



**HALF-YEAR
FINANCIAL REPORT
AT 30 JUNE 2016**

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital Euro 67.979.168,40

Registered Office in Milan
Administrative Offices in Segrate (Milan)

**HALF-YEAR FINANCIAL REPORT
AT 30 JUNE 2016**

Arnoldo Mondadori Editore S.p.A.

CONTENTS

Mondadori Group highlights in 1H16	8
Composition of Corporate Bodies	10
Mondadori Group Organization	11

DIRECTORS' REPORT ON OPERATIONS AT 30 JUNE 2016

Consolidated financial highlights in 1H16	15
Consolidated financial highlights in 2Q16	23
Performance by Business Area	27
- Books	28
- Magazines Italy	32
- Magazines France	34
- Retail	36
- Corporate e Shared Services	38
Financial position	39
Investor Relations	43
Personnel	45
Significant events in the reporting period	47
Significant events after the reporting period	49
Other information	50
Glossary of terms and alternative performance measures used	50
Outlook for the year	52

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2016

Consolidated balance sheet	56
Consolidated income statement	58
Consolidated income statement - second quarter	59
Consolidated comprehensive income statement	60
Statement of changes in consolidated equity	62
Consolidated cash flow statement	64
Consolidated balance sheet pursuant to Consob Resolution no. 15519 of 27 July 2006	66
Consolidated income statement pursuant to Consob Resolution no. 15519 of 27 July 2006	68

EXPLANATORY NOTES

Statement of relevant investments	130
Certification of the condensed consolidated half-year financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and supplements	133

MONDADORI GROUP HIGHLIGHTS IN 1H16

(euro/millions)	1H16	1H16 like-for-like basis	1H15	Var. %*
Mondadori Group				
Revenue	562.6	523.6	518.0	1.1%
Adjusted EBITDA	26.7	27.6	23.8	15.9%
% EBITDA on revenue	4.7%	5.3%	4.6%	
EBITDA	22.5	23.5	19.0	24.0%
% EBITDA on revenue	4.0%	4.5%	3.7%	
EBIT	8.5	12.4	9.2	34.7%
% EBIT on revenue	1.5%	2.4%	1.8%	
Net result from continuing operations	-3.8	0.2	-3.4	
Business Areas				
Revenue	562.6	523.6	518.0	1.1%
Books	170.1	133.5	123.4	8.2%
Magazines Italy	161.1	158.2	159.4	(0.8%)
Magazines France	160.3	160.3	166.6	(3.8%)
Retail	88.2	87.2	85.9	1.6%
Corporate and Shared Services	11.4	11.4	11.4	0%
Intercompany	(28.6)	(27.0)	(28.6)	(5.6%)
Adjusted EBITDA	26.7	27.6	23.8	15.9%
Books	9.5	11.0	8.5	29.2%
Magazines Italy	10.6	9.9	8.8	13.1%
Magazines France	15.5	15.5	16.1	(3.8%)
Retail	(3.1)	(3.0)	(3.2)	6.7%
Corporate and Shared Services	(5.8)	(5.8)	(6.3)	8.4%
Balance Sheet				
		30 Giu. 2016	30 Giu. 2015	Var. %*
Equity		291.2	278.4	12.8
Net financial position		(374.8)	(326.5)	(48.3)
Human Resources				
End-of-period headcount		3,404	3,069	335

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

COMPOSITION OF CORPORATE BODIES

Board of Directors*

CHAIRMAN

Marina Berlusconi

CEO

Ernesto Mauri

DIRECTORS

Pier Silvio Berlusconi

Pasquale Cannatelli

Bruno Ermolli

Alfredo Messina

Martina Forneron Mondadori**

Danilo Pellegrino

Roberto Poli

Oddone Pozzi

10

Angelo Renoldi**

Mario Resca

Cristina Rossello**

Marco Spadacini**

Board of Statutory Auditors*

CHAIRMAN

Ferdinando Superti Furga

STANDING AUDITORS

Francesco Antonio Giampaolo

Flavia Daunia Minutillo

SUBSTITUTE AUDITORS

Annalisa Firmani

Ezio Maria Simonelli

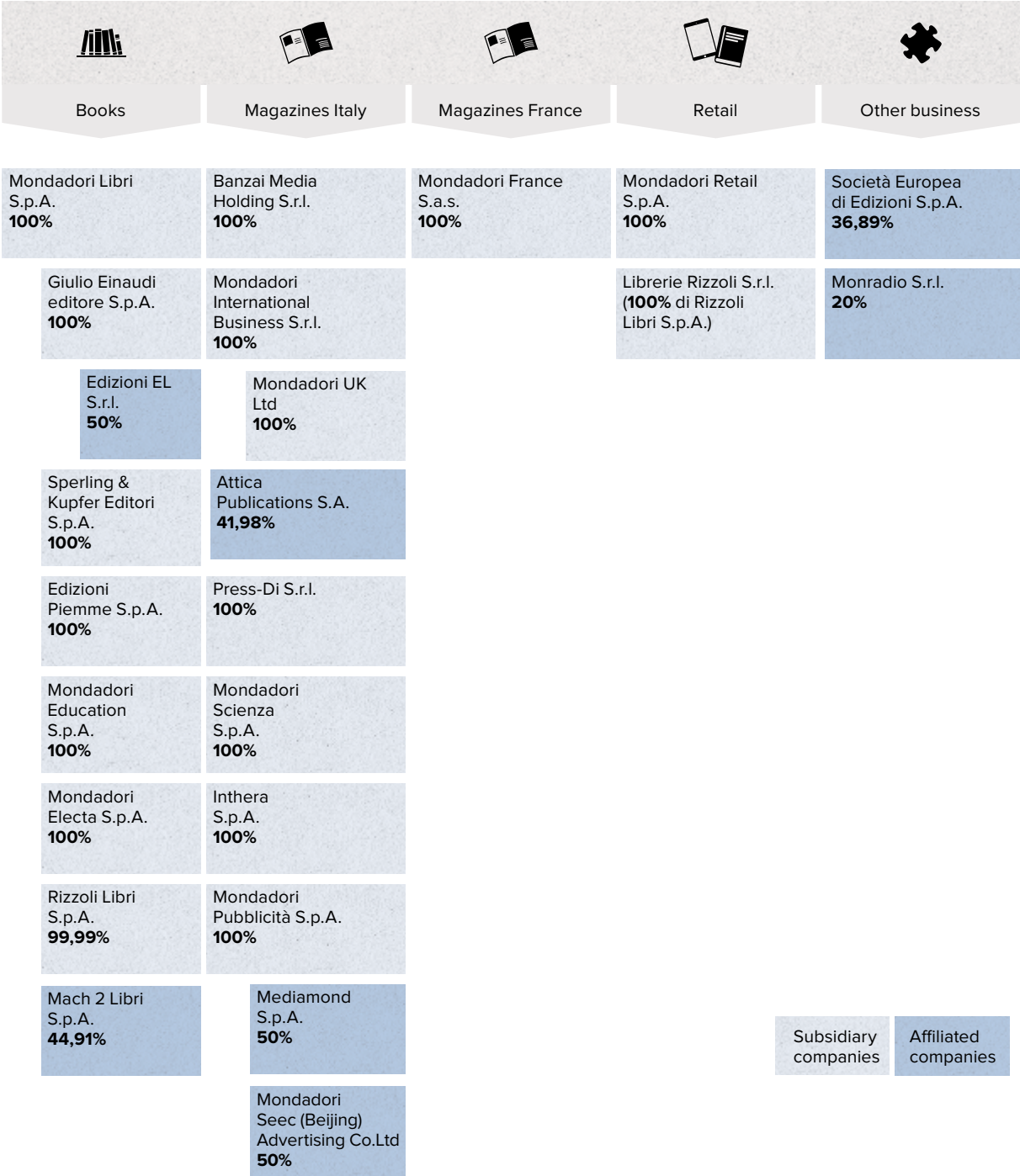
Francesco Vittadini

* The Board of Directors and the Board of Statutory Auditors currently in office were appointed by the Shareholders' Meeting of 23 April 2015

** Independent Director

MONDADORI GROUP ORGANIZATION

ARNOLDO MONDADORI EDITORE S.P.A.





**Directors' Report on Operations
at 30 June 2016**

In 2016, Mondadori Group enjoyed a rather positive start to the year, even more rewarding if one considers the persisting volatile macroeconomic environment.

Specifically, after almost four years, revenue grew versus the prior year, a performance which confirms, along with the improvement in EBITDA for the tenth consecutive quarter, the success of the measures adopted over the past two years, paving the way to accomplishing the targets set for the full year, and marking the transition to the new phase of the Group's development.

2Q16 saw the consolidation of Rizzoli Libri and Banzai Media, a major step in strengthening the leadership position in the Group's strategic businesses, accelerating the growth process of the Company. These acquisitions helped strengthen the already positive performance of revenue in 1H16, which increased by 8.6%.

MAIN ELEMENTS OF MONDADORI GROUP'S BUSINESS AREAS IN THE REPORTING PERIOD AGAINST THE PERFORMANCE OF THE RELEVANT MARKETS:

• Italy

- in the **Trade Books** Area, in a market that steadily accelerated its growth trend versus 2015 (+2.6%)¹, the Group retained its leadership, achieving a market share of approximately 29%, thanks also to the contribution from the Rizzoli Libri brands (net of the brands to be disposed of);

- likewise, in the **Magazines Italy** Area, in a persistently adverse market in terms of circulation - down by 8.9%² - Mondadori retained its leadership with a 32.1% market share² (32.8% in 1H15), by preserving the publishing quality of its titles. The traditional advertising market fell by 3.6% in the first 5 months of the year, while digital sales lost 1.9%.

• France

the magazines market showed a bearish trend in terms of advertising sales, down by 3.1%⁴, and of circulation, down by 4.4% at newsstands⁵.

¹ Source: GFK, figures in terms of market value (June 2016)

² PressDi internal source: figures in terms of value (May 2016)

³ Source: Nielsen (May 2016)

⁴ Source: Kantar Media, figures in terms of value (April 2016)

⁵ Internal source, figures at May (excluding the extraordinary edition of *Charlie Hebdo* in February 2015)

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 1H16

(euro/millions)	1H16	% growth on revenue	1H16 like-for- like basis	% growth on revenue	1H15	% growth on revenue	Var. %
Revenue from sales and services	562.6	100.0%	523.6	100.0%	518.0	100.0%	1.1%
Cost of sold items	225.2	40.0%	199.9	38.2%	199.4	38.5%	0.3%
Variable costs	137.6	24.5%	130.5	24.9%	130.1	25.1%	0.4%
Fixed costs	58.2	10.4%	55.6	10.6%	57.4	11.1%	-3.2%
Cost of personnel	114.7	20.4%	108.9	20.8%	108.3	20.9%	0.6%
Other costs/(income)	0.0	0.0%	0.8	0.2%	-1.9	-0.4%	n.s.
Result - associates	-0.2	0.0%	-0.2	0.0%	-0.9	-0.2%	n.s.
Adjusted gross operating profit (Adjusted EBITDA)	26.7	4.7%	27.6	5.3%	23.8	4.6%	15.9%
Restructuring costs	-2.4		-2.3		-5.0		-53.7%
Positive/(negative) extraordinary items	-1.8		-1.8		0.1		n.s.
EBITDA	22.5	4.0%	23.5	4.5%	19.0	3.7%	24.0%
Amortization, depreciation and impairment	14.0	2.5%	11.1	2.1%	9.7	1.9%	13.8%
EBIT	8.5	1.5%	12.4	2.4%	9.2	1.8%	34.7%
Net financial income (costs)	-7.9	-1.4%	-7.8	-1.5%	-8.5	-1.7%	-8.4%
Income (costs) from other investments	0.0	0.0%	0.0	0.0%	-0.1		
Result before taxes for the period	0.6	0.1%	4.6	0.9%	0.6	0.1%	n.s.
Income tax	3.1	0.6%	3.2	0.6%	2.8	0.5%	15.2%
Minority shareholders' result	1.2	0.2%	1.2	0.2%	1.1	0.2%	5.9%
Result from continuing operations	-3.8	-0.7%	0.2	0.0%	-3.4	-0.7%	n.s.
Result from discontinued operations	0.0	0.0%	0.0	0.0%	-8.8	-1.7%	
Net result	-3.8	-0.7%	0.2	0.0%	-12.2	-2.4%	n.s.

15

The results at 30 June 2016 include the effects of the consolidation of the acquired companies Rizzoli Libri and Banzai Media Holding, consolidated as from 1 April and 1 June 2016 respectively; additionally, for the sake of comparison, the half-year results are shown on a like-for-like basis, excluding the above extraordinary transactions, offering greater relevance to percentage changes.

As a result of the transfer of Monradio S.r.l., completed on 30 September 2015, the results achieved in the first six months of 2015 by the radio business were classified under "Result from discontinued operations", in accordance with IFRS 5 ("Non-current assets held for sale").

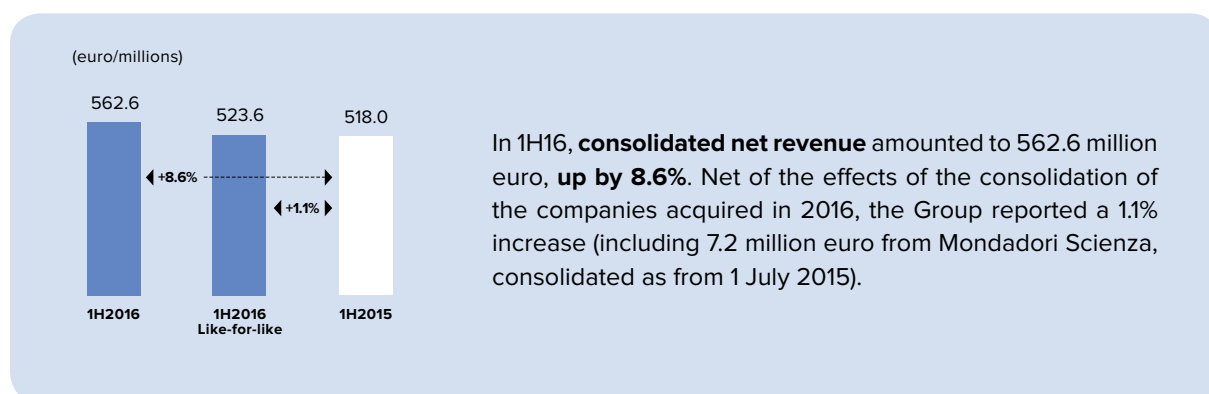
ALTERNATIVE PERFORMANCE MEASURES

This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures in order to better

evaluate the operating and financial performance of the Group, the definition of which is explained in the section “Glossary of terms and alternative performance measures used”.

INCOME STATEMENT

REVENUE



Revenue by Business Area (euro/millions)	1H16	1H16 like-for-like basis	1H15	Var. % like-for-like basis	Var. %
Books	170.1	133.5	123.4	8.2%	37.9%
Magazines Italy	161.1	158.2	159.4	(0.8%)	1.1%
Magazines France	160.3	160.3	166.6	(3.8%)	(3.8%)
Retail	88.2	87.2	85.9	1.6%	2.8%
Corporate & Shared Services	11.4	11.4	11.4	(0.0%)	(0.0%)
Total aggregate revenue	591.2	550.6	546.6	0.7%	8.2%
Intercompany revenue	(28.6)	(27.0)	(28.6)	(5.6%)	0.2%
Total consolidated revenue	562.6	523.6	518.0	1.1%	8.6%

Revenue by geographical area (euro/millions)	1H16	1H15	Var. %
Italy	384.6	341.2	12.7%
France	157.3	156.9	0.2%
Other EU countries	11.5	16.7	(31.2%)
Other extra EU countries	9.1	3.2	188.1%
Total consolidated revenue	562.6	518.0	8.6%

EBITDA

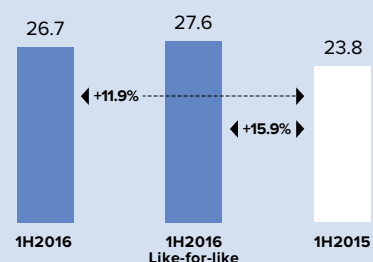
Adjusted EBITDA grew by 11.9%.

On a like-for-like basis, the growth is 15.9%, with a percentage on revenue increasing from 4.6% to 5.3%.

(The consolidation of Mondadori Scienza brought a positive contribution of 0.1 million euro to 1H16).

This performance was the result of a constant and focused management policy, launched and successfully implemented in all of the Group's business areas.

(euro/millions)



Specifically:

- the percentage of the cost of sold items and variable costs, as a whole, improved by 0.5%;
- the 3.2% decrease in fixed costs brought a 0.5% reduction on revenue, achieved through ongoing containment of costs across all corporate areas;

- headcount at the end of the period on a like-for-like basis was down by 2.5% versus 30 June 2015. Cost of personnel in 1H16 (net of Mondadori Scienza, consolidated on 1 July 2015) dropped by a further 1.7%, as a result of the ongoing reorganization process implemented both in Italy and France.

18

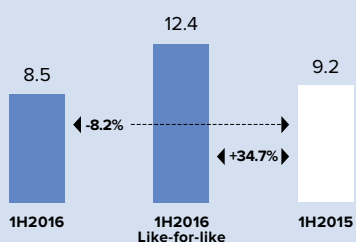
Adjusted EBITDA by Business Area (euro/millions)	1H16	1H16 like-for-like basis	Var. %		Var. %
			1H15	like-for-like basis	
Books	9.5	11.0	8.5	29.2%	11.6%
Magazines Italy	10.6	9.9	8.8	13.1%	20.4%
Magazines France	15.5	15.5	16.1	(3.8%)	(3.8%)
Retail	(3.1)	(3.0)	(3.2)	6.7%	4.2%
Corporate & Shared Services	(5.8)	(5.8)	(6.3)	8.4%	8.4%
Total adjusted EBITDA	26.7	27.6	23.8	15.9%	11.9%

Consolidated EBITDA was up by **18.7%**, including the result of Rizzoli Libri and Banzai Media (-1 million euro). On a like-for-like basis, the **increase amounts to 24%**, confirming the Group's strong **efficiency gains** from its ability to stabilize revenue and thanks to the industrial and organizational review actions launched and implemented over the past two years.

Consolidated EBITDA by Business Area (euro/millions)	1H16		1H15		Var. %	
	1H16	like-for-like basis	1H15	like-for-like basis	like-for-like basis	Var. %
Books	9.1	10.7	5.2	104.0%	74.2%	
Magazines Italy	10.0	9.4	8.0	17.0%	25.0%	
Magazines France	14.2	14.2	14.4	(1.6%)	(1.6%)	
Retail	(3.1)	(3.0)	(2.8)	(7.6%)	(10.5%)	
Corporate & Shared Services	(7.8)	(7.8)	(5.9)	(30.6%)	(30.6%)	
Total EBITDA	22.5	23.5	19.0	24.0%	18.7%	

EBIT

(euro/millions)



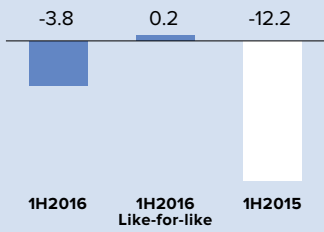
Consolidated EBIT in 1H16 amounted to 8.5 million euro, including amortization and depreciation of 3 million euro relating to Rizzoli Libri; on a like-for-like basis, EBIT amounted to **12.4 million euro, improving by 34.7%** versus 9.2 million euro in 1H15, despite the increase in amortization, depreciation and impairment losses (11.1 million euro versus 9.7 million euro at 30 June 2015), resulting from higher amortization following the recovery in capital expenditure.

20

Consolidated EBIT by Business Area (euro/millions)	1H16	1H16		Var. %	
		like-for-like basis	1H15	like-for-like basis	Var. %
Books	4.0	8.4	3.5	136.7%	13.6%
Magazines Italy	9.4	8.9	7.9	12.9%	19.7%
Magazines France	8.4	8.4	8.8	(4.5%)	(4.5%)
Retail	(4.9)	(4.7)	(4.1)	(13.8%)	(17.5%)
Corporate & Shared Services	(8.5)	(8.5)	(6.8)	(24.5%)	(24.5%)
Total EBIT	8.5	12.4	9.2	34.7%	(8.2%)

NET RESULT

(euro/millions)



The **consolidated result before taxes** amounted to 0.6 million euro, or to 4.6 million euro on a like-for-like basis, rising sharply versus 0.6 million euro in 1H15, thanks also to the contribution of **financial costs**, which amounted to 7.8 million euro, **decreasing sharply (-8.4%)** as a result of the reduced average net debt in the period and average total cost of debt.

The Group consolidated net result amounted to -3.8 million euro, **improving significantly** versus -12.2 million euro at 30 June 2015, while on a like-for-like basis, the **net result came to a positive 0.2 million euro**.

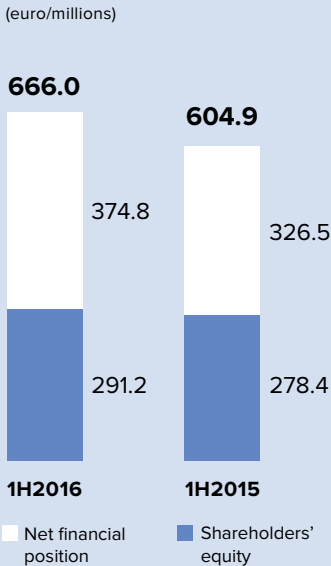
FINANCIAL RESULTS

NET INVESTED CAPITAL

The **Group net invested capital** at 30 June 2016 came to 666.0 million euro, up from 604.9 million euro at 30 June 2015 (495.0 million euro at end 2015), as a result of the increase in net working capital and in fixed assets, resulting from the consolidation of the acquired companies, mitigated by the increase in provisions and by the reduction in assets held for sale.

On a like-for-like basis, the **Group net working capital dropped sharply** from 34.6 million euro at 30 June 2015 to -17.3 million euro, as a result of an improved collection of trade receivables and a more effective management of the relevant items.

The **Group net financial position** at 30 June 2016 came to **-374.8 million euro** versus **-326.5 million euro** at 30 June 2015, as a result of the Group's significant cash generation, including of an extraordinary nature, over the past 12 months, which allowed net investments in acquisitions of **157.3 million euro**.

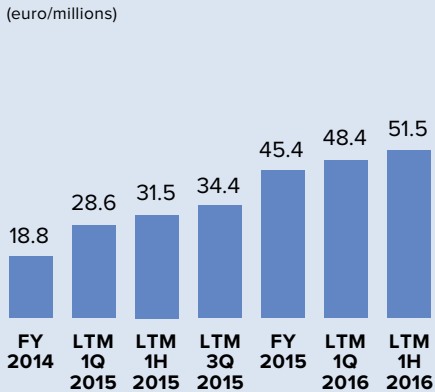


22

CASH FLOW FROM LTM - ORDINARY

At 30 June 2016, **cash flow from operations** - on a like-for-like basis - in the last twelve months came to a **positive 79.4 million euro**, while **ordinary cash flow** (after outlays for financial costs and taxes for the period) came to **51.5 million euro**, continuing the **upward trend** of the seven previous quarters.

This performance is the result of constant and effective monitoring, and the ability to act and manage all of the economic and financial variables typical of all of the Group's business areas.



CONSOLIDATED FINANCIAL HIGHLIGHTS IN 2Q16

(euro/millions)	2Q16	% growth on revenue	2Q16 like-for- like basis	% growth on revenue	2Q15	% growth on revenue	Var. %
Revenue from sales and services	307.8	100.0%	268.8	100.0%	268.8	100.0%	0.0%
Cost of sold items	123.6	40.2%	98.4	36.6%	102.0	37.9%	-3.5%
Variable costs	76.3	24.8%	69.3	25.8%	69.2	25.8%	0.2%
Fixed costs	29.6	9.6%	26.9	10.0%	27.8	10.4%	-3.2%
Cost of personnel	61.4	19.9%	55.6	20.7%	54.6	20.3%	1.9%
Other costs/(income)	0.8	0.3%	1.7	0.6%	0.7	0.3%	136.8%
Result - associates	0.5	0.2%	0.5	0.2%	0.6	0.2%	-11.2%
Adjusted gross operating profit (Adjusted EBITDA)	16.5	5.4%	17.5	6.5%	15.0	5.6%	16.2%
Restructuring costs	-0.8		-0.7		-1.9		-62.2%
Positive/(negative) extraordinary items	-1.8		-1.8		-1.1		55.8%
EBITDA	14.0	4.5%	15.0	5.6%	12.0	4.4%	25.1%
Amortization, depreciation and impairment	8.6	2.8%	5.6	2.1%	4.9	1.8%	15.5%
EBIT	5.4	1.7%	9.3	3.5%	7.1	2.6%	31.7%
Net financial income (costs)	-4.3	-1.4%	-4.2	-1.6%	-4.1	-1.5%	2.7%
Income (costs) from other investments	0.0	0.0%	0.0	0.0%	0.0		
Result before taxes for the period	1.1	0.3%	5.1	1.9%	3.0	1.1%	71.6%
Income tax	2.2	0.7%	2.3	0.9%	2.0	0.7%	17.0%
Minority shareholders' result	0.8	0.3%	0.8	0.3%	0.7	0.2%	21.5%
Result from continuing operations	-2.0	-0.6%	2.0	0.7%	0.3	0.1%	n.s.
Result from discontinued operations	0.0	0.0%	0.0	0.0%	-7.8	-2.9%	
Net result	-2.0	-0.6%	2.0	0.7%	-7.5	-2.8%	n.s.

The results in 2Q16 include the effects of the consolidation of the acquired companies Rizzoli Libri and Banzai Media Holding, consolidated as from 1 April and 1 June 2016 respectively; additionally, for the sake of comparison, the quarterly results are shown on a like-for-like basis, excluding the above extraordinary transactions, offering greater relevance to percentage changes.

Following the transfer of Monradio S.r.l., completed on 30 September 2015, the results achieved in 2Q15 by the radio business were classified under "Result from discontinued operations", in accordance with IFRS 5 ("Non-current assets held for sale").

In 2Q16, **consolidated net revenue** amounted to 307.8 million euro, up by 14.5% versus 268.8 million euro in 2Q15, basically in line with this result on a like-for-like basis, confirming the ability **to stabilize revenue** seen in the first quarter of the year.

Revenue by Business Area (euro/millions)	2Q16	2Q16		Var. %	
		like-for-like basis	2Q15	like-for-like basis	Var. %
Books	106.7	70.0	67.4	4.0%	58.3%
Magazines Italy	82.6	79.6	81.5	(2.2%)	1.4%
Magazines France	83.2	83.2	86.7	(4.0%)	(4.0%)
Retail	43.8	42.8	41.8	2.5%	4.8%
Corporate & Shared Services	6.1	6.1	5.7	7.3%	7.3%
Total aggregate revenue	322.4	281.8	283.0	(0.4%)	13.9%
Intercompany revenue	(14.6)	(13.0)	(14.2)	(8.7%)	2.8%
Total consolidated revenue	307.8	268.8	268.8	0.0%	14.5%

Adjusted EBITDA grew by approximately 10% in 2Q16 to 16.5 million euro, or 17.5 million euro on a like-for-like basis, **increasing by 16.2%** versus 15.0 million euro in 2Q15. Including non-recurring items, adjusted EBITDA rose sharply (+16.8% and +25.1% on a like-for-like basis), due mainly to lower restructuring costs.

24

Adjusted EBITDA by Business Area (euro/millions)	2Q16	2Q16		Var. %	
		like-for-like basis	2Q15	like-for-like basis	Var. %
Books	5.4	6.9	5.8	17.6%	(8.2%)
Magazines Italy	4.2	3.5	3.2	10.9%	31.3%
Magazines France	11.2	11.2	11.4	(1.8%)	(1.8%)
Retail	(1.3)	(1.2)	(1.3)	10.2%	4.0%
Corporate & Shared Services	(2.9)	(2.9)	(4.1)	27.8%	27.8%
Total adjusted EBITDA	16.5	17.5	15.0	16.2%	9.9%

Consolidated EBITDA by Business Area (euro/millions)	2Q16	2Q16 like-for-like basis	2Q15	Var. % like-for-like basis	Var. %
	Books	5.1	6.6	4.9	33.9%
Magazines Italy	3.8	3.1	2.7	14.7%	38.6%
Magazines France	10.5	10.5	9.6	8.8%	8.8%
Retail	(1.3)	(1.2)	(0.9)	(31.3%)	(40.3%)
Corporate & Shared Services	(4.1)	(4.1)	(4.4)	8.1%	8.1%
Total EBITDA	14.0	15.0	12.0	25.1%	16.8%

Consolidated EBIT on a like-for-like basis amounted to 9.3 million euro, **up by 31.7%** versus 2Q15 (7.1 million euro), and came to 5.4 million euro, including the consolidation of the acquired companies, specifically the effects of the amortization of Rizzoli Libri (3.0 million euro).

The **consolidated result before taxes** came to a positive 5.1 million euro on a like-for-like basis versus 3.0 million euro in the prior year; considering the discontinuity from the new acquisitions, the result before taxes would amount to 1.1 million euro; financial costs amounted to 4.3 million euro versus -4.1 million euro in the prior year.

The **consolidated net result from continuing operations**, after minority shareholders, on a like-for-like basis, came to a **positive 2.0 million euro** versus 0.3 million euro in 2Q15; the result of the new scope came to -2.0 million euro.

PERFORMANCE BY BUSINESS AREA

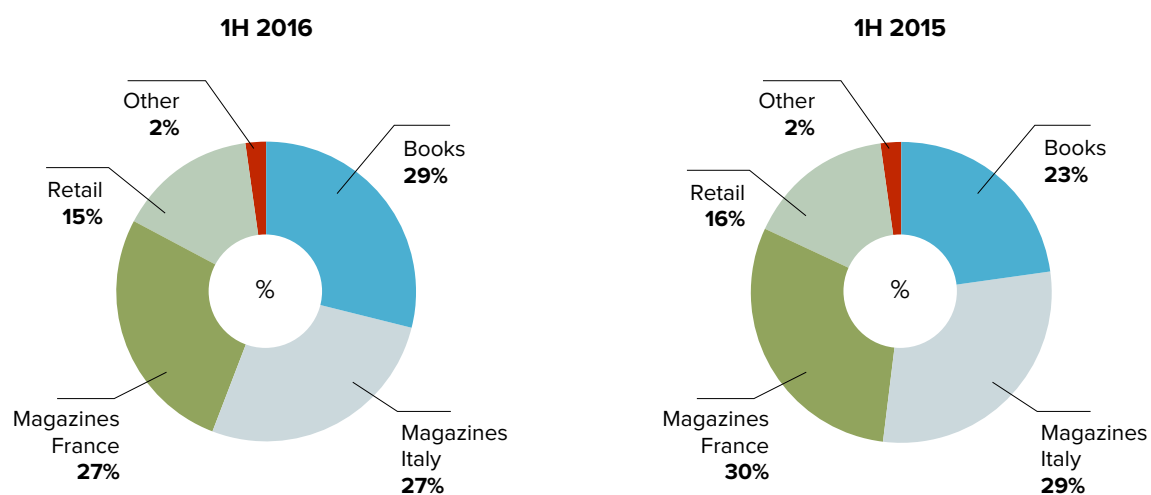
PERFORMANCE BY BUSINESS AREA

(euro/millions)	Revenue			Adjusted EBITDA			EBITDA			Amortization, depreciation and impairment			EBIT		
	1H16	1H16 like-for-like basis	1H15	1H16	1H16 like-for-like basis	1H15	1H16	1H16 like-for-like basis	1H15	1H16	1H16 like-for-like basis	1H15	1H16	1H16 like-for-like basis	1H15
	Books	170.1	133.5	123.4	9.5	11.0	8.5	9.1	10.7	5.2	5.1	2.3	1.7	4.0	8.4
Magazines Italy	161.1	158.2	159.4	10.6	9.9	8.8	10.0	9.4	8.0	0.6	0.5	0.1	9.4	8.9	7.9
Magazines France	160.3	160.3	166.6	15.5	15.5	16.1	14.2	14.2	14.4	5.8	5.8	5.7	8.4	8.4	8.8
Retail	88.2	87.2	85.9	(3.1)	(3.0)	(3.2)	(3.1)	(3.0)	(2.8)	1.7	1.7	1.3	(4.9)	(4.7)	(4.1)
Corporate & Shared Services	11.4	11.4	11.4	(5.8)	(5.8)	(6.3)	(7.8)	(7.8)	(5.9)	0.8	0.8	0.9	(8.5)	(8.5)	(6.8)
Adjustments and interc.	(28.6)	(27.0)	(28.6)												
TOTAL	562.6	523.6	518.0	26.7	27.6	23.8	22.5	23.5	19.0	14.0	11.1	9.7	8.5	12.4	9.2

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

27

REVENUE



BOOKS



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

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

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

Following the acquisition of Rizzoli Libri, the Group is also active in the United States through Rizzoli International Publications with the Rizzoli, Rizzoli NewYork and Universe brands.

Relevant market performance

In 1H16, the Trade Books market **grew by +2.6%** versus 1H15, confirming the positive signs reported in the first part of the current year.

Looking at the sales channels⁶:

- bookstore chains and independent bookstores (which jointly make for approximately 71% of the total market) reported mixed trends, the former up by +6.0%, the latter down by -1.4%;
- e-commerce increased by 15.6%, making for over 17% of the total market;
- large retailers continued the sharp drop, with a further -12.5%, making for less than 12% of the total market.

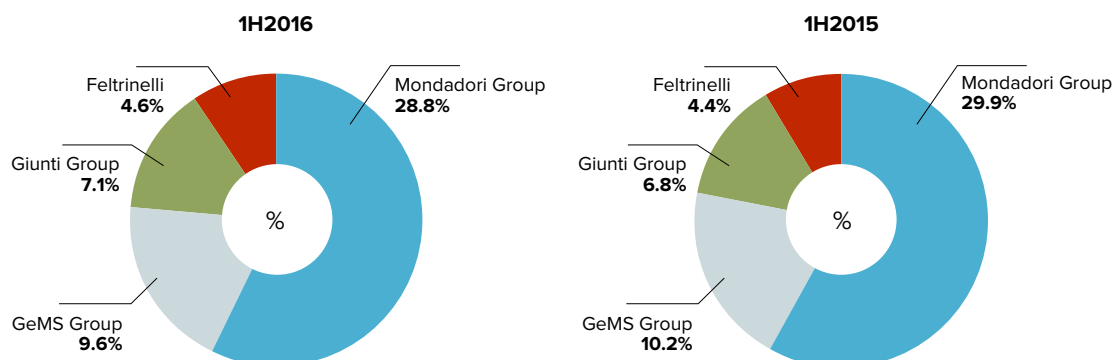
As to products, hardcovers (which make for 82% of the market), **increased by 3.6%**, while paperbacks continued to fall, though to a lesser extent in 2Q16, losing -1.8% in the half-year period.

The Trade Books Area of Mondadori Libri was once again market leader, boasting a **22.9%** share (23.4% at 30 June 2015)⁶; following the acquisition of the Rizzoli Libri brands (Rizzoli, BUR and Fabbri Editori), the Group increased its overall market share to **28.8%** at 30 June 2016. In 1H16, the Group held two out of the top three positions in the ranking of the best-selling titles in terms of copies (*Il nome di Dio è misericordia* by the Pope for Piemme in second place, *È tutta vita* by Fabio Volo for Mondadori in third place), and boasted 4 titles in the top 10 best-selling books (added to the previous titles, *Nei tuoi occhi* by Nicholas Sparks for Sperling&Kupfer in fourth place, and *La ragazza del treno* by Paula Hawkins for Piemme in ninth place).

In the reporting period, the Educational segment was marked by the seasonal effects of the school textbooks business, whose revenue is mainly generated in the second half of the year.

28

TRADE BOOKS



⁶ Source: GFK, June 2016 (figures in terms of market value)

Performance of the Books Area

Books (euro/millions)	1H16	1H16 like-for-like basis	1H15	Var. like-for-like basis	Var. %
Revenue	170.1	133.5	123.4	8.2%	37.9%
Adjusted EBITDA	9.5	11.0	8.5	29.2%	11.6%
EBITDA	9.1	10.7	5.2	104.0%	74.2%
EBIT	4.0	8.4	3.5	136.7%	13.6%

Revenue

Books (euro/millions)	1H16	1H15	Var. %
Mondadori Trade	85.6	74.9	14.3%
Rizzoli Trade	18.3		
Mondadori Electa	18.9	17.0	11.2%
Mondadori Education	14.2	11.2	25.9%
Mondadori Educational	33.1	28.3	17.0%
Rizzoli Education	13.4		
Rizzoli International Pub.	5.1		
Distribution and other revenue - Third publishers	14.8	20.2	(26.6%)
Intercompany revenue	(0.2)		
Total revenue on a like-for-like basis	133.5	123.4	8.2%
Total consolidated revenue	170.1	123.4	37.9%

29

In 1H16, **revenue** amounted to 170.1 million euro, up by **37.9%**, as a result of the consolidation of Rizzoli Libri as from 1 April 2016, or +8.2% on a like-for-like basis versus 1H15:

- **Revenue from Trade Books:** on a like-for-like basis, in 1H16 the Trade Books Area revenue **increased by 14.3%** versus 1H15, as a result of the positive performance of sales from the titles launched between the end of 2015 and the first half of the current year. In the Hardcover segment, the four publishers reported highly positive sales performances:

- **Mondadori:** *Io prima di te* by Jojo Moyes and *Noli me tangere* by Andrea Camilleri were the titles with the highest number of copies distributed in 1H16; *Succede*, the first novel by “youtuber” Sofia Viscardi, also achieved good sales results. *È tutta vita*, Fabio Volo’s latest title published at end 2015, topped the 400,000 mark in copies distributed in 1H16;

- **Piemme:** *Il nome di Dio è misericordia*, the book by Pope Francis, with 350,000 copies distributed, became one of the most interesting titles of the year in Italy, while *la Ragazza del treno* by

Paula Hawkins, the best-selling international psychological thriller, confirmed the remarkable performance of 2015, with 500,000 copies distributed;

- **Sperling & Kupfer:** *Before*, sequel of the highly successful series *After* by Anna Todd, which has topped the one million mark in copies distributed since its launch in May 2015, was the publisher’s main title, along with *Nei tuoi occhi* by US writer Nicholas Sparks;

- **Einaudi:** *Passeggeri notturni*, the latest book by Gianrico Carofiglio, *Scusate il disordine* by Luciano Ligabue and *Purity* by Jonathan Franzen were the top titles among the various success publications in 1H16.

In the **Paperback** segment, against a slightly declining relevant market, the Group increased distribution figures by 4.2% versus 1H15, thanks to the initiatives in May to relaunch the *Oscar Mondadori* catalogue, to the good performance of the Tascabili Einaudi, and to the project to sell two catalogue titles at the price of 15 euro (*Operazione Bravo*).

In the April-June period, **Rizzoli Trade** reported revenue of 18.3 million euro. *La dieta smartfood* by Eliana Liotta, *Vietato smettere di sognare* by Benji and Fede, *Prigionieri dell'Islam* by Lilli Gruber and *Il Rompicatole* by Giampaolo Pansa were the best-selling titles.

• **Revenue from Education:** in 1H16, Group revenue in this segment **increased by 17.0%** versus 1H15.

Mondadori Education achieved **revenue of 14.2 million euro**, up by **25.9%** versus 1H15, due mainly to the supplies requested in advance by a number of wholesalers.

In the primary school segment, Mondadori Education posted a slight drop in terms of adoptions all in all, but a positive performance in adoptions in first-level secondary schools, confirming last year's positive trend.

Second-level secondary schools rebounded versus the prior year, with a slight increase in adoptions.

Mondadori Electa achieved **revenue of 18.9 million euro** in 1H16, **up by 11.2%** versus 17.0 million euro in the prior year, thanks to the increase reported in the **management and organization of exhibitions** (revenue up by 15.4%), to the positive result of the exhibitions on *Giotto* at Palazzo Reale in Milan and *Mito e natura* at the Archaeological Museum in Naples and Pompeii, and of museum services.

As for the **publication of books and catalogues**, revenue fell versus 1H15 (-10.4%), owing to the decline in the Tourist Guide segment, despite the positive results in the publishing sector brought by the good performance of *youtubers*, such as *Youdream* by Alberico De Giglio, *Tutta colpa del denaro* by Dexter, and *Lo volevo veramente* by Anthony di Francesco.

Rizzoli Education

Rizzoli Education achieved **revenue of 13.4 million euro** in the quarter.

Adoptions in primary and secondary schools fell versus 2015.

The distribution results of Oxford University Press were basically steady versus the prior year.

Rizzoli International Publications: revenue generated in the quarter by the US publisher, which operates in the high-end illustrated book market, came to **5.1 million euro**, including revenue from the Rizzoli Bookstore located in New York.

• **Mondadori revenue from activities carried out on behalf of Third Publishers:** revenue generated by circulation activities and other services provided in favour of Third Publishers, amounting to **14.8 million euro**, was down by 26.6% versus 1H15, due mainly to the conclusion of the cooperation agreement with Harper Collins.

E-book

Revenue from the download of Mondadori e-books **rose by 2.6%** versus 2015, with digital sales accounting for **5.1%** of total Trade books. The best performances in terms of downloads in 1H16 came from *La ragazza del treno* by Paula Hawkins, *Io prima di te* by Jojo Moyes, and *È tutta vita* by Fabio Volo. At 30 June 2016, the e-book catalogue included more than 11,600 titles.

As for Rizzoli Trade, in 2Q16 digital sales accounted for 4.1% of total books.

EBITDA

On a like-for-like basis, **Mondadori Libri's adjusted EBITDA surged by over 29%** versus 1H15 to **11.0 million euro**, driven by the increase in revenue from the targeted publishing policy, by the great success of the new publications, and by the ongoing optimization of the operating processes implemented since 2015 in the Trade segment. Concurrently, the cost containment policy aimed at cutting fixed costs and discretionary expenses continued and resulted in improved profitability.

EBITDA, on a like-for-like basis, came to **10.7 million euro**, doubling the result of 1H15 (5.2 million euro), due also to lower restructuring costs versus 1H15.

In the consolidation quarter (April-June), **Rizzoli Libri** contributed negatively to the reported EBITDA of the Books Area, which amounted to 1.5 million euro, mainly as a result of the Educational Area's seasonal performance, generating most of its revenue in the second half of the year.

Reported EBITDA, including the effects of the consolidation of Rizzoli Libri, amounted to **9.1 million euro** (+74.2% versus 1H15).

MAGAZINES



Mondadori is **Italy's** leading publisher by market share (32.1%⁷ at end May) and number of magazines (27), and ranks third in **France** (with a portfolio of 31 magazines). It has gradually expanded its presence in the sector, covering different segments of activity.

Since 1 July 2015, Mondadori has strengthened its leadership on the Italian magazines market, thanks to the inclusion in the portfolio of titles such as *Focus* (the most widely-read monthly in Italy), *Focus Storia*, *Focus Junior*, *Focus Pico*, *Geo* and *Wild*.

In addition to the publication of weekly and monthly magazines sold at newsstands, in digital version and by subscription, the Group also focuses on the sector of add-on sales, and has developed websites and portals that enable it to reach out to a larger number of Mondadori readers, by leveraging on the relevant brands.

Thanks to the acquisition of Banzai's media business in June this year, Mondadori has become Italy's leading digital publisher: by adding the audience acquired from Banzai (17.1 million unique users⁸), which includes established websites on the Italian market such as *PianetaDonna*, *Giallo Zafferano*, *Studenti.it* and *Mypersonaltrainer*, Mondadori has achieved leadership in the women, food, and health & wellness vertical segments,

strategic areas which allow the Group to integrate and expand the multi-channel offering of the brands already in its portfolio, and to benefit from the complementarity of the vertical segments of the two companies.

Through the subsidiary Press-Di Distribuzione Stampa e Multimedia, the Group distributes its own magazines and third party newspapers at the national level in the Newsstand, Large Retailer and Subscription channels. Press-Di is the second-largest national distributor in terms of market share in the Newsstand channel, and is leader in the Large Retailer and Subscription channels. The customer portfolio includes both publishers belonging to Mondadori Group and independent publishers.

In 1Q16, 60% of revenue came from independent publishers, such as: Bonelli, RBA, Panini-Disney and Sprea for magazines, and Libero, Il Giornale and Avvenire for newspapers in the Newsstand and Large Retailer channels; RCS, Panini - Disney, Condè Nast, and Hearst in the Subscription channel.

Mondadori also has an **international** presence, operating directly, through joint ventures or through licensing agreements with international publishers: there are 35 editions of Mondadori magazines (25 for *Grazia International Network*).

⁷ Internal source: Press-di, figure at May 2016

⁸ Audiweb View figures – total audience December 2015

MAGAZINES ITALY



Relevant market performance

Relevant markets in 1H16 reported a general downward trend. In May:

- the advertising market grew by an overall 2.7%, driven by the positive performance of TV (+6.1%) and Radio (+2.0%); magazines (-3.6%), dailies (-1.9%) and the Internet (-1.9%) fell⁹;
- the magazine sales market dropped by 8.9% (-9.0% in the newsstand channel and -7.9% in

subscriptions)¹⁰. In this context, as a result of the focus on the publishing quality of its magazines, Mondadori confirmed its leadership with a **32.1%** market share (32.8% at May 2015)⁹;

- in the add-ons market, in the first five months of the year, magazines lost 14.2%, while dailies remained basically steady (+0.2%); the combination of these two performances shows an overall drop of 6.3%.

Performance of Magazines Italy¹¹

(euro/millions)	1H16	1H16 like-for-like basis	1H15	Var. like-for-like basis	Var. %
Revenue	161.1	158.2	159.4	(0.8%)	1.1%
Adjusted EBITDA	10.6	9.9	8.8	13.1%	20.4%
EBITDA	10.0	9.4	8.0	17.0%	25.0%
EBIT	9.4	8.9	7.9	12.9%	19.7%

32

Revenue

Revenue from the Magazines Italy Area amounted to 161.1 million euro, **up by 1.1%** (-0.8% on a like-for-like basis, net of the effects of the acquisition of Banzai Media, consolidated as from 1 June 2016).

On 1 January 2016, following reorganization, Digital

Marketing Services were transferred to Magazines Italy (previously included in Other Business, Corporate and Digital Innovation); the Area's income statement was reclassified, for information sake, also in 1H15.

Magazines Italy (euro/millions)	1H16	1H15	Var. %
Circulation			
Advertising	38.7	39.5	(2.0%)
Add-on sales	30.0	29.5	1.7%
Distribution and revenue towards third publishers	16.4	16.3	0.1%
Other revenue	15.4	16.8	(8.2%)
Total revenue on a like-for-like basis	158.2	159.4	(0.8%)
Banzai Media	2.9		
Total revenue	161.1	159.4	1.1%

⁹ Source: Nielsen, cumulative figures at May 2016

¹⁰ Internal source: Press-Di, cumulative figures at May 2016 (newsstands + subscriptions in terms of value)

¹¹ Starting this year, Inthera's Digital Marketing Services have been included in the Magazines Italy Area

- **Circulation** revenue **rose by 0.8%**, benefiting from the contribution of Mondadori Scienza titles; on a like-for-like basis of titles, the drop amounted to -11.3%, following the negative performance in the newsstand channel as a result of the relevant market trend and the rationalization of promotional activities.
- Revenue from **advertising** sales fell by **2.0%**; print advertising sales in Italy dropped by 4.0% (in line with the market's -3.6%); sales on **websites increased by 4.7%** and outperformed the relevant market trend (-1.9%¹²), with the contribution of the consolidation of Mondadori Scienza properties (*Nostrofiglio.it* and *Focus.it*). Overall, advertising sales on Mondadori brands in Italy **dropped by 2.7%** in 1H16 (-5.0% on a like-for-like basis of titles). Traffic data showed an overall **audience rate of 8.4 million unique users**¹³ versus 7.2 million in May 2015 (+16% on January-May average): the average figure in the first five months versus the same period last year rose sharply for *Salepepe.it* and *Sorrisi e Canzoni Tv*, while *Panorama.it* retreated.
- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines, **rose by 1.7%** versus 1H15 (+0.8% on a like-for-like basis of titles), thanks to the positive contribution of the home-video business (50% of total), which offset the drop in gadgets and music CDs.
- Regarding **distribution and revenue towards third parties**, despite the drop in copies sold reported by ADS in the Newsstand/Large Retailer channel in the first five months of 2016, with an 8% drop in newspapers and 9% in magazines, and -6% in newspapers and -10% for magazines in the Subscription channel, in 1H16 the Area's performance was in line with the prior year, thanks to the ongoing commitment to developing third-publisher portfolios.
- Other revenue includes:
 - **International operations**, which achieved revenue of 3.0 million euro in the reporting period (down from the 3.5 million euro reported in 1H15), as a result of the drop in licensing activities caused by the deteriorated international macroeconomic environment and the negative effect of British and Chinese exchange rates; e-commerce

activities relating to the *Graziashop* platform were transferred from July under a license agreement to a leading player on the UK market. On 5 April, Mondadori disposed of its interest in *Grazia Russia*¹⁴, which continues to be published under a long-term license agreement.

- revenue from **Digital Marketing Services** (6.2 million euro) **grew by 2%**, as a result of the gradual expansion of the offering that had started in 2015.

In 1H16, **Banzai Media** contributed approximately 2.9 million euro to the Area's revenue (in June): through the acquired audience of 16 mn U.V..¹⁵

EBITDA

Adjusted EBITDA for the **Magazines Italy Area improved considerably** on a like-for-like basis by approximately 13%, rising from 8.8 million euro to **9.9 million euro**, driven by the effective review of the publishing structure and of promotional activities, implemented while retaining the traditional focus on the publishing quality of the titles. The half-year period saw a sharp drop in industrial costs, achieved also as a result of the renegotiation of printing contracts. Including the contribution from Banzai Media, consolidated as from June, the increase in the period was **20.4%**.

Reported EBITDA in the Area more than confirmed the **growth trend** in 1H16, increasing by **17%** on a like-for-like basis, and by **25%** including the consolidation of Banzai Media in June (from 8.0 million euro to **10.0 million euro**), thanks to the above measures and to lower restructuring costs.

The result includes the contribution of a number of companies consolidated at equity:

- several foreign subsidiaries (including Attica Publications - leading publisher in Greece for magazines and radio stations, Mondadori Seec Advertising - exclusive agency for the sale of advertising spaces in the Chinese edition of *Grazia*, and *Grazia Russia*), whose overall contribution in the period under review came to a positive **0.6 million euro**, in line with 1H15;
- the Mediamond joint venture, whose pro-rata result in 1H16 came to **-0.4 million euro** (-0.2 million euro at 30 June 2015).

¹² Source: Nielsen, cumulative figures at May 2016

¹³ Source: Audiweb, cumulative figures at May 2016

¹⁴ In accordance with the legislation adopted in late 2014, which limits foreign ownership - whether direct or indirect - in a Russian company operating in the media industry to 20%

¹⁵ Source: Audiweb, average data at May 2016

MAGAZINES FRANCE



Relevant market performance

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

- in newsstand sales (-4.4% at May excluding the extraordinary edition of Charlie Hebdo)¹⁶;
- in advertising sales (-3.1% at April)¹⁷.

Performance of Magazines France

(euro/millions)	1H16	1H16 like-for-like basis	1H15	Var. like-for-like basis	Var. %
Revenue	160.3	160.3	166.6	(3.8%)	(3.8%)
Adjusted EBITDA	15.5	15.5	16.1	(3.8%)	(3.8%)
EBITDA	14.2	14.2	14.4	(1.6%)	(1.6%)
EBIT	8.4	8.4	8.8	(4.5%)	(4.5%)

Revenue

In 1H16, **revenue** from Mondadori France amounted to 160.3 million euro, down by 3.8% versus 1H15.

Revenue from **circulation**, accounting for approximately 75% of the total, dropped by 2.8% versus the prior year:

- sales revenue in the **subscription** channel was **basically stable**, partly offsetting the decline in the newsstand channel and confirming the strategic opportunity for further investments in this channel, which accounted for **53% of circulation revenue** in 1H16, representing the major and most growing contribution to revenue of the area;

- revenue from the **newsstand** channel (43% of total) fell by 6.3%.

These performances were achieved through ongoing focus on publishing quality and innovation; in the period under review, Mondadori France, in fact, launched various brand extensions, including: *Auto-Plus* with *Crossovers & SUV*; *Sport-Auto Classiques*, the new brand extension of monthly magazine *Sport-Auto*; furthermore, two special quarterly editions *Pleine Vie Expert* and *Pleine Vie Pratique* and two monthly puzzle game magazines *100% Dico Plus* and *Jeux Détente*, supplements of *Télé-Star Jeux*.

Magazines France (euro/millions)	1H16	1H15	Var. %
Circulation	115.5	118.8	(2.8%)
Advertising	37.3	39.6	(5.8%)
Other revenue	7.5	8.1	(7.5%)
Total revenue	160.3	166.6	(3.8%)

¹⁶ Internal source, figure at May 2016

¹⁷ Source: Kantar Media, figure at April 2016

Six new editions were launched in the period under review, a trend that will continue in the second half of the year.

Advertising revenue fell by 5.8% versus 1H15, but performance differed between offline and online products: **digital advertising** was **up by +27%**, and represents approximately 18% of total advertising revenue, **partly offsetting the drop in traditional print advertising (-10.9%)**.

The volumes relating to traditional advertising on Mondadori magazines posted a 2.6% drop versus the relevant market's downturn of 3.5%, which enabled the Group to confirm its market share at 10.3% (10.2% at April 2015), and Mondadori France to retain its position as the second leading player in the magazine advertising market.

Digital activities (approximately 5% of total revenue) grew by an overall **19.4%**, propelled by the development of the digital activities of the properties (+17%), in addition to the positive performance of *NaturaBuy* (+37%).

The total number of readers of Mondadori France magazines reached **9.8 million** unique users¹⁸, **up by approximately 19%** versus 1H15, also as a result of the gradual digitization of the editorial teams, which enabled the daily production of new content in parallel for both offline and online magazines: *Télé-Star* (+36%) and *Closer* (+19%) enjoyed a strong growth, while *Grazia* reported a positive performance (+24%) following the launch of the new website.

The total number of mobile readers of Mondadori France magazines reached **over 4 million** unique users¹⁹.

Mondadori France also explored new opportunities for **brand extension** and business **diversification** in the period, now accounting for 10% of revenue, including the development of a partnership with AB Group for the launch of a TV adaptation of *Science & Vie*, on air in France and in Africa starting from the end of March, and of a new TV theme channel *Mon Science & Vie Junior*, launched in February 2016. *Grazia* also renewed its partnership with *L'Oréal* for the creation of a professional magazine.

EBITDA

Adjusted EBITDA came to **15.5 million euro**, down by 3.8% versus 1H15, due mainly to M&A costs incurred in the period (0.6 million euro). Mondadori France continued to focus on editorial and overhead cost containment to counter the lingering weakness of the relevant markets. These actions are expected to continue in the second half of the year with a view to further adjusting the organization to market changes, while retaining the ability to make investments in quality and in the gradual digitization of publishing activities. In keeping with the positive performance of 2015, **digital activities** enjoyed **positive margins** in 1H16 versus the loss in 1H15.

Reported EBITDA, amounting to **14.2 million euro**, dropped slightly versus 14.4 million euro in 1H15, as a result of the abovementioned M&A costs and of higher restructuring costs of approximately 0.3 million euro, arising from the voluntary redundancy plan launched in 2015, which has already produced benefits.

35

¹⁸ Source: Kantar Media, cumulative figures in terms of volume at April 2016

¹⁹ Source: Mediametrie Netratings - Nielsen, average figure January-May 2016

²⁰ Source: Mediametrie Netratings - Nielsen, average figure January-April 2016

RETAIL



Mondadori Group operates in Italy with a network of approximately 570 bookshops composed of directly managed bookshops, megastores, franchised bookshops, Mondadori Points and shop-in-shops (49), in addition to web channels (www.mondadoristore.it) and book clubs.

Relevant market performance

Books

The relevant market for the Retail Area is books (77% of revenue²¹), which showed positive signs in 1H16, increasing by 2.6%²² versus the prior year. In the period under review, the **market share** of Mondadori Retail in the Books segment **increased to 15.9%** (from 15.5% at 30 June 2015).

Non-book

The relevant markets in the “non-book” sector posted different performances according to the product categories²³:

- broadly speaking, consumer electronics grew by 4.8% in the first four months of the year, while showing a high degree of volatility among the different product categories: tablets and e-readers posted a double-digit drop, while mobile PCs and telephony products confirmed the positive trend of 2015.
- In the first four months of 2016, the entertainment segment continued its upward trend versus the prior year, with a 5.1% increase, driven by the recovery in the sales of music media and games.

Mondadori Retail network trend

STORES	June 2015	Dec. 2015	Var. 1H16	June 2016
Megastores	9	9	1	10
Direct bookstores	20	20	1	21
Franchised bookstores	527	548	-7	541
TOTAL	556	577	6	572

36

Following the acquisition of Rizzoli Libri, the Retail network now includes the established bookstore in Galleria Vittorio Emanuele, Milan, and the e-commerce site www.rizzolilibri.it, while the New York bookstore is part of the Books Area, supporting the sales of high-end illustrated books on the US market.

April saw the opening of the tenth Megastore in the new Arese mall, the largest in Italy and one of the biggest in Europe.

Performance of the Retail Area

(euro/millions)	1H16	1H16 like-for-like basis	1H15	Var. like-for-like basis	Var. %
Revenue	88.2	87.2	85.9	1.6%	2.8%
Adjusted EBITDA	(3.1)	(3.0)	(3.2)	(6.7%)	(4.2%)
EBITDA	(3.1)	(3.0)	(2.8)	7.6%	10.5%
EBIT	(4.9)	(4.7)	(4.1)	13.8%	17.5%

²¹ Store revenue

²² Source: GFK, June 2016 (figures in terms of market value)

²³ Source: Nielsen, May 2016

Revenue - Retail (euro/millions)	1H16	1H15	Var. %
<i>Megastores</i>	23.0	22.1	3.8%
<i>Direct bookstores</i>	13.3	13.5	(1.3%)
<i>Franchised bookstores</i>	36.9	35.1	5.2%
<i>Online</i>	4.6	4.9	(4.4%)
Stores	77.8	75.6	2.9%
<i>Book clubs and other</i>	9.3	10.1	(7.9%)
Total revenue on a like-for-like basis	87.2	85.9	1.6%
Librerie Rizzoli	1.0		
Total revenue	88.2	85.9	2.8%

Revenue

Store revenue - **+2.9** versus 1H15 - by product category is as follows:

- Books were the predominant product category, making for **77% of the total**, and outperformed the relevant market by **approximately 1.3 percentage points**²⁴, a result that confirms the effectiveness of the actions undertaken in terms of product penetration and assortment and in terms of communication, promotion campaigns and sales force training;
- non-book revenue reported a positive trend in the Impulse (+6.1%, stationery and toys) and Media (+7.2%) categories, as a result of the organization of musical events in the network, while the Consumer Electronics category fell (-9.1%), due mainly to aggressive promotional campaigns by competition.

The analysis by channel shows the following:

- a growth in Megastores (+3.8%), driven by the openings of Milano San Pietro all'Orto (June 2015) and Arese (April 2016) (-3.5% on a like-for-like basis in terms of stores);
- a slight drop of 1.3% reported by direct Bookstores, following the relocation of a store to a smaller space inside the same mall in Rome, and the closure of Milano Limbiate (+4.9% on a like-for-like basis in terms of stores);

- a positive performance of Franchised Bookstores in 1H16 (+5.2%), confirmed also on a like-for-like basis in terms of stores (+2.8%), and in the Books category (+5.2%);
- a 4.4% drop in the online segment, due mainly to the reduction in special offers designed to improve profitability;
- for book clubs, a trend in line with the structural decline forecast in the medium-term development plan (-8.8%).

EBITDA

In 1H16, Mondadori Retail **adjusted EBITDA**, on a like-for-like basis, came to **-3.0 million euro, improving** versus -3.2 million euro in 1H15 (-3.1 million euro, including the result of Librerie Rizzoli in 2Q16).

A result achieved through cost-curbing measures for stores and central functions, which determined a lower percentage of personnel costs and overheads, and more than offset the reduction in the product margin arising from the different product/channel mix, related also to the effects of the structural decline of the book clubs channel.

Reported EBITDA came to **-3.0 million euro**, with no extraordinary items reported in the period (-3.1 million euro including the result of Librerie Rizzoli; -2.8 million euro in 1H15 as a result of positive extraordinary items).

²⁴ Source: GFK, June 2016 (figures in terms of value)

CORPORATE E SHARED SERVICES



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

Revenue is mainly referred to amounts billed to subsidiaries and associates as well as other entities using the services described above.

On 1 January 2016, following reorganization, Digital Marketing Services were transferred to Magazines Italy (previously included in Other Business, Corporate and Digital Innovation); accordingly, the Area's income statement was reclassified, for information sake, also in 1H15.

Also included are the results of the minority interests in Monradio S.r.l. (20%) and Società Europea di Edizioni S.p.A., publisher of the daily *Il Giornale*.

Monradio: the results of R101, 80% of which was sold to R.T.I. S.p.A. on 30 September 2015, for the share attributable to Mondadori Group, came to -0.4 million euro in 1H16, while the results of the company in 1H15 (wholly owned at 30 June) had been reclassified under "Assets held for sale".

Società Europea di Edizioni: in 1H16, the publisher of *Il Giornale* posted an operating breakeven before extraordinary items versus a loss of 1.2 million euro in 1H15, as a result of ongoing cost reduction.

Overall, **Corporate & Shared Services** adjusted EBITDA came to -5.9 million euro, improving versus -6.2 million euro in 1H15; including non-recurring items, EBITDA came to -7.9 million euro versus -5.8 million euro in 1H15, as a result of certain costs incurred for extraordinary transactions (Rizzoli Libri and Banzai Media) completed in 1H16, and of a capital gain (1.3 million euro) recognized in 2015 by the publisher of *Il Giornale*.

FINANCIAL POSITION

The 3-month Euribor weakened further in 2Q16, reaching a low of -0.286% at end June, slightly below the average of -0.223% in the quarter; the average cost of debt of Mondadori Group on the interest rate component in 1H16 was **3.05%** versus 3.76% in 1H15, reflecting the effects of the negotiation of the loan agreement signed in December 2015.

The overall credit lines available to the Group at 30 June 2016 amounted to 714.6 million euro, 514.6 million euro of which committed.

The Group's short-term loans, amounting to 200.0 million euro, 2.4 million euro of which drawn down at 30 June, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 30 June 2016, the **514.6 million euro** pool consisted of:

(euro/millions)	Bank pool	of which: unutilized	of which: with interest rate hedge
Term Loan A1 (Refinancing)	232.5 (1)	-	150.0
Term Loan A2 (Line for acquisition of RCS Libri)	132.1 (2)	5.0	
Revolving Facility B	100.0 (3)	100.0	-
Acquisition Line C	50.0 (4)	13.8	
Total loans	514.6	118.8	150.0

39

Maturity date	2016	2017	2018	2019	2020
1	€6.4 million	€19.1 million	€25.5 million	€25.5 million	€156.0 million
2	€3.6 million	€10.9 million	€14.5 million	€14.5 million	€89.0 million
3					Bullet loan, maturity December
4					Bullet loan coming to maturity in December, increasable up to 105.0 million euro, with concurrent reduction of A1 or A2 lines for the amount in excess of 50 million euro

Net financial position (euro/millions)	30 June 2016	30 June 2015	31 December 2015
Cash and cash equivalents	29.6	6.7	30.7
Assets (liabilities) from derivative instruments	(2.6)	(1.4)	(0.0)
Other financial assets (liabilities)	(12.1)	(20.4)	(3.4)
Loans (short and medium/long term)	(389.7)	(311.5)	(226.6)
Net financial position	(374.8)	(326.5)	(199.4)

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

(euro/millions)	June 2016		June 2015		LTM	
	Like-for-like basis	Total	Like-for-like basis	Total	Like-for-like basis	Total
NFP beginning of period		(199.4)	(291.8)			(326.5)
Adjusted EBITDA	27.6	26.7	23.8	76.8	75.9	
Effect of shareholdings/dividends	(0.5)	(0.5)	1.4	(5.6)	(5.7)	
NWC + provision variation	(23.0)	(27.8)	(28.3)	19.5	14.8	
CAPEX	(5.3)	(7.2)	(7.5)	(11.3)	(13.2)	
Cash flow from operations	(1.2)	(8.7)	(10.6)	79.4	71.8	
Financial costs	(6.8)	(7.9)	(7.8)	(16.6)	(17.7)	
Taxes	(9.5)	(9.5)	(5.1)	(11.3)	(11.3)	
Cash flow from ordinary operations	(17.5)	(26.1)	(23.5)	51.5	42.8	
Share capital increases/(Dividends paid)		0.0	0.0		0.0	
Restructuring costs		(7.1)	(11.6)		(16.7)	
Extraordinary tax amounts / prior years		15.1	2.2		20.9	
Asset acquisition /disposal		(157.3)	(1.8)		(95.3)	
Cash flow from extraordinary operations		(149.3)	(11.2)		(91.1)	
Total cash flow		(175.4)	(34.7)		(48.3)	
NFP end of period		(374.8)	(326.5)		(374.8)	

40

The **net financial position** increased by 48.3 million euro versus 1H15 and by 175.4 million euro versus 31 December 2015.

Over the last twelve months on a like-for-like basis, the Group generated a cash flow of 79.4 million euro from operations, as a result of the positive performance of operations, net of non-recurring items (76.8 million euro), and of the effective measures to increase the efficiency of net working capital (including provisions), which allowed the Group to generate a cash flow of 19.5 million euro.

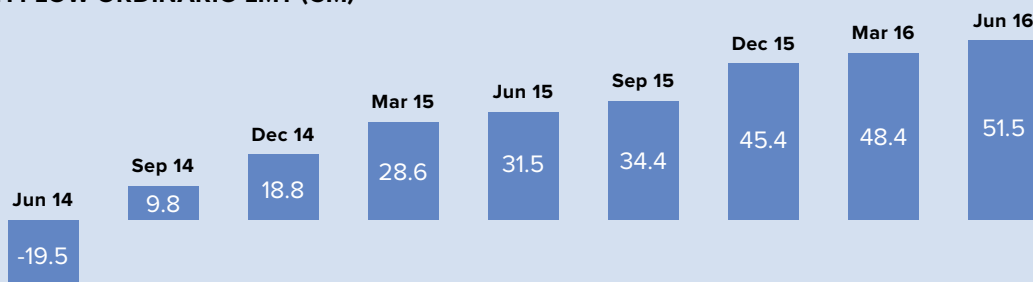
The performance includes the recovery of capital expenditure in the development of new publishing products by Mondadori Education (4.2 million euro)

and in the Retail Area for the opening of new stores and maintenance of the existing network (5.0 million euro, including the new megastore in Arese).

Cash flow from ordinary operations on a like-for-like basis, including outflows relating to taxes and financial costs, came to a **positive 51.5 million euro**, reporting, **for the eighth consecutive quarter**, an improvement in cash generation in the previous twelve months.

Including the effects of the newly-consolidated companies, the **overall cash flow from ordinary operations** amounted to **42.8 million euro**, lower than the figure on a like-for-like basis, owing to the typical seasonal performance and resulting outlays of the Rizzoli Libri business in 2Q16.

CASH FLOW ORDINARIO LMT (€M)



Cash flow from extraordinary operations came to -91.1 million euro and includes:

- cash-outs for restructuring costs of 17.1 million euro,
- partial collection of tax receivables (VAT and IRES for IRAP reimbursement) accrued in the prior years (+20.9 million euro);
- cash-in from the disposals completed over the past twelve months from the disposal of 80% of Monradio, of 50% of the Harlequin Mondadori joint venture, and of a property in Rome, for a total of 56.6 million euro;
- the financial impact from the acquisition of Rizzoli Libri and Banzai Media, with net investments of -127.1 million euro and -24.6 million euro, respectively.

Ordinary and extraordinary items resulted in **overall cash-outs over the last twelve months of 48.3 million euro**, with net debt increasing to 374.8

million euro versus 326.5 million euro at 30 June 2015.

Cash flow from operations on a like-for-like basis in 1H16 improved by **9.4 million euro** versus 1H15, thanks to the improved result and effective net working capital management.

Cash flow from ordinary operations on a like-for-like basis also confirmed the above trend, due to the sharp drop in financial costs resulting from the **lower average debt** in 1H16 versus 2015, and from the **renegotiation** in late 2015 **of interest rates**, while the tax burden increased versus 2015 as a result of the improved pre-tax results.

Cash flow from extraordinary operations, amounting to 149.3 million euro in 1H16, reported outlays versus 30 June 2015, despite lower restructuring cash-outs, and higher tax receivables collected from the outlays for the acquisition of Rizzoli Libri and Banzai Media.

Balance sheet

(euro/millions)	30/06/2016	30/06/2015	31/12/2015
Net receivables	313.6	260.1	242.1
Net inventory	184.3	115.3	108.2
Trade payables	-435.5	-351.9	-349.6
Other assets / (liabilities)	18.1	11.2	-30.5
NET WORKING CAPITAL	80.5	34.6	-29.7
Intangible assets	604.3	551.1	552.3
Tangible assets	35.3	31.0	31.2
Investments	44.5	39.9	44.9
NET FIXED ASSETS	684.2	622.1	628.5
Provisions	-67.1	-53.4	-59.7
Post-employment benefits	-50.7	-44.2	-44.1
Discontinued assets / (liabilities)	19.1	45.8	
NET INVESTED CAPITAL	666.0	604.9	494.9
Share capital	68.0	68.0	68.0
Reserves	194.4	189.7	189.6
Minority shareholders' equity	32.6	32.9	31.5
Net result	-3.8	-12.2	6.4
EQUITY	291.2	278.4	295.5
NFP	374.8	326.5	199.4
TOTAL EQUITY	666.0	604.9	494.9

Net working capital on a like-for-like basis at 30 June 2016.

€mn	June 2016	June 2015	Var.
Net receivables	249.3	260.1	-10.8
Net inventory	113.1	115.3	-2.2
Trade payables	-360.3	-351.9	-8.4
Other assets / (liabilities)	-19.4	11.2	-30.5
NET WORKING CAPITAL	-17.3	34.6	-51.9
Provisions	-51.3	-53.4	2.1
Post-employment benefits	-43.5	-44.2	0.7
Provisions	-94.9	-97.7	2.8
TOTAL	-112.1	-63.1	-49.0

On a like-for-like basis, net working capital confirmed the **strong improvement** versus 1H15, amounting to 49 million euro, as a result of:

- reduced trade receivables due to improved collection management (-10.8 million euro);
- the containment of the value of stocks (2.2 million euro);
- the increase in trade payables as a result of the negotiations on payment terms (8.4 million euro);
- the reduction in other assets/liabilities (30.5 million euro), due to lower advance payments made to authors (5.9 million euro), lower tax receivables (19.9 million euro) from the receipt of VAT receivables, and lower prepaid/deferred tax assets (4.2 million euro), also as a result of the regulatory changes that have reduced the IRES tax rate effective from 2017.

Following the consolidation of Rizzoli Libri and Banzai Media, net working capital increased by 46.1 million euro.

Fixed invested capital came to 684.2 million euro at 30 June 2016, up from 622.1 million euro at 30 June 2015, as a result of the over 50 million euro increase in intangible assets from the consolidation of the acquired companies.

“Assets/Liabilities held for sale” in 2015 included the investment held in the Radio segment, while in 2016 the item includes the amounts relating to Marsilio and Bompiani to be sold as a result of the provisions issued by the Antitrust Authority.

The Group’s net invested capital, amounting to 666.0 million euro at 30 June 2016, accordingly grew by over 60 million euro versus 30 June 2015 (604.9 million euro).

INVESTOR RELATIONS

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

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

In 1H16, Mondadori average share price was euro 0.94 (average market capitalization of 246 million euro). On 30 June 2015, Mondadori share price recorded a closing price of euro 0.96 with a market capitalization of 250 million euro.

Share price and share trading data	1H16
Closing price on 30/06/2016 (euro)	0.96
Average price in euro	0.94
Maximum price in euro (02/06)	1.07
Minimum price in euro (11/02)	0.71
Average volume (thousands)	218
Maximum volume (thousands, 15/04)	1,260
Minimum volume (thousands, 06/05)	17
N. of ordinary shares (mn)*	261,458,340
Average market capitalization in euro millions*	245.5
Market capitalization at 30/06/2016 in euro millions	249.7

Source: Borsa Italiana

* Number of shares issued at 30 June 2016

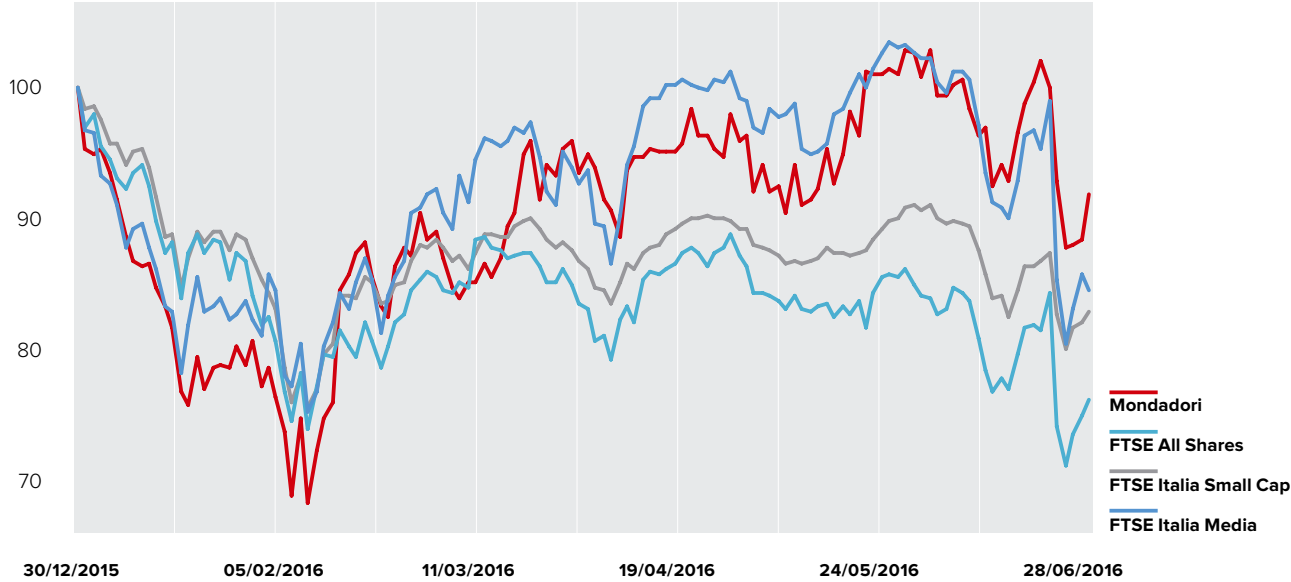
SHAREHOLDER BASE

At 30 June 2016, the Company’s share capital amounts to euro 67,979,168.40, corresponding to 261,458,340 ordinary shares with a nominal value of euro 0.26 each.

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

Shareholders	Equity investment at 30/06/2016
Fininvest S.p.A.	50.4%
Silchester International Investors LLP	11.5%

MONDADORI SHARE PRICE PERFORMANCE AGAINST THE MAIN ITALIAN SE INDEXES IN 1H16



Source: Bloomberg

In early 2016, in January and February in particular, fears over global growth stoked price declines across international financial markets, partly recovered later, also as a result of a healthier expansionary tone of the single monetary policy. Bank stocks in the euro zone were badly hit across the whole area, Germany and Italy in particular; the Italian financial market in fact closed the reporting period tumbling by -23.5%.

In this context, the Mondadori stock lost -8.1%, outperforming however the overall market and the FTSE Italia Small Cap (-16.9%) and FTSE Italia Media (-15.3%) indexes.

At 30 June 2016, the 12-month Mondadori stock price performance was -3.8%.

PERSONNEL

HEADCOUNT AND COST OF PERSONNEL

Group employees with a fixed-term or permanent labour contract at 30 June 2016 amounted to **3,404 units**. The 10.9% increase in headcount versus June 2015 is due solely to the various extraordinary transactions made over the last 12 months; net of these transactions, on a like-for-like basis, Group employees would be down by 2.5%. These figures include the contracts made permanent in the second half of 2015, taking advantage of the opportunities offered by the Jobs Act.

The greatest impact on the overall Group headcount comes from the acquisition of Rizzoli Libri and Banzai Media, completed in April and June 2016, respectively, which increased the headcount by approximately 440 units:

- 275 from Rizzoli Libri, 48 of whom from the US-based subsidiary Rizzoli International Publishing,
- 163 from Banzai Media.

Staff reductions are, instead, attributable to the ongoing restructuring and efficiency improvement measures, in progress for some time now, involving the single businesses of the Group.

The Retail Area saw the centralization of the Rimini administrative offices at the Segrate headquarters, the reorganization of a number of stores, and the restructuring plans implemented at the subsidiary Mondadori France, which led to a 6% reduction versus June 2015.

Likewise, Magazines Italy continued implementing the status of crisis, with the application of solidarity contracts until June 2017.

Magazines Italy was also affected, as from 1 January 2016, by the transfer of a number of operational functions from Mondadori Pubblicità to Mediamond, Mediaset Group's advertising sales agency.

The following table provides a detailed breakdown of Group personnel at 30 June 2016:

	30 June 2016	30 June 2015
Arnoldo Mondadori Editore S.p.A.:		
- Managers, journalists, office staff	815	811
- Blue collars	5	5
	820	816
Italian subsidiaries:		
- Managers, journalists, office staff	1,597	1,251
- Blue collars	101	101
	1,698	1,352
Foreign subsidiaries:		
- Managers, journalists, office staff	886	901
- Blue collars	-	-
	886	901
Total	3,404	3,069

Personnel by Business Area	30/06/2016	30/06/2015	Var. %
Books*	589	563	4.6%
Magazines Italy**	703	691	1.7%
Magazines France	824	877	(6.0%)
Retail	483	550	(12.2%)
Corporate and Shared Services*	367	360	1.9%
Total on a like-for-like basis	2,966	3,041	(2.5%)
Radio		28	
Rizzoli Libri	275		
Banzai Media	163		
Total	3,404	3,069	10.9%

* At 30 June 2016, the Books Area includes 48 contracts made permanent, while the Corporate and Shared Services Area includes resources transferred from Group companies/activities

** In 2016, Magazines Italy includes the Mondadori Scienza staff (63 units)

The cost of personnel in 1H16 amounted to 114.7 million euro, up by 5.9% versus 1H15; on a like-for-like basis, the cost of personnel rose slightly by 0.6% (0.6 million euro), and includes 2.5 million euro relating to Mondadori Scienza, net of which, the drop would amount to -0.9%. Including restructuring costs incurred in the period, the cost of personnel increased by 3.3%, due to the effects of the changed consolidation scope.

(euro/millions)	30/06/2016	30/06/2015	Var. %
Cost of personnel (before restructuring) on a like-for-like basis	108.9	108.3	0.6%
Cost of personnel (before restructuring)	114.7	108.3	+5.9%
Cost of personnel (including restructuring)	117.0	113.3	+3.3%

46

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

On **22 January 2016**, the Antitrust Authority announced the opening of an investigation into the acquisition of RCS Libri.

On **17 March 2016**, the Company announced it had submitted an offer to Banzai S.p.A. for the acquisition of Banzai Media Holding (Vertical Content Division), and had obtained an exclusive negotiation period until 30 April 2016.

On **23 March 2016**, the Antitrust Authority announced the closure of the investigation into the acquisition of RCS Libri, with a conditional authorization requiring:

- the disposal of the Bompiani publishing house and of the equity interest in Marsilio to acquirers approved in advance by the Authority;
- behavioural measures to encourage competition in the publishing and distribution of books:
 - waiver of option, preference and pre-emption provisions in agreements with authors, signed or to be signed by Mondadori and RCS Libri, relating to both Italian and foreign fiction and non-fiction works (with the exclusion of Marsilio, Sonzogno and Bompiani);
 - the e-book catalogue to be made available to those sales platforms who may so request;
 - the catalogue to be made available to active/potential players in the distribution of miscellaneous books to large retailers;
 - constraints to ensure the presence and visibility of third-publishers' books in the Mondadori sales network;
 - financial support amounting to 225,000 euro for the organization and management of the next three editions of the "Più Libri più Liberi" Fair;
 - non-damaging contractual conditions applied to independent bookstores and chains;
 - donation of books to schools and public libraries, juvenile prisons and hospitals;
 - continuation and development of "In libreria per la classe", a project hinged upon activities and workshops at libraries "to teach the pleasure of reading";

- disclosure to the Antitrust Authority of actions taken for the "effective and full implementation of the measures set forth".

On 14 April 2016, Mondadori Group, following the go-ahead from the relevant Authorities, completed the acquisition of RCS Libri through its subsidiary Mondadori Libri S.p.A., in execution of the agreement signed and disclosed to the market on 4 October 2015.

The scope of the transaction includes the entire equity interest (99.99%) held by RCS MediaGroup S.p.A. in RCS Libri S.p.A., including the underlying subsidiaries, and the exclusive ownership of all the trademarks in the books segment, including Rizzoli. The price of the transaction, which incorporates certain contractual adjustments, is 127.1 million euro, settled in cash through a dedicated credit line made available to the Group.

The net financial position of the scope at 31 March 2016 shows a positive figure (cash) of approximately 29 million euro, reduced in April following the cash-out of approximately 9 million euro for the purchase of a 43.71% interest in Marsilio Editori S.p.A. (increasing the total investment to 94.71%), while at closing, it shows an estimated positive net financial position of approximately 16 million euro.

Under specific contractual clauses, the price may be subject to adjustments of up to +/-5 million euro, if certain financial targets are met in 2015, as resulting in the 2015 financial statements of RCS Libri S.p.A., which will be determined and disclosed in accordance with the contractual agreements. The agreement also provides for an earn-out of up to 2.5 million euro to RCS MediaGroup S.p.A., based on the achievement in 2017 of specific results in the Books Area of Mondadori Group.

This scope, consolidated as from 1 April 2016, achieved in 2015 the following pro-forma figures: revenue of 225 million euro and EBITDA before non-recurring costs of 13.6 million euro.

Under the authorization of the Antitrust Authority, as part of the remedies set out therein, Mondadori will dispose of Marsilio Editori S.p.A. and of the business unit of the Bompiani publisher.

Following completion of the transaction, RCS Libri S.p.A. changed its name to Rizzoli Libri S.p.A.. The members of the new Board of Directors of the company are: Ernesto Mauri (Chairman), Paolo Mieli, Antonio Porro, Oddone Pozzi and Enrico Selva Coddè.

Specifically, Enrico Selva Coddè, Managing Director of the Trade Area of Mondadori Libri S.p.A., will head the Trade Area of Rizzoli Libri S.p.A., while Antonio Porro, Managing Director of the Educational Area of Mondadori Libri S.p.A., will head the Educational books and International Illustrated books areas of the company.

On **10 May 2016**, Mondadori Group signed an agreement with Banzai S.p.A., finalized on **8 June 2016**, on the acquisition of Banzai Media Holding S.r.l., the vertical content division of the Banzai Group.

48

The terms of the transaction give Banzai Media Holding an enterprise value of 45 million euro, split up into a fixed component of 41 million euro and an earn-out of 4 million euro. The acquisition price paid at closing - net of a net normalized financial debt of 16.4 million euro (including financial payables to the parent Banzai S.p.A. and 3.3 million euro for deferred price components related to certain investments) - is 24.6 million euro. The earn-out will be paid to Banzai S.p.A. if certain established results for the 2016-2018 three-year period are met.

In 2015, the acquired scope, which excludes the news segment²⁵, posted revenue of 24 million euro and EBITDA (before non-recurring items) of 4 million euro, with 17.1 million unique users²⁶.

The transaction allows Mondadori Group to become the leading Italian digital publisher and to benefit from the complementarity of the vertical segments of the two companies.

By adding to the over 8.9 million active unique users the audience acquired from Banzai - which includes established websites on the Italian market such as *PianetaDonna*, *Giallo Zafferano*, *Studenti.it* and *Mypersonaltrainer* - Mondadori will achieve leadership in the women, food, and health & wellness vertical segments, strategic areas which allow the integration and expansion of the multi-channel offering of the brands already held in the portfolio, with significant growth potential also through product innovation and brand extension initiatives. The extensive know-how and solid technological expertise of Banzai Media Holding, complemented with the brand value and the high-quality publishing content of Mondadori, will enable the Group to step up the development process in the digital segment. Additionally, the combination will allow audience profiling into specific targets, offering greater monetization opportunities.

The understandings with Banzai also include the opportunity to identify a number of Mondadori Retail stores to extend the Pick&Pay network of the Banzai Group.

²⁵ Composed of the investment in Il Post S.r.l. and the *Giornalettismo* website BU

²⁶ Audiweb View figures – total audience December 2015

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On **26 July 2016**, Mondadori Group completed the disposal, through the subsidiary Rizzoli Libri S.p.A., of its 94.71% interest in the share capital of Marsilio Editori S.p.A. to GEM S.r.l..

The price of the transaction is 8.9 million euro, based on an enterprise value in line with the price of the acquisition of the interest, part of the Rizzoli Libri transaction completed last 14 April 2016; the amount includes an adjusted positive net financial position of 1.3 million euro.

The disposal of Marsilio Editori S.p.A. - authorized by the relevant Authorities - was completed in accordance with the remedies set out in the provision issued by the Antitrust Authority.

GEM S.r.l., a company operating in the publishing industry, headed by the De Michelis family, had held an interest in Marsilio Editori S.p.A. from 1985 to April 2016.

Based on the 2016 budget, Marsilio Editori is expected to achieve revenue of approximately 9.4 million euro and EBITDA of 1 million euro.

OTHER INFORMATION

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

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

50

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES USED

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

Specifically, the alternative indicators used include:

Gross Operating Profit (EBITDA): net result for the period before income tax, other financial income and expenses, amortization, depreciation and impairment of fixed assets. The Group also provides information on the percentage of EBITDA on net sales. EBITDA measured by the Group allows operating results to be compared with those of other companies, net of any effects from financial and tax items, and of depreciation and amortization, which may vary from company to company for reasons unrelated to general operating performance.

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

- (i) income and expenses from restructuring, reorganization and business combinations;
- (ii) clearly identified income and expenses not directly related to the ordinary course of business;
- (iii) as well as any income and expenses from non-recurring events and transactions as set out in Consob communication DEM6064293 of 28/07/2006.

With specific reference to adjusted EBITDA for the first half of 2016, the following items were excluded from EBITDA:

- a) restructuring costs for a total of 2.4 million euro, included in “cost of personnel” in the income statement;
- b) expenses related to acquisitions made during the year and charged to the income statement under IFRS 3 for a total of 2.7 million euro, included in “cost of services” in the income statement;
- c) income and expenses of a non-ordinary nature attributable to settlement agreements and compensation for a total of 0.9 million euro, included in “other income/(costs)” in the income statement.

Operating profit (EBIT): net result for the period before income tax, and other income and expenses;

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

Cash flow from operations: adjusted EBITDA, as explained above, plus or minus the decrease/ (increase) in working capital in the period, minus capital expenditure (CAPEX/Investment) and income and expenses from equity investments;

Cash flow from ordinary operations: cash flow from operations as explained above, net of financial expenses and taxes paid in the period;

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

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

OUTLOOK FOR THE YEAR

In light of the positive performance of the Group in the first half of the year and considering the integrations in progress, the forecasts previously announced can be reasonably confirmed **on a like-for-like basis**:

- **revenue essentially in line** with 2015
- a **“high-single digit” growth in adjusted EBITDA**, with a resulting increase in profit margins;

including the effects of the consolidation of **Rizzoli Libri** (for 9 months) and **Banzai Media Holding** (for 7 months):

- **revenue up by approximately 14%** versus 2015
- **adjusted EBITDA up by approximately 30%**.

The **net financial position** is expected to **increase** versus the figure at 31 December 2015, with a **NFP/EBITDA** ratio of about **3.5x**, lower than the bank covenant of 4.5x.

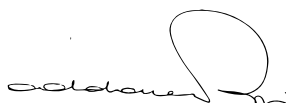
52

For the Board of Directors
The Chairman
Marina Berlusconi



The Executive Manager responsible for the drafting of the corporate accounting documentation - Oddone Pozzi - hereby declares, pursuant to art. 154 bis, par. 2, of the Consolidated Finance Law, that the accounting documentation contained in this Interim Report corresponds to the Company's accounting entries, books and results.

The Executive Manager responsible for the drafting
of the corporate accounting documentation
Oddone Pozzi





**Condensed consolidated half-year financial
statements at 30 June 2016**

CONSOLIDATED BALANCE SHEET

Assets (euro/000)	Notes	30/06/2016	31/12/2015
Intangible assets	10	604,320	552,340
Property investments	11	2,981	3,028
Land and buildings		5,845	6,032
Plant and equipment		8,624	9,028
Other tangible assets		17,898	13,148
Property, plant and equipment	12	32,367	28,208
Investments booked at equity		44,078	44,457
Other investments		453	443
Total investments	13	44,531	44,900
Non-current financial assets	20	799	293
Pre-paid tax assets	14	75,336	62,076
Other non-current assets	15	3,700	1,466
Total non-current assets		764,033	692,311
Tax receivables	16	36,665	39,814
Other current assets	17	116,746	77,650
Inventory	18	184,283	108,221
Trade receivables	19	313,571	242,121
Other current financial assets	20	4,842	2,700
Cash and cash equivalents	21	29,578	30,684
Total current assets		685,684	501,190
Assets held for sale	9	20,446	-
Total assets		1,470,163	1,193,501

56

Liabilities (euro/000)	Notes	30/06/2016	31/12/2015
Share capital		67,979	67,979
Share premium reserve		-	-
Treasury shares		-	-
Other reserves and profit/(loss) carried forward		194,355	189,643
Profit (loss) for the period		(3,774)	6,365
Group equity	22	258,560	263,987
Minority shareholders' equity and reserves	22	32,590	31,522
Total equity		291,150	295,509
Provisions	23	67,118	58,559
Post-employment benefits	24	50,695	44,076
Non-current financial liabilities	25	386,755	222,553
Deferred tax liabilities	14	73,185	67,969
Other non-current liabilities		-	-
Total non-current liabilities		577,753	393,157
Income tax payables	16	4,846	5,446
Other current liabilities	26	220,882	196,237
Trade payables	27	350,935	292,610
Payables due to banks and other financial liabilities	25	23,296	10,542
Total current liabilities		599,959	504,835
Liabilities held for sale	9	1,302	-
Total liabilities		1,470,163	1,193,501

57

CONSOLIDATED INCOME STATEMENT

(euro/000)	Note	30/06/2016	30/06/2015
Revenue from sales and services	28	562,555	517,993
Decrease (increase) in inventory	18	(13,551)	(6,963)
Cost of raw and ancillary materials, consumables and goods	29	113,922	95,613
Cost of services	30	323,881	299,363
Cost of personnel	31	117,020	113,292
Other (income) costs	32	(1,644)	(2,481)
Income (costs) from investments valued at equity	33	(424)	(217)
EBITDA		22,503	18,952
Depreciation and impairment loss on property, plant and equipment	11-12	3,552	3,310
Amortization and impairment loss on intangible assets	10	10,481	6,412
Impairment loss on investments valued at equity and other enterprises	13	-	-
EBIT		8,470	9,230
Financial income (costs)	34	(7,915)	(8,548)
Income (costs) from other investments		-	(125)
Result before taxes for the period		555	557
Income tax	35	3,133	2,795
Result from continuing operations		(2,578)	(2,238)
Result from discontinued operations	9	-	(8,833)
Net result		(2,578)	(11,071)
Attributable to:			
- Minority shareholders	22	1,196	1,129
- Parent Company shareholders		(3,774)	(12,200)
Net earnings per share (in euro units)	36	(0.014)	(0.05)
Diluted net earnings per share (in euro units)	36	(0.014)	(0.05)

58

CONSOLIDATED INCOME STATEMENT - SECOND QUARTER

(euro/000)	Second quarter 30/06/2016	Second quarter 30/06/2015
Revenue from sales and services	307,770	268,756
Decrease (increase) in inventory	(13,338)	1,376
Cost of raw and ancillary materials, consumables and goods	68,278	46,589
Cost of services	175,641	149,854
Cost of personnel	62,152	56,560
Other (income) costs	1,360	2,469
Income (costs) from investments valued at equity	281	44
Margine operativo lordo	13,958	11,952
Depreciation and impairment loss on property, plant and equipment	1,957	1,650
Amortization and impairment loss on intangible assets	6,627	3,212
Impairment loss on investments valued at equity and other enterprises	-	-
EBIT	5,374	7,090
Financial income (costs)	(4,298)	(4,104)
Income (costs) from other investments	-	(125)
Result before taxes for the period	1,076	2,986
Income tax	2,237	1,987
Result from continuing operations	(1,161)	999
Result from discontinued operations	-	(7,849)
Net result	(1,161)	(6,850)
Attributable to:		
- Minority shareholders	805	663
- Parent Company shareholders	(1,966)	(7,513)

59

For the Board of Directors
The Chairman
Marina Berlusconi



CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(euro/000)	Notes	30/06/2016	30/06/2015
Net result		(2,578)	(11,071)
<i>Items reclassifiable to income statement</i>			
Profit (loss) deriving from the conversion of currency denominated financial statements of foreign companies	22	776	(223)
Other profit (loss) from companies valued at equity	22	159	315
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	20-25	(2,537)	292
Profit (loss) from held-for-sale assets (fair value)		698	(80)
<i>Items reclassified to income statement</i>			
Profit (loss) on cash flow hedge instruments		515	-
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax impact on other profit (loss) reclassified to income statement		(142)	-
<i>Items not reclassifiable to income statement</i>			
Actuarial profit/(loss)	26	(1,145)	222
Tax impact on other profit (loss) not reclassifiable to income statement		205	(59)
Total other profit (loss) net of tax effect		(1,471)	467
Comprehensive result for the period		(4,049)	(10,604)
Attributable to:			
- Parent Company shareholders		(5,245)	(11,717)
- Minority shareholders		1,196	1,113

For the Board of Directors
The Chairman
Marina Berlusconi



STATEMENT OF CHANGES IN GROUP CONSOLIDATED EQUITY AT 30 JUNE 2015 - 2016

(euro/000)	Notes	Share capital	Share premium reserve	Legal reserve	Stock option reserve	Cash flow hedge reserve
Balance at 1 January 2015		67,979	12,000	13,490	1,101	(2,984)
- Allocation of result			(12,000)			
- Dividend payout						
- Change in the consolidation scope						
- Capital increase						
- Transactions on treasury shares						
- Stock options					(66)	
- Other changes	22					
- Comprehensive profit (loss)						212
Balance at 30 June 2015		67,979	0	0	1,035	(2,772)

62

(euro/000)	Notes	Share capital	Share premium reserve	Legal reserve	Stock option reserve	Cash flow hedge reserve
Balance at 1 January 2016		67,979	0	13,490	268	(2,523)
- Allocation of result					(268)	
- Dividend payout						
- Change in the consolidation scope						
- Capital increase						
- Transactions on treasury shares						
- Stock options						
- Other changes	22					
- Comprehensive profit (loss)						(1,466)
Balance at 30 June 2016		67,979	0	13,490	0	(3,989)

Fair value reserve	Currency reserve	Post-employment discounting reserve	Other reserves	Profit (loss) for the period	Total Group NFP	Minority shareholders' NFP	Total
-	(163)	(110)	165,372	618	257,303	31,818	289,121
			12,618	(618)	-	-	-
					-	(213)	(213)
					-	-	-
			66		-	-	-
		30	(165)		(135)	189	54
	175	163	(67)	(12,200)	(11,717)	1,113	(10,604)
0	12	83	177,824	(12,200)	245,451	32,907	278,358

63

Fair value reserve	Currency reserve	Post-employment discounting reserve	Other reserves	Profit (loss) for the period	Total Group NFP	Minority shareholders' NFP	Total
0	(138)	482	178,064	6,365	263,987	31,522	295,509
		(194)	6,827	(6,365)	0		0
						(141)	(141)
						13	13
			(182)		(182)		(182)
	995	(940)	(60)	(3,774)	(5,245)	1,196	(4,049)
0	857	(652)	184,649	(3,774)	258,560	32,590	291,150

For the Board of Directors
The Chairman
Marina Berlusconi



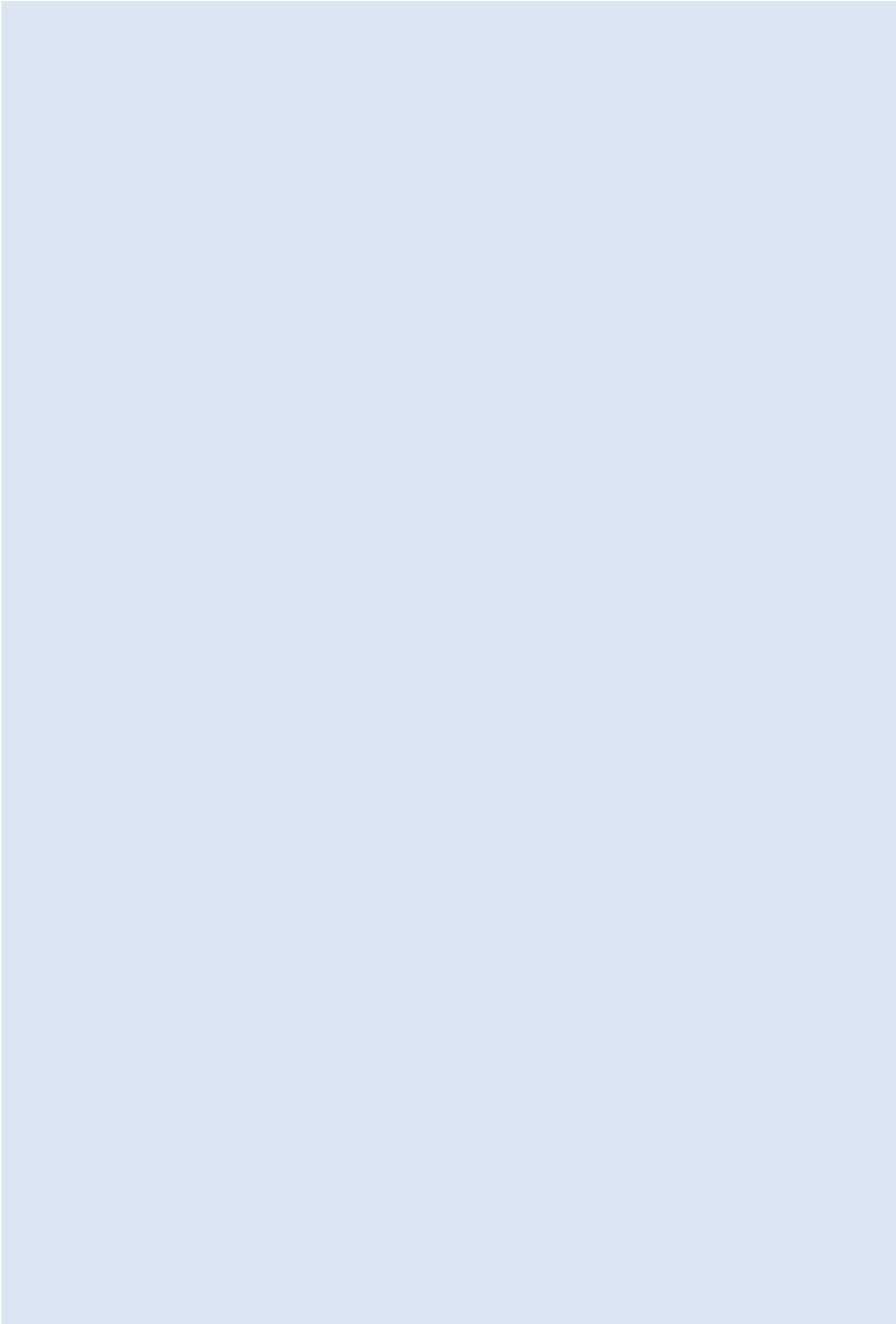
GROUP CONSOLIDATED CASH FLOW STATEMENT

(euro/000)	Notes	30/06/2016	30/06/2015
Net result for the period from continuing operations		(3,774)	(2,603)
<i>Adjustments</i>			
Amortization, depreciation and impairment	10-11-12	14,033	9,722
Income tax for the year	35	3,355	2,795
Stock options		-	-
Fund provisions (utilization) and post-employment benefits		(6,859)	(13,212)
Capital loss (gain) from the transfer of intangible assets, property, plant and equipment, investments		187	149
Capital loss (gain) from financial assets valuation		(10)	-
(Income) costs of companies valued at equity	33	237	217
Net financial costs on loans and transactions with derivatives	34	6,211	7,165
Cash flow generation from operations		13,380	4,233
(Increase) decrease in trade receivables		(1,721)	1,772
(Increase) decrease in inventory		(10,747)	(7,091)
Increase (decrease) in trade payables		8,830	8,318
Income tax payments		(9,489)	(5,076)
Advances and post-employment benefits		(1,431)	(1,711)
Net difference for other assets/liabilities		(5,614)	(20,050)
Cash flow generated from (absorbed by) assets held for sale	9	-	1,324
Cash flow generated from (absorbed by) operations		(6,792)	(18,281)
Price collected (paid) net of cash transferred/acquired		(152,235)	(899)
(Purchase) disposal of intangible assets		(6,349)	(3,643)
(Purchase) disposal of property, plant and equipment		(2,621)	(2,341)
(Purchase) disposal of investments		806	301
(Purchase) disposal of financial assets		(2,638)	869
Cash flow generated from (absorbed by) assets held for sale	9	-	123
Cash flow generated from (absorbed by) investment activities		(163,037)	(5,590)
Net difference in financial liabilities		184,465	25,670
Payment of net financial costs on loans and transactions with derivatives		(15,742)	(8,109)
Capital increase	22	-	-
(Purchase) disposal of treasury shares	22	-	-
Dividend payout	22	-	-
Cash flow generated from (absorbed by) assets held for sale	9	-	20
Cash flow generated from (absorbed by) financing activities		168,723	17,581
Increase (decrease) in cash and cash equivalents		(1,106)	(6,290)
Cash and cash equivalents at the beginning of the period	21	30,684	12,966
Cash and cash equivalents at the end of the period	21	29,578	6,676

64

Per il Consiglio di Amministrazione
Il Presidente
Marina Berlusconi





GROUP CONSOLIDATED BALANCE SHEET PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Assets (euro/000)	Notes	30/06/2016	of which related parties (Note 39)	31/12/2015	of which related parties (Note 39)
Intangible assets	10	604,320	-	552,340	-
Property investments	11	2,981	-	3,028	-
Land and buildings		5,845	-	6,032	-
Plant and equipment		8,624	-	9,028	-
Other tangible assets		17,898	-	13,148	-
Property, plant and equipment	12	32,367	0	28,208	0
Investments booked at equity		44,078	-	44,457	-
Other investments		453	-	443	-
Total investments	13	44,531	0	44,900	0
Non-current financial assets	20	799	-	293	-
Pre-paid tax assets	14	75,336	-	62,076	-
Other non-current assets	15	3,700	-	1,466	-
Total non-current assets		764,033	0	692,311	0
Tax receivables	16	36,665	7,902	39,814	8,786
Other current assets	17	116,746	35	77,650	40
Inventory	18	184,283	-	108,221	-
Trade receivables	19	313,571	61,210	242,121	39,867
Other current financial assets	20	4,842	865	2,700	1,037
Cash and cash equivalents	21	29,578	-	30,684	-
Total current assets		685,684	70,012	501,190	49,730
Assets held for sale	9	20,446	-	-	-
Total assets		1,470,163	70,012	1,193,501	49,730

66

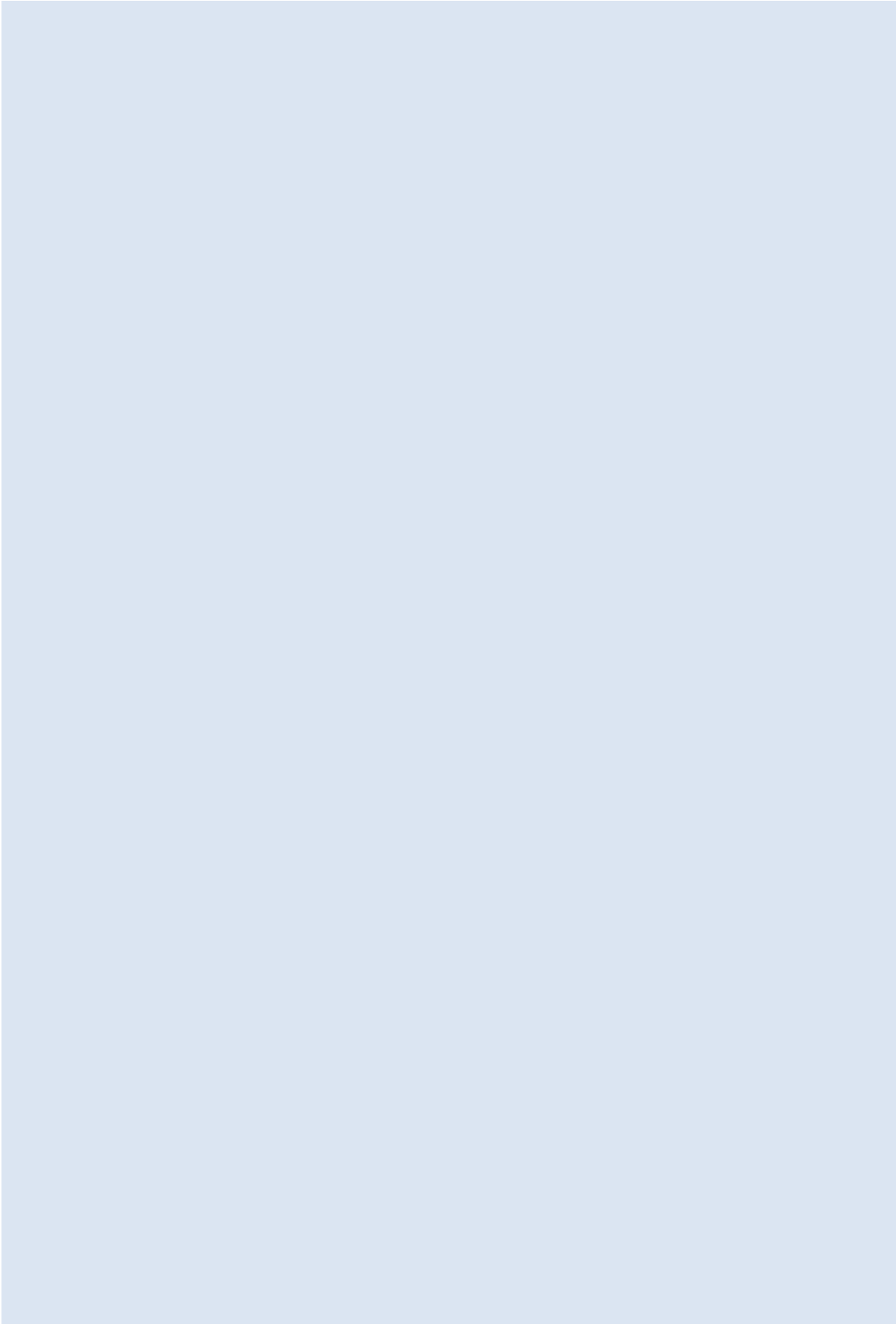
GROUP CONSOLIDATED BALANCE SHEET PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Liabilities (euro/000)	Notes	30/06/2016	of which related parties (Note 39)	31/12/2015	of which related parties (Note 39)
Share capital		67,979	-	67,979	-
Share premium reserve		-	-	-	-
Treasury shares		-	-	-	-
Other reserves and profit/(loss) carried forward		194,355	-	189,643	-
Profit (loss) for the period		(3,774)	-	6,365	-
Group equity	22	258,560	0	263,987	0
Minority shareholders' equity and reserves	22	32,590	-	31,522	-
Total equity		291,150	0	295,509	0
Provisions	23	67,118	-	58,559	-
Post-employment benefits	24	50,695	-	44,076	-
Non-current financial liabilities	25	386,755	-	222,553	-
Deferred tax liabilities	14	73,185	-	67,969	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		577,753	0	393,157	0
Income tax payables	16	4,846	-	5,446	4,765
Other current liabilities	26	220,882	2,009	196,237	602
Trade payables	27	350,935	15,916	292,610	16,827
Payables due to banks and other financial liabilities	25	23,296	222	10,542	61
Total current liabilities		599,959	18,147	504,835	22,255
Liabilities held for sale	9	1,302	-	-	-
Total liabilities		1,470,163	18,147	1,193,501	22,255

67

GROUP CONSOLIDATED INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(euro/000)	Notes	30/06/2016	of which related parties (Note 39)	of which non- recurring (income) costs (Note 38)	30/06/2015	of which related parties (Note 39)	of which non- recurring (income) costs (Note 38)
Revenue from sales and services	28	562,555	49,212	-	517,137	52,084	-
Decrease (increase) in inventory	18	(13,551)	-	-	(6,963)	-	-
Cost of raw and ancillary materials, consumables and goods	29	113,922	5,348	-	96,514	7,148	-
Cost of services	30	323,881	11,130	-	299,877	5,490	-
Cost of personnel	31	117,020	-	-	113,346	-	-
Other (income) costs	32	(1,644)	(17)	-	(4,806)	(1,559)	-
Income (costs) from investments valued at equity	33	(424)	(2)	-	(217)	-	-
EBITDA		22,503	32,749	0	18,952	41,005	0
Depreciation and impairment loss on property, plant and equipment	11-12	3,552	-	-	3,310	-	-
Amortization and impairment loss on intangible assets	10	10,481	-	-	6,412	-	-
Impairment loss on investments valued at equity and other enterprises		-	-	-	-	-	-
EBIT		8,470	32,749	0	9,230	41,005	0
Financial income (costs)	34	(7,915)	-	-	(8,548)	(1,398)	-
Revenues (costs) from other investments		-	-	-	(125)	-	-
Result before taxes for the period		555	32,749	0	557	39,607	0
Income tax	35	3,133	-	-	2,795	-	-
Result from continuing operations		(2,578)	32,749	0	(2,238)	39,607	0
Result from discontinued operations	9	-	-	-	(8,833)	4,440	-
Net result		(2,578)	32,749	0	(11,071)	44,047	0
Attributable to:							
- Minority shareholders	22	1,196	-	-	1,129	-	-
- Parent Company shareholders		(3,774)	-	-	(12,200)	-	-



EXPLANATORY NOTES

1. GENERAL INFORMATION

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

Mondadori’s business areas have also developed products and services available through the use of cutting-edge technology, thus expanding the sales portfolio.

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

The Parent Company Arnoldo Mondadori Editore S.p.A. is listed on the Mercato Telematico Azionario (MTA, the Italian electronic share market) of Borsa Italiana S.p.A.

The publication of Mondadori Group’s consolidated financial statements for the period ended 30 June 2016 was authorized by the Board of Directors’ resolution of 28 July 2016.

70

2. FORM AND CONTENT

The Consolidated Half-Year Financial Report includes the condensed consolidated half-year financial statements, prepared in compliance with the provisions set out in IAS 34 and art.

154-ter of the Finance Consolidation Act and, therefore, does not include all the supplementary information required for the full-year report, and should be read jointly with the Group’s consolidated annual report at 31 December 2015.

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

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

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

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

3. CONSOLIDATION SCOPE

In 1H16, Mondadori Group completed:

- the acquisition of the investments in RCS Libri S.p.A. (today Rizzoli Libri S.p.A.), the RCS Group holding of the book publishing segment, and in Banzai Media Holding S.r.l., the Banzai Group holding of the vertical content segment;
- the disposal of the investment in Mondadori Independent Media LLC.

4. PREPARATION CRITERIA

Mondadori Group's Condensed Consolidated Half-Year Financial Report was prepared on a going concern basis, adopting the same accounting standards used in the preparation of the consolidated financial statements for the year ended 31 December 2015, except for those effective as of 1 January 2016, as specified below:

- amendment to IAS 19 Defined Benefit Plans: Employee Contributions (published on 21 November 2013), referring to the accounting of contributions made by employees or third parties to defined benefit plans;
- amendment to IFRS 11 Joint Arrangements - Accounting for acquisitions of interests in joint operations (published on 6 May 2014), referring to the accounting of the acquisition of interests in a joint operation that is a business;
- amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of acceptable methods of depreciation and amortization (published on 12 May 2014), under which a revenue-based method of depreciation is not appropriate, because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, a condition which is, instead, required for depreciation;
- amendment to IAS 1 Disclosure Initiative (published on 18 December 2014), referring to disclosures that may be perceived as impediments to a clear and understandable preparation of financial statements;
- in the annual improvement process of the standards, on 12 December 2013 and 25 September 2014, IASB published the following documents: "Annual Improvements to IFRSs: 2010-2012 Cycle" and "Annual Improvements to IFRSs: 2012-2014 Cycle", partly supplementing the existing standards.

The adoption of these amendments had no material impact on the consolidated financial statements.

Accounting standards, amendments and interpretations approved by the European Union, the adoption of which is not yet compulsory and not yet adopted by Mondadori Group:

- on 28 May 2014, IASB published IFRS 15 – Revenue from Contracts with Customers, which will replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model for the recognition of revenue, which will be applied to all contracts concluded with customers except for those falling under other IAS/IFRS standards such as leasing, insurance contracts and financial instruments. The key steps in the accounting of revenue based on this new model are:
 - identification of the contract with the customer;
 - identification of the performance obligations included in the contract;

- pricing;
- price allocation based on the performance obligations included in the contract;
- the criteria for the recognition of revenue when the entity meets each performance obligations.

The standard is applicable as of 1 January 2017, but early adoption is allowed.

The Directors expect that the application of IFRS 15 may have an impact on amounts entered as revenue and on the relevant disclosure included in the Group's consolidated financial statements, upon valuation;

- on 24 July 2014, IASB published the final version of IFRS 9 – Financial instruments. The document includes the findings of the phases to replace IAS 39, relating to Classification and valuation, Impairment and Hedge accounting:
 - it introduces new criteria for the classification and measurement of financial assets and liabilities;
 - in relation to the impairment model, the new standard requires an entity to base its measurement of expected credit losses (not on the incurred losses model used by IAS 39) on reasonable and supportable information that is available without undue cost or effort, and that includes historical, current and forecast information;
 - it introduces a new hedge accounting model (broadening of the transaction types eligible for hedge accounting, changes in the accounting of forward contracts and options when included in a hedge accounting relationship, changes in the effectiveness test).
- The new standard applies to financial statements beginning on or after 1 January 2018; assessments are currently underway on the impacts resulting from the application.

5. USE OF ESTIMATES

The preparation of the Group's condensed consolidated half-year report 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.

72

For further information on the main accounting estimates, reference should be made to the "Annual Report" at 31 December 2015.

6. SEASONAL NATURE OF BUSINESS ACTIVITIES

Due to the seasonal nature of the school textbook publishing sector, revenue and profits in the second half of the year are expected to be higher than those in the first six months.

7. SEGMENT REPORTING

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

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

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

8. BUSINESS COMBINATIONS, ACQUISITIONS AND DISPOSALS

Acquisition of 99.99% of RCS Libri

On 14 April 2016, Arnoldo Mondadori Editore S.p.A., through its subsidiary Mondadori Libri S.p.A., completed the acquisition of 99.99% of RCS Libri S.p.A., the Rizzoli Group holding of the book publishing segment.

The scope of the transaction includes RCS Libri S.p.A. (today Rizzoli Libri S.p.A.), the underlying subsidiaries, and the exclusive ownership of all the trademarks in the books segment.

The price of the transaction is 1271 million euro and may be subject to adjustments of up to +/-5 million euro; the agreement also provides for an earn-out of up to 2.5 million euro to RCS MediaGroup S.p.A., based on the achievement in 2017 of specific results in the Books Area of Mondadori Group.

Under the authorization of the Antitrust Authority, as part of the remedies set out therein, Mondadori is required to dispose of its investment in Marsilio Editori S.p.A. and of the business unit of the Bompiani publisher (Trade Books segment).

At the date of this Half-Year Financial Report and until the disposal takes place, in accordance with the above authorization, Marsilio and Bompiani Trade operations are entrusted to an independent manager; therefore, in the absence of the assumption of control under IFRS 10, the income statements of the company and the business unit were not included in the consolidation scope. From a balance sheet point of view, the investment in Marsilio and the assets and liabilities of the "Bompiani Trade" BU were classified as assets and liabilities held for sale.

The transaction is classified as a business combination under IFRS 3, which requires the acquirer to allocate the cost by measuring the fair value of all assets, liabilities and contingent liabilities in order to meet the recognition criteria at the acquisition date.

At 30 June 2016, the Group has yet to complete the purchase price allocation process; therefore, in accordance with paragraphs 45 and 46 of IFRS 3, certain amounts of the business combination were accounted for on a provisional basis. Specifically, as explained below, the difference between net assets acquired and consideration paid was provisionally allocated to "provision for risks".

Acquisition of Rizzoli Libri (euro/000)	
Intangible assets	17,866
Property, plant and equipment	4,839
Investments	1,042
Pre-paid tax assets	13,446
Inventory	63,684
Trade receivables	58,387
Other assets	47,394
Net assets held for sale	19,144
Net financial position	15,245
Acquired assets	241,047
Provisions	(4,433)
Post-employment benefits	(5,727)
Deferred tax liabilities	(6,582)
Trade payables	(44,548)
Other current liabilities	(40,938)
Acquired liabilities	(102,228)
Net acquired	138,819
Price paid	127,105
Differential provisionally allocated to provision for risks	11,714

74

Income statement impact on half-year figures from the consolidation of the Rizzoli Libri scope acquired from RCS MediaGroup.

Acquisition of Rizzoli Libri (euro/000)	
Revenue from sales and services	37,305
Cost of raw materials and change in inventory	(10,549)
Cost of services	(24,371)
Cost of personnel	(4,899)
Other income (costs)	871
EBITDA	(1,643)
Amortization, depreciation	(2.859)
EBIT	(4,502)
Financial income (costs)	(81)
Income tax	140
Net result	(4,443)

Cash flow used in the acquisition amounted to 111,860 thousand euro, corresponding to the price paid (127,105 thousand euro) net of the net financial position acquired (15,245 thousand euro).

Acquisition of 100% of Banzai Media Holding

On 8 June 2016, Arnoldo Mondadori Editore S.p.A. completed the acquisition of 100% of Banzai Media Holding S.r.l. (vertical content division of the Banzai Group); the acquired scope does not include the news segment, composed of Banzai's investment in Il Post S.r.l. and of the Giornalettismo website BU.

The price of the transaction was 24.6 million euro, based on an enterprise value of 41 million euro and a net debt of 16.4 million euro; the agreement includes the payment of an earn-out of 4 million euro.

The transaction is classified as a business combination under IFRS 3, which requires the acquirer to allocate the cost by measuring the fair value of all assets, liabilities and contingent liabilities in order to meet the recognition criteria at the acquisition date.

At the date of this Half-Year Financial Report, the Group has yet to complete the purchase price allocation process; therefore, in accordance with paragraphs 45 and 46 of IFRS 3, certain amounts of the business combination were accounted for on a provisional basis.

The statement shows the book values at acquisition date, net of goodwill of 10,844 thousand euro, written off pending completion of the purchase price allocation process.

Acquisition of Banzai Media (euro/000)	
Intangible assets	2,740
Property, plant and equipment	363
Investments	87
Pre-paid tax assets	1,132
Trade receivables	9,746
Other assets	755
Acquired assets	14,823
Provisions	(175)
Post-employment benefits	(1,546)
Deferred tax liabilities	(6)
Trade payables	(6,118)
Other current liabilities	(3,700)
Net financial position	(9,498)
Acquired liabilities	(21,043)
Net acquired	(6,220)
Consideration paid (including the fair value of earn-outs)	30,876
Differential provisionally allocated to provision for risks	37,096

Income statement impact on half-year figures from the consolidation of Banzai Media.

Acquisition of Banzai Media (euro/000))	
Revenue from sales and services	2,935
Cost of services	(1,398)
Cost of personnel	(872)
Other costs	(17)
EBITDA	648
Amortization, depreciation	(111)
EBIT	537
Financial income (costs)	(2)
Income tax	(53)
Net result	482

Cash outflows for the acquisition amounted to 36,184 thousand euro, corresponding to the price paid and the debt, settled by Arnoldo Mondadori Editore S.p.A., which the acquired company had with its former parent.

The impact on the Group's net financial position at the acquisition date amounted to 40,375 thousand euro, including discounted debt from earn-out due from Media Holding S.r.l. for acquisitions made prior to closing, and from earn-out due from Arnoldo Mondadori Editore S.p.A. to Banzai S.p.A.

76

Comparability of data

In light of the above acquisitions, comparability of data at 30 June 2016 with the prior year and the corresponding half-year period is not entirely consistent. For this purpose, regarding the balance sheet, the contribution of the acquisitions is appropriately shown; as for the income statement, Note 8 presents the details of the contribution of the acquired companies

Disposal of 50% of Mondadori Independent Media LLC

On 5 April 2016, the deed of disposal to Kings Company of the 50% stake held by Arnoldo Mondadori Editore S.p.A. in the share capital of Mondadori Independent Media LLC was concluded, with a nominal value of 46,116,080 rubles.

The consolidated financial statements at 30 June 2016 include the relating loss of 187 thousand euro.

9. ASSETS AND LIABILITIES HELD FOR SALE

"Assets held for sale" and "Liabilities held for sale" include the assets relating to Marsilio Editori S.p.A. and the Bompiani Trade BU, referring mainly to publishing contracts with authors and to inventory of finished products.

10. INTANGIBLE ASSETS

“Intangible assets” increased by 51,980 thousand euro versus 31 December 2015, 19,397 thousand euro of which from the contribution of acquisitions made, 36,701 thousand euro from goodwill, recognized provisionally, relating to the acquisition of the Banzai Group, and 4,118 thousand euro from net decreases attributable to the depreciation rate for the period (10,481 thousand euro) that exceeded net investments (6,363 thousand euro).

Intangible assets (euro/000)	30/06/2016	31/12/2015
Intangible assets with finite useful life	195,489	180,605
Intangible assets with indefinite useful life	408,831	371,735
Total intangible assets	604,320	552,340

Intangible assets with finite useful life mainly comprised magazines published by the Mondadori France Group, the main including TéléStar, Closer, Pleine Vie, Le Chasseur Français, and Auto Plus. The useful life of these assets, each of which represents a Cash Generating Unit, is estimated in thirty years; also EMAS list of customers with subscription is included in the same CGU and the relevant value is amortized over a period of six years, as well as development costs for the creation of school textbook content.

Intangible assets with finite useful life (euro/000)	Magazines	Customer lists	Charges on shop lease contract takeovers	Software	Licenses, patents and rights	Cost of development	Other intangible assets - intangible assets in progress and advances	Total
Cost at 31/12/2014	247,200	8,000	7,443	24,864	1,624	4,021	7,407	300,559
Capital expenditures	-	1,684	-	3,340	-	1,279	6,322	12,625
Disposals	-	-	-	(160)	-	-	-	(160)
Change in the consolidation scope	-	-	-	78	(5)	-	13	86
Other changes	-	-	(67)	(1,786)	(527)	1,625	(1,700)	(2,455)
Cost at 31/12/2015	247,200	9,684	7,376	26,336	1,092	6,925	12,042	310,655
Depreciation and impairment loss provision at 31/12/2014	78,692	3,999	7,439	22,484	1,617	1,506	3,649	119,386
Amortization, depreciation	7,373	1,333	4	1,707	6	2,225	501	13,149
Impairment/ (reinstatement of value)	-	-	-	-	-	-	-	0
Disposals	-	-	-	(74)	-	-	-	(74)
Change in the consolidation scope	-	-	-	28	(5)	-	12	35
Other changes	-	-	(67)	(1,847)	(527)	-	(5)	(2,446)
Depreciation and impairment loss provision at 31/12/2015	86,065	5,332	7,376	22,298	1,091	3,731	4,157	130,050
Net book value at 31/12/2014	168,508	4,001	4	2,380	7	2,515	3,758	181,173
Net book value at 31/12/2015	161,135	4,352	0	4,038	1	3,194	7,885	180,605

In 1H16, capex, amounting to 5,586 thousand euro, mainly included the capitalization of pre-printing costs relating to the creation of school textbook contents. These comprised publishing, translation, revision and editing costs and copyrights, recognized:

- 4,391 thousand euro under “Cost of development”, 1,566 thousand euro of which of Mondadori Education S.p.A., 2,799 thousand euro of Rizzoli Libri S.p.A., and 26 thousand euro of Banzai Media S.r.l.;
- 251 thousand euro under “Intangible assets under construction”.

Capital expenditures in software, amounting to 908 thousand euro, refer mainly to Mondadori France S.p.A. (567 thousand euro), Mondadori Retail S.p.A. (125 thousand euro) and Arnoldo Mondadori Editore S.p.A. (178 thousand euro).

Amortization and depreciation, amounting to 10,481 thousand euro, refer mainly to Mondadori France magazines (3,687 thousand euro); pre-printing costs (4,009 thousand euro) refer to Mondadori Education S.p.A. (1,702 thousand euro) and Rizzoli Libri S.p.A. (2,232 thousand euro).

78

Intangible assets with finite useful life (euro/000)	Magazines	Customer lists	Charges on shop lease contract takeovers	Software	Licenses, patents and rights	Cost of development	Other intangible assets - intangible assets in progress and advances	Total
Cost at 31/12/2015	247,200	9,684	7,376	26,336	1,092	6,925	12,042	310,655
Capital expenditures	-	-	-	908	36	4,391	251	5,586
Disposals	-	(113)	-	-	-	-	-	(113)
Reclassification for assets held for sale	-	-	-	-	-	-	-	0
Change in the consolidation scope	-	-	-	341	11,305	24,799	30,395	66,840
Other changes	-	45	-	518	(3)	7,281	(8,945)	(1,104)
Cost at 30/06/2016	247,200	9,616	7,376	28,103	12,430	43,396	33,743	381,864
Depreciation and impairment loss provision at 31/12/2015	86,065	5,332	7,376	22,298	1,091	3,731	4,157	130,050
Amortization, depreciation	3,687	878	-	1,191	352	4,009	364	10,481
Impairment/ (reinstatement of value)	-	-	-	-	-	-	-	0
Disposals	-	-	-	-	-	-	-	0
Reclassification for assets held for sale	-	-	-	-	-	-	-	0
Change in the consolidation scope	-	-	-	290	9,171	17,823	18,951	46,235
Other changes	-	-	-	(378)	(5)	(1)	(7)	(391)
Depreciation and impairment losses at 30/06/2016	89,752	6,210	7,376	23,401	10,609	25,562	23,465	186,375
Net book value at 31/12/2015	161,135	4,352	0	4,038	1	3,194	7,885	180,605
Net book value at 30/06/2016	157,448	3,406	0	4,702	1,821	17,834	10,278	195,489

Intangible assets with indefinite useful life include:

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

Intangible assets with indefinite useful life (euro/000)	Magazines	Series	Trademarks	Radio stations	Goodwill	Total
Cost at 31/12/2014	96,223	31,509	2,763	126,875	463,927	721,297
Capital expenditures	-	-	-	-	2,251	2,251
Disposals	-	-	-	-	-	0
Change in the consolidation scope	-	-	(372)	(126,875)	-	(127,247)
Other changes	-	-	(80)	-	-	(80)
Cost at 31/12/2015	96,223	31,509	2,311	0	466,178	596,221
Impairment loss at 31/12/2014	8,890	-	1,287	79,391	211,309	300,877
Impairment/(reinstatement of value)	-	-	-	-	3,080	3,080
Other changes/disposals	-	-	(80)	(79,391)	-	(79,471)
Impairment loss at 31/12/2015	8,890	0	1,207	0	214,389	224,486
Net book value at 31/12/2014	87,333	31,509	1,476	47,484	252,618	420,420
Net book value at 31/12/2015	87,333	31,509	1,104	0	251,789	371,735

In 1H16, goodwill included, though provisionally, as the purchase price allocation process is still underway, the difference between consideration and the book value of net assets acquired from the Banzai Group (37,096 thousand euro).

79

Intangible assets with indefinite useful life (euro/000)	Magazines	Series	Trademarks	Radio stations	Goodwill	Total
Cost at 31/12/2015	96,223	31,509	2,311	-	466,178	596,221
Capital expenditures	-	-	-	-	37,096	37,096
Disposals	-	-	-	-	-	0
Reclassification for assets held for sale	-	-	-	-	-	0
Change in the consolidation scope	-	-	-	-	-	0
Other changes	-	-	-	-	-	0
Cost at 30/06/2016	96,223	31,509	2,311	-	503,274	633,317
Impairment loss at 31/12/2015	8,890	-	1,207	-	214,389	224,486
Impairment/(reinstatement of value)	-	-	-	-	-	0
Reclassification for assets held for sale	-	-	-	-	-	0
Other changes/disposals	-	-	-	-	-	0
Impairment loss at 30/06/2016	8,890	0	1,207	-	214,389	224,486
Net book value at 31/12/2015	87,333	31,509	1,104	-	251,789	371,735
Net book value at 30/06/2016	87,333	31,509	1,104	-	288,885	408,831

Amortization, impairment loss and value reinstatement of intangible assets

Amortization and depreciation, net of the effects relating to Rizzoli Libri and Banzai Media (2,689 thousand euro), increased by 1,380 thousand euro, 583 thousand euro of which for capital expenditures in the renewal of the publishing catalogue of Mondadori Education S.p.A., and 506 thousand euro attributable to capital expenditures in software.

Amortization and impairment loss of intangible assets (euro/000)	1H16	1H15
Magazines	3,687	3,687
Customer lists	878	667
Charges on shop lease contract takeovers	-	4
<i>Software</i>	1,191	682
Licenses, patents and rights	352	3
Cost of development	4,009	1,119
Other intangible assets	364	250
Total amortization of intangible assets	10,481	6,412
Amortization of intangible assets	-	-
Value reinstatement of intangible assets	-	-
Total amortization (value reinstatement) of intangible assets	0	0
Total depreciation and impairment loss of intangible assets	10,481	6,412

80

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

Impairment test

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

Market capitalization

In the past 12 months, the Mondadori stock price rose from euro 0.9995 at 30 June 2015 to euro 1.039 at 31 December 2015 and fell back to euro 0.955 at 30 June 2016.

As a result of the stock trend, market capitalization dropped versus 31 December 2015; while this value is lower than equity, given the limited amount of Mondadori floating shares and the current financial market performance, it was not considered a meaningful impairment indicator.

Group performance

After almost four years, revenue grew versus the prior year; net of the effects of the consolidation of the companies acquired in 2016, revenue grew by 1.1%.

EBITDA improved for the tenth consecutive quarter; on a like-for-like basis, it grew by 15.9%, with a percentage on revenue increasing from 4.6% to 5.3%.

Performance of the single CGUs

For all CGUs comprising assets with finite and indefinite useful life and subject to the impairment test, an analysis was carried out in order to verify the performance at 30 June 2016 of the parameters used in the test for the preparation of the 2015 annual report, including cash generation from operations, operating margins and revenue.

The operating margin value of magazines belonging to the former Silvio Berlusconi Editore CGU (TV Sorrisi e Canzoni, Chi and Telepiù) in 1H16 was above or in line with budget projections.

As to book publishers (Einaudi, Sperling & Kupfer, Mondadori Education, Piemme), cash generation from operations in the period was above budget.

The net book value coverage rate, which is derived from the impairment test to be performed at the end of the financial year, was so high that it was not deemed necessary to carry out any impairment test at 30 June 2016.

For the Mondadori France Group CGU, overall revenue was in line with budget projections, while operating margins for the first half of 2016 were above projections by approximately one million euro; the same economic indicators for the single magazines - also subject to amortization - were essentially in line with projections.

Impairment test elements

With reference to the elements that were included in the impairment test at 31 December 2015, the following should be noted:

- the composition and scope of the Cash Generating Units, except for those relating to the new acquisitions, did not change versus those identified in the prior year;
- the Euro Area rate performance, taken as reference in the calculation of the discount rate, defined based on the WACC method, confirmed the validity of the rates used at the end of the prior year.

Conclusions

The elements described above did not result in any need for revision of the guidelines used for the preparation of the budget nor of the multi-year plans approved by the Mondadori Board of Directors in February 2016.

Despite the persisting adverse economic scenario and market context, the indicators did not reveal any need for the performance of an impairment test at 30 June 2016 as the book value of the assets with indefinite useful life and goodwill for the CGUs did not show any impairment versus the values at 31 December 2015.

11. PROPERTY INVESTMENTS

The changes in the period refer exclusively to amortization, amounting to 52 thousand euro, in line with 1H15.

The fair value of property investments at 30 June 2016 was estimated not to be lower than the net book value.

The table below shows a breakdown of "Property Investments" in 2015 and in 1H16:

Property investments (euro/000)	Land	Non-instrumental buildings	Total
Cost at 31/12/2014	976	4,008	4,984
Capital expenditures	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2015	976	4,008	4,984
Depreciation and impairment losses at 31/12/2014	-	1,851	1,851
Amortization, depreciation	-	105	105
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2015	0	1,956	1,956
Net book value at 31/12/2014	976	2,157	3,133
Net book value at 31/12/2015	976	2,052	3,028

82

Property investments (euro/000)	Land	Non-instrumental buildings	Total
Cost at 31/12/2015	976	4,008	4,984
Capital expenditures	-	6	6
Disposals	-	-	0
Other changes	-	-	0
Cost at 30/06/2016	976	4,014	4,990
Depreciation and impairment losses at 31/12/2015	-	1,956	1,956
Amortization, depreciation	-	52	52
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	1	1
Depreciation and impairment losses at 30/06/2016	0	2,009	2,009
Net book value at 31/12/2015	976	2,052	3,028
Net book value at 30/06/2016	976	2,005	2,981

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

12. PROPERTY, PLANT AND EQUIPMENT

“Property, plant and equipment” increased by 4,159 thousand euro versus 31 December 2015, 5,375 thousand euro from the acquisitions made, and 1,216 thousand euro from the net decreases attributable to the depreciation rate for the period (3,500 thousand euro) that exceeded net investments (2,284 thousand euro).

Capital expenditures in “Plant and equipment”, amounting to 2,311 thousand euro, referred mainly to costs incurred for:

- the improvement of plant and premises, and the furnishing of Mondadori Retail S.p.A. and Mondadori Electa S.p.A. stores (785 thousand euro and 647 thousand euro, respectively);
- the purchase of office machines (775 thousand euro, including 305 thousand euro by Mondadori France and 224 thousand euro by Rizzoli International Publications Inc.).

The table below shows a breakdown of “Property, plant and equipment” in 2015 and in 1H16:

Property, plant and equipment (euro/000)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Cost at 31/12/2014	1,434	19,728	42,236	112,667	176,065
Capital expenditures	-	-	1,193	4,743	5,936
Disposals	-	(3,276)	(849)	(1,262)	(5,387)
Change in the consolidation scope	(321)	(1,490)	(24)	(15,002)	(16,837)
Other changes	-	-	1,750	(4,888)	(3,138)
Cost at 31/12/2015	1,113	14,962	44,306	96,258	156,639
Depreciation and impairment losses at 31/12/2014	-	13,267	33,383	95,480	142,130
Amortization, depreciation	-	529	2,661	3,567	6,757
Impairment/(reinstatement of value)	-	-	-	-	0
Disposals	-	(3,139)	(762)	(1,247)	(5,148)
Change in the consolidation scope	-	(614)	(4)	(11,536)	(12,154)
Other changes	-	-	-	(3,154)	(3,154)
Depreciation and impairment losses at 31/12/2015	0	10,043	35,278	83,110	128,431
Net book value at 31/12/2014	1,434	6,461	8,853	17,187	33,935
Net book value at 31/12/2015	1,113	4,919	9,028	13,148	28,208

Property, plant and equipment (euro/000)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Cost at 31/12/2015	1,113	14,962	44,306	96,258	156,639
Capital expenditures	-	4	432	1,875	2,311
Disposals	-	(439)	(1,391)	(2,160)	(3,990)
Reclassification for assets held for sale	-	-	-	-	0
Change in the consolidation scope	-	-	1,394	9,626	11,020
Other changes	-	(31)	439	(244)	164
Cost at 30/06/2016	1,113	14,496	45,180	105,355	166,144
Depreciation and impairment loss provision at 31/12/2015	-	10,043	35,278	83,110	128,431
Amortization, depreciation	-	192	1,274	2,034	3,500
Impairment/(reinstatement of value)	-	-	-	-	0
Disposals	-	(439)	(1,376)	(2,147)	(3,962)
Reclassification for assets held for sale	-	-	-	-	0
Change in the consolidation scope	-	-	1,380	4,437	5,817
Other changes	-	(32)	-	23	(9)
Depreciation and impairment loss provision at 30/06/2016	0	9,764	36,556	87,457	133,777
Net book value at 31/12/2015	1,113	4,919	9,028	13,148	28,208
Net book value at 30/06/2016	1,113	4,732	8,624	17,898	32,367

Breakdown of "Other tangible assets"

84

Other tangible assets (euro/000)	30/06/2016	31/12/2015
Industrial and commercial equipment	816	471
Electronic office equipment	2,431	1,815
Office furniture, and machines	6,262	5,083
Motor vehicles and transport vehicles	6	2
Leasehold improvements	8,232	4,373
Other assets	24	25
Assets under construction and advances	127	1,379
Total other tangible assets	17,898	13,148

Depreciation of property, plant and equipment

Depreciation increased versus the prior year, due basically to the changed consolidation scope; the contribution of the acquired companies amounted, in fact, to 281 thousand euro.

Depreciation of property, plant and equipment (euro/000)	1H16	1H15
Instrumental buildings	192	269
Plant and equipment	1,274	1,273
Equipment	67	80
Electronic office equipment	688	547
Office furniture	702	646
Motor vehicles and transport vehicles	-	1
Leasehold improvements	574	438
Other assets	3	4
Total depreciation of property, plant and equipment	3,500	3,258
Depreciation of tangible assets	-	-
Value reinstatement of tangible assets	-	-
Total depreciation (reinstatement of value) of tangible assets	0	0
Total depreciation and impairment loss of tangible assets	3,500	3,258

Leased assets

There are currently no lease contracts in place; in the previous years some assets were redeemed, the most relevant being a warehouse property close to Casale Monferrato.

85

13. EQUITY INVESTMENTS

“Investments booked at equity” and “Investments in other companies” amounted to 44,531 thousand euro, down by 369 thousand euro versus 31 December 2015.

Investments (euro/000)	30/06/2016	31/12/2015
Investments booked at equity	44,078	44,457
Investments in other companies	453	443
Total investments	44,531	44,900

In addition to the contribution of 1,129 thousand euro from the acquisitions made (1,042 thousand euro by Rizzoli and 87 thousand euro by Banzai), the period under review also saw the share capital increase in Mach 2 Libri S.p.A. for 546 thousand euro, and the disposal of the investment held in Mondadori Independent Media LLC, which resulted in a reduction in the value of the investments of 554 thousand euro, and the recognition in the income statement of a loss of 187 thousand euro, in addition to the loss for the period of 4 thousand euro.

The pro-rata results in the period of the companies booked at equity came to a positive 1,156 thousand euro and to a negative 1,294 thousand euro; Note 33 includes details broken down by company, as well as the income statement effects of impairment amounting to 99 thousand euro and the above loss of 187 thousand euro.

Dividends received by the Group in 1H16 (589 thousand euro) were paid out by Edizioni EL S.r.l.

86

Investments valued at equity – Details (euro/000)	30/06/2016	31/12/2015
Investments in joint ventures:		
- EDIGITA Editoria Digitale Italiana S.r.l.	308	-
- Skira Rizzoli Publications Inc.	180	-
- Edizioni EL S.r.l.	3,004	3,298
- Attica Publications Group	15,532	15,575
- Mediamond S.p.A.	1,604	2,042
- Mondadori Independent Media LLC	-	528
- Mondadori Seec Advertising Co. Ltd	5,097	4,445
Total investments in joint ventures	25,725	25,888
Investments in associates:		
- Monradio S.r.l.	8,659	8,993
- Mach 2 Libri S.p.A.	2,200	2,120
- GD Media Service S.r.l.	142	182
- Società Europea di Edizioni S.p.A.	7,176	7,189
- Venezia Accademia Società per i servizi museali S.c.a r.l.	52	52
- Campania Arte S.c.ar.l.	23	23
- Consorzio Covar (in liquidation)	-	2
- Consorzio Forma	-	1
- Gold 5 S.r.l.	78	-
- Good Morning Italia S.r.l.	9	-
- Consorzio Scuola Digitale	14	7
Total investments in associates	18,353	18,569
Total investments booked at equity	44,078	44,457

Breakdown of “Investments in other companies”.

Investments in other companies - Details (euro/000)	30/06/2016	31/12/2015
Investments in other companies:		
- Milano Distribuzione Media S.r.l.	164	164
- Società Editrice Il Mulino S.p.A.	197	197
- Consuedit S.r.l.	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali S.r.l.	52	52
- Consorzio Edicola Italiana	10	10
- CTAV	16	6
- Sem Issy Media	3	3
Total investments in other companies	453	443

Impairment test

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

Therefore, an impairment test was carried out to verify that the values identified at 31 December 2015 were still current at 30 June 2016, in particular for Attica Publications SA, given the severe financial and economic turbulence that rocked the Greek economy in the second half of 2015.

The economic balance values in 1H16 confirmed budget data; therefore, it was not deemed necessary to revise the medium-term projections.

The rate performance in 1H16 confirmed the validity of the rates used in the impairment test at 31 December 2015.

Despite the persisting adverse Italian economic scenario, the indicators did not reveal any need for the performance of an impairment test at 30 June 2016, nor did the book value of the investment in Attica Publications show any impairment versus the values at 31 December 2015.

14. PRE-PAID TAX ASSETS AND DEFERRED TAX LIABILITIES

(euro/000)	30/06/2016	31/12/2015
IRES on tax losses	21,999	21,985
Pre-paid IRES	50,049	38,221
Pre-paid IRAP	3,288	1,870
Total pre-paid tax assets	75,336	62,076
Deferred IRES	68,482	64,275
Deferred IRAP	4,703	3,694
Total deferred tax liabilities	73,185	67,969

“IRES on tax losses”, amounting to 21,999 thousand euro, referred to the possible benefits resulting from the compensatory use of the losses generated by Mondadori Group in the prior financial years, transferred to the fiscal unit under the parent company Fininvest S.p.A. following the adherence to the national tax consolidation regime.

The amount does not include pre-paid tax assets relating to the companies acquired in the period, and is in line with the figures at 31 December 2015.

Other pre-paid tax assets increased as a result of the changed consolidation scope (14,786 thousand euro), and decreased by 1,540 thousand euro following the reversal of certain temporary differences.

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

(euro/000)	30/06/2016			31/12/2015		
	Amount of temporary differences	Current tax rate	Pre-paid taxes	Amount of temporary differences	Current tax rate	Pre-paid taxes
Differences between book and tax value of intangible assets	3,894	(*)	966	2,871	(*)	660
Difference between book and tax value of property investments and investments in property, plant and equipment	4,748	(*)	1,254	1,584	(*)	380
Provision for bad debt	27,542	(*)	7,271	26,874	(*)	6,675
Depreciation of inventory	14,390	(*)	4,632	14,197	(*)	3,412
Provision for advances to authors	56,437	(*)	13,677	22,979	(*)	5,519
Provisions	45,323	(*)	11,364	52,299	(*)	12,713
Post-employment benefits	14,030	(*)	4,494	11,233	(*)	3,595
Elimination of intercompany income	10,016	(*)	2,404	10,016	(*)	2,404
Other temporary differences	11,492	(*)	3,987	10,335	(*)	2,863
Total for IRES purposes	187,872		50,049	152,388		38,221
Differences between book and tax value of intangible assets	7,199	(*)	284	6,949	(*)	271
Difference between book and tax value of property investments and investments in property, plant and equipment	166	(*)	7	487	(*)	19
Depreciation of inventory	12,802	(*)	499	12,641	(*)	493
Provision for advances to authors	44,100	(*)	1,720	10,641	(*)	415
Provisions	3,686	(*)	145	3,010	(*)	117
Post-employment benefits	5,044	(*)	197	2,923	(*)	114
Elimination of intercompany income	10,016	(*)	391	10,016	(*)	391
Other temporary differences	1,179	(*)	45	1,282	(*)	50
Total for IRAP purposes	84,192		3,288	47,949		1,870

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

“Deferred tax liabilities” increased by 5,216 thousand euro as a result of the changed consolidation scope (6,587 thousand euro), and decreased by 1,371 thousand euro due to the amortization of Mondadori France publications.

Temporary differences that led to the recognition of deferred taxes

(euro/000)	30/06/2016			31/12/2015		
	Amount of temporary differences	Current tax rate	Deferred taxes	Amount of temporary differences	Current tax rate	Deferred taxes
Capital gains in instalments	-	(*)	-	-	(*)	-
Differences between book and tax value of intangible assets	231,049	(*)	67,354	219,226	(*)	63,529
Difference between book and tax value of property investments and investments in property, plant and equipment	1,819	(*)	519	2,003	(*)	481
Post-employment benefits	2,431	(*)	571	613	(*)	148
Leased assets	-	(*)	-	-	(*)	-
Other temporary differences	137	(*)	38	427	(*)	117
Total for IRES purposes	235,436		68,482	222,269		64,275
Capital gains in instalments	-	(*)	-	-	(*)	-
Differences between book and tax value of intangible assets	118,293	(*)	4,626	92,682	(*)	3,615
Difference between book and tax value of property investments and investments in property, plant and equipment	1,261	(*)	61	1,627	(*)	63
Post-employment benefits	423	(*)	16	403	(*)	16
Leased assets	-	(*)	-	-	(*)	-
Other temporary differences	-	(*)	-	-	(*)	-
Total for IRAP purposes	119,977		4,703	94,712		3,694

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

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

15. OTHER NON-CURRENT ASSETS

“Other non-current assets” increased by 2,234 thousand euro versus 31 December 2015, due mainly to the acquisitions made (2,159 thousand euro) and to higher guarantee deposits (11 thousand euro).

Other non-current assets (euro/000)	30/06/2016	31/12/2015
Guarantee deposits	1,741	1,348
Confirmation deposits	-	2
Receivables due from Fininvest for IRES	12	-
Other	1,947	116
Total other non-current assets	3,700	1,466

16. TAX RECEIVABLES AND PAYABLES

Tax receivables (euro/000)	30/06/2016	31/12/2015
Receivables due from the Inland Revenue for IRAP	1,646	1,764
Receivables due from the Inland Revenue for IRES	6,446	212
Receivables due from Fininvest for IRES	7,645	6,107
Receivables from the Inland Revenue for VAT, direct taxes to recover and advances on disputes	20,928	31,731
Total tax receivables	36,665	39,814

Group tax receivables decreased versus 31 December 2015 by 3,149 thousand euro, or by 6,973 thousand euro on a like-for-like basis.

- i “Receivables due from the Inland Revenue for IRAP” decreased versus 31 December 2015, despite the 463 thousand euro contributed by the acquired companies, as a result of the payment of prior-year payables and the advance payments made in June;
- i “Receivables due from the Inland Revenue for IRES” mainly include advance payments made by Mondadori France Group companies (4,713 thousand euro), by Rizzoli (1,593 thousand euro), and by Banzai (11 thousand euro);
- i “Receivables due from Fininvest for IRES” included:
 - IRES amount to be recovered following the partial deductibility of IRAP for the 2008-2011 period. The relevant application forms for reimbursement were filed in 2013 (5,699 thousand euro);
 - withholding taxes paid in the prior years and in the reporting period for a total of 1,204 thousand euro;
 - net receivables of 742 thousand euro accrued on taxable losses in the period for companies participating in the tax consolidation regime;
- “Receivables from the Inland Revenue for VAT, direct taxes to recover and advances on disputes” included:
 - VAT subject to reimbursement (48 thousand euro). In 1H16, a total of 13,412 thousand euro in VAT receivables referring to 2014 and 2015 were freed up and collected;
 - VAT receivable due to Fininvest S.p.A., following the implementation of the consolidation regime for Mondadori Group companies (2,340 thousand euro), and to the Inland Revenue (709 thousand euro);
 - VAT receivable relating to Mondadori France for 4,596 thousand euro;
 - VAT receivable relating to Banzai Media and Rizzoli Libri for 1,827 thousand euro;
 - direct tax receivables amounting to 782 thousand euro subject to reimbursement and receivables for tax disputes amounting to 10,626 thousand euro. These receivables referred to the temporary payment of some tax forms received by Group companies in relation to pending tax disputes. Following tax audits by the Finance Police, a few reports were made on a number of subsidiaries:
- Arnoldo Mondadori Editore S.p.A. for the years 1996-1997-1998-1999, following inspection by the Italian Social Security Division for Journalists and the Finance Police, the Inland Revenue notified tax assessments containing the request for additional IRPEF amounts for a total of 186 thousand euro plus applicable ancillary charges as a result of failed payment of withholding taxes. The Company filed an appeal before the Tax Commission. In this respect:
 - for the tax assessments relating to 1996 and 1998, the Provincial Tax Commission rejected the appeal filed by the company, pending the terms for a second appeal;
 - the tax assessment relating to 1999 was cancelled by the Provincial Tax Commission; the Division filed an appeal before the Regional Tax Commission; the Regional Tax Commission suspended the proceedings pending resolution of the proceedings before the labour judge.
- Arnoldo Mondadori Editore S.p.A. for the year 2004, the Central Division of the Lombardy Region submitted findings relating to the application of a 12.50% withholding tax on the interest paid on a loan stock

in favour of a subsidiary for a total of 999 thousand euro, plus applicable ancillary charges; against such assessment proceedings have been filed with the Court of Cassation;

- Arnoldo Mondadori Editore S.p.A. for the year 2005, the Central Division of the Lombardy Region challenged the omitted payment of a 12.50% withholding tax for a total of 3,051 thousand euro plus applicable ancillary charges by means of a tax assessment, in relation to interest paid on a bond loan stated in 2004. The Company filed an appeal against the tax assessment before the Court of Cassation;
- Mondadori Direct S.p.A. received tax assessments for IRES, IRAP and VAT relating to the 2003-2006 tax years. All these tax assessments were successfully challenged before the Provincial and Regional Tax Commission, which upheld the appeals. The Office filed an appeal before the Court of Cassation;
- as for Giulio Einaudi Editore S.p.A. the years from 2005 to 2009 are yet still pending; all tax assessments relating to these years have been challenged before the Provincial Tax Commission, which issued a resolution accepting the appeals filed by Einaudi on 25 September 2014. The Inland Revenue filed an appeal before the Regional Tax Commission. On 4 May 2015, the Regional Tax Commission of Rome filed a decision by which it accepted the appeal against the second level notice on the same issues pending on the 2006 fiscal year. In November, the Latium Revenue Agency filed an appeal to also overturn the decision. The appeal filed by the Inland Revenue before the Court of Cassation against the second instance rulings that confirmed the annulment of the payment notices of the stamp duty of the years 2005, 2006, and 2007, is still pending.

Income tax payables (euro/000)	30/06/2016	31/12/2015
Payables due to the Inland Revenue for IRAP	281	303
Payables due to the Inland Revenue for IRES	4,565	378
Payables due to Fininvest for IRES	-	4,765
Total income tax payables	4,846	5,446

91

“Payables due to the Inland Revenue for IRES” included the tax position mainly of Mondadori France Group companies; “Payables due to the Inland Revenue for IRAP” referred to those companies with a net position with a debt balance at 30 June.

17. OTHER CURRENT ASSETS

“Other current assets” increased by 39,095 thousand euro, due, in addition to the 42,131 thousand euro contributed by the acquired companies, to the decrease in accrued income (approximately 2 million euro), which had included deferred purchase costs in 2015 for Harlequin Mondadori S.p.A. products to match them with the associated distribution revenue, now no longer present following termination of the service contract.

Other current assets (euro/000)	30/06/2016	31/12/2015
Receivables due from agents	9,619	518
Receivables due from authors and employees	138,508	83,798
Provision for advances to authors	(68,073)	(34,024)
Receivables due from suppliers	9,460	5,079
Receivables due from personnel	1,023	692
Receivables due from social security institutions	2,241	2,176
Receivables for guarantee deposits	390	415
Other receivables due from associates	38	42
Prepayments	953	2,995
Other	22,587	15,959
Total other current assets	116,746	77,650

18. INVENTORY

92

“Inventory” was up by 76,062 thousand euro, due mainly to the:

- 63,684 thousand euro contributed by the acquired companies;
- seasonal effects of the school textbooks business, which increased finished products by 12,502 thousand euro (4,262 thousand euro Mondadori Education S.p.A. and 8,240 thousand euro Rizzoli Libri S.p.A.).

Inventory (euro/000)	30/06/2016	31/12/2015
Raw and ancillary materials and consumables	14,269	11,052
Depreciation of raw and ancillary materials and consumables	(1,030)	(588)
Total raw and ancillary materials and consumables	13,239	10,464
Work in progress and semi-finished goods	19,170	12,422
Depreciation of work in progress and semi-finished goods	(1,478)	(1,435)
Total work in progress and semi-finished goods	17,692	10,987
Contract work in progress	2,955	2,487
Depreciation of contract work in progress	(72)	(66)
Total contract work in progress	2,883	2,421
Finished products and goods	180,000	98,701
Depreciation of finished products and goods	(29,531)	(14,352)
Total finished products and goods	150,469	84,349
Advances	-	-
Total inventory	184,283	108,221

Inventory depreciation was made separately and analytically by each Group company, taking into account finished product marketability and any failed revenue generation from orders in progress and semi-finished products.

Inventory - Depreciation (euro/000)	Raw materials	Work in progress and	Contract work in progress	Finished products and goods
Balance at 31/12/2014	225	1,232	102	14,307
Changes in the year:				
- provisions	476	111	114	5,349
- utilizations	(178)	-	(150)	(5,652)
- other changes	65	92	-	348
Balance at 31/12/2015	588	1,435	66	14,352
Changes in the year:				
- provisions	79	60	6	1,605
- utilizations	-	-	-	(1,716)
- other changes	363	(17)	-	15,290
Balance at 30/06/2016	1,030	1,478	72	29,531

No inventory is subject to restriction to cover liabilities.

Decrease (increase) in inventory

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

Decrease (increase) in inventory (euro/000)	1H16	1H15
Changes in finished products and goods	(14,148)	(10,175)
Provision for finished products and goods	1,314	2,295
Utilization of the write-down provision for finished products and goods	(1,716)	(2,332)
Total changes in inventory of finished products and goods	(14,550)	(10,212)
Changes in work in progress and semi-finished products	945	3,397
Provision for work in progress and semi-finished products	60	203
Utilization of the write-down provision for work in progress and semi-finished products	-	-
Total changes in work in progress and semi-finished products	1,005	3,600
Changes for contract work in progress	(468)	110
Provision for contract work in progress	6	4
Utilization of the write-down provision for contract work in progress	-	-
Total changes in contract work in progress	(462)	114
Changes in raw and ancillary materials and consumables	377	(465)
Provision for raw and ancillary materials and consumables	79	-
Utilization of the provisions for raw and ancillary materials and consumables	-	-
Total changes in inventory of raw and ancillary materials and consumables	456	(465)
Total decrease (increase) in inventory	(13,551)	(6,963)

19. TRADE RECEIVABLES

Trade receivables (euro/000)	30/06/2016	31/12/2015
Trade receivables	252,361	202,254
Receivables due from associates	60,930	39,481
Receivables due from parent companies	-	4
Receivables due from affiliates	280	382
Total trade receivables	313,571	242,121

“Trade receivables” increased by 71,450 thousand euro, or by 5,918 thousand euro on a like-for-like basis, as a result of the increase in revenue generated by the Books Area in both the Trade and Educational segments.

“Receivables due from associates”, mainly reflecting the exposure of Arnoldo Mondadori Editore S.p.A. to Mediamond S.p.A. for the transfer of the advertising business relating to magazines and of Mondadori Libri S.p.A. and Rizzoli Libri S.p.A. to Mach 2 Libri S.p.A. for the distribution of books to large retailers, increased versus 31 December 2015 as a result of different billing time frames.

Receivables from associates, parent company and affiliates are detailed in Annex “Transactions with related parties”; transactions with related parties are carried out under normal market conditions.

“Customers - returns to receive”, amounting to 144,879 thousand euro versus 31 December 2015, reflects revenue dynamics.

94 The change in scope of Rizzoli Libri contributed 18,602 thousand euro to the increase.

There were no trade receivables due over five years.

Trade receivables Receivables from customers (euro/000)	30/06/2016	31/12/2015
Trade receivables	440,336	374,055
Customers – returns to receive	(144,879)	(131,635)
Provision for bad debt	(43,096)	(40,166)
Total receivables from customers	252,361	202,254

The amount for the provision for bad debt is calculated by each Group company after an accurate analysis of each individual debt item position, considering also the customer solvency rating; the amount increased by 2,930 thousand euro, due to the acquisitions completed in the reporting period.

On a like-for-like basis, the bad debt provision dropped by 1,205 thousand euro.

“Other changes” at 31 December 2015 included a reclassification of “Other provisions for risks” corresponding to the amount allocated to adjust receivables due from the advertising agency, which - by contract - is required to compensate the publisher for any losses suffered on the receivables.

Trade receivables		
Receivables from customers - Bad debt provision	30/06/2016	31/12/2015
(euro/000)		
Balance at beginning of year	40,166	35,550
Changes in the year:		
- provisions	2,851	9,168
- utilizations	(4,401)	(8,757)
- changes in the consolidation scope	4,480	61
- other changes	-	4,144
Total bad debt provision	43,096	40,166

20. FINANCIAL ASSETS

Non-current financial assets		
(euro/000)	30/06/2016	31/12/2015
Financial receivables due from associates	506	-
Financial receivables	293	293
Financial assets at fair value with adjustments recognized under income statement	-	-
Held-for-sale financial assets	-	-
Assets resulting from derivative instruments	-	-
Total non-current financial assets	799	293

“Non-current financial assets”, amounting to 799 thousand euro, included receivables from the associate Attica Publications (506 thousand euro) and the amounts coming due over 12 months (293 thousand euro) from third parties relating to Mondadori Magazines France S.a.s.

“Other current financial assets”, amounting to 4,842 thousand euro, included the credit positions on current accounts held by the Parent Company towards a number of associates, and the receivables to Mondadori France SA from Axel Springer SA.

Other current financial assets		
(euro/000)	30/06/2016	31/12/2015
Financial receivables due from customers	69	-
Financial receivables due from associates	359	1,037
Financial receivables due from parent company	-	-
Financial receivables due from affiliates	-	-
Financial receivables due from others	4,414	1,663
Total financial receivables	4,842	2,700
Financial assets at fair value with adjustments recognized under income statement	-	-
Held-for-sale financial assets	-	-
Assets resulting from derivative instruments	-	-
Total other current financial assets	4,842	2,700

Assets and liabilities resulting from derivative instruments

Assets and liabilities in derivative instruments – Details (euro/000)	Type of derivative instrument	Fair value at 30/06/2016	Fair value at 31/12/2015
Non-current financial assets (liabilities)			
- Rate derivatives	Cash flow hedge	(2,577)	(39)
Current financial assets (liabilities)			
- Currency derivatives	Trading	-	-

The Group has adopted a Financial Risk Management policy. The use of derivative instruments is in line with the guidelines contained in such policy. In order to verify hedging efficiency, the Group performs a series of perspective and retroactive tests at least on a quarterly basis.

Trading derivatives refer to transactions that, though established for hedging purposes, do not fully meet the requirements envisaged by the international accounting standards to qualify for hedge accounting. In the case of Mondadori Group, trading derivatives only referred to exchange risk management, which is not present in the Group's financial statements at 30 June 2016.

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

Retroactive tests envisage that a hedge proves highly effective, when its results fall in a 80%-125% range. Group criteria to test effectiveness include statistic regression analyses and the Dollar Offset Method or Ratio Analysis.

In addition, the Group calculates the fair value of current hedge transactions on a quarterly basis.

At 30 June 2016, there were five transactions to hedge the existing interest rate risk (with BNP Paribas, BPM, Intesa Sanpaolo, Mediobanca and Unicredit), applying to the A1 Term Loan Tranche of the amortizing pool loan contract concluded in December 2015, coming to maturity in December 2020 for a total notional amount of 150.0 million euro and an average rate of 0.157%.

The table below shows the hedge impact on income statement and equity:

Cash flow hedge reserve (euro/000)	30/06/2016	31/12/2015
Initial balance gross of the tax impact	(3,750)	(4,350)
Amount recognized in the year	(440)	1,232
Amount endorsed from reserve and recognized under income statement:		
- adjustments to expenses	283	(632)
- adjustments to income	(144)	-
Final balance gross of the tax impact	(4,051)	(3,750)
Inefficient part of hedge	0	0

21. CASH AND CASH EQUIVALENTS

“Cash and cash equivalents”, amounting to 29,578 thousand euro, dropped by 1,106 thousand euro versus 31 December 2015.

Cash and cash equivalents (euro/000)	30/06/2016	31/12/2015
Cash and cash on hand	332	950
Bank deposits	28,156	28,758
Postal deposits	1,090	976
Total cash and cash equivalents	29,578	30,684

“Bank deposits” included the current account balances centralized with Arnoldo Mondadori Editore S.p.A., representing the cash-ins of the final days of the month.

The fair value of cash and cash equivalents at 30 June 2016 was equal to the relevant book value.

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

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

Net financial position (euro/000)	30/06/2016	31/12/2015	30/06/2015
A Cash	332	950	229
-Bank deposits	28,156	28,758	5,844
-Postal deposits	1,090	976	603
B Other cash and cash equivalents	29,246	29,734	6,447
C Cash and cash equivalents and other financial assets (A+B)	29,578	30,684	6,676
D Securities held for trading			
-Financial receivables due from associates	359	1,037	1,512
-Financial assets at fair value	-	-	-
-Held-for-sale financial assets	-	-	-
-Derivatives and other financial assets	4,483	1,663	6,415
E -Receivables and other current financial assets	4,842	2,700	7,927
F Current financial assets (D+E)	4,842	2,700	7,927
G Current payables due to banks	5,893	2,260	18,351
-Bonds	-	-	-
-Loans	-	-	-
-Borrowings	9,876	6,370	50,009
H Current portion of non-current debt	9,876	6,370	50,009
-Financial payables due to associates	222	61	3,584
-Derivatives and other financial liabilities	7,305	1,851	2,801
I Other current financial liabilities	7,527	1,912	6,385
L Payables due to banks and other current financial liabilities (G+H+I)	23,296	10,542	74,745
M Current net financial position (C+F-L)	11,124	22,842	(60,142)
-Bonds	-	-	-
-Loans	-	-	-
-Borrowings	379,821	220,244	261,460
N -Debt non-current portion	379,821	220,244	261,460
O Other non-current financial liabilities	6,934	2,309	5,246
P Non-current net debt (N+O)	386,755	222,553	266,706
Q Net debt (M-P)	(375,631)	(199,711)	(326,848)

Should the balance of “Non-current financial assets”, amounting to 799 thousand euro and not included in the Consob format, be added to the above data, the Group net financial position would be negative for 374,832 thousand euro.

Over the last twelve months on a like-for-like basis, the Group generated a cash flow of 79.4 million euro from operations, as a result of the positive performance of operations, net of non-ordinary items (76.8 million euro), and of the effective measures to reduce net working capital (including provisions), which allowed the Group to generate a cash flow of 19.5 million euro.

Including the effects of the newly-consolidated companies, the overall cash flow from ordinary operations amounted to 42.8 million euro, lower than the figure on a like-for-like basis, owing to the typical seasonal performance and resulting outflows of the Rizzoli Libri business in 2Q16.

Cash flow from extraordinary operations came to -91.1 million euro and includes:

- cash-outs for restructuring costs of 17.1 million euro;
- partial collection of tax receivables (VAT and IRES for IRAP reimbursement), accrued in prior years (20.9 million euro);
- cash-in from the disposals completed over the past twelve months from the disposal of 80% of Monradio, of 50% of the Harlequin Mondadori joint venture, and of a property in Rome;
- cash-outs for the acquisition of Rizzoli Libri and Banzai Media, with outlays of 127.1 million euro and 44.3 million euro, respectively.

Cash flow from ordinary operations on a like-for-like basis also confirmed the above trend, due to the sharp drop in financial costs resulting from the lower average debt in 1H16 versus 2015, and from the renegotiation in late 2015 of interest rates, while the tax burden increased versus 2015 as a result of the improved pre-tax results.

98

Cash flow from extraordinary operations, amounting to 149.3 million euro in 1H16, reported cash outlays versus 30 June 2015, despite lower restructuring cash-outs, and higher tax receivables collected from the outlays for the acquisition of Rizzoli Libri and Banzai Media.

Further details on the Group's net financial position appear in Notes 20, 21 and 25.

22. EQUITY

Equity at 30 June 2016, including minority shareholders, amounted to 291,150 thousand euro, decreasing by 4,349 thousand euro versus 31 December 2015.

The main changes regarded the adjustments of the “Cash flow hedge reserve” and the “Post-employment discounting reserve”, which led to a decrease in equity, respectively of 1,466 thousand euro and 940 thousand euro; the decrease is also attributable to the loss for the period of 3,774 thousand euro.

Third shareholders' reserves refer to Editions Mondadori Axel Springer S.n.c., NaturaBuy S.a.s. and Rizzoli Libri S.p.A.

23. PROVISIONS

“Provisions”, amounting to 67,118 thousand euro, increased by 8,559 thousand euro.

Provisions (euro/000)	31/12/2015	Provisions	Utilizations	Other changes	30/06/2016
Provision for agents' contractual risks	4,627	-	(148)	175	4,654
Provision for personnel downsizing risks	13,672	1,446	(4,787)	261	10,592
Provision for legal risks	21,095	442	(4,157)	1,281	18,661
Provision for equity investment risks	1,285	97	(972)	-	410
Provision for tax disputes	5,577	1,750	(1,000)	760	7,087
Provision for onerous contracts	4,013	-	(272)	(72)	3,669
Other risk provisions	8,290	1,457	(1,138)	13,644	22,045
Total provisions	58,559	5,192	(12,474)	16,049	67,118

The changes in 1H16 are attributable to:

- the 4,608 thousand euro contributed by the acquired companies;
- provisions of 5,192 thousand euro in the period relating mainly to restructuring;
- the partial use of the amount allocated in prior years for staff downsizing, including payment of the relating employee indemnities, and to the settlement of a number of disputes mainly in the Magazine Area;
- a provision of 11,714 thousand euro, recognized provisionally, relating to the acquisition of Rizzoli, explained more in detail in Note 8 above, the amount of which will be reviewed following completion of the purchase price allocation process.

99

24. POST-EMPLOYMENT BENEFITS

“Post-employment benefits”, amounting to 50,695 thousand euro, increased by 6,619 thousand euro, as a result of the contribution from acquisitions made (8,161 thousand euro), of provisions in the period (893 thousand euro) and of payment of advances and post-employment benefits (2,435 thousand euro).

Post-employment benefits (euro/000)	30/06/2016	31/12/2015
Provision for post-employment benefits (TFR)	40,963	36,317
Provision for supplementary agents' indemnity (FISC)	9,602	7,635
Provision for retirement and similar obligations	130	124
Total post-employment benefits	50,695	44,076

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

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

Actuarial assumptions to measure TFR	30/06/2016	31/12/2015
Economic assumptions:		
- increase in cost of living	1.5%	1.5%
- discounting rate	1.08%	2.03%
Demographic assumptions:		
- probability of death	IPS.55 tables	IPS.55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	From 4.81% to 20.09%	From 4.81% to 20.09%
- retirement age	Applicable regulations	Applicable regulations

Actuarial assumptions to measure FISC	30/06/2016	31/12/2015
Economic assumptions:		
- discounting rate	1.08%	2.03%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	5.0%	5.0%
- probability of voluntary resignation	1.5%	1.5%
- average age of agency contract termination	Applicable regulations	Applicable regulations

The balance relating to the “Severance indemnity (TFR) fund” increased as a result of the changed consolidation scope; the effect resulting from the decrease in the discounting rate (1.08% from 2.03%), on a like-for-like basis, corresponded to approximately 1.3 million euro; a 0.5% increase or decrease in the discounting rate would be equal to a corresponding effect of approximately 0.7 million on the “Post-employment benefits provision”.

100

Post-employment benefits – Details (euro/000)	TFR	FISC	Provision for retirement
Balance at 31/12/2015	36,317	7,635	124
Changes in 2016:			
- provisions	151	455	6
- utilizations	(1,430)	(1,005)	-
- reversals	-	-	-
- discounting	281	-	-
- changes in the consolidation scope and other changes	5,644	2,517	-
Balance at 30/06/2016	40,963	9,602	130

Following the application of revised IAS 19 as of 1 January 2013, envisaging the recognition of actuarial profits (losses) under a specific reserve of Equity, net of the relevant tax effect, post-employment benefits cost items, booked under income statement, include the service cost of the companies with less than 50 employees for 151 thousand euro and financial costs for 281 thousand euro.

The variation in “Provision for supplementary agents’ indemnity (FISC)” reflected the provision made for the period and the payments relating to the turnover in the sales force of the Group in 2015.

“Provision for retirement” was not subject to discounting because the effects are irrelevant.

25. FINANCIAL LIABILITIES

Current and non-current financial liabilities, amounting to 410,051 thousand euro, increased by 176,956 thousand euro versus 31 December 2015. The increase is mainly attributable to the 127.105 million euro drawn down from the Line A2 of the Pool (Acquisition of Rizzoli Libri), and to the 36,184 thousand euro drawn down from the Line C of the Pool (Acquisition of Banzai Media).

Non-current financial liabilities (euro/000)	Actual interest rate	Expiry 1-5 years	Expiry over 5 years	30/06/2016	31/12/2015
Bonds		-	-	-	-
Convertible bonds		-	-	-	-
Borrowings	3.30%	379,821	-	379,821	220,244
Payables due to suppliers		-	-	-	-
Payables due to associates		-	-	-	-
Payables due to parent companies		-	-	-	-
Payables due to affiliates		-	-	-	-
Payables due for lease agreements		-	-	-	-
Payables for shareholders' contributions		-	-	-	-
Liabilities resulting from derivatives		2,577	-	2,577	39
Other financial liabilities		4,357	-	4,357	2,270
Total non-current financial liabilities		386,755	0	386,755	222,553

“Non-current financial liabilities”, amounting to 386,755 thousand euro, included:

- 379,821 thousand euro regarding the amortized cost of the Amortizing Term Loan, Line A1 (refinancing, December 2015), Line A2 (acquisition financing, Rizzoli Libri), and the utilization of Line C (acquisition financing, Banzai Media) of the amortizing pool loan, coming to maturity in December 2020;
- 2,577 thousand euro regarding the fair value of the stipulated derivative contracts;
- 4,357 thousand euro relating to the long-term portion of the earn-out from the acquisition of Banzai Media.

101

Payables due to banks and other financial liabilities (euro/000)	Actual interest rate	30/06/2016	31/12/2015
Bank deposits		5,893	2,260
Bonds		-	-
Convertible bonds		-	-
Borrowings	1.14%	9,876	6,370
Payables due to suppliers		-	5
Payables due to associates		222	61
Payables due to parent companies		-	-
Payables due to affiliates		-	-
Payables due for lease agreements		-	-
Payables for shareholders' contributions		-	-
Liabilities resulting from derivatives		-	-
Other financial liabilities		7,305	1,846
Total payables due to banks and other financial liabilities		23,296	10,542

“Payables due to banks and other financial liabilities” amounted to 23,296 thousand euro and mainly included:

- 9,852 thousand euro, relating to the amount coming to maturity in December 2016 of the A1 and A2 Term Loan of the amortizing pool loan;
- 5,893 thousand euro for the balances of current account overdrafts;
- 2,700 thousand euro and 1,927 thousand euro relating to the short-term portion of the earn-out from NaturaBuy and from the acquisition of Banzai Media, respectively.

At 30 June 2016, the Financial Covenant (Net Financial Position) resulting from the consolidated half year report amounted to -374,832 thousand euro, below the cap of -475,000 thousand euro envisaged in the corresponding pool loan contract.

Information on financial instruments is found in Note 21 – “Financial assets” in these Notes.

26. OTHER CURRENT LIABILITIES

“Other current liabilities” increased by 24,645 thousand euro.

The contribution of the acquisitions amounted to 44,614 thousand euro, while the changes in the period on a like-for-like basis showed a reduction of 19,969 thousand euro, due mainly to:

- the decrease in “Payables due to welfare and social security entities” and in “Payroll and other amounts due to personnel”, by 4,800 thousand euro and 1,030 thousand euro, respectively, owing to the different impact of the 14th monthly salary bonus amount compared to the 13th monthly salary bonus amount;
- payment of commissions accrued in 2015 by the Mondadori and Rizzoli sales network (15,616 thousand euro);
- the decrease in payables to the subscribers to Mondadori France magazines (3,682 thousand euro), due to the lower average duration of subscriptions;
- the net increase in other items (5,159 thousand euro), specifically on payables due to authors (7,889 thousand euro).

102

Other current liabilities (euro/000)	30/06/2016	31/12/2015
Advances to customers	26,331	22,776
Tax payables	15,332	12,221
Payables due to welfare and social security entities	22,615	27,415
Payables due to associates	312	169
Other payables	156,292	133,656
Total other current liabilities	220,882	196,237

“Other payables” is broken down below:

Other current liabilities – Other payables (euro/000)	30/06/2016	31/12/2015
Payroll and other amounts due to personnel	30,508	27,678
Payables due to authors and workers	74,784	47,103
Payables due to agents	7,443	7,411
Payables to subscription and instalment customers	35,816	39,498
Payables to directors and statutory auditors	2,290	2,461
Deferred income for anticipated rents	-	-
Other payables, accrued expense and deferred income	5,451	9,505
Total other payables	156,292	133,656

27. TRADE PAYABLES

Trade payables (euro/000)	30/06/2016	31/12/2015
Trade payables	335,019	275,783
Payables due to associates	13,336	12,458
Payables due to parent company	39	24
Payables due to affiliates	2,541	4,345
Total trade payables	350,935	292,610

103

“Trade payables”, amounting to 350,935 thousand euro, increased by 58,325 thousand euro versus 31 December 2015, due to the acquired companies (59,678 thousand euro).
On a like-for-like basis, the balance was basically in line (-1,353 thousand euro).

There were no trade payables due over five years.

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

28. REVENUE FROM SALES AND SERVICES

“Revenue from sales and services” increased by 44,562 thousand euro (+8.6%) versus 1H15; on a like-for-like basis, net of the contribution of Rizzoli Libri and Banzai Media, respectively for three months and one month, the item increased by 5,632 thousand euro (+1.1%).

Revenue from sales and services (euro/000)	1H16	1H15	Var %
Revenue from the sale of products:			
- books	125,365	82,322	52.3%
- magazines	213,493	218,685	(2.4%)
- <i>direct</i>	7,917	8,497	(6.8%)
- <i>retail</i>	78,219	74,567	4.9%
- other assets	2,881	1,491	93.2%
Revenue from the sale of services:			
- transfer of publication rights	3,410	1,977	72.5%
- sale of e-books	5,577	4,569	22.1%
- revenue from book e-commerce	4,972	4,773	4.2%
- advertising services	80,035	80,944	(1.1%)
- <i>direct marketing</i>	5,591	5,653	(1.1%)
- ticket sale and organization of exhibitions	10,700	7,625	40.3%
- other services	24,395	26,890	(9.3%)
Total revenue from sales and services	562,555	517,993	8.6%

104

The increase in revenue from the sale of books was affected by the consolidation of Rizzoli for approximately 33 million euro; revenue on a like-for-like basis rose by 10,251 thousand euro, thanks to the positive performance in both the Trade (+5%) and Education segments (+15.5%).

Revenue from the sale of magazines grew in Italy and fell in France, in line with the market trend.

Revenue from retail, net of the contribution of Librerie Rizzoli S.r.l., grew by 3.2%, thanks to the positive performance of Megastores and franchised stores.

Revenue from services:

- the marked increase in activities regarding the organization of exhibitions and the management of museum services, attributable to the growth in visitors to the central archaeological area of Rome and to the success of a number of exhibitions, including the exhibition dedicated to Boccioni;
- the drop in advertising revenue, heavier in France than in Italy;
- the slight increase, net of the contribution of Rizzoli, in revenue from the sale of digital books and e-commerce.

Further information on revenue and the dynamics of the different business segments in which the Group operates is found in the “Directors’ Report on Operations”.

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

Cost of raw and ancillary materials, consumables and goods (euro/000)	1H16	1H15
Paper	36,196	36,168
Other production materials	-	-
Total cost of raw and ancillary materials	36,196	36,168
Goods for re-sale	73,910	55,919
Consumption and maintenance materials	219	488
Other	3,597	3,038
Total cost of consumption materials and goods	77,726	59,445
Total cost of raw and ancillary materials, consumables and goods	113,922	95,613

“Cost of raw and ancillary materials, consumables and goods” increased by 18,309 thousand euro; on a like-for-like basis, the item dropped by 1,014 thousand euro, as a result of lower purchases of paper linked to lower production of new titles and to the containment of print runs.

The cost relating to “Goods for re-sale”, on a like-for-like basis, was essentially in line with the amount of 2015.

30. COST OF SERVICES

“Cost of services” amounted to 323,881 thousand euro, increasing by 24,518 thousand euro; on a like-for-like basis, the item is in line with the amounts in 1H15.

On a like-for-like basis, the drop in costs for “Third party graphical processing” (-6,179 thousand euro), as a result of the above publishing policy, was offset by the increase in variable costs, copyrights (2,247 thousand euro), commissions (1,374 thousand euro), and the organization of exhibitions (1,064 thousand euro), as a result of the growth in revenue.

Cost of services (Euro/migliaia)	1H16	1H15
Rights and royalties	50,021	39,505
Consultancy services and third party collaborations	31,891	29,246
Commissions	25,395	21,278
Third party graphical processing	74,380	71,126
Transport and shipping	36,669	33,462
Purchase of advertising space and promotion expenses	25,060	25,998
Fairs, exhibitions and concession charges	7,787	6,821
Travel and other expense reimbursements	3,249	3,337
Maintenance expenses	3,103	3,199
Telephone and postal expenses	3,380	3,353
Catering and cleaning services	2,973	3,464
Market surveys, news agencies	8,085	7,089
Insurance	1,373	1,318
Subscriptions management	17,425	18,481
Publisher's share	2,215	1,666
Utilities	1,982	1,893
Bank services and commissions	1,052	1,060
EDP services	3,840	3,396
Directors' and statutory auditors' fees	2,222	2,221
Temporary work fees	3,811	4,456
Rents and service expenses	10,645	8,701
Leases and rentals	3,492	3,486
Other services	3,831	4,807
Total cost of services	323,881	299,363

106

“Directors’ and statutory auditors’ fees”, including the minor contribution in the period of Rizzoli and Banzai, comprised fees paid to Directors and Statutory Auditors for 1,951 thousand euro and 271 thousand euro, respectively.

31. COST OF PERSONNEL

Cost of personnel (euro/000)	1H16	1H15
Salaries and wages	82,898	77,983
Social security charges	24,519	23,897
Post-employment benefits TFR	151	30
Supplementary pension scheme plans	3,835	3,657
Retirement indemnity and similar obligations	-	-
Other costs	5,617	7,725
Total cost of personnel	117,020	113,292

Employees	Actual 30/06/2016	Actual 30/06/2015	Average 1° semestre 2016	Average 1° semestre 2015
Executives	123	104	112	107
White collars, middle managers and journalists	3,175	2,859	2,939	2,874
Blue collars	106	106	105	108
Total	3,404	3,069	3,156	3,089

Group employees with a fixed-term or permanent labour contract at 30 June 2016 amounted to 3,404 units, while the average headcount came to 3,156 units.

Both figures were affected by the acquisitions completed in 1H16; on a like-for-like basis, the actual headcount would amount to 2,966 units, while the average headcount would amount to 2,990 units.

Cost of personnel in 1H16 increased by 3.3%; net of restructuring costs and the effect of the transactions that changed the consolidation scope, cost of personnel dropped by 0.9%.

Information about stock option plans

With reference to the stock option plans applied by parent company Arnoldo Mondadori Editore S.p.A. for the three year 2009-2010-2011 time spans and described in the Remuneration Report pursuant to art. 123-ter of Legislative Decree no. 58 of 24/2/1998, advertised concurrently with the Annual Report at 31 December 2014, the table below summarizes the situation of the options assigned and still to be exercised at 30 June 2016. The granting of loans or other facilities for the purchase of shares is not admitted pursuant to art. 2358, par. 3, of the Italian Civil Code.

107

Stock options	2010
In circulation at 01/01/2016	650.000
- assigned during the year	-
- cancelled during the year	-
- exercised during the year	-
- expired during the year	-
In circulation at 30/06/2016	650.000
Vesting period	22/07/2013-21/07/2016
Price in euro	2,4693
Exercisable at 30/06/2016	650.000

Options assigned after 7 November 2002 were measured at fair value on the basis of a binomial tree numerical calculation method using the following parameters:

Parameters for the option measuring model	2010
Exercise price of the option	2,4693
Option term (residual years)	0,08
Market price of the underlying shares at the grant date in euro	2,415
Expected volatility of the share price	35.40%
Dividend yield	8.28%
Risk free interest rate for the option term	2.16%

As of 2011, the Board of Directors of Arnoldo Mondadori Editore S.p.A. resolved, upon proposal made by the Remuneration Committee, to waive the assignment of options, given the availability of other forms of incentives and loyalty schemes considered appropriate to provide the Group with a significant advantage in the medium-long period.

The cost of share-based payments recognized in "Cost of Personnel" under income statement in 1H16, deriving from share-based payments, amounted to euro zero.

32. OTHER (INCOME) COSTS

108

Other (income) costs (euro/000)	1H16	1H15
Other revenue and income	(6,802)	(4,327)
Various operating costs	5,158	1,846
Total other (income) costs	(1,644)	(2,481)

"Other revenue and income" increased by 2,475 thousand euro, 1,082 thousand euro of which referring to Rizzoli.

The increase, on a like-for-like basis, was mainly attributable to the compensation, amounting to 1,591 thousand euro, recognized by the Ministry of Education to Mondadori Education S.p.A. for damage arising from the non-alignment to inflation of the prices of primary school textbooks in the years from 2004 to 2008.

Other (income) costs – Other revenue and income (euro/000)	1H16	1H15
Year's contributions	17	12
Capital gains from the transfer of assets	16	24
Supplier rebates and other third party contributions	12	150
Insurance reimbursements	10	292
Rentals	329	394
Contingent assets	2,087	539
Third party expense reimbursements	2,031	1,329
Other	2,300	1,587
Total other revenue and income	6,802	4,327

“Various operating costs” increased by 3,312 thousand euro, 202 thousand euro of which referring to Rizzoli and 12 thousand euro to Banzai.

The increase, on a like-for-like basis, refers basically to:

- the “Receivables management” (higher costs of 2,117 thousand euro versus 1H15), as a result of the higher release of provisions accounted for in the prior year;
- the provision of 696 thousand euro made by Mondadori Education S.p.A. against possible claims for recognition of the portion of the amount collected by the Ministry of Education, by the sales network and the authors.

Other (income) costs – Other operating costs (euro/000)	1H16	1H15
Receivables management	2,570	453
Reimbursements and settlements	(3,055)	(2,630)
Contributions and grants	172	255
Contingent liabilities	975	445
Capital loss from the transfer of assets	16	48
Other taxes and duties	2,276	2,011
Other costs	2,204	1,264
Total other operating costs	5,158	1,846

33. RESULT FROM INVESTMENTS VALUED AT EQUITY

The results of consolidated companies measured at equity, on a like-for-like basis, and net of non-recurring items, improved by 924 thousand euro versus 1H15, due mainly to the performance of Società Europea di Edizioni S.p.A., publisher of Il Giornale, with the capital gain of 1,254 thousand euro realized in 2015 from the transfer of a portal.

109

Income (costs) from investments valued at equity (euro/000)	1H16	1H15
- Gruner + Jahr/Mondadori S.p.A.	-	(45)
- Harlequin Mondadori S.p.A.	-	209
- ACI-Mondadori S.p.A.	-	(2)
- Attica Publications Group	(43)	(121)
- Società Europea di Edizioni S.p.A.	(13)	71
- Mach 2 Libri S.p.A.	(482)	(458)
- GD Media Service S.r.l.	(40)	(125)
- Mondadori Independent Media LLC	(190)	(18)
- Edizioni EL S.r.l.	295	291
- Mediamond S.p.A.	(394)	(187)
- Consorzio Covar (in liquidation)	(2)	-
- Mondadori Seec Advertising Co. Ltd	850	950
- EMAS Digital S.a.s.	-	(780)
- Milano Cultura S.c. a r.l.	-	(2)
- Monradio S.r.l.	(319)	-
- EDIGITA Editoria Digitale Italiana S.r.l.	11	-
- Campania Arte S.p.A.	(97)	-
Total income (costs) from investments valued at equity	(424)	(217)

34. FINANCIAL INCOME (COSTS)

Net financial costs at 30 June 2016 improved by 633 thousand euro versus the prior year, mainly as a result of lower interest due for 1,748 thousand euro, resulting from a significant reduction in rates applied on loans, and from a lower average Group debt.

Financial income (costs) (euro/000)	1H16	1H15
Interest from banks and post offices	1	2
Financial income from derivatives	13	3
Financial income	244	77
Other interest	17	25
Total interest and other financial income	275	107
Interest to banks and post offices	47	67
Interest on bonds, loans and borrowings	5,431	6,819
Financial costs from derivatives	780	349
Other financial costs for discounting assets/liabilities	281	215
Other interest	1,665	1,612
Total interest expense and other financial costs	8,204	9,062
Realized positive currency differences	161	500
Unrealized positive currency differences	12	63
Realized negative currency differences	(143)	(137)
Unrealized negative currency differences	(26)	(20)
Total income (loss) on currency transactions	4	406
Income (costs) from financial assets	10	1
Total financial income (costs)	(7,915)	(8,548)

The difference against the prior year is attributable to other financial cost items and, mainly:

- lower net income from currency exchange transactions for 402 thousand euro;
- higher discounting costs on post-employment benefits for 66 thousand euro;
- higher financial costs from derivatives of 431 thousand euro, related to the closure of outstanding rate derivatives at 31 December 2015.

35. INCOME TAX

	1H16	1H15
Income tax (euro/000)		
IRES tax on income for the period	2,174	3,655
IRAP for the period	825	614
Total current taxes	2,999	4,269
Deferred/pre-paid taxes for IRES	536	(1,073)
Deferred/pre-paid taxes for IRAP	270	201
Total deferred/pre-paid taxes	806	(872)
Other tax items	(672)	(602)
Total income taxes	3,133	2,795

Income taxes in the period amounted to 3,133 thousand euro, up by 338 thousand euro versus 1H15. On a like-for-like basis, income taxes amounted to 3,500 thousand euro, an increase attributable mainly to the improved results.

36. EARNINGS PER SHARE

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

	1H16	1H15
Net income for the period (Euro/000)	(3,774)	(12,200)
Average number of outstanding ordinary shares (no./000)	261,458	261,458
Basic earnings per share (Euro)	(0.014)	(0.047)

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

	1H16	1H15
Net income for the period (Euro/000)	(3,774)	(12,200)
Average number of outstanding ordinary shares (no./000)	261,458	261,458
Number of options with diluted effect (no./000)	-	-
Diluted earnings per share (Euro)	(0.014)	(0.047)

37. COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2016, Mondadori Group has commitments underwritten for a total amount of 95,359 thousand euro (76,764 thousand euro at 31 December 2015), mainly represented by guarantees issued on VAT receivables subject to reimbursement and prize contests transactions.

The increase attributable to Rizzoli amounted to 13,326 thousand euro.

38. NON-RECURRING (INCOME) COSTS

Under Consob Resolution no. 15519 of 27 July 2006, Mondadori Group in 1H16, as in 1H15, recorded no non-recurring income or cost.

39. RELATED PARTIES

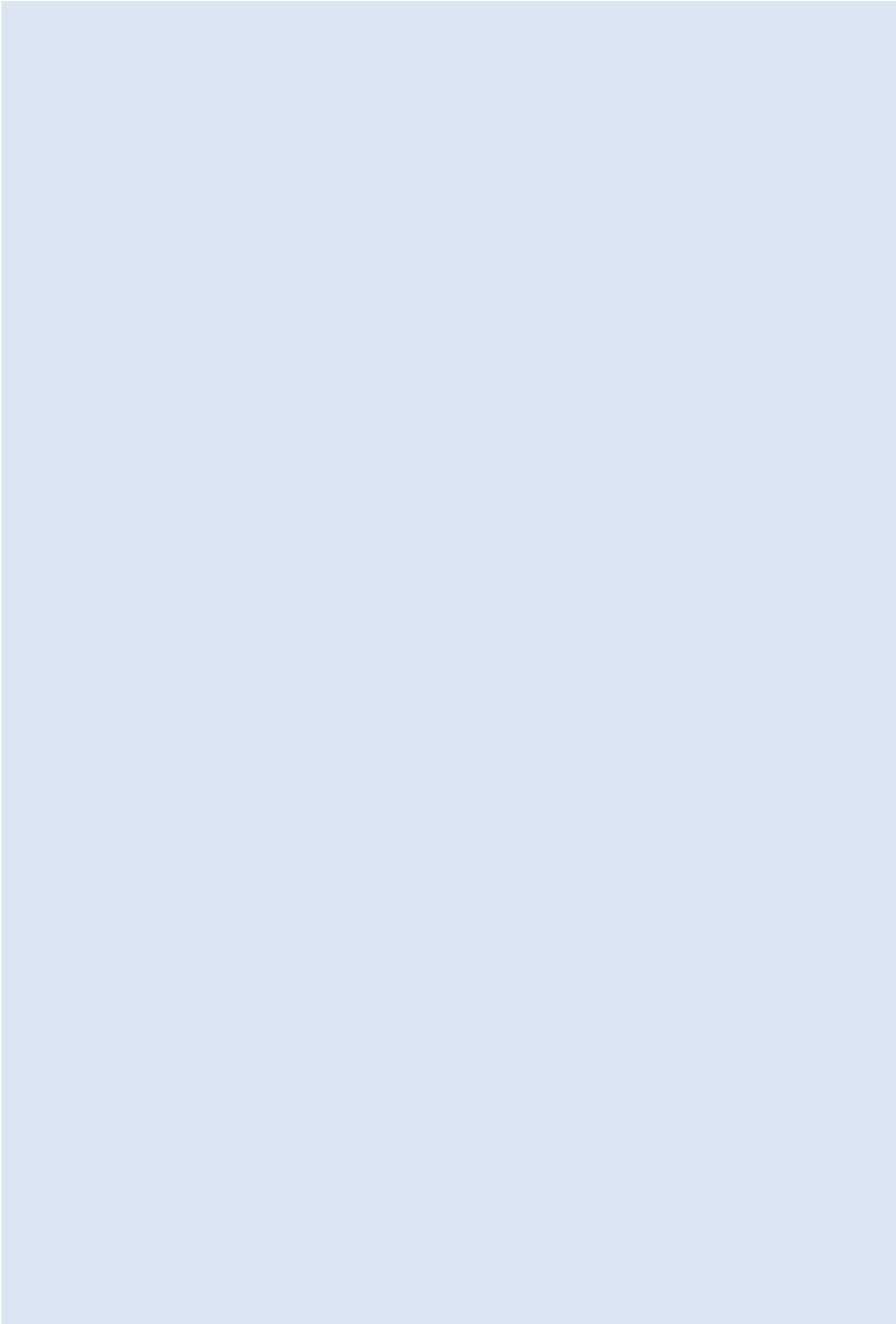
Transactions carried out with related parties, including intercompany transactions, do not qualify as either atypical or unusual, since they refer to standard business activities performed by Group companies. When performed out of the scope of standard conditions or when they are imposed by specific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

40. VALUTAZIONI AL FAIR VALUE

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

112

Financial assets (liabilities) (euro/000)	Fair value at 30 June 2016	Fair value hierarchy	Valuation method and main inputs
Interest rate swap contracts	(2,577)	Livello 2	Discounted cash flow. Projected flows are discounted based on the forward rate curve expected at the end of the period and on the contractual fixing rates, also taking the counterparty default risk into account.
Investments in other companies	453	Livello 3	Based on the nature of the interests held in other en- terprises, the cost may be considered representative of the fair value.



TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 30 JUNE 2016

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Parent companies:					
- Fininvest S.p.A.	-	-	7,902	-	39
Associates:					
- Gruner + Jahr/Mondadori S.p.A.	0	-	-	-	-
- Mach 2 Libri S.p.A.	18,435	-	-	-	18
- Venezia Musei Società per i serv. museali S.c.a r.l.	260	-	-	12	-
- Edizioni EL S.r.l.	743	-	-	26	4,729
- Società Europea di Edizioni S.p.A.	702	-	-	-	2,432
- Campania Arte S.c.a r.l.	-	134	-	-	19
- Mondadori Independent Media LLC	3	-	-	-	-
- Venezia Accademia Soc. per i serv. museali S.c.a r.l.	-	25	-	-	39
- Mediamond S.p.A.	39,360	-	-	-	5,312
- Mondadori Seec Advertising Co. Ltd	325	-	-	-	71
- Monradio S.r.l.	25	-	-	-	38
- MdM Milano Distribuz. Media S.r.l.	-	-	-	-	11
- GD Media Service S.r.l.	1	-	-	-	474
- EDIGITA S.r.l.	(51)	-	-	-	179
- Skira Rizzoli Publications Inc.	1,027	-	-	-	-
- Attica Publications S.A.	100	506	-	-	14
- GF Gold5 S.r.l.	-	200	-	-	-
Total associates	60,930	865	0	38	13,336

114

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Other costs (income)	Financial income (costs)
-	-	1,692	-	-	25	-	-
-	-	-	-	-	-	-	-
222	-	-	6,584	-	5	-	-
-	-	-	-	-	-	-	-
-	-	1	786	3,462	2	-	-
-	-	123	1,456	129	10	(19)	-
-	-	-	(3)	-	(12)	-	-
-	-	-	36	-	3	-	-
-	-	-	-	(1)	21	-	-
-	-	187	39,755	1,566	2,721	42	-
-	-	-	346	-	11	18	-
-	-	-	-	-	50	(11)	-
-	-	-	-	-	-	-	-
-	-	-	(21)	186	530	-	-
-	-	1	-	-	72	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	5	-	-
-	-	-	-	-	-	-	-
222	0	312	48,939	5,342	3,418	30	0

115

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 30 JUNE 2016

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Affiliates:					
- RTI - Reti Televisive Italiane S.p.A.	54	-	-	2	87
- Publitalia '80 S.p.A.	72	-	-	-	1,446
- Digitalia '08 S.r.l. (ex Promoservice Italia S.r.l.)	-	-	-	-	32
- Banca Mediolanum S.p.A.	-	-	-	(5)	-
- Isim S.p.A.	-	-	-	-	-
- Mediaset S.p.A.	8	-	-	-	-
- Media Shopping S.p.A.	47	-	-	-	940
- Mediolanum Comunicazione S.p.A.	-	-	-	-	-
- Fininvest Gestione Servizi S.p.A.	41	-	-	-	19
- Milan Entertainment S.r.l.	48	-	-	-	-
- Mediaset Premium S.p.A.	-	-	-	-	-
- Medusa Film S.p.A.	-	-	-	-	17
- TaoDue S.r.l.	10	-	-	-	-
Total affiliates	280	0	0	(3)	2,541
Total related parties	61,210	865	7,902	35	15,916
% of incidence	19.52%	19.30%	21.55%	0.03%	4.53%

116

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Other costs (income)	Financial income (costs)
-	-	-	80	(16)	74	-	-
-	-	-	65	-	7,540	-	-
-	-	-	-	-	57	-	-
-	-	5	33	-	-	-	-
-	-	-	-	-	-	-	(2)
-	-	-	45	18	-	-	-
-	-	-	10	-	-	-	-
-	-	-	-	-	16	(47)	-
-	-	-	40	-	-	-	-
-	-	-	-	4	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
0	0	5	273	6	7,687	(47)	(2)
222	-	2,009	49,212	5,348	11,130	(17)	(2)
0.95%	n.d.	0.91%	8.75%	4.69%	6.34%	0.21%	0.70%

**TRANSACTIONS WITH RELATED PARTIES:
BALANCE SHEET FIGURES AT 31 DECEMBER 2015
AND INCOME STATEMENT FIGURES AT 30 JUNE 2015**

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Imprese controllanti:					
- Fininvest S.p.A.	4	-	8,786	-	24
Imprese collegate					
- Mondadori Scienza S.p.A.	-	-	-	-	-
- Mach 2 Libri S.p.A.	18,346	-	-	-	56
- Venezia Musei Società per i serv. museali S.c.a r.l.	260	-	-	12	-
- Harlequin Mondadori S.p.A.	-	-	-	-	-
- Gruppo Attica Publications	111	500	-	-	14
- Edizioni EL S.r.l.	826	-	-	26	4,723
- Società Europea di Edizioni S.p.A.	656	-	-	-	2,037
- Consorzio COVAR (in liquidazione)	-	-	-	4	-
- EMAS Digital S.A.S.	-	-	-	-	-
- Campania Arte S.c.a r.l.	20	134	-	-	45
- Mondadori Independent Media LLC	46	-	-	-	-
- Venezia Accademia Soc. per i serv. museali S.c.a r.l.	31	25	-	-	48
- Mediamond S.p.A.	18,672	-	-	-	4,812
- Mondadori Seec Advertising Co. Ltd	331	378	-	-	105
- Mach 2 Press S.r.l.	64	-	-	-	568
- Monradio S.r.l. (Coll. Dal 30/06/2015)	118	-	-	-	50
Total associates	39,481	1037	0	42	12,458

118

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Other costs (income)	Financial income (costs)
-	4,756	428	4	-	61	(20)	-
-	-	-	940	2	131	(54)	-
-	-	-	13,854	-	56	(4)	-
-	-	-	-	-	-	-	-
-	-	-	368	7,613	(46)	(3)	(1)
-	-	-	2	-	15	-	25
-	-	3	1,613	6,477	11	(3)	-
-	-	52	2,827	230	12	(12)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	15
-	-	-	20	-	48	-	-
-	-	-	138	-	-	(1)	(4)
-	-	-	5	1	52	-	-
61	-	114	84,965	3,885	5,056	150	-
-	-	-	739	-	168	21	-
-	-	-	61	388	1,263	-	-
-	-	-	128	-	61	(21)	-
61	0	169	105,660	18,596	6,839	73	35

**TRANSACTIONS WITH RELATED PARTIES:
BALANCE SHEET FIGURES AT 31 DECEMBER 2015
AND INCOME STATEMENT FIGURES AT 30 JUNE 2015**

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Affiliates:					
- RTI - Reti Televisive Italiane S.p.A.	341	-	-	3	1,684
- Publitalia '80 S.p.A.	12	-	-	-	2,595
- Digitalia '08 S.r.l. (ex Promoservice Italia S.r.l.)	-	-	-	-	31
- Banca Mediolanum S.p.A.	-	-	-	(5)	-
- Medusa Film S.p.A.	-	-	-	-	-
- The Space Cinema 1 S.p.A.	-	-	-	-	-
- Isim S.p.A.	-	-	-	-	2
- Mediaset S.p.A.	8	-	-	-	-
- Media Shopping S.p.A.	-	-	-	-	-
- Il Teatro Manzoni S.p.A.	-	-	-	-	-
- Mediolanum Comunicazione S.p.A.	-	-	-	-	-
- Fininvest Gestione Servizi S.p.A.	21	-	-	-	30
- Mediaset Premium S.p.A.	-	-	-	-	-
- Milan Entertainment S.r.l.	-	-	-	-	-
- Alba Servizi Aerotrasporti S.p.A.	-	-	-	-	3
- Promoservice Italia S.r.l.	-	-	-	-	-
- Mediobanca S.p.A.	-	-	-	-	-
Total affiliates	382	0	0	(2)	4,345
Total related parties	39,867	1,037	8,786	40	16,827
of which related parties from discontinued operations	-	-	-	-	-
% of incidence	14.6%	38.4%	22.1%	0.1%	5.6%

120

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Other costs (income)	Financial income (costs)
-	-	5	1,175	(70)	940	(1)	-
-	-	-	498	-	6,104	-	-
-	-	-	-	-	67	-	-
-	-	-	52	-	5	-	-
-	-	-	-	-	351	-	-
-	-	-	-	-	-	-	-
-	-	-	9	-	-	-	-
-	-	-	7	-	7	-	-
-	-	-	21	-	-	-	-
-	-	-	2	-	77	(43)	-
-	-	-	30	-	-	-	-
-	-	-	108	1	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	4	4	-
-	-	-	-	-	-	-	(2,820)
0	0	5	1,902	(69)	7,555	(40)	(2,820)
61	4,765	602	107,566	18,527	8,157	(803)	(1,729)
-	-	-	6.838	8	819	112	-
0.6%	87.5%	0.3%	9.0%	8.8%	2.2%	1.7%	17.4%

41. OPERATING SEGMENTS

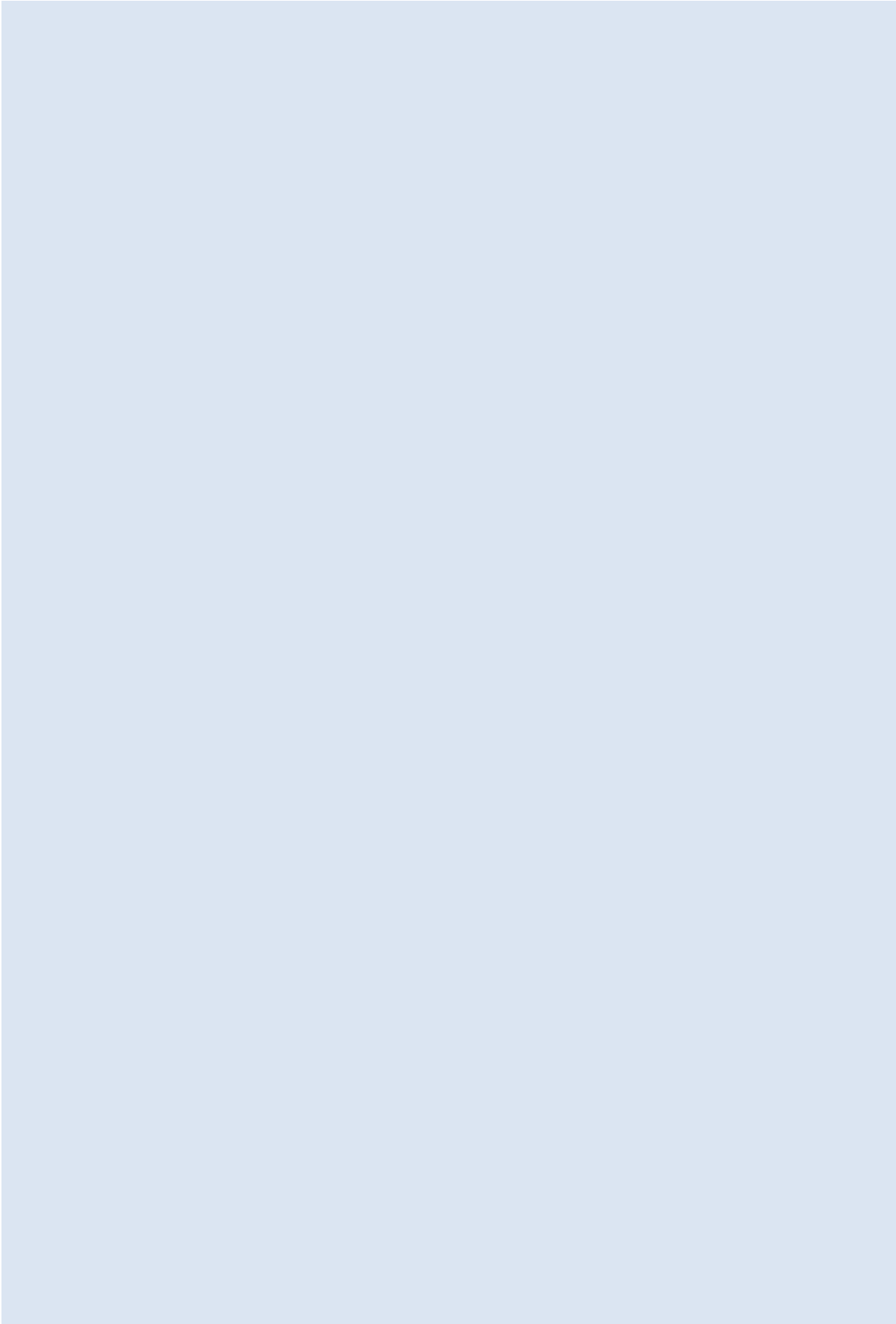
IFRS 8 - Operating segments

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

The acquisitions completed in the reporting period did not change the existing structure.

For the Board of Directors
The Chairman
Marina Berlusconi





ISEGMENT INFORMATION: FIGURES AT 30 JUNE 2016

(euro/000)	Books	Magazines Italy	Magazines France
Revenue from sales and services from external customers	152,734	160,299	160,295
Revenue from sales and services from other sectors	17,398	803	5
Income (costs) from investments valued at equity	(275)	183	-
EBITDA	9,109	10,931	14,214
EBIT	4,013	10,332	8,376
Financial income (costs)	-	-	-
Result before taxes and minority interests	4,013	10,332	8,376
Income tax	-	-	-
Result attributable to minority shareholders	-	-	1,196
Result from discontinued operations	-	-	-
Net result	4,013	10,332	7,180
Amortization, depreciation and impairment	5,096	599	5,838
Non-monetary costs	3,474	1,951	2,246
Non-recurring income (costs)	-	-	-
Capital expenditures	26,496	40,315	1,123
Investments valued at equity	5,781	22,462	-
Total assets	479,078	269,530	466,850
Total liabilities	255,813	204,648	137,770
Italy			
France			
Other EU countries			
USA			
Other countries			
Consolidated result			

	Retail	Corporate and Shared Services	Unallocated items and consolidation adjustments	Consolidated result
	87,949	1,278	-	562,555
	275	10,165	(28,646)	0
	-	(332)	-	(424)
	(3,107)	(8,644)	-	22,503
	(4,854)	(9,397)	-	8,470
	-	(7,915)	-	(7,915)
	(4,854)	(17,312)	-	555
	-	3,133	-	3,133
	-	-	-	1,196
	-	-	-	0
	(4,854)	(20,445)	-	(3,774)
	1,747	753	-	14,033
	2,344	1,059	-	11,074
	-	-	-	0
	3,760	251	-	71,945
	-	15,835	-	44,078
	98,371	186,730	(30,396)	1,470,163
	7,0665	530,498	(20,380)	1,179,014
	Revenue from sales and services			Fixed assets
		384,631		239,568
		157,288		395,618
		11,497		24
		6,167		4,458
		2,972		-
		562,555		639,668

SEGMENT REPORTING: INCOME STATEMENT FIGURES AT 31 JUNE 2015 AND BALANCE SHEET FIGURES AT 31 DECEMBER 2015

(euro/000)	Books	Magazines Italy	Magazines France
Revenue from sales and services from external customers	106,596	157,949	166,549
Revenue from sales and services from other sectors	16,756	1,429	7
Income (costs) from investments valued at equity	40	452	(780)
EBITDA	5,230	9,117	14,444
EBIT	3,532	8,976	8,772
Financial income (costs)	-	-	-
Result before taxes and minority interests	3,532	8,976	8,772
Income tax	-	-	-
Result attributable to minority shareholders	-	(120)	1,337
Result from discontinued operations	-	-	-
Net result	3,532	9,096	7,435
Amortization, depreciation and impairment	1,698	89	5,672
Non-monetary costs	3,200	2,283	2,152
Non-recurring income (costs)	-	-	-
Capital expenditures	4,012	7,908	2,242
Investments valued at equity	5,503	22,772	-
Total assets	270,577	197,207	467,069
Total liabilities	142,630	192,843	137,266

126

Italy
France
Other EU countries
USA
Other countries

Consolidated result

	Retail	Corporate and Shared Services	Unallocated items and consolidation adjustments	Consolidated result
	85,552	1,347	-	517,993
	306	10,099	(28,597)	0
	-	71	-	(217)
	(2,813)	(7,738)	712	18,952
	(4,130)	(8,632)	712	9,230
	-	(8,548)	-	(8,548)
	(4,130)	(17,305)	712	557
	-	2,795	-	2,795
	-	(88)	-	1,129
	-	-	(8,833)	(8,833)
	(4,130)	(20,012)	(8,121)	(12,200)
	1,317	946	-	9,722
	3,154	253	-	11,042
	-	-	-	0
	6,142	826	-	21,130
	-	16,182	-	44,457
	103,853	180,432	(25,637)	1,193,501
	86,125	354,748	(15,620)	897,992
	Revenue from sales and services			Fixed assets
		341,202		183,195
		156,907		400,343
		16,712		38
		349		-
		2,823		-
		517,993		583,576

LIST OF RELEVANT INVESTMENTS

LIST OF RELEVANT INVESTMENTS

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

ARNOLDO MONDADORI EDITORE SPA

Company name	Share capital	% Owned	Ownership mode
Aranova Freedom Soc. Cons. a r.l. (Italy)	EUR 19,200	16.67%	indirect
Campania Arte S.c. a r.l. (Italy)	EUR 100,000	23.41%	indirect
Cemit Interactive Media SpA (Italy)	EUR 3,835,000	100%	direct
Club Dab Italia Società consortile per azioni (Italy)	EUR 240,000	12.5%	indirect
Edizioni EL Srl (Italy)	EUR 620,000	50%	indirect
Edizioni Piemme SpA (Italy)	EUR 566,661	100%	indirect
Giulio Einaudi Editore SpA (Italy)	EUR 23,920,000	100%	indirect
Glaming Srl in liquidazione (Italy)	EUR 20,000	100%	direct
Mondadori Scienza SpA (Italy)	EUR 2,600,000	100%	direct
Mach 2 Libri SpA (Italy)	EUR 646,250	44.91%	indirect
			indirect
			indirect
GD Media Service Srl (Italy)	EUR 789,474	38%	indirect
			indirect
MDM Milano Distribuzione Media Srl (Italy)	EUR 611,765	17%	indirect
Mediamond Spa (Italy)	EUR 2,400,000	50%	indirect
Mondadori Retail SpA (Italy)	EUR 2,700,000	100%	direct
Mondadori Education SpA (Italy)	EUR 10,608,000	100%	indirect
Mondadori Electa SpA (Italy)	EUR 1,593,735	100%	indirect
Mondadori International Business Srl (Italy)	EUR 1,800,000	100%	direct
Mondadori Pubblicità SpA (Italy)	EUR 3,120,000	100%	direct
Monradio Srl (Italy)	EUR 3,030,000	20%	direct
Press-di Distribuzione Stampa e Multimedia Srl (Italy)	EUR 1,095,000	100%	direct
Società Europea di Edizioni SpA (Italy)	EUR 2,528,875	36.89%	direct
Sperling & Kupfer Editori SpA (Italy)	EUR 1,555,800	100%	indirect
Venezia Accademia Società per i servizi museali Scarl (Italy)	EUR 10,000	50%	indirect
			indirect
Venezia Musei Società per i servizi museali Scarl in liquidazione (Italy)	EUR 10,000	76%	indirect
			indirect
Attica Publications SA (Greece)	EUR 4,590,000	41.98%	direct
Editions Mondadori Axel Springer SNC (France)	EUR 152,500	50%	indirect
EMAS Digital SAS (France)	EUR 27,275,400	50%	indirect
Mondadori France SAS (France)	EUR 50,000,000	100%	direct
Mondadori Magazines France SAS (France)	EUR 60,557,458	100%	indirect
Mondadori Seec (Beijing) Advertising Co. Ltd	CNY 40,000,000	50%	indirect
Mondadori UK Limited ((United Kingdom)	GBP 2,895,19	100%	indirect
Naturabuy SAS (France)	EUR 9,150	80%	indirect
Mondadori Libri S.p.A. (Italy)	EUR 30,050,000	100%	direct
Banzai Media Holding S.r.l. (Italy)	EUR 110,000	100%	direct
Banzai Media S.r.l. (Italy)	EUR 110,000	100%	indirect
MyTrainerCommunity S.r.l. (Italy)	EUR 80,000	100%	indirect
BoboSoftware S.r.l. (Italy)	EUR 10,000	100%	indirect
Banzai Direct S.r.l. (Italy)	EUR 90,000	100%	indirect
AdKaora S.r.l. (Italy)	EUR 15,000	100%	indirect
Good Morning Italia S.r.l. (Italy)	EUR 14,285	30%	indirect
Gold 5 S.r.l. (Italy)	EUR 250,000	20%	indirect
Rizzoli Libri S.p.A. (Italy)	EUR 42,405,000	100%	indirect
Librerie Rizzoli S.r.l. (Italy)	EUR 500,000	100%	indirect
Edigita S.r.l. (Italy)	EUR 600,000	33.33%	indirect
Marsilio Editori S.p.A. (Italy)	EUR 1,300,000	94.71%	indirect
Civita Tre Venezie S.r.l. (Italy)	EUR 1,014,000	24.50%	indirect
RCS International Books BV (Holland)	EUR 2,500,000	100%	indirect
Rizzoli International Publications Inc (USA)	USD 26,900,000	100%	indirect
Rizzoli Bookstore Inc (USA)	USD 3,498,900	100%	indirect
Skira Rizzoli Publications Inc (USA)	USD 1,000	49%	indirect

Holder	% Owned	Registered office	Tax code	Date of incorporation
Monradio Srl	16.67%	Bologna, Via Guinizzelli 3	02532501208	24/01/2005
Mondadori Electa SpA	23.41%	Rome - Via Tunisi 4	09086401008	18/07/2006
Arnoldo Mondadori Editore SpA	100%	Turin - corso Giulio Cesare 268	04742700018	13/12/1984
Monradio Srl	12.5%	Milan - Foro Buonaparte 71	97174850152	01/02/1996
Giulio Einaudi Editore SpA	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Mondadori Libri SpA	100%	Milan - via Bianca di Savoia 12	00798930053	29/09/1982
Mondadori Libri SpA	100%	Turin - via U. Biancamano 2	08367150151	03/06/1986
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	07428570969	21/04/2011
Arnoldo Mondadori Editore SpA	100%	Milan - Via Luisa Battistotti Sassi 11/a	09440000157	19/09/1988
Mondadori Libri SpA	30.91%	Peschiera Borromeo (MI) - via Galileo Galilei 1	03782990158	06/05/1983
Sperling & Kupfer Ed. SpA	4%			
Rizzoli Libri SpA	10%			
press-di Distribuzione Stampa e Multimedia Srl	24%	Peschiera Borromeo (MI) - via Galileo Galilei 1	07014150960	27/04/2010
Mach 2 Libri Spa	14%			
press-di Distribuzione Stampa e Multimedia Srl	17%	Milan - via Carlo Cazzaniga 19	10463540152	02/10/1991
Mondadori Pubblicità SpA	50%	Milan - via Bianca di Savoia 12	06703540960	30/07/2009
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00212560239	19/11/1946
Mondadori Libri SpA	100%	Milan - via Bianca di Savoia 12	03261490969	1-10-2001
Mondadori Libri SpA	100%	Milan - via Bianca di Savoia 12	01829090123	23/02/1989
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	08009080964	29/10/2012
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	08696660151	12/02/1987
Arnoldo Mondadori Editore SpA	20%	Milan - via Paleocapa, 3	04571350968	15/10/2004
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03864370964	19/02/2003
Arnoldo Mondadori Editore SpA	36.89%	Milan - via G. Negri 4	01790590150	27/02/1974
Mondadori Libri SpA	100%	Milan - via Bianca di Savoia 12	00802780155	03/11/1927
Mondadori Electa SpA	25%	Venice - via L. Einaudi 74	03808820272	11/01/2008
Marsilio Editori S.p.A.	25%			
Mondadori Electa SpA	34%	Venice - via L. Einaudi 74	03534350271	22/04/2004
Civita Tre Venezie Srl	25%			
Marsilio Editori Spa	17%			
Arnoldo Mondadori Editore SpA	41.98%	Greece - Atene - Maroussi, 40 Kifissias Avenue		01/08/1994
Mondadori France SAS	50%	France - Montrouge Cedex - 8, rue Francois Ory		9-12-1999
Mondadori France SAS	50%	France - Montrouge Cedex - 8, rue Francois Ory		13-09-2011
Arnoldo Mondadori Editore SpA	100%	France - Montrouge Cedex - 8, rue Francois Ory		23/06/2004
Mondadori France SAS	100%	France - Montrouge Cedex - 8, rue Francois Ory		30-03-2004
Mondadori Pubblicità SpA	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		4/06/2008
Mondadori International Business S.r.l.	100%	United Kingdom - London 10 Salisbury Square - St. Bride's House		18/03/2010
Mondadori France SAS	80%	France - Montrouge Cedex - 8, rue Francois Ory		25/04/2007
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	08856650968	2-12-2014
Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	02040490035	15-02-2006
Banzai Media Holding S.r.l.	100%	Milan - via Bianca di Savoia 12	05791120966	15-06-2007
Banzai Media S.r.l.	100%	Trecenta (Ro) - via Argine Destro Canale 463	03837990237	2-02-2009
Banzai Media S.r.l.	100%	Biella - via Novara 8	02481840029	18-03-2001
Banzai Media S.r.l.	100%	Milan - via Gian Battista Vico 42	12836060157	4-06-1999
Banzai Media S.r.l.	100%	Milan - via Bianca di Savoia 12	08105480969	16-01-2013
Banzai Media S.r.l.	30%	Trieste - via San Nicolò 30	01242860326	27-01-2014
Banzai Media S.r.l.	20%	Milan - via dei Martinitt 3	08730930966	18-07-2014
Mondadori Libri S.p.A.	99.99%	Milan - via Bianca di Savoia 12	05877160159	30-06-1980
Rizzoli Libri S.p.A.	100%	Milan - via Bianca di Savoia 12	03258350960	17-09-2001
Rizzoli Libri S.p.A.	33.33%	Milan - via Giuseppe Parini 14	07150350960	13-09-2010
Rizzoli Libri S.p.A.	94.71%	Venezia Marittima - Fabbriato 205 Frazione Marittima Santa Croce 499 L	00348290271	23-02-1961
Marsilio Editori S.p.A.	24.50%	Venezia Sestiere Dorsoduro, 3488/ U	03666441005	24-07-2008
Rizzoli Libri S.p.A.	100%	Amsterdam- Prins Bernardplein 200		
RCS International Books BV	100%	New York - 300 Park Avenue South		
Rizzoli International Publications Inc	100%	New York - 1133 Broadway		
Rizzoli International Publications Inc	49%	New York - 300 Park Avenue South		

STATEMENT OF THE GROUP'S ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF THE GROUP'S ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT CHANGES AND SUPPLEMENTS

1. The undersigned Ernesto Mauri, in his capacity as CEO and Oddone Pozzi, 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 application of the administrative and accounting procedures for the drafting of the Group's abbreviated consolidated financial statements at 30 June 2016.

2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Group's abbreviated consolidated financial statements at 30 June 2016 was carried out based on a specific process defined by Arnoldo Mondadori Editore consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which groups together a set of general principles of reference generally accepted at the international level.

3. We also hereby declare that:

3.1 the Group's abbreviated consolidated financial statements at 30 June 2016:

- a) were drafted in compliance with the applicable international accounting standards acknowledged at the EU level pursuant to EC regulation no. 1606/2002 of the EU Parliament and Council of July 19, 2002 and, in particular, IAS 34 - Interim Financial Reporting, as well as the provisions set out for the implementation of art. 9 of Italian Legislative Decree no. 38/2005;
- b) reflect the accounting books and entries;
- c) provide 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.

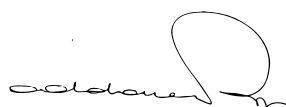
3.2 this half-year report on operations includes a reliable analysis of the significant events that have occurred in the first six months of the year and their incidence on the Group's abbreviated consolidated half-year report, together with a description of the main risks and uncertainties for the second half of current year. The half-year report also includes an analysis of the information provided on the transactions with related parties.

28 July 2016

The CEO
(Ernesto Mauri)



The Executive Manager
responsible for the drafting of accounting documents
(Oddone Pozzi)



INDEPENDENT AUDITORS' REPORT

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

To the Shareholders of
ARNOLDO MONDADORI EDITORE S.p.A.

Introduction

We have reviewed the accompanying half-year condensed consolidated financial statements of Arnoldo Mondadori Editore S.p.A. and subsidiaries (the "Mondadori Group"), which comprise the consolidated balance sheet as of June 30, 2016 and the consolidated income statement, the consolidated comprehensive income statement, the statement of changes in the consolidated equity and the consolidated cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year condensed consolidated financial statements of Mondadori Group as at June 30, 2016, are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
July 29, 2016

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Graphic design and composition:



MERCURIO_{GP}
www.mercuriogp.eu

