,621 | - |
| Group's Shareholders' equity | 20 | 575,166 | 0 | 573,811 | 0 |
| Minority shareholders' capital and reserves | 20 | 33,488 | - | 35,068 | - |
| Total net equity | | 608,654 | 0 | 608,879 | 0 |
| Provisions | 21 | 43,077 | - | 47,443 | - |
| Post-employment benefits | 22 | 52,781 | - | 53,508 | - |
| Non-current financial liabilities | 19 | 412,899 | 69,416 | 412,812 | 65,000 |
| Deferred tax liabilities | 13 | 104,610 | - | 103,259 | - |
| Other non-current liabilities | | - | - | - | - |
| Total non-current liabilities | | 613,367 | 69,416 | 617,022 | 65,000 |
| Income tax payables | 23 | 13,578 | 5,049 | 22,938 | 13,953 |
| Other current liabilities | 24 | 243,782 | - | 259,932 | - |
| Trade payables | 25 | 339,947 | 20,384 | 366,837 | 84,509 |
| Payables due to banks and other financial liabilities | 19 | 63,144 | 2,284 | 37,041 | 3,689 |
| Total current liabilities | | 660,451 | 27,717 | 686,748 | 102,151 |
| Liabilities held for sale or transferred | | - | - | - | - |
| Total liabilities | | 1,882,472 | 97,133 | 1,912,649 | 167,151 |

Half-Year Report at June 30, 2012
Tables to the Group's Half-Year Consolidated Financial Statements
Amounts in euro thousands

Consolidated income statement Pursuant to Consob Regulation no. 15519 of 27 July 2006

| (Euro/000) | Note | 06/30/2012 | of which related parties (note 33) | of which non-recurring costs (revenues) (note 36) | 06/30/2011 | of which related parties (note 33) | of which non-recurring costs (revenues) (note 36) |
|---|-------|----------------|---|---|----------------|---|---|
| Revenues from sales and services | 26 | 676,207 | 25,637 | - | 738,719 | 30,791 | - |
| Inventory decrease (increase) | 17 | 34 | - | - | (3,305) | - | - |
| Cost of raw, ancillary, consumption materials and goods | 27 | 98,541 | 7,693 | - | 114,352 | 6,564 | - |
| Cost of services | 28 | 400,683 | 12,770 | - | 425,928 | 107,021 | - |
| Personnel | 29 | 141,961 | - | - | 137,711 | - | - |
| Other costs (revenues) | 30 | 4,089 | (761) | (3,928) | 17,391 | (3,466) | - |
| Revenues (costs) from investments valued at equity | 31 | 5,105 | - | 122 | 12,344 | - | - |
| EBITDA | | 36,004 | 5,935 | 4,050 | 58,986 | (79,328) | 0 |
| Depreciation and impairment loss on investments, plants and machinery | 10-11 | 5,579 | - | - | 5,559 | - | - |
| Amortization and impairment loss on intangible assets | 9 | 6,636 | - | - | 5,477 | - | - |
| EBIT | | 23,789 | 5,935 | 4,050 | 47,950 | (79,328) | 0 |
| Financial revenues (costs) | 32 | (8,212) | (1,126) | - | (10,395) | (607) | - |
| Revenues (costs) from other investments | | - | - | - | - | - | - |
| Pre-tax result | | 15,577 | 4,809 | 4,050 | 37,555 | (79,935) | 0 |
| Income tax | 33 | 6,492 | - | 153 | 14,813 | - | - |
| Result from operations | | 9,085 | 4,809 | 3,897 | 22,742 | (79,935) | 0 |
| Revenues (costs) from assets/liabilities held for sale or transferred | | - | - | - | - | - | - |
| Net result | | 9,085 | 4,809 | 3,897 | 22,742 | (79,935) | 0 |
| Attributable to: | | | | | | | |
| - Minority shareholders | | 1,549 | - | 22 | 25 | - | - |
| - Parent Company's shareholders | | 7,536 | - | 3,875 | 22,717 | - | - |

Accounting principles and explanatory notes

Accounting principles and other information

1. General information

The core business of Arnoldo Mondadori Editore S.p.A. and of its directly or indirectly owned companies (hereinafter jointly referred to as the “Mondadori Group” or the “Group”) is the performance of activities in the publishing sector of books, magazines, radio broadcasting and the sale of advertising space.

The Group also carries out retailing activities through directly owned stores and franchised stores present throughout Italy and a direct marketing and mail order selling activity for publishing products.

In 2011 Mondadori extended its offer of products and services through the use of cutting edge technology.

Arnoldo Mondadori Editore S.p.A. has its legal offices in Milan, via Bianca di Savoia 12. The headquarters are located in Segrate, Milan, Strada privata Mondadori.

The Company is listed on the *Mercato Telematico Azionario* (MTA) (Italian electronic share market) of Borsa Italiana S.p.A.

The advertisement of Mondadori Group's consolidated interim report ended at June 30, 2012 was authorised by the Board of Directors' resolution of July 26, 2012.

2. Form and content

The Group's interim consolidated report includes the Group's consolidated interim summary financial statements and was drafted in compliance with IAS 34 and art. 154 ter of the Finance Consolidation Act and therefore does not include all supplementary information requested in the annual report and should be construed jointly with the Group's consolidated financial statements ended as at December 31, 2011.

The tables included in these financial statements were drafted according to the following criteria:

- current and non-current assets and current and non-current liabilities are shown separately in the consolidated balance sheet;
- in the consolidated separate income statement, the analysis of costs is carried out on the basis of the nature of the costs, due to the Group's decision that this method is more representative than an analysis by function;

- the consolidated comprehensive income statement contains revenue and cost items that are not recognised under income (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

With reference to the requirements of Consob Resolution no. 15519 of 27 July 2006 concerning the tables used in financial statements, specific supplementary tables were included to highlight significant transactions with “Related parties” and “Extraordinary transactions”.

The amounts shown in the tables and in the notes are expressed in thousands of euros, unless specifically indicated.

3. Consolidation area

The changes made to the consolidation area during the first half of 2012 are detailed here below:

- the minority interest held by Fun Gaming S.r.l. in Glaming S.r.l., was acquired and now the company is fully owned. For further information reference should also be made to Note 8.1;
- the transfer of the minority interest held in Mondadori Printing S.p.A. was completed. For further information reference should also be made to Note 8.2;
- minority interests were acquired in the radio segment.

4. Drafting criteria

The Mondadori Group's Consolidated Interim Abbreviated Financial Statements were drafted on the understanding of business continuity, adopting the same accounting principles used for the preparation of the consolidated financial statements for the year ended as at December 31, 2011, except for those which went into effect as of 1 January 2012, as specified here below:

IAS 12 – Income taxes

In December 2010 IASB revised IAS 12 – *Income taxes*, introducing the assumption that deferred taxes relative to property investments valued at fair value pursuant to IAS 40 must be determined considering that the book value of such asset is expected to be recovered through the sale of the asset.

The amendment is effective retroactively as of 1 January 2012; however, the Group does not have any cases of this nature.

5. Use of estimates

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

For more information about the main accounting estimates, reference should be made to the "Annual Report" drafted as at December 31, 2011.

6. Seasonal nature of business activities

Due to the seasonal nature of the school textbook publishing sector, revenues and profits for the second half of the year are expected to be higher than those for the first six months. Revenues resulting from the adoption of textbooks by schools are concentrated in the second half of the year, coinciding with the beginning of the school year.

7. Segment information

The information required by IFRS 8 reflects the Group organisational structure, which includes the following Divisions: Books, Italian Magazines and French Magazines, Advertising, Direct, Radio and Central Functions.

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

Information relating to segment reporting is included in the notes here below.

8. Business combinations, acquisitions and disposals

Here below is a summary of the most significant transactions completed in the first six months of 2012.

8.1 Acquisition of 30% interest in Glaming S.r.l.

On June 5, 2012 Arnoldo Mondadori Editore S.p.A. acquired the entire stake owned by Fun Glaming S.r.l. in Glaming S.r.l..

The transaction, completed against the payment of a price equal to euro 828 thousand, enabled Mondadori to increase its shareholding from 70% to 100% of the company's capital. Pursuant to IFRS 3R, this is not considered a business combination, since the Mondadori Group already had control of the subsidiary. As a result, the transaction was considered as a transaction between controlling and minority shareholders.

8.2 Transfer of the stake held in Mondadori Printing S.p.A.

On 10 January 2012, the residual 20% stake in the share capital of Mondadori Printing S.p.A., held by Arnoldo Mondadori Editore S.p.A., was transferred to Pozzoni S.p.A.

The transaction was completed following the exercise of the call option granted in the preliminary contract, entered into on 19 November 2008, by virtue of which Mondadori had transferred to the Pozzoni group 80% of the share capital of Mondadori Printing S.p.A.

The call option was exercised at the price of Euro 19.2 million, as defined in the 2008 agreement, entirely collected, generating a capital gain equal to approximately euro 5.7 million, recognized under the "Income (costs) from investments valued at equity" item.

9. Intangible assets

In the period under investigation, "Intangible assets" did not change substantially with reference to purchase or transfer transactions; the reduced balance is therefore mostly ascribable to period amortization.

Intangible assets with a finite useful life include the magazines published by Mondadori Group France, comprising *Téléstar*, *Closer*, *Pleine Vie* and *Le Chasseur Français*.

Here below is a table reporting 2011 figures and the figures relative to the first half of 2012.

| Intangible assets with a finite useful life (Euro/000) | Magazines | Customer lists | Charges for taking over store lease contracts | Software | Licenses, patents and rights | Other intangible assets | Intangible assets in progress and advances | Total |
|--|----------------|----------------|---|---------------|------------------------------|-------------------------|--|----------------|
| Historical cost at 12/31/2010 | 222,000 | - | 31,736 | 19,387 | 1,046 | 4,314 | 719 | 279,202 |
| Acquisitions | 26,000 | 8,000 | - | 1,966 | 390 | 162 | 143 | 36,661 |
| Disposals | - | - | (249) | (351) | - | - | - | (600) |
| Changes in the consolidation area | - | - | - | 238 | - | - | - | 238 |
| Other changes | - | - | - | 87 | 470 | (206) | (719) | (368) |
| Historical cost at 12/31/2011 | 248,000 | 8,000 | 31,487 | 21,327 | 1,906 | 4,270 | 143 | 315,133 |
| Accumulated amortization and impairment loss as at 12/31/2010 | 28,573 | - | 10,380 | 16,696 | 959 | 3,606 | - | 60,214 |
| Amortization | 7,164 | - | 1,771 | 1,858 | 146 | 195 | - | 11,134 |
| Impairment/(reversal of impairment) | 2,200 | - | - | - | - | - | - | 2,200 |
| Disposals | - | - | (145) | (349) | - | - | - | (494) |
| Changes in the consolidation area | - | - | - | 203 | - | - | - | 203 |
| Other changes | - | - | - | (210) | 191 | 115 | - | 96 |
| Accumulated amortization and impairment loss as at 12/31/2011 | 37,937 | 0 | 12,006 | 18,198 | 1,296 | 3,916 | 0 | 73,353 |
| Net value at 12/31/2010 | 193,427 | 0 | 21,356 | 2,691 | 87 | 708 | 719 | 218,988 |
| Net value at 12/31/2011 | 210,063 | 8,000 | 19,481 | 3,129 | 610 | 354 | 143 | 241,780 |

| Intangible assets with a finite useful life (Euro/000) | Magazines | Customer lists | Charges for taking over store lease contracts | Software | Licenses, patents and rights | Other intangible assets | Intangible assets in progress and advances | Total |
|--|----------------|----------------|---|--------------|------------------------------|-------------------------|--|----------------|
| Historical cost at 12/31/2011 | 248,000 | 8,000 | 31,487 | 21,327 | 1,906 | 4,270 | 143 | 315,133 |
| Acquisitions | - | - | - | 978 | 6 | 16 | 11 | 1,011 |
| Disposals | - | - | - | (5) | - | - | - | (5) |
| Changes in the consolidation area | - | - | - | - | - | - | - | 0 |
| Other changes | - | - | - | 100 | - | 28 | (124) | 4 |
| Historical cost at 06/30/2012 | 248,000 | 8,000 | 31,487 | 22,400 | 1,912 | 4,314 | 30 | 316,143 |
| Accumulated amortization and impairment loss as at 12/31/2011 | 37,937 | - | 12,006 | 18,198 | 1,296 | 3,916 | - | 73,353 |
| Amortization | 4,072 | 667 | 798 | 901 | 85 | 113 | - | 6,636 |
| Impairment/(reversal of impairment) | - | - | - | - | - | - | - | 0 |
| Disposals | - | - | - | - | - | - | - | 0 |
| Changes in the consolidation area | - | - | - | - | - | - | - | 0 |
| Other changes | - | - | - | - | - | 4 | - | 4 |
| Accumulated amortization and impairment loss as at 06/30/2012 | 42,009 | 667 | 12,804 | 19,099 | 1,381 | 4,033 | 0 | 79,993 |
| Net value at 12/31/2011 | 210,063 | 8,000 | 19,481 | 3,129 | 610 | 354 | 143 | 241,780 |
| Net value at 06/30/2012 | 205,991 | 7,333 | 18,683 | 3,301 | 531 | 281 | 30 | 236,150 |

Intangible assets with an indefinite useful life include the magazines acquired by Silvio Berlusconi Editore S.p.A., (comprising *TV Sorrisi e Canzoni*, *Chi*, *Telepiù*) and by Elemond S.p.A. (*Interni* and *Casabella*); the imprints and book series published by Einaudi, Sperling & Kupfer, Piemme, the educational publishing houses; the radio frequencies of *R101* and goodwill regarding the relevant Cash Generating Units.

The table below shows 2011 figures and the figures of the first half of 2012.

| Intangible assets with an indefinite useful life (Euro/000) | Magazines | Series | Imprints | Radio frequencies | Goodwill | Total |
|---|---------------|---------------|--------------|-------------------|----------------|----------------|
| Historical cost at 12/31/2010 | 98,158 | 31,509 | 6,530 | 127,696 | 435,197 | 699,090 |
| Investments | - | - | - | 1,160 | 47,811 | 48,971 |
| Disposals | - | - | - | (1,460) | (23,338) | (24,798) |
| Changes in the consolidation area | - | - | - | - | - | 0 |
| Other changes | - | - | - | - | - | 0 |
| Historical cost at 12/31/2011 | 98,158 | 31,509 | 6,530 | 127,396 | 459,670 | 723,263 |
| Impairment at 12/31/2010 | 10,226 | - | 2,827 | 2,910 | 647 | 16,610 |
| Impairment/(reversal of impairment) | - | - | 800 | 1 | 329 | 1,130 |
| Other changes | - | - | - | - | - | 0 |
| Impairment loss at 12/31/2011 | 10,226 | 0 | 3,627 | 2,911 | 976 | 17,740 |
| Net value at 12/31/2010 | 87,932 | 31,509 | 3,703 | 124,786 | 434,550 | 682,480 |
| Net value at 12/31/2011 | 87,932 | 31,509 | 2,903 | 124,485 | 458,694 | 705,523 |

| Intangible assets with an indefinite useful life (Euro/000) | Magazines | Series | Imprints | Radio frequencies | Goodwill | Total |
|---|-----------|--------|----------|-------------------|----------|-------|
|---|-----------|--------|----------|-------------------|----------|-------|

Half-Year Report at June 30, 2012
Notes to the Group's Half-Year Consolidated Financial Statements
Amounts in Euro thousands

| | | | | | | |
|--------------------------------------|---------------|---------------|--------------|----------------|----------------|----------------|
| Historical cost at 12/31/2011 | 98,158 | 31,509 | 6,530 | 127,396 | 459,670 | 723,263 |
| Investments | - | - | - | 840 | - | 840 |
| Disposals | - | - | - | (691) | - | (691) |
| Changes in the consolidation area | - | - | - | - | - | 0 |
| Other changes | - | - | - | - | (611) | (611) |
| Historical cost at 06/30/2012 | 98,158 | 31,509 | 6,530 | 127,545 | 459,059 | 722,801 |
| Impairment at 12/31/2011 | 10,226 | - | 3,627 | 2,911 | 976 | 17,740 |
| Impairment/(reversal of impairment) | - | - | - | - | - | 0 |
| Other changes | - | - | - | - | (611) | (611) |
| Impairment loss at 06/30/2012 | 10,226 | 0 | 3,627 | 2,911 | 365 | 17,129 |
| Net value at 12/31/2011 | 87,932 | 31,509 | 2,903 | 124,485 | 458,694 | 705,523 |
| Net value at 06/30/2012 | 87,932 | 31,509 | 2,903 | 124,634 | 458,694 | 705,672 |

There are no restrictions or liens on the availability and use of the intangible assets recognised in these financial statements.

Amortization, impairment and reversal of impairment of intangible assets

The following table shows the amounts recognised in the “Amortization, impairment and reversal of impairment of intangible assets” item under income statement resulting from the amortization of intangible assets with both finite and indefinite useful life.

| Accumulated amortization and impairment loss of intangible assets (Euro/000) | 1st half of 2012 | 1st half of 2011 |
|--|-------------------------|-------------------------|
| Magazines | 4,072 | 3,581 |
| Customer lists | 667 | - |
| Charges for taking over store lease contracts | 798 | 899 |
| Software | 901 | 826 |
| Licenses, patents and rights | 85 | 20 |
| Other intangible assets | 113 | 151 |
| Total accumulated amortization and impairment loss of intangible assets | 6,636 | 5,477 |
| Impairment of intangible assets | - | - |
| Reversal of impairment of intangible assets | - | - |
| Total impairment (reversal) of intangible assets | 0 | 0 |
| Total accumulated amortization and impairment loss of intangible assets | 6,636 | 5,477 |

Impairment test process

Upon drafting these interim financial statements, Top Management verified the up-to-dateness of the forecasts included in the three/five-year budget plans used to estimate the fair value and the value in use as at 31 December 2011 in order to determine the possible reversal of impairment on the magazines, series, imprints, interest and goodwill.

The analysis conducted confirmed the assumptions adopted in the preparation of the plans. For more information and for the description of the impairment test process used by the Group reference should be made to the "Annual Report".

Here below is a detailed analysis, updated to 30 June 2012, of the value of assets, broken down by Cash Generating Unit:

| Cash Generating Unit (Euro/000) | Magazine s | Custom er lists | Series | Imprint s | Radio frequencies | Goodwill | Location | Total |
|---|----------------|--------------------|---------------|--------------|----------------------|----------------|---------------|----------------|
| Group of CGUs magazines from former Silvio Berlusconi Editore | 83,579 | | | | | 731 | | 84,310 |
| Group of CGUs magazines from former Elemond | 2,246 | | | 12 | | 311 | | 2,569 |
| CGU Einaudi | | | 2,991 | | | 286 | | 3,277 |
| CGU Sperling & Kupfer | | | 1,817 | | | 731 | | 2,548 |
| CGU Mondadori Education | | | 18,933 | | | 12,042 | | 30,975 |
| CGU Piemme | | | 7,768 | 519 | | 5,059 | | 13,346 |
| Group of CGUs R101 | | | | 372 | 124,634 | | | 125,006 |
| Group of CGUs Mondadori France | 205,991 | 7,333 | | | | 432,200 | | 645,524 |
| Group of CGUs location retail | | | | | | | 18,683 | 18,683 |
| Other CGUs | 2,107 | | | 2,000 | | 7,334 | | 11,441 |
| | 293,923 | 7,333 | 31,509 | 2,903 | 124,634 | 458,694 | 18,683 | 937,679 |

10. Property investments

Changes in the period in the "Property investments" item refer to capex aimed at increasing the value of the already owned properties and the relevant amortization and depreciation, equal to euro 52 thousand.

It should also be noted that there are no restrictions on the use of the assets classified under property investments.

11. Properties, plants and equipment

The following tables show the changes in 2011 and the first half of 2012.

Investments in the period, amounting to euro 2,913 thousand, mainly referred to furniture, fittings and office automation equipment in replacement of obsolete assets.

| Properties, plants and equipment (Euro/000) | Land | Instrumental buildings | Plants and equipment | Other tangible assets | Total |
|--|--------------|---------------------------|-------------------------|-----------------------------|----------------|
| Historical cost at 12/31/2010 | 1,434 | 19,449 | 29,349 | 135,995 | 186,227 |
| Investments | - | 214 | 1,412 | 7,917 | 9,543 |
| Disposals | - | - | (45) | (3,366) | (3,411) |
| Changes in the consolidation area | - | - | - | 334 | 334 |
| Other changes | - | 30 | 7,853 | (8,186) | (303) |
| Historical cost at 12/31/2011 | 1,434 | 19,693 | 38,569 | 132,694 | 192,390 |
| Accumulated depreciation and impairment at 12/31/2010 | - | 10,203 | 23,836 | 96,229 | 130,268 |
| Depreciation | - | 709 | 2,370 | 8,943 | 12,022 |
| Impairment/(reversal of impairment) | - | - | - | - | 0 |
| Disposals | - | - | (42) | (2,941) | (2,983) |
| Changes in the consolidation area | - | - | - | 293 | 293 |
| Other changes | - | - | - | (481) | (481) |
| Accumulated depreciation and impairment at 12/31/2011 | 0 | 10,912 | 26,164 | 102,043 | 139,119 |
| Net value at 12/31/2010 | 1,434 | 9,246 | 5,513 | 39,766 | 55,959 |
| Net value at 12/31/2011 | 1,434 | 8,781 | 12,405 | 30,651 | 53,271 |

| Properties, plants and equipment (Euro/000) | Land | Instrumental buildings | Plants and equipment | Other tangible assets | Total |
|--|--------------|---------------------------|-------------------------|-----------------------------|----------------|
| Historical cost at 12/31/2011 | 1,434 | 19,693 | 38,569 | 132,694 | 192,390 |
| Investments | - | - | 140 | 2,773 | 2,913 |
| Disposals | - | - | (6) | (3,247) | (3,253) |
| Changes in the consolidation area | - | - | - | - | 0 |
| Other changes | - | - | 71 | (111) | (40) |
| Historical cost at 06/30/2012 | 1,434 | 19,693 | 38,774 | 132,109 | 192,010 |
| Accumulated depreciation and impairment at 12/31/2011 | - | 10,912 | 26,164 | 102,043 | 139,119 |
| Depreciation | - | 355 | 1,159 | 4,013 | 5,527 |
| Impairment/(reversal of impairment) | - | - | - | - | 0 |
| Disposals | - | - | - | (2,921) | (2,921) |
| Changes in the consolidation area | - | - | - | - | 0 |
| Other changes | - | - | (5) | (1) | (6) |
| Accumulated depreciation and impairment at 06/30/2012 | 0 | 11,267 | 27,318 | 103,134 | 141,719 |
| Net value at 12/31/2011 | 1,434 | 8,781 | 12,405 | 30,651 | 53,271 |
| Net value at 06/30/2012 | 1,434 | 8,426 | 11,456 | 28,975 | 50,291 |

Depreciation of properties, plants and equipment

The overall amount of depreciation for the period recognised in the “Depreciation and impairment of properties, plants and equipment” item under income statement totalled euro 5,527 thousand, in line with the first half of 2011.

| Depreciation of properties, plants and equipment (Euro/000) | 1st half of 2012 | 1st half of 2011 |
|---|-------------------------|-------------------------|
| Instrumental buildings | 355 | 351 |
| Plants and machinery | 1,159 | 1,135 |
| Equipment | 1,411 | 1,433 |
| Electronic office machines | 1,173 | 1,056 |
| Furniture and fittings | 828 | 799 |
| Vehicles and transport vehicles | 37 | 159 |
| Leasehold improvements | 540 | 566 |
| Other tangible assets | 24 | 15 |
| Total depreciation of properties, plants and equipment | 5,527 | 5,514 |
| Impairment of tangible assets | - | - |
| Reversal of impairment of tangible assets | - | - |
| Total impairment (reversal) of tangible assets | 0 | 0 |
| Total depreciation and impairment of tangible assets | 5,527 | 5,514 |

Leased assets

It should be noted that compared to the situation as at 31 December 2010, no new contracts have been stipulated nor have any expired. In addition, such contracts do not place any restrictions or liens on the distribution of dividends, underwriting of other leasing contracts or finance agreements.

12. Investments

At the end of the first half of 2012, investments amounted to euro 110,454 thousand, down against December 31, 2011, following the transfer of the shareholding held in Mondadori Printing S.p.A. and the valuation at equity of the joint ventures and the associated companies, which discounted the dividend payout of the previous year.

“Investments valued at equity” include changes better described in Note 8, to which reference should be made.

| Investments (Euro/000) | 06/30/2012 | 12/31/2011 |
|----------------------------------|-------------------|-------------------|
| Investments valued at equity | 109,444 | 126,134 |
| Investments in other companies | 1,010 | 995 |
| Total investments | 110,454 | 127,129 |

For the purpose of calculating the recoverable value of investments, reference should be made to the considerations made in Note 9. In relation to the interest held in the Attica Group, listed on the Athens Stock Exchange, it should be noted that the SE value is not considered representative of the fair value, since the float is limited and the trades in the period show irrelevant volumes in terms of quantity and amount.

| Investments valued at equity - Detail (Euro/000) | 06/30/2012 | 12/31/2011 |
|--|-------------------|-------------------|
| Investments in joint ventures: | | |
| - Gruner + Jahr/Mondadori S.p.A. | 2,507 | 3,519 |
| - Milano Distribuzione Media S.r.l. | 278 | 281 |
| - Harlequin Mondadori S.p.A. | 608 | 717 |
| - Edizioni EL S.r.l. | 2,732 | 3,053 |
| - Random House Mondadori Group | 51,989 | 51,948 |
| - Attica Publications Group | 29,672 | 29,639 |
| - ACI - Mondadori S.p.A. | 572 | 610 |
| - Mediamond S.p.A. | 1,036 | 1,026 |
| - Mondadori Independent Media LLC | 791 | 839 |
| - Mondadori Seec Advertising Co. Ltd | - | - |
| - EMAS Digital S.a.s. | 5,528 | 5,990 |
| Total investment in joint ventures | 95,713 | 97,622 |
| Investments in associated companies: | | |
| - Mach 2 Libri S.p.A. | 6,067 | 6,690 |
| - Mach 2 Press S.r.l. | 475 | 574 |
| - Società Europea Edizioni S.p.A. | 7,087 | 7,667 |
| - Mondadori Printing S.p.A. | - | 13,479 |
| - Campania Arte S.c. a r.l. | 22 | 22 |
| - Consorzio Covar (in liquidation) | 2 | 2 |
| - Consorzio Forma | 1 | 1 |
| - Roccella S.c. a r.l. | 21 | 21 |
| - Novamusa Val di Noto S.c. a r.l. | 18 | 18 |
| - Novamusa Valdemone S.c. a r.l. | 21 | 21 |
| - Novamusa Val di Mazara S.c. a r.l. | 17 | 17 |
| Total investments in associated companies | 13,731 | 28,512 |
| Total investments valued at equity | 109,444 | 126,134 |

The following tables provide an analysis of the changes in the balance of investments in other companies valued at fair value and ascribable to an investment made in a consortium operating in the radio broadcasting segment.

Below is the breakdown of investments in other companies.

| Investments in other companies – Detail (Euro/000) | 06/30/2012 | 12/31/2011 |
|---|--------------|------------|
| Investments in other companies: | | |
| - Società Editrice Il Mulino S.p.A. | 101 | 101 |
| - Consuedit S.r.l. | 1 | 1 |
| - Consorzio Sistemi Informativi Editoriali Distributivi | 10 | 10 |
| - Immobiliare Editori Giornali S.r.l. | 52 | 52 |
| - Audiradio | 23 | 23 |
| - Consorzio Forte Montagnolo | 1 | 1 |
| - Consorzio Riqualificazione Monte Gennaro | 1 | 1 |
| - Consorzio Camaldoli 1 | 2 | 2 |
| - Consorzio Antenna Colbuccaro | 8 | 8 |
| - Aranova Freedom S.c. a r.l. | 30 | 30 |
| - Club DAB Italia S.C.p A. | 15 | - |
| - CTAV | 3 | 3 |
| - MLP | 758 | 758 |
| - Presstalis | 2 | 2 |
| - Sem Issy Media | 3 | 3 |
| Total investment in other companies | 1,010 | 995 |

13. Anticipated tax assets and deferred tax liabilities

The following tables detail “Anticipated tax assets” and “Deferred tax liabilities”.

“Anticipated tax assets” decreased as a result of the utilisation of some funds subject to taxation recognized as at 31 December 2010; “Deferred tax liabilities” rose as a result of the difference between balance sheet items and the intangible assets tax values.

| (Euro/000) | 06/30/2012 | 12/31/2011 |
|---------------------------------------|----------------|----------------|
| Anticipated IRES | 40,582 | 45,324 |
| Anticipated IRAP | 2,587 | 2,813 |
| Total anticipated tax assets | 43,169 | 48,137 |
| Deferred IRES | 99,424 | 98,364 |
| Deferred IRAP | 5,186 | 4,895 |
| Total deferred tax liabilities | 104,610 | 103,259 |

14. Other non-current assets

Other non-current assets” are essentially in line with the balance amount of end of 2011 (euro 1,176 thousand against euro 1,052 thousand).

15. Tax receivables

The increase in “Tax receivables” (euro 44,356 thousand against euro 40,831 thousand) is due to tax advance payments made by the French subsidiaries.

16. Other current activities

“Other current activities” rose from euro 80,280 thousand as at December 31, 2011 to euro 99,513 thousand as at June 30, 2012. This increase is mainly attributable to the seasonal nature of some specific businesses. In particular, Books and above all School Textbooks, showing a credit position towards agents and part of the authors as at the end of the first semester as a result of the advance amounts paid and not yet covered by sales.

17. Inventory

As to “Inventory” (euro 136,932 thousand against euro 137,066 thousand at December 31, 2011), there are no substantial changes to note.

However, the increased value due to the higher production concentration that refers back to the seasonal nature indicated above is counterbalanced by a reduction following the implementation of the circulation control policy.

The evaluation of inventory takes into account the level of obsolescence and, consequently, the saleability of finished products. Provisions for write-downs were partially used for pulping during the period of reference.

No inventory was used to secure liabilities.

18. Trade receivables

“Trade receivables” (euro 345,657 thousand against euro 360,369 thousand in 2011) were substantially affected by the seasonal nature of some specific businesses and shrinking sales, particularly with regard to advertising sales and magazines published in Italy.

| Trade receivables (Euro/000) | 06/30/2012 | 12/31/2011 |
|--|-------------------|-------------------|
| Receivables from customers | 308,534 | 321,891 |
| Receivables from associated companies | 36,253 | 36,596 |
| Receivables from parent companies | - | - |
| Receivables from affiliated companies | 870 | 1,882 |
| Total trade receivables | 345,657 | 360,369 |

Details of receivables from associated, parent and affiliated companies are contained in the “Transactions with related parties”.

Trade transactions with these companies are carried out under standard market conditions.

It should be noted that there are no trade receivables due over five years.

19. Financial position

Financial assets essentially include investments in liquidity in Mondadori International S.p.A. for a total of euro 31.5 million, while the rest comprises financial receivables from associated or third companies or financial accrued income and deferred expenses.

At June 30, 2012, the actual interest rate on the existing loans was equal to 1.819%.

Financial covenants (Net Financial Position / 12-month rolling EBITDA) existing to date on loans have all been met.

| Indebtedness (Euro/000) | 12/31/2011 | Increases | Decreases | 06/30/2012 |
|-----------------------------------|-------------------|------------------|------------------|-------------------|
| Pool/Club Deal loans | 150,000 | - | - | 150,000 |
| 2013-2016 bilateral loan | 100,000 | - | - | 100,000 |
| 2016 rev. Bilateral loan | - | 25,000 | - | 25,000 |
| Pool Popolari loan | 104,000 | - | (26,000) | 78,000 |
| Mediobanca loan | 65,000 | - | - | 65,000 |
| GE Capital loan | 7,500 | - | - | 7,500 |
| Total | 426,500 | 25,000 | (26,000) | 425,500 |

Here below is the net financial position in accordance with Consob recommendations. If the balance of "Non-current financial assets" were added, the net financial position would show a deficit of euro 369,968 thousand.

| Net Financial Position (Euro/000) | 06/30/2012 | 12/31/2011 |
|---|-------------------|-------------------|
| A Cash | 2,192 | 2,159 |
| -Bank deposits | 63,762 | 79,381 |
| -Postal deposits | 960 | 1,402 |
| B Other cash and cash equivalents | 64,722 | 80,783 |
| C Cash and cash equivalents and other financial assets (A+B) | 66,914 | 82,942 |
| D Securities held for trading | | |
| -Financial receivables from associated companies | 3,635 | 3,057 |
| -Financial assets valued at fair value | - | - |
| -Financial assets held for sale | 10,751 | 15,709 |
| -Derivative instruments and other financial assets | 17,850 | 5,817 |
| E Receivables and other current financial activities | 32,236 | 24,583 |
| F Current financial assets (D+E) | 32,236 | 24,583 |
| G Current payables to banks | 31,613 | 371 |
| -Bonds | - | - |
| -Mortgages | - | - |
| -Loans | 26,626 | 26,863 |
| H Current part of non-current payables | 26,626 | 26,863 |
| -Financial payables to associated companies | 2,284 | 3,689 |
| -Derivative instruments and other financial liabilities | 2,621 | 6,118 |
| I Other current financial payables | 4,905 | 9,807 |
| L Payables to banks and other financial liabilities (G+H+I) | 63,144 | 37,041 |
| M Current net financial position (C+F-L) | 36,006 | 70,484 |
| -Bonds | - | - |
| -Mortgages | - | - |
| -Loans | 398,419 | 399,231 |
| N Part of non-current payables | 398,419 | 399,231 |
| O Other non-current financial payables | 14,480 | 13,581 |
| P Non-current financial payables (N+O) | 412,899 | 412,812 |
| Q Net financial position (M-P) | (376,893) | (342,328) |

20. Shareholder equity

In the first half of 2012 changes in "Shareholders' equity" are mainly attributable to the recognition of profits/losses on financial instruments valued at fair value and according to the cash flow hedge principle and reserve adjustments relating to the conversion of accounts in currencies other than the euro and stock options.

It should be noted that the share capital of the parent company Arnoldo Mondadori Editore S.p.A. remained unchanged against December 31, 2011 and that the entity controlling the Mondadori Group is Fininvest S.p.A.

Reserves attributable to minority shareholders refer to Edizioni Piemme S.p.A. and Editions Mondadori Axel Springer S.n.c.

21. Provisions

"Provisions" (euro 43,077 thousand against euro 47,443 thousand) registered a reduction mainly as a result of an update on the risks for legal disputes.

22. Post-employment benefits

This item includes post-employment benefits, the indemnities due to agents and other indemnities, as specified in the table below.

| Post-employment benefits (Euro/000) | 06/30/2012 | 12/31/2011 |
|---|-------------------|-------------------|
| Provision for employee post-employment benefits | 45,862 | 46,505 |
| Provisions for agents' termination indemnity | 6,525 | 6,555 |
| Provisions for retirement indemnity and similar obligations | 394 | 448 |
| Total post-employment benefits | 52,781 | 53,508 |

With reference to the supplementary retirement programs, the first item is deemed to decrease along with the turnover; The second item is essentially in line with the year-end balance.

Employee post-employment benefits and agents' termination indemnities were determined in accordance with IAS 19 and IAS 37, respectively, by applying an actuarial method; the parameters used are in line with those at 31 December 2011.

23. Income tax

Income tax comprises the payable amount recognized as at June 30, 2012, including the residual debt amount accrued in 2011 and the payable for estimated taxes at June 30, 2012, net of already paid advances.

24. Other current liabilities

This item shows a more limited balance variation (euro 243,782 thousand against euro 259,932 thousand). This change was largely due to the seasonal nature of the school textbooks segment in particular and of Books in general, where costs of commissions and rights are mainly concentrated in the second half of the year.

25. Trade payables

The same considerations made for "Trade receivables" apply to "Trade payables": the seasonal nature of some businesses is also reflected on the payables to suppliers, decreasing this item's balance amount from euro 366,837 thousand as at December 31, 2011 to euro 339,947 thousand as at June 30, 2012.

For more details about payables to associated, parent and affiliated companies, reference should be made to "Transactions with related parties".

Trade transactions with related parties are carried out under standard market conditions.

It should be noted that there are no trade payables due over 5 years.

In relation to income statement items, it should be noted that Editions Mondadori Axel Springer S.n.c. was consolidated on a line-by-line basis since December 31, 2011 and, consequently, the balance values are not immediately comparable with the figures of the first half of 2011.

As to the most relevant effects, information is provided hereinbelow including values on a like-for-like basis.

26. Revenues from sales and services

"Revenues from sales and services", equal to euro 676,207 thousand were down 8.5% against June 30, 2011. On a like-for-like basis, the value, considering the different consolidation method applied for Editions Mondadori Axel Springer S.n.c. e AME Wellness S.r.l., would be equal to 11.1%.

For more details reference should be made to the "Interim Report on Operations".

27. Cost of raw, ancillary, consumption materials and goods

The lower costs incurred for the purchase of raw materials and goods are mainly attributable to third party products used for magazines, books, publishing products and merchandising sold in the proprietary bookshop network, in franchised stores and in the museum bookshops.

| Cost for raw, ancillary, consumption materials and goods (Euro/000) | 1st half 2012 | 1st half 2011 |
|---|----------------------|----------------------|
| Paper | 27,834 | 25,200 |
| Electricity, water, gas and fuel | 4,010 | 3,536 |
| Other production materials | 2,645 | 2,409 |
| Total cost of raw, ancillary materials | 34,489 | 31,145 |
| Goods for sale | 58,042 | 75,600 |
| Consumption and maintenance materials | 1,791 | 1,434 |
| Other | 4,219 | 6,173 |
| Total cost of consumption materials and goods | 64,052 | 83,207 |
| Total cost of raw, ancillary, consumption materials and goods | 98,541 | 114,352 |

28. Cost of services

“Cost of services” in the first half of 2012 decreased substantially against 2011 as a result of the different performance of the business units, which generated lower sales.

The table below is a detailed analysis of cost of services.

| Cost of services (Euro/000) | 1st half 2012 | 1st half 2011 |
|---|----------------------|----------------------|
| Rights and royalties | 55,533 | 58,477 |
| Third party consulting and collaborations | 40,611 | 41,450 |
| Commissions | 28,845 | 20,089 |
| Third party processing | 125,684 | 136,839 |
| Transport and shipping | 32,315 | 32,693 |
| Purchase of advertising space and publicity expense | 32,501 | 32,716 |
| Travel and other expense reimbursement | 5,769 | 6,015 |
| Maintenance | 4,059 | 3,626 |
| Warehousing and porter costs | 7,666 | 5,859 |
| Postal expenses and telephone | 5,430 | 6,363 |
| Catering and cleaning services | 4,428 | 4,463 |
| Market research | 2,473 | 2,354 |
| Insurance | 1,780 | 1,792 |
| Subscription management | 17,112 | 24,197 |
| Publisher's share | 9,792 | 15,637 |
| Job order services | 2,475 | 2,764 |
| Bank services and commissions | 1,203 | 999 |
| Directors' and statutory auditors' fees | 1,670 | 2,068 |
| Other services | 21,337 | 27,527 |
| Total cost of services | 400,683 | 425,928 |

It should also be noted that “Directors’ and statutory auditors’ fees” include fees due to directors and statutory auditors for euro 1,488 thousand and euro 182 thousand, respectively.

29. Personnel

“Personnel” amounted to euro 141,961 thousand at June 30, 2012 against euro 137,711 thousand at June 30, 2011, reflecting the effect of the changes in the consolidation area.

2012 data includes employee headcount and the relevant cost of both Editions Mondadori Axel Springer S.n.c. and AME Wellness S.r.l., consolidated according to the equity method in the first half of 2011.

On a like-for-like basis and net of the costs attributed to the start-up of Glaming S.r.l. and the restructuring plans, the cost for personnel in the first half of the year would have dropped 3%.

The table below provides information about Group’s employees; on a like-for-like basis, the headcount would be reduced by 51 units.

| Headcount | Actual 1st half 2012 | Actual 1st half 2011 | Average 1st half 2012 | Average 1st half 2011 |
|----------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Managers | 150 | 155 | 153 | 156 |
| Journalists | 885 | 812 | 902 | 797 |
| Employees and middle managers | 2,561 | 2,577 | 2,573 | 2,573 |
| Workers | 149 | 157 | 143 | 151 |
| Total | 3,745 | 3,701 | 3,771 | 3,677 |

30. Other expenses (income)

“Other expenses (income)” include revenues not deriving from the Group’s core activities, as well as charges and general expenses, other taxes, provisions and utilisations.

The improved balance (euro 4,089 thousand against euro 20,083 thousand in 2011) is mainly due to the contribution obtained on the consumption of paper in 2011, cost containment for leases and the revised risk estimates relating to a few legal disputes.

31. Result from investments valued at equity

The table below includes details of the results achieved in 2012 and in 2011 by the companies valued at equity.

This item, net of non-recurring items, registered a reduction compared to the first half of 2011 as a result of the Italian domestic and international economic scenario.

| Income (expenses) from investments valued at equity (Euro/000) | 1st half 2012 | 1st half 2011 |
|--|----------------------|----------------------|
| - Hearst Mondadori Editoriale S.r.l. | - | (223) |
| - Gruner + Jahr/Mondadori S.p.A. | 145 | 439 |
| - Harlequin Mondadori S.p.A. | 341 | 275 |
| - Milano Distribuzione Media S.r.l. | 31 | 35 |
| - ACI-Mondadori S.p.A. | (38) | (79) |
| - Ame Editoriale Wellness S.r.l. (ex Mondadori Rodale S.r.l.) | - | 55 |
| - Attica Publications Group | 3 | (100) |
| - Società Europea di Edizioni S.p.A. | (580) | (925) |
| - Random House Mondadori Group | 2 | 551 |
| - Mach 2 Libri S.p.A. | (181) | 109 |
| - Mach 2 Press S.r.l. | (99) | (120) |
| - Edizioni El S.r.l. | 330 | 309 |
| - Mondadori Independent Media LLC | (59) | (295) |
| - Mondadori Printing S.p.A. | - | 1,100 |
| - Venezia Musei società per i servizi museali S.c. a r.l. | (37) | - |
| - Mediamond S.p.A. | 10 | (54) |
| - Venezia Accademia società per i servizi museali S.c. a r.l. | (1) | - |
| - Mondadori Seec Advertising Co. Ltd | (7) | (8) |
| - Editions Mondadori Axel Springer S.n.c | - | 1,352 |
| - EMAS Digital S.a.s. | (462) | - |
| Capital gain from Hearst Mondadori Editoriale S.r.l. | - | 9,923 |
| Capital gain from Mondadori Printing S.p.A. | 5,707 | - |
| Total income (expenses) from investments valued at equity | 5,105 | 12,344 |

32. Financial income (expenses)

This item under income statement improved against the first semester of 2011 thanks to a reduction in the cost of money and a slight reduction in average debt.

This item is broken down here below:

| Financial income (expenses) (Euro/000) | 1st half 2012 | 1st half 2011 |
|--|----------------------|----------------------|
| Interest income and other financial income | 2,554 | 3,329 |
| Interest expense and other financial expenses | (10,859) | (12,890) |
| Profit (loss) on foreign exchange transactions | (25) | (109) |
| Income (expenses) from financial assets | 118 | (725) |
| Total financial income (expenses) | (8,212) | (10,395) |

33. Income tax

The tax burden also reflects the considerations made in relation to the lower performance of some business segments in which the Group operates; conversely, the tax rate is in line with the values of the first half of 2011.

| Income tax (Euro/000) | 1st half 2012 | 1st half 2011 |
|--|---------------|---------------|
| IRES on period income | (2,052) | 5,919 |
| IRAP for the period | 3,484 | 4,574 |
| Total current taxes | 1,432 | 10,493 |
| Deferred/(anticipated) taxes for IRES | 5,586 | 6,797 |
| Deferred/(anticipated) taxes for IRAP | 518 | 393 |
| Total deferred /(anticipated) taxes | 6,104 | 7,190 |
| Other tax items | (1,044) | (2,870) |
| Total income tax | 6,492 | 14,813 |

34. Earnings per share

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

| | 1st half 2012 | 1st half 2011 |
|--|---------------|---------------|
| Net profit for the period (euro/000) | 7,536 | 22,717 |
| Weighted average of ordinary shares outstanding (n./000) | 233,175 | 237,062 |
| Basic earnings per share (euro) | 0.03 | 0.10 |

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

| | 1st half 2012 | 1st half 2011 |
|--|---------------|---------------|
| Net profit for the period (euro/000) | 7,536 | 22,717 |
| Weighted average of ordinary shares outstanding (n./000) | 233,175 | 237,062 |
| Number of options with diluted effect (/000) | 0 | 0 |
| Diluted earnings per share (euro) | 0.03 | 0.10 |

35. Commitments and contingent liabilities

As at June 30, 2012 the Mondadori Group had made commitments amounting to euro 104,949 thousand and, as at the end of the last financial year, these were almost entirely represented by sureties issued for VAT reimbursement claims and competitions and prizes.

It should be noted that in the period under investigation Mondadori Direct S.p.A. received a tax assessment for IRES, IRAP and VAT related to the years 2003-2005. The Provincial Tax Commission accepted the appeal presented for IRAP for the 2004 year; the Commission later appealed to the Regional Tax Commission.

All the other appeals are still pending with the Provincial Tax Commission.

While confirming its position, the company will appeal and defend itself with and before any pertinent institutions.

36. Non-recurring cost (income)

In accordance with Consob Resolution no. 15519 of 27 July 2006, the Mondadori Group registered non-recurring cost or income in the period under investigation that relate to the contribution in the form of tax credit calculated on 10% of the cost of paper used to print products in 2011.

Such non-recurring income positively impacted on the result attributable to the parent company's shareholders, on the order of euro 3,875 thousand, net of taxes.

37. Related parties

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

Transactions with parent companies, affiliated and associated companies

Below is a detail of the economic and financial impact of transactions with parent companies, affiliated and associated companies, comparing the figures of 2012 with both the first half of 2011 and the full year 2011.

Half-Year Report at June 30, 2012
Notes to the Group's Half-Year Consolidated Financial Statements
Amounts in Euro thousands

Transactions with related parties: data at June 30, 2012

| (Euro/000) | Trade receivables | Financial receivables | Tax receivables | Trade payables | Financial payables | Tax payables | Revenues | Purchases of raw materials | Purchases of services | Other (revenues) costs | Financial revenues (costs) |
|---|-------------------|-----------------------|-----------------|----------------|--------------------|--------------|---------------|----------------------------|-----------------------|------------------------|----------------------------|
| Parent company: | | | | | | | | | | | |
| - Fininvest S.p.A. | - | - | 2,470 | 27 | - | 5,049 | - | - | 26 | 4 | - |
| Affiliated companies | | | | | | | | | | | |
| - Gruner + Jahr/Mondadori S.p.A. | 5,109 | - | - | 5,699 | 56 | - | 2,090 | 36 | 2,497 | (234) | (15) |
| - Mach 2 Libri S.p.A. | 21,147 | 442 | - | 37 | - | - | 13,788 | - | 21 | 1 | 24 |
| - MDM Milano Distribuzione Media S.r.l. (former Agenzia Lombarda Distribuz. Giornali e Riviste S.r.l.) | 421 | - | - | - | - | - | - | - | 170 | (295) | - |
| - Venezia Musei Società per i servizi museali S.c.a r.l. | 260 | - | - | - | - | - | - | - | - | - | - |
| - Harlequin Mondadori S.p.A. | 1,354 | - | - | 4 | 1,807 | - | 212 | 2,703 | - | (50) | (22) |
| - Attica Publications Group | 193 | - | - | 48 | - | - | 94 | - | 26 | - | - |
| - Edizioni EL S.r.l. | 756 | - | - | 3,807 | - | - | 430 | 3,075 | 6 | (12) | - |
| - Random House Mondadori Group | 297 | - | - | 52 | - | - | 69 | - | - | - | - |
| - Società Europea di Edizioni S.p.A. | 651 | - | - | 2,365 | - | - | 1,799 | 122 | 16 | 2 | - |
| - ACI-Mondadori S.p.A. | 290 | 473 | - | 993 | - | - | 556 | 6 | 707 | (51) | (2) |
| - Consorzio COVAR (in liquidation) | 4 | - | - | - | - | - | - | - | - | - | - |
| - EMAS Digital S.A.S. | - | 6,582 | - | - | - | - | - | - | - | - | 63 |
| - Roccella S.c.a r.l. (in liquidation) | - | 165 | - | 60 | - | - | - | - | - | - | - |
| - Campania Arte S.c.a r.l. | 25 | 134 | - | 10 | - | - | - | - | - | - | - |
| - Mondadori Independent Media LLC | 53 | - | - | - | - | - | 120 | - | - | (15) | - |
| - Venezia Accademia Società per i servizi museali S.c.a r.l. | 9 | 63 | - | 54 | - | - | - | 1 | 97 | (32) | - |
| - Consorzio Fridericiana | - | - | - | - | - | - | - | - | - | - | - |
| - Mediamond S.p.A. | 5,098 | - | - | 1,358 | 421 | - | 4,683 | - | 1,178 | (258) | (4) |
| - Mondadori Seec Advertising Co. Ltd | 586 | 2,695 | - | 319 | - | - | 262 | - | 99 | - | - |
| - Mach 2 Press S.r.l. | - | - | - | 107 | - | - | - | - | 490 | - | - |
| Total affiliated companies | 36,253 | 10,554 | 0 | 14,913 | 2,284 | 0 | 24,103 | 5,943 | 5,307 | (944) | 44 |

Half-Year Report at June 30, 2012
Notes to the Group's Half-Year Consolidated Financial Statements
Amounts in Euro thousands

Transactions with related parties: data at June 30, 2012

| (Euro/000) | Trade receivables | Financial receivables | Tax receivables | Trade payables | Financial payables | Tax payables | Revenues | Purchases of raw materials | Purchases of services | Other (revenues) costs | Financial revenues (costs) |
|--|-------------------|-----------------------|-----------------|----------------|--------------------|--------------|---------------|----------------------------|-----------------------|------------------------|----------------------------|
| Associated companies: | | | | | | | | | | | |
| - RTI - Reti Televisive Italiane S.p.A. | 334 | - | - | 1,779 | - | - | 527 | 1,463 | 35 | - | - |
| - Publitalia '80 S.p.A. | 9 | - | - | 3,064 | - | - | - | - | 6,678 | - | - |
| - Digitalia '08 S.r.l. (former Promoservice Italia S.r.l.) | - | - | - | 41 | - | - | - | - | 51 | - | - |
| - Fininvest Gestione Servizi S.p.A. (former Finedim Italia S.p.A.) | - | - | - | - | - | - | - | - | - | 21 | - |
| - Il Teatro Manzoni S.p.A. | - | - | - | - | - | - | - | - | - | - | - |
| - Banca Mediolanum S.p.A. | 43 | - | - | - | - | - | 97 | - | - | - | - |
| - Medusa Film S.p.A. | 16 | - | - | 433 | - | - | 31 | 251 | 122 | - | - |
| - Alba Servizi Aerotrasporti S.p.A. | - | - | - | 17 | - | - | - | - | - | 27 | - |
| - EI Towers S.p.A. | - | - | - | - | - | - | - | - | - | - | - |
| - Radio e Reti S.r.l. | 9 | - | - | - | - | - | - | - | - | - | - |
| - Isim S.p.A. | - | - | - | 2 | - | - | - | - | - | - | - |
| - Videotime S.p.A. | - | - | - | - | - | - | - | - | - | - | - |
| - Mediaset S.p.A. | 1 | - | - | - | - | - | 1 | - | 85 | - | - |
| - A.C. Milan S.p.A. | - | - | - | - | - | - | - | - | - | - | - |
| - Media Shopping S.p.A. | - | - | - | 3 | - | - | 7 | - | - | - | - |
| - Publieurope Ltd | 430 | - | - | 1 | - | - | 871 | - | 219 | - | - |
| - The Space Cinema 2 S.p.A. (former Medusa Cinema S.p.A.) | - | - | - | - | - | - | - | - | - | - | - |
| - Taodue S.r.l. | 20 | - | - | - | - | - | - | - | - | - | - |
| - Milan Entertainment S.r.l. | 8 | - | - | 2 | - | - | - | - | - | - | - |
| - Towertel S.p.A. | - | - | - | 23 | - | - | - | 36 | 62 | 131 | - |
| - Mediobanca S.p.A. | - | - | - | - | 69,416 | - | - | - | - | - | (1,170) |
| Total associated companies | 870 | 0 | 0 | 5,365 | 69,416 | 0 | 1,534 | 1,750 | 7,252 | 179 | (1,170) |
| Other related parties: | | | | | | | | | | | |
| - Sin&retetica S.r.l. | - | - | - | 79 | - | - | - | - | 185 | - | - |
| - Sineris S.r.l. | - | - | - | - | - | - | - | - | - | - | - |
| Total other related parties | 0 | 0 | 0 | 79 | 0 | 0 | 0 | 0 | 185 | 0 | 0 |
| Total related parties | 37,123 | 10,554 | 2,470 | 20,384 | 71,700 | 5,049 | 25,637 | 7,693 | 12,770 | (761) | (1,126) |
| % of incidence | 10.7% | 27.0% | 5.6% | 6.0% | 15.1% | 37.2% | 3.8% | 7.8% | 3.2% | n.s. | 13.7% |

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Amounts in Euro thousands

Transactions with related parties: data at December 31, 2011 and at June 30, 2011

| (Euro/000) | Trade receivables | Financial receivables | Tax receivables | Trade payables | Financial payables | Tax payables | Revenues | Purchases of raw materials | Purchases of services | Other (revenues) costs | Financial revenues (costs) |
|---|-------------------|-----------------------|-----------------|----------------|--------------------|--------------|---------------|----------------------------|-----------------------|------------------------|----------------------------|
| Parent company: | | | | | | | | | | | |
| - Fininvest S.p.A. | - | - | 2,470 | 7 | - | 13,953 | - | - | 5 | 4 | - |
| Affiliated companies | | | | | | | | | | | |
| - Gruner + Jahr/Mondadori S.p.A. | 5,176 | - | - | 6,707 | 177 | - | 1,453 | 19 | 2,787 | (276) | (10) |
| - Mach 2 Libri S.p.A. | 22,971 | 1 | - | 7 | - | - | 15,149 | - | 31 | 4 | - |
| - MDM Milano Distribuzione Media S.r.l. (former Agenzia Lombarda Distribuz. Giornali e Riviste S.r.l.) | 1,008 | - | - | 13 | - | - | - | - | 8 | (40) | - |
| - Venezia Musei Società per i servizi museali S.c.a r.l. | 260 | - | - | - | - | - | - | - | - | - | - |
| - Hearst Mond. Editoriale S.r.l. (affiliated until 06/30/2011) | - | - | - | - | - | - | 623 | - | 2,455 | (242) | (5) |
| - Harlequin Mondadori S.p.A. | 281 | - | - | 947 | 2,725 | - | 206 | 2,480 | - | (58) | (18) |
| - AME Editoriale Wellness S.r.l. (affiliated until 06/30/2011) | - | - | - | - | - | - | 666 | - | 2,362 | (314) | (10) |
| - Attica Publications Group | 182 | - | - | 32 | - | - | 47 | - | 21 | - | - |
| - Edizioni EL S.r.l. | 1,064 | - | - | 4,718 | - | - | 442 | 3,399 | 9 | (339) | - |
| - Random House Mondadori Group | 215 | - | - | 2 | - | - | 109 | - | 2 | - | - |
| - Società Europea di Edizioni S.p.A. | 789 | - | - | 2,918 | - | - | 1,903 | 136 | - | 1 | - |
| - ACI-Mondadori S.p.A. | 434 | - | - | 911 | 308 | - | 703 | 3 | 879 | (116) | (5) |
| - Consorzio COVAR (in liquidation) | 4 | - | - | - | - | - | - | - | - | - | - |
| - EMAS Digital S.A.S. | - | 6,519 | - | - | - | - | - | - | - | - | - |
| - Roccella S.c.a r.l. (in liquidation) | - | 160 | - | 60 | - | - | - | - | - | - | - |
| - Campania Arte S.c.a r.l. | 24 | 134 | - | 10 | - | - | - | - | - | 1 | - |
| - Editions Mondadori Axel Springer S.n.c. | - | - | - | - | - | - | 4,140 | 1 | 566 | (1,864) | 10 |
| - Mondadori Independent Media LLC | 70 | - | - | - | - | - | 31 | - | - | - | - |
| - Venezia Accademia Società per i servizi museali S.c.a r.l. | 9 | 25 | - | 95 | - | - | 8 | 3 | 48 | - | - |
| - Mondadori Printing S.p.A. | 606 | - | - | 61,385 | - | - | 1,106 | 176 | 87,875 | (1) | (1) |
| - Artes Graficas Toledo S.A. | - | - | - | 566 | - | - | - | - | - | - | - |
| - Mediamond S.p.A. | 3,161 | - | - | 948 | 479 | - | 2,259 | - | 148 | (261) | (2) |
| - Mondadori Seec Advertising Co. Ltd | 342 | 2,695 | - | 220 | - | - | 75 | - | 96 | - | - |
| - Mach 2 Press S.r.l. | - | - | - | 336 | - | - | - | - | 569 | - | - |
| Total affiliated companies | 36,596 | 9,534 | 0 | 79,875 | 3,689 | 0 | 28,920 | 6,217 | 97,856 | (3,505) | (41) |

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Transactions with related parties: data at December 31, 2011 and at June 30, 2011

| (Euro/000) | Trade receivables | Financial receivables | Tax receivables | Trade payables | Financial payables | Tax payables | Revenues | Purchases of raw materials | Purchases of services | Other (revenues) costs | Financial revenues (costs) |
|--|-------------------|-----------------------|-----------------|----------------|--------------------|---------------|---------------|----------------------------|-----------------------|------------------------|----------------------------|
| Associated companies: | | | | | | | | | | | |
| - RTI - Reti Televisive Italiane S.p.A. | 898 | - | - | 1,264 | - | - | 609 | 95 | 293 | - | - |
| - Publitalia '80 S.p.A. | 9 | - | - | 2,310 | - | - | - | - | 7,939 | - | - |
| - Digitalia '08 S.r.l. (former Promoservice Italia S.r.l.) | 226 | - | - | 12 | - | - | 250 | - | 79 | - | - |
| - Fininvest Gestione Servizi S.p.A. (former Finedim Italia S.p.A.) | 2 | - | - | - | - | - | - | - | - | - | - |
| - Il Teatro Manzoni S.p.A. | 2 | - | - | - | - | - | - | - | - | - | - |
| - Banca Mediolanum S.p.A. | 9 | - | - | - | - | - | 80 | - | - | - | - |
| - Medusa Film S.p.A. | 10 | - | - | 271 | - | - | 31 | 252 | 445 | - | - |
| - Alba Servizi Aerotrasporti S.p.A. | - | - | - | - | - | - | - | - | - | 35 | - |
| - EI Towers S.p.A. | 6 | - | - | - | - | - | - | - | - | - | - |
| - Radio e Reti S.r.l. | 9 | - | - | - | - | - | - | - | - | - | - |
| - Isim S.p.A. | - | - | - | 2 | - | - | - | - | - | - | - |
| - Videotime S.p.A. | 12 | - | - | - | - | - | - | - | - | - | - |
| - Mediaset S.p.A. | 17 | - | - | 90 | - | - | - | - | 76 | - | - |
| - A.C. Milan S.p.A. | - | - | - | - | - | - | - | - | - | - | - |
| - Media Shopping S.p.A. | 144 | - | - | 11 | - | - | 153 | - | 4 | - | - |
| - Publieurope Ltd | 510 | - | - | 577 | - | - | 748 | - | - | - | - |
| - The Space Cinema 2 S.p.A. (former Medusa Cinema S.p.A.) | - | - | - | - | - | - | - | - | - | - | - |
| - Taodue S.r.l. | 20 | - | - | - | - | - | - | - | - | - | - |
| - Milan Entertainment S.r.l. | 8 | - | - | - | - | - | - | - | - | - | - |
| - Boing S.p.A. | - | - | - | - | - | - | - | - | - | - | - |
| - Mediobanca S.p.A. | - | - | - | - | 65,000 | - | - | - | - | - | (566) |
| Total associated companies | 1,882 | 0 | 0 | 4,537 | 65,000 | 0 | 1,871 | 347 | 8,836 | 35 | (566) |
| Other related parties: | | | | | | | | | | | |
| - Sin&retica S.r.l. | - | - | - | 42 | - | - | - | - | 324 | - | - |
| - Sineris S.r.l. | - | - | - | 48 | - | - | - | - | - | - | - |
| Total other related parties | 0 | 0 | 0 | 90 | 0 | 0 | 0 | 0 | 324 | 0 | 0 |
| Total related parties | 38,478 | 9,534 | 2,470 | 84,509 | 68,689 | 13,953 | 30,791 | 6,564 | 107,021 | (3,466) | (607) |
| % of incidence | 10.7% | 30.3% | 6.0% | 23.0% | 15.3% | 60.8% | 4.2% | 5.7% | 25.1% | n.s. | 5.8% |

38- Operating segments

General information

In compliance with IFRS 8, the following is a description of the organisational structure of the Group, including the following business areas:

- Books;
- Magazines, with the further distinction between Magazines Italy, Advertising and Magazines France;
- Direct and Retail;
- Radio;
- Central Functions.

Periodic corporate reporting is based on this structure and used by management to define actions and strategies, to evaluate investment opportunities and the allocation of resources.

The structure is also related to the different types of products and/or services from which the Group generates revenues and margins:

- The Books segment generates revenues from the sale of books both in paper and electronic format (non-fiction, fiction, educational, art and other books), revenues from the sale of publishing rights to third parties and revenues from the management of museums;
- The Magazines segment, in Italy and France, generates revenues from the sale of magazines (newsstands, subscription and other minor sale channels), royalties from third party publishers for the publication under licence of proprietary magazines, revenues from so-called add-on sales and revenues from advertising; advertising sales of the Italian company Mondadori Pubblicità are outlined separately, because it also generates significant revenues from third party publisher activities, in addition to operating in such capacity on behalf of the parent company and Monradio for Radio *R101*;
- The Direct & Retail segment generates revenues from direct marketing activities and mail order sales, as well as from a chain of proprietary and franchised retail outlets;
- The Radio segment generates revenues from the broadcast of commercials on the Group's radio station *R101*;
- Lastly, the Corporate segment and other businesses generate revenues from service activities carried out by the Parent Company in favour of associated companies or companies that do not belong to the Group.

Economic and equity information, concerning fiscal and financial management, are attributed to the latter segment, in line with the reporting structure and also because any different allocation would not be justifiable.

Reclassification of previously reported information

Starting this year, the Mondadori Group has set up a new organization for the activities which, up to 2011, were included in the Digital segment. Such activities and the relevant projects for product and service development are now allocated to the corresponding business area.

Consequently, it should be noted that the economic and financial data relative to the first half of 2011 and as at December 31, 2011, respectively, including e-commerce attributed to the Direct segment, managed by the www.bol.it website, have been re-processed in order to provide a consistent and uniform analysis.

For the Board of Directors
The Chairman
Marina Berlusconi

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Sector information: data at June 30, 2012

| (Euro/000) | Books | Magazines Italy | Magazines France | Avertising | Direct | Radio | Corporate & other business | Adjustments for consolidation | Consolidated result |
|---|----------------|--------------------|---------------------|----------------|----------------|----------------|---|-------------------------------------|------------------------|
| Revenues from sales and services from external customers | 125,729 | 149,139 | 193,626 | 94,529 | 110,485 | 99 | 2,600 | - | 676,207 |
| Revenues from sales and services from other sectors | 18,830 | 60,800 | 10 | 1,451 | 2,577 | 7,457 | 8,481 | (99,606) | 0 |
| Revenues (costs) from investments valued at NE | 454 | (24) | (462) | 10 | - | - | 5,127 | - | 5,105 |
| EBITDA | 14,075 | 14,849 | 20,044 | (3,240) | (3,841) | (443) | (5,440) | - | 36,004 |
| EBIT | 13,435 | 14,481 | 14,117 | (3,265) | (6,689) | (1,270) | (7,020) | - | 23,789 |
| Financial revenues (costs) | - | - | - | - | - | - | (8,212) | - | (8,212) |
| Result before taxes and minority interests | 13,435 | 14,481 | 14,117 | (3,265) | (6,689) | (1,270) | (15,232) | - | 15,577 |
| Income tax | - | - | - | - | - | - | 6,492 | - | 6,492 |
| Minority shareholders' result | 103 | - | 1,446 | - | - | - | - | - | 1,549 |
| Net result | 13,332 | 14,481 | 12,671 | (3,265) | (6,689) | (1,270) | (21,724) | - | 7,536 |
| Amortization, depreciation and impairment loss | 640 | 368 | 5,927 | 25 | 2,848 | 827 | 1,580 | - | 12,215 |
| Non-monetary costs | 2,900 | 1,593 | 1,096 | 806 | 2,813 | 32 | 149 | - | 9,389 |
| Non-recurring revenues (costs) | 1,510 | 2,420 | - | - | 98 | - | (153) | - | 3,875 |
| Investments | 244 | 230 | 729 | 382 | 1,178 | 1,333 | 704 | - | 4,800 |
| Investments valued at NE | 61,498 | 34,295 | 5,528 | 1,036 | - | - | 7,087 | - | 109,444 |
| Total assets | 369,557 | 240,688 | 761,960 | 98,019 | 139,180 | 139,580 | 235,644 | (102,156) | 1,882,472 |
| Total liabilities | 144,721 | 217,665 | 168,282 | 96,146 | 90,795 | 5,734 | 640,307 | (89,832) | 1,273,818 |
| | | | | | | | Revenues from sales and services | | Fixed assets |
| Italy | | | | | | | 471,719 | | 338,498 |
| France | | | | | | | 180,023 | | 656,383 |
| Other EU countries | | | | | | | 15,948 | | - |
| USA | | | | | | | 316 | | - |
| Other countries | | | | | | | 8,201 | | - |
| Consolidated result | | | | | | | 676,207 | | 994,881 |

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Notes to the Group's Half-Year Consolidated Financial Statements
Amounts in Euro thousands

Sector information: data at June 30, 2011 and financial data at December 31, 2011

| (Euro/000) | Books | Magazines Italy | Magazines France | Avertising | Direct | Radio | Corporate & other business | Adjustments for consolidation | Consolidated result |
|---|---------------|--------------------|---------------------|----------------|----------------|----------------|---|-------------------------------------|------------------------|
| Revenues from sales and services from external customers | 148,216 | 175,775 | 172,399 | 114,803 | 123,851 | 351 | 3,324 | - | 738,719 |
| Revenues from sales and services from other sectors | 18,715 | 72,035 | - | 2,704 | 4,155 | 7,853 | 9,008 | (114,470) | 0 |
| Revenues (costs) from investments valued at NE | 1,244 | 9,627 | 1,352 | (54) | - | - | 175 | - | 12,344 |
| EBITDA | 15,746 | 44,219 | 18,688 | (3,090) | (4,676) | (703) | (11,374) | 176 | 58,986 |
| EBIT | 14,999 | 43,898 | 13,858 | (3,139) | (7,614) | (1,504) | (12,724) | 176 | 47,950 |
| Financial revenues (costs) | - | - | - | - | - | - | (10,395) | - | (10,395) |
| Result before taxes and minority interests | 14,999 | 43,898 | 13,858 | (3,139) | (7,614) | (1,504) | (23,119) | 176 | 37,555 |
| Income tax | - | - | - | - | - | - | 14,813 | - | 14,813 |
| Minority shareholders' result | 246 | - | - | - | - | - | (221) | - | 25 |
| Net result | 14,753 | 43,898 | 13,858 | (3,139) | (7,614) | (1,504) | (37,711) | 176 | 22,717 |
| Amortization, depreciation and impairment loss | 747 | 321 | 4830 | 49 | 2,938 | 801 | 1,350 | - | 11,036 |
| Non-monetary costs | 4,115 | 3,686 | 1,374 | 1,050 | 2,065 | 31 | 213 | - | 12,534 |
| Non-recurring revenues (costs) | - | - | - | - | - | - | - | - | 0 |
| Investments | 891 | 703 | 66,630 | 41 | 4,067 | 2,159 | 4,465 | - | 78,956 |
| Investments valued at NE | 62,510 | 35,462 | 5,990 | 1,026 | - | - | 21,146 | - | 126,134 |
| Total assets | 355,753 | 252,186 | 757,610 | 103,363 | 155,786 | 140,021 | 257,979 | (110,049) | 1,912,649 |
| Total liabilities | 157,717 | 226,570 | 164,047 | 102,473 | 116,157 | 6,656 | 627,486 | (97,336) | 1,303,770 |
| | | | | | | | Revenues from sales and services | | Fixed assets |
| Italy | | | | | | | 551,527 | | 341,754 |
| France | | | | | | | 164,780 | | 661,581 |
| Other EU countries | | | | | | | 17,454 | | - |
| USA | | | | | | | 206 | | - |
| Other countries | | | | | | | 4,752 | | - |
| Consolidated result | | | | | | | 738,719 | | 1,003,335 |

***Group main investments pursuant
to Art. 120 of D.Lgs. no. 58/1998***

ARNOLDO MONDADORI EDITORE SPA – Table of relevant investments

Here below is the table of relevant investments (higher than 10% of the share capital) held by Arnoldo Mondadori Editore SpA either directly or indirectly through subsidiaries

As at June 30, 2012

| Company | Share capital | SHAREHOLDING % | OWNERSHIP CRITERIA | Holder | % | Registered office | Fiscal code | Date of incorporation | |
|---|---------------|----------------|--------------------|----------|--|-------------------|---|-----------------------|------------|
| ACI-Mondadori SpA (Italy) | EUR | 590,290 | 50% | Direct | Arnoldo Mondadori Editore SpA | 50% | Milan - via Bianca di Savoia 12 | 13277400159 | 17/11/2000 |
| Aranova Freedom Scarl (Italy) | EUR | 19,200 | 16.67% | Indirect | Monradio Srl | 16.67% | Bologna, Via Guinizzelli 3 | 02532501208 | 01/24/2005 |
| Campania Arte Scarl (Italy) | EUR | 100,000 | 22% | Indirect | Mondadori Electa SpA | 22% | Rome - Via Tunisi 4 | 09086401008 | 07/18/2006 |
| Cemit Interactive Media SpA (Italy) | EUR | 3,835,000 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | San Mauro Torinese (TO) - via Toscana 9 | 04742700018 | 12/13/1984 |
| Club Dab Italia Società consortile per azioni (Italy) | EUR | 120,000 | 12.5% | Indirect | Monradio Srl | 12.5% | Milan - Foro Bonaparte 71 | 97174850152 | 02/01/1996 |
| Editrice Portoria SpA (in bankruptcy) (Italy) | EUR | 364,000 | 16.786% | Direct | Arnoldo Mondadori Editore SpA | 16.786% | Milan - via Chiossetto 1 | 02305160158 | 03/26/1975 |
| Edizioni EL Srl (Italy) | EUR | 620,000 | 50% | Indirect | Giulio Einaudi Editore SpA | 50% | Trieste - San Dorligo della Valle - via J. Ressel 5 | 00627340326 | 05/07/1984 |
| Edizioni Piemme SpA (Italy) | EUR | 566,661 | 90% | Direct | Arnoldo Mondadori Editore SpA | 90% | Milan - via Bianca di Savoia 12 | 00798930053 | 09/29/1982 |
| Electa Srl (Italy) | EUR | 20,000 | 100% | Indirect | Mondadori Electa SpA | 100% | Milan - via Bianca di Savoia 12 | 07136630964 | 09/08/2010 |
| Giulio Einaudi Editore SpA (Italy) | EUR | 23,920,000 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Turin - via U. Biancamano 2 | 08367150151 | 06/03/1986 |
| Glaming Srl (Italy) | EUR | 20,000 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 07428570969 | 04/21/2011 |
| Gruner + Jahr/Mondadori SpA (Italy) | EUR | 2,600,000 | 50% | Direct | Arnoldo Mondadori Editore SpA | 50% | Milan - Via Luisa Battistotti Sassi 11/a | 09440000157 | 09/19/1988 |
| Harlequin Mondadori SpA (Italy) | EUR | 258,250 | 50% | Direct | Arnoldo Mondadori Editore SpA | 50% | Milan - via Marco D'Aviano 2 | 05946780151 | 10/15/1980 |
| Mach 2 Libri SpA (Italy) | EUR | 646,250 | 34.91% | Direct | Arnoldo Mondadori Editore SpA | 30.91% | Peschiera Borromeo (MI) - via Galileo Galilei 1 | 03782990158 | 05/06/1983 |
| Mach 2 Press Srl (Italy) | EUR | 200,000 | 40% | Indirect | Press-di Distribuzione Stampa e Multimedia Srl | 4% | Peschiera Borromeo (MI) - via Galileo Galilei 1 | 07014150960 | 04/27/2010 |
| MDM Milano Distribuzione Media Srl (Italy) | EUR | 520,000 | 20% | Indirect | Press-di Distribuzione Stampa e Multimedia Srl | 20% | Milan - via Carlo Cazzaniga 19 | 10463540152 | 10/02/1991 |
| Mediamond SpA (Italy) | EUR | 1,500,000 | 50% | Indirect | Mondadori Pubblicità SpA | 50% | Milan - via Bianca di Savoia 12 | 06703540960 | 07/30/2009 |
| Mondadori Education SpA (Italy) | EUR | 10,608,000 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 03261490969 | 01/10/2001 |
| Mondadori Electa SpA (Italy) | EUR | 1,593,735 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Trentacoste 7 | 01829090123 | 02/23/1989 |

Arnoldo Mondadori Editore S.p.A.
Registered Office: via Bianca di Savoia 12 -Milan-
Administrative Offices: via Mondadori - Segrate (Milan)

| | | | | | | | | | |
|---|-----|--------------|-----------|----------|-------------------------------|-----------|--|-------------|------------|
| Mondadori Iniziative Editoriali SpA (Italy) | EUR | 500,000 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 03619240967 | 07/08/2002 |
| Mondadori International SpA (Italy) | EUR | 350,736,076 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milan - Via Bianca di Savoia 12 | 07231790960 | 09/18/1970 |
| Mondadori Pubblicità SpA (Italy) | EUR | 3,120,000 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 08696660151 | 02/12/1987 |
| Mondadori Direct SpA (Italy) (formerly Mondadori Retail SpA) | EUR | 2,700,000 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 00212560239 | 11/19/1946 |
| Monradio Srl (Italy) | EUR | 3,030,000 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 04571350968 | 10/15/2004 |
| Novamusa Val di Mazara Scarl (Italy) | EUR | 90,000 | 20% | Indirect | Mondadori Electa SpA | 20% | Messina - Via Acireale Z.I.R. | 02812180830 | 04/20/2005 |
| Novamusa Valdemone Scarl (Italy) | EUR | 90,000 | 20% | Indirect | Mondadori Electa SpA | 20% | Messina - Via Acireale Z.I.R. | 02704680830 | 04/16/2003 |
| Novamusa Valdinoto Scarl (Italy) | EUR | 90,000 | 20% | Indirect | Mondadori Electa SpA | 20% | Messina - Via Acireale Z.I.R. | 02704670831 | 04/16/2003 |
| Press-di Distribuzione Stampa e Multimedia Srl (Italy) | EUR | 1,095,000 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milano - via Bianca di Savoia 12 | 03864370964 | 02/19/2003 |
| Roccella Scarl in liquidation (Italy) | EUR | 100,000 | 49.5% | Indirect | Mondadori Electa SpA | 49.5% | Napoli - via Santa Lucia 39 | 05053571211 | 03/21/2005 |
| Società Europea di Edizioni SpA (Italy) | EUR | 2,528,875 | 36.89838% | Direct | Arnoldo Mondadori Editore SpA | 36.89838% | Milan - via G. Negri 4 | 01790590150 | 02/27/1974 |
| Sperling & Kupfer Editori SpA (Italy) | EUR | 1,555,800 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 00802780155 | 11/03/1927 |
| Sporting Club Verona Srl - Società Sportiva Dilettantistica (Italy) | EUR | 100,000 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 07231600961 | 12/03/2010 |
| Venezia Accademia Società per i servizi museali Scarl (Italy) | EUR | 10,000 | 25% | Indirect | Mondadori Electa SpA | 25% | Venice - via L. Einaudi 74 | 03808820272 | 01/11/2008 |
| Venezia Musei Società per i servizi museali Scrl in liquidation (Italy) | EUR | 10,000 | 34% | Indirect | Mondadori Electa SpA | 34% | Venice - via L. Einaudi 74 | 03534350271 | 04/22/2004 |
| | | | | | | | | | |
| ABS Finance Fund Sicav (Luxembourg) | EUR | 1,548,753,85 | 70.57% | Indirect | Mondadori International SpA | 70.57% | Luxembourg - 19-21 Boulevard du Prince Henri | | 02/03/1999 |
| Attica Publications SA (Greece) | EUR | 4,590,000 | 41.987% | Indirect | Mondadori International SpA | 41.987% | Greece - Atene - Maroussi, 40 Kifissias Avenue | | 08/01/1994 |
| Editions Mondadori Axel Springer Snc (France) | EUR | 152,500 | 50% | Indirect | Mondadori France SAS | 50% | France - Montrouge Cedex - 8, rue François Ory | | 09/12/1999 |
| Editions Taitbout SA (France) | EUR | 3,048,980 | 99.997% | Indirect | Mondadori France SAS | 99.997% | France - Montrouge Cedex - 8, rue François Ory | | 31/01/1989 |
| EMAS Digital SAS | EUR | 12,000,000 | 50.000% | Indirect | Mondadori France SAS | 50.000% | France - Levallois Perret - 68, rue Marjolin | | 03/09/2011 |
| Mondadori France SAS (France) (formerly AME France Sarl) | EUR | 50,000,000 | 100% | Indirect | Mondadori International SpA | 100% | France - Montrouge Cedex - 8, rue François Ory | | 06/23/2004 |
| Mondadori Independent Media LLC (Russia) | RUR | 92,232,160 | 50% | Indirect | Mondadori International SpA | 50% | Russia - Moscow - 3, Bldg. 1, Polkovaya Str. | | 12/26/2007 |
| Mondadori Magazines France SAS (France) | EUR | 56,957,458 | 100% | Indirect | Mondadori France SAS | 100% | France - Montrouge Cedex - 8, rue François Ory | | 30/03/2004 |

Arnoldo Mondadori Editore S.p.A.
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Administrative Offices: via Mondadori - Segrate (Milan)

| | | | | | | | | |
|--|-----|--------------|------|--------------------------------|---|------------------------|---|------------|
| Mondadori Seec (Beijing) Advertising Co. Ltd | CNY | 40,000,000 | 50% | Indirect | Mondadori Pubblicità SpA | 50% | China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2 | 09/26/2008 |
| Prisco Spain SA (Spain) | EUR | 60,101.30 | 100% | Direct | Arnoldo Mondadori Editore SpA | 100% | Spain - Barcelona, Calle Travessera de Gracia 47/49 | 06/12/1988 |
| Random House Mondadori SA (Spain) | EUR | 6,824,600.63 | 50% | Indirect Direct Indirect | Mondadori International SpA Arnoldo Mondadori Editore SpA Prisco Spain SA | 33.99% 6.01% 10% | Spain - Barcelona, Calle Travessera de Gracia 47/49 | 05/08/1959 |
| Star Presse Hollande BV in liquidation (The Netherlands) | EUR | 18,151.21 | 100% | Indirect | Mondadori France SAS | 100% | The Netherlands - Amsterdam - Rokin 55 | 28/09/1994 |

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***Statement of the Group's consolidated half-year
financial statements pursuant to Art. 81-ter of
Consob Regulation n. 11971 of May 14, 1999 and
subsequent changes and supplements***

Statement of the Group's consolidated half-year financial statements pursuant to Art. 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent changes and supplements

1. The undersigned Maurizio Costa in his capacity as Deputy Chairman and CEO and Carlo Maria Vismara in his capacity as Executive Manager responsible for the drafting of the corporate accounting documentation of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-bis, par. 3 and 4, of Italian Legislative Decree no. 58 of February 24, 1998, hereby declare:
 - the adequacy in relation to the Group's characteristics and
 - the effective application of the administrative and accounting procedures for the drafting of the Group's consolidated half-year financial statements closed at 06/30/2012.
2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Group's consolidated half-year financial statements at June 30, 2012 was carried out based on a specific process defined by Arnoldo Mondadori Editore consistently with the *Internal Control – Integrated Framework* model issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which groups together a set of general principles of reference for internal control generally accepted at the international level.
3. We also hereby declare that:
 - 3.1 the Group's consolidated half-year financial statements at June 30, 2012:
 - a) was drafted in compliance with the applicable international accounting standards acknowledged at the EU level pursuant to EC regulation n. 1606/2002 of the EU Parliament and Council of July 19, 2002 and in particular with IAS 34 – Interim reporting, as well as the provisions set out for the implementation of Art. 9 of the Italian Legislative Decree no. 38/2005;
 - b) reflects the accounting books and entries;
 - c) provides a true and fair description of the financial position and results of operations of the Company and the group of companies included in the consolidation area.
 - 3.2 the interim report on operations includes a reliable analysis of the most significant events occurred in the first six months of the year and their impact on the Group's consolidated half-year financial statements along with the description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information concerning transactions with related parties.

July 26, 2012

The Deputy Chairman and CEO
(Maurizio Costa)

The Executive Manager responsible for
the drafting of corporate accounting documents
(Carlo Maria Vismara)