HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2017

GRUPPO MONDADORI

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 2017

Arnoldo Mondadori Editore S.p.A.

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MONDADORI GROUP HIGHLIGHTS IN 1H17

(Euro/millions)	1H17	1H16	*Var. %**
Mondadori Group			
Revenue	**553.0**	**562.5**	***(1.7%)***
Adjusted EBITDA	**21.6**	**26.7**	***(19.0%)***
% on revenue	*3.9%*	*4.7%*	
EBITDA	**27.3**	**22.5**	***21.2%***
% on revenue	*4.9%*	*4.0%*	
EBIT	**11.2**	**8.5**	***32.7%***
% on revenue	*2.0%*	*1.5%*	
Net result	**4.4**	**(3.8)**	***n.s.***
Business Areas			
Revenue	**553.0**	**562.5**	***(1.7%)***
Books	187.9	170.1	*10.4%*
Retail	84.7	88.2	*(4.0%)*
Magazines Italy	148.1	160.9	*(7.9%)*
Magazines France	148.1	160.4	*(7.6%)*
Corporate & Shared Services	15.2	11.4	*33.1%*
Intercompany	*(31.1)*	*(28.6)*	*8.7%*
EBITDA	**27.3**	**22.5**	***21.2%***
Books	5.6	9.1	*(39.0%)*
Retail	(5.0)	(3.1)	*n.s.*
Magazines Italy	11.7	10.0	*17.2%*
Magazines France	15.7	14.2	*10.3%*
Corporate & Shared Services	(0.7)	(7.7)	*n.s.*
Balance Sheet			
Equity	322.8	291.2	*10.9%*
Net financial position	(284.4)	(374.8)	*(24.1%)*
Human Resources			
End-of-period headcount	3,112	3,404	*(8.6%)*

**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
Paolo Ainio
Alfredo Messina
Martina Forneron Mondadori**
Danilo Pellegrino
Roberto Poli
Oddone Pozzi
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.

Books	Retail	Magazines Italy	Magazines France	Other business
Mondadori Libri S.p.A. **100%**	Mondadori Retail S.p.A. **100%**	AdKaora S.r.l. **100%**		Società Europea di Edizioni S.p.A. **36.89%**
Giulio Einaudi Editore S.p.A. **100%**		Mondadori International Business S.r.l. **100%**		Monradio S.r.l. **20%**
Edizioni EL S.r.l. **50%**		Mondadori UK Ltd **100%** (in liquidation)		
Sperling & Kupfer Editori S.p.A. 100%		Attica Publications S.A. **41.98%**		
Edizioni Piemme S.p.A. **100%**		Press-di S.r.l. **100%**		
Mondadori Education S.p.A. **100%**		Mondadori Scienza S.p.A. **100%**		
Mondadori Electa S.p.A. **100%**		Inthera S.p.A. **100%**		
Rizzoli Libri S.p.A. **99.99%**		Press-di Abbonamenti S.p.A. **100%**		
Mach 2 Libri S.p.A. **44.91%**		Mediamond S.p.A. **50%**		
		Mondadori Seec (Beijing) Advertising Co.Ltd		

Legenda:

Associates **Subsidiaries**

MONDADORI GROUP ORGANIZATION CHART

Marina
Berlusconi*

Ernesto
Mauri*

Federico
Angrisan
o

**Communicatio
ns
and Media
Relations**

Oddone
Pozzi*

**Group Finance,
Procurement
and IT Systems**

Daniele
Sacco

**Group Human
Resources
and
Organization**

Enrico Selva
Coddè

Trade Books

Antonio
Porro

Educational

Pierluigi
Bernasconi

Retail

Carlo
Mandelli

**Magazines
Italy**

Carmine
Perna

**Magazines
France**

**Members of the Board of Directors*

** As at the date of approval of this 2017 Half-Year Financial Report (July 2017)*

DIRECTORS' REPORT ON OPERATIONS AT 30 JUNE 2017

In 1H17, on a like-for-like consolidation basis with Rizzoli Libri versus 2016[1], the Group continued on its path of operational improvement, delivering a **9% increase in adjusted EBITDA** and paving the way to **accomplishing the targets** set for the whole 2017.

The **LTM cash flow from ordinary operations[2]** - the first time it includes Rizzoli Libri for the previous 12 months - amounted to approximately **63 million euro**, continuing the positive performance of cash generated by the Group's businesses which, along with the extraordinary transactions involving the strategic rationalization of the portfolio of activities, **improve forecasts on Net Financial Position** at year end.

Adjusted EBITDA has little bearing on the performance of the entire year since the negative contribution of Rizzoli Libri (outside the scope in 1Q16) is attributable to the seasonal nature of the Education business, which includes in the first quarter expenses to promote the campaign on school textbooks adoption, while revenue is typically recorded in the second half of the year.

Net profit in the reporting period (**+4.4 million euro**) **improved by over 8 million euro** versus 30 June 2016, due also to the contribution of a number of positive extraordinary items.

MAIN ELEMENTS OF THE MONDADORI GROUP'S BUSINESS AREAS IN THE REPORTING PERIOD

o Books

- in the **Trade Books** Area, the market grew by +1.3% versus 1H16; the Mondadori Group retained its **leadership** position, placing 5 titles in the top 10 best-selling books in terms of value, holding a **28.1% market share**, besides winning the **2017 Strega Prize** with *Le otto montagne* by Paolo Cognetti (Einaudi);
- in the **Educational Books** Area, Mondadori Electa performed well, especially in the management of museums.

At 30 June 2017, the market share of **Mondadori Retail** in the Books segment (**80% of revenue**) stood at **14.7%**, **up** versus 14.4% at 30 June 2016.[3]

[1] April - June.
[2] LTM: last twelve months
[3] Source: GFK, June 2017 (figures in terms of market value)

o Magazines

In **Italy**, in an adverse market in terms of circulation, Mondadori retained its **leadership** with a **31.6%** share[4]. In 2Q17, in line with the selective strategy on the development of the product portfolio to sustain revenue and optimize editorial costs, Mondadori launched two new publications - *Giallo Zafferano* and *SPY* - both receiving a warm welcome by the public.

Additionally, with an audience of **16.6 million unique users/month**, Mondadori was, once again, **Italy's top traditional publisher also in the digital business** and, thanks to the contribution of Banzai Media activities, in a basically shrinking advertising market in the first 5 months of the year[5], it increased advertising sales by **approximately 15%**.

Magazines France's circulation figures improved versus the relevant market trend, driven by the stronger performance of the subscription channel.[9]

The **digital readers** (web, mobile & tablet) of Mondadori France magazines reached **11.4 million unique users**[6], **up by approximately 16%** versus 1H16.

[4] Internal source: Press-Di, cumulative figures at May 2017 (newsstands + subscriptions in terms of value)
[5] Source: Nielsen, cumulative figures at May 2017
[6] Source: Nielsen, average figure January-April 2017

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 1H17

Euro/millions	1H17	% growth on revenue	1H16	% growth on revenue	Var. %
Revenue from sales and services	**553,0**	*100,0%*	**562,5**	*100,0%*	***-1,7%***
Cost of sold items	167,3	*30,3%*	176,4	*31,4%*	*-5,1%*
Variable costs	193,4	*35,0%*	193,0	*34,3%*	*0,2%*
Fixed costs	53,0	*9,6%*	50,1	*8,9%*	*6,0%*
Cost of personnel	119,8	*21,7%*	118,0	*21,0%*	*1,6%*
Other costs/(income)	-2,8	*-0,5%*	-1,8	*-0,3%*	*n.s.*
Result - associates	-0,6	*-0,1%*	-0,2	*0,0%*	*n.s.*
Adjusted EBITDA	***21,6***	*3,9%*	***26,7***	*4,7%*	***-19,0%***
Restructuring costs	-2,9		-2,4		*n.s.*
Non-ordinary items	8,5		-1,8		*n.s.*
EBITDA	**27,3**	*4,9%*	**22,5**	*4,0%*	***21,2%***
Amortization, depreciation and impairment	16,0	*2,9%*	14,0	*2,5%*	*14,3%*
EBIT	**11,2**	*2,0%*	**8,5**	*1,5%*	***32,7%***
Net financial income (costs)	-7,1	*-1,3%*	-7,9	*-1,4%*	*n.s.*
Income (costs) from other investments	0,0	*0,0%*	0,0		
Result before tax for the period	**4,1**	*0,7%*	**0,6**	*0,1%*	***n.s.***
Income tax	-1,6	*-0,3%*	3,1	*0,6%*	*n.s.*
Minority shareholders' result	1,3	*0,2%*	1,2	*0,2%*	*9,5%*
Net result	**4,4**	*0,8%*	**-3,8**	*-0,7%*	***n.s.***

1H17 includes the contribution of:

i) Rizzoli Libri, which was outside the scope of consolidation in 1Q16;

ii) Banzai Media activities, consolidated as from 1 June 2016 and merged by incorporation into the parent Arnoldo Mondadori Editore S.p.A., with accounting effects as from 1 January 2017.

ALTERNATIVE PERFORMANCE MEASURES

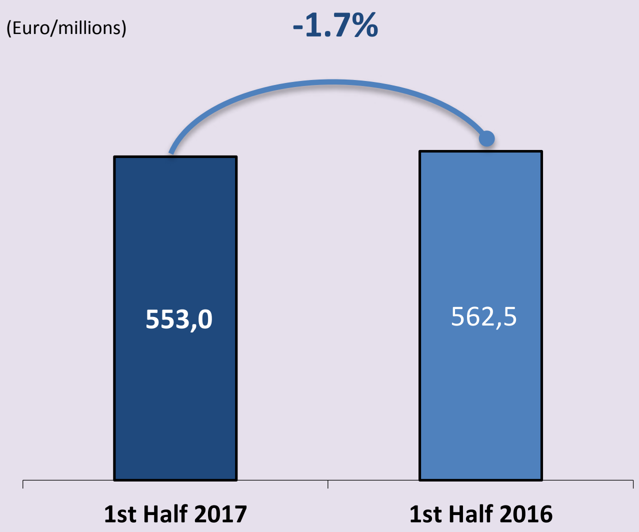
This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures in order to better evaluate the operating and financial performance of the Group, the definition of which is explained in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

**Cost of personnel includes, as from 1 January 2017, costs for collaborations and temporary employment. Accordingly, the prior year's cost of personnel has been reclassified for comparative purposes.*

INCOME STATEMENT

REVENUE

Consolidated revenue in 1H17 amounted to **553 million euro**, **down slightly** (-1.7%) versus the prior year, due mainly to the performance of the Magazines areas, to the temporary effect (recovered in July) of the shift forward of revenue from supplies to a number of customers in the Educational Area, and to the targeted reduction in revenue from Consumer Electronics products in the Retail Area.

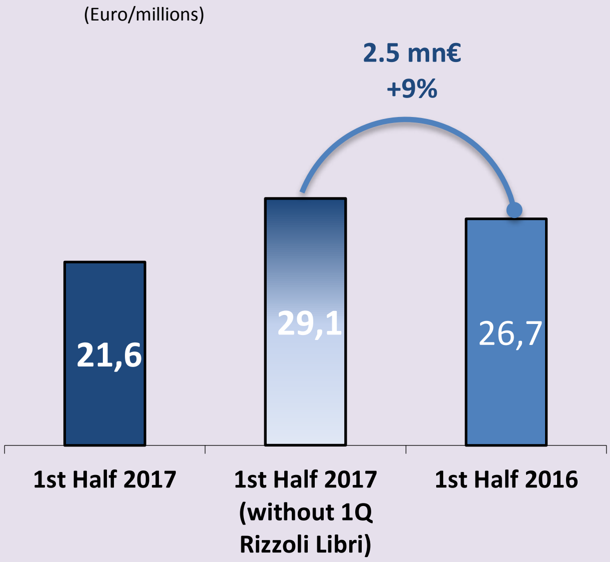


Revenue by Business Area *(Euro/millions)*	**1H17**	**1H16**	***Var. %***
Books	187,9	170,1	*10,4%*
Retail	84,7	88,2	*(4,0%)*
Magazines Italy	148,1	160,9	*(7,9%)*
Magazines France	148,1	160,4	*(7,6%)*
Corporate & Shared Services	15,2	11,4	*33,1%*
Total aggregate revenue	**584,0**	**591,1**	***(1,2%)***
Intercompany revenue	(31,1)	(28,6)	*8,7%*
Total consolidated revenue	**553,0**	**562,5**	***(1,7%)***

EBITDA

On a like-for-like consolidation basis with Rizzoli Libri (in the second quarter only), **adjusted EBITDA grew by 9%** (from 26.7 million euro to 29.1 million euro) with a percentage on revenue **increasing from 4.7% to 5.3%** - especially in the Books (from 9.5 million euro to 13.2 million euro) and Magazines Italy areas (+13%).

Including the result of Rizzoli Libri as from 1 January, adjusted EBITDA amounted to **21.6 million euro**, as a result of the negative contribution of -7.5 million euro in 1Q17, attributable to the seasonal nature of the Education business, which includes in the first quarter expenses to promote the campaign on school textbooks adoption.



Adjusted EBITDA by Business Area
(Euro/millions)

	1H17	1H16	Var.	Var. %
Books	5,7	9,5	(3,8)	(40,5%)
Retail	(3,7)	(3,1)	(0,7)	n.s.
Magazines Italy	11,9	10,6	1,4	12,8%
Magazines France	12,5	15,5	(3,0)	(19,3%)
Corporate & Shared Services	(4,7)	(5,8)	1,1	n.s.
Total adjusted EBITDA	**21,6**	**26,7**	**(5,1)**	**(19,0%)**

This performance was the result of a constant and focused management policy, reflecting the trend of the last two years.

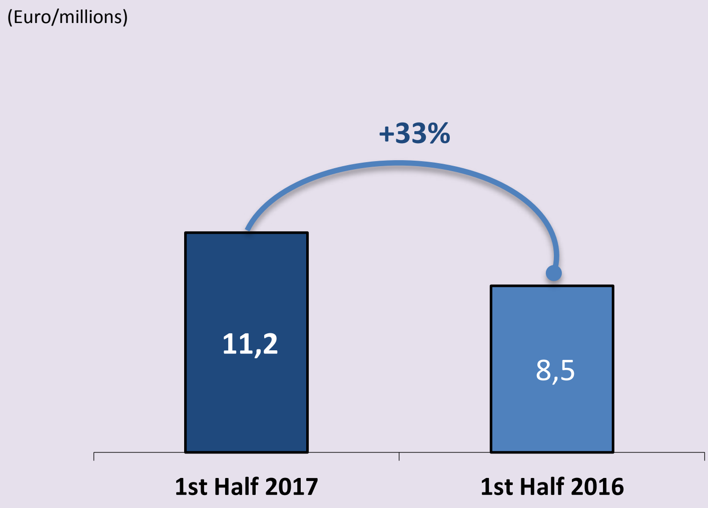
Consolidated EBITDA improved by approximately 21% (from 22.5 million euro to 27.3 million euro), driven by the gains from the disposal of certain assets in the second quarter of the year (4.2 million euro from the disposal of a property in Corporate & Shared Services, and 4.3 million euro from the disposal of *NaturaBuy* in Magazines France).

Consolidated EBITDA by Business Area

(Euro/millions)	**1H17**	**1H16**	**Var.**	**Var. %**
Books	5,6	9,1	(3,6)	(39,0%)
Retail	(5,0)	(3,1)	(1,9)	n.s.
Magazines Italy	11,7	10,0	1,7	17,2%
Magazines France	15,7	14,2	1,5	10,3%
Corporate & Shared Services	(0,7)	(7,7)	7,0	n.s.
Total EBITDA	**27,3**	**22,5**	**4,8**	**21,2%**

EBIT

Consolidated EBIT in 1H17 amounted to 11.2 million euro, **up by approximately 33%** versus 30 June 2016, and includes amortization, depreciation and impairment of 16 million euro, up versus 14 million euro in 1H16 from the impact of the amortization of Banzai Media intangible assets (1.2 million euro) and the amortization of capitalized expenses of the Rizzoli Libri school business (2.0 million euro, 1.1 million euro of which in the first quarter).

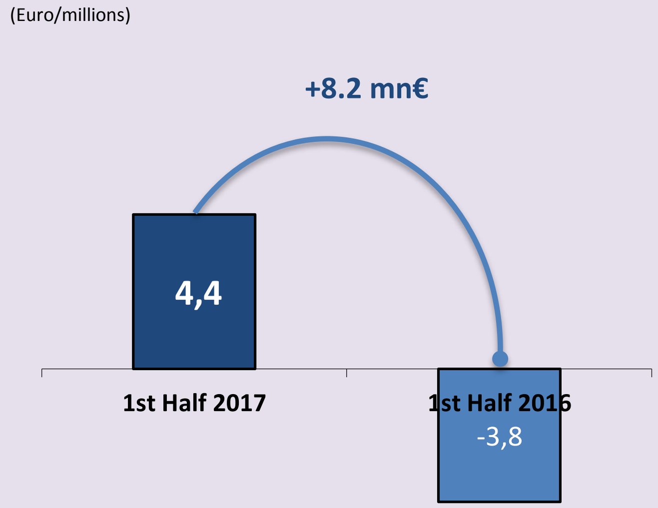


Consolidated EBIT by Business Area
(Euro/millions)

	1H17	1H16	Var.	Var. %
Books	(0,0)	4,0	(4,0)	n.s.
Retail	(6,8)	(4,9)	(1,9)	n.s.
Magazines Italy	9,7	9,4	0,3	3,5%
Magazines France	9,8	8,4	1,4	17,1%
Corporate & Shared Services	(1,5)	(8,5)	7,0	n.s.
Total EBIT	**11,2**	**8,5**	**2,8**	**32,7%**

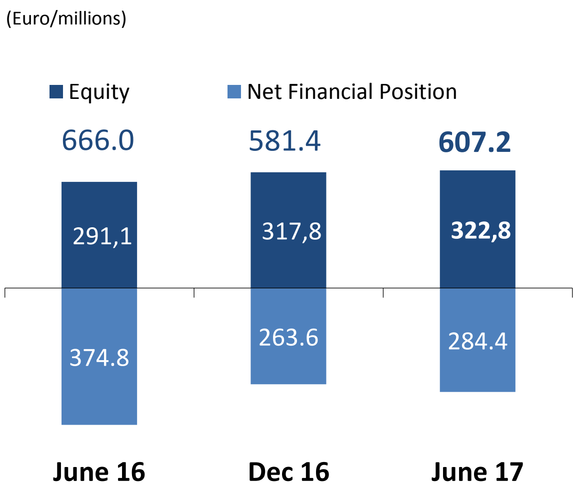
NET RESULT

Consolidated profit before tax came to 4.1 million euro and includes financial costs of 7.1 million euro, down versus the prior year (7.9 million euro) on a like-for-like basis of average net debt, due to the **reduction in the average interest rate of approximately 40 bps**.
The overall tax burden in the period amounted to +1.6 million euro (-3.1 million euro in 2016), benefiting from the adjustment of deferred tax of Mondadori France of 3.8 million euro following the reduction in the rate introduced by the 2017 Budget Law (no. 2016-1917) from 34.4% to 28.9% starting from 2019.
Accordingly, profit amounted to +4.4 million euro, **improving by over 8 million euro** versus 30 June 2016.



FINANCIAL RESULTS

NET INVESTED CAPITAL

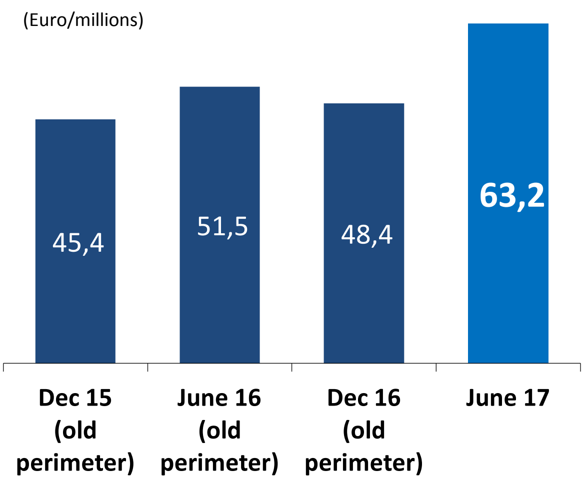


The **Group's net invested capital** at 30 June 2017 amounted to **607.2 million euro**, **down** from 666.0 million euro at 30 June 2016 (581.4 million euro at end 2016), as a result of the effective management of all the Net Working Capital items (trade receivables and inventory in particular).

At 30 June 2017, the **Group's net working capital** - net of provisions - decreased sharply by 28 million euro versus 30 June 2016, approximately 20 million euro of which from the exposure of the net assets of Rizzoli Libri to the respective current amounts, as previously reflected at 31 December 2016, as part of the purchase price allocation process.

The **Group's net financial position** at 30 June 2017 stood at **-284.4 million euro, improving by approximately 90 million euro** versus -374.8 million euro at 30 June 2016, as a result of the **positive cash generation from ordinary operations of approximately 63 million euro**, and the Group's extraordinary transactions in the last twelve months, which generated 27.3 million euro.

CASH FLOW FROM LTM



At 30 June 2017, **cash flow from operations** in the last twelve months came to a **positive 90.5 million euro**; **cash flow from ordinary operations** (after outlays for financial charges and tax for the period) came to **63.2 million euro,** which included, for the first time, the contribution of Rizzoli Libri for 12 months.

Cash flow from extraordinary operations came to a positive 27.3 million euro, as a result of:

- disposals for a total of 37.9 million euro;

- restructuring costs of approximately 17 million euro;

- cash-ins from prior-years' tax of 6.4 million euro.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 2Q17

Euro/millions	2Q17	% growth on revenue	2Q16	% growth on revenue	Var. %
Revenue from sales and services	**291,9**	*100,0%*	**307,7**	*100,0%*	*-5,2%*
Cost of sold items	87,0	*29,8%*	96,1	*31,2%*	*-9,5%*
Variable costs	102,1	*35,0%*	105,8	*34,4%*	*-3,5%*
Fixed costs	23,6	*8,1%*	23,9	*7,8%*	*-1,3%*
Cost of personnel	59,0	*20,2%*	64,6	*21,0%*	*-8,7%*
Other costs/(income)	2,0	*0,7%*	1,3	*0,4%*	*62,4%*
Result - associates	-0,1	*0,0%*	0,5	*0,2%*	*n.s.*
Adjusted EBITDA	***18,1***	*6,2%*	***16,5***	*5,4%*	*9,5%*
Restructuring costs	-1,4		-0,8		*n.s.*
Non-ordinary items	8,8		-1,8		*n.s.*
EBITDA	**25,5**	*8,7%*	**14,0**	*4,5%*	*82,4%*
Amortization, depreciation and impairment	8,1	*2,8%*	8,6	*2,8%*	*-5,8%*
EBIT	**17,4**	*6,0%*	**5,4**	*1,7%*	*n.s.*
Net financial income (costs)	-3,7	*-1,3%*	-4,3	*-1,4%*	*n.s.*
Income (costs) from other investments	0,0	*0,0%*	0,0		
Result before tax for the period	**13,6**	*4,7%*	**1,1**	*0,3%*	*n.s.*
Income tax	-0,6	*-0,2%*	2,2	*0,7%*	*n.s.*
Minority shareholders' result	0,7	*0,2%*	0,8	*0,3%*	*-11,3%*
Net result	**13,5**	*4,6%*	**-2,0**	*-0,6%*	*n.s.*

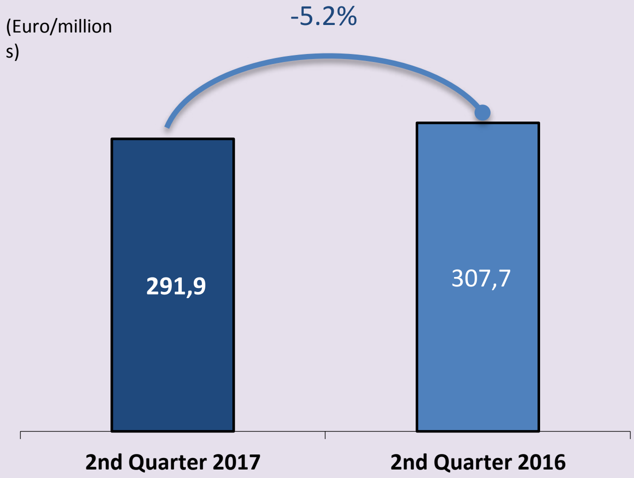
The two periods under review (2Q17 and 2Q16) are comparable considering the consolidation scope of Rizzoli Libri (consolidated as from 1 April 2016).

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".

**Cost of personnel includes, as from 1 January 2017, costs for collaborations and temporary employment. Accordingly, the prior year's cost of personnel has been reclassified for comparative purposes.*

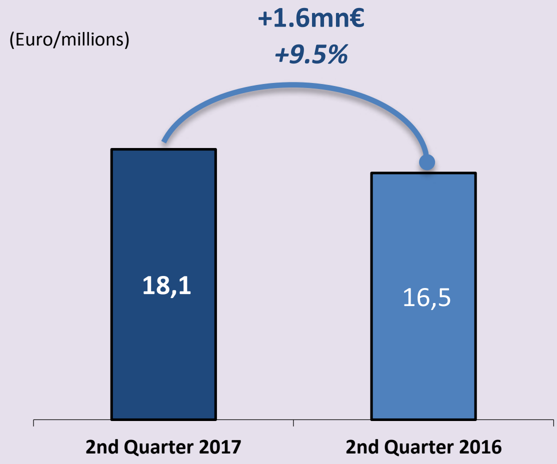
Consolidated revenue in 2Q17 amounted to **291.9 million euro**, down by 5.2% versus 2Q16, due mainly to the performance of the relevant markets of the Magazine areas, and to the temporary effect (recovered in July) of the shift forward of revenue relating to a number of wholesalers in the Educational Area.
Despite the discontinuity, the Books Area in the quarter - the first time ever on a like-for-like basis - was generally steady versus the prior year.



Revenue by Business Area
(Euro/millions)

	2Q17	**2Q16**	***Var. %***
Books	107,6	106,7	*0,8%*
Retail	41,8	43,8	*(4,6%)*
Magazines Italy	76,0	82,5	*(7,9%)*
Magazines France	75,7	83,2	*(9,0%)*
Corporate & Shared Services	7,7	6,1	*26,4%*
Total aggregate revenue	**308,8**	**322,3**	***(4,2%)***
Intercompany revenue	(17,0)	(14,6)	*16,1%*
Total consolidated revenue	**291,9**	**307,7**	***(5,2%)***

Adjusted EBITDA grew by 9.5% in the quarter, especially in Books (from 5.4 million euro to 8.6 million euro) and Magazines Italy (approximately +28%), confirming the Group's continued efficiency recovery.



Adjusted EBITDA by Business Area *(Euro/millions)*	**2Q17**	**2Q16**	**Var.**	**Var. %**
Books	8,6	5,4	3,3	61,2%
Retail	(1,7)	(1,3)	(0,4)	n.s.
Magazines Italy	5,3	4,2	1,2	27,8%
Magazines France	8,9	11,2	(2,2)	(20,1%)
Corporate & Shared Services	(3,2)	(2,9)	(0,2)	n.s.
Total adjusted EBITDA	**18,1**	**16,5**	**1,6**	**9,5%**

Consolidated EBITDA, including extraordinary items, **improved significantly by over 10 million euro** (from 14.0 million euro to 25.5 million euro), driven by the gains from the disposal of certain assets (4.2 million euro from the disposal of a property in Corporate & Shared Services, and 4.3 million euro from the disposal of NaturaBuy in Magazines France).

Consolidated EBITDA by Business Area

(Euro/millions)	**2Q17**	**2Q16**	**Var.**	**Var. %**
Books	8,8	5,1	3,8	74,2%
Retail	(2,1)	(1,3)	(0,8)	n.s.
Magazines Italy	5,2	3,7	1,5	39,4%
Magazines France	12,7	10,5	2,2	21,2%
Corporate & Shared Services	0,8	(4,0)	4,9	n.s.
Total EBITDA	**25,5**	**14,0**	**11,5**	**82,4%**

Consolidated EBIT amounted to 17.4 million euro, rising sharply versus the prior year (5.4 million euro).

Consolidated profit before tax came to a positive 13.6 million euro versus 1.1 million euro in the prior year, benefitting also from the lower financial costs of approximately 0.5 million euro in the quarter.

Consolidated net profit, after minority shareholders, came to **13.5 million euro** versus a loss of 2 million euro at 30 June 2016, due also to the adjustment of deferred tax of Mondadori France of 3.8 million euro following the reduction in the relevant rate.

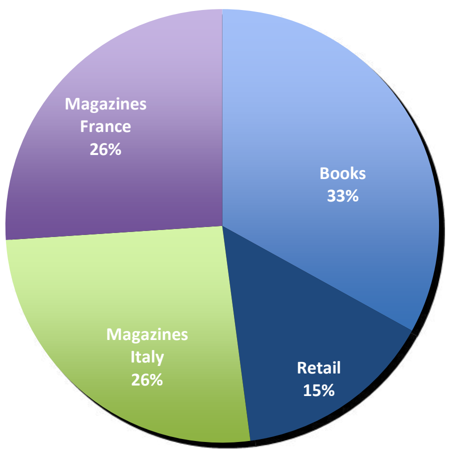
PERFORMANCE BY BUSINESS AREA

(Euro/millions)	Revenue		Adjusted EBITDA		EBITDA		Amortization, depreciation and impairment		EBIT	
	1H17	1H16	1H17	1H16	1H17	1H16	1H17	1H16	1H17	1H16
Books	187,9	170,1	5,7	9,5	5,6	9,1	5,6	5,1	(0,0)	4,0
Retail	84,7	88,2	(3,7)	(3,1)	(5,0)	(3,1)	1,8	1,7	(6,8)	(4,9)
Magazines Italy	148,1	160,9	11,9	10,6	11,7	10,0	2,0	0,6	9,7	9,4
Magazines France	148,1	160,4	12,5	15,5	15,7	14,2	5,9	5,8	9,8	8,4
Corporate & Shared Services	15,2	11,4	(14,2)	(14,6)	(0,9)	(7,7)	0,8	0,8	(1,7)	(8,5)
Adjustments and cancellations	(31,1)	(28,6)	9,5	8,8	0,2	0,0			0,2	0,0
TOTAL	**553,0**	**562,5**	**21,6**	**26,7**	**27,3**	**22,5**	**16,0**	**14,0**	**11,2**	**8,5**

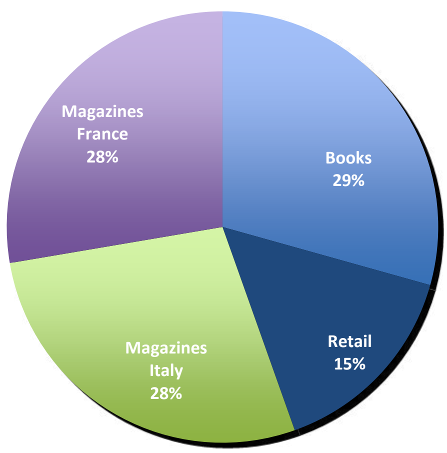
The breakdown of performance by business area reflects the system used by Management to oversee Group performance, in accordance with IFRS 8.

REVENUE BY BUSINESS AREA

1H17



1H16



BOOKS

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

The Mondadori Group is Italy's market leader in the **Trade Books** Area: the publishing products that traditionally make up the core business are fiction, non-fiction, and books for young readers, both in print and electronic format; the Mondadori Group operates under various publishing brands: **Mondadori**, **Giulio Einaudi Editore**, **Piemme**, **Sperling & Kupfer** (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 textbooks, 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, and 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 under the Rizzoli, Rizzoli New York and Universe brands.

Relevant market performance

In 1H17, the Trade Books market grew by **+1.3%** versus 1H16[7].

Sales channels continued the trends seen in the last quarters:

- bookstore chains and independent bookstores (which jointly make for approximately 70% of the total market) reported mixed trends, the former up by **+1.4%**, the latter down by **-4.8%**;
- e-commerce increased by **+21.4%**, making for 21% of the total market;
- large retailers continued the sharp drop, down by a further **-15.4%**, making for 9% of the total market.

As for products, hardcovers (which make for approximately 82% of the market at 30 June) **increased by +2.2%**, while paperbacks continued to fall, losing -2.7% in the first six months.

The Trade Books Area of Mondadori Libri was once again market leader, boasting an overall **28.1%** share.
In 1H17, the Group held the first position and a total of 5 positions in the ranking of the ten best-selling titles in terms of value: *Storie della buonanotte per bambine ribelli. 100 vite di donne straordinarie* by F. Cavallo and E. Favilli (1° position), *L'arte di essere fragili. Come Leopardi può salvarti la vita* by A. D'Avenia (3°), *Dentro l'acqua* and *La ragazza del treno* by P. Hawkins (5° and 6°), *Tredici* by J. Asher (7°).

In July, Einaudi won the 71st edition of the Strega Prize with *Le otto montagne* by Paolo Cognetti, a remarkable success since its release, translated in over 30 countries.

[7] Source: GFK, June 2017 (figures in terms of market value)

Trade Market Shares

Trade Market	30 June 2017	30 June 2016
Mondadori Libri	22.6%	22.9%
Rizzoli Libri	5.5%	5.9%
Total Mondadori Group	**28.1%**	**28.8%**
GeMS Group	10.7%	9.8%
Giunti Group	7.9%	8.9%
Feltrinelli	4.8%	4.6%
Other	48.6%	47.8%

Source: GFK, June 2017 (figures in terms of market value)

In 1H17, the Educational segment was marked by the seasonal nature of the school textbooks business; as a result, the relevant market shares are still unavailable at 30 June 2017.

Performance of the Books Area

Books *(Euro/millions)*	**1H17**	**1H16**	**Var.**	**Var. %**
Revenue	187,9	170,1	17,7	10,4%
Adjusted EBITDA	*5,7*	*9,5*	*(3,8)*	*(40,5%)*
EBITDA	5,6	9,1	(3,6)	(39,0%)
EBIT	(0,0)	4,0	(4,0)	n.s.

Revenue

(Euro/millions) Trade Books Revenue	1H17	1H16	*Var. %*
Mondadori Trade	83.8	86.7	(3.4%)
Rizzoli Trade	18.2	11.2	64.0%
Total TRADE	**102.0**	**97.8**	***4.3%***
Rizzoli Education	12.2	13.4	*(9.2%)*
Mondadori Education	14.8	14.2	*4.4,%*
Total EDUCATION	**27.0**	**27.7**	***(2.2%)***
Mondadori Electa	25.3	21.5	*17.6%*
Rizzoli International Publications	11.3	5.4	*108.6%*
Total EDUCATIONAL	**63.4**	**54.5**	***16.3%***
Distribution and other services	22.6	17.7	*27.2%*
Total consolidated revenue	**187.9**	**170.1**	***10.4%***

In 1H17, **revenue** amounted to **187.9 million euro**, **up by 10.4%** versus 1H16, also as a result of the consolidation of Rizzoli Libri (present only in the second quarter of 2016), despite the publishing plan to schedule the release of best-selling titles mostly in the second half of the year:

- **Trade Books Revenue**: revenue from the Area in 1H17 **grew by 4.3%** versus 1H16; the increase is also explained by the consolidation of Rizzoli Libri, which contributed 18.2 million euro to revenue in the first half of the year.

  In the **Hardcover** segment, the five main publishers released the following titles:

  - **Mondadori:** the top bestsellers were *Storie della buonanotte per bambine ribelli. 100 vite di donne straordinarie* by F. Cavallo and E. Favilli, firmly at the top of the rankings in the first half, *L'arte di essere fragili. Come Leopardi può salvarti la vita* by A. D'Avenia and *Tredici* by J. Asher;
  - **Einaudi:** *Sete*, the new book by Jo Nesbo, one of the world's most famed crime novelists*,* *Le otto montagne* by P. Cognetti, winner of the 2017 Strega Prize, and *Intrigo italiano* by C. Lucarelli, were the main titles of the first half;
  - **Piemme**: in addition to the enduring success in 2017 of *La ragazza del treno*, *Dentro l'acqua,* the new book by P. Hawkins, released at the beginning of June, has already become one of the best-selling titles on the market; another blockbuster was *Il passaggio*, the new book by M. Connelly; in the Children's Books segment, the series with the character *Geronimo Stilton* continues to be highly appreciated by younger readers;
  - **Sperling & Kupfer:** along with the successful streak of Sveva Casati Modignani's *Dieci e lode*, published at end 2016, Anna Todd's new titles were the main works by the publisher in the first half;
  - **Rizzoli:** the main titles in the first half included *Da dove la vita è perfetta* by S. Avallone and *I guardiani* by Maurizio De Giovanni; additionally, for the release of the children's film *Fallen*, the six months under review enjoyed significant sales volumes in the Children's Area, driven by Lauren Kate's series.

  In the ***Paperback*** segment***,*** even including BUR in the consolidation scope, the Group reported a drop versus 1H16, due to the overall performance of this specific market segment.

- **Revenue from Education**: in 1H17, the segment saw revenue grow by 16.3% versus 1H16.
  - **Mondadori Education** achieved revenue of 14.8 million euro, up by 4.4% versus 14.2 million euro in 1H16.

    In the primary school segment, Mondadori Education posted a slight drop all in all in terms of adoptions, while the positive performance in adoptions in the first-level secondary school segment, in line with the prior year, strengthened the positive trend that had started two years ago, as a result of the positive results of the new titles, the sharp increase in last year's titles, and the resilience of the catalogue.

    Regarding the second-level secondary school segment, Mondadori Education delivered a basically steady performance, adoptions-wise.

- Rizzoli Education - consolidated in 2Q16 - achieved revenue of 12.2 million euro in the reporting period, down versus 1H16 (13.4 million euro), due mainly to the deferral of supplies to a number of major customers from end June to the beginning of July.
  In the primary school segment, Rizzoli Education retained its leadership position, driven by the good performance of textbooks under the Fabbri trademark, which offset the slight drop of Oxford University Press's books.
  Regarding the first-level secondary school segment, Rizzoli Education continues to be a top player, especially in the field of humanities and the English language.
  As for second-level secondary school, the segment achieved good results, especially for English language textbooks.

  The school textbooks business reported **overall revenue of 27.0 million euro** versus 27.7 million euro in 1H16, due to the aforementioned shift forward of revenue of Rizzoli Education in the third quarter.

- **Mondadori Electa** achieved **revenue of 25.3 million euro** in 1H17, **up by 17.6%** versus the prior year, as a result of the positive performance reported in both activities:

  - **management and organization of exhibitions:** the period under review reported a positive performance, specifically:

    - a growth in archeology activities in Rome (in terms of services and visitors);
    - a growth in exhibitions in Naples and Pompeii. Specifically, the project involving the recently concluded *Picasso Parade* exhibition, a joint partnership with Pompeii and the Capodimonte Museum, in an international project promoted by Musée Picasso in Paris;
    - the awarding of the management of the Venice Biennial bookshop for a further four years (2017-2020).

  - **publication of books and catalogues:** the Company reported a positive performance of the *web star* series (thanks especially to the steady performance of *Mates,* over 130 thousand copies sold since release - and the launch of new titles), the first book of the *coach star* series (Montemagno) and the children's series *Cube Kid*. Sveva Casati Modignani's new novel released in April, *Un battito d'ali*, reached a sell-out of approximately 40,000 copies. The market share increased overall from 0.9% to 1.3% at 30 June 2017.

    April 2017 marked the start of international development, with the first titles published on the US market, distributed by Rizzoli International Publications.

- **Rizzoli International Publications** achieved revenue of **11.3 million euro** in the period, including sales from the Rizzoli bookstore in New York. In a basically steady market versus the prior year, Rizzoli International Publications turned in a good performance, driven by the positive trend of the publishing schedule both in the USA and UK.

* **Revenue from distribution and services on behalf of Third Publishers**: revenue amounted to **22.6 million euro**, up by 27.2% versus 1H16, as a result of the different consolidation period of Rizzoli Libri.

E-book

Revenue from the download of e-books **increased by 12.1%**, accounting for **5.2%** of revenue, attributable to the consolidation of the share of digital sales of Rizzoli Libri.

The top digital titles in the first half of the year were *Sete* by Jo Nesbo (Einaudi), *La ragazza del treno* and *Dentro l'acqua* by P. Hawkins and *Il passaggio* by M. Connelly (all published by Piemme), and *L'arte di essere fragili* by A. D'Avenia (Mondadori).

In the first half, Mondadori Libri published new digital titles, bringing the total number of titles held in the digital catalogue to approximately 12,000, in addition to the over 4,800 titles of the Rizzoli Libri digital catalogue.

EBITDA

Adjusted EBITDA of the Books Area came to **5.7 million euro**; net of the loss reported in the first quarter by Rizzoli Libri, explained by the typical seasonal nature of the school textbooks business, adjusted EBITDA would amount to 13.2 million euro, **up by approximately 39%** versus 1H16 (9.5 million euro), as a result of the trend of the integration process and resulting synergies, as well as the positive performance of Electa.

EBITDA amounted to **5.6 million euro** (9.1 million euro at 30 June 2016).

RETAIL

The Mondadori Group operates in Italy with a network of approximately 580 bookshops composed of directly-managed bookstores, megastores, franchised bookshops (including under the *Mondadori Point* sign), and shop-in-shops (47), in addition to the web channels (www.mondadoristore.it, www.rizzolilibri.it) and book clubs.

Following the acquisition of Rizzoli Libri, the Retail network now includes the established bookstore in Galleria Vittorio Emanuele, Milan.

Relevant market performance

The relevant market for the Retail Area is **books** (**80% of revenue**[8]), which grew (**+1.3%**) versus the prior year.[9]

In the period under review, the **market share** of Mondadori Retail in the Books segment stood at **14.7%**, up versus the prior year (14.4% at 30 June 2016).

Mondadori Retail network trend

STORES	**June 2016**	**Dec. 2016**	***Var. 6M17***	**June 2017**
Megastores	10	11		11
Directly-managed bookstores	20	20		20
Franchised bookstores	534	547	*-2*	545
TOTAL	**564**	**578**	**-2**	**576**

The network was basically steady for directly-managed bookstores versus 30 June 2016, while the Franchised channel added 11 bookstores.

Performance of the Retail Area

Retail *(Euro/millions)*	**1H17**	**1H16**	**Var.**	**Var. %**
Revenue	84,7	88,2	(3,6)	(4,0%)
Adjusted EBITDA	(3,7)	(3,1)	*(0,7)*	n.s.
EBITDA	(5,0)	(3,1)	(1,9)	n.s.
EBIT	(6,8)	(4,9)	(1,9)	n.s.

[8] Store revenue

[9] Source: GFK, June 2017 (figures in terms of market value)

Revenue

In 1H17, the Retail Area achieved revenue of **84.7 million euro**, down by 4.0% versus 1H16, due also to the targeted reduction in revenue from Consumer Electronics products.

(Euro/millions) **Retail**	**1H17**	**1H16**	***Var. %***
Megastores	22.4	23.9	*(6.3%)*
Directly-managed bookstores	12.8	13.4	*(4.6%)*
Franchised bookstores	35.1	36.9	*(5.4%)*
Online	6.4	4.6	*37.7%*
Stores	**76.5**	**78.8**	***(3.0%)***
Book clubs and other	8.2	9.3	*(12.7%)*
Total revenue	**84.7**	**88.2**	***(4.0%)***

Revenue from **Stores** fell by 3.0% versus 1H16.

By type of product:

- Books were the predominant product category, making for **80% of the total**, and outperformed the relevant market by **approximately 2.1 percentage points**[10], a result that benefits from the development of the directly-managed network and confirms the effectiveness of the actions undertaken in terms of product penetration and assortment;
- non-book revenue was basically steady in the Impulse (stationery and toys) and Media categories, while Consumer Electronics continued to fall, due also to the space reduction strategy (approximately -22% versus 2016).

The analysis by channel shows the following:

- a 6.3% drop by Megastores, due mainly to the shrinking sales in Consumer Electronics, offset, however, by the **3.7% growth of Books**;
- a 4.6% drop by directly-managed bookstores, also following closure of the Milano Limbiate store in May 2016 (-1.3% on like-for-like basis in terms of stores);
- a negative performance in the reporting period of Franchised Bookstores (-5.4%, on a like-for-like basis also in terms of stores);

[10] Source: GFK, June 2017 (figures in terms of value)

- an approximately 38% increase in the online segment, driven by the positive performance of sales related to the government's "Culture Bonus" for 18 year olds ("18app")[11];
- for book clubs, a trend in line with the structural decline forecast in the medium-term development plan.

EBITDA

In 1H17, Mondadori Retail's **adjusted EBITDA** came to **-3.7 million euro**, deteriorating versus -3.1 million euro reported in 1H16, as a result of the structural decline in sales volumes in the book club channel, despite the positive performance of other channels.

EBITDA came to **-5.0 million euro** (-3.1 million euro in 1H16), as a result of higher restructuring costs (1.5 million euro).

[11] Bonus earmarked in the 2016 Stability Law (Law no. 208 of 28 December 2015) for young people who turned eighteen in 2016, amounting to 500 euro, usable until 31 December 2017 to buy: tickets for cinema, theatre and live performances; books and visits to museums and exhibitions.

MAGAZINES ITALY

Relevant market performance

Relevant markets in the first months of 2017 reported a general downward trend.

In May:

- the advertising market dropped by -1.9%, the downturn involving the whole range of media, newspapers in particular (-10.3%);
  magazines fell (-6.1%), while the Internet grew slightly (**+0.6%**)[12].
- the magazine circulation market dropped by 12.7%, both channels (newsstands and subscriptions) following the same downward pattern; in this context, Mondadori retained its **market leadership** with a **31.6%** share (31.3% at May 2016);[13]
- revenue from add-on sales in the first 5 months of the year plummeted versus the same period of 2016: magazines shrank by -27.3%, while newspapers tumbled by -31.5%.

Performance of Magazines Italy

Magazines Italy *(Euro/millions)*	**1H17**	**1H16**	**Var.**	**Var. %**
Revenue	148,1	160,9	(12,8)	(7,9%)
Adjusted EBITDA	11,9	10,6	*1,4*	*12,8%*
EBITDA	11,7	10,0	1,7	17,2%
EBIT	9,7	9,4	0,3	3,5%

Following the merger by incorporation of Banzai Media S.r.l. into Arnoldo Mondadori Editore S.p.A. - concluded on 10 January 2017 and with accounting and tax effects from 1 January 2017 - and the integration of its digital activities, the scope acquired in 2016 is no longer recognized separately as from 2017.

[12] Source: Nielsen, cumulative figures at May 2017

[13] Internal source: Press-Di, cumulative figures at May 2017 (newsstands + subscriptions in terms of value)

Revenue

Magazines Italy posted **revenue of 148.1 million euro**, down by 7.9% versus 1H16, due also to the sharp drop in add-on sales.

(Euro/millions) **Magazines Italy**	**1H17**	**1H16**	***Var. %***
Circulation	51.4	56.0	*(8.2%)*
Advertising	45.9	43.0	*+6.9%*
Add-on sales	21.2	31.3	*(32.3%)*
Distribution and revenue towards third publishers	17.2	17.5	*(2.2%)*
Other revenue	12.4	13.1	*(4.7%)*
Total revenue	**148.1**	**160.9**	***(7.9%)***

- **Circulation** revenue (newsstands + subscriptions) lost 8.2%, less than the relevant market trend in both the newsstand and subscription channels. As part of the integration and development projects, March saw the start of the first brand extension initiative with the launch of the monthly magazine *Giallo Zafferano*, which achieved an average circulation of approximately 200 thousand copies. In June, in line with the selective strategy on the development of the product portfolio to sustain revenue and optimize editorial costs, Mondadori launched *Spy*, the new gossip weekly, which sold an average of approximately 300,000 copies in the first three issues.
- **Advertising** revenue (print + web) **increased by approximately 7%**, driven by the contribution of the consolidation of Banzai Media activities, bringing the percentage of **digital revenue** on the total to approximately **28%**.
  Print advertising sales in Italy - on a like-for-like basis of titles and barter deals for goods - outperformed (-3.9%) the relevant market trend (-6.1% at May);
- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines**, dropped sharply** versus 1H16, in line with the market trend.
  1H16 included the strong performance of Home-Video products (*Grandi Classici Disney*) and CDs (*Rolling Stones* and the *Pooh* series).
- Regarding **Press-Di distribution and revenue towards third parties**, against the 6% and 8% drop in copies sold in newspapers and magazines[14], respectively, in the opening months of 2017 in the Newsstand/Large Retailer channel, in the first six months, the Area reported a more modest decline of 2.2% versus the prior year, thanks to the ongoing commitment to developing third-publisher portfolios.
- Other revenue includes:
  - **international operations**, which achieved revenue of 2.4 million euro in the reporting period, down from 3.0 million euro reported in 1H16, as a result of the

[14] Source: ADS, figures in terms of copies, May 2017

drop in licensing activities caused by the deteriorated international market environment. In the period under review, the *Grazia International Network* released a new edition in Pakistan, while the magazine *Il Mio Papa* was launched in Spain and Portugal.

- revenue from ***Digital Marketing Service*** activities (8.6 million euro) grew by approximately 30%, as a result of the contribution of the consolidation of Adkaora activities, acquired in the scope of Banzai Media.

The **Mondadori Group** reaches a **unique audience of 16.6 million users/month**[15] versus 8 million/month in May 2016 (+3.5% versus December 2016), retaining its position as **Italy's top traditional publisher also in the digital business**, boasting a supremacy in key vertical segments such as women, food, health & wellness.
A position corroborated by comScore surveys, which reported a Group audience of **23.6 million unique users/month** at May 2017, steady versus December.

EBITDA

Adjusted EBITDA in the **Magazines Italy** Area **improved by approximately 12.8%**, rising from 10.6 million euro to **11.9 million euro**, driven mainly by the benefits of the digital business achieved with the combination of Banzai Media and Mondadori's teams and digital products, while print activities reported a steady margin, offsetting the drop triggered by the trend of the markets, with ongoing optimization actions and containment of editorial and overhead costs.

Digital activities in the period achieved an overall **positive** adjusted EBITDA (negative in 1H16).

The Area's **reported EBITDA** confirmed the **growth trend**, closing at 11.7 million euro (10.0 million euro).

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

- foreign subsidiaries (including Attica Publications and Mondadori Seec Advertising - exclusive agency for the sale of advertising spaces in the Chinese edition of *Grazia*), whose overall contribution in the period under review came to a positive **0.9 million euro** (**0.8 million euro** in 1H16);
- the Mediamond joint venture, whose pro-rata result in 1H17 was basically at breakeven, **improving** versus the loss reported at 30 June 2016 (-0.4 million euro).

[15] Source: Audiweb, at May 2017

MAGAZINES FRANCE

Relevant market performance

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

- in sales in the newsstand channel (-8% at April)[16];
- in print advertising sales (-11.2% at May)[17];
- in digital advertising sales (-22.7%)[18].

Performance of Magazines France

Magazines France *(Euro/millions)*	**1H17**	**1H16**	**Var.**	**Var. %**
Revenue	148,1	160,4	(12,2)	(7,6%)
Adjusted EBITDA	*12,5*	*15,5*	*(3,0)*	*(19,3%)*
EBITDA	15,7	14,2	1,5	10,3%
EBIT	9,8	8,4	1,4	17,1%

Revenue

In 1H17, **revenue** from Mondadori France amounted to 148.1 million euro, down by 7.6% versus 1H16.

(Euro/millions)	**1H17**	**1H16**	***Var. %***
Circulation	110.2	115.5	*(4.5%)*
Advertising	30.8	37.3	*(17.4%)*
Other revenue	7.1	7.6	*(6.6%)*
Total revenue	**148.1**	**160.4**	***(7.6%)***

[16] Internal source Mondadori France, figure at April 2017
[17] Source: Kantar Media, cumulative figures in terms of volume at May 2017
[18] Source: Kantar Media, cumulative figures at May 2017 (display desktop)

Revenue from **circulation**, accounting for approximately 74% of the total, fell by **-4.5%** versus the prior year:

- revenue from **subscriptions** fell by -2.7%, a sales channel that accounted for **54% of circulation revenue** in 1H17, representing the strongest and steadiest contribution to revenue of the Area;
- revenue from the **newsstand** channel fell by **-5.1%**, outperforming the relevant market trend (-8.1%).[19]

In 1H17, Mondadori France launched a new women's lifestyle monthly, *Mellow*, in addition to a new brand extension of Closer. Additionally, the second quarter saw the release of the second issue of *Grazia Hommes*. *Sport-Auto, Modes & Travaux*, *Sciences & Vie Découvertes* and *Télé-Poche* benefited from the new publishing relaunch plan. Brand extension activities, carried out to sustain revenue, counted **19 special initiatives** in the reporting period.

Revenue from the sale of digital copies grew sharply in the first half versus 2016, driven by the new partnerships with a number of French telco players to offer Mondadori France brands to their subscriber base.

Advertising revenue fell by an overall -17.4% versus 1H16; print advertising, down by -13.3% in the reporting period, basically in line with the relevant market, accounted for 86% of total advertising revenue, while digital advertising represented the remaining approximately 14%.

In the reporting period, Mondadori France held a **10.6%** share[20], basically steady versus the prior year, retaining its position **as second top player on the magazine advertising market**.

The **digital readers** (web, mobile & tablet) of Mondadori France magazines reached **11.4 million unique users**[21], **up by approximately +16%** versus the average figure in 1H16.

EBITDA

Adjusted EBITDA came to **12.5 million euro**, down by 15.5 million euro versus 1H16. The drop is mainly attributable to the downturn in advertising revenue generated by the Digital Area, to the increase in rental costs for the offices and deconsolidation as from 1 May of *NaturaBuy*: net of the latter two effects, the decline in business would amount to approximately 1.9 million euro in the first half of the year, mitigating the drop in revenue brought by the lingering weakness of the relevant markets, as a result of the constant attention placed on editorial and overhead cost containment.

Reported EBITDA amounted to **15.7 million euro**, up by approximately 10% versus 1H16, driven by the positive contribution of the gain of 4.3 million euro from the disposal of *NaturaBuy* in May.

[19] Internal source Mondadori France, figure at April 2017
[20] Source: Kantar Media, cumulative figures in terms of volume at May 2017
[21] Source: Nielsen, average figure January-April 2017

CORPORATE & 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 refers mainly to amounts billed to subsidiaries and associates as well as other entities using the above services.

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 the Mondadori Group, came to -0.2 million euro in 1H17, improving versus 1H16.

Società Europea di Edizioni: in 1H17, the publisher of *Il Giornale* posted a negative performance of 0.9 million euro versus the breakeven in 1H16.

Overall, adjusted EBITDA of the **Corporate & Shared Services** Area came to -4.8 million euro, **improving** versus -5.8 million euro in 1H16, thanks mainly to the change in the scope of the chargebacks to Group companies.

In 2016, the **Corporate & Shared Services** Area had absorbed the comparable activities of Rizzoli Libri and Banzai Media, acquired in 2016, without increasing staff and reducing the percentage of overall costs on revenue.

Including non-ordinary items, EBITDA came to -0.7 million euro, **improving by over 7 million euro** versus -7.8 million euro in 1H16 - which included certain costs incurred for extraordinary transactions (Rizzoli Libri and Banzai Media) completed in 2016 - as a result of the positive contribution of a gain of 4.2 million euro from the disposal of a property in Verona, aimed also at outsourcing logistics activities.

BALANCE SHEET

The overall credit lines available to the Group at 30 June 2017 amounted to **677.4 million euro**, 472.6 million euro of which committed. The change versus 31 March 2017 is explained by the reduction of 2.4 million euro in the amount of the Pool Loan, following a mandatory early partial repayment.

The Group's short-term loans, amounting to 204.8 million euro, 16.2 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, the 472.6 million euro pool consisted of:

(Euro/millions)	Bank pool		of which: unutilized	of which: with interest rate hedge
Term Loan A1 (Refinancing)	189.2	(1)	-	145.9
Term Loan A2 (Line for acquisition of RCS Libri)	103.4	(2)	-	
Revolving Facility B	100.0	(3)	100.0	-
Acquisition Line C	80.0	(4)	43.8	
Total loans	**472.6**		**143.8**	**145.9**

Maturity date	2017	2018	2019	2020
1	€16.0 million	€21.3 million	€21.3 million	€130.6 million
2	€8.7 million	€11.7 million	€11.7 million	€71.3 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

The Mondadori Group's net financial position at 30 June 2017 stood at -284.4 million euro versus -374.8 million euro at June 2016 and -263.6 million euro at December 2016.

Net financial position (Euro/millions)	Euro/millions 30 June 2017	Euro/millions 30 June 2016	Euro/millions 31 December 2016
Cash and cash equivalents	60.4	29.6	77.6
Assets (liabilities) from derivative instruments	(0.9)	(2.6)	(1.6)
Other financial assets (liabilities)	(4.4)	(12.1)	(13.4)
Loans (short and medium/long term)	(339.5)	(389.7)	(326.2)
Net financial position	**(284.4)**	**(374.8)**	**(263.6)**

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

€mn	June 2017	June 2016	LTM
NFP beginning of period	**(263,6)**	**(199,4)**	**(374,8)**
EBITDA before non-recurring items	21,6	26,7	103,4
Effect of investments/dividends	1,1	(0,5)	(3,1)
Change in NWC + provision	(32,1)	(27,7)	8,4
CAPEX	(9,1)	(7,2)	(19,0)
Cash flow from operations	**(18,4)**	**(8,7)**	**89,6**
Financial costs	(7,1)	(7,9)	(16,9)
Tax	(5,3)	(9,5)	(9,6)
Cash flow from ordinary operations	**(30,8)**	**(26,1)**	**63,2**
Share capital increases/(Dividends paid)		0,0	0,0
Restructuring costs	(9,2)	(7,1)	(17,0)
Extraordinary tax amounts / prior years	5,9	15,1	6,4
Asset acquisition/disposal	13,3	(157,3)	37,9
Cash flow from extraordinary operations	**10,0**	**(149,3)**	**27,3**
Total Cash Flow	**(20,8)**	**(175,4)**	**90,5**
NFP end of period	**(284,4)**	**(374,8)**	**(284,4)**

The **net financial position**, versus the situation at 31 December 2016, increased by 20.8 million euro, as a result of the seasonal nature of a number of businesses; **the net financial position in the last 12 months improved by 90.5 million euro**, with a resulting reduction in net debt, reaching 284.4 million euro versus 374.8 million euro at 30 June 2016.

Cash generation is structured as follows:

- **cash flow from ordinary operations** stood at **63.2 million euro**, 89.6 million euro of which from operations minus tax and financial costs of 26.5 million euro. Cash flow from operations benefited from the positive performance of operations net of non-ordinary items, which came to 103.4 million euro, and from the improvement in net working capital of 8.4 million euro (including provisions), alleviated by capital expenditure of 19.0 million euro;

- **cash flow from extraordinary operations came to 27.3 million euro** and included:

  - the impact of approximately 38 million euro from the **disposal** of Marsilio Editori and Bompiani respectively in July and December 2016, of *NaturaBuy* by Mondadori France, and the outsourcing of logistics activities, which included the disposal of the related property;
  - cash-outs for **restructuring costs** of 17.0 million euro;
  - collection of **tax receivables** (VAT and IRES for IRAP reimbursement) accrued in prior years for a total of 6.4 million euro.

Cash flow from ordinary operations in 1H17 dropped by approximately 5 million euro versus 1H16 (1Q16 did not include the consolidation of Rizzoli Libri):

- **cash flow from operations** fell by approximately 10.0 million euro, deriving mostly from the consolidation of Rizzoli Libri from the first quarter;
- **cash flow from ordinary operations** was mitigated by the lower financial costs deriving from the reduction in the average rate in 1H17 versus 2016, as well as by the use of tax receivables;
- **total cash flow from extraordinary operations** came to a positive 10.0 million euro versus a negative 149.3 million euro in 1H16. The prior year had reported the cash-outs for the acquisition of Rizzoli Libri and Banzai Media, while 1H17 reported the proceeds from the disposal of the Verona property and of *NaturaBuy* in France.

Trend of key balance sheet figures:

(€mn)	1H17	2016	1H16
Net receivables	273.6	300.1	313.6
Net inventory	160.5	143.4	184.3
Trade payables	(412.7)	(416.4)	(435.5)
Other assets/(liabilities)	24.3	(14.6)	18.1
NWC and Provisions	45.7	12.5	80.5
Intangible assets	602.3	612.1	604.3
Tangible assets	28.7	33.3	35.3
Investments	41.6	43.0	44.5
Net Fixed Assets	672.5	688.5	684.2
Provisions	(64.0)	(68.6)	(67.1)
Post-employment benefits	(47.0)	(51.0)	(50.7)
Discontinued assets/(liabilities)			19.1
NET INVESTED CAPITAL	**607.2**	**581.4**	**666.0**
Share Capital	68.0	68.0	68.0
Minority shareholders' reserves and equity	250.5	227.3	226.9
Net result	4.4	22.5	(3.8)
Equity	322.8	317.8	291.2
NFP	284.4	263.6	374.8
TOTAL EQUITY	**607.2**	**581.4**	**666.0**

- **trade receivables** were down versus 31 December, due to the effective collection management and to the seasonal nature of the Trade Books and Retail areas;

- **inventory** increased by approximately 17.0 million euro versus December, referring to the Books Area, due to the seasonal nature of the school textbooks segment, which generally sees the creation and publishing of new titles starting in the first quarter of the year, while revenue is generated mainly in the third quarter;

- **trade payables** fell versus 31 December 2016, due to lower purchase volumes, consistent with the revenue trend;

- **other assets/(liabilities)** increased, from net liabilities of 14.6 million euro to net assets of 24.3 million euro, a result mainly of:
    - advance payment of commissions to agents that were higher than the amount accrued in the first half of the year, due to the seasonal nature of certain businesses;
    - higher advances to authors relating to the important publishing schedule for the second half of 2017;
    - lower payables for personnel and social security institutions, owing to the different impact of deferred salary items and staff restructuring;
    - the fall in subscriptions of Magazines France.

- **fixed assets** decreased by approximately 16 million euro, despite capital expenditure of approximately 12 million euro, ascribable to:
    - the disposal of a property and relating plant and equipment, as part of the outsourcing of logistics activities;
    - the disposal of NaturaBuy at end April 2017;
    - period depreciation.

- **provisions and post-employment benefits** dropped by 8.6 million euro, due mainly to the use of provisions for staff downsizing, the reduction in headcount and the disposal of the logistics business unit, which counted approximately 110 employees.

INVESTOR RELATIONS

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

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

In 1H17, the Mondadori average share price was 1.604 euro (average market capitalization of 419.4 million euro).
On 30 June 2017, the Mondadori share recorded a closing price of 1.600 euro, with a market capitalization of 418.3 million euro.

Share price and share trading data	**1H17**
Closing price in euro on 30/06/2017	**1.600**
Average price	1.604
Maximum price (30/03)	1.88
Minimum price (02/01)	1.28
Average volume (thousands)	**681.8**
Maximum volume (03/01)	2,977.5
Minimum volume (30/05)	86.3
No. of ordinary shares (mn)*	**261,458,340**
Average market capitalization in euro millions*	419.4
Market capitalization at 30/06/2017 in euro millions	418.3

Source: Borsa Italiana

** Number of shares issued at 30 June 2017*

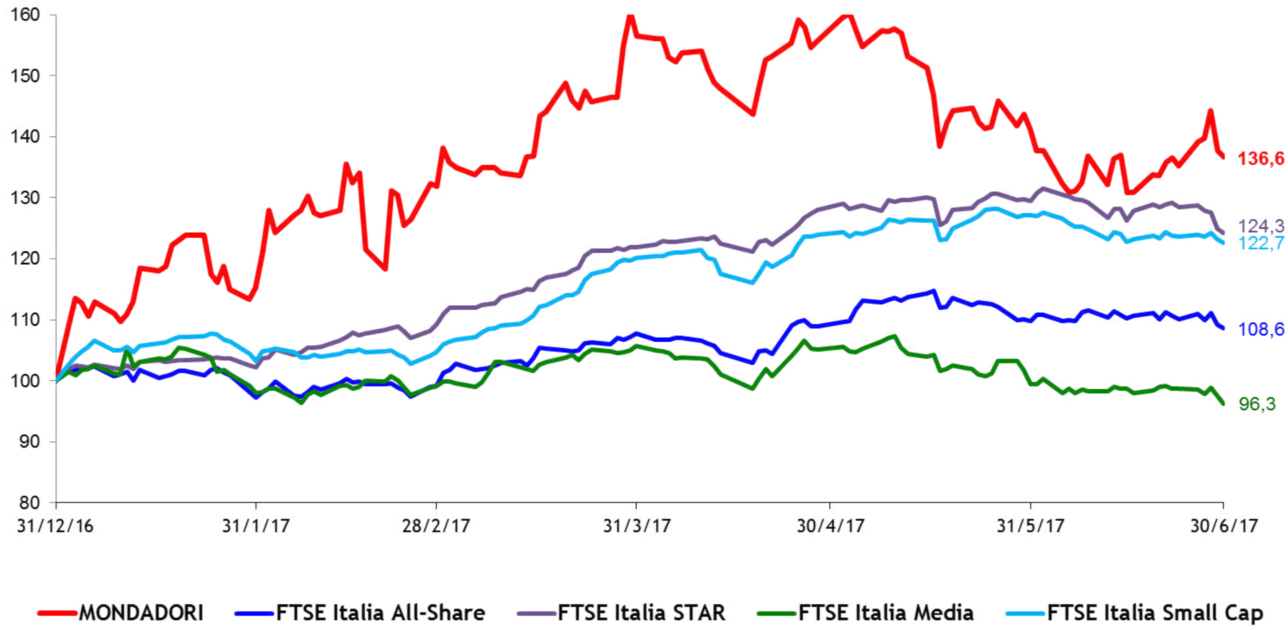
Shareholder base

At 30 June 2017, the Company's share capital amounts to Euro 67,979,168.40, equal to 261,458,340 ordinary shares with a par 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 30/06/2017
Fininvest S.p.A.	53.3%
Silchester International Investors Llp	11.5%

Mondadori share price performance against the main Italian SE indexes in 1H17



Source: Bloomberg

The macroeconomic situation in Italy shows a moderately positive tone. GDP grew by +1.2% in the first quarter of the year, and is expected to range between +0.8% and +1.3% in 2017 and 2018.
The Country risk has decreased (with the spread at approximately 170bps) following the local elections; forecasts on inflation have also fallen (1.0%).
Economic recovery remains volatile, as reiterated by the ECB.

On an international level, interest is growing in European asset classes, as US growth prospects are linked to the new Administration's economic measures (to date still on paper) while the Emerging Countries may face tougher trade and financial decisions than in the Advanced Countries.

Mondadori share's performance at 30 June 2017 stood at **+36.6%**, outperforming the overall market (+8.6%), as well as the FTSE ITALIA STAR (+24.3%), FTSE Italia Small Cap (+22.7%) and FTSE Italia Media indexes (-3.7%).

At the same date, the 12-month performance stood at **+68.2%**.

PERSONNEL

Human resources

Group employees with a fixed-term or permanent labour contract at 30 June 2017 amounted to **3,112 units**, **down by 8.6%** versus 3,404 units at June 2016, as a result of the disposal of the logistics activities in May, as well as the ongoing restructuring and efficiency improvement measures involving each of the Group's business areas.

Group employees at 30 June 2017:

Headcount by Business Area	**30 June 2017**	**30 June 2016**	**Var. %**
Books	656	801	*(18.1%)*
Magazines Italy	774	842	*(8.1%)*
Magazines France	797	824	*(3.3%)*
Retail	424	460	*(7.8%)*
Corporate & Shared Services	461	477	*(3.4%)*
Total	**3,112**	**3,404**	***(8.6%)***

	30 June 2017	**30 June 2016**
Arnoldo Mondadori Editore S.p.A.:		
- Managers, journalists, office staff	930	815
- Blue collars	5	5
	935	**820**
Italian subsidiaries:		
- Managers, journalists, office staff	1,325	1,597
- Blue collars	9	101
	1,334	**1,698**
Foreign subsidiaries:		
- Managers, journalists, office staff	843	886
- Blue collars	-	-
	843	**886**
Total	**3,112**	**3,404**

In the **Books** Area, the sharp drop versus 1H16 is attributable mainly to the disposal of Mondadori Libri's logistics business unit to CEVA Logistics Italia, with the resulting transfer of approximately 100 employees.

The approximately 8% reduction reported in the first half of the year by **Magazines Italy** reflects the efficiencies achieved from the rationalization measures on magazines and the integration of Mondadori Scienza. Additionally, from 1 September 2016, a number of Banzai Media advertising sales resources have been seconded to the associate Mediamond; net of this discontinuity, the reduction would be approximately 6%. The segment continued implementing the status of crisis, by resorting to solidarity contracts until 30 June 2017 and introducing redundancy payments (CIGS) for the next 12 months.

The drop reported by **Retail** was equally affected by the disposal of logistics activities to CEVA Logistics Italia, which involved the transfer of approximately 10 employees.

The **Corporate & Shared Services** Area reported a 3.4% drop in headcount, despite absorbing the comparable activities of Rizzoli Libri and Banzai Media, acquired in 2016.

In the first half of the year, the cost of personnel[22] amounted to 119.8 million euro, up slightly by 1.6% versus the first half of 2016, which had seen the consolidation of Rizzoli Libri for a quarter and Banzai Media for a month, mitigated by the ongoing reduction in headcount and by the effects (from 1 May) of the transfer of approximately 110 resources in the outsourcing of logistics activities.

	30/06/2017	**30/06/2016**	**Var. %**
Euro/millions			
Cost of enlarged personnel (before restructuring)	***119.8***	118.0	*+1.6%*
Cost of personnel (after restructuring)	***113.6***	112.3	*+1.2%*

[22] *Cost of enlarged personnel includes, as from 1 January 2017, costs for collaborations and temporary employment. Accordingly, the prior year's cost of personnel has been reclassified for comparative purposes.*

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

On **10 January**, the Board of Directors concluded the merger by incorporation into Arnoldo Mondadori Editore S.p.A., with no share exchange, of the wholly-owned company Banzai Media S.r.l., in accordance with the previously approved merger plan. The merger took effect for statutory purposes as from 15 January 2017, and for accounting and tax purposes as from 1 January 2017.

On **28 April**, the Mondadori Group concluded an agreement on the disposal of the business units involved in the logistics activities of Mondadori Libri and Mondadori Retail to CEVA Logistics Italia S.r.l..

The agreement marks a further step in the plan to focus on core businesses, including through the disposal of non-strategic assets, in a highly competitive market populated by international players. Among these players, following a tendering process, the Group chose CEVA Logistics Italia, already a provider of Rizzoli Libri distribution services, as its qualified partner.

The agreement will increase flexibility in managing logistics services and will reduce operating costs starting from 2018, guaranteeing the Mondadori Group and its customers high quality standards.

Additionally, the agreement envisages:

- the disposal of the logistics business units of Mondadori Libri and Mondadori Retail to CEVA Logistics Italia (a workforce of approximately 110 employees) for a consideration of 0.5 million euro;
- the disposal of the Verona-based site used for these activities to AKNO Trading S.r.l. (property company part of the AKNO Group, industrial partner of the CEVA Group) for a consideration of 6 million euro;
- the conclusion of an exclusive agreement for the supply by CEVA Logistics Italia of logistics services to the Mondadori Group's Books and Retail areas for a period of 9 years, which entails compliance with pre-set performance indicators and SLAs (Service Level Agreements), as well as improvement actions.

The disposal of the above business units and the supply of services took effect as from 1 May 2017.

The disposal of the site produced a gain (before tax) of 4.2 million euro, already included in the guidance for 2017 (with no impact on estimated adjusted EBITDA which, by definition, excludes non-recurring income).

On **2 May**, the Mondadori Group announced the completion, through its subsidiary Mondadori France, following the purchase of the 20% minority interest in the share capital, of the disposal of 100% of NaturaBuy SAS: the marketplace of small ads and the purchase/sale of hunting, fishing and outdoor items was acquired by NextStage, a private equity fund based in Paris.

The transaction is in line with the Mondadori Group's plan to focus on core businesses, including through the disposal of non-strategic assets aimed at the development of the print and digital publishing brands held in its portfolio.

The disposal of 100% of NaturaBuy came to 12.2 million euro, based on an enterprise value of 10.5 million euro.

In 2016, NaturaBuy achieved revenue of 2.6 million euro and EBITDA of 1.5 million euro. The company was deconsolidated as from 1 May 2017.

The impact on the 2017 net financial position of Mondadori France amounts to 9.4 million euro, net of the purchase of the minority interest in NaturaBuy and the positive financial position of the company.

The disposal of this asset produced a gain before tax of 4.3 million euro, strongly contributing to the achievement of the net profit and net financial position targets set in the guidance previously disclosed to the market, which could be revised in the current year (with no impact on estimated adjusted EBITDA which, by definition, excludes non-recurring income).

On **26 June**, the Group announced the start of a share buy-back plan - under art. 5 of Regulation (EU) No. 596/2014 - on the Electronic Stock Market to provide the Company with 2.49 million shares to service the Incentive Plan named "2017 - 2019 Performance Share Plan" approved by the Shareholders' Meeting on 27 April 2017.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On **3 July**, the Company announced the purchase, in the period from 26 to 30 June, of **198,098 ordinary shares** (equal to 0.076% of the share capital) at an average unit price of Euro 1.6283, for a total amount of Euro 332,566.59.

On **10 July**, the Group announced the purchase, in the period from 3 to 7 July, of **38,902 ordinary shares** (equal to 0.015% of the share capital) at an average unit price of Euro 1.5906, for a total amount of Euro 61,876.25.

On **17 July**, the Group announced the purchase, in the period from 10 to 14 July, of a further **25,000 ordinary shares** (equal to 0.010% of the share capital) at an average unit price of Euro 1.6694, for a total amount of Euro 41,734.50.

On **24 July**, the Group announced the purchase, in the period from 17 to 21 July, of a further **29,500 ordinary shares** (equal to 0.0113% of the share capital) at an average unit price of Euro 1.7062, for a total amount of Euro 50,331.45.

Following the purchases made so far, Arnoldo Mondadori Editore S.p.A. holds to date **371,500 treasury shares**, equal to **0.1421%** of the share capital (including the approximately 80,000 shares purchased in the period from 30 November to 2 December 2016, as per disclosure to the market on 6 December 2016).

OTHER INFORMATION

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

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

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES USED

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

Specifically, the alternative measures used include:

Gross Operating Profit (EBITDA): EBITDA, or gross operating profit, is equal to earnings before interest, tax, depreciation and amortization. The Group also provides information on the percentage of EBITDA on net sales. EBITDA computed 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 reference to adjusted EBITDA in 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.

With reference to adjusted EBITDA in the first half of 2017, the following items were excluded from EBITDA:

a) restructuring costs for a total of 2.9 million euro, included in “cost of personnel” in the income statement;

b) income of a non-ordinary nature attributable to gains from the disposal of assets: 4.2 million euro from the disposal of the former logistics property and 4.3 million euro from the disposal of NaturaBuy, included in Other cost/(income) 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 is cash flow from operations as explained above, net of financial expenses and tax paid in the period.

LTM cash flow from ordinary operations is cash flow from ordinary operations in the last twelve months.

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

BUSINESS OUTLOOK

In light of the Group's performance in the first half of the year, it is reasonable to confirm the previously disclosed estimates for **2017** versus the 2016 pro-forma figures[23] that indicate **steady revenue** and a "**high single-digit**" **growth of adjusted EBITDA**, with a resulting improvement in profit margins and a sharp increase of approximately **30%** in **net profit**.

Also as a result of the extraordinary transaction involving the disposal of an asset in the first six months, **net debt** at end 2017 is estimated to **further reduce** versus 31 December 2016, with a debt/adjusted EBITDA ratio **below 2.0x** (from the previous forecast between 2.2/2x).

For the Board of Directors

The Chairman

Marina Berlusconi

[23] Pro-forma figures: consolidation of Rizzoli Libri and Banzai Media assumed as from 1 January 2016; revenue of approximately 1,280 million euro and adjusted EBITDA of approximately 100 million euro.

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2017

CONSOLIDATED BALANCE SHEET

Assets (Euro/thousands)	Notes	30/06/2017	31/12/2016
Intangible assets	10	**602,281**	**612,147**
Property investments	11	**2,884**	**2,937**
Land and buildings		3,486	5,651
Plant and equipment		6,536	7,952
Other tangible assets		15,749	16,785
Property, plant and equipment	12	**25,771**	**30,388**
Investments booked at equity		41,154	42,538
Other investments		458	453
Total investments	13	**41,612**	**42,991**
Non-current financial assets	20	**1,276**	**267**
Pre-paid tax assets	14	**79,886**	**81,212**
Other non-current assets	15	**2,224**	**3,333**
Total non-current assets		**755,934**	**773,275**
Tax receivables	16	**28,381**	**30,436**
Other current assets	17	**107,134**	**94,010**
Inventory	18	**160,457**	**143,437**
Trade receivables	19	**273,588**	**300,138**
Other current financial assets	20	**5,306**	**3,382**
Cash and cash equivalents	21	**60,420**	**77,590**
Total current assets		**635,286**	**648,993**
Assets held for sale		**-**	**-**
Total assets		**1,391,220**	**1,422,268**

Liabilities (Euro/thousands)	Note s	30/06/2017	31/12/2016
Share capital		**67,979**	**67,979**
Share premium reserve		**-**	**-**
Treasury shares		**(358)**	**(73)**
Other reserves and profit/(loss) carried forward		**219,300**	**196,873**
Profit (loss) for the period		**4,376**	**22,544**
Group equity	22	**291,297**	**287,323**
Minority shareholders' equity and reserves	22	**31,546**	**30,475**
Total equity		**322,843**	**317,798**
Provisions	23	**63,957**	**68,591**
Post-employment benefits	24	**47,038**	**50,989**
Non-current financial liabilities	25	**303,599**	**307,434**
Deferred tax liabilities	14	**68,764**	**75,028**
Other non-current liabilities		**-**	**-**
Total non-current liabilities		**483,358**	**502,042**
Income tax payables	16	**557**	**1,788**
Other current liabilities	26	**206,721**	**229,489**
Trade payables	27	**329,972**	**333,763**
Payables due to banks and other financial liabilities	25	**47,769**	**37,388**
Total current liabilities		**585,019**	**602,428**
Liabilities held for sale		**-**	**-**
Total liabilities		**1,391,220**	**1,422,268**

CONSOLIDATED INCOME STATEMENT

(Euro/thousands)	Notes	30/06/2017	30/06/2016
Revenue from sales and services	28	**552,972**	**562,516**
Decrease (increase) in inventory	18	(17,156)	(13,545)
Cost of raw and ancillary materials, consumables and goods	29	114,305	116,308
Cost of services	30	323,535	324,267
Cost of personnel	31	113,590	112,294
Other (income) costs	32	(8,855)	262
Income (costs) from investments booked at equity	33	(268)	(424)
EBITDA		**27,285**	**22,506**
Depreciation and impairment loss on property, plant and equipment	11-12	3,527	3,553
Amortization and impairment loss on intangible assets	10	12,517	10,481
Impairment loss on investments booked at equity and other enterprises	13	-	-
EBIT		**11,241**	**8,472**
Financial income (costs)	34	(7,139)	(7,915)
Income (costs) from other investments			-
Result before tax		**4,102**	**557**
Income tax	35	(1,583)	3,135
Result from continuing operations		**5,685**	**(2,578)**
Result from discontinued operations		-	-
Net result		**5,685**	**(2,578)**
Attributable to:			
- Minority shareholders	22	**1,309**	**1,196**
- Parent Company's shareholders		**4,376**	**(3,774)**
Net earnings per share (in euro units)	36	(0.017)	(0.014)
Diluted net earnings per share (in euro units)	36	(0.017)	(0.014)

CONSOLIDATED
INCOME STATEMENT - 2° QUARTER

(Euro/thousands)	**Second quarter 2017**	**Second quarter 2016**
Revenue from sales and services	**291,859**	**307,723**
Decrease (increase) in inventory	(8,999)	(13,337)
Cost of raw and ancillary materials, consumables and goods	63,136	69,372
Cost of services	161,966	175,986
Cost of personnel	55,682	59,578
Other (income) costs	(5,161)	2,447
Income (costs) from investments booked at equity	224	281
EBITDA	**25,459**	**13,958**
Depreciation and impairment loss on property, plant and equipment	1,749	1,957
Amortization and impairment loss on intangible assets	6,335	6,627
Impairment loss on investments booked at equity and other enterprises	-	-
EBIT	**17,375**	**5,374**
Financial income (costs)	(3,739)	(4,298)
Income (costs) from other investments	-	-
Result before tax	**13,636**	**1,076**
Income tax	(621)	2,237
Result from continuing operations	**14,257**	**(1,161)**
Result from discontinued operations	-	-
Net result	**14,257**	**(1,161)**
Attributable to:		
- Minority shareholders	**714**	**805**
- Parent Company’s shareholders	**13,543**	**(1,966)**

CONSOLIDATED
COMPREHENSIVE INCOME STATEMENT

(Euro/thousands)	Notes	**30/06/2017**	**30/06/2016**
Net result		**5,685**	**(2,578)**
Items reclassifiable to income statement			
Profit (loss) deriving from the conversion of currency denominated financial statements of foreign companies	22	(1,829)	776
Other profit/(loss) from companies measured at equity	22	53	159
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	20-25	271	(2,537)
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax impact on other profit (loss) reclassifiable to income statement		169	698
Items reclassified to income statement			
Profit (loss) on cash flow hedge instruments		199	515
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax impact on other profit (loss) reclassifiable to income statement		48	(142)
Items not reclassifiable to income statement			
Actuarial profit (loss)	26	426	(1,145)
Tax impact on other profit (loss) not reclassifiable to income statement		(39)	205
Total other profit (loss) net of tax effect		(702)	(1,471)
Comprehensive result for the period		**4,983**	**(4,049)**
Attributable to:			
- Parent Company's shareholders		**3,674**	**(5,245)**
- Minority shareholders		**1,309**	**1,196**

For the Board of Directors

The Chairman

Marina Berlusconi

Statement of changes in Group consolidated equity at 30 June 2016

Euro/thousands	**Notes**	**Share capital**	**Treasury shares**	**Share premium reserve**	**Legal reserve**	**Stock option reserve/ LTI**	**Cash flow hedge reserve**	**Currency reserve**	**Post-employment discounting reserve**	**Other reserves**	**Profit (loss) for the period**	**Total Group equity**	**Minority shareholders' equity**	**Total**
Balance at 1 January 2016		**67,979**	**0**	**0**	**13,490**	**268**	**(2,523)**	**(138)**	**482**	**178,064**	**6,365**	**263,987**	**31,522**	**295,509**
- Allocation of result						(268)			(194)	6,827	(6,365)	0		0
- Dividends paid													(141)	(141)
- Change in consolidation scope													13	13
- Capital increase														
- Transactions on treasury shares														
- Stock options/LTI														-
- Other changes										(182)		(182)		(182)
- Comprehensive profit (loss)							(1,466)	995	(940)	(60)	(3,774)	(5,245)	1,196	(4,049)
Balance at 30 June 2016		**67,979**	**0**	**0**	**13,490**	**0**	**(3,989)**	**857**	**(652)**	**184,649**	**(3,774)**	**258,560**	**32,590**	**291,150**

Statement of changes in Group consolidated equity at 30 June 2017

Euro/thousands	**Notes**	**Share capital**	**Treasury shares**	**Share premium reserve**	**Legal reserve**	**Stock option reserve/ LTI**	**Cash flow hedge reserve**	**Currency reserve**	**Post-employment discounting reserve**	**Other reserves**	**Profit (loss) for the period**	**Total Group equity**	**Minority shareholders' equity**	**Total**
Balance at 1 January 2017		**67,979**	**(73)**	**0**	**13,490**	**0**	**(2,240)**	**1,924**	**(1,037)**	**184,736**	**22,544**	**287,323**	**30,475**	**317,798**
- Allocation of result										22,544	(22,544)	0		0
- Dividends paid														
- Change in consolidation scope														
- Capital increase														
- Transactions on treasury shares			(285)									(285)		(285)
- Stock options/LTI						343						343		343
- Other changes										242		242	(238)	4
- Comprehensive profit (loss)							687	(1,745)	387	(31)	4,376	3,674	1,309	4,983
Balance at 30 June 2017		**67,979**	**(358)**	**0**	**13,490**	**343**	**(1,553)**	**179**	**(650)**	**207,491**	**4,376**	**291,297**	**31,546**	**322,843**

For the Board of Directors
The Chairman
Marina Berlusconi

Consolidated cash flow statement

	Notes	Euro/thousands 30/06/2017	Euro/thousands 30/06/2016
Net result for the period from continuing operations		4,376	(3,774)
Adjustments			
Amortization, depreciation and impairment	10-11-12	16,045	14,033
Income tax for the period	35	(2,783)	3,355
Stock options LTI		343	-
Fund provisions (utilization) and post-employment benefits		(4,005)	(6,859)
Capital loss (gain) from the disposal of intangible assets, property, plant and equipment, investments		(8,725)	187
Capital loss (gain) from financial assets valuation		(6)	(10)
(Income) costs of companies measured at equity	33	574	237
Net financial costs on loans and transactions with derivatives	34	6,093	6,211
Cash flow generation from operations		**11,912**	**13,380**
(Increase) decrease in trade receivables		26,627	(1,721)
(Increase) decrease in inventory		(15,913)	(10,747)
Increase (decrease) in trade payables		(5,655)	8,830
Income tax payments		(4,519)	(9,489)
Advances and post-employment benefits		(3,322)	(1,431)
Net difference for other assets/liabilities		(29,219)	(5,614)
Cash flow generated from (absorbed by) assets held for sale		-	-
Cash flow generated from (absorbed by) operations		**(20,089)**	**(6,792)**
Price collected (paid) net of cash transferred/acquired		8,883	(152,235)
(Purchase) disposal of intangible assets		(8,337)	(6,349)
(Purchase) disposal of property, plant and equipment		3,639	(2,621)
(Purchase) disposal of investments		589	806
(Purchase) disposal of financial assets		(2,927)	(2,638)
Cash flow generated from (absorbed by) assets held for sale		-	-
Cash flow generated from (absorbed by) investment activities		**1,847**	**(163,037)**
Net difference in financial liabilities		7,399	175,452
Payment of net financial costs on loans and transactions with derivatives		(6,042)	(6,729)
Capital increase		-	-
(Purchase) disposal of treasury shares	22	(285)	-
Dividends paid		-	-
Cash flow generated from (absorbed by) assets held for sale		-	-
Cash flow generated from (absorbed by) financing activities		**1,072**	**168,723**
Increase (decrease) in cash and cash equivalents		**(17,170)**	**(1,106)**
Cash and cash equivalents at the beginning of the period	21	**77,590**	**30,684**
Cash and cash equivalents at the end of the period	21	**60,420**	**29,578**

For the Board of Directors
The Chairman
Marina Berlusconi

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

Assets (Euro/thousands)	Notes	**30/06/2017**	of which related parties (Note 39)	**31/12/2016**	of which related parties (Note 39)
Intangible assets	10	**602,281**	**-**	**612,147**	**-**
Property investments	11	**2,884**	**-**	**2,937**	**-**
Land and buildings		3,486	-	5,651	-
Plant and equipment		6,536	-	7,952	-
Other tangible assets		15,749	-	16,785	-
Property, plant and equipment	12	**25,771**	**0**	**30,388**	**0**
Investments booked at equity		41,154	-	42,538	-
Other investments		458	-	453	-
Total investments	13	**41,612**	**0**	**42,991**	**0**
Non-current financial assets	20	**1,276**	**-**	**267**	**-**
Pre-paid tax assets	14	**79,886**	**-**	**81,212**	**-**
Other non-current assets	15	**2,224**	**-**	**3,333**	**-**
Total non-current assets		**755,934**	**0**	**773,275**	**0**
Tax receivables	16	**28,381**	**1,488**	**30,436**	**10,058**
Other current assets	17	**107,134**	**231**	**94,010**	**199**
Inventory	18	**160,457**	**-**	**143,437**	**-**
Trade receivables	19	**273,588**	**62,540**	**300,138**	**54,842**
Other current financial assets	20	**5,306**	**609**	**3,382**	**692**
Cash and cash equivalents	21	**60,420**	**-**	**77,590**	**-**
Total current assets		**635,286**	**64,868**	**648,993**	**65,791**
Assets held for sale		**-**	**-**	**-**	**-**
Total assets		**1,391,220**	**64,868**	**1,422,268**	**65,791**

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

Liabilities (Euro/thousands)	Notes	**30/06/2017**	of which related parties (Note 39)	**31/12/2016**	of which related parties (Note 39)
Share capital		**67,979**	**-**	**67,979**	**-**
Share premium reserve		**-**	**-**	**-**	**-**
Treasury shares		**(358)**	**-**	**(73)**	**-**
Other reserves and profit/(loss) carried forward		**219,300**	**-**	**196,873**	**-**
Profit (loss) for the period		**4,376**	**-**	**22,544**	**-**
Group equity	22	**291,297**	**0**	**287,323**	**0**
Minority shareholders' equity and reserves	22	**31,546**	**-**	**30,475**	**-**
Total equity		**322,843**	**0**	**317,798**	**0**
Provisions	23	**63,957**	**-**	**68,591**	**-**
Post-employment benefits	24	**47,038**	**-**	**50,989**	**-**
Non-current financial liabilities	25	**303,599**	**-**	**307,434**	**-**
Deferred tax liabilities	14	**68,764**	**-**	**75,028**	**-**
Other non-current liabilities		**-**	**-**	**-**	**-**
Total non-current liabilities		**483,358**	**0**	**502,042**	**0**
Income tax payables	16	**557**	**-**	**1,788**	**182**
Other current liabilities	26	**206,721**	**130**	**229,489**	**200**
Trade payables	27	**329,972**	**12,940**	**333,763**	**15,063**
Payables due to banks and other financial liabilities	25	**47,769**	**585**	**37,388**	**26**
Total current liabilities		**585,019**	**13,655**	**602,428**	**15,471**
Liabilities held for sale		**-**	**-**	**-**	**-**
Total liabilities		**1,391,220**	**13,655**	**1,422,268**	**15,471**

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

(Euro/thousands)	Notes	**30/06/2017**	of which related parties (Note 39)	of which non-recurring (income) costs (Note 38)	**30/06/2016**	of which related parties (Note 39)	of which non-recurring (income) costs (Note 38)
Revenue from sales and services	28	**552,972**	**49,639**	**-**	**562,516**	**49,212**	**-**
Decrease (increase) in inventory	18	(17,156)		-	(13,545)	-	-
Cost of raw and ancillary materials, consumables and goods	29	114,305	4,767	-	116,308	5,348	-
Cost of services	30	323,535	2,983	-	324,267	11,130	-
Cost of personnel	31	113,590	(93)	-	112,294	-	
Other (income) costs	32	(8,855)	67	-	262	(17)	-
Income (costs) from investments booked at equity	33	(268)	16	-	(424)	(2)	-
EBITDA		**27,285**	**41,931**	**0**	**22,506**	**32,749**	**0**
Depreciation and impairment loss on property, plant and equipment	11-12	3,527	-	-	3,553	-	-
Amortization and impairment loss on intangible assets	10	12,517	-	-	10,481	-	-
Impairment loss on investments booked at equity and other business entities		-	-	-		-	-
EBIT		**11,241**	**41,931**	**0**	**8,472**	**32,749**	**0**
Financial income (costs)	34	(7,139)		-	(7,915)		-
Income (costs) from other investments		-	-	-	-	-	-
Result before tax		**4,102**	**41,931**	**0**	**557**	**32,749**	**0**
Income tax	35	(1,583)	-	-	3,135	-	
Result from continuing operations		**5,685**	**41,931**	**0**	**(2,578)**	**32,749**	**0**
Result from discontinued operations		-	-	-	-	-	-
Net result		**5,685**	**41,931**	**0**	**(2,578)**	**32,749**	**0**
Attributable to:							
- Minority shareholders	22	**1,309**	**-**	**-**	**1,196**	**-**	**-**
- Parent Company's shareholders		**4,376**	**-**	**-**	**(3,774)**	**-**	

EXPLANATORY NOTES

EXPLANATORY NOTES

1. GENERAL INFORMATION

The core business of Arnoldo Mondadori Editore S.p.A. and of its directly or indirectly owned companies (hereinafter jointly referred to as the "Mondadori Group" or the "Group") is the publishing of books and magazines.

The Group also carries out retailing activities through directly-owned and franchised stores located across Italy.

Arnoldo Mondadori Editore S.p.A., with registered office in Via Bianca di Savoia 12, Milan, and headquarters in Strada privata Mondadori, Segrate/Milan, is listed on the STAR segment of the Mercato Telematico Azionario - MTA (electronic stock market) of Borsa Italiana S.p.A.

The publication of the consolidated financial statements of the Mondadori Group at 30 June 2017 was authorized by the Board of Directors' resolution of 27 July 2017.

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 2016.

The following criteria were adopted in the drafting 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 has been 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 1H17, the Mondadori Group:

- through its subsidiary Mondadori France, sold its investment in NaturaBuy S.a.s.;
- through its subsidiary Rizzoli International Publications Inc., acquired 51% of the share capital of Skira-Rizzoli Publications Inc., bringing its investment to 100%.

4. PREPARATION CRITERIA

The Mondadori Group's condensed consolidated half-year financial statements have been prepared on a going concern basis, adopting the same accounting standards used in the preparation of the consolidated financial statements for the year ended 31 December 2016, except for those effective as of 1 January 2017, as specified below:

- IFRS 15 – Revenue from Contracts with Customers (published on 28 May 2014 and supplemented with additional clarification published on 12 April 2016), 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 stipulated with customers except for those falling within the application of other IAS/IFRS standards 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 obligation.

The standard is applicable as of 1 January 2018, but early adoption is allowed. The amendments to IFRS 15, Clarifications to IFRS 15 - Revenue from Contracts with Customers, published by IASB on 12 April 2016, are, instead, still awaiting validation by the European Union. An estimate can be given only when the Group will have conducted a thorough analysis of contracts with customers.

- Final version of IFRS 9 – Financial Instruments (published on 24 July 2014). The document includes the findings of the IASB project to replace IAS 39:

  - 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).

This new standard must be applied in the financial statements starting from 1 January 2018 or later.

A reasonable estimate can be given only when the Group will have conducted a thorough analysis.

Accounting standards, amendments and interpretations not validated yet by the European Union:

- IFRS 16 – Leases (published on 13 January 2016), which will replace IAS 17 – Leases, and the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish leases from service contracts, the differences lying in: the identification of the asset, the right to replace the asset, the right to essentially receive all the financial benefits arising from the use of the asset, and the right to control the use of the asset underlying the contract.

The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is recognized in assets with an offsetting financial liability. The model also provides the possibility of not recognizing as leases those contracts regarding low-value assets and leases with a term of 12 months or less. Conversely, the standard introduces no material changes for the lessor.

The standard is applicable as of 1 January 2019; early adoption is allowed only for those companies that have previously adopted IFRS 15 Revenue from Contracts with Customers. A reasonable estimate can be given only when the Group will have conducted a thorough analysis.

- Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (published on 19 January 2016). The document intends to provide clarification on the recognition of deferred tax assets for unrealized losses when certain circumstances occur, and on estimated taxable income for future years. These amendments, published by the IASB in January 2016 and applicable as of 1 January 2017, as they are still awaiting validation by the European Union, have not been adopted by the Group at 30 June 2017. The directors do not expect any significant impact in the Group's consolidated financial statements resulting from the adoption of these amendments.
- Amendment to IAS 7 Disclosure Initiative (published on 29 January 2016). The document intends to provide clarification on how to improve disclosures on financial liabilities. Specifically, the amendments require to disclose information that enables users of the financial statements to understand the changes in liabilities arising from financing transactions. These amendments, published by the IASB in January 2016 and applicable as of 1 January 2017, as they are still awaiting validation by the European Union, have not been adopted by the Group at 30 June 2017. The directors are currently assessing the possible impacts from the adoption of these amendments on the Group's consolidated financial statements.

5. USE OF ESTIMATES

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

For further information on the main accounting estimates, reference should be made to the “Annual Report” at 31 December 2016.

6. SEASONAL NATURE OF BUSINESS ACTIVITIES

Due to the seasonal nature of the school textbooks 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 & Shared Services.

This structure gives a clear picture of the Group's diversification in terms of products sold and services rendered and is used by 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.

8. BUSINESS COMBINATIONS, ACQUISITIONS AND DISPOSALS

The main transactions that have impacted on the Group's consolidation scope are outlined below:

Disposal of the investment in NaturaBuy S.a.s.

On 2 May 2017, Mondadori France completed the disposal of 100% of NaturaBuy S.a.s., after acquiring a 20% minority interest in the share capital for a consideration of 12,171 thousand euro.

The transaction resulted in the deconsolidation of the income statement and balance sheet amounts of the investment as from 1 May, and generated a gain of 4,251 thousand euro before tax.

The impact on the Group's net financial position, taking into account the disposed company's cash, amounts to 9,585 thousand euro.

Acquisition of 51% of Skira-Rizzoli Inc.

On 27 June 2017, Rizzoli International Publications Inc., which already held 49% of Skira-Rizzoli Publications Inc., acquired the remaining 51% from Skira Editore S.p.A. for a consideration of 400 thousand US dollars (351 thousand euro).

The transaction is classified as a business combination achieved in stages; pursuant to IFRS 3, the fair value of assets and liabilities was calculated at the time of the acquisition of control, charging the difference from the amount of the previously recorded investment to the income statement.

The calculation of the fair value produced a gain of 331 thousand US dollars (306 thousand euro) recorded in the half-year income statement.

The concurrent valuation of acquired assets produced a goodwill of 500 thousand US dollars (439 thousand euro).

As a result of the above acquisition, Skira-Rizzoli Publications Inc. was consolidated on a line-by-line basis from closing date.

Acquisition of 99.99% of Rizzoli Libri S.p.A.

At the date of this Half-Year Financial Report, the final accounting of the acquisition was made in accordance with IFRS 3, taking also account of the agreements with the selling party; no changes were reported from the Annual Report at 31 December 2016.

Amounts in euro/thousands	Notes	**Current amounts at acquisition date**	**Purchase price allocation**	**Fair value**
Goodwill		-	1,634	1,634
Trademarks		1,273	13,421	14,694
Other intangible assets		10,399	-	10,399
Intangible assets	I	**11,672**	**15,055**	**26,727**
Property investments		**-**	**-**	**-**
Land and buildings		-	-	-
Plant and equipment		8	-	8
Other tangible assets		4,831	-	4,831
Property, plant and equipment		**4,839**	**-**	**4,839**
Total investments		**1,042**	**-**	**1,042**
Non-current financial assets		-	-	-
Pre-paid tax assets	II	30,891	(1,376)	29,515
Other non-current assets		2,003	-	2,003
Total non-current assets		**50,447**	**13,679**	**64,126**
Tax receivables		3,522	-	3,522
Other current assets		22,125	-	22,125
Inventory		48,784	-	48,784
Trade receivables		51,987	-	51,987
Other current financial assets		20,862	-	20,862
Cash and cash equivalents		511	-	511
Total current assets		**147,791**	**-**	**147,791**
Assets held for sale		21,026	7,655	28,681
Total assets		**219,264**	**21,334**	**240,598**
Provisions		10,499	-	10,499
Post-employment benefits		5,727	-	5,727
Non-current financial liabilities		-	-	-
Deferred tax liabilities	II	-	2,368	2,368
Other non-current liabilities		-	-	-
Total non-current liabilities		**16,226**	**2,368**	**18,594**
Income tax payables		2,191	-	2,191
Other current liabilities		39,231	-	39,231
Trade payables		44,691	-	44,691
Payables due to banks and other financial liabilities		5,878	-	5,878
Total current liabilities		**91,991**	**-**	**91,991**
Liabilities held for sale		3,516	1,370	4,886
Total liabilities		**111,733**	**3,738**	**115,471**
Net acquired assets		107,531	17,596	125,127
Price paid		125,127	-	125,127
Difference to allocate		**(17,596)**	**17,596**	**-**

9. NON-RECURRING INCOME AND EXPENSES

As required by Consob resolution no. 15519 of 27 July 2006, income and expenses deriving from non-recurring transactions have been identified, i.e., transactions and events which, by nature, do not occur repeatedly during normal business.

The relevant effects have been outlined in a separate table in the "Explanatory notes to the financial statements".

10. INTANGIBLE ASSETS

"Intangible assets", amounting to 602,281 thousand euro, dropped by 9,866 thousand euro, due mainly to:

- the disposal of NaturaBuy S.a.s. (6,101 thousand euro);
- period amortization of 12,517 thousand euro, including amortization from Mondadori France magazines of 3,685 thousand euro;
- capital expenditure of 10,260 thousand euro.

Intangible assets (Euro/thousands)	**30/06/2017**	**31/12/2016**
Intangible assets with finite useful life	195,812	200,359
Intangible assets with indefinite useful life	406,469	411,788
Total intangible assets	**602,281**	**612,147**

Intangible assets with finite useful life mainly comprise titles published by the Mondadori France Group, such as *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.

Intangible assets with finite useful life (Euro/thousands)	Magazines	Customer lists	Charges on shop lease contract takeovers	Software	Licenses, patents and rights	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	18,967	310,655
Capital expenditure	-	-		2,660	303	8,241	11,204
Disposals	-	-	(79)	(2)		-	(81)
Change in the consolidation scope	-	-		3,103	6,436	44,943	54,482
Other changes	-	-		520	14	(3,834)	(3,300)
Cost at 31/12/2016	247,200	9,684	7,297	32,617	7,845	68,317	372,960
Depreciation and impairment loss provision at 31/12/2015	86,065	5,332	7,376	22,298	1,091	7,888	130,050
Amortization, depreciation	7,373	1,754	-	3,025	1,426	9,751	23,329
Impairment/(reinstatement of value)	167	-	-	-	-	-	167
Disposals	-	-	(79)	(2)	-	-	(81)
Change in the consolidation scope	-	-	-	-	804	18,699	19,503
Other changes	-	-	-	(391)	11	13	(367)
Depreciation and impairment loss provision at 31/12/2016	93,605	7,086	7,297	24,930	3,332	36,351	172,601
Net book value at 31/12/2015	161,135	4,352	0	4,038	1	11,079	180,605
Net book value at 31/12/2016	**153,595**	**2,598**	**0**	**7,687**	**4,513**	**31,966**	**200,359**

In 1H17, capital expenditure in "intangible assets with finite useful life", amounting to 9,821 thousand euro, referred mainly to:

- 2,213 thousand euro for software (1,714 thousand euro the Parent Company, 416 thousand euro Mondadori France);
- 7,392 thousand euro for costs for the creation and development of publishing products of the Education Area.

Intangible assets with finite useful life (Euro/thousands)	Magazines	Customer lists	Charges on shop lease contract takeovers	Software	Licenses, patents and rights	Other intangible assets - intangible assets in progress and advances	Total
Cost at 31/12/2016	247,200	9,684	7,297	32,617	7,845	68,317	372,960
Capital expenditure	-	-	-	2,213	147	7,461	9,821
Disposals	-	-	-	(58)	-	-	(58)
Change in the consolidation scope	-	-	-	(858)	-	-	(858)
Other changes	-	-	-	(1,319)	(62)	(2,979)	(4,360)
Cost at 30/06/2017	247,200	9,684	7,297	32,595	7,930	72,799	377,505
Depreciation and impairment loss provision at 31/12/2016	93,605	7,086	7,297	24,930	3,332	36,351	172,601
Amortization, depreciation	3,685	878	-	1,668	917	5,369	12,517
Impairment/(reinstatement of value)	-	-	-	-	-	-	0
Disposals	-	-	-	(49)	-	-	(49)
Change in the consolidation scope	-	-	-	(600)	-	-	(600)
Other changes	-	-	-	(245)	(53)	(2,478)	(2,776)
Depreciation and impairment loss provision at 30/06/2017	97,290	7,964	7,297	25,704	4,196	39,242	181,693
Net book value at 31/12/2016	153,595	2,598	0	7,687	4,513	31,966	200,359
Net book value at 30/06/2017	**149,910**	**1,720**	**0**	**6,891**	**3,734**	**33,557**	**195,812**

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/thousands)	Magazines	Series	Trademarks	Goodwill	Total
Cost at 31/12/2015	96,223	31,509	2,311	466,178	596,221
Capital expenditure	-	-	-	-	0
Disposals	-	-	(4,909)	(2,746)	(7,655)
Change in the consolidation scope	-	-	19,464	28,245	47,709
Other changes	-	-	-	-	0
Cost at 31/12/2016	96,223	31,509	16,866	491,677	636,275
Impairment loss at 31/12/2015	8,890	-	1,207	214,389	224,486
Impairment/(reinstatement of value)	-	-	1	-	1
Other changes/disposals	-	-	-	-	0
Impairment loss at 31/12/2016	8,890	0	1,208	214,389	224,487
Net book value at 31/12/2015	87,333	31,509	1,104	251,789	371,735
Net book value at 31/12/2016	**87,333**	**31,509**	**15,658**	**277,288**	**411,788**

The only changes in the period under review refer to the amount of goodwill and are attributable to the disposal of NaturaBuy S.a.s. (5,759 thousand euro) and to the acquisition of the 100% control of Skira-Rizzoli Publications Inc. (439 thousand euro).

Intangible assets with indefinite useful life (Euro/thousands)	Magazines	Series	Trademarks	Goodwill	Total
Cost at 31/12/2016	96,223	31,509	16,866	491,677	636,275
Capital expenditure	-	-	-	439	439
Disposals	-	-	-	(5,759)	(5,759)
Change in the consolidation scope	-	-	-	-	0
Other changes	-	-	-	-	0
Cost at 30/06/2017	96,223	31,509	16,866	486,357	630,955
Impairment loss at 31/12/2016	8,890	-	1,208	214,389	224,486
Impairment/(reinstatement of value)	-	-	-	-	0
Other changes/disposals	-	-	-	-	0
Impairment loss at 30/06/2017	8,890	0	1,208	214,389	224,486
Net book value at 31/12/2016	87,333	31,509	15,658	277,288	411,789
Net book value at 30/06/2017	**87,333**	**31,509**	**15,658**	**271,968**	**406,469**

Amortization, impairment loss and value reinstatement of intangible assets

Amortization increased versus 1H16 by 2,036 thousand euro, following the consolidation of Rizzoli Libri and Banzai Media, which started in 2016, from 1 April and 1 June respectively.

The amortization of “Magazines” and “Customer Lists” are in line with 1H16 as they refer to Mondadori France and Mondadori Scienza.

Amortization and impairment loss of intangible assets (Euro/thousands)	**1H17**	**1H16**
Magazines	3,685	3,687
Customer lists	878	878
Charges on shop lease contract takeovers	-	-
Software	1,668	1,191
Licenses, patents and rights	917	352
Cost of development	4,388	4,009
Other intangible assets	981	364
Total amortization of intangible assets	**12,517**	**10,481**
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	**12,517**	**10,481**

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 twelve months, the Mondadori share price rose from 0.955 euro at 30 June 2016 to 1.171 euro at 31 December 2016 and to 1.60 euro at 30 June 2017.

As a result of this trend, market capitalization increased significantly versus 31 December 2016, higher than booked equity.

Group performance

Total revenue fell versus 1H16 and forecasts.
Adjusted EBITDA, which excludes restructuring costs and other non-typical costs and income, was lower than 2016, due to the consolidation of the negative contribution from the seasonal nature of the educational business of Rizzoli Libri S.p.A. for the whole six months; this margin was higher than forecast.

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 2017 of the parameters used in the test for the drafting of the 2016 financial statements, 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*) was in line with budget projections.

As to book publishers (Einaudi, Sperling & Kupfer, Mondadori Education, Piemme, Rizzoli), cash generation from operations in the period was in line with forecasts.
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 2017.

Total revenue and adjusted EBITDA of the Mondadori France Group CGU were lower than expected, due also to the disposal of the investment in NaturaBuy in April, which contributed positively to the results of the Group.
The net book value coverage rate, which is derived from the impairment test to be performed at the end of the financial year, was high enough to not carry out any impairment test at 30 June 2017. The directors will carefully monitor the performance of the French CGU in the course of the year.

Impairment test elements

With reference to the elements that were included in the impairment test at 31 December 2016, the following should be noted:

- the composition and scope of the Cash Generating Units, except for Mondadori France, were unchanged 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, did not deviate significantly from 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 long-term plans approved by the Mondadori Board of Directors in February 2017.

Despite the challenging economic scenario and market context, the indicators did not reveal any need for the performance of an impairment test at 30 June 2017, as the book value of the assets with indefinite useful life and goodwill for the CGUs did not show any impairment against the values at 31 December 2016.

11. PROPERTY INVESTMENTS

No property investments or leasehold improvements were made in the reporting period; the change in the balance is attributable to the amortization rate of the period, amounting to 53 thousand euro.

The fair value of property investments at 30 June 2017 was estimated not to be lower than the net book value.

The table below shows a breakdown of "Property Investments" in 2016 and in 1H17:

Property investments (Euro/thousands)	Land	Non-instrumental buildings	Total
Cost at 31/12/2015	976	4,008	4,984
Capital expenditure	-	14	14
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2016	976	4,022	4,998
Depreciation and impairment losses at 31/12/2015	-	1,956	1,956
Amortization, depreciation	-	105	105
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2016	0	2,061	2,061
Net book value at 31/12/2015	976	2,052	3,028
Net book value at 31/12/2016	**976**	**1,961**	**2,937**

Property investments (Euro/thousands)	Land	Non-instrumental buildings	Total
Cost at 31/12/2016	976	4,022	4,998
Capital expenditure	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Cost at 30/06/2017	976	4,022	4,998
Depreciation and impairment losses at 31/12/2016	-	2,061	2,061
Amortization, depreciation	-	53	53
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 30/06/2017	0	2,114	2,114
Net book value at 31/12/2016	976	1,961	2,937
Net book value at 30/06/2017	**976**	**1,908**	**2,884**

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" amounted to 25,771 thousand euro, down by 4,617 thousand euro versus 30,388 thousand euro at 31 December 2016; capital expenditure in the period amounted to 1,740 thousand euro, disposals to 2,682 thousand euro, and depreciation to 3,475 thousand euro.

The change is mainly attributable to:

- the outsourcing of the logistics activities of the Books and Retail areas, which also involved the disposal of the Verona-based site used for these activities, as well as the related plant and equipment. The disposal resulted in a gain of 4,569 thousand euro;
- Retail Area capital expenditure for a total of 863 thousand euro, 209 thousand euro of which in plant and 654 thousand euro in furnishing and equipment for the stores;
- capital expenditure made by the other Group companies for a total of 877 thousand euro, 299 thousand euro of which refers to Mondadori France, mainly in office automation.

The table below shows a breakdown of "Property, plant and equipment" in 2016 and in 1H17:

Property, plant and equipment (Euro/thousands)	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 expenditure	-	4	1,108	4,105	5,217
Disposals	-	(439)	(437)	(2,725)	(3,601)
Change in the consolidation scope	-	-	1,394	10,005	11,399
Other changes	-	(30)	(866)	(672)	(1,568)
Cost at 31/12/2016	1,113	14,497	45,505	106,971	168,086
Depreciation and impairment losses at 31/12/2015	-	10,043	35,278	83,110	128,431
Amortization, depreciation	-	384	2,605	4,239	7,228
Impairment/(reinstatement of value)	-	-	9	1,185	1,194
Disposals	-	(439)	(408)	(2,677)	(3,524)
Change in the consolidation scope	-	-	1,380	4,696	6,076
Other changes	-	(29)	(1,311)	(367)	(1,707)
Depreciation and impairment losses at 31/12/2016	0	9,959	37,553	90,186	137,698
Net book value at 31/12/2015	1,113	4,919	9,028	13,148	28,208
Net book value at 31/12/2016	**1,113**	**4,538**	**7,952**	**16,785**	**30,388**

Property, plant and equipment (Euro/thousands)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Cost at 31/12/2016	1,113	14,497	45,505	106,971	168,086
Capital expenditure	-	-	296	1,444	1,740
Disposals	(210)	(8,033)	(14,630)	(2,346)	(25,219)
Change in the consolidation scope	-	-	-	-	0
Other changes	-	98	283	(561)	(180)
Cost at 30/06/2017	903	6,562	31,454	105,508	144,427
Depreciation and impairment losses at 31/12/2016	-	9,959	37,553	90,186	137,698
Amortization, depreciation	-	118	1,190	2,167	3,475
Impairment/(reinstatement of value)	-	-	-	-	0
Disposals	-	(6,178)	(14,015)	(2,344)	(22,537)
Change in the consolidation scope	-	-	-	-	0
Other changes	-	80	190	(250)	20
Depreciation and impairment losses at 30/06/2017	0	3,979	24,918	89,759	118,656
Net book value at 31/12/2016	1,113	4,538	7,952	16,785	30,388
Net book value at 30/06/2017	**903**	**2,583**	**6,536**	**15,749**	**25,771**

"Other tangible assets" is broken down as follows:

Other tangible assets (Euro/thousands)	**30/06/2017**	**31/12/2016**
Industrial and commercial equipment	742	873
Electronic office equipment	2,205	2,279
Office furniture, and machines	5,808	5,833
Motor vehicles and transport vehicles	2	4
Leasehold improvements	6,727	7,163
Other assets	17	22
Assets under construction and advances	248	611
Total other tangible assets	**15,749**	**16,785**

Depreciation of property, plant and equipment

Depreciation is in line with 1H16.

Depreciation of property, plant and equipment (Euro/thousands)	**1H17**	**1H16**
Instrumental buildings	118	192
Plant and equipment	1,190	1,274
Equipment	191	67
Electronic office equipment	694	688
Office furniture	611	702
Motor vehicles and transport vehicles	2	-
Leasehold improvements	667	574
Other assets	2	3
Total depreciation of property, plant and equipment	**3,475**	**3,500**
Depreciation of tangible assets	-	-
Value reinstatement of tangible assets	-	-
Total depreciation (reinstatement of value) of tangible assets	**0**	**0**
Total depreciation and impairment loss on tangible assets	**3,475**	**3,500**

Leased assets

There are currently no lease contracts in place.

13. INVESTMENTS

"Investments booked at equity" and "Investments in other companies" amounted to 41,612 thousand euro.

Investments (Euro/thousands)	**30/06/2017**	**31/12/2016**
Investments booked at equity	41,154	42,538
Investments in other companies	458	453
Total investments	**41,612**	**42,991**

The main transaction regarding investments in associates or minority shareholdings completed in 1H17 was the acquisition of the remaining 51% of Skira-Rizzoli Publications Inc., which resulted in the control of the New York Publisher and the line-by-line consolidation of the relating figures, instead of consolidation under the equity method.

The decrease of 1,379 thousand euro is attributable to:

- the acquisition of the control of Skira-Rizzoli Publications Inc. (-240 thousand euro);
- the negative results achieved in the reporting period, explained in Note 33, by Società Europea di Edizioni S.p.A., Mach 2 Libri S.p.A. and Monradio S.r.l.; dividends of 589 thousand euro distributed by Edizioni EL S.r.l., previously included in the pro-rata result of prior years;
- the recognition of the positive results of the investees Attica Publications and Mondadori Seec Advertising Co. Ltd.

Investments booked at equity - Details (Euro/thousands)	**30/06/2017**	**31/12/2016**
Investments in joint ventures:		
- Skira Rizzoli Publication Inc.	-	240
- Gold 5 S.r.l.	78	78
- Edizioni EL S.r.l.	2,962	3,317
- Attica Publications Group	13,892	13,625
- Mediamond S.p.A.	2,111	2,104
- Mondadori Seec Advertising Co. Ltd	6,350	5,717
Total investments in joint ventures	**25,393**	**25,081**
Investments in associates:		
- Monradio S.r.l.	7,740	7,978
- Mach 2 Libri S.p.A.	1,356	1,902
- Società Europea di Edizioni S.p.A.	6,576	7,488
- Venezia Accademia Società per i servizi museali S.c.a r.l.	52	52
- Campania Arte S.c.a r.l.	23	23
- Consorzio Covar	-	-
- Consorzio Forma	-	-
- Consorzio Scuola Digitale	14	14
Total investments in associates	**15,761**	**17,457**
Total investments booked at equity	**41,154**	**42,538**

"Investments in other companies"

Investments in other companies - Details (Euro/thousands)	**30/06/2017**	**31/12/2016**
Investments in other companies:		
- Milano Distribuzione Media S.r.l.	164	164
- Società Editrice Il Mulino S.p.A.	197	197
- Consuledit S.r.l.	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali S.r.l.	52	52
- Consorzio Edicola Italiana	10	10
- Confidimpresa	5	-
- CTAV	16	16
- Sem Issy Media	3	3
Total investments in other companies	**458**	**453**

Impairment test

Concurrent with the drafting of the annual financial statements, the 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 2016 were still current at 30 June 2017, specifically referring to Attica Publications S.A..

The final operating results in 1H17 confirm the forecasts, with no need, therefore, to review the medium-term projections.

The rate performance in the reporting period confirmed the validity of the rates used in the impairment test at 31 December 2016.

Despite the persisting adverse Italian economic scenario, no indicators showed any need for the performance of an impairment test at 30 June 2017, nor did the book value of the investment in Attica Publications show any impairment versus the values at 31 December 2016.

14. PRE-PAID TAX ASSETS AND DEFERRED TAX LIABILITIES

“Prepaid tax assets" and "Deferred tax liabilities" dropped by 1,326 thousand euro and 6,264 thousand euro, respectively.

(Euro/thousands)	30/06/2017	31/12/2016
IRES on tax losses	20,619	19,161
Pre-paid IRES	55,060	57,783
Pre-paid IRAP	4,207	4,268
Total pre-paid tax assets	**79,886**	**81,212**
Deferred IRES	63,264	69,616
Deferred IRAP	5,500	5,412
Total deferred tax liabilities	**68,764**	**75,028**

Specifically:

- “IRES on tax losses", amounting to 20,619 thousand euro versus 31 December 2016, increased as a result of the difference between the Group's taxable income calculated on preparation of the financial statements and the amount resulting from the UNICO tax form;

  The directors believe that the amounts recognized are fully recoverable, considering:
  - the possibility of a pre-deduction of up to 80% of the Group's prior-years’ tax losses from taxable income, in accordance with the agreement governing relations with the consolidating entity Fininvest S.p.A.;
  - the right to carry forward tax losses without time restrictions;
  - the projections made in the 2017-2019 three-year Plan approved by the Board of Directors and the prepared tax planning documents;
- "Other prepaid tax assets" (IRES and IRAP) decreased by 2,784 thousand euro as a result of the change in provisions subject to taxation;
- the deferred IRES balance decreased as a result of the amortization of the French magazines and the adjustment, made by Mondadori France, to the new rate under the local tax laws, which drops from 34.43% to 28.9% from 2019.

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

(Euro/thousands)	30/06/2017 Amount of temporary differences	Current tax rate	Pre-paid tax	31/12/2016 Amount of temporary differences	Current tax rate	Pre-paid tax
Differences between book and tax value of intangible assets	6,589	(*)	1,581	5,491	(*)	1,318
Difference between book and tax value of property investments and investments in property, plant and equipment	1,025	(*)	254	4,078	(*)	874
Provision for bad debt	26,820	(*)	7,200	29,098	(*)	7,347
Depreciation of inventory	24,811	(*)	7,109	26,717	(*)	7,120
Provision for advances to authors	64,940	(*)	15,772	63,039	(*)	15,235
Provisions	51,141	(*)	13,271	59,433	(*)	14,416
Post-employment benefits	13,393	(*)	4,639	15,312	(*)	4,727
Elimination of intercompany income	9,050	(*)	2,172	11,500	(*)	2,760
Other temporary differences	10,777	(*)	3,062	13,162	(*)	3,986
Total for IRES purposes	**208,546**		**55,060**	**227,830**		**57,783**
Differences between book and tax value of intangible assets	9,013	(*)	350	8,345	(*)	327
Difference between book and tax value of property investments and investments in property, plant and equipment	1,357	(*)	54	1,357	(*)	54
Depreciation of inventory	16,427	(*)	690	18,586	(*)	721
Provision for advances to authors	53,309	(*)	2,079	52,676	(*)	2,055
Provisions	9,684	(*)	380	9,684	(*)	380
Post-employment benefits	4,373	(*)	170	4,373	(*)	170
Elimination of intercompany income	11,359	(*)	443	11,500	(*)	449
Other temporary differences	1,108	(*)	41	2,521	(*)	112
Total for IRAP purposes	**106,630**		**4,207**	**109,042**		**4,268**

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

Temporary differences that led to the recognition of deferred tax

(Euro/thousands)	30/06/2017 Amount of temporary differences	Current tax rate	Deferred tax	31/12/2016 Amount of temporary differences	Current tax rate	Deferred tax
Differences between book and tax value of intangible assets	236,129	(*)	62,418	285,465	(*)	68,626
Difference between book and tax value of property investments and investments in property, plant and equipment	1,494	(*)	359	1,516	(*)	441
Post-employment benefits	2,004	(*)	477	2,159	(*)	515
Other temporary differences	35	(*)	10	120	(*)	34
Total for IRES purposes	**239,662**		**63,264**	**289,260**		**69,616**
Differences between book and tax value of intangible assets	139,641	(*)	5,446	136,627	(*)	5,340
Difference between book and tax value of property investments and investments in property, plant and equipment	1,229	(*)	48	1,564	(*)	61
Post-employment benefits	254	(*)	6	297	(*)	11
Other temporary differences	-	(*)	-	-	(*)	-
Total for IRAP purposes	**141,124**		**5,500**	**138,488**		**5,412**

(*) 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 tax was allocated for undistributed income of subsidiaries and associates.

15. OTHER NON-CURRENT ASSETS

The decrease in "Other non-current assets", amounting to 1,109 thousand euro, is attributable to reimbursements of guarantee deposits for leases in the Retail Area and the offsetting of receivables from INPGI, accrued under the journalists' solidarity agreement, against the contributions due in Magazines Italy.

Other non-current assets (Euro/thousands)	**30/06/2017**	**31/12/2016**
Guarantee deposits	1,197	1,358
Confirmation deposits	-	-
Other	1,027	1,975
Total other non-current assets	**2,224**	**3,333**

16. TAX RECEIVABLES AND PAYABLES

Tax receivables (Euro/thousands)	**30/06/2017**	**31/12/2016**
Receivables due from the Inland Revenue for IRAP	1,182	1,631
Receivables due from the Inland Revenue for IRES	3,472	947
Receivables due from Fininvest for IRES	1,488	5,905
Receivables from the Inland Revenue for VAT, direct tax to recover and advances on disputes	22,239	21,953
Total tax receivables	**28,381**	**30,436**

"Tax receivables" decreased by 2,055 thousand euro:

- the IRAP tax receivable (1,182 thousand euro) refers to tax advances for 2017 paid in June, net of the portion accrued in the half-year period;
- "Receivables due from the Inland Revenue for IRES", amounting to 3,472 thousand euro, refers mainly to advance payments made by Mondadori France;
- "Receivables due from Fininvest for IRES" dropped by 4,417 thousand euro and included:
    - IRES amount to be recovered following the partial deductibility of IRAP for the 2005-2007 and 2007-2011 periods. The relevant application forms for reimbursement were filed in 2008 and 2013 respectively (47 thousand euro, 5,750 thousand euro at 31 December 2016);
    - withholdings paid for 148 thousand euro;
    - the receivable accrued by the companies participating in Fininvest's tax consolidation on the results in the reporting period;
- "Receivables from the Inland Revenue for VAT, direct tax to recover and advances on disputes" increased by 286 thousand euro versus 31 December 2016, and includes:
    - the VAT receivable due from the Inland Revenue carried forward (9,294 thousand euro), which includes the VAT receivable of 4,234 thousand euro of Mondadori France, the Group VAT receivable of 3,598 thousand euro accrued in 2Q17, and the Group VAT accrued in 1Q17, but not reimbursed;

- the VAT receivable of 1,274 thousand euro accrued by Rizzoli Libri S.p.A. in 3Q16, with reimbursement requested on 28 October 2016;
- receivables for tax disputes for a total of 11,280 thousand euro. The amounts referred to the temporary payment of a number of 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 companies:
- 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 tax. The Company filed an appeal before the Tax Commission. In this respect, the following should be noted:
  - for the tax assessments relating to 1996 and 1998, the Provincial Tax Commission rejected the appeal filed by the Company. An appeal has been filed before the Regional Tax Commission against this decision. The discussion hearing is scheduled on 26 October 2017;
  - 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, an appeal is currently pending before 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. Against such assessment, an appeal is currently pending before the Court of Cassation;
- Mondadori Retail S.p.A. received tax assessments for IRES, IRAP and VAT relating to the 2003-2006 tax years. All these tax assessments have been challenged before the Provincial Tax Commission, which upheld the appeals. The Office filed an appeal before the Regional Tax Commission, which confirmed the first instance ruling, annulling the contested acts. The Office filed an appeal before the Court of Cassation after receiving cancellation of all assessment notices from the Regional Tax Commission;
- as for Giulio Einaudi Editore S.p.A. the years from 2005 to 2009 are still pending; all tax assessments relating to these years have been challenged before the Provincial Tax Commission, which issued a resolution upholding the appeals filed by Einaudi on 25 September 2014. The Inland Revenue filed an appeal before the Regional Tax Commission, which rejected the Office's appeals through the decision issued on 24 May 2017. On 4 May 2015, the Regional Tax Commission of Rome filed a decision by which it upheld the appeal against the second level notice on the same issues pending on the 2006 fiscal year. The Latium Revenue Agency filed an appeal to also overturn the

decision: the Company filed an appearance in the judgment currently pending on appeal. Following the outcome of the appeal filed by the Inland Revenue before the Court of Cassation against the second instance rulings that confirmed the annulment of the payment notices of the stamp duty of the years 2005, 2006, and 2007, the Supreme Court referred the case to the Regional Tax Commission of Piedmont. The Company will see to reinstating the case within the time limits of law.

Income tax payables (Euro/thousands)	**30/06/2017**	**31/12/2016**
Payables due to the Inland Revenue for IRAP	-	431
Payables due to the Inland Revenue for IRES	557	1,175
Payables due to Fininvest for IRES	-	182
Total income tax payables	**557**	**1,788**

“Income tax payables” decreased by 1,231 thousand euro, as a result of the payment of the payable accrued in 2016.
The amount refers to Rizzoli International Publications Inc.

17. OTHER CURRENT ASSETS

"Other current assets" increased by 13,124 thousand euro, due mainly to:

- advance payments to agents that were higher than the commissions accrued in the reporting period, due to the seasonal nature of certain businesses, especially in the Educational Area;
- advances recognized to a number of prominent authors in the Trade Books Area, who plan to publish new titles in the second half of the year.

Other current assets (Euro/thousands)	**30/06/2017**	**31/12/2016**
Receivables due from agents	9,394	680
Receivables due from authors and workers	143,237	137,184
Provision for advances to authors	(76,975)	(74,427)
Receivables due from suppliers	9,268	7,013
Receivables due from personnel	699	642
Receivables due from social security institutions	975	2,225
Receivables for guarantee deposits	487	292
Other receivables due from associates	225	202
Prepayments	1,848	1,045
Other	17,976	19,154
Total other current assets	**107,134**	**94,010**

18. INVENTORY

“Inventory" increased by 17,020 thousand euro versus 31 December 2016, due mainly to the seasonal nature of the Education Area business, where production takes place mainly in the first half and sales in the second.

Inventory (Euro/thousands)	**30/06/2017**	**31/12/2016**
Raw and ancillary materials and consumables	11,887	12,946
Depreciation of raw and ancillary materials and consumables	(515)	(1,159)
Total raw and ancillary materials and consumables	**11,372**	**11,787**
Work in progress and semi-finished goods	13,756	16,501
Depreciation of work in progress and semi-finished goods	(1,858)	(1,865)
Total work in progress and semi-finished goods	**11,898**	**14,636**
Contract work in progress	2,698	2,567
Depreciation of contract work in progress	(47)	(43)
Total contract work in progress	**2,651**	**2,524**
Finished products and goods	173,046	154,235
Depreciation of finished products and goods	(38,510)	(39,745)
Total finished products and goods	**134,536**	**114,490**
Advances	-	-
Total inventory	**160,457**	**143,437**

“Raw and ancillary materials and consumables” and “Contract work in progress” were basically in line with 31 December 2016.

“Work in progress and semi-finished products”, amounting to 11,898 thousand euro, decreased by 2,738 thousand euro, referring mainly to Magazines Italy (2,046 thousand euro).

“Finished products and goods”, amounting to 134,536 thousand euro, increased by 20,046 thousand euro, referring mainly to the Education Area (19,020 thousand euro) for the above reasons; in the Retail Area, the item dropped by 679 thousand euro.
The value of the inventory of products intended for sale includes books produced by the Group, third-party publishers’ books purchased for re-sale in the Retail sector and merchandising, paper processing and gifts.

Inventory depreciation was calculated separately and analytically for each Group company, taking into account finished product marketability, any failed revenue generation from orders in progress and semi-finished products, and deterioration of raw materials.

Inventory – Depreciation (Euro/thousands)	Raw materials	Work in progress and semi-finished products	Contract work in progress	Finished products and goods
Balance at 31/12/2015	588	1,435	66	14,352
Changes in the year:				
- provisions	339	42	-	-
- utilizations	(131)	-	(23)	(4,921)
- other changes	363	388	-	30,314
Balance at 31/12/2016	**1,159**	**1,865**	**43**	**39,745**
Changes in the year:				
- provisions	-	30	9	2,773
- utilizations	(644)	-	(5)	(1,920)
- other changes	-	(37)	-	(2,088)
Balance at 30/06/2017	**515**	**1,858**	**47**	**38,510**

No inventory is subject to restriction to cover liabilities.

Decrease (increase) in inventory

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

Decrease (increase) in inventory (Euro/thousands)	**1H17**	**1H16**
Changes in finished products and goods	(21,098)	(14,148)
Provision for finished products and goods	2,773	1,314
Utilization of the provision for finished products and goods	(1,920)	(1,716)
Total changes in inventory of finished products and goods	**(20,245)**	**(14,550)**
Changes in work in progress and semi-finished products	2,770	945
Provision for work in progress and semi-finished products	30	60
Utilization of the provision for work in progress and semi-finished products	-	-
Total changes in work in progress and semi-finished products	**2,800**	**1,005**
Changes for contract work in progress	(131)	(468)
Provision for contract work in progress	9	6
Utilization of the provision for contract work in progress	(5)	-
Total changes in contract work in progress	**(127)**	**(462)**
Changes in raw and ancillary materials and consumables	1,060	377
Provision for raw and ancillary materials and consumables	-	79
Utilization of the provision for raw and ancillary materials and consumables	(644)	-
Total changes in inventory of raw and ancillary materials and consumables	**416**	**456**
Total decrease (increase) in inventory	**(17,156)**	**(13,551)**

19. TRADE RECEIVABLES

Trade receivables (Euro/thousands)	**30/06/2017**	**31/12/2016**
Trade receivables	211,048	245,296
Receivables due from associates	62,201	54,563
Receivables due from parent companies	-	3
Receivables due from affiliates	339	276
Total trade receivables	**273,588**	**300,138**

The total drop in “Trade receivables”, amounting to 26,550 thousand euro, is attributable mainly to the Retail Area and the Books Area.

Both businesses produce revenue mainly in the final part of the year, given the Christmas period, which results in an increase in receivables from the franchisee network for Mondadori Retail, and from bookstores and large retailers by the Group’s publishing houses.

In the Books Area, reduced customer exposure was attributable also to the highly positive performance of receivables management, particularly of Rizzoli Libri S.p.A., for both the trade and educational products.

"Receivables due from associates" refers mainly to Mediamond S.p.A. for the advertising business performed for the Magazines Area, and to Mach 2 Libri S.p.A. for book distribution by large retailers.
Receivables due from associates, parent companies and affiliates are explained in Annex "Transactions with related parties"; transactions with related parties are carried out under normal market conditions.

“Customers – returns to receive”, amounting to 146,475 thousand euro, dropped by 14,586 thousand euro versus 31 December 2016, as a result of the decline in revenue from Magazines Italy and the returns credited in the Books Area.

Trade receivables **Receivables from customers** (Euro/thousands)	**30/06/2017**	**31/12/2016**
Trade receivables	395,515	445,374
Customers – returns to receive	(146,475)	(161,061)
Provision for bad debt	(37,992)	(39,017)
Total receivables from customers	**211,048**	**245,296**

There were no trade receivables due over five years.

With reference to the provision for bad debt, it should be noted that for each Group company, an accurate analysis is performed of each individual debt item position, considering also the customer solvency rating.

Trade receivables **Receivables from customers - Bad debt provision** (Euro/thousands)	**30/06/2017**	**31/12/2016**
Balance at beginning of year	39,017	40,166
Changes in the year:		
- provisions	2,289	8,171
- utilizations	(2,884)	(14,192)
- changes in the consolidation scope and other changes	(430)	4,872
Total bad debt provision	**37,992**	**39,017**

20. FINANCIAL ASSETS

“Non-current financial assets", amounting to 1,276 thousand euro, included amounts coming due over 12 months towards third parties relating to Mondadori France, attributable mainly to the disposal of NaturaBuy S.a.s.

Non-current financial assets (Euro/thousands)	**30/06/2017**	**31/12/2016**
Financial receivables due from associates	-	-
Financial receivables	1,276	267
Financial assets at fair value with adjustments recognized under income statement	-	-
Held-for-sale financial assets	-	-
Assets from derivative instruments	-	-
Total non-current financial assets	**1,276**	**267**

"Other current financial assets”, amounting to 5,306 thousand euro, mainly includes:

- the credit positions on current accounts held by the Parent Company with a number of associates;
- the loan of 500 thousand euro granted to Attica Publications;
- the loans to Campania Arte S.c. a r.l. and Venezia Accademia S.c. a r.l., amounting to 132 thousand euro;
- receivables generated by receipts from ticket offices at the sites of the Special Superintendence for the Colosseum, the National Museum of Rome, and the Archaeological Area of Rome, due from the companies managing the service.

Other current financial assets (Euro/thousands)	**30/06/2017**	**31/12/2016**
Financial receivables due from customers	129	71
Financial receivables due from associates	609	692
Financial receivables due from parent companies	-	-
Financial receivables due from affiliates	-	-
Financial receivables due from others	4,565	2,617
Total financial receivables	**5,303**	**3,380**
Financial assets at fair value with adjustments recognized under income statement	-	-
Held-for-sale financial assets	3	2
Assets from derivative instruments	-	-
Total other current financial assets	**5,306**	**3,382**

Assets and liabilities resulting from derivative instruments

Assets and liabilities in derivative instruments – Details (Euro/thousands)	Type of derivative instrument	Fair value at 30/06/2017	Fair value at 31/12/2016
Non-current financial assets (liabilities)			
- Rate derivatives	Cash flow hedge	(912)	(1,616)
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.

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.

The Group calculates the fair value of current hedge transactions on a quarterly basis.

At 30 June 2017, 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 agreement concluded in December 2015, coming to maturity in December 2020 for a total notional amount of 145.9 million euro and an average rate of 0.157%.

Hedge impact on income statement and equity:

Cash flow hedge reserve (Euro/thousands)	**30/06/2017**	**31/12/2016**
Initial balance gross of the tax impact	(2,947)	(3,750)
Amount recognized in the period	1,745	1,405
Amount endorsed from reserve and recognized under income statement:		
- adjustments to expenses	(115)	(239)
- adjustments to income	(237)	(363)
Final balance gross of the tax impact	**(1,553)**	**(2,947)**
Inefficient part of hedge	0	0

21. CASH AND CASH EQUIVALENTS

The item amounted to 60,420 thousand euro, down versus 2016; the fair value of cash and cash equivalents is equal to the relevant book value at 30 June 2017.

Cash and cash equivalents (Euro/thousands)	**30/06/2017**	**31/12/2016**
Cash and cash on hand	227	1,708
Bank deposits	59,666	74,798
Postal deposits	527	1,084
Total cash and cash equivalents	**60,420**	**77,590**

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/thousands)	**30/06/2017**	**31/12/2016**
A	Cash	227	1,708
	- Bank deposits	59,666	74,798
	- Postal deposits	527	1,084
B	Other cash and cash equivalents	60,193	75,882
C	**Cash and cash equivalents and other financial assets (A+B)**	**60,420**	**77,590**
D	Securities held for trading		
	- Financial receivables due from associates	609	692
	- Financial assets measured at fair value	-	-
	- Held-for-sale financial assets	3	2
	- Derivatives and other financial assets	4,694	2,688
E	Receivables and other current financial assets	5,306	3,382
F	**Current financial assets (D+E)**	**5,306**	**3,382**
G	Current payables due to banks	3,372	2,725
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	39,728	24,959
H	Current portion of non-current debt	39,728	24,959
	- Financial payables due to associates	585	26
	- Derivatives and other financial liabilities	4,084	9,678
I	Other current financial liabilities	4,669	9,704
L	**Payables due to banks and other current financial liabilities (G+H+I)**	**47,769**	**37,388**
M	**Current net financial position (C+F-L)**	**17,957**	**43,584**
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	299,769	301,233
N	Debt non-current portion	299,769	301,233
O	Other non-current financial liabilities	3,830	6,201
P	**Non-current net debt (N+O)**	**303,599**	**307,434**
Q	**Net debt (M-P)**	**(285,642)**	**(263,850)**

Should the balance of “Non-current financial assets”, amounting to 1,276 thousand euro and not included in the Consob format, be added to the above data, the Group net financial position would come to -284,366 thousand euro.

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

22. EQUITY

Equity at 30 June 2017, including minority shareholders, amounted to 322,843 thousand euro, increasing by 5,045 thousand euro versus 31 December 2016.

In addition to the positive result of 5,685 thousand euro in 1H17, including minority shareholders, the main changes regarded the adjustments of the “Cash flow hedge reserve" and the “Post-employment discounting reserve", which led to an increase in equity of 687 thousand euro and 387 thousand euro respectively, and the adjustment of the “currency reserve" of financial statements in currencies other than the euro, which resulted in a decrease in equity of 1,745 thousand euro.

In 1H17, Arnoldo Mondadori Editore S.p.A. purchased a total of no. 174,958 treasury shares (0.067% of the share capital) on the MTA at an average unit price of €1.642, for a total amount of 285 thousand euro.
The purchase, authorized by the Shareholders’ Meeting of 21 April 2016, was made to service the Performance Share Plan approved by the same Meeting; the fair value of shares assigned to the plan of 343 thousand euro in the reporting period is recognized in a specific reserve under equity.

Minority shareholders' reserves refer to Editions Mondadori Axel Springer S.n.c. and Rizzoli Libri S.p.A.

23. PROVISIONS

The item, amounting to 63,957 thousand euro, dropped by 4,634 thousand euro, due mainly to:
- the use of the "Provision for personnel downsizing risks" for indemnities set aside in prior years and paid to employees in the first half of the year;
- the use of the "Provision for legal risks” for litigation or disputes settled in the reporting period, or to update the risk of pending disputes.

Provisions (Euro/thousands)	31/12/2016	Provisions	Utilizations	Other changes	30/06/2017
Provision for agents' contractual risks	4,678	-	(220)	-	4,458
Provision for personnel downsizing risks	9,899	811	(3,714)	(119)	6,876
Provision for legal risks	27,924	704	(3,415)	974	26,187
Provision for equity investment risks	430	-	-	(240)	190
Provision for tax disputes	9,337	1,200	-	-	10,537
Provision for onerous contracts	5,508	910	(47)	-	6,371
Other risk provisions	10,815	17	(472)	(1,022)	9,338
Total provisions	**68,591**	**3,642**	**(7,868)**	**(407)**	**63,957**

24. POST-EMPLOYMENT BENEFITS

The item, amounting to 47,038 thousand euro, dropped by 3,951 thousand euro, as a result of the reduction in staff and the outsourcing of the logistics activities of the Trade Books and Retail areas.

Post-employment benefits (Euro/thousands)	**30/06/2017**	**31/12/2016**
Provision for post-employment benefits (TFR)	37,326	41,027
Provision for supplementary agents’ indemnity (FISC)	9,579	9,831
Provision for retirement and similar obligations	133	131
Total post-employment benefits	**47,038**	**50,989**

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	**30/06/2017**	**31/12/2016**
Economic assumptions:		
- increase in cost of living	1.0%	1.0%
- discounting rate	1.67%	1.31%
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 5.00% to 18.70%	from 5.31% to 18.70%
- retirement age	Regulations in force	Regulations in force

Actuarial assumptions to measure FISC	**30/06/2017**	**31/12/2016**
Economic assumptions:		
- discounting rate	1.67%	1.31%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	5.0%	5.0%
- probability of voluntary resignation	1.5%	1.5%
- average age of agency contract termination	Regulations in force	Regulations in force

The "Provision for post-employment benefits (TFR)" fell significantly due to the reduction in staff (from 3,278 in December to 3,114 in June 2017), as a result of the above outsourcing of logistics activities (-110 employees) and of the structural efficiency measures implemented.
The sensitivity analysis, obtained by increasing and decreasing the rate by 0.5%, shows a higher or lower effect on the provision for post-employment benefits of approximately 750 thousand euro.

Post-employment benefits cost items, booked under income statement, include the service cost of companies with less than 50 employees for 22 thousand euro, financial costs of 183 thousand euro, and the portion paid into the supplementary pension scheme for 4,022 thousand euro.

Changes in the "Provision for supplementary agents' indemnity" reflect the turnover in the Group's sales force.

"Provision for retirement" was not subject to discounting as the effects are irrelevant.

Post-employment benefits - Details (Euro/thousands)	TFR	FISC	Provision for retirement
Balance at 31/12/2016	41,027	9,831	131
Changes in 2017:			
- provisions	22	157	2
- utilizations	(1,688)	(409)	-
- reversals	-	-	-
- discounting	(371)	-	-
- changes in the consolidation scope and other changes	(1,664)	-	-
Balance at 30/06/2017	**37,326**	**9,579**	**133**

25. FINANCIAL LIABILITIES

Current and non-current financial liabilities, amounting to 303,599 thousand euro, dropped by 3,835 thousand euro.

Non-current financial liabilities (Euro/thousands)	Actual interest rate	Expiry 1-5 years	Expiry over 5 years	**30/06/2017**	**31/12/2016**
Bonds		-	-	-	-
Convertible bonds		-	-	-	-
Borrowings	3.08%	299,769	-	299,769	301,233
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 from derivatives		912	-	912	1,616
Other financial liabilities		2,918	-	2,918	4,585
Total non-current financial liabilities		**303,599**	**0**	**303,599**	**307,434**

"Non-current financial liabilities" includes:

- 169,556 thousand euro from the amortized cost of the A1 Amortizing Term Loan (Refinancing) taken out with a pool of banks, coming to maturity in December 2020;
- 94,029 thousand euro from the amortized cost of the A2 Amortizing Term Loan (Acquisition of Rizzoli Libri) taken out with a pool of banks, coming to maturity in December 2020;
- 36,184 thousand euro from the utilization of the Bullet Line C (Acquisition Line) taken out with a pool of banks, coming to maturity in December 2020;
- 912 thousand euro from the fair value of the outstanding derivative contracts;
- 2,918 thousand euro from the medium-long term portion of the fair value of the Banzai earn out.

Payables due to banks and other financial liabilities (Euro/thousands)	Actual interest rate	**30/06/2017**	**31/12/2016**
Bank deposits	0.31%	3,372	2,725
Bonds		-	-
Convertible bonds		-	-
Borrowings	2.47%	39,728	24,959
Payables due to suppliers		-	-
Payables due to associates		585	26
Payables due to parent companies		-	-
Payables due to affiliates		-	-
Payables due for lease agreements		-	-
Payables for shareholders' contributions		-	-
Liabilities from derivatives		-	-
Other financial liabilities		4,084	9,678
Total payables due to banks and other financial liabilities		**47,769**	**37,388**

"Payables due to banks and other financial liabilities" came to 47,769 thousand euro and mainly included:

- 24,728 thousand euro from the portions of the A1 and A2 Term Loans of the pool loan, coming to maturity in December 2017;
- 15,000 thousand euro for the use of short-term hot money lines;
- 3,372 thousand euro from the balances of current account overdrafts;
- 4,084 thousand euro for other financial liabilities.

At 30 June 2017, the Net Financial Position Financial Covenant resulting from the consolidated half-year report amounted to -284,366 thousand euro, far below the cap of -540,000 thousand euro set out in the pool loan agreement.

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

26. OTHER CURRENT LIABILITIES

“Other current liabilities”, amounting to 206,721 thousand euro, dropped by 22,768 thousand euro versus 31 December 2016.
Specifically:

- “Advances to customers” increased mainly for Mondadori France (+1,368 thousand euro) and the Books Area (+1,127 thousand euro);
- “Payables due to welfare and social security entities” and “Payroll and other amounts due to personnel” fell by 5,916 thousand euro and 4,107 thousand euro, respectively, owing to the different impact of the 14th monthly salary bonus amount as compared to the 13th monthly salary bonus amount;
- "Payables due to agents" decreased by 4,033 thousand euro as a result of the payment of the prior-year commissions adjustment, while payables due to authors increased by 4,381 thousand euro, since the rights accrued on certain publishing brands in 2016 were paid in the second half;
- "Payables to subscription and instalment customers" decreased by 3,903 thousand euro, as a result of the decline in subscribers to Mondadori France magazines (3,687 thousand euro) and in subscribers to those published in Italy (216 thousand euro).

Other current liabilities (Euro/thousands)	**30/06/2017**	**31/12/2016**
Advances to customers	25,049	22,051
Tax payables	11,557	12,845
Payables due to welfare and social security entities	21,566	27,482
Payables due to associates	125	124
Other payables	148,424	166,987
Total other current liabilities	**206,721**	**229,489**

"Other payables" is broken down below.

Other current liabilities – Other payables (Euro/thousands)	**30/06/2017**	**31/12/2016**
Payroll and other amounts due to personnel	26,936	31,043
Payables due to authors and workers	72,573	68,192
Payables due to agents	6,983	11,016
Payables to subscription and instalment customers	32,706	36,609
Payables to directors and statutory auditors	3,163	3,472
Deferred income for anticipated rents	114	-
Other payables, accrued expense and deferred income	5,949	16,655
Total other payables	**148,424**	**166,987**

27. TRADE PAYABLES

The item, amounting to 329,972 thousand euro, dropped by 3,791 thousand euro, due to lower purchase volumes.

Trade payables (Euro/thousands)	**30/06/2017**	**31/12/2016**
Trade payables	317,032	318,700
Payables due to associates	10,717	12,476
Payables due to parent companies	29	29
Payables due to affiliates	2,194	2,558
Total trade payables	**329,972**	**333,763**

"Payables due to associates" dropped by 1,759 thousand euro; the item includes payables to:

- Edizioni EL S.r.l. (4,632 thousand euro) and Società Europea di Edizioni S.p.A. (1,075 thousand euro), regarding the distribution of publishing products;
- Mediamond S.p.A. (4,586 thousand euro) for the purchase of goods in exchange for advertising pages.

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.

There were no trade payables due over five years.

Prior-year income statement amounts have been classified differently, for the sake of clarity and comparability.

28. REVENUE FROM SALES AND SERVICES

Consolidated net revenue in 1H17 amounted to 552,972 thousand euro, down by 1.7% versus 1H16.

Revenue from sales and services (Euro/thousands)	**1H17**	**1H16**	**Var. %**
Books	187,875	170,130	10.4%
Magazines Italy	148,135	160,927	(7.9%)
Magazines France	148,120	160,359	(7.6%)
Retail	84,675	88,228	(4.0%)
Other Business and Corporate	15,225	11,443	33.1%
Aggregate revenue	**584,030**	**591,087**	**(1.2%)**
Intercompany revenue	(31,058)	(28,571)	8.7%
Total revenue from sales and services	**552,972**	**562,516**	**(1.7%)**

Revenue from the Books Area amounted to 187,875 thousand euro, up by 10.4% as a result of the consolidation of the Rizzoli Libri Group as from 1 April 2016.
Revenue from Trade Books grew by 4.3%; net of the discontinuity of Rizzoli Libri S.p.A., revenue was down, due to the 2017 publishing schedule, which sees the top titles released mainly in the second half of the year; revenue from Educational Books increased by 16.3%.

Revenue from Magazines Italy, amounting to 148,135 thousand euro, fell by 7.9% as a result of the decline in revenue from the sale of copies (-8.2%) and of add-on products (-32.3%); advertising revenue was on the rise (+6.9%), thanks to the contribution from the consolidation of Banzai Media, acquired in June 2016.

Revenue from Magazines France, amounting to 148,120 thousand euro, fell by 7.6%, due to the decline in the sale of copies (-2.7% in subscriptions and -5.1% at newsstands), and to the decline in advertising sales (-17.4%).

Revenue from the Retail Area, amounting to 84,675 thousand euro, dropped by 4% versus 1H16.
All the “channels” contributed to the decline: Megastores saw revenue fall by 6.3%, as a result of the drop in Consumer Electronics sales; directly-managed Bookstores decreased by 4.6%, due partly to the closure of the Milano Limbiate store; the franchised Bookstores fell by 5.4%, also on a like-for-like basis of stores.

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

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

Cost of raw and ancillary materials, consumables and goods (Euro/thousands)	**1H17**	**1H16**
Paper	36,115	36,189
Other production materials	-	-
Total cost of raw and ancillary materials	**36,115**	**36,189**
Goods for re-sale	72,904	73,300
Consumables and maintenance materials	102	138
Other	5,184	6,681
Total cost of consumables and goods	**78,190**	**80,119**
Total cost of raw and ancillary materials, consumables and goods	**114,305**	**116,308**

Cost of raw and ancillary materials, consumables and goods amounted to 114,305 thousand euro, down by 2,003 thousand euro.

Paper costs were in line with 2016; purchases and consumption dropped in the Magazines Italy (-755 thousand euro) and Magazines France (-1,162 thousand euro) areas, as a result of the decline in revenue, increasing, instead, in the Books Area (+1,848 thousand euro), following the consolidation of Rizzoli Libri S.p.A. as from 1 April 2016.

Costs for goods for resale were in line with 2016; costs in the Retail Area dropped (-4,172 thousand euro), due mainly to Consumer Electronics products, as well as in Magazines Italy (-3,040 thousand euro), due to the add-on products; costs increased in the Books Area (+7,652 thousand euro) from the distribution of third publishers’ products in the trade and education segment, following the consolidation of Rizzoli Libri S.p.A. as from 1 April 2016.

30. COST OF SERVICES

Cost of services (Euro/thousands)	1H17	1H16
Rights and royalties	49,143	52,902
Consultancy services and third party collaborations	31,004	32,746
Commissions	24,374	24,854
Third party graphical processing	75,400	73,662
Transport and shipping	34,901	32,858
Purchase of advertising space and promotion expenses	23,993	25,911
Fairs, exhibitions and concession charges	8,747	7,808
Travel and other expense reimbursements	3,257	3,185
Maintenance expenses	4,498	3,197
Telephone and postal expenses	898	1,241
Catering and cleaning services	3,597	3,271
Market surveys, news agencies	3,546	5,152
Insurance	1,286	1,373
Subscriptions management	21,819	22,389
Publisher's share	2,997	2,214
Utilities	1,784	1,927
Bank services and commissions	1,321	1,314
IT services	3,601	5,294
Directors' and statutory auditors' fees	2,352	2,202
Temporary work fees	4,683	4,135
Rents and service expenses	11,389	9,879
Leases and rentals	3,826	3,684
Other services	5,119	3,069
Total cost of services	**323,535**	**324,267**

"Cost of services" amounted to 323,535 thousand euro, down by 732 thousand euro versus 1H16; on a like-for-like basis, net of the contribution of the Rizzoli Libri Group, the drop would amount to 14,712 thousand euro.

The main changes involved Magazines Italy (-8,319 thousand euro), Magazines France (-4,385 thousand euro) and the Books Area (-4,540 thousand euro).

The decrease in costs in the Magazines Area is attributable to the revenue trend, which also resulted in lower printing and processing costs (2,271 thousand euro in Italy and 1,716 thousand euro in France), lower costs for rights and royalties from add-on products (3,105 thousand euro in Italy and 618 thousand euro in France), lower costs for editorial collaboration (1,460 thousand euro), and lower transport costs (602 thousand euro in Italy and 417 thousand euro in France).

The decrease in the Books Area mainly regarded rights costs (2,476 thousand euro), referring to advances to authors paid in prior years, who are deemed not to accrue sufficient rights, and costs for editorial collaboration (997 thousand euro), referring to rationalization actions on the publishing structures.

Costs for "IT services" fell sharply (1,693 thousand euro), thanks to the synergies achieved from the steady integration of Rizzoli Libri S.p.A. and Banzai Media S.p.A.; rental costs rose (1,510 thousand euro), as a result of the increases set out in the agreements on the Segrate and Mondadori France offices.

"Directors' and statutory auditors' fees" comprised fees paid to Directors and Statutory Auditors for 2,097 thousand euro and 255 thousand euro, respectively.

31. COST OF PERSONNEL

Employees with a fixed-term or permanent labour contract working with the Group companies amounted to 3,112 people, down versus 30 June 2016, as a result of the outsourcing of the logistics activities and of the ongoing efficiency measures implemented across the Group's areas.

Employees	Actual 30/06/2017	Actual 30/06/2016	Average 1H17	Average 1H16
Executives	117	123	115	112
White collars, middle managers and journalists	2,981	3,175	3,006	2,939
Blue collars	14	106	72	105
Total	**3,112**	**3,404**	**3,193**	**3,156**

Cost of personnel increased by 1.2%; net of the discontinuity from the consolidation of Rizzoli Libri S.p.A. and Banzai Media S.p.A. as from 1 April and 1 June 2016 respectively, and of restructuring costs, cost of personnel dropped by 6.5%.

Cost of personnel (Euro/thousands)	1H17	1H16
Salaries and wages	81,211	80,636
Social security charges	25,642	26,289
Post-employment benefits TFR	22	150
Supplementary pension scheme plans	4,022	3,834
Retirement indemnity and similar obligations	1	1
Other costs	2,692	1,383
Total cost of personnel	**113,590**	**112,293**

On 27 April 2017, the Shareholders' Meeting approved the 2017-2019 Performance Share Plan, intended for certain Mondadori Group staff who hold key roles in achieving strategic results.
At 30 June 2017, the total cost recognized in the income statement, regarding the fair value of shares granted under the Plan, amounted to 343 thousand euro.

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

32. OTHER (INCOME) COSTS

The item improved by 9,117 thousand euro, as a result of the gains from the disposal of the investment in NaturaBuy S.a.s. (4,251 thousand euro) and of the logistics activities of the Books Area and Retail Area (4,569 thousand euro).

Other (income) costs (Euro/thousands)	1H17	1H16
Other revenue and income	(12,911)	(5,102)
Other operating costs	4,056	5,364
Total other (income) costs	**(8,855)**	**262**

"Other revenue and income" increased as a result of the above extraordinary transactions, alleviated by the reduction in contingent assets and by the chargeback of costs to third publishers.

Other (income) costs – Other revenue and income (Euro/thousands)	**1H17**	**1H16**
Year's contributions	9	17
Capital gains from the disposal of fixed assets and business units	9,386	16
Supplier rebates and other third party contributions	12	7
Insurance reimbursements	83	10
Rentals	-	23
Contingent assets	1,484	2,372
Third party expense reimbursements	1,656	2,165
Other	281	492
Total other revenue and income	**12,911**	**5,102**

"Other operating costs" dropped by 1,308 thousand euro, due mainly to the lower impact from receivables management.

Other (income) costs – Other operating costs (Euro/thousands)	**1H17**	**1H16**
Receivables management	1,287	2,353
Reimbursements and settlements	(1,874)	(2,192)
Contributions and grants	1,476	1,440
Contingent liabilities	412	431
Capital loss from the disposal of fixed assets and business units	553	16
Other tax and duties	1,664	1,929
Other costs	538	1,387
Total other operating costs	**4,056**	**5,364**

33. RESULT FROM INVESTMENTS MEASURED AT EQUITY

The income statement effect of companies consolidated at equity improved by 156 thousand euro versus 1H16, as a result of:

- the gain calculated, under IFRS 3, on the formerly held 49% investment of Skira-Rizzoli Publications Inc., on acquisition of the remaining 51%, amounting to 306 thousand euro;
- the improved results achieved by almost all investees, offset by the negative performance of Società Europea di Edizioni S.p.A.

Income (costs) from investments booked at equity (Euro/thousands)	**1H17**	**1H16**
- Attica Publications Group	267	(43)
- Società Europea di Edizioni S.p.A.	(912)	(13)
- Mach 2 Libri S.p.A.	(546)	(482)
- GD Media Service S.r.l.	(50)	(40)
- Mondadori Independent Media LLC	-	(190)
- Edizioni EL S.r.l.	234	295
- Mediamond S.p.A.	38	(394)
- Consorzio Covar (in liquidation)	-	(2)
- Mondadori Seec Advertising Co. Ltd	633	850
- Monradio S.r.l.	(238)	(319)
- EDIGITA Editoria Digitale Italiana S.r.l.	-	11
- Campania Arte S.p.A.	-	(97)
- Income from acquisition of control of Skira-Rizzoli Publications Inc.	306	-
Total income (costs) from investments booked at equity	**(268)**	**(424)**

34. FINANCIAL INCOME (COSTS)

Net financial costs in 1H17 improved by 776 thousand euro versus the prior year, as a result mainly of:

- lower commissions on undrawn amounts of 559 thousand euro;
- lower costs on prior-years' derivative contracts of 292 thousand euro;
- higher interest earned on tax receivables cashed in in 1Q17 of 224 thousand euro;
- other financial costs and income of 45 thousand euro.

Financial income (costs) (Euro/thousands)	**1H17**	**1H16**
Interest from banks and post offices	2	1
Financial income from derivatives	-	-
Financial income	468	244
Other interest	53	30
Total interest and other financial income	**523**	**275**
Interest to banks and post offices	14	47
Interest on bonds, loans and borrowings	5,536	5,431
Financial costs from derivatives	557	780
Other financial costs for discounting assets/liabilities	183	281
Other interest	1,345	1,665
Total interest expense and other financial costs	**7,635**	**8,204**
Realized positive currency differences	122	161
Unrealized positive currency differences	18	12
Realized negative currency differences	(144)	(143)
Unrealized negative currency differences	(29)	(26)
Total income (loss) on currency transactions	**(33)**	**4**
Income (costs) from financial assets	6	10
Total financial income (costs)	**(7,139)**	**(7,915)**

35. INCOME TAX

Income tax (Euro/thousands)	**1H17**	**1H16**
IRES on income for the period	1,907	2,176
IRAP for the period	1,170	825
Total current tax	**3,077**	**3,001**
Deferred/pre-paid tax for IRES	(475)	536
Deferred/pre-paid tax for IRAP	152	270
Total deferred/pre-paid tax	**(323)**	**806**
Other tax items	(4,337)	(672)
Total income tax	**(1,583)**	**3,135**

The total balance of current and deferred tax improved significantly versus 1H16, due mainly to the adjustment of deferred taxes calculated on the difference between the tax amount and the amount booked of Mondadori France's titles, following the reduction of the local tax rate, which drops to 28.9% from 34.43% from 2019.

The positive amount shown under "Other tax items" includes: the above effect of Mondadori France, amounting to 3,814 thousand euro, the proceeds recognized by Fininvest S.p.A. under the tax consolidation scheme, and the provision of 1,200 thousand euro made to cover pending tax disputes.

Current tax was in line with 2016, despite a significantly higher profit before taxes (4,102 thousand euro versus 557 thousand euro), due mainly to the recognition in 2017 of the gain from the disposal of NaturaBuy S.a.s. (4,251 thousand euro), subject to lower tax under French tax laws.

The income statement effect of the trend in deferred tax assets reflects the change in provisions.

36. EARNINGS PER SHARE

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

	1H17	1H16
Net income for the period (Euro/000)	4,376	(3,774)
Average number of outstanding ordinary shares (no./000)	261,284	261,458
Basic earnings per share (Euro)	**0.017**	**(0.014)**

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.

	1H17	1H16
Net income for the period (Euro/000)	4,376	(3,774)
Average number of outstanding ordinary shares (no./000)	261,284	261,458
Number of options with diluted effect (no./000)	0	-
Diluted earnings per share (Euro)	**0.017**	**(0.014)**

37. COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2017, the Mondadori Group has commitments underwritten for a total amount of 95,359 thousand euro (86,086 thousand euro at 31 December 2016), represented mainly by guarantees issued on VAT receivables subject to reimbursement and prize contests transactions.

38. NON-RECURRING (INCOME) COSTS

In 1H17, the Mondadori Group, as in 1H16, recorded no non-recurring income or cost, under Consob Resolution no. 15519 of 27 July 2006.

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.

Transactions with related parties: figures at 30 June 2017

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other costs (income)	Financial income (costs)
Parent companies:														
- Fininvest S.p.A.			1,488		29						19		21	
Associates														
- Mondadori Scienza S.p.A.														
- Mach 2 Libri S.p.A.	16,958				119	585			6,547		5			
- Venezia Musei Società per i serv. museali Scarl	260			12										
- Harlequin Mondadori S.p.A.														
- Attica Publications Group	58	500			16						5			16
- Edizioni EL S.r.l.	723			21	4,632				756	3,145				
- Società Europea di Edizioni S.p.A.	655				1,075			123	1,057	118			(11)	
- ACI-Mondadori S.p.A. (in liquidation)														
- Consorzio COVAR (in liquidation)														
- EMAS Digital S.A.S.														
- Campania Arte S.c.a r.l.		24												
- Mondadori Independent Media LLC														
- Venezia Accademia Soc. per i serv. museali Scarl	6	25			49			2			35		(2)	
- Mediamond S.p.A.	43,201			192	4,586				42,497	1,420	950		64	
- Mondadori Seec Advertising Co. Ltd	339				55				312		44			
- GD Media Service S.r.l.	1				154					164	189			
- Monradio S.r.l.					2								(5)	
- Gold 5 S.r.l.		60												
- Skira Rizzoli Publications Inc.														
- EDIGITA S.r.l.														
Total associates	**62,201**	**609**		**225**	**10,717**	**585**		**125**	**51,169**	**4,847**	**1,228**		**46**	**16**

Transactions with related parties: figures at 30 June 2017

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other costs (income)	Financial income (costs)
Affiliates:														
- RTI - Reti Televisive Italiane S.p.A.	90			1	39						(11)	(51)		
- Publitalia ’80 S.p.A.					1,221				9		1,709			
- Digitalia ’08 S.r.l.					8						27			
- Banca Mediolanum S.p.A.	24			(5)				5	356		(1)			
- EI Towers S.p.A.														
- Isim S.p.A.														
- Mediaset S.p.A.	1								1					
- Il Teatro Manzoni S.p.A.														
- Mediolanum Comunicazione S.p.A.	3								12					
- Fininvest Gestione Servizi S.p.A.	16				12						10	(42)		
- Milan Entertainment S.r.l.	127								48					
- Mediaset Premium S.p.A.														
- Promoservice Italia S.r.l.														
- Consorzio Campus Multimedia Informazione					(30)									
- Media Shopping S.p.A.	78								(1,963)	(80)	1			
- TaoDue S.r.l.				10	944									
- Alba Servizi Autotrasporti S.p.A.											1			
Total affiliates	**339**			**6**	**2,194**			**5**	**(1,530)**	**(80)**	**1,736**	**(93)**		
Total related parties	**62,540**	**609**	**1,488**	**231**	**12,940**	**585**		**130**	**49,639**	**4,767**	**2,983**	**(93)**	**67**	**16**
of which related parties from discontinued operations	-	-	-	-	-	-	-	-	-	-	-		-	-
Percentage on item	**22.9%**	**11.5%**	**5.2%**	**0.2%**	**3.9%**	**1.2%**		**0.1%**	**9.0%**	**4.2%**	**0.9%**	**n.s.**	**n.s.**	**n.s.**

Transactions with related parties: balance sheet figures at 31 December 2016 and income statement figures at 30 June 2016

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other costs (income)	Financial income (costs)
Parent companies:														
- Fininvest S.p.A.	3		10,058		29		182	72			25			
Associates														
- Mondadori Scienza S.p.A.														
- Mach 2 Libri S.p.A.	18,985				134				6,584		5			
- Venezia Musei Società per i serv. museali Scarl	260			12										
- Harlequin Mondadori S.p.A.														
- Attica Publications Group	82	500			10						5			
- Edizioni EL S.r.l.	870			21	4,869			1	786	3,462	2			
- Società Europea di Edizioni S.p.A.	620				455			123	1,456	129	10		(19)	
- ACI-Mondadori S.p.A. (in liquidation)														
- Consorzio COVAR (in liquidation)														
- EMAS Digital S.A.S.														
- Campania Arte S.c.a r.l.		107			19				(3)		(12)			
- Mondadori Independent Media LLC									36		3			
- Venezia Accademia Soc. per i serv. museali Scarl		25			25					(1)	21			
- Mediamond S.p.A.	32,748			169	6,327	26			39,755	1,566	2,721		42	
- Mondadori Seec Advertising Co. Ltd	460				11				346		11		18	
- GD Media Service S.r.l.	2				570				(21)	186	530			
- Monradio S.r.l.	31				56						50		(11)	
- Gold 5 S.r.l.		60												
- Skira Rizzoli Publications Inc.	505													
- EDIGITA S.r.l.											72			
Total associates	**54,563**	**692**	**0**	**202**	**12,476**	**26**	**0**	**124**	**48,939**	**5,342**	**3,418**		**30**	

Transactions with related parties: balance sheet figures at 31 December 2016 and income statement figures at 30 June 2016

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other costs (income)	Financial income (costs)
Affiliates:														
- RTI - Reti Televisive Italiane S.p.A.	62			2	64			(1)	80	(16)	74			
- Publitalia ’80 S.p.A.					1,563				65		7,540			
- Digitalia ’08 S.r.l.											57			
- Banca Mediolanum S.p.A.	8			(5)				5	33					
- EI Towers S.p.A.														
- Isim S.p.A.														(2)
- Mediaset S.p.A.	9													
- Il Teatro Manzoni S.p.A.														
- Mediolanum Comunicazione S.p.A.	7								10					
- Fininvest Gestione Servizi S.p.A.	48										16		(47)	
- Milan Entertainment S.r.l.	69								40					
- Mediaset Premium S.p.A.										4				
- Promoservice Italia S.r.l.														
- Mediobanca S.p.A.														
- Media Shopping S.p.A.	70				922				45	18				
- Publieurope Ltd	3													
- Alba Servizi Autotrasporti S.p.A.					8									
Total affiliates	**276**	**0**	**0**	**(3)**	**2,558**	**0**	**0**	**4**	**273**	**6**	**7,687**		**(47)**	**(2)**
Total related parties	**54,842**	**692**	**10,058**	**199**	**15,063**	**26**	**182**	**200**	**49,212**	**5,348**	**11,130**		**(17)**	**(2)**
of which related parties from discontinued operations	-	-	-	-	-	-	-	-						
Percentage on item	**18.3%**	**20.5%**	**33.0%**	**0.2%**	**4.5%**	**0.1%**	**10.2%**	**0.1%**	**8.75%**	**4.69%**	**6.34%**		**0.21%**	**0.70%**

40. FAIR VALUE MEASUREMENT

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

Financial assets (liabilities) (Euro/thousands)	**Fair value 30 June 2017**	**Fair value hierarchy**	**Valuation method and main inputs**
Interest rate swap contracts	(912)	Level 2	*Discounted cash flow.* Projected flows are discounted based on the forward rate curve expected at the end of the period and on the contractual fixing rates, also taking the counterparty default risk into account
Investments in other companies	458	Level 3	Based on the nature of the investments held in other enterprises, the cost may be considered representative of the fair value.

41. OPERATING SEGMENTS

The disclosure required by IFRS 8 - Operating segments - is provided by taking into account the Group's organizational structure, based on which the periodic reporting is made, used by Management to define actions and strategies, evaluate investment opportunities and allocate resources; the picture versus 2016 remained unchanged.

For the Board of Directors
The Chairman
Marina Berlusconi

Segment information: figures at 30 June 2017

(Euro/thousands)	Books	Magazines Italy	Magazines France	Retail	Corporate & Shared Services	Unallocated items and consolidation adjustments	Consolidated result
Revenue from sales and services from external customers	**170,799**	**148,612**	**148,053**	**84,404**	**1,104**		**552,972**
Revenue from sales and services from other sectors	**17,076**	**(477)**	**67**	**271**	**14,121**	**(31,058)**	**0**
Income (costs) from investments measured at equity	(6)	888	-	-	(1,150)		(268)
EBITDA	**5,556**	**11,725**	**15,683**	**(4,974)**	**(705)**	**-**	**27,285**
EBIT	**(3)**	**9,729**	**9,810**	**(6,792)**	**(1,503)**	**-**	**11,241**
Financial income (costs)	-	-	-	-	(7,139)	-	(7,139)
Result before tax and minority interests	**(684)**	**9,402**	**6,029**	**(7,155)**	**(3,490)**	**-**	**4,102**
Income tax	-	-	-	-	(1,583)	-	(1,583)
Result attributable to minority shareholders	(1)	-	1,310	-	-	-	1,309
Result from discontinued operations	-	-	-	-	-	-	0
Net result	**(683)**	**9,402**	**4,719**	**(7,155)**	**(1,907)**	**-**	**4,376**
Amortization, depreciation and impairment	5,559	1,996	5,873	1,818	798	-	16,044
Non-monetary costs	5,361	1,202	1,542	4,007	1,383	-	13,495
Non-recurring income (costs)	-	-	-	-	-	-	0
Capital expenditure	7,483	419	863	919	2,316		12,000
Investments booked at equity	4,407	22,431	-	-	14,316		41,154
Total assets	408,937	259,828	443,107	94,292	215,606	(30,550)	1,391,220
Total liabilities	252,275	187,080	122,383	62,371	466,840	(22,572)	1,068,377

	Revenue from sales and services	**Fixed assets**
Italy	383,041	247,603
France	141,298	379,098
Other EU countries	16,595	-
USA	9,388	4,235
Other countries	2,650	-
Consolidated result	**552,972**	**630,936**

Segment reporting: income statement figures at 30 June 2016 and balance sheet figures at 31 December 2016

(Euro/thousands)	Books	Magazines Italy	Magazines France	Retail	Corporate & Shared Services	Unallocated items and consolidation adjustments	Consolidated result
Revenue from sales and services from external customers	**150,857**	**162,074**	**160,354**	**87,953**	**1,278**	**-**	**562,516**
Revenue from sales and services from other sectors	**19,273**	**(1,147)**	**5**	**275**	**10,165**	**(28,571)**	**0**
Income (costs) from investments measured at equity	(275)	183	-	-	(332)	-	(424)
EBITDA	**9,109**	**10,931**	**14,214**	**(3,107)**	**(8,641)**	**-**	**22,506**
EBIT	**4,013**	**10,332**	**8,376**	**(4,854)**	**(9,395)**	**-**	**8,472**
Financial income (costs)	-	-	-	-	(7,915)	-	(7,915)
Result before tax and minority interests	**4,013**	**10,332**	**8,376**	**(4,854)**	**(17,310)**		**557**
Income tax	-	-	-	-	3,135	-	3,135
Result attributable to minority shareholders	-	-	1,196	-	-	-	1,196
Result from discontinued operations	-	-	-	-	-	-	0
Net result	**4,013**	**10,332**	**7,180**	**(4,854)**	**(20,445)**	**-**	**(3,774)**
Amortization, depreciation and impairment	5,096	599	5,838	1,747	754	-	14,034
Non-monetary costs	3,474	1,951	2,246	2,344	1,059	-	11,074
Non-recurring income (costs)	-	-	-	-	-	-	0
Capital expenditure	47,414	45,822	1,787	6,161	831	-	102,015
Investments booked at equity	5,548	21,524	-	-	15,466	-	42,538
Total assets	400,200	255,205	456,416	105,659	232,912	(28,124)	1,422,268
Total liabilities	244,614	198,237	131,767	82,092	464,386	(16,626)	1,104,470

	Revenue from sales and services	Fixed assets
Italy	384,592	250,791
France	157,288	390,221
Other EU countries	11,497	-
USA	6,167	4,460
Other countries	2,972	-
Consolidated result	**562,516**	**645,472**

LIST OF RELEVANT INVESTMENTS

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

ARNOLDO MONDADORI EDITORE S.P.A.

At 30 June 2017

COMPANY NAME	SHARE CAPITAL	% OWNED	OWNERSHIP MODE	HOLDER	% OWNED	REGISTERED OFFICE	TAX CODE	DATE OF INCORPORATION
Aranova Freedom Soc. Cons. a r.l. (Italy)	EURO 19.200	16,67%	indirect	Monradio S.r.l.	16,67%	Bologna, Via Guinizzelli 3	02532501208	24/01/2005
Campania Arte S.c. a r.l.- in liquidation (Italy)	EURO 100.000	23,41%	indirect	Mondadori Electa S.p.A.	23,41%	Rome - Via Tunisi 4	09086401008	18/07/2006
Inthera S.p.A. (Italy)	EURO 3.835.000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Turin - Corso Giulio Cesare 268	04742700018	13/12/1984
Club Dab Italia Società consortile per azioni (Italy)	EURO 240.000	12.5%	indirect	Monradio S.r.l.	12.5%	Milan - Foro Bonaparte 71	97174850152	01/02/1996
Edizioni EL S.r.l. (Italy)	EURO 620.000	50%	indirect	Giulio Einaudi Editore S.p.A.	50%	Trieste - San Dorligo della Valle - Via J. Ressel 5	00627340326	07/05/1984
Edizioni Piemme S.p.A. (Italy)	EURO 566.661	100%	indirect	Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	00798930053	29/09/1982
Giulio Einaudi Editore S.p.A. (Italy)	EURO 23.920.000	100%	indirect	Mondadori Libri S.p.A.	100%	Turin - Via U. Biancamano 2	08367150151	03/06/1986
Mondadori Scienza S.p.A. (Italy)	EURO 2.600.000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Luisa Battistotti Sassi 11/A	09440000157	19/09/1988
Mach 2 Libri S.p.A. (Italy)	EURO 646.250	44,91%	indirect	Mondadori Libri S.p.A.	30.91%	Peschiera Borromeo (MI) - Via Galileo Galilei 1	03782990158	06/05/1983
			indirect	Sperling & Kupfer Ed. S.p.A.	4%			
			indirect	Rizzoli Libri S.p.A.	10%			
GD Media Service S.r.l. (Italy)	EURO 789.474	38%	indirect	Press-di Distribuzione Stampa e Multimedia S.r.l.	24%	Peschiera Borromeo (MI) - Via Galileo Galilei 1	07014150960	27/04/2010
			indirect	Mach 2 Libri S.p.A.	14%			
MDM Milano Distribuzione Media S.r.l. (Italy)	EURO 611.765	17%	indirect	Press-di Distribuzione Stampa e Multimedia S.r.l.	17%	Milan - Via Carlo Cazzaniga 19	10463540152	02/10/1991
Mediamond S.p.A. (Italy)	EURO 2.400.000	50%	indirect	Press-di Abbonamenti S.p.A.	50%	Milan - Via Bianca di Savoia 12	06703540960	30/07/2009
Mondadori Retail S.p.A. (Italy)	EURO 2.700.000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	00212560239	19/11/1946
Mondadori Education S.p.A. (Italy)	EURO 10.608.000	100%	indirect	Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	03261490969	01/10/2001
Mondadori Electa S.p.A. (Italy)	EURO 1.593.735	100%	indirect	Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	01829090123	23/02/1989
Mondadori International Business S.r.l. (Italy)	EURO 200.000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08009080964	29/10/2012
Press-Di Abbonamenti S.p.A. (Italy) (former M.Pubblicità)	EURO 3.120.000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08696660151	12/02/1987
Monradio S.r.l. (Italy)	EURO 3.030.000	20%	direct	Arnoldo Mondadori Editore S.p.A.	20%	Milan - Via Paleocapa, 3	04571350968	15/10/2004
Press-di Distribuzione Stampa e Multimedia S.r.l. (Italy)	EURO 1.095.000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	03864370964	19/02/2003
Società Europea di Edizioni S.p.A. (Italy)	EURO 2.528.875	36,89%	direct	Arnoldo Mondadori Editore S.p.A.	36,89%	Milan - Via G. Negri 4	01790590150	27/02/1974
Sperling & Kupfer Editori S.p.A. (Italy)	EURO 1.555.800	100%	indirect	Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	00802780155	03/11/1927
Venezia Accademia Società per i servizi museali Scarl (Italy)	EURO 10.000	25%	indirect	Mondadori Electa S.p.A.	25%	Venice - Via L. Einaudi 74	03808820272	11/01/2008
Venezia Musei Società per i servizi museali S.c.ar.l. in liquidation (Italy)	EURO 10.000	34%	indirect	Mondadori Electa S.p.A.	34%	Venice - Via L. Einaudi 74	03534350271	22/04/2004
Attica Publications S.A. (Greece)	EURO 4.590.000	41,98%	direct	Arnoldo Mondadori Editore S.p.A.	41,98%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
Editions Mondadori Axel Springer SNC (France)	EURO 152.500	50%	indirect	Mondadori France SAS	50%	France - Montrouge Cedex - 8, rue Francois Ory		09/12/1999
EMAS Digital SAS (France)	EURO 27.275.400	50%	indirect	Mondadori France SAS	50%	France - Montrouge Cedex - 8, rue Francois Ory		13/09/2011
Mondadori France SAS (France)	EURO 50.000.000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	France - Montrouge Cedex - 8, rue Francois Ory		23/06/2004
Mondadori Magazines France SAS (France)	EURO 60.557.458	100%	indirect	Mondadori France SAS	100%	France - Montrouge Cedex - 8, rue Francois Ory		30/03/2004
Mondadori Seec (Beijing) Advertising Co. Ltd	CNY 40.000.000	50%	indirect	Press-di Abbonamenti S.p.A.	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		4/06/2008
Mondadori UK Limited in liquidation (UK)	GBP 15.000,00	100%	indirect	Mondadori International Business S.r.l.	100%	United Kingdom - London 10 Salisbury Square - St. Bride's House		18/03/2010
Mondadori Libri S.p.A. (Italy)	EURO 30.050.000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08856650968	02/12/2014
AdKaora S.r.l. (Italy)	EURO 15.000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08105480969	16/01/2013
Gold 5 S.r.l. - in liquidation (Italy)	EURO 250.000	20%	direct	Arnoldo Mondadori Editore S.p.A.	20%	Milan - Via dei Martinitt 3	08730930966	18/07/2014
Rizzoli Libri S.p.A. (Italy)	EURO 42.405.000	99,99%	indirect	Mondadori Libri S.p.A.	99,99%	Milan - Via Bianca di Savoia 12	05877160159	30/06/1980
Rizzoli International Publications Inc (USA)	USD 26.900.000	100%	indirect	Rizzoli Libri S.p.A.	100%	New York - 300 Park Avenue South		
Rizzoli Bookstore Inc (USA)	USD 3.498.900	100%	indirect	Rizzoli International Publications Inc	100%	New York - 1133 Broadway		
Skira Rizzoli Publications Inc (USA)	USD 1.000	100%	indirect	Rizzoli International Publications Inc	100%	New York - 300 Park Avenue South		

CERTIFICATION OF THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

Certification of the condensed consolidated half-year financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments 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 Legislative Decree no. 58 of 24 February 1998, hereby certify:
   - the adequacy in relation to the Group's characteristics and
   - the actual application of the administrative and accounting procedures for the drafting of the condensed consolidated half-year financial statements at 30 June 2017.

2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the condensed consolidated half-year financial statements at 30 June 2017 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 certify that:

   3.1 the condensed consolidated half-year financial statements at 30 June 2017:
   a) have been 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 19 July 2002, and specifically to IAS 34 - Interim Financial Reporting, and with the provisions set out for the implementation of art. 9 of Legislative Decree no. 38/2005;
   b) reflect the accounting books and entries;
   c) provide a true and fair view of the financial position and results of operations of the Issuer and the group of companies included in the consolidation scope.

   3.2 the interim report on operations includes a reliable analysis of the significant events that took place in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The report also includes a reliable analysis of the main transactions with related parties.

27 July 2017

The CEO
(Ernesto Mauri)

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

INDEPENDENT AUDITORS' REPORT

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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, 2017 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, 2017, 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
Vittorio Camosci
Partner

Milan, Italy
July 31, 2017

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