ARNOLDO MONDADORI EDITORE SpA

Share capital €67,451,756.32
Registered office in Milan
Administrative offices in Segrate (MI)

MONDADORI

# Annual report

Financial statements at 31 December 2009
Consolidated financial statements at 31 December 2009
Report of the Board of Directors

# Notice of Shareholders' Meeting

Shareholders are hereby invited to the Ordinary Meeting to be held on 27 April 2010 at 10.30 in Via Mondadori 1, Segrate, Milan, on first calling and, if necessary, on second calling on 28 April 2010 at the same time and place, to pass resolutions on the following:

## Agenda

1. Financial Statements at 31 December 2009, reports of the Board of Directors, the Board of Statutory Auditors and the independent auditors, related resolutions, presentation of the Consolidated Financial Statements at 31 December 2009.
2. Authorisation to effect a buy-back and utilise Company shares, as per the combined provisions of articles 2357 and 2357 ter of the Civil Code.
3. Motivated proposal, by the Board of Statutory Auditors, regarding the appointment, for the financial years 2010-2018, of independent auditors for the auditing of the Company's financial statements and consolidated financial statements, as well as the limited auditing of abbreviated half-year reports.

## Attendance

In accordance with the law and Company by-laws, shareholders who have requested the relative communication from the intermediary where their shares are deposited at least two days before the date of the Shareholders' Meeting may attend the Meeting. All shareholders with the right to attend may be represented at the Meeting by a written proxy, in compliance with current legislation. Shareholders may use a pre-prepared proxy form available through intermediaries as indicated above or on the Mondadori web site: www.mondadori.it - Investor Relations section.
It should be noted that the share capital of €67,451,756.32 is divided into a total of 259,429,832 ordinary shares with a nominal value of €0.26 per share. Given that 22,367,587 of the shares are held, either directly or indirectly by the Company in treasury shares, with voting rights suspended as per current legislation, the total number of shares with voting rights currently amounts to a total of 237,062,245. Any eventual change in the number shares held in treasury shares will be communicated at the start of proceedings of the Annual General Meeting.Documentation: Directors' reports outlining the issues in the agenda, along with relative proposals for resolutions, will be publicly available, in compliance with current legislation, at the company's head office and Borsa Italiana SpA, as well as being published on the company's web site: www.mondadori.it, Investor Relations section. Shareholders are entitled to obtain copies of these reports.

*On behalf of the Board of Directors*
*The Chairman*
*Marina Berlusconi*

# Corporate boards

## Board of Directors

**Chairman**
Marina Berlusconi

**Deputy Chairman and Chief Executive**
Maurizio Costa

**Directors**
Pier Silvio Berlusconi
Pasquale Cannatelli
Bruno Ermolli
Martina Forneron Mondadori
Roberto Poli
Mario Resca
Marco Spadacini
Umberto Veronesi
Carlo Maria Vismara (*)

## Board of Statutory Auditors

**Chairman**
Ferdinando Superti Furga

**Standing Statutory Auditors**
Francesco Antonio Giampaolo
Franco Carlo Papa

**Substitute Statutory Auditors**
Francesco Vittadini
Ezio Simonelli

**Independent Auditors**
Reconta Ernst & Young SpA

(*) Secretary

# Contents

## Financial statements of Arnoldo Mondadori Editore SpA



## Consolidated financial statements of the Mondadori Group



## Reports

# Report of the Board of Directors

# Report of the Board of Directors on the financial year 2009

Shareholders,

2009 saw the full effects of the international financial crisis that led to a recession that has severely undermined the real economy through its negative impacts on production, consumer spending and employment.

Economic indicators continued to worsen during the year, with an inevitable knock-on effect on corporate decisions, not merely on costs but also and above all on investments, thus jeopardizing recovery, which continued to be seen as difficult and far off.

In the sectors in which Mondadori operates, the most critical element was the trend in advertising investments in magazines, which resulted in a sharp fall in revenues for the Group, despite the fact that advertising sales were better than the market average in both France and Italy.

In the magazine sector in Italy, Mondadori was able to hold circulation relatively steady thanks to the quality of its titles, while the market for add-on sales continued to fall sharply, as expected. In France, where a review of the product portfolio was completed, positive circulation figures were confirmed, partly thanks to subscriptions. At the end of August, the women's weekly *Grazia* was launched, with better than expected results in terms of both sales and advertising.

In a book market that in Italy showed a slight tendency to buck the prevailing trends in consumer spending, Mondadori produced results in terms of both revenues and profitability in line with 2008, which was a record year due to the number of bestsellers and other successful new titles.

There was a new focus on other businesses too. In the last quarter, *R101*, the Group's radio station, saw its advertising sales up the same period the previous year, anticipating what is hoped will be a recovery in 2010. There was a particularly intense expansion of the retail sector, through franchising agreements, and a further push was given to the digital business (for both book and magazine sales) involving the websites of the main magazines in Italy and France and advertising sales, also through new joint ventures.

Mondadori's response to an extraordinarily complex and adverse market situation involved, in addition to the focus on the abovementioned businesses, a number of specific operations:

- the sale of 80% of the printing business, finalised at the end in 2008, a year in which there was a marked improvement in the net financial position and substantial capital gains. In 2009, the partnership generated the expected positive impact in terms of both the maintenance of standards of printing quality and flexibility, and reductions in costs;

- the stepping up of the four-year plan to reduce operating costs, begun in 2008 and centred on cost structures, without sacrificing product quality, and a wide-ranging restructuring programme in both Italy and France;

- the plan already generated cost savings of around €110 million in 2009 and aims to achieve total savings, on a like-for-like basis, of €170 million by the end of 2011;

- debt restructuring, begun and completed during 2009, led in the last quarter to an improvement in the financial flexibility of the business, with

the loosening of covenants and the extension of terms on credit lines from banks.

The effects of some of the operations described above are fairly evident in the financial statements for 2009, particularly in the differences with respect to 2008 in terms of capital gains and restructuring charges. Consequently, what follows is an indication of normalised operating profit, which excludes the effects of the changes mentioned above.

**Consolidated revenues** in 2009 came to €1,540.1 million, down 15.3% on €1,819.2 million in 2008. On a like-for-like basis, excluding the printing business sold in 2008, revenues were down by 9.2% (only -2.6% in the 4th quarter).

**Consolidated gross operating profit** for 2009 amounted to €106.2 million, down 57.4% on €249.2 million in the previous year.

**Normalised consolidated gross operating profit** excludes:

- the results from the printing business (on a like-for-like basis);
- capital gains and charges for organisational restructuring; and amounted to €202.7 million in 2008 and €133.1 million in 2009, down €69.6 million (-34.3%), due mainly to the downturn in advertising revenues and investments for the launch of *Grazia* in France; the impact of these two factors was mitigated by the increasingly successful drive to reduce operating costs. In this regard, it is worth underlining that in 4th quarter 2009 the result was down 8.5% (-€4.8 million on the same period of the previous year), a clear indication of a significant levelling out in the downward trend.

**Consolidated operating profit** for 2009 amounted to €71.8 million, down 64.7% on €203.5 million in 2008, after depreciation and impairment of tangible fixed assets of €13.4 million (€31.1 million in 2008) and amortisation of intangibles of €20.9 million (€14.6 million in 2008).

**Consolidated pre-tax profit** came to €63.9 million, down 57.8% on €151.4 million in 2008, with an improvement of €44.2 million in net financial charges, mainly due to the lower cost of money but also to lower average indebtedness and to capital gains from debt restructuring (€14.5 million).

**Consolidated net profit** for 2009 amounted to €34.3 million, down 64.7% on €97.1 million the previous year (around €32 million of which from capital gains).

**Consolidated gross cash flow** (net profit plus amortisation) at 31 December 2009 came to €68.7 million, compared with €142.8 million in 2008.

The **net financial position** went from -€490.3 million at the end of 2008 to -€372.9 million at 31 December 2009, an improvement of €117.4 million; compared with 30 September 2008 (i.e. before the sale of 80% of Mondadori Printing) the improvement was of €271.6 million.

Performance in the individual sectors in which Mondadori operates is examined in more detail in the sections on Group's divisions. What follows is a brief outline of the highlights.

# Main financial and non-financial indicators

Consolidated income statement

| (€m) | 2009 | 2008 | Change% |
|---|---|---|---|
| Income from sales and services | 1,540.1 | 1,819.2 | (15.3%) |
| Personnel costs | 302.8 | 356.4 | (15.0%) |
| Cost of sales and management (*) | 1,133.4 | 1,219.0 | (7.0%) |
| Income (charges) from investments accounted for using the equity method | 2.3 | 5.4 | (57.4%) |
| **Gross operating profit** | **106.2** | **249.2** | **(57.4%)** |
| *-as a proportion of revenues* | *6.9%* | *13.7%* | |
| Depreciations of property, plant and machinery | 13.5 | 31.1 | (56.6%) |
| Depreciations of intangible assets | 20.9 | 14.6 | 43.2% |
| **Operating profit** | **71.8** | **203.5** | **(64.7%)** |
| *-as a proportion of revenues* | *4.7%* | *11.2%* | |
| Net financial income (charges) | (7.9) | (52.1) | (84.4%) |
| Other financial income (charges) | - | - | - |
| **Profit before taxation** | **63.9** | **151.4** | **(57.8%)** |
| Tax charges | 29.0 | 53.6 | (45.9%) |
| Minority interest | (0.6) | (0.7) | (14.3%) |
| **Net profit** | **34.3** | **97.1** | **(64.7%)** |

(*) Includes the following items: reduction (increase) in inventory; cost of raw, ancillary and consumable materials and goods; cost of services; various charges (income).

**Consolidated revenues** amounted to €1,540.1 million, down 15.3%. On a like-for-like basis, considering that the printing business contributed for the first 10 months in 2008, revenues were down by 9.2%.

Revenue breakdown by business area

| (€m) | 2009 | 2008 | Change% |
|---|---|---|---|
| Books | 425.7 | 434.3 | (2.0%) |
| Magazines Italy | 494.3 | 575.7 | (14.1%) |
| Magazines France | 343.5 | 374.1 | (8.2%) |
| Advertising services | 250.4 | 331.0 | (24.2%) |
| Direct | 20.9 | 22.3 | (6.3%) |
| Retail | 194.0 | 194.5 | (0.3%) |
| Radio | 13.8 | 14.8 | (6.8%) |
| Corporate and other business | 17.5 | 333.6 | n.s. |
| **Total revenues** | **1,760.1** | **2,280.3** | **(22.8%)** |
| Intergroup revenues | (220.0) | (461.1) | (52.3%) |
| **Total consolidated revenues** | **1,540.1** | **1,819.2** | **(15.3%)** |

The following table provides details of consolidated revenues by geographical area.

Revenues by geographical area

| (€m) | 2009 | 2008 | Change% |
|---|---|---|---|
| Italy | 1,172.7 | 1,356.5 | (13.5%) |
| France | 328.6 | 364.8 | (9.9%) |
| Other EU countries | 31.7 | 77.4 | (59.0%) |
| USA | 0.4 | 7.1 | 94.4% |
| Others | 6.7 | 13.4 | 50.0% |
| **Total consolidated revenues** | **1,540.1** | **1,819.2** | **(15.3%)** |

# Book Division

In 2009, Mondadori's Book Division confirmed its leadership in the book market with total revenues of €425.7 million, down 2.0% on the €434.3 million posted the previous year.

There were no significant changes to the structure of the Division or the balance between its various departments. The Trade sector (fiction and non-fiction, for general readers and children) accounts for 71.3% of revenues. The school textbooks sector accounts for 19.2%, while Art, Architecture and Cultural Heritage Management, makes up 9.5% of revenues.

In 2009 the Group published 2,449 new titles (2,695 in 2008) and 5,137 reprints (5,225 in 2008), a total of 51.6 million copies, compared with 53.4 million in 2008.

| (€m) | 2009 | 2008 |
|---|---|---|
| Book sales | 416.9 | 424.3 |
| Other revenues | 8.8 | 10.0 |
| | **425.7** | **434.3** |
| Operating costs | (341.6) | (351.4) |
| **Gross operating profit** | **84.1** | **82.9** |
| Amortisation & depreciation | (3.3) | (3.2) |
| **Operating profit** | **80.8** | **79.7** |

In the context of a generalised fall in consumer spending, the Trade Books sector of the Italian book market in 2009 grew by 1.8% compared with 2008.

Within this context, Mondadori Group confirmed its leadership position with a 28.4% market share in terms of value and with a clear advantage over its competitors, as indicated in the table below. The slight fall in the Group's overall share was due to the expected downturn by Edizioni Mondadori compared with 2008, a year graced by the publishing phenomenon of Paolo Giordano, winner of the Premio Strega with *La solitudine dei numeri primi*.

Of particular note compared with 2008, was the growth of Einaudi, which continued to be Italy's second largest publishing house. Among the competitors, RCS lost share, while the Gems group grew through its acquisition of Bollati Boringhieri.

It should be noted that the market shares shown refer only to medium-large bookshops and do not include sales through large-scale retail outlets.

The following table provides a breakdown of revenues by publisher.

| Publisher | Market share 2009 | Market share 2008 |
|---|---|---|
| Mondadori | 14.5 | 15.1 |
| Einaudi | 5.9 | 5.7 |
| Sperling & Kupfer | 2.4 | 2.4 |
| Piemme | 4.3 | 4.3 |
| Other Mondadori Group companies | 1.3 | 1.3 |
| **Total Mondadori Group** | **28.4** | **28.8** |
| RCS group | 12.6 | 12.8 |
| Gems group | 9.3 | 8.9 |
| Giunti group | 5.8 | 5.5 |
| Feltrinelli | 4.0 | 3.9 |

Source: Nielsen Bookscan. Figures indicate market share in terms of value

**Books**

| (€m) | 2009 | 2008 | Change% |
|---|---|---|---|
| Edizioni Mondadori | 142.0 | 144.0 | (1.4%) |
| Einaudi | 50.2 | 51.7 | (2.9%) |
| Sperling & Kupfer | 23.2 | 20.8 | 11.5% |
| Edizioni Piemme | 44.4 | 48.7 | (8.8%) |
| Mondadori Electa | 40.3 | 42.6 | (5.4%) |
| Mondadori Education | 81.7 | 86.1 | (5.1%) |
| Book distribution | 37.8 | 33.5 | 12.8% |
| Other revenues | 6.1 | 6.9 | (11.6%) |
| **Total consolidated revenues** | **425.7** | **434.3** | **(2.0%)** |

## Edizioni Mondadori

In 2009, Edizioni Mondadori generated revenues of €142 million, a slight fall on the previous year (-1.4%).

Two new titles published in 2009 met with particular success among readers: *Il simbolo perduto* by Dan Brown, published in October, sold more than a million copies in just over two months (and became the year's biggest selling title). There was also great success for *Il tempo che vorrei* by Fabio Volo, which sold over 600,000 copies in just over a month.

Of particular note was *Venuto al mondo* by Margaret Mazzantini, winner of the Premio Campiello Letteratura. Published in November 2008, the novel had sold more than 500,000 copies by the end of 2009.

In Italian fiction, there was an excellent response to the first novel by Daria Bignardi, *Non vi lascerò orfani*, which sold more than 100,000 copies. Meanwhile the exceptional sales of *La solitudine dei numeri primi* by Paolo Giordano continued. Two years after it was first published, the book has now sold more than 1,300,000 copies in Italy, and has been published in 30 foreign translations.
In foreign fiction, there was renewed success for some of the company's long-standing authors. Apart from the above mentioned Dan Brown novel, Carlos Ruiz Zafón's *Marina*, John Grisham's *Il ricatto*, Sophie Kinsella's *La ragazza fantasma* and Patricia Cornwell's *Kay Scarpetta* each recorded excellent sales of between 150,000 and 350,000 copies.

New in non-fiction was Bruno Vespa's *Donne di cuori*, which sold more than 300,000 copies, making it the year's top selling non-fiction title. Also of note were the good results for two of the company's portfolio authors, Corrado Augias and Vito Mancuso, whose joint effort *Disputa su Dio e dintorni* sold 150,000 copies.

The Strade Blu series also saw continued success, especially with Roberto Saviano, whose *Gomorra* broke the two-million barrier in 2009, while sales of *La bellezza e l'inferno* hit the 300,000 mark. In the Strade Blu non-fiction series, Mario Calabresi sold more than 100,000 copies of *La fortuna non esiste* and Federico Rampini's *Slow Economy* sold 60,000 copies.

There were also very positive results for first-time author Roberto Giacobbo, whose *2012 la fine del mondo?* sold more than 150,000 copies.

During 2009 the Oscar Mondadori imprint saw strong growth in the trade paperback segment, with the *Grandi Bestsellers* series selling over 1,700,000 copies (up 51% on 2008). Action taken to consolidate the catalogue included the complete re-design of the Oscar Saggi series and the completion of the new Oscar Contemporanea series, which almost doubled revenues in its second year. There was a 6% increase in sales thanks to a good response to the traditional March promotional campaign and the introduction of a new promotion in August.

Finally, in the Children's sector, there was great success for two new titles in the saga series by Licia Troisi, *La ragazza drago* and *Leggende del mondo emerso*; while in the publishing under licence segment, there was success for the line of products linked to *L'era Glaciale 3*, selling 120,000 copies, and *I Gormiti*, which sold over 150,000 copies.

## Giulio Einaudi editore

In 2009, Einaudi generated revenues of €50.2 million, down 2.9% on the previous year.

Sales from all channels were substantially in line with the previous year, the decrease being largely due to a loss of revenues from the sale of rights for add-on sales initiatives.

Among the various lines, there was good performance by Italian Fiction, whose revenues were up 27% on the previous year thanks to Tiziano Scarpa's winning of the Premio Strega with his *Stabat Mater*, while the Economici series saw a 5.3% increase in sales on 2008.

The year's most successful titles included *Che la festa cominci* by Niccolò Ammaniti (300,000 copies), *Stabat Mater* by Tiziano Scarpa (over 140,000 copies), *Un luogo incerto* and *Scorre la Senna* by Fred Vargas (totalling over 180,000 copies), *Il museo dell'innocenza* by Orhan Pamuk (55,000 copies), *Il lamento del bradipo* by Sam Savage (70,000 copies), *Altai* by Wu Ming (60,000 copies), *Non deve accadere* by Anne Holt (55,000 copies), and *Educazione siberiana* by first-time author Nicolai Lilin (45,000 copies).

## Sperling & Kupfer

Revenues at Sperling & Kupfer were up 11.5% on the previous twelve month, reaching €23.2 million.

Action to re-focus the offering, begun in 2008, continued with a further reduction in the number of new titles and copies produced (from 378 in 2008 to 282 in 2009).

The Fiction line (including Frassinelli) saw a drop in the number of titles published, from 90 to 73, and excellent results thanks to new titles from Sveva Casati Modignani and two titles by Nicholas Sparks. Among the most successful titles were those linked to the Patty phenomenon (sales of more than 100,000 copies), including *Più scuro di mezzanotte*. *Una storia di mafia* by Salvo Sottile, the new novel by Stephen King *The Dome* (100,000 copies), the ever-popular Danielle Steel with *Ricominciare* (50,000 copies) as well as the above mentioned *Il gioco delle verità* by Sveva Casati Modignani (170,000 copies) and *L'ultima canzone* and *Ho cercato il tuo nome* (with combined sales of over 170,000 copies) by Nicholas Sparks. In the Frassinelli imprint, there were good results by Toni Morrison's new book, *Il dono* (12,000 copies), the *Il commissario Soneri* series by Valerio Varesi (10,000 copies), *Alcantara* by Jean-Marie Blas de Roblès (10,000 copies), and all the titles by the poet Alda Merini.

In the Non-fiction area, the number of titles published went from 123 to 91, and the results were more than positive. Outstanding in this line were two books by Antonio Caprarica, *Papaveri e papere* and *I Granduchi di Soldonia* (with combined sales of 50,000), the Michael Jackson biography, *Moonwalk* (18,000 copies), and *La scienza ci guarirà* by Nobel Prize-winner Luc Montagnier (13,000 copies).

## Edizioni Piemme

In 2009, Piemme generated net revenues of €44.4 million, down 8.8% on the previous year. This result was achieved thanks to the excellent performance of the religion and paperback lines, which offset the expected downturn in fiction due to the stop of Hosseini hard cover book sales.

In the Fiction area, of particular note are the two new titles by Michael Connelly, *Il cerchio del lupo* (70,000 copies) and *La città buia* (82,000 copies). There were also excellent results for new books by Garth Stein (*L'arte di correre sotto la pioggia*, 42,000 copies) and James Levine (*Il quaderno azzurro*, 42,000 copies).

There was also success in Non-fiction with *Il bambino senza nome* (60,000 copies) by Mark Kurzem and continued success for the testimony series,

including *La bambina con i sandali bianchi* (30,000 copies) by Malika Bellaribi.

The company's Religion line also performed well, achieving particular success with Paolo Brosio (*A un passo dal baratro*, selling over 90,000 copies), Dalila Di Lazzaro (*Toccami il cuore*, 72,000 copies), Nicola Legrottaglie (*Ho fatto una promessa*, 50,000 copies) and the latest book by Cardinal Carlo Maria Martini (*Le ali della libertà*, 25,000 copies).

There was a 66% increase in Paperback sales compared with the previous year, thanks to the results of the Bestseller series, which benefited not only from the publication of *Il cacciatore di aquiloni* (160,000 copies), but also from excellent average sales of the titles in the series, also outside of the promotional period.

The Junior sector saw success in the Stilton line both for the Christmas collection (*Quinto viaggio nel regno della fantasia* with sales of 175,000 copies), and its premium price titles, such as *Le avventure di Ulisse* (75,000 copies, launched in April) and spin-offs such as *La principessa dei ghiacci* (42,000 copies). To this should be added the excellent performance of the catalogue series *Storie da ridere*. Il Battello a Vapore saw an increase of 5% in revenues compared with 2008 thanks to excellent catalogue sales in general and the particular success of certain series, such as *GOL!* and *Ulysses Moore*.

## Art books and exhibition organisation

Revenues at Mondadori Electa during 2009 came to €40.3 million, a 5.4% fall on the previous year.

The downturn particularly affected the Books area, where there was a marked decline in the bookshop channel. The Cultural Heritage sector, meanwhile, saw a less drastic fall, with lower sales of exhibition catalogues and so-called special projects. The Sponsorship area performed well compared with 2008. Among the Books sector lines, there was a slump in Art book sales reflecting the contraction in the market that started in 2007. There was also a fall in sales of Architecture titles compared with 2008, due to a slowdown in high-priced titles, also through the instalment channel.

Given the decline of the add-on sales phenomenon, sales in this area slumped by more than 50% compared with 2008. There was positive performance, meanwhile, by Illustrated books (up 5.2%) thanks to titles such as *Il Duca dell'Avventura* by Reinhold Messner (10,000 copies), *I dieci comandamenti per non far peccato in cucina* by Fabio Picchi and *Gli Orti Felici* by Paolo Pejrone.

The Cultural Heritage sector generated revenues of €28.8 million, including its share of revenues from exhibition catalogue sales, a slight fall (-1.8%) compared with the previous year.

In 2009, the Coliseum was once again by far the most visited monument in Italy, with more than six million visitors. Of particular note in the art exhibition and catalogue area were the successes by *Stefano Arienti* in Mantua and Cy *Twombly* at the Galleria Nazionale d'Arte Moderna in Rome.

## Mondadori Education

In 2009, Mondadori Education generated net revenues of €81.7 million, down 5.1% on the previous year.
Mondadori Education maintained a significant position in the school textbook sector, with a market share of 13.3%, and confirmed its leadership in the primary school segment, third position in

the 1st level secondary and second in the 2nd level secondary segments.

There was a further improvement on the already good results in recent years in the primary school segment, with an exceptional result for religion course books and excellent results for second cycle supplementary and reading materials. Vacation books and extra-curricular materials continue to be a strong point.

There was a downturn in the 1st level secondary segment due to lower levels of adoptions for catalogue titles due to a greater tendency among teachers to adopt new texts in view of the new obligation to maintain adoptions for six years. Meanwhile, there was a very good result by the anthology, and good performance by the grammar and science texts.

In the 2nd level secondary segment, the company substantially maintained its market share. Of note was the launch of the new imprint *Mondadori for English*, the strong point of which is the English grammar book. The new grammar text by one of our key authors, Sensini, confirmed its very significant results.

Increasingly tight budgets have caused teachers to downgrade texts in certain subjects, such as fiction, translations, civics and classics, from adoptions to recommended, with an inevitable impact on sales.
Moreover, the increasing importance of cover price has led to a general reduction in prices.

Three factors will determine the transformation of the school textbook market that started in 2009:

- firstly, the rule obliging teachers to keep newly adopted texts for five years in primary schools and six years in secondary schools (art. 5, legislative decree 137, 1/9/08, made into law 169, 30/10/08). In the mid-term, the benefit of a reduction in product turnover will probably be balanced by a greater use of second-hand books, which will have a negative impact on our revenues. In the short-term, there will be increased competition among publishers, making it necessary to defend and broaden market share by increasing the level of production;
- secondly, the imminent introduction of a law requiring the adoption of online versions of books, downloadable from the internet, or mixed versions by 2012 (art. 15, legislative decree 112, 25/6/08, made into law 133, 6/8/08). It is difficult to predict when the new technologies will actually be implemented in schools. But what is certain is the lead time within which publishers must adapt their catalogues: by 2012 all of Mondadori Education books will be available in a digital format (downloadable from the internet) or mixed format, and this will involve substantial investments;
- thirdly, the educational market will be modified by the imminent reform of secondary schools, which will significantly change most of the texts currently in use, and this will have an impact on consolidated market shares and require substantial production and investment efforts over the next three years.

## Distribution and logistics

2009 revenues amounted to €37.8 million, up 12.8% on the previous year. The distribution area saw an increase of 1.6% in terms of copies compared with the previous year. In distribution and logistics, the distributed publishers business saw growth among 3rd party clients. Of special note was the performance of Baldini e Castoldi Dalai (up 35% on 2008), thanks to the new book by Giorgio Faletti.

It should also be noted that the level of services improved over the year, with a 3.8% reduction in distribution per copy costs thanks to efficiency measures to further optimize the work of sorters and the automatic pallet loader.

# Magazine Division Italy

For the Mondadori Magazine Division, as for the entire Italian and international publishing sector, 2009 was strongly characterised by the effects of the crisis in the second half in 2008, which continued in 2009.

The fall in consumer spending affected all sectors of print media, impacting readers' propensity to buy and, even more markedly, the level of advertising investment in traditional media. In terms of circulation, there was not so much a fall in the number of buyers as a downturn in the frequency of buying.

The fall in advertising revenues was aggravated, in turn, by both a fall in volumes and an inevitable reduction in ad rates. It should be noted, however, that Mondadori titles outperformed the market, especially in weeklies, the most relevant segment.

In this difficult context, which in any case saw a strong reaction by Mondadori in terms of initiatives and management, the revenues of the Division in Italy came to €494.3 million, down 14.1% on 2008.

This was largely due to the following phenomena:

- a fall in circulation revenues (-3.6%) mainly the result of a reduction in

| (€m) | 2009 | 2008 |
|---|---|---|
| Magazine revenues | 464.5 | 554.8 |
| Other revenues | 29.8 | 20.9 |
| | **494.3** | **575.7** |
| Operating costs | (465.9) | (482.2) |
| **Gross operating profit** | **28.4** | **93.5** |
| Amortisation and depreciation | (1.8) | (1.0) |
| **Operating profit** | **26.6** | **92.5** |

volumes and only in part offset by cover price increases;
- a marked slump in add-on sales (-18.4%) which, while sustained by a significant increase in the number of initiatives, recorded an expected fall in average sales per single operation;
- a substantial downturn in advertising revenues (-27.1%) split, albeit unevenly, across all advertising sectors and almost all titles.

The Division reacted to this unfavourable market situation by refocusing on support and development of titles and prioritising action to improve efficiency and reduce operating and structural costs.

In particular:
- the launch in February of the weekly *Tu Style*, a reconfiguration of a title already in the portfolio but completely redesigned and reconceived such as to effectively constitute a new launch. The very significant circulation results suggest the weekly has a interesting future;
- the re-launch of the monthly *Flair* in July which, despite being in a very crowded segment, led to a significant increase in newsstand sales;
- the re-launch of *TV Sorrisi e Canzoni* completed in December has created the basis for a positive phase, both in terms of circulation and advertising; this was also helped by the launch of new monthly supplements.

In 4th quarter 2009, the Group was also engaged in the implementation of an ambitious corporate restructuring plan made possible by agreements reached with the unions in August and October for the adoption of both emergency measures provided for by the law and individual incentive plans. The process involved graphics/layout and journalist staff.

What follows is a brief outline of the circulation and add-on sales situation.

## Circulation

In terms of circulation, in a market that saw a downturn of around 7%, Mondadori confirmed its leadership with a share of around 35%, essentially in line with 2008.

As in the previous year, many publishers, including Mondadori, reviewed their distribution policies with the aim of reducing the impact of more promotional and less profitable sales.

In the women's segment, *Donna Moderna* maintained its circulation revenues thanks in part to an increase in the cover price at the beginning of the year, while in the up-market area *Grazia* more than confirmed its 2008 sales levels. Of special note were the sales of *Tu Style*, so radically redesigned as to be considered an authentic "launch", which drove circulation to 190,000 copies (+45%) and increased circulation revenues by 30%.

In the newsmagazine segment, *Panorama* increased the lead it enjoys over its traditional competitor.

In the TV guides segment, which has been suffering from a long-term decline in circulation, the various titles in the Mondadori portfolio resisted rather well. *TV Sorrisi e Canzoni*, in particular, managed to contain the fall in circulation (-3%) thanks to both a cover price increase during the year and constant renewal of format and content.

Among the monthlies, there were particular problems in the interiors and design segments (-5% in circulation revenues), while cookery titles performed well, showing growth in both circulation and revenues.

There were also promising prospects for *Flair*, which saw an encouraging increase in newsstand sales after its re-launch in July.

The subscriptions channel performed well to keep revenues in line with 2008.

## Add-on sales

Add-on sales, which have been particularly relevant in the past for the profitability of a number of publishing groups, continued their negative trend (-22.1%).

There was a very significant slump in publishing products, as well as for cinema-related products and DVDs in general, while music and classic collections held up relatively well.

Mondadori nevertheless generated significant revenues, performing slightly better than the market, and confirming its position as market leader, also with respect to the leading national daily newspapers.

A substantial part of activities in this area was focused on two titles, *TV Sorrisi e Canzoni* and *Panorama*, integrated by a useful contribution from so-called multi-title operations.

Initiatives dedicated to films were very positive and included *Panorama's Prima Visione*, the Animation series launched by *TV Sorrisi e Canzoni* and aimed at younger viewers, the *Enciclopedia della Cucina Italiana*, which repeated its initial success, and a range of collectors' specials supported by all of the major weeklies.

# International

Despite the economic-financial crisis and the specific difficulties facing the media sector, the intensive programme of new international edition launches continued throughout the year and included:

- four editions of *Grazia*: in France, China, Thailand and Indonesia;
- four editions of *Flair*: in Czech Republic, Slovakia, Slovenia and Hungary;
- one edition of *Casaviva*: in India.

Initial indications from these new initiatives are very positive and ahead of expectations.

Thanks to good performance by existing titles, and in particular an excellent performance by *Grazia UK*, licensing revenues were up by 15.4%; there was also a sharp increase in advertising revenues by titles in the network (+34.4%), which partly offset the fall in syndication revenues.

The subsidiary Attica was affected by cutbacks in advertising expenditure in Greece and the Balkans, but a sharp focus on containing costs was able to counterbalance the fall in revenues (-16.2%).

The performance of the joint ventures in Russia and China endorsed the strategic value of these initiatives. In particular, *Grazia China*, launched in February 2009, achieved higher than expected levels of circulation in the face of advertising revenues penalized by the international economic downturn. The Russian edition, meanwhile, is perfectly in line with its budget.

In February 2010, the network added another important edition with the launch of *Grazia Germany*.

## Digital

There was continued growth during the year in net advertising revenues from Mondadori Group websites (+13%), a trend decidedly above that of the market as a whole (+5.1%) and in particular display ads, down by 1.3% (Source: Nielsen). Particularly positive was the performance of the Group's sites for women, including *Donnamoderna.com*, *Starbene.it*, *Grazia.blog.it* and *Cosmopolitan.it*. Leadership in the segment will be further strengthened in 2010 with the *GraziaMagazine.it* site launched in February.

# Magazine Division France

The Magazine Division France recorded 2009 revenues of €343.5 million, down 8.2% on 2008. On a like-for-like basis (net of titles sold and new launches), the fall would be 6.6%.

The main developments at Mondadori France in 2009 were as follows:

- the launch, at the end of August, of the weekly *Grazia France*, the upscale women's title; it was well received from the start by both readers and the advertising market. Average circulation reached 180,000 copies (Source: OJD 2009), compared with an initial target of 160,000; while on the advertising side, it managed an average of 32 pages per issue thanks to a portfolio of upscale clients (fashion and cosmetics);
- the grouping of *Auto Journal* and *SportAuto* in the EMAS joint venture, which publishes the weekly *AutoPlus*, means that it will become the leading publisher in the auto segment in France;
- a company reorganisation plan, which will discontinue publication of six titles (*Mixte*, *Caméra Vidéo*, *Le Photographe*, *ADDX*, *FHM* and *La Nouvelle Revue du Son et du Home Cinéma*) in line with the policy of focusing on more mass market titles and also make it possible to realise significant cost reductions;

| (€m) | 2009 | 2008 |
|---|---|---|
| Magazine revenues | 334.3 | 365.0 |
| Other revenues | 9.2 | 9.1 |
| | **343.5** | **374.1** |
| Operating costs | (330.5) | (334.8) |
| **Gross operating profit** | **13.0** | **39.3** |
| Amortisation and depreciation | (20.2) | (13.1) |
| **Operating profit** | **(7.2)** | **26.2** |

- a plan to optimise costs in the company's various offices, which will be completed in 2010.

These changes, along with significant restructuring measures, had a negative impact of over €28 million on the operating result for the year.

## Circulation

Circulation revenues, including both newsstand sales and subscriptions, account for 69.8% of total revenues and were down by 6% (-4.9% on a like-for-like basis).

In detail, newsstand sales were down 8.9% (-9.0% on a like-for-like basis) while subscriptions, which account for 32.5% of total revenues, were in line with the previous year on a like-for-like basis.

According to figures by DFP (Diffusion France Payée), Mondadori France experienced a lower fall in copies than the market average (1.8% against 3.5%). The best performing titles were *Biba*, *Science & Vie Junior* and *Top Santé*.

## Advertising

In a year that was particularly difficult for advertising investments, the French market experienced a downturn of 13% (Source: TNS).

Mondadori, with revenues of €81.6 million, down 13.8% on 2008, performed better than the market (-10.3% in terms of volume) thanks to the above mentioned launch of *Grazia* and the consolidation of *Biba* in the up-scale monthly segment.

Difficulties, meanwhile, were recorded in the auto, finance and specialised retail sectors.

# Advertising services

## The market

According to Nielsen Media Research figures for 2009, Italy saw an overall slump of 13.2% in advertising investments, compared with 2008.

There was a significant contraction in all the major media: TV, which accounts for more than 50% of the Italian advertising market, was down 10.2% (to September -13.2%); but according to Nielsen, the worst hit sector was print media, with an overall loss of 21.7% (to September -23.6%), followed by Newspapers, which ended the year on -16.9% (to September -20.2%) after a slow but progressive improvement in December, while Magazines closed on -28.7% (to September -28.8%), reflecting difficulties already reported earlier in the year.

The drastic downturn in Magazines was substantially confirmed by FCP figures showing a 29.3% contraction, with weeklies losing 27.5% and monthlies (excluding other frequencies) down 32.3%.

In Magazines, there was a general downturn in all segments but especially fashion, furniture, auto, finance and telecoms.

| (€m) | 2009 | 2008 |
|---|---|---|
| Advertising revenues | 244.3 | 323.8 |
| Other revenues | 6.1 | 7.2 |
| | **250.4** | **331.0** |
| Operating costs | (255.1) | (328.4) |
| **Gross operating profit** | **(4.7)** | **2.6** |
| Amortisation and depreciation | (0.3) | (0.3) |
| **Operating profit** | **(5.0)** | **2.3** |

In other media, there were encouraging signals from Radio, which after a good 4th quarter ended the year down 7.7% (to September -14%), while Internet business, now including search services, grew 5.2% on a like-for-like basis. The situation continued to be difficult for Outdoor (-25.4%) and Cinema (-4.3%).

The slight bottoming out in the last quarter could not be considered a reliable sign of recovery, especially in the media worst hit in 2008.

## The Company

Mondadori Pubblicità ended 2009 with an overall 24.4% reduction in revenues across all media, while proving able to at least partially offset the contraction in the 1st quarter by exploiting a decidedly livelier market in the 2nd half.

Results for 2009 were also affected by following changes:

- titles published by Società Europea di Edizioni SpA (*Il Giornale* and its supplements) only produced results for the first ten months, thus penalizing total sales for Newspapers;
- the inclusion of sales by *Radio KissKiss* from March 2009.

The Magazines portfolio, substantially unchanged with respect to 2008, was down 27.6% though performing better than the market average despite a slump in certain key client sectors such as fashion, furnishings, cosmetics, auto, telecoms, finance and FMCGs. The result was helped by weekly titles, while monthlies were in line with the market.

Mondadori Pubblicità's share of the magazine market in 2009 was around 26.6%, up on both 2008 and above all 2007 (Source: Nielsen).

**The advertising market**

| (€m) | 2009 | 2008 | Change% |
|---|---|---|---|
| Television | 4,358.9 | 4,851.4 | (10.2%) |
| Total print media | 2,387.8 | 3,047.9 | (21.7%) |
| - Magazines | 877.6 | 1,231.5 | (28.7%) |
| - Newspapers | 1,510.2 | 1,816.4 | (16.9%) |
| Radio | 436.3 | 472.9 | (7.7%) |
| Outdoor | 169.6 | 227.2 | (25.4%) |
| Cinema | 55.8 | 58.3 | (4.3%) |
| Internet | 585.2 | 556.5 | 5.2% |
| **Total advertising market** | **7,993.6** | **9,214.2** | **(13.2%)** |

Source: Nielsen Media Research (The Advertising Market AdEx – Estimate of net investments)

Radio sales in 2009 were above the market trend. *R101* ended the year down 6.4% but included sales by *Radio KissKiss*, which entered the portfolio in March 2009, while on the Internet there was a substantial recovery in the summer months, with *Donnamoderna.com* recording a 13.8% increase in revenues.

# Direct marketing

In 2009, the market for direct marketing saw a downturn of 15.8% (Source: Nielsen, by value).

In this context, Cemit Interactive Media reacted with a strong commercial push identifying new clients and operations (focusing on the quality of direct communication projects). This proved a big success with a number of important Italian companies in the consumer, finance/insurance, automotive and non-profit sectors and limited the contraction in revenues to 6.3%.

| (€m) | 2009 | 2008 |
|---|---|---|
| Revenues | 20.9 | 22.3 |
| Other revenues | - | - |
| | **20.9** | **22.3** |
| Operating costs | (18.1) | (18.2) |
| **Gross operating profit** | **2.8** | **4.1** |
| Amortisation and depreciation | (0.2) | (0.2) |
| **Operating profit** | **2.6** | **3.9** |

# Retail

Total revenues by the Retail Division in 2009 amounted to €194 million, more or less in line with 2008 but uneven over the year (1st half down 3.6%, 2nd half up 2.4%).

Mondadori Franchising continued with its expansion programme, and the network now has the largest number of publishing product points of sale in Italy, with 249 bookshops (227 in December 2008) and 203 Edicolè (177 in December 2008). 2009 was a year of growth (11.6%) for Mondadori Franchising, on both a like-for-like basis (+1%) and including the new outlets.

Mondadori Retail generated revenues in 2009 of €119.8 million, down 6.4% on 2008. Revenue trends differed across categories of goods: publishing products were basically stable, stationery and gifts grew and IT and audio-video shrank. The network continued to expand in 2009, with three new openings (Rome, Turin and Palermo) bringing the total to 23 bookstores and nine Multicenters. The Palermo store is one of the biggest retail publishing outlets in southern Italy in terms of scale and image.

| (€m) | 2009 | 2008 |
|---|---|---|
| Revenues | 194.0 | 194.5 |
| Other revenues | - | - |
| | **194.0** | **194.5** |
| Operating costs | (188.9) | (182.2) |
| **Gross operating profit** | **5.1** | **12.3** |
| Amortisation and depreciation | (4.9) | (6.2) |
| **Operating profit** | **0.2** | **6.1** |

# Radio

Advertising investments in Radio during 2009 were down 7.7% on the previous year (Source: Nielsen). Excellent performance in the last quarter (up 20.1% in November and 24.6% in December thanks to performance in the auto, food and finance/insurance sectors) went a long way to offsetting the collapse in the 1st quarter. It also raises hopes for 2010 and confirms the value and credibility of radio as an effective advertising media.

2009 net revenues at *R101* amounted to €13.8 million, against €14.8 million in 2008. Advertising sales were very positive in November and December, being up 17.5% and 11.9% respectively on the same months in 2008.

In terms of ratings, Audiradio figures (giving *R101* a daily average of 2 million listeners) were integrated with a diary panel making it possible to monitor data over 7, 14, 21 and 28 days, which is extremely significant for advertising planning purposes. *R101* reaches around 6.2 million listeners over 7 days and a pool of around 9 million listeners over 28 days, placing it 5th amongst the Italian commercial radio stations covered by Audiradio.

| (€m) | 2009 | 2008 |
|---|---|---|
| Revenues | 13.8 | 14.8 |
| Other revenues | - | - |
| | **13.8** | **14.8** |
| Operating costs | (15.9) | (15.7) |
| **Gross operating profit** | **(2.1)** | **(0.9)** |
| Amortisation and depreciation | (1.7) | (1.6) |
| **Operating profit** | **3.8)** | **(2.5)** |

In the 1st quarter, *R101* ran a new institutional advertising campaign across different media: TV, magazines, outdoor, local newspapers and the free-press.

In June, the new web site, www.R101.it, came on line with a new technological platform to upgrade content, boost radio user/listener traffic and facilitate a higher level of interactivity with web radio users.

# Corporate and other business

The Corporate sector includes Group finance, parent company functions supporting Group companies and the business divisions.

Such services mainly involve ITC services, accounting, management control and planning, treasury and finance, human resources, legal and corporate affairs, and communication. Revenues derive essentially from charges made to subsidiaries, associated companies and other users of the aforementioned services.

## Mondadori International

Financial assets under management by the company on 31 December 2009 amounted to €114.3 million (€263.4 at the end of 2008). The company recorded a loss of €0.8 million.

At the end of the year the portfolio was made up as follows:

- current accounts, cash equivalent assets and time deposits with leading Italian banks with maximum expiry dates of less than three months: €78.5 million;
- bonds at variable rates available for sale: €35.8 million.

# Financial situation

**Net financial position**

| (€m) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Cash and other equivalent liquid assets | 119.6 | 330.5 |
| Financial investments at fair value | - | 3.3 |
| Financial assets available for sale | 35.7 | 39.7 |
| Gains (losses) from derivatives | (4.7) | (10.7) |
| Other financial gains (losses) | (14.6) | 0.7 |
| Financing (short & medium/long term) | (508.7) | (564.7) |
| Bonds | - | (289.1) |
| Convertible bonds | - | (108.3) |
| **Net financial position** | **(372.9)** | **(490.3)** |

Mondadori Group's financial situation as of 31 December 2009 showed a deficit of €372.9 million, an improvement of over €117 million on the figure for the previous year.

The significant variation with respect to the previous year is the result of the Group's capacity to generate cash even in a period in which its most liquid business, magazines, is the one suffering most.

The net financial position also benefited from the non-distribution of dividends in 2009.

It should be noted that the net financial position calculated according to Consob recommendations (see Note 13) would be a negative €373.4 million, in that it would exclude "Non-current financial assets".

## Trends in interest and exchange rates

The economic recovery that began in the summer continued in the second half of 2009, driven also by expansive economic policies.

During the second half of 2009, GDP grew mainly in the US and emerging economies; world trade started to grow again, while still remaining well below the level recorded in 2008.

Forecasts for 2010 show modest growth rates in advanced economies, held back mainly by acute uncertainty in labour markets.

In Italy, 2009 saw the worst result for around 40 years, with GDP down 5.0% on the previous year. Industrial production suffered over the entire year as a result of falling consumer spending and exports, while measures put in place to support the financial system and the real economy were constrained by an already high level of public debt. Expectations for 2010 are for modest growth.

From the beginning of 2009, the European Central Bank took steps to stabilise and provide incentives for the credit market in Europe. Official interest rates will probably stay unchanged, at least for the first half of 2010.

The 3-month Euribor rate continued to fall for the whole of 2009, from 2.86% at the beginning to 0.70% at year-end, with an average of 1.218%. Over the same period, the average cost of money for Mondadori Group was 2.536%.

On the exchange rate front, the trend in the US dollar/euro rate was exactly the opposite of that in financial markets. The average was around 1.39, swinging from a maximum of 1.51 to a minimum of 1.25.

The pound sterling/euro rate, due to differences in the economic situations in the two areas, was more volatile than the US dollar/euro rate: the average rate was 0.89, with a maximum of 0.96 and a minimum of 0.84.

The overall credit lines available to the Group at 31 December 2009 came to €1,113.9 million, €750.0 of which was committed.

Only €4.4 million of the Group's short-term borrowing facilities, worth a total of €363.9 million and made up of current account overdrafts and advances on invoices, was utilised as of 31 December 2009.

Intensive efforts were made in 2009 to restructure the Company's medium/long-term debt by obtaining:
- longer maturities;
- greater elasticity on financial covenants.

In particular:
- in September 2009, the $350 million Private Placement bond issued in 2003 was bought back; this operation generated a positive economic impact of €14.5 million;
- an additional medium-long term committed loan of €130 million was contracted;
- in December 2009, a restructuring of the €500 million pool loan was completed, with an extension of the maturity and greater flexibility on financial covenants.

Medium/long-term lines totalling €750.0 million thus include:
- a €470.0 million five-year multi-borrower variable rate bank loan (maturity 2014) organised by a pool of leading international banks; it is made up of a €240.0 million term loan (fully used as of 31 December) and a €230 million revolving credit facility, of which €130 million was utilised as of 31 December. It should be noted that interest rate swaps have been applied on this term loan, transforming the variable into a fixed rate. The loan was granted in December 2009 to replace a previous €500 million pool loan maturing in 2011;
- a €150.0 million variable interest loan provided by Intesa Sanpaolo and expiring in May 2013, made up in equal measure by a term loan and a revolving facility; as of 31 December only the term loan was utilised;
- a €130.0 million variable rate loan provided by Intesa Sanpaolo and expiring in December 2015, made up in equal measure by a term loan and a revolving facility; as of 31 December only the term loan was utilised.

# Personnel

## Workforce

As of 31 December 2009, Group companies employed 3,750 people (3,925 at 31 December 2008).

The consolidated figure shows a reduction in the number of Group employees of 175 (-4.5%), achieved by blocking turnover and by efficiency policies related to the restructuring plan. The cost of personnel amounted to €302.8 million, down 15% on the previous year. Nevertheless, the comparison is not like-for-like, given that the figure for 2008 included ten months of printing business costs. Net of the labour costs of Mondadori Printing and restructuring costs, the reduction was of 8%.

As already announced, the Group will continue to pursue the reorganisation plan launched in 2008 in both Italy and France with the aim of generating further significant efficiencies by 2011.

The following table provides a picture of the Group's personnel as of 31 December 2009.

| Personnel | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Arnoldo Mondadori Editore SpA: | | |
| - Managers, journalists and office staff | 1,270 | 1,288 |
| - Blue-collar staff | 102 | 108 |
| | **1,372** | **1,396** |
| Italian subsidiaries: | | |
| - Managers, journalists and office staff | 1,366 | 1,433 |
| - Blue-collar staff | 34 | 35 |
| | **1,400** | **1,468** |
| Foreign subsidiaries: | | |
| - Managers, journalists and office staff | 978 | 1,061 |
| - Blue-collar staff | - | - |
| | **978** | **1,061** |
| **Total** | **3,750** | **3,925** |

## Training programme

In 2009, Mondadori implemented a Group Training Programme with content, methods and tools to stimulate and guide the process of development and professional renewal of human resources, continuing a decade-long tradition of programmed training aimed at continuously updating skills and developing the Group's managerial and professional capital.

In addition to structural costs, around €500,000 was invested in training in 2009, with 9,800 hours of training delivered, as well as a number of inter-company seminars.

Based on a detailed analysis of individual and organisational needs, the Group Training Plan in 2009 comprised *Corporate Training* (for entry level and newly appointed managers and executives), *Knowledge* (languages, IT and technical-professional training) and *Capabilities & Behaviour* (development of management, relational and innovation skills).

Average per capita participation in internal courses over the year was 27 hours. 29% of middle and top management were involved in training.

In addition to the seminars, there were initiatives of an international nature for staff working abroad, courses designed specifically for individual functions or business areas, specialised training focused on technical-professional skills, and inter-company courses, many of which certified by Mondadori in the "external courses" list.

The most significant training initiatives in 2009 were organised in cooperation with leading federations and international business schools. There was also *ad hoc* training on innovations introduced by the digital "revolution" and a special intranet site was created to provide employees with information on training programme content and structure.

Continuing the positive trend over the years, participants' satisfaction with the training activities organised internally in partnership with leading business schools and training institutes was 92 on a scale of 0 to 100.

## Health and safety

In 2009, various projects to improve workplace health and safety management were completed or begun. New resources were selected and trained in the roles of RSPP (*prevention and protection officers*) and ASPP (*prevention and protection operators*) as required by legislative decree no. 81/08. A first aid and emergency response training programme for more than thirty staff was continued.

The Group's safety structure was also reviewed and a new organisation was issued regarding the functions of prevention and protection officers (RSPP), whose roles and responsibilities were given more specific definitions.

In co-operation with the human resources department, an online course was provided on the corporate intranet regarding safety measures and procedures required by current legislation and aimed at middle and top management staff with specific safety responsibilities.

Fire drills were also successfully conducted at the various sites, starting with the company headquarters in Segrate.

No serious accidents in the workplace were recorded during the year.

Finally, in 1st quarter 2010, a reorganisation of the safety function was begun with the aim of ensuring a more direct and effective management of the work plan over the coming years. The programme will also identify other significant efficiency improvements.

# Capital investments

The Group made capital investments totalling €7.8 million in 2009, mainly to replace electronic office machinery and furniture and fittings for the new bookshops opened by Mondadori Retail SpA.

Disposals included the former headquarters of Casa Editrice Le Monnier at Grassina, which was no longer considered strategic after the editorial staff relocated to Florence and production and printing were moved to other Mondadori Education SpA imprints to exploit organisational synergy.

# Results of Arnoldo Mondadori Editore SpA

The financial statements of the parent company, Arnoldo Mondadori Editore SpA, for the year to 31 December 2009, shows a net profit of €53.2 million (€66.2 million at 31 December 2008), while gross operating profit came to €43.6 million (€97.9 million in 2008).

Gross operating profit was particularly affected by the poor sales performance of the Magazine Division (already suffering falling circulation) due to a further contraction in add-on sales and a severe downturn in advertising.

# Main risks and uncertainties facing Mondadori Group

In 2008, in line with the provisions of the Self-Disciplinary Code for Listed Companies and legislative decree no. 195/2007 (transparency), Mondadori Group drew up guidelines for its Internal Control System, established a Risk Management function and launched a Risk Management process aimed at identifying and managing the principle risks and uncertainties facing the Group's various businesses.
Mondadori Group based its model for the classification, identification and evaluation and management of risks on Enterprise Risk Management (ERM) principles, which are based, in turn, on the international standard outlined by the Committee of Sponsoring Organisations of the Treadway Commission (COSO Report), one of the most authoritative and widely adopted approaches at both a national and international level.

The Model's main characteristics are described below.

In the risk management process, the Risk Management function is charged with the supervision of activities and the coordination of the subjects involved.

Risks are classified in well defined categories in the Model and evaluated according to two parameters, probability and consequences, not only economic but also in terms of market share, competitive advantage and reputation.

Such evaluations are made at both an inherent level, in other words where no actions to mitigate risks are in place, and at a residual level, where such actions are in place.

The deputy chairman and chief executive define the Group's strategic objectives, which the executive management translates into objectives for their respective areas (either Businesses or Central Functions).

By means of self-assessment, the heads of business units or functions identify risks within their areas and carry out risk evaluation, firstly at an inherent level and then, having identified any mitigation measures, at the residual level.

The Risk Management function gathers and processes such evaluations and submits an overview of the risks to first line management in the various Areas.

When the risks facing all Areas have been validated, the Risk Management function groups the risks into categories and carries out a consolidation process that weights each risk according to the relevance of its Area to the Group as a whole.

The results of the Risk Management process are first communicated by the Executive Responsible for Internal Control in a report to the chief executive, the Internal Control Committee and the Board of Statutory Auditors and subsequently by the chief executive to the Board of directors. This constitutes the basis for further analysis by the relevant structures and company officers.

The Internal Audit function is responsible for ensuring that risk mitigation measures have been put in place by the various Areas and that they are effective.

The Risk Management process provides for an annual review of the risk situation, to be conducted as indicated above.

The following is a summary of the principal risks and uncertainties facing the Group, as identified by the procedures outlined above.

## Economic risk

### The global economy

There were signs in the second half of 2009 that the worst of the crisis was over.

However, many factors remain that could impact on the rate of growth and the

timing of the recovery: government intervention to support the economy cannot continue indefinitely, while an increase in unemployment will have a direct effect on demand and consumer spending.

The economic scenario in 2010 therefore continues to be uncertain: on one hand demand may grow faster than forecast, while on the other the slackness on the labour market may last longer than expected.

### The Italian economy

After five consecutive quarters of negative growth, the 3rd quarter of 2009 saw a slight upswing (+0.6% on the previous quarter) thanks to government incentives in specific sectors. This was followed, however, by a 4th quarter in which initial estimates by ISTAT suggest there was a renewed downturn (-0.2% on the previous quarter).

According to Eurostat figures to December, the unemployment rate, a factor that limits household spending and therefore impacts negatively on overall consumption, continued to grow, reaching 8.5%.

Estimates by the International Monetary Fund, however, indicate a growth in GDP of 1% in 2010 and 1.3% in 2011, with unemployment rising to 10%.

## Financial and credit risks

### Financial risks

Financial risk derives from the Group's exposure to potential losses connected to financial cycles that depend on business operations, exchange and interest rate volatility and the financial structure.

Mondadori Group, which operates in different geographical regions, is obviously exposed to risks attaching to changes in interest and exchange rates.

Exposure to exchange rate risks is related to the geographical spread of the Company's business, which produces financial flows in currencies other than the euro (mainly the US dollar and the pound sterling).

The Group also utilises various forms of funding to cover the requirements of its business; changes in interest rates can lead to increases or reductions in the cost of borrowing and consequently on margins.

In line with its risk management policy, Mondadori Group hedges interest and exchange rate risks by using financial instruments. Despite these measures, eventual fluctuations in interest or exchange rates, due also to the economic situation, could have a negative impact on the Group's business and financial results.

The Group is well aware of the need to organize its resources in a way that will ensure the stability of its equity and financial structure.

The reduction in margins resulting from the slump in consumer spending and the slack advertising market could create a situation in which it might become necessary to seek new loans, thus increasing the overall level of debt and financial charges. To deal with this risk, the Group in 2009 completely re-negotiated its exposure to banks (at market conditions), ensuring a higher level of flexibility on its financial covenants and extending the average maturity of its loans.

### Risks associated with receivables

The unfavourable economic and financial situation could extend the average payment days, with a consequent impact on the financial position (esp. in the Advertising and Book Divisions).

The imbalance between terms and actual payment is most marked for the Group companies that do business with the

public administration, though this has a limited impact on the Group as a whole.

In general, the worsening of economic and financial conditions could increase the risk of contractual infringements or defaults on payment.

## Business risks: the competitive environment and strategic risks

The markets in which Mondadori Group operates are undergoing a phase of change, also as a result of the current economic climate and new technological, structural and regulatory developments in certain sectors of interest to the Group.

For the **Book Division**, a potentially significant risk attaches to technological innovation, such as the e-book, which is beginning to be a real alternative to the traditional book in some markets. The Division is carefully monitoring developments in the most advanced markets with a view to being in a position to rapidly adopt the best strategy to maintain the Company's leadership in this new publishing context as well.

The other main risk factors attaching to the current economic scenario are the concentration of revenues and margins on a small number of highly successful titles and the growing competitiveness of rivals. Its wide-ranging catalogue and bargaining power in the market for rights (ensuring rapid identification of investment and diversification opportunities) put the Division in a good position to deal with the risks it faces.

In the **Magazine Division Italy**, the continuing decline in circulation (also in 2010), add-on sales and advertising revenues points to a smaller magazine market in the future, but one in which the Division will be able to maintain its leadership thanks to a balanced mix between circulation and advertising revenues, improvements in internal processes and new brand extension initiatives.

The scenario facing the **Magazine Division France** is characterized by falling advertising revenues, a downturn in circulation (albeit less severe than in Italy) and increasing competition in the up-market segment, factors that the Division aims to counteract by rationalising its portfolio of titles (through disposals and re-styling) and reorganizing its advertising sales network.

With regard to the new content platforms (web and mobile), the area in which the Digital Publishing division operates, it should be noted that a business model capable of translating high numbers of hits into positive economic return has not yet emerged. The Division is therefore continuing to monitor new initiatives and is planning to rationalize its own sites, focusing resources on the sites of the most important publications.

The Division's International Activities area has seen a continued expansion in the network of up-market magazines (confirming the international appeal of the Group's brands) despite the economic crisis.

In the **Advertising** sector, the downturn in investments continues, though it gradually flattened out towards the end of 2009. This has led on one hand to a reduction in average prices and on the other to a shortening of lead times due to clients' indecision. Another critical element is the emergence of the web, which is eating into the share of traditional media. To deal with such risks, the Advertising Division has implemented both organisational and commercial changes, including the creation of Mediamond - a 50-50 joint venture with Publitalia '80 for the sale of online advertising on

Mondadori Group, RTI and other 3rd party publishers websites - and a series of brand extension initiatives.

The **Retail Division** is faced with competition from both other bookstore chains (either directly-owned or in franchising) and large-scale retail, the latter with particularly aggressive pricing policies. To face this increasing competition, the Division is continuing to consolidate its position by expanding and upgrading its sales outlets (also in terms of customer services).

The Division responded to the fall in sales of music and video products by reconverting space and this limited the loss of revenues.

The downturn in advertising investments also affected the **Radio Division**, which saw a decline in revenues due almost entirely to the reduction in volumes. Stability in average prices and numbers of listeners are encouraging signs in the run up to what is hoped will be a recovery in consumer spending.

## Legislative and regulatory risks

Mondadori Group operates within a complex regulatory environment, modifications to which could have an impact on its costs and capacity to compete in certain business areas.

A specific element that will condition the dynamics of **Educational Publishing** is the recently approved education reform, which will have a significant impact on the entire sector. Mondadori Education has put in place all the necessary measures to adapt its texts to the new syllabus and new ways of using teaching materials (partial digitalisation of content) required by the new law, though is not possible to exclude the risk of such reforms impacting on the company's results.

With regard to the **Cultural Heritage** area in which Mondadori Electa operates, substantial changes are expected in the way in which concessions are assigned for public services at museum sites, both in terms of requisites for participation in tenders and the type of business that can be carried out. There will also be an inevitable impact on the margins from such activities.

One of the main concerns in the **Magazine Division** continues to be possible limits on the allocation of indirect subsidies and changes in the way they are assigned. In particular, eventual changes in subsidized postal charges for the mailing of publishing products could have repercussions for subscriptions, impacting negatively on the Division's economic and financial position. The Division's results would also be vulnerable to changes concerning the authorisation of new newsstands and their remuneration systems.

For the **Direct Division**, whose activities include direct marketing, it should be noted that eventual restrictions on the acquisition, utilisation and sale of databases of addresses, as well as other information to be used in promotional activities, could result in serious limitations to its business.

With regard to the coming switch to digital broadcasting, the **Radio Division** is constantly monitoring the process that is defining a specific regulatory framework and will thus be able to rapidly adapt to the new requirements.

## Brand protection risks

Conscious of the prestige that derives from more than a century of publishing, Mondadori Group considers its brands as assets to be protected and developed. The Group's policies and activities are consequently focused on avoiding situations or events that could damage its image or have negative repercussions on the activities and results of its various businesses.

# Significant events in 2009

## Joint venture between Mondadori Pubblicità SpA and Publitalia '80 SpA for online advertising sales

In July, Mondadori Pubblicità SpA and Publitalia '80 SpA, the advertising sales companies of Mondadori Group and the Mediaset group respectively, agreed to form a 50-50 joint venture for the sale of online advertising.

According to the terms of the agreement, a new company called Mediamond SpA was set up to sell, under concession or sub-concessions, all of the advertising space (with the exception of video) on the websites produced by Mondadori Group, RTI and 3rd party publishers that are currently in the portfolios of either Mondadori Pubblicità or Digitalia '08.

The scope of the joint venture also includes the sale of online advertising for third-party publishers, in order to aggregate and maximise the value of the pool of advertisers under concession and, in the short term, to gain leadership of the Italian online advertising market through integration of sites in the portfolio, maximum coverage of targets and a focus on innovative formats and special projects.

Operational since January 2010, Mediamond can currently count on a product portfolio that delivers around 8 million unique users and 600 million page views a month.

## Mondadori France: the sale of specialised titles

At the end of September 2009 an agreement was reached for the transfer of two magazines in the auto sector, *SportAuto* and *AutoJournal*, published by Mondadori Magazines France, to Editions Mondadori Axel Springer Snc, a joint venture between Mondadori France and the Bertelsmann group, which already had *AutoPlus* in its portfolio. This operation, which was concluded with the payment of €9 million, created a specialised auto area under the control of the joint venture with a view to developing synergies both on the publishing and advertising sales fronts.

# Outlook for 2010

There were no significant changes in prevailing market trends in the first two months of the current year compared with the previous year in terms of consumer spending or, most importantly, advertising investments. It is therefore reasonable to presume that there will be a continuing period of uncertainty before any real recovery.

Given this situation, Mondadori Group is committed to reducing its operating costs and stepping up the drive to regain profitability, which in 4th quarter 2009 had already achieved margins close to those recorded in the same period in 2008.

The Group's strategic priorities in 2010 will thus be to refocus on product quality and the management of its core business and invest in growth areas, above all digital.

This is the rationale behind the board of directors' proposal not to distribute a dividend for 2009, as this will also allow the Company to complete the ongoing process of reorganisation and pursue the investment activities outlined above.

While it remains difficult to make short term forecasts for the markets in which Mondadori operates, it is possible to estimate that the Company will be able to improve its operating profitability compared to 2009, provided there is no worsening of the current trend in advertising investments.

# Significant events in 2010

## Preliminary agreement for the acquisition of 50% of Mondolibri SpA held by DirectGroup Bertelsmann

In February 2010, Arnoldo Mondadori Editore SpA signed a preliminary agreement with Società Holding Industriale di Grafica SpA for the acquisition of 50% of the share capital of Mondolibri SpA, 50% of which is already owned by Mondadori in a joint venture with DirectGroup Bertelsmann. The value of the transaction is €6.75 million.

The leading mail-order bookseller and one of the top Italian e-commerce operators, Mondolibri operates through two divisions: Book Club, which sells books and multimedia products by mail-order using the "club" formula and also through over 70 retail outlets, and an online platform, and www.bol.it, which sells books and multimedia products online.

Mondolibri generated total revenues of €82 million in 2008, €19 million of which from e-commerce.

The operation will give Mondadori Group full control of the company, making it possible on one hand to achieve significant synergy with the Mondadori bookshop chain network and on the other to operate www.bol.it , an important channel and strategic asset for online sales, autonomously.

Formal execution of the transfer is subject to approval by the competition authorities.

# Other information

## Related party transaction

With reference to legislative decree no. 173, 3 November 2008, which modified art. 2427 Civil Code and introduced 22 bis and ter, there were no operations of an atypical or unusual nature during the year.

Operations between related parties are carried out at arm's length: those carried out with Mondadori Group companies are of a commercial or financial nature and are accounted for through the intra-group current account managed by Arnoldo Mondadori Editore SpA and used by the various subsidiaries and associated companies, leading to a series of intercompany balances.

More detailed information can be found in the notes to the Group's consolidated financial statements.

## Tax consolidation

Following the introduction of new legislation - pursuant to art. 117 and following of DPR no. 917/1986 - Arnoldo Mondadori Editore SpA opted to take part in the tax consolidation of Fininvest SpA in view of its position as a jointly consolidated entity of that company.

The consolidation agreement under which Mondadori Group companies participate in the "Fininvest tax consolidation" contains a clause safeguarding Mondadori Group from being obliged to pay income tax in amounts greater than those which the Group would make had Arnoldo Mondadori Editore SpA opened its own tax consolidation position.

Moreover, on the basis of the transferred taxable income of all of the companies of the Fininvest group included in the fiscal consolidation, the contract recognises that a part of the fiscal advantage pertaining to Fininvest SpA is due to Arnoldo Mondadori Editore SpA in view of Mondadori Group's participation in the consolidation.

Payables and receivables arising from the consolidation are recognised as payables to and receivables from parent companies.

## Fiscal transparency

Arnoldo Mondadori Editore SpA and the following companies have jointly adopted the "fiscal transparency option" pursuant to art. 115, DPR no. 917/1986:

Gruner + Jahr/Mondadori SpA
Harlequin Mondadori SpA

As a result of this, the taxable income and tax losses of these companies are included on a pro-rata basis in the taxable income of Arnoldo Mondadori Editore SpA.

## Direction and co-ordination (art. 2497 and subseq., Civil Code)

While holding a majority interest, as per art. 2359, Civil Code, Fininvest SpA does not exercise any direction or co-ordination functions as defined in art. 2497 bis and subseq., Civil Code, over Arnoldo Mondadori Editore SpA and limits itself to the management of its financial interest in same.

In line with legal requirements and given that the board of directors of Arnoldo Mondadori Editore SpA also provides general strategic and organisational guidance for subsidiary companies, the Board has confirmed that the Company carries out direction and co-ordination, as per art. 2497 and subseq., Civil Code, of the following companies, as per art. 2359, Civil Code:

Cemit Interactive Media SpA
Edizioni Piemme SpA
Mondadori Education SpA
Giulio Einaudi editore SpA
Mondadori Electa SpA

Mondadori Franchising SpA
Mondadori Pubblicità SpA
Mondadori Retail SpA
Press-Di Distribuzione Stampa e Multimedia Srl
Sperling & Kupfer Editori SpA
Monradio Srl
Mondadori Iniziative Editoriali SpA

These companies have consequently made the disclosures required by art. 2497 bis, Civil Code.

### Security Procedural Document (privacy)

With regard to legislative decree no. 196/2003, the data controller, Arnoldo Mondadori Editore SpA, represents and warrants under obligation that it has prepared a Security Procedural Document as required by rule no. 19 of the regulations regarding minimum security measures (Enclosure B, legislative decree no. 196/2003), within the terms and according to the procedures of said regulations.

### Renewal of authorisation to effect share buy backs

The Annual General Meeting of the Shareholders on 29 April 2009, following the expiry of a previous authorisation issued at the AGM on 22 April 2008, voted, as per art. 2357, Civil Code, to renew authorisation for the buy back of Company shares, taking account of the shares already in the portfolio or held by subsidiaries, up to the limit of 10% of the share capital.

The main points of the buy back programme are as follows:

1.Objectives and reasons:
- to use treasury shares for the exercise of stock allocated under stock option plans put in place by the shareholders;
- to use treasury shares, either bought back or already held, for the exercise of rights, including conversion rights, deriving from financial instruments issued by the Company, its subsidiaries or 3rd parties;
- to use treasury shares, either bought back or already held, as part or whole payment in acquisitions or equity investments that fall within the Company's stated investment policy;
- to take advantage, where and when considered strategic for the Company, of investment opportunities, also in relation to available liquidity.

2.Cap on the number of shares that may be bought
The authorisation applied for entails a limit of 10% of the Company's share capital, or 25,942,983 shares.

Given that, on the date of the shareholders' resolution, the Company already held 15,580,101 of its own shares and that a further 4,517,486 Mondadori shares were held by the subsidiary Mondadori International SA - making an overall total of 20,097,587 shares, corresponding to 7.747% of the share capital -, the new authorisation gave the Board the faculty to buy back a further 5,845,396 ordinary shares, corresponding to 2.253% of the share capital.

3. Method of acquisition and the price range
Buy-backs would be made on regulated markets as per art. 132, legislative decree no. 58, 24 February 1998, and art. 144 bis, para. 1, B, Consob Regulation 11971/99, according to operating procedures established by the markets themselves, which do not permit the direct combination of offers to buy with predetermined offers to sell.

Consequently, the corresponding minimum and maximum price of sale will be determined at the same conditions that applied to previous authorisations agreed by the shareholders, i.e. at a unit

price not less than the official market price on the day prior to any operation, less 20%, and not more than the official market price on the day prior to any; operation, plus 10%.

In terms of prices and daily volumes, acquisition operations will in any case be conducted in accordance with EU Regulation 2273/2003, and in particular:

- the Company will not buy shares at a price higher than that of the last independent operation or, if higher, the highest current independent offer on the regulated market where the acquisition is made;
- in terms of daily volumes, the Company will not purchase a quantity greater than 25% of the average daily volume of Mondadori shares traded on the regulated market and calculated on the basis of the average daily volume of trading of Mondadori shares in the 20 trading days prior to the dates of purchase.

4. Duration

The authorisation to buy back shares will remain valid until approval of the financial statements for the year to 31 December 2009, and in any case for a period of no longer than 18 months from the date of the shareholders' resolution.

In 2009, no share buy back operations or any provisions for such were made by Arnoldo Mondadori Editore SpA or its

| Name | Company shares | Number of shares owned at end of previous year | Number of shares bought | Number of shares sold | Number of shares owned at end of current year |
|---|---|---|---|---|---|
| Berlusconi Marina | Arnoldo Mondadori Editore | - | - | - | - |
| Costa Maurizio | Arnoldo Mondadori Editore | 350,000 | - | - | 350,000 |
| Berlusconi Pier Silvio | Arnoldo Mondadori Editore | 172,000 | - | - | 172,000 |
| Cannatelli Pasquale | Arnoldo Mondadori Editore | - | - | - | - |
| Ermolli Bruno | Arnoldo Mondadori Editore | - | - | - | - |
| Forneron Mondadori Martina | Arnoldo Mondadori Editore | 137,127 | - | - | 137,127 |
| Poli Roberto | Arnoldo Mondadori Editore | - | - | - | - |
| Resca Mario | Arnoldo Mondadori Editore | - | - | - | - |
| Spadacini Marco | Arnoldo Mondadori Editore | 8,000[1] | - | - | 8,000[1] |
| Veronesi Umberto | Arnoldo Mondadori Editore | - | - | - | - |
| Vismara Carlo Maria | Arnoldo Mondadori Editore | 35,000 | - | - | 35,000 |
| Superti Furga Ferdinando | Arnoldo Mondadori Editore | - | - | - | - |
| Giampaolo Francesco Antonio | Arnoldo Mondadori Editore | - | - | - | - |
| Papa Franco Carlo | Arnoldo Mondadori Editore | - | - | - | - |
| Simonelli Ezio | Arnoldo Mondadori Editore | - | - | - | - |
| Vittadini Francesco | Arnoldo Mondadori Editore | - | - | - | - |
| Executives with strategic responsibilities | Arnoldo Mondadori Editore | 1,000 | - | - | 1,000 |

[1] shares held by spouse

subsidiaries. As of 31 December 2009, the total number of shares in the portfolio therefore amounted to 20,097,587 (7.747% of the share capital), of which 15,580,101 held directly by Arnoldo Mondadori Editore SpA and 4,517,486 by the subsidiary Mondadori International SA.

After the end of the year, in the period from 8 to 26 February 2010, the Company effected buy backs on the automated market, in the manner outlined above, totalling 2,270,000 Company shares, at an average unit price of €2.70.

Following these operations, on the date of approval of this report, the total number of treasury shares held by the Company was 22,367,587 (8.62% of the share capital), of which 17,850,101 held directly by Arnoldo Mondadori Editore SpA (average unit price €6.17) and 4,517,486 by the subsidiary Mondadori International SA (average unit price €7.71).

### Stock option plan for the three-year period 2009-2011

Following the expiry of the previous three-year (2006-2008) plan, the AGM on 29 April 2009 agreed - as per art. 114, legislative decree no. 58, 24 February 1998, - to establish a stock option plan for the three-year period 2009-2011 (the "Plan") for executives of the Company and its subsidiaries whose functions have a determining impact on the achievement of the Group's strategic objectives, directors of the Company and its subsidiaries, employee journalists of the Company and its subsidiaries with the position of editor or co-editor, parent company executives whose functions are conducted in the interests of the Company.

The reasons for proposing the stock option plan, in line with those outlined for previous three-year plans, are to:

- provide the Company and its subsidiaries with an effective tool to sustain management loyalty by focusing on the attainment of the Company's strategic objectives and granting a share its results;
- allow management, and consequently the Company, to develop an orientation toward the process of value creation.

The shareholders entrusted the board of directors with the management of the plan, giving it full powers to select people from the categories outlined above to whom to allocate option rights, set performance objectives to which the exercise of such rights is subordinate and implement the plan in all its details. The shareholders also charged the Board with the task of defining the stock option plan rules.

The "Rules Governing the Stock Option Plan 2009-2011" approved by the Board provide for the annual allocation, for each year of the plan, of personal, non-transferable options for the acquisition of Arnoldo Mondadori Editore SpA ordinary shares at a one-to-one ratio and with standard dividend rights.

The exercise price for options will be determined by the board of directors with reference to the arithmetical average of the Mondadori share price in the period between the date of allocation of the options and the same day of the previous calendar month.

### Allocations for 2009 under the 2009-2011 stock option plan

On 15 October 2009, the board of directors, at the proposal of the Remuneration Committee, approved the allocation for 2009 of options under the 2009-2011 three-year stock option plan set up, as indicated above, by the AGM on 29 April 2009.

The board of directors allocated 2,300,000 share options to 47 persons selected from among the categories indicated in the aforementioned resolution on 29 April 2009 to set up the stock option plan (directors of the Company and its subsidiaries, employee journalists of the Company and its subsidiaries with the position of editor or co-editor, parent company executives whose functions are conducted in the interests of the Company).

The total number of shares allocated was 0.88% of the Company's share capital. The Board also set performance objectives (consolidated ROE and free-cash flow indicators) as a condition for the exercise of the options allocated for 2009.

Subordinate to the verification by the board of directors of the attainment of the conditions for the exercise of options for 2009, such exercise will be possible after a period of 36 months from the date of allocation.

The exercise price corresponds to the arithmetical average of the Mondadori share price in the period between the date of allocation of the options and the same day of the previous calendar month.

Further details regarding stock option plans can be found in Note 25 of the Annual Report.

| Name | Company shares | Number of shares owned at end of previous year | Number of shares bought | Number of shares sold | Number of shares owned at end of current year |
|---|---|---|---|---|---|
| Berlusconi Marina | Arnoldo Mondadori Editore | - | - | - | - |
| Costa Maurizio | Arnoldo Mondadori Editore | 350,000 | - | - | 350,000 |
| Berlusconi Pier Silvio | Arnoldo Mondadori Editore | 172,000 | - | - | 172,000 |
| Cannatelli Pasquale | Arnoldo Mondadori Editore | - | - | - | - |
| Ermolli Bruno | Arnoldo Mondadori Editore | - | - | - | - |
| Forneron Mondadori Martina | Arnoldo Mondadori Editore | 137,127 | - | - | 137,127 |
| Poli Roberto | Arnoldo Mondadori Editore | - | - | - | - |
| Resca Mario | Arnoldo Mondadori Editore | - | - | - | - |
| Spadacini Marco | Arnoldo Mondadori Editore | 8,000[1] | - | - | 8,000[1] |
| Veronesi Umberto | Arnoldo Mondadori Editore | - | - | - | - |
| Vismara Carlo Maria | Arnoldo Mondadori Editore | 35,000 | - | - | 35,000 |
| Superti Furga Ferdinando | Arnoldo Mondadori Editore | - | - | - | - |
| Giampaolo Francesco Antonio | Arnoldo Mondadori Editore | - | - | - | - |
| Papa Franco Carlo | Arnoldo Mondadori Editore | - | - | - | - |
| Simonelli Ezio | Arnoldo Mondadori Editore | - | - | - | - |
| Vittadini Francesco | Arnoldo Mondadori Editore | - | - | - | |
| Executives with strategic responsibilities | Arnoldo Mondadori Editore | 1,000 | - | - | 1,000 |

[1] shares held by spouse

### Report on Corporate Governance Report and ownership structure (art. 123 bis, legislative decree no. 58, 24 February 1998)

The Report on Corporate Governance and ownership structure containing information regarding the compliance of Arnoldo Mondadori Editore SpA with the Borsa Italiana SpA Code of Conduct for Listed Companies, as well as additional information as per art. 123 bis, clauses 1 and 2, legislative decree no. 58, 24 February 1998, has been posted, along with this management report, on the website www.mondadori.it (Corporate Governance section) as well as in accordance with the indications of the aforementioned art. 89bis, Consob Regulation 11971/1999.

### Shares held by directors, statutory auditors and general managers

In accordance with art. 79, Consob Regulation 11971, 14 May 1999, and with reference to the year 2009, we disclose the following details of shares held in Arnoldo Mondadori Editore SpA and subsidiary companies by the Company's directors and statutory auditors.

It should be noted that, unless otherwise indicated, shares are held directly by the persons named.

The same information, in aggregate form, is also supplied for executives with strategic responsibilities as identified by the Group's Management Committee.

# Proposals of the Board of Directors

## Resolution proposal

The financial statements at 31 December 2009 closed with a net profit for the year of €53,179,772.38.

We submit the following text to you for the motion:

*"The ordinary Shareholders' General Meeting of Arnoldo Mondadori Editore SpA, having taken note of the Report of the Board of Statutory Auditors and the Report of the Independent Auditors,*

resolves

1. *to approve the Report of the Board of Directors on the company's performance and the financial statements at 31 December 2009, together with the notes, in all their parts and findings;*

2. *to allocate to the extraordinary reserve (as per the item "Other reserves") a sum equal to the net profit for the year of* €53,179,772.38*."*

*On behalf of the Board of Directors*
*Chairman*
*Marina Berlusconi*

# Financial statements of Arnoldo Mondadori Editore SpA at 31 December 2009

# Balance sheet

| Assets<br>(in €) | Note | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Intangible assets | 1 | 91,530,041 | 92,388,091 |
| Investment property | 2 | 2,469,955 | 2,553,942 |
| Land and buildings | | 8,872,800 | 9,333,364 |
| Plant and machinery | | 5,515,528 | 6,684,061 |
| Other assets | | 3,440,758 | 4,273,721 |
| **Property, plant and equipment** | 3 | **17,829,086** | **20,291,146** |
| Investment | 4 | 604,703,006 | 684,817,816 |
| Non-current financial assets | | - | - |
| Advanced taxes | 5 | 21,555,956 | 16,516,729 |
| Other non-current assets | 6 | 453,821 | 518,175 |
| **Total non-current assets** | | **738,541,865** | **817,085,899** |
| Tax credits | 7 | 6,378,283 | 2,663,856 |
| Other current assets | 8 | 119,631,100 | 53,649,738 |
| Inventories | 9 | 31,255,819 | 34,674,741 |
| Trade receivables | 10 | 204,399,315 | 224,569,971 |
| Stocks and other current financial assets | 11 | 104,470,652 | 108,921,169 |
| Cash and cash equivalents | 12 | 35,422,265 | 113,009,244 |
| **Total current assets** | | **501,557,434** | **537,488,719** |
| Assets destined to be sold or closed | | - | - |
| **Total assets** | | **1,240,099,299** | **1,354,574,618** |

| Liabilities<br>(in €) | Note | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Share capital | | 67,451,756 | 67,451,756 |
| Share premium reserve | | 286,857,191 | 286,875,536 |
| Treasury shares | | (104,001,848) | (104,001,848) |
| Other reserves and retained earnings | | 167,663,791 | 100,250,656 |
| Profit (loss) for the year | | 53,179,772 | 66,197,032 |
| **Total shareholders' equity** | 13 | **471,150,662** | **416,773,132** |
| Reserves | 14 | 36,398,425 | 23,461,833 |
| Severance payments | 15 | 32,434,139 | 34,131,158 |
| Non-current financial liabilities | 16 | 140,031,553 | 371,325,516 |
| Deferred tax liabilities | 5 | 19,031,622 | 18,522,840 |
| Other non-current liabilities | | - | - |
| **Total non-current liabilities** | | **227,895,739** | **447,441,347** |
| Income taxes payable | 17 | 17,625,578 | 14,586,582 |
| Other current liabilities | 18 | 74,873,469 | 72,080,524 |
| Trade payables | 19 | 159,952,338 | 162,569,462 |
| Payables to banks and other financial liabilities | 16 | 288,601,513 | 241,123,571 |
| **Total current liabilities** | | **541,052,898** | **490,360,139** |
| Liabilities held for sale | | - | - |
| **Total liabilities and shareholders' equity** | | **1,240,099,299** | **1,354,574,618** |

# Separate income statement

| (in €) | Note | 2009 | 2008 |
|---|---|---|---|
| **Income from sales of goods and services** | 20 | **776,253,473** | **865,146,861** |
| Decrease (increase) in inventories | 9 | 3,418,923 | 4,361,924 |
| Cost of raw, ancillary and consumable materials and goods | 21 | 183,294,517 | 180,117,199 |
| Cost of services | 22 | 395,016,421 | 445,564,558 |
| Personnel costs | 23 | 144,600,013 | 130,529,312 |
| Various charges (income) | 24 | 6,371,285 | 6,662,798 |
| **Gross operating profit** | | **43,552,314** | **97,911,070** |
| Depreciation of property, plant and machinery | 2-3 | 4,044,739 | 4,254,504 |
| Depreciation of intangible assets | 1 | 1,235,685 | 257,592 |
| **Operating profit** | | **38,271,890** | **93,398,974** |
| Financial income (expense) | 25 | 4,093,442 | ( 24,319,194) |
| Investment income (charges) | 26 | 28,384,887 | 21,959,731 |
| **Profit before taxation** | | **70,750,219** | **91,039,511** |
| Income taxes | 27 | 17,570,447 | 24,842,479 |
| **Net profit** | | **53,179,772** | **66,197,032** |

# Comprehensive income statement

| (in Euro) | Note | 2009 | 2008 |
|---|---|---|---|
| **Net profit** | | **53,179,772** | **66,197,032** |
| Changes | | - | - |
| Tax effect | | - | - |
| **Overall net profit** | | **53.179.772** | **66.197.032** |

*On behalf of the Board of Directors*
*Chairman*
*Marina Berlusconi*

# Changes in shareholders' equity at 31 December 2009

| (€,000) | Note | Share capital | Share premium reserve | Treasury shares | Stock option reserve | Other reserve | Profit (loss) for the year | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| **At 01/01/2008** | | **67,452** | **286,876** | **(104,002)** | **6,236** | **86,308** | **89,965** | **432,835** |
| Movements: | | | | | | | | |
| - Allocation of net profit | | | | | | 6,199 | (6,199) | - |
| - Dividends paid | | | | | | | (83,766) | (83,766) |
| - Treasury share operations | | | | | | | | - |
| - Stock options | 23 | | | | (497) | 2,004 | | 1,507 |
| - Net profit for the year | | | | | | | 66,197 | 66,197 |
| **At 31/12/2008** | | **67,452** | **286,876** | **(104,002)** | **5,739** | **94,511** | **66,197** | **416,773** |

| (€,000) | Note | Share capital | Share premium reserve | Treasury shares | Stock option reserve | Other reserve | Profit (loss) for the year | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| **At 01/01/2009** | | **67,452** | **286,876** | **(104,002)** | **5,739** | **94,511** | **66,197** | **416,773** |
| Movements: | | | | | | | | |
| - Allocation of net profit | | | | | | 66,197 | (66,197) | - |
| - Dividends paid | | | | | | | | - |
| - Treasury share operations | | | | | | | | - |
| - Stock options | 23 | | (19) | | 962 | 255 | | 1,198 |
| - Net profit for the year | | | | | | | 53,180 | 53,180 |
| **At 31/12/2009** | | **67,452** | **286,857** | **(104,002)** | **6,701** | **160,963** | **53,180** | **471,151** |

*On behalf of the Board of Directors*
*Chairman*
*Marina Berlusconi*

# Cash flow statement

| (€,000) | Note | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Net profit for the period | | 53,180 | 66,197 |
| *Adjustments* | | | |
| Depreciations, amortisation and writedowns | | 22,789 | 35,435 |
| Stock options | 23 | 1,030 | 1,128 |
| Charges to provisions and leaving entitlements | | 3,234 | 10,797 |
| Capital losses (gains) on disposals of tangible assets, property, plant and equipment | | (766) | (1,431) |
| Income from investments - dividends | 26 | (45,894) | (51,489) |
| **Cash from operating activities** | | **33,573** | **60,637** |
| (Increase) decrease in trade receivables | | 21,684 | 13,324 |
| (Increase) decrease in inventories | | 3,419 | 4,361 |
| Increase (decrease) in trade payables | | (2,664) | (22,317) |
| Net change in income tax receivables/payables | 7-17 | (675) | (6,866) |
| Net changes in other assets/liabilities | | 21,838 | (11,420) |
| Net changes in deferred tax assets and liabilities | 5 | (4,530) | (645) |
| Increase (decrease) to provisions, employees' leaving entitlement and termination indemnities | | (6,266) | (3,961) |
| **Cash flow from (used in) investing activities** | | **66,378** | **33,113** |
| (Investments in) disposals of intangible assets | | (378) | (970) |
| (Investments in) disposals of property, plant and equipment | | (1,325) | (3,263) |
| (Investments in) disposals of equity investments | | (8,788) | 46,694 |
| Income from investments - dividends | 26 | 45,894 | 51,489 |
| (Investments) disposals of shares and other financial assets | 11 | 4,450 | (5,640) |
| **Cash flow from (used in) investing activities** | | **39,853** | **88,310** |
| Increase (decrease) in payables to banks | | 47,476 | (95,543) |
| (Purchase) disposal of treasury stock | 13 | - | - |
| Net change in other financial assets/liabilities | 16 | (231,294) | 74,876 |
| Dividends paid | 13 | - | (83,766) |
| **Cash flow from (used in) financing activities** | | **(183,818)** | **(104,433)** |
| **Increase (decrease) in cash and cash equivalents** | | **(77,587)** | **16,990** |
| **Cash and cash equivalents at beginning of period** | 12 | **113,009** | **96,019** |
| **Cash and cash equivalents at end of period** | 12 | **35,422** | **113,009** |
| **Composition of cash and cash equivalents at beginning of period** | | | |
| Cash, cheques and valuables in hand | | 16 | 26 |
| Bank and post office deposits | | 35,406 | 112,983 |
| | 12 | **35,422** | **113,009** |

*On behalf of the Board of Directors*
*Chairman*
*Marina Berlusconi*

# Balance sheet as per Consob deliberation no. 15519 of 27 July 2006

| Assets<br>(€,000) | Note | 31/12/2009 | Including related parties (note 30) | 31/12/2008 | Including related parties (note 30) |
|---|---|---|---|---|---|
| Intangible assets | 1 | 91,530 | | 92,388 | |
| Investment property | 2 | 2,470 | | 2,554 | |
| Land and buildings | | 8,873 | | 9,333 | |
| Plant and machinery | | 5,515 | | 6,684 | |
| Other tangible fixed assets | | 3,441 | | 4,274 | |
| **Property, plant and equipment** | 3 | **17,829** | | **20,291** | |
| Investments | 4 | 604,703 | | 684,818 | |
| Non-current financial assets | | - | | - | |
| Advance tax assets | 5 | 21,556 | | 16,517 | |
| Other non-current assets | 6 | 454 | | 518 | |
| **Total non-current assets** | | **738,542** | | **817,086** | |
| Tax receivables | 7 | 6,378 | | 2,664 | |
| Other current assets | 8 | 119,631 | | 53,650 | |
| Inventories | 9 | 31,256 | | 34,675 | |
| Trade receivables | 10 | 204,399 | 122,209 | 224,570 | 139,799 |
| Other current financial assets | 11 | 104,471 | 103,098 | 108,921 | 107,919 |
| Cash and cash equivalents | 12 | 35,422 | | 113,009 | |
| **Total current assets** | | **501,557** | **225,306** | **537,489** | **247,718** |
| Assets held for sale | | - | | - | |
| **Total assets** | | **1,240,099** | **225,306** | **1,354,575** | **247,718** |

| Liabilities and shareholders' equity<br>(€,000) | Note | 31/12/2009 | Including related parties (note 30) | 31/12/2008 | Including related parties (note 30) |
|---|---|---|---|---|---|
| Share capital | | 67,452 | | 67,452 | |
| Share premium reserve | | 286,857 | | 286,876 | |
| Treasury shares | | (104,002) | | (104,002) | |
| Other reserves and retained earnings | | 167,664 | | 100,250 | |
| Profit (loss) for the year | | 53,180 | | 66,197 | |
| **Total shareholders' equity** | 13 | **471,151** | | **416,773** | |
| Provisions | 14 | 36,398 | | 23,462 | |
| Employees' leaving entitlement and termination indemnities | 15 | 32,434 | | 34,131 | |
| Non-current financial liabilities | 16 | 140,032 | | 371,326 | 289,755 |
| Deferred tax liabilities | 5 | 19,032 | | 18,523 | |
| Other non-current liabilities | | - | | - | |
| **Total non-current liabilities** | | **227,896** | | **447,442** | **289,755** |
| Income tax payables | 17 | 17,625 | 17,625 | 14,587 | 14,587 |
| Other current liabilities | 18 | 74,873 | - | 72,080 | - |
| Trade payables | 19 | 159,952 | 93,262 | 162,569 | 98,333 |
| Payables to banks and other financial liabilities | 16 | 288,602 | 161,656 | 241,124 | 160,443 |
| **Total current liabilities** | | **541,052** | **272,543** | **490,360** | **273,363** |
| Liabilities held for sale | | - | | - | |
| **Total liabilities and shareholders' equity** | | **1,240,099** | **272,543** | **1,354,575** | **563,118** |

# Income statement as per Consob deliberation no. 15519 of 27 July 2006

| (€,000) | Note | 2009 | Including related parties (note 30) | Including non-recurring charges (income) (note 29) | 2008 | Including related parties (note 30) | Including non-recurring charges (income) (note 29) |
|---|---|---|---|---|---|---|---|
| **Revenues from sales and services to third parties** | 20 | **776,253** | **565,201** | **-** | **865,147** | **650,955** | **-** |
| Decrease (increase) in inventories | 9 | 3,419 | - | - | 4,362 | - | - |
| Purchase of raw materials and consumables and goods for resale | 21 | 183,295 | 144,019 | - | 180,117 | 147,034 | - |
| Purchase of services | 22 | 395,016 | 200,094 | - | 445,565 | 225,826 | - |
| Personnel costs | 23 | 144,600 | - | 19,540 | 130,529 | - | - |
| Other (income) expense | 24 | 6,371 | (10,369) | (649) | 6,663 | (11,909) | - |
| **Gross operating profit** | | **43,552** | **231,457** | **(18,891)** | **97,911** | **290,004** | **0** |
| Depreciation and impairment of property, plant and equipment | 2-3 | 4,045 | - | - | 4,254 | - | - |
| Amortisation and impairment of intangible assets | 1 | 1,235 | - | - | 258 | - | - |
| **Operating result** | | **38,272** | **231,457** | **(18,891)** | **93,399** | **290,004** | **0** |
| Financial income (expenses) | 25 | 4,093 | (10,408) | 14,450 | (24,319) | (16,184) | - |
| Income (expenses) from other investments | 26 | 28,385 | 45,894 | - | 21,959 | 51,489 | 1,393 |
| **Results before taxes** | | **70,750** | **266,943** | **(4,441)** | **91,039** | **325,309** | **1,393** |
| Income taxes | 27 | 17,570 | - | (1,736) | 24,842 | - | 34 |
| **Net result** | | **53,180** | **266,943** | **(2,705)** | **66,197** | **325,309** | **1,359** |

## Report on the performance for the year

The "Report of the Board of Directors on 2009" contains details of the business activities and the results of Arnoldo Mondadori Editore SpA, information on the workforce, a forecast of business activities for the current year and details of the significant events that occurred after the end of the year.

## Accounting principles and notes to the financial statements

### 1. General information

The main corporate purpose of Arnoldo Mondadori Editore SpA is to carry out business activities connected with the book and magazine publishing sectors and the sale of advertising.

Arnoldo Mondadori Editore SpA has its registered office in via Bianca di Savoia 12, in Milan, Italy, while the main administrative offices are in Segrate, Milan, in Strada privata Mondadori.

Arnoldo Mondadori Editore SpA is listed on the MTA (automated stock market) of Borsa Italiana SpA.

The values shown in the tables and in the notes are expressed in thousands of euros unless otherwise indicated.

The financial statements of Arnoldo Mondadori Editore SpA for the year ended 31 December 2009 were approved by the shareholders' meeting of 23 March 2010 and are available for consultation by the public, together with other documents required by law, in accordance with current regulations, at the Company's registered offices, at Borsa Italiana SpA, and also on the Company's website.
The financial statements will be published by filing them with the Companies Register within 30 days of the shareholders' meeting of 27 April 2010 called to approve the financial statements for 2009.

### 2. Form and content

The financial statements as of 31 December 2009 were drawn up in conformity with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU and in conformity with the interpretations of the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The financial statements are compiled on the understanding that the Company will continue to operate in the future.

Arnoldo Mondadori Editore SpA adopted the body of the principles as of 1 January 2005, following the introduction of European Regulation 1606 of 19 July 2002.

The information required by IFRS 1 concerning the impact of the first adoption of International Accounting Standards was included in the attachment "Transition to IAS/IFRS accounting standards" to the six-month Report for 2005 and to the separate financial statements as of 31 December 2005.

The financial statements as of 31 December 2009 were drawn up in conformity with the

accounting standards used for preparing the IAS/IFRS consolidated financial statements as of 31 December 2009, taking into account the amendments and new principles that came into force as of 1 January 2009, which are referred to in note 3.25.

The financial statements were prepared in the following way:
- current and non-current assets and current and non-current liabilities are shown separately in the balance sheet;
- in the separate income statement, the analysis of costs is carried out on the basis of the nature of the costs, since the Company decided that this method is more representative than an analysis by function;
- the comprehensive income statement contains revenues and costs items that are not recognised among the profit (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 15519 of 27 July 2006 concerning the tables used in financial statements, specific supplementary tables were included to highlight significant business with "Related parties" and "Non-recurring operations".

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

## 3. Accounting principles and policies

The following is a description of the principles and policies adopted by the Company in preparing its IAS/IFRS consolidated financial statements as of 31 December 2009.

### 3.1 Intangible fixed assets

When it is probable that costs will generate future economic benefits, intangible assets include the cost, including accessory charges, of the purchase of assets or resources, without any physical form, used in the production of goods or in the supply of services, to rent to third parties or for administrative purposes, on condition that the cost is quantifiable in a reliable manner and that the goods are clearly identifiable and controlled by the company that owns them.

Any costs incurred after the initial purchase are included in the increase of the cost of intangible assets in direct relation to the extent to which those costs are able to generate future economic benefits.

Internal costs for producing mastheads and for the launch of newspapers, magazines or other journals are recognised in the income statement for the year in question.

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses.

Intangible assets purchased separately and those purchased as part of business combinations that took place before the adoption of IAS/IFRS are initially booked at cost, while those purchased as part of business combination operations that took place after the adoption of IAS/IFRS are initially recognised at their fair value.

*Intangible assets with a finite useful life*
The cost of intangible assets with a finite useful life is systematically amortised over the useful life of the asset from the moment the asset is available for use. The amortisation criteria depend on how the Company will receive the relative future economic benefits.

The amortisation rates reflecting the useful lives attributed to intangible assets with a finite life are as follows.

| Intangible assets with a finite useful life | Amortisation period |
|---|---|
| Goods under concession or licence | Term of franchise or licence |
| Software | Straight line over 3 years |
| Patents and rights | Straight line over 3 - 5 years |
| Other intangible assets | Straight line over 3 - 5 years |

Intangible assets with a finite useful life are subject to an impairment test every time there is an indication of a possible loss of value. The period and method of amortisation applied are reviewed at the end of each year or more frequently if necessary.

Variations in the expected useful life or in the way future economic benefits linked to intangible assets are expected to be earned by the Company are recognised by modifying the period or method of amortisation, and are treated as adjustments to accounting estimates.

*Intangible assets with an indefinite useful life*
Intangible assets are considered to have an indefinite useful life when, on the basis of a thorough analysis of the relevant factors, there is no foreseeable limit to the length of time the assets may generate income for the Company.

The intangible assets identified by the Company as having an indefinite useful life are shown in the following table:

| Intangible assets with an indefinite useful life |
|---|
| Titles |
| Trade marks |
| Goodwill |

Goodwill represents the excess of the cost of a business combination over the share purchased by the Company of the fair value of the assets, liabilities and contingent liabilities acquired, as identifiable at the time of purchase. Goodwill and the other intangible assets with an indefinite useful life are not subject to amortisation but to an impairment test of their carrying value. This test concerns the value of the individual assets or of the business unit that generates financial income (Cash Generating Unit) and is carried out whenever it is believed that the value has decreased, and in any case at least once a year.

In cases where goodwill is attributed to a Cash Generating Unit (or to a group of units) whose assets are partially disposed of, the goodwill associated with the asset disposed of is reviewed in order to determine any capital gains or losses resulting from the operation. In these circumstances the goodwill disposed of is measured on the basis of the value of the assets disposed of compared with the asset still included in the Cash Generating Unit in question.

### 3.2 Investment property

A property investment is stated as an asset when it is held in order to earn income from its rental or to increase its invested capital, on condition that the cost of the asset can be reliably measured and that future economic benefits will flow to the Company.

Property investments are stated at cost, which includes the purchase cost and all accessory charges directly connected to the purchase.

Costs which arise after the initial purchase are included in the increase of the cost of the property investment in direct relation to how much those costs are able to generate future economic benefits higher than those originally assessed.

The cost of property investments, except for that part pertaining to the cost of the land, is systematically amortised during the useful life of the asset. The depreciation criteria depend on the how the relative future economic benefits arrive at the Company.

The depreciation rates that reflect the useful life attributed to the Company's investments are as follows:

| Investment property | Depreciation rate |
|---|---|
| Buildings not used in business activities | 3% |

Both the useful life and the depreciation criteria are constantly reviewed and if any significant changes are found in the assumptions previously adopted, the depreciation rate for the period in question and for successive periods is adjusted.

Gains and losses deriving from the disposal of real estate investments are recognised in the income statement in the year the operation takes place.

Investment property is reclassified when there is a change in its use signalled by specific events.

### 3.3 Property, plant and equipment

Any costs attributable to the purchase of property, plant and equipment are recognised as assets, on condition that the cost of the asset can be reliably calculated and any related future economic benefits will flow to the Company.

Assets booked to property, plant and equipment are valued at cost, including any accessory charges, and are stated net of accumulated depreciation and any loss in value.

Costs which arise after the initial purchase are recognised as an increase in cost in direct relation to the extent that these costs are able to improve the performance of the asset.

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are initially recognised at their fair value at the time of their purchase and subsequently at cost.
Assets recognised as property, plant and equipment, with the exception of land, are depreciated during the useful life of the asset from the moment the assets are available for use.

If the assets include more than one significant component and the components have different useful lives, each individual component is depreciated separately.

The depreciation rates reflecting the useful lives attributed to the Company's property, plant and equipment are as follows.

| Property, plant and equipment | Depreciation rate |
|---|---|
| Buildings used in business activities | 3% |
| Plant | 10% - 25% |
| Equipment | 15.5% |
| Machinery | 25% |
| Electronic office equipment | 30% |
| Furniture and fixtures | 12% |
| Motor vehicles and transport vehicles | 20% - 30% |
| Other assets | 20% |

The residual value of assets, useful lives and the depreciation criteria applied, are reviewed on an annual basis and adjusted, if necessary, at the end of every year.

Leasehold improvements are booked to tangible fixed assets and depreciated over the lower of the residual useful life of the tangible fixed asset and the residual term of the lease contract.

### 3.4 Assets acquired under finance leases

Assets acquired under finance leases, which transfer all the risks and benefits connected with the asset to the Company, are booked at their market value or, if lower, at the present value of the minimum lease payments, including the amount to be paid for exercising any purchase option.

Liabilities arising from leasing contracts are recognised as financial liabilities.

These assets are booked under their respective categories in the property, plant and equipment item and depreciated over the lower of the contract term and the useful life of the asset in question.

A lease where the lessor retains substantially all the risks and benefits linked to the property is recognised as an operating lease and the relative costs are recognised in the income statement over the contract term.

### 3.5 Borrowing costs

The Company does not capitalise any financial charges connected with the purchase, construction or production of assets that can be capitalised. These charges are booked to the income statement in the year in which they are incurred.

### 3.6 Loss in value of assets (impairment)

The carrying value of intangible assets, investment property and property, plant and machinery is subject to an impairment test whenever it is believed that it may have decreased.

Impairment tests are carried out at least once a year on goodwill, other intangible assets with an indefinite useful life and on other assets that are not available for use, and are performed by comparing the carrying value with whichever is higher between the fair value less the sales cost and the value in use of the asset.

If no binding sales agreement or an active market for an asset exist, the fair value is calculated on the basis of the best information available concerning the amount the company would obtain, at the balance sheet date, from the disposal of an asset in a free transaction between informed and willing parties, after the costs of disposal have been deducted.

The value in use of an asset is determined by calculating the amount of income expected from its use, forecasts of financial income being based on reasonable, plausible assumptions used by the management to estimate a series of economic conditions that hold for the remainder of the life of the asset, giving more importance to external indicators.

The pre-tax discount rate used reflects the current market estimates of the time value of money and the specific risks connected to the asset.

The valuation is carried out either for each individual asset or for the smallest Cash Generating Unit of assets that generate income from the use of the assets in question.

If the value calculated by the impairment test is lower than cost, the loss is recognised as a reduction of the asset and as a cost in the income statement.

If during subsequent financial years, when the impairment test is repeated, the reasons for the writedown no longer exist, the value of the asset, excluding goodwill, is reinstated to take into account the new recoverable value, which must not, however, exceed the value that would have been stated had no loss in value been recognised.

### 3.7 Investments in subsidiaries, joint ventures and associated companies

Subsidiary companies are companies where the Company has the power to determine, either directly or indirectly, administrative and management decisions and obtain benefit thereby. It is generally presumed that a company has control of another when it either directly or indirectly holds more than half of the voting rights at ordinary shareholders' meetings, including potential voting rights deriving from convertible shares.

Joint ventures are companies where the Company has joint control, with one or more parties, of the economic activities. Joint control presupposes that strategic, financial and management decisions are taken with the unanimous consent of the parties who exercise control.

Associated companies are companies where the Company has a significant influence in determining administrative and management decisions, even though it does not have control. Significant influence is generally presumed to mean that the Company holds, either directly or indirectly, at least 20% of the voting rights at ordinary shareholders' meetings.

Investments in subsidiary companies, joint ventures and associated companies are valued at cost and subsequently adjusted as a consequence of changes in value if, after a suitable impairment test, it is found that the carrying value needs to be adjusted to the effective economic value of the investment. The original cost is restored in subsequent years if the reasons for carrying out the adjustments no longer exist. Adjustments and any reinstatements of value are booked to the income statement.

The risk deriving from any losses that exceed cost is booked to liabilities in the amount that the Company is legally or constructively liable for.

### 3.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Inventory cost includes purchase cost, transformation cost and other costs involved in bringing an item to its current location and condition, without taking financial charges into consideration.

The calculation of cost is based on the weighted average cost of raw and consumable materials and of finished products purchased for resale, while the FIFO method is used for finished products.

The valuation of goods under construction and semi-finished products and work in progress to order is based on the cost of the materials and other costs incurred, taking into account the progress of the production process.

The presumed net value for raw, subsidiary and consumer materials is their replacement cost, while for semi-finished and finished products it is the normal estimated sales price net of, respectively, estimated cost to completion and sales cost.

### 3.9 Financial assets

Financial assets are initially measured at cost, plus accessory purchase charges representing the fair value of the amount paid. Purchase and sale of financial assets are valued as of the trading date, which is the date the Company agreed to purchase the asset in question. After initial measurement, financial assets are valued according to their classification as outlined below:

*Financial assets at fair value with changes recognised in the income statement*

This category includes financial assets acquired and held for trading in the short term.

Profits and losses deriving from fair value measurement of assets held for trading are booked to the income statement.

*Held-to-maturity investments*

Financial assets the Company intends to hold in its portfolio to maturity and which have fixed or determinable payments with fixed maturity are classified as "held-to-maturity investments".

Long-term financial investments that are held to their maturity, such as bonds, are valued after the initial valuation using the amortised cost method based on effective interest rates, i.e. the rates that will apply to future payments or returns estimated for the entire life of the financial instrument. Calculation of amortised cost also considers any discounts or premiums that will be applied over the period of time to maturity.

Financial assets the Company decides to keep in its portfolio for an indefinite period do not come into this category.

*Loans and receivables*

This item includes non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

These assets are valued at amortised cost using the effective discount rate method. Profits and losses are recognised in the income statement when the loans and receivables are eliminated or when a loss of value occurs, including normal amortisation.

*Available-for-sale financial assets*
Available-for-sale financial assets consist of all of those assets that do not fall into any of the categories mentioned above.

After being initially measured at cost, available-for-sale financial assets are measured at fair value. The profits and losses resulting from valuations are recognised in a separate item in shareholders' equity for as long as the assets are held in the portfolio and for as long as there is no loss of value.

In the case of shares widely traded on regulated markets, fair value is determined by referring to the value established at the close of trading on the balance sheet date.

For investments where an active market does not exist, fair value is determined by valuations based on recent trading prices between independent parties, on the basis of the current market value of a financial instrument that is substantially similar or from an analysis of up-to-date cash flows or of option pricing models.

Available-for-sale financial assets also include investments in other companies.

### 3.10 Trade receivables and other receivables
Trade receivables and other receivables are initially measured at cost, i.e. at the fair value of the amount received during the transaction. Receivables are measured at their present values when the financial effect linked to the expected collection date is significant and the collection date can be reliably estimated.
Receivables are subsequently recognised in the financial statements at their estimated realisable value.

### 3.11 Treasury shares
Treasury shares are booked in a separate reserve under shareholders' equity.
No profit or loss is recognised in the income statement for the purchase, sale, issue, cancellation or any other operation involving treasury shares.

### 3.12 Cash and cash equivalents
The cash and cash equivalents item includes liquid financial assets and financial investments falling due within three month and which entail only a minimal risk of variation in their face value.

### 3.13 Financial liabilities
Financial liabilities include financial payables, derivative instruments, payables linked to financial leasing contracts and trade payables. All financial liabilities, unlike derivative financial instruments, are initially valued at fair value (as increased by any transaction costs) and are subsequently valued at amortised cost using the effective interest rate method. Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges) are measured at fair value in accordance with the methodology

outlined in IAS 39 for hedge accounting. Profits and losses resulting from subsequent variations in fair value are recognised in the income statement. The portions of these changes linked to the efficient portion of the hedge are compensated for by changes in value of the derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in cash flow (cash flow hedges), are measured at amortised cost using the method outlined in IAS 39 for hedge accounting.

### 3.14 Derecognition of financial assets and liabilities

A financial asset or, where applicable, a part of a financial asset or parts of a group of similar financial assets, is derecognised when:

- the right to receive cash flows from the asset has been extinguished;
- the Company still has the right to receive cash flows from the asset but has taken on a contractual obligation to transfer the entire cash flow immediately to a third party;
- the Company has transferred the right to receive cash flows from an asset and has transferred substantially all the risks and benefits deriving from the ownership of the financial asset or has transferred control of the financial asset.

A financial asset is derecognised from the balance sheet when the obligation relating to the asset is discharged, is cancelled or expires.

### 3.15 Loss in value of financial assets (impairment)

The Company performs a review to determine whether a financial asset or group of financial assets has undergone a loss of value every time the financial statements are prepared.

*Financial assets measured at amortised cost*

If there is objective evidence of a reduction in the value of loans and receivables, the amount of the loss is booked to the income statement and is calculated as the difference between the asset's carrying value and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.
If, in a subsequent period, the amount of the loss of value decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised loss of value is reversed up to the amount the asset would have had, taking amortisation into account, at the date of the reversal.

*Available-for-sale financial assets*

If an available-for-sale financial asset suffers an effective reduction in value, the accumulated loss is recognised in the income statement. The reversal of values relative to equity instruments recognised as available-for-sale is not recognised in the income statement. The reversal of values relative to debt instruments are recognised in the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the loss was recognised in the income statement.

*Financial assets measured at cost*

If there is objective evidence of a loss of value of an unquoted equity instrument that is not booked at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and settled by delivery of that unquoted equity instrument, the amount of the loss of value is measured as the difference between the

carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

### 3.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When a hedge operation is entered into, the Group designates and formally documents the hedge relationship to which it intends to apply the hedge accounting, its objectives in managing the risk and the strategy pursued. The documentation includes the identification of the hedging instrument, the element or operation that is being hedged, the nature of the risk and the way the Company intends to evaluate the effectiveness of the hedge in compensating exposure to variations in the fair value of the element hedged or of cash flows linked to the risk hedged.

It is assumed that such hedges are sufficiently effective to compensate for the exposure of the element hedged to variations in fair value or in cash flows attributable to the risk hedged. The evaluation of whether or not this hedge is in reality sufficiently effective is carried out on a continuous basis during the year.

Operations that satisfy the hedge accounting criteria are accounted for as follows.

*Fair value hedge*

If a derivative financial instrument is designated as a hedge for the exposure to variations in the fair value of an asset or liability attributable to a particular risk, the profit or loss deriving from subsequent variations in the fair value of the hedge instrument is recognised in the income statement. The profit or loss deriving from the adjustment of the fair value of the item hedged, to the extent attributable to the risk hedged, modifies the carrying value of the item and is recognised in the income statement.

*Cash flow hedge*

If a derivative financial instrument is designated as an instrument for hedging the exposure to variations in cash flows of an asset or of a liability included in the financial statements or of a highly probable forecast transaction, the effective portion of the assets or of the losses deriving from the adjustment of the fair value of the derivative instrument is recognised in a special reserve in shareholders' equity. The accumulated profit and loss is transferred from the equity reserve and recognised in the income statement when the results of the hedge operation are recognised in the income statement. The profit or loss associated with the ineffective part of a hedge is recognised in the income statement. If a hedging instrument is terminated but the hedging operation has not yet been carried out, the accumulated profits and losses remain in the reserve under shareholders' equity and are reclassified to the income statement when the relative operation is carried out. If the hedging operation is no longer considered probable, the profits and losses not yet realised and recognised in equity are recognised in the income statement.

If hedge accounting cannot be applied, profits and losses resulting from the valuation at fair value of the derivative financial instrument are recognised in the income statement.

### 3.17 Provisions

Provisions against significant losses or liabilities that are certain or probable but whose amount or date of occurrence is impossible to establish when the financial statements are prepared, are recognised when it becomes probable that a present, legal or constructive obligation exists as the result of events that happened in the past, when the obligation in question is onerous and when the amount can be reliably estimated.

Provisions are valued at fair value for each obligation. When the time value of money linked to a forecast of when the payment will be made is significant and the payment date can be reliably estimated, the provision includes the financial component which is recognised in the income statement under financial income (expense).

### 3.18 Employees' leaving entitlement

Benefits due to employees on leaving a company may be separated into:

- defined contribution plans, represented by the amounts accrued as of 1 January 2007;
- defined benefit plans, represented by the severance indemnity (TFR) liabilities as of 31 December 2006.

In defined contribution plans, the legal or constructive obligation of a company is limited to the amount of the contributions it has paid to the plan, and as a result the actuarial and investment risks fall on the employee. In defined benefit plans, the obligation of a company consists in granting and guaranteeing agreed benefits to employees, so the actuarial and investment risks fall on the Company.

Calculation of TFR liabilities is based on the TFR fund matured at 31 December 2006, and uses an actuarial method based on demographic assumptions (including mortality rates and the turnover of the workforce) and financial assumptions (the discount rate reflecting the time value of money and the inflation rate).
The amount recognised as a liability for defined benefit plans is represented by the present value of the obligation at the balance sheet date, net of the present value of any plan assets. The amount that is recognised as costs in the income statement also includes the following:

- social security costs relative to current labour;
- interest costs;
- actuarial gains or losses;
- the return expected from any plan assets.

The Company does not apply the corridor method and therefore recognises all actuarial gains and losses directly in the income statement.

The charge for amounts accruing to employees during the year and actuarial gains or losses are booked under personnel costs, while the financial component, which represents the cost the Company would have to incur if it were to seek a loan on the market for the amount of the obligation, is booked under financial income (expense). The termination indemnity for agents is also determined on an actuarial basis. The charge for the estimated amount accruing to agents during the year, which becomes payable only under certain conditions if the agency relationship is terminated, is booked under "Other income (expense)".

### 3.19 Stock options

The Company grants additional benefits to certain directors and managers who carry out functions that are relevant for the attainment of the Company's strategic results through equity-settled stock option plans. In accordance with IFRS 2, these stock options are measured at their fair value at the time they are granted. Fair value is determined on the basis of a binomial model and subject to the rules of the individual plans.

The Company applies the provisions of IFRS 2 for all stock option plans granted after 7 November 2002.

The cost of these benefits is booked to personnel costs during the period of service and is recognised over the vesting period from the date the options are granted, with an equal amount being recognised in the "Reserve for stock options" in shareholders' equity.

Benefits which are directly granted by the parent company Arnoldo Mondadori Editore SpA to the employees or directors of subsidiary companies are recognised as an increase in the cost of the relative investment, with an equal amount recognised in the "Reserve for stock options".

After the grant date, any variation in the number of options results in an adjustment to the overall cost of the plan, which is then made in accordance with the method referred to above. At the end of every year, the previously calculated fair value of every option is neither reviewed nor updated, but remains unchanged in shareholders' equity, although the estimate of the number of options that mature up to the maturity date (and therefore the number of employees who have the right to exercise these options) is updated at that time. Any change in this estimate is recognised in the "Reserve for stock options" and in personnel costs in the income statement.

When an option is exercised, the part of the "Reserve for stock options" relating to exercised options is reclassified under "Share premium reserve" while the part of the "Reserve for stock options" relating to cancelled or expired options is reclassified under "Other reserves".

### 3.20 Recognition of revenues and costs

Revenues earned from the sale of goods are recognised net of discounts, allowances and returns when it is probable that the economic benefits arising from the sale will flow to the Company and when the amount of the revenues can be reliably determined.

Revenues earned from the sale of magazines and the relative advertising space are recognised on the basis of the date of publication of the magazines.

Revenues deriving from services are recognised on the basis of the time the services are completed, when it is probable that the economic benefits arising from the sale will flow to the Company and when the amount of the revenues can be reliably calculated.

Revenues from interest are recognised on a temporal basis using the effective interest method; royalties are recognised on an accrual basis and subject to the conditions of the respective agreements; dividends are recognised when the shareholder's right to receive payment has been established.

Costs are recognised in the same way as income and on an accrual basis.

### 3.21 Current and deferred taxation

Current taxes are calculated on the basis of an estimate of taxable income and in accordance with the laws prevailing in the country in which the Company is resident.

Deferred tax assets and liabilities are calculated on all the temporary differences between the tax base of assets and liabilities and their relative carrying values in the financial statements, with the exception of the following:

- temporary taxable differences deriving from the initial recognition of goodwill;
- temporary taxable or deductible differences resulting from the initial recognition of an asset or a liability in an operation that is not a business combination and which does not influence either the result or the taxable income at the time of the operation in question;
- for investments in subsidiary, associated and jointly-controlled companies when:
  - the Company is able to control the timing of the reversal of temporary taxable differences and it is probable that these differences will not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at the end of every period and is reduced if it is no longer probable that sufficient taxable profit will be available in the future for realising all or part of the assets.

Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply to the period when the assets are realised or the liabilities settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Taxation relating to items recognised directly in equity is recognised directly in equity and not in the income statement.

### 3.22 Operations in foreign currencies

Revenues and costs relating to operations in foreign currencies are expressed in the money of account using the exchange rates ruling on the day the operation was carried out.
Monetary assets and liabilities in foreign currencies are converted at the exchange rate ruling at the balance sheet date and any exchange differences are recognised in the income statement, with the exception of those deriving from loans in foreign currencies to hedge a net investment in a foreign company, which are recognised directly in equity until the net investment is disposed of.
Non-monetary items valued at historical cost in foreign currencies are converted using the exchange rates ruling at the time the transaction was carried out. Non-monetary items booked at fair value in foreign currencies are converted using the exchange rates ruling at the time that fair value was calculated.

### 3.23 Grants and contributions

Grants and contributions are recognised if there is a reasonable certainty that they will be received and if all the conditions referring to them are satisfied. When the grants are linked to cost items, they are recognised as income and recognised on a systematic basis so that they are in proportion to the costs they are intended to set off or partially set off. In the cases where a grant is linked to an asset, the relative fair value is deferred in long-term liabilities and is recognised in the income statement at a constant rate over the useful life of the asset in question.

### 3.24 Assets and liabilities held for sale (discontinued operations)

Non-current assets and groups of assets and liabilities whose carrying value will be mainly recovered through disposal instead of continuous use are presented separately from other assets and liabilities in the balance sheet. These assets and liabilities are recognised as "Assets and liabilities held for sale" and are measured at the lower of their carrying value and their fair value less probable disposable costs. Gains and losses, net of their relative fiscal effects, resulting from the valuation or disposal of the assets or liabilities in question are recognised in a specific item in the income statement.

### 3.25 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2009 and applicable to Arnoldo Mondadori Editore SpA

*IFRS 2 - Payment based on shares - Maturity and cancellation conditions*

The change to IFRS 2 (payment based on shares), was published in January 2008 and came into effect on 1 January 2009.

The amendment restricts the definition of "maturity conditions" to a condition that includes either a specific or an implied obligation to provide a service. Any other condition is a non-vesting condition and must be taken into consideration when determining the fair value of the representative instrument of the assigned capital. If a premium does not mature because it does not satisfy a non-vesting condition that is under the control of the company or the opposite party, it must be recognised as a cancellation. The Group has not undertaken operations with payment based on shares with non-vesting conditions, so there was no significant effect on the recognition of agreements for share-based payment agreements.

*IAS 32 and IAS 1 modifications - Transferable Financial instruments*

The changes to IAS 32 and IAS 1 were ratified in February and came into effect as from 1 January 2009.

The change to IAS 32 requires that certain transferable financial instruments and bonds that arise at the time of disposal are recognised as capital instruments if specific conditions apply. The change to IAS 1 requires that information about transfer options recognised as capital be given in the notes to the financial statements. Such modifications do not impact on the Company's financial statements.

*IFRS 8 - Operational segment*

The new principle that replaced IAS 14 and came into force on 1 January 2009 requires the Company to identify operational segments on the basis of the internal reporting regulations used by its management for analysing performance parameters.

*IAS 1 - Presentation of financial statements*

The amendment of IAS 1 (Presentation of Financial Statements) was ratified in September 2007 and came into effect on 1 January 2009. The amendment separates the changes made to shareholders' equity into those for shareholders and those for non-shareholders. The table of changes to shareholders' equity only includes the details of transactions with shareholders while all the changes relating to transactions with non-shareholders are illustrated in a single line. The amendment also introduces a comprehensive income statement table which contains all the items pertaining to revenues and costs for the period registered and non registered in the income statement. The comprehensive income statement table is presented in the form of a separate table.

*IAS 23 - Financial expense*
On 29 March 2007 IASB issued a new version of IAS 23 - Financial Expense - that came into force on 1 January 2009. The new version removed the option open to companies to immediately recognise in the income statement any financial expense sustained for business activities for which it is normally necessary for a specific period of time to pass before the asset in question is ready for use or for sale. This amendment has not had any effect on the Company's financial statements.

*IFRS 7 - Financial instruments: additional information*
The amendment makes it necessary to provide additional information concerning fair value and liquidity analysis. In the case of fair value, it is now necessary to provide additional information about the source of the input, using a system based on three levels for each type of financial instrument. In addition, it is now necessary to provide a comparison between the initial balance and the final balance of the fair value for third-level evaluations, as well as for measuring significant transfers between the different levels. The amendment also sets out what is required in the way of information concerning the risk of liquidity, with reference to the derivatives and financial assets utilised when dealing with foreign liquidity.

*Improvements to IFRS rules*
In May 2008, the IASB issued a series of modifications to the international standards with the aim of removing inconsistencies and clarifying the terminology. In some cases the adoption of these modifications required changes to accounting procedures but such changes had no impact on the Company's results and assets.

### 3.26 New standards and interpretations adopted by the European Union but not yet effective and applicable to Arnolodo Mondadori Editore SpA

As required by IAS 8 Accounting Policies, Changes in *Accounting Estimates and Errors*, the possible impact of new standards or interpretations on the financial statements in their first year of application are listed below.
Those standards and interpretations which came into effect after 1 July 2009 are indicated and briefly illustrated.

*IFRS 3R - Business combinations and IAS 27R-Consolidated and separate financial statements*
The two amendments were ratified in January 2008 and came into effect as from 1 July 2009. IFRS 3R introduces a number of changes to recognising business combinations that effect the amount of goodwill entered, the result of the year the purchase takes place and the results of subsequent years. IAS 27R requires that any change in the amount of shares held in a subsidiary company is recognised as a capital transaction. Consequently, this change will not have any impact on goodwill and will not produce either profits or losses. In addition, the amendment introduces changes to recognising a loss sustained by a subsidiary and to losing control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied in perspective and must be applied to future purchases and transactions with minority shareholders.

## 4. Use of estimates

In preparing the attached tables and the relative notes, it was necessary to use estimates and assumptions in order to calculate, in particular, the provision for returns of published products, provisions for writedowns of assets, for risks, employee benefits and taxation, and the value of intangible assets (including goodwill).

These estimates are constantly reviewed and any effects are recognised in the income statement. The data in the final balance could differ, even significantly, from these estimates as a result of possible changes to the factors taken into consideration when the estimates were first made.

The most significant accounting estimates that involve a high level of subjective judgement are outlined below:

*Goodwill and intangible assets*
A check is carried out to verify if there has been a reduction in the value of goodwill and intangible assets by comparing the carrying value of the Cash Generating Unit and its recoverable value, represented by the higher of its fair value and value in use. This process includes the use of methods such as discounted cash flow and its relative assumptions.

*Bad debt reserve*
The ability to recover debts is calculated by taking into account the collectibility risk, the length of time they have been outstanding and the losses sustained in the past on similar debts.

*Reserve for inventory provisions*
The Group estimates the amount of provisions for inventories on the basis of specific analyses of the saleability of finished products and their relative rotation rating, and, for work being carried out, by taking into account the eventual risk that it will not be completed.

*Future returns*
In the publishing sector it is accepted practice that books and magazines that have not been sold are returned to the publisher, in accordance with pre-established conditions. Therefore, at the end of every year the Group estimates the quantity that will presumably be returned during the following year. This estimation is based on historical experience and also takes individual print runs into account.

*Risk reserve*
Provisions relating to judicial, fiscal and arbitration disputes are based on complex estimates that take into account the probability of losing the disputes.

*Employees' leaving entitlements and termination indemnities*
Provisions connected to reserves for employees are calculated on the basis of actuarial estimates, so variations in such estimates may have significant effects on these reserves.

*Income taxes*
Income taxes (both current and deferred) are calculated in each country where the Group operates and are based on prudent interpretations of current fiscal laws.

## 5. Business combinations

Business combinations are recognised using the purchase method envisaged by IFRS 3. Under the purchase method, cost is determined as the sum of the fair values of the assets and liabilities acquired, including any contingent liabilities assumed and equity instruments issued at the date of the operation, plus any costs directly attributable to the purchase.

Any excess of purchase cost over the Group's share of the fair value of the assets, liabilities and contingent liabilities acquired and identifiable at the time of purchase is booked as goodwill under assets. If this difference is negative it is recognised directly in the income statement.

### 6. Risk management

The Company is responsible for managing the financial risks of all the Italian subsidiaries in the Mondadori Group. A more detailed analysis of the Group's financial risks is contained in the relevant section of the consolidated financial statements.

### 7. Non-recurring income and expenses

As required by Consob resolution 15519 of 27 July 2006, income and expenses deriving from non-recurring operations were identified in the income statement. Operations and facts are considered to be non-recurring when by their nature they do not occur continuously during normal business operations. The relative effects have been outlined in a specific table included in these notes.

### Details of the items in the financial statements

In the part of the notes that follows all amounts are expressed in thousands of euros, with the exception of certain amounts expressed in millions of euros. Amounts in brackets refer to the corresponding amounts for 2008.

## Balance sheet
## Assets

### 1. Intangible assets

Intangible assets and their changes are described and commented on below:

| Intangible assets<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Intangible assets with a finite useful life | 555 | 560 |
| Intangible assets with an indefinite useful life | 90,975 | 91,828 |
| **Total intangible assets** | **91,530** | **92,388** |

The following two tables show the changes in intangible assets with a finite useful life in 2008 and 2009.

There is no restriction on the availability or use of the intangible assets recognised in the financial statements.

| Intangible assets with finite useful lives<br>(€,000) | Software | Selling rights | Total |
|---|---|---|---|
| Cost at 01/01/2008 | 6,275 | 650 | 6,925 |
| Investments | 331 | - | 331 |
| Disposals | (5) | - | (5) |
| Other changes | - | - | 0 |
| Cost at 31/12/2008 | 6,601 | 650 | 7,251 |
| Accumulated amortisation and impairment losses at 01/01/2008 | 5,789 | 650 | 6,439 |
| Amortisation | 257 | - | 257 |
| Writedowns/reinstatement of value | - | - | 0 |
| Disposals | (5) | - | (5) |
| Other changes | - | - | 0 |
| Accumulated amortisation and impairment losses at 31/12/2008 | 6,401 | 650 | 6,691 |
| Net book value at 01/01/2008 | 486 | - | 486 |
| **Net book value at 31/12/2008** | **560** | **0** | **560** |

| Intangible assets with finite useful lives (€,000) | Software | Selling rights | Total |
|---|---|---|---|
| Cost at 01/01/2009 | 6,601 | 650 | 7,251 |
| Investments | 331 | - | 331 |
| Disposals | - | - | 0 |
| Other changes | - | - | 0 |
| Cost at 31/12/2009 | 6,932 | 650 | 7,582 |
| Accumulated amortisation and impairment losses at 01/01/2009 | 6,041 | 650 | 6,691 |
| Amortisation | 336 | - | 336 |
| Writedowns/reinstatement of value | - | - | 0 |
| Disposals | - | - | 0 |
| Other changes | - | - | 0 |
| Accumulated amortisation and impairment losses at 31/12/2009 | 6,337 | 650 | 7,027 |
| Net book value at 01/01/2009 | 560 | - | 560 |
| **Net book value at 31/12/2009** | **555** | **0** | **555** |

Investments during the year of €331 thousand refer to the cost of purchasing software.

The following two tables present the changes in intangible assets with indefinite useful lives in 2008 and 2009.

| Intangible assets with indefinite useful lives (€,000) | Titles | Publishing imprints | Goodwill | Total |
|---|---|---|---|---|
| Cost at 01/01/2008 | 83,577 | 7,045 | 732 | 91,354 |
| Investments | - | 474 | - | 474 |
| Disposals | - | - | - | 0 |
| Other changes | - | - | - | 0 |
| Cost at 31/12/2008 | 83,577 | 7,519 | 732 | 91,828 |
| Impairment at 01/01/2008 | - | - | - | 0 |
| Writedowns/reinstatement of value | - | - | - | 0 |
| Impairment at 31/12/2008 | 0 | 0 | 0 | 0 |
| Net book value at 01/01/2008 | 83,577 | 7,045 | 732 | 91,354 |
| **Net book value at 31/12/2008** | **83,577** | **7,519** | **732** | **91,828** |

| Intangible assets with indefinite useful lives (€,000) | Titles | Publishing imprints | Goodwill | Total |
|---|---|---|---|---|
| Cost at 01/01/2009 | 83,577 | 7,519 | 732 | 91,828 |
| Investments | - | 47 | - | 47 |
| Disposals | - | - | - | 0 |
| Other changes | - | - | - | 0 |
| Cost at 31/12/2009 | 83,577 | 7,566 | 732 | 91,875 |
| Impairment at 01/01/2009 | - | - | - | 0 |
| Writedowns/reinstatement of value | - | (900) | - | (900) |
| Impairment at 31/12/2009 | 0 | (900) | 0 | (900) |
| Net book value at 01/01/2009 | 83,577 | 7,519 | 732 | 91,828 |
| **Net book value at 31/12/2009** | **83,577** | **6,666** | **732** | **90,975** |

The investments during the year amounting to €47 thousand refer to the imprint *Grazia* Cina, Hong Kong, Taiwan. Intangible assets with indefinite useful lives relate mainly to magazines (including, in particular, *TV Sorrisi e Canzoni* and *Chi*, each of which represents a different Cash Generating Unit) included in the purchase of the SBE business in 1994.

*Amortisation, impairment and reinstatement of value of intangible assets*
The following table summarises the amounts charged to the income statement, under the item "Amortisation and impairment of intangible assets", for the amortisation of intangible assets with definite useful lives and the writedown and restoration of value of intangible assets with indefinite lives.

| Amortisation and impairment of intangible assets<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Software | 336 | 257 |
| Selling rights | | |
| **Total amortisation and impairment of intangible assets** | **336** | **257** |
| Writedowns of intangible assets | 900 | |
| Reinstatement in value of intangible assets | | |
| **Total writedowns (reinstatement) of intangible assets** | **900** | **0** |
| | | |
| **Total amortisation and impairment of intangible assets** | **1,236** | **257** |

As per IAS 36, intangible assets with indefinite lives and goodwill are not subject to amortisation but are subject to an impairment test at least once every year.
When carrying out the annual impairment test for magazine titles, imprints and goodwill, the recoverable amount of an asset was estimated by determining its value in use.

When estimating value in use, use was made of the forecast data included in the three/five-year plans approved by the management of the Mondadori Group, which takes into account the macro-economic situation and the specific nature of the markets where the various business areas operate.

For magazine titles, partly in consideration of the presence of a net negative circulating capital as a result of the speed of collecting revenues, the operating results contained in the above-mentioned medium-term plans were adopted as the financial flows.

For the imprint values, since the Cash Generating Unit coincides with the legal entity, the operational cash flows contained in the above-mentioned medium-term plans were adopted as the financial flows.

The cash flow was considered to be constant for the period beyond the forecast (increase rate G equals zero).

The calculation of the cash flow relating to the individual assets or Cash Generating Units included in the impairment test was based on a bank rate gross of taxes of 6.70%.

The WACC was estimated using the capital asset pricing model, representing the specific risks of the individual units generating the cash flows, on the basis of the following elements:

- in order to calculate the cost of company capital, the returns on long-term treasury stocks in each of the countries or markets where the Group operates were taken as a benchmark and the *beta* was separated as follows: the Mondadori *beta* was used for Italy while for other countries it was based on the average of the *betas* of a panel made up of the main media companies listed on European markets. For the country risk, a correction factor of between 4% and 6% was used, based on market studies;
- in order to calculate the cost of third-party capital, the cost of money taken as an assumption in the medium-term plans was used.

When calculating value in use, an analysis of the sensitivity of the results was also carried out based on a 1% increase in the rate referred to above, which confirmed the previous results.

After the impairment test a writedown of €900 thousand was made for the "PC Professionale" imprint in order to adjust the carrying value to the market value. The remaining values in use are higher than the respective carrying values.

## 2. Investment property

The composition of and changes in investment property are described and commented on below.

| Investment property (€,000) | Land | Non-business buildings | Total |
|---|---|---|---|
| Cost at 01/01/2008 | 458 | 2,254 | 2,712 |
| Investments | - | 1,103 | 1,103 |
| Disposals | - | - | 0 |
| Other changes | - | - | 0 |
| Cost at 31/12/2008 | 458 | 3,357 | 3,815 |
| Accumulated depreciation and impairment losses at 01/01/2008 | - | 1,187 | 1,187 |
| Depreciation | - | 74 | 74 |
| Writedowns/reinstatement of value | - | - | 0 |
| Disposals | - | - | 0 |
| Other changes | - | - | 0 |
| Accumulated depreciation and impairment losses at 31/12/2008 | 0 | 1,261 | 1,261 |
| Net book value at 01/01/2008 | 458 | 1,067 | 1,525 |
| **Net book value at 31/12/2008** | **458** | **2,096** | **2,554** |

| Investment property (€,000) | Land | Non-business buildings | Total |
|---|---|---|---|
| Cost at 01/01/2009 | 458 | 3,357 | 3,815 |
| Investments | - | 3 | 3 |
| Disposals | - | - | 0 |
| Other changes | - | - | 0 |
| Cost at 31/12/2009 | 458 | 3,360 | 3,818 |
| Accumulated depreciation and impairment losses at 01/01/2009 | - | 1,261 | 1,261 |
| Depreciation | - | 87 | 87 |
| Writedowns/reinstatement of value | - | - | 0 |
| Disposals | - | - | 0 |
| Other changes | - | - | 0 |
| Accumulated depreciation and impairment losses at 31/12/2009 | 0 | 1,348 | 1,348 |
| Net book value at 01/01/2009 | 458 | 2,096 | 2,554 |
| **Net book value at 31/12/2009** | **458** | **2,012** | **2,470** |

The investments during the year amounting to €3 thousand refer to the modernisation plan for the area owned by the Company and run by Esseciemme Sporting Club Mondadori in Verona.

The directors estimated that the fair value of investment property at 31 December 2009 was not lower than the net carrying value.

*Depreciation of investment property*
The depreciation charge for the year amounted to €87 thousand, recognised under the item "Depreciation of property, plant and equipment", compared to €74 thousand in 2008.

There are no restrictions on the use of assets recognised as investment property.
Land is not depreciated.

## 3. Property, plant and equipment

The composition of and changes in property, plant and equipment are described and commented on in the following table:

| Property, plant and equipment (€,000) | Land | Business buildings | Plant and equipment | Other tangible assets | Total |
|---|---|---|---|---|---|
| Cost at 01/01/2008 | 1,114 | 16,351 | 19,969 | 43,933 | 81,367 |
| Investments | - | 173 | 1,972 | 1,736 | 3,881 |
| Disposals | - | - | (170) | (787) | (957) |
| Other changes | - | - | - | (1,014) | (1,014) |
| Cost at 31/12/2008 | 1,114 | 16,524 | 21,771 | 43,868 | 83,277 |
| Accumulated depreciation and impairment losses at 01/01/2008 | - | 7,734 | 13,810 | 38,105 | 59,649 |
| Depreciation | - | 570 | 1,423 | 2,187 | 4,180 |
| Writedowns/reinstatement of value | - | - | - | - | 0 |
| Disposals | - | - | (146) | (697) | (843) |
| Other changes | - | - | - | - | 0 |
| Accumulated depreciation and impairment losses at 31/12/2008 | 0 | 8,304 | 15,087 | 39,595 | 62,986 |
| Net book value at 01/01/2008 | 1,114 | 8,617 | 6,159 | 5,828 | 21,718 |
| **Net book value at 31/12/2008** | **1,114** | **8,220** | **6,684** | **4,273** | **20,291** |

| Property, plant and equipment (€,000) | Land | Business buildings | Plant and equipment | Other tangible assets | Total |
|---|---|---|---|---|---|
| Cost at 01/01/2009 | 1,114 | 16,524 | 21,771 | 43,868 | 83,277 |
| Investments | - | 112 | 374 | 1,024 | 1,510 |
| Disposals | - | - | (19) | (1,179) | (1,198) |
| Other changes | - | - | - | 34 | 34 |
| Cost at 31/12/2009 | 1,114 | 16,636 | 22,126 | 43,747 | 83,623 |
| Accumulated depreciation and impairment losses at 01/01/2009 | - | 8,304 | 15,087 | 39,595 | 62,986 |
| Depreciation | - | 573 | 1,541 | 1,844 | 3,958 |
| Writedowns/reinstatement of value | - | - | - | - | 0 |
| Disposals | - | - | (18) | (1,132) | (1,150) |
| Other changes | - | - | - | - | 0 |
| Accumulated depreciation and impairment losses at 31/12/2009 | 0 | 8,877 | 16,610 | 40,307 | 65,794 |
| Net book value at 01/01/2009 | 1,114 | 8,220 | 6,684 | 4,273 | 20,291 |
| **Net book value at 31/12/2009** | **1,114** | **7,759** | **5,516** | **3,440** | **17,829** |

Other tangible fixed assets consist of the following:

| Other tangible fixed assets (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Industrial and commercial equipment | 248 | 368 |
| Electronic office machines | 1,120 | 1,734 |
| Furniture and fixtures | 1,316 | 1,268 |
| Motor vehicles and transport vehicles | 516 | 687 |
| Leasehold improvements | 45 | 55 |
| Assets under construction and advances | 195 | 161 |
| **Total other tangible fixed assets** | **3,440** | **4,273** |

Investments during the year refer to:
- the updating of technology in the book and magazine offices;
- the updating of data processing systems (personal computers and local networks) and the purchase of transportation vehicles.

Investments during the year, including other tangible fixed assets, of €1,708 thousand, €195 thousand of which was for assets that had not entered into use at 31 December 2009, refer to:
- the Verona factory (publishing Warehouse plant/ Magazine Distribution and buildings) €432 thousand
- the Milan head office (office automation, furniture/fixtures and vehicles) €1,276 thousand

Disposals, including those relating to "Other tangible fixed assets", for a total of €1,198 thousand, mainly relate to the disposal of office equipment (furniture, fixtures, various equipment and electronic machinery) and vehicles.

*Depreciation of property, plant and equipment*

The depreciation charge for the year, recognised as "Depreciation of property, plant and equipment", in the income statement, is made up as follows:

| Depreciation of property, plant and equipment<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Business buildings | 573 | 570 |
| Plant and machinery | 1,541 | 1,423 |
| Equipment | 176 | 216 |
| Electronic office machines | 1,019 | 1,238 |
| Furniture and fixtures | 273 | 320 |
| Motor vehicles and transport vehicles | 366 | 410 |
| Leasehold improvements | 10 | 3 |
| **Total depreciation of property, plant and equipment** | **3,958** | **4,180** |

No provisions were necessary during 2009.

There is no restriction on the availability or use of property, plant and equipment recognised in the financial statements.

## 4. Investments

The composition of and changes in investments amounting to €604,703 thousand (€684,818 thousand) are described and commented on below.

Total investments, net of accumulated depreciation and impairment losses, consist of shares and quotas in limited liability companies for an amount of €585,830 thousand and capital contributions of €16,145 thousand.

Investments also include the amount of €2,728 thousand resulting from the application of IFRS 2 to the stock options granted by Arnoldo Mondadori Editore SpA to managers and directors of subsidiary companies who carry out functions that are important for the attainment of the Group's results. The details of each subsidiary and associated company are included in attachments A and B, which also contain a comparison between the amounts stated in the financial statements and the relative share of net equity.

| (€,000) | Shares joint ventures in companies | Capital contributions | Stock options allocated | Overall total |
|---|---|---|---|---|
| **Balance at 31/12/2008** | **648,130** | **34,127** | **2,561** | **684,818** |
| Increases: | | | | |
| Purchase, establishment of companies and capital increases | 8,493 | - | - | 8,493 |
| Payments for cover of losses | - | 1,509 | - | 1,509 |
| Allocation of stock options | - | - | 167 | 167 |
| Other changes | - | 27 | - | 27 |
| **Total increases** | **8,493** | **1,536** | **167** | **10,196** |
| Decreases: | | | | |
| Writedowns | (8,725) | - | - | (8,725) |
| Cover for losses | (2,502) | (19,518) | - | (22,020) |
| Other changes | (72,802) | - | - | (72,802) |
| **Total decreases** | **(84,029)** | **(19,518)** | **0** | **(103,547)** |
| Changes in loss/writedown provision: | | | | |
| Provisions | (11,261) | - | - | (11,261) |
| Utilisations/reclassifications | 24,497 | - | - | 24,497 |
| **Balance at 31/12/2009** | **585,830** | **16,145** | **2,728** | **604,703** |

*Shares and stakes held in companies*

The most important operations that took place during the year are outlined below:

Increases include:

- €8,191 thousand through subscription of the capital increase of Società Europea di Edizioni SpA;
- €302 thousand through acquisition of additional shares in Monradio Srl.

Decreases include:

- €13,336 thousand through covering of losses and writedown of the investment in Società Europea di Edizioni SpA by reduction of its capital and reserves;
- €5,288 thousand through covering of losses and writedown of the investment in Fied SpA by reduction of its capital and reserves and extraordinary operations;
- €12,121 thousand through covering of losses by Monradio Srl.

Other decreases refer in particular to the partial reimbursement, €72,000 thousand, of share capital by Mondadori International SA to the sole shareholder; €461 thousand for the merger of Fied SpA into Arnoldo Mondadori Editore SpA and €341 thousand for the disposal to third parties of option rights for shares in Società Europea di Edizioni SpA following the resolution by the shareholders' meeting of Società Europea di Edizioni SpA to increase the share capital on 16 December 2009.

In accordance with IAS/IFRS, if there are indications of a potential loss of value the carrying amount of investments is reviewed. The higher value between the value in use and the fair value was used, resulting in writedowns totalling €11,261 thousand, of which €314 thousand referring to investments in Società Europea di Edizioni SpA, €3,646 thousand in Mondadori Pubblicità SpA and €7,301 thousand in Monradio Srl.

A comment on the main differences that emerged between the carrying values of the investments and the Group's share of net equity is given below.

The excess of the carrying values of the investments in Cemit Interactive Media SpA, in Mondadori Education SpA and in Sperling & Kupfer SpA, compared with a corresponding valuation based on the net equity of these companies, represents the value of their production and commercial potential as supported by the three-year plans for 2010-2012.

The higher carrying value of Random House Mondadori SA compared with the Group's share of its net equity is attributable to the publishing potential and income prospects of the "Random House Mondadori Group" in the Spanish language book market, as supported by the three-year plan for 2010-2012.

For Arnoweb SA and Prisco Spain SA, the higher carrying value compared with a valuation using the equity method represents the value of the investment in Random House Mondadori SA.

For Edizioni Piemme SpA, the higher carrying value of the investment is due to the income generating capacity of publishing production supported by the Company's three-year plan for 2010-2012.

*Capital contributions*
Of the €16,145 thousand (€34,127 thousand) balance at 31 December 2009, €11,956 thousand refers to Monradio Srl, €1,305 thousand to Mondadori Retail SpA, €2,001 thousand to Mondadori Franchising SpA, €49 thousand to Hearst Mondadori Editoriale Srl, €700 thousand to Mondadori Iniziative Editoriali SpA and €134 thousand to Società Europea di Edizioni SpA.

The variation is essentially due to use of capital contributions to cover losses of €4,585 thousand by Società Europea di Edizioni SpA, €1,303 thousand by Fied SpA and €12,121 thousand by Monradio Srl.
Following the merger of Fied SpA into Arnoldo Mondadori Editore, a €27 thousand increase was made in capital contributions to Società Europea di Edizioni SpA (where Fied SpA held a stake).

## 5. Deferred tax assets and liabilities

Deferred tax assets of €21,556 thousand (€16,517 thousand) and deferred tax liabilities of €19,032 thousand (€18,523 thousand) are calculated on the basis of the temporary differences between the book values and tax bases of assets and liabilities as shown in the table below:

| (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Deferred tax assets - IRES | 20,474 | 15,341 |
| Deferred tax assets - IRAP | 1,082 | 1,176 |
| **Total deferred tax assets** | **21,556** | **16,517** |
| Deferred tax liabilities - IRES | 16,881 | 16,309 |
| Deferred tax liabilities - IRAP | 2,151 | 2,214 |
| **Total deferred tax liabilities** | **19,032** | **18,523** |

Deferred tax assets and liabilities are calculated on the basis of the tax rates expected to apply when the temporary differences reverse (currently 27.5% for IRES and 3.9% for IRAP).

The following tables set out the temporary differences between the book values and tax bases of assets and liabilities that generated deferred tax assets and liabilities.

*Description of temporary differences that led to the recognition of deferred tax assets*

| | 31/12/2009 | | | 31/12/2008 | | |
|---|---|---|---|---|---|---|
| (€,000) | Amount of temporary difference | Tax rate | Deferred tax assets | Amount of temporary difference | Tax rate | Deferred tax assets |
| Difference between book value and tax basis of non-current assets | 4,863 | 27.5% | 1,337 | 5.916 | 27.5% | 1,627 |
| Provision for bad debts | 11,196 | 27.5% | 3,079 | 11,551 | 27.5% | 3,177 |
| Inventory provision | 4,873 | 27.5% | 1,340 | 4,785 | 27.5% | 1,316 |
| Other provisions | 48,647 | 27.5% | 13,378 | 27,708 | 27.5% | 7,620 |
| Other temporary differences | 4,873 | 27.5% | 1,340 | 5,825 | 27.5% | 1,601 |
| **Total for IRES purposes** | **74,452** | | **20,474** | **55,785** | | **15,341** |
| Difference between book value and tax basis of non-current assets | 5,257 | 3.9% | 205 | 7,513 | 3.9% | 293 |
| Inventory provision | 4,256 | 3.9% | 166 | 4,785 | 3.9% | 187 |
| Other provisions | 11,770 | 3.9% | 459 | 10,333 | 3.9% | 403 |
| Other temporary differences | 6,461 | 3.9% | 252 | 7,513 | 3.9% | 293 |
| **Total for IRAP purposes** | **27,744** | | **1,082** | **30,144** | | **1,176** |

*Description of temporary differences that led to the recognition of deferred tax liabilities*

| | 31/12/2009 | | | 31/12/2008 | | |
|---|---|---|---|---|---|---|
| (€,000) | Amount of temporary difference | Tax rate | Deferred tax liabilities | Amount of temporary difference | Tax rate | Deferred tax liabilities |
| Difference between book value and tax basis of non-current assets | 48,429 | 27.5% | 13,318 | 42,672 | 27.5% | 11,735 |
| Employee's leaving entitlement/FISC | 3,404 | 27.5% | 936 | 4,363 | 27.5% | 1,200 |
| Other temporary differences | 9,552 | 27.5% | 2,627 | 12,269 | 27.5% | 3,374 |
| **Total for IRES purposes** | **61,385** | | **16,881** | **59,304** | | **16,309** |
| Differences between book value and tax basis of non-current assets | 42,051 | 3.9% | 1,640 | 40,770 | 3.9% | 1,590 |
| Other temporary differences | 12,488 | 3.9% | 487 | 15,231 | 3.9% | 594 |
| FISC | 615 | 3.9% | 24 | 769 | 3.9% | 30 |
| **Total for IRAP purposes** | **55,154** | | **2,151** | **56,770** | | **2,214** |

Net changes in deferred tax assets and liabilities resulted in a charge of €4,530 thousand for the year, as described in note 27.

Deferred tax liabilities were not recognised for temporary differences arising from investments in joint ventures, subsidiaries and associated companies as the Company is able to control the timing of the reversal of such differences and it is not probable that those differences will reverse in the foreseeable future.

## 6. Other non-current assets

The composition of and changes in other non-current assets, which amounted to €454 thousand (€518 thousand), are described and commented on below.

| Other non-current assets<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Guarantee deposits | 168 | 166 |
| Trade receivables | 137 | 217 |
| Others | 149 | 135 |
| **Total other non-current assets** | **454** | **518** |

Trade receivables of €137 thousand (€217 thousand) refer to client bookshops.

## 7. Tax receivables

The composition of and changes in tax receivables, which amounted to €6,378 thousand (€2,664 thousand), are described and commented on below.

| Tax receivables<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Receivables from tax authorities for IRES | 1,919 | 1,134 |
| Receivables from tax authorities for VAT to be recovered | 2,594 | - |
| Receivables from tax authorities for tax reimbursements | 96 | 96 |
| Receivables from tax authorities for IRAP | 1,769 | 1,434 |
| **Total tax receivables** | **6,378** | **2,664** |

Receivables from tax authorities for IRES are mainly due to receivables of €1,911 thousand booked for the recovery of IRES calculated on a basic rate of 10% of the IRAP paid during the period between 30 November 2004 and 31 December 2007, as per legislative decree no. 185/2008, art. 6.

Receivables from tax authorities for VAT of €2,594 thousand refer to VAT credits brought forward. Receivables from tax authorities for IRAP of €1,769 thousand refer to the excess amount paid compared with the correct amount of IRAP due.

## 8. Other current assets

The composition of and changes in other current assets, which amount to €119,631 thousand (€53,650 thousand), are described and commented on below.

| Other current assets<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Advances to agents | 106 | 249 |
| Advances to authors and consultants | 30,069 | 33,026 |
| Advances to suppliers | 2,159 | 1,558 |
| Advances to personnel | 364 | 391 |
| Earnest money | - | 413 |
| Prepayments | 2,238 | 2,486 |
| Other | 84,695 | 15,527 |
| **Total other current assets** | **119,631** | **53,650** |

The increase in "Other" was mainly due to the combined effect of the recognition of a credit amount of €72,000 thousand for Mondadori International SA from the partial reimbursement of the share capital to the only shareholder, Arnoldo Mondadori Editore SpA, and to the decrease due to collection of €2,140 thousand from the disposal of the Mondadori Multicenter site in Rome.

Prepayments of €2,238 thousand (€2,486 thousand) refer to:

| (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Third-party editions for issues sold in 2009 | 2,128 | 2,386 |
| Rental agreements | 49 | 34 |
| Other prepayments (rents, subscriptions) | 61 | 66 |
| **Total prepayments** | **2,238** | **2,486** |

## 9. Inventories

The composition of and changes in inventories, which amounted to €31,256 thousand (€34,675 thousand), are described and commented on below.

| Inventories<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Raw materials and consumables | 76 | 81 |
| Provision for raw materials and consumables | - | - |
| **Total raw materials and consumables** | **76** | **81** |
| Work in progress and semi-finished goods | 19,126 | 22,196 |
| Provision for work in progress and semi-finished goods | (516) | (516) |
| **Total work in progress and semi-finished goods** | **18,610** | **21,680** |
| Finished products and goods for resale | 16,838 | 17,182 |
| Provisions for finished products and goods for resale | (4,268) | ( 4,268) |
| **Total finished products and goods for resale** | **12,570** | **12,914** |
| **Total inventories** | **31,256** | **34,675** |

It should be noted that during the year there were no changes to the fund for work in progress and for finished products.

| Inventories – Provisions<br>(€,000) | Raw materials | Work in progress and semi-finished goods | Finished products and goods for sale |
|---|---|---|---|
| Balance at 01/01/2008 | - | 516 | 3,268 |
| Movements during period: | | | |
| - provisions | - | - | 1,000 |
| - utilisations | - | - | - |
| - other movements | - | - | - |
| **Balance at 31/12/2008** | **0** | **516** | **4,268** |

| Inventories – Provisions (€,000) | Raw materials | Work in progress and semi-finished goods | Finished products and goods for sale |
|---|---|---|---|
| Balance at 01/01/2009 | | 516 | 4,268 |
| Movements during period: | | | |
| - provisions | | - | - |
| - utilisations | | - | - |
| - other movements | | - | - |
| **Balance at 31/12/2009** | **0** | **516** | **4,268** |

*Decrease (increase) in inventories*

The following table summarises the changes in inventories recognised in the income statement for the year.

| Decrease (increase) in inventories (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Changes in finished products | 343 | (608) |
| Charge to finished products provision | - | - |
| Utilisation of finished products provision | - | - |
| **Total changes in finished products and goods** | **343** | **(608)** |
| Changes in semi-finished products | 3,070 | 4,889 |
| Charge to finished products provision | - | - |
| Utilisation of finished products provision | - | - |
| **Total changes in semi-finished products** | **3,070** | **4,889** |
| Changes in raw material and goods | 6 | 81 |
| Charge to finished products provision | - | - |
| Utilisation of finished products provision | - | - |
| **Total changes in raw materials and goods** | **6** | **81** |
| **Total decrease (increase) in inventories** | **3,419** | **4,362** |

There are no inventories used to secure liabilities.

## 10. Trade receivables

The composition of and change in trade receivables, which amounted to €204,399 thousand (€224,570 thousand), are described and commented on below.

| Trade receivables (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Receivables from customers | 82,314 | 85,364 |
| Receivables from associated companies | 23,984 | 23,174 |
| Receivables from subsidiaries | 98,096 | 116,025 |
| Receivables from parent companies | 5 | 7 |
| **Total trade receivables** | **204,399** | **224,570** |

There are no trade receivables with a due date over five years; the average collection period during 2009 was 92.1 days (86.8 days in 2008).

Details by geographical area are contained in the supplementary schedules.

Receivables from subsidiaries of €98,096 thousand (€116,025 thousand) and receivables from associated companies of €23,984 thousand (€23,174 thousand) refer to commercial transactions carried out at market prices. The details of each company and the variations compared with 2008 are contained in appendix C1.

Receivables from customers include €124 thousand (€593 thousand) from Fininvest group companies, of which €13 thousand (€206 thousand Euro) from Media Shopping SpA, €72 thousand (€352 thousand) from RTI SpA and a total of €39 thousand from other companies. Trading relations with the Fininvest group are carried out under normal market conditions.

Receivables from customers, amounting to €82,314 thousand (€85,364 thousand), are made up as follows:

| Trade receivables - Receivables from customers<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Receivables from customers | 120,513 | 125,511 |
| Customers - returns to be received | (27,474) | (27,909) |
| Provision for bad debts | (10,725) | (12,238) |
| **Total receivables from customers** | **82,314** | **85,364** |

Movements in the provision for bad debts for the year, which amounted to €10,725 thousand (€12,238 thousand), were as follows:

| Trade receivables<br>Receivables from customers - Provision<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Balance at beginning of year | 12,238 | 9,079 |
| Movements during period: | | |
| - provisions | 2,836 | 3,312 |
| - utilisations | (4,349) | ( 153) |
| - other movements | - | - |
| **Total provision receivables from customers** | **10,725** | **12,238** |

The provision is considered adequate to cover any expected risk of insolvency and is determined by analysing doubtful receivables and, for other receivables, by assessing the likelihood of non-recovery.

## 11. Other current financial assets

The composition of and changes in other current financial assets, which amounted to €104,471 thousand (€108,921 thousand), are described and commented on below.

| Other Current financial assets<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| - Financial receivables from subsidiaries | 100,979 | 105,679 |
| - Financial receivables from associated companies | 2,119 | 2,240 |
| - Other financial receivables | 1,373 | 1,002 |
| **Total financial receivables** | **104,471** | **108,921** |
| **Total current financial assets** | **104,471** | **108,921** |

Financial receivables from subsidiaries of €100,979 thousand (€105,679 thousand) and those from associated companies of €2,119 thousand (€2,240 thousand) mainly refer to current accounts bearing interest in line with market rates.

The details for each company and the changes with respect to 2008 are provided in appendix C1.

Other financial receivables, totalling €1,373 thousand (€1,002 thousand), include:
- accrued income of €44 thousand (€829 thousand) regarding financial items referring to the year;
- prepayments of €1,198 thousand regarding financial items referring to previous years;
- other financial receivables of €131 thousand (€173 thousand) mainly referring to current accounts with third-party companies at market conditions.

*Assets and liabilities resulting from derivative instruments*
The following table illustrates the assets and liabilities resulting from derivative instruments held at 31 December 2009:

| **Assets and liabilities resulting from derivative instruments - Detail** (€,000) | Type of derivative | Fair value at 31/12/2009 | Fair value at 31/12/2008 |
|---|---|---|---|
| Current financial assets/liabilities | | | |
| -Exchange rate derivatives | Trading | (31) | (15) |
| Non-current financial liabilities | | | |
| -Cross Currency Swap | Fair value hedge | - | (6,570) |

Trading derivatives are instruments that, even though set up as hedge operations, do not fully satisfy all the international accounting standards requisites to qualify for hedge accounting. In the case of the Mondadori, this only refers to currency exchange risk management.

Currency derivatives
The Company utilises derivative agreements to hedge against the risk of fluctuations in exchange rates. The currency derivatives utilised are exclusively forward contracts for the purchase and sale of foreign currencies.

The main type of exchange risk affecting the Group relates to acquisition of copyright for books in markets outside the EU and the sale of printed publishing products in markets outside the EU.

As of 31 December 2009, the following currency exchange risk hedges were in place:
- forward purchase contracts in US dollars for US $1,650 thousand (€779 thousand) in the name and on behalf of Edizioni Piemme SpA;
- forward sales contracts in sterling for £1,270 thousand (€1,399 thousand).

Cross Currency Swap
This refers to an operation set up in 2003 to cover exchange rate risks linked to the US Private Placement debenture loan that was closed on 15 September 2009 with the full repayment of the loan in dollars.

The closure of the two operations generated financial income of €14,450 thousand.

The following table shows the impact on the income statement of changes to the value of the derivatives referred to above and to the relevant debt, which for 2009 amounted to zero.

| Fair value hedge<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Profit (loss) of hedge derivatives | - | 47,677 |
| Profit (loss) recognised in financial debt | - | (47,739) |

## 12. Cash and cash equivalents

Cash and other cash equivalents, amounting to €35,422 thousand (€113,009 thousand), include €38 thousand (€17 thousand) in post office current accounts and €35,368 thousand (€112,966 thousand) in banks, together with €16 thousand (€26 thousand) in cheques and petty cash.

| Cash and cash equivalents<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Cash and cheques | 16 | 26 |
| Bank deposits | 35,368 | 112,966 |
| Post office deposits | 38 | 17 |
| **Total cash and cash equivalents** | **35,422** | **113,009** |

Short-term deposits mainly have maturity dates of between one week and three month, in keeping with the financial needs of the Company, and mature interest at the respective short-term rates. The fair value of cash and cash equivalents at 31 December 2009 is equal to their carrying value at that date.

The amount of cash and cash equivalents available significantly decreased compared with the balance at 31 December 2008 due to the amount used to repay debt for Mondadori International SA following the closure of the debenture loan.

## Liabilities

### 13. Shareholders' equity

Share capital of €67,452 thousand, fully subscribed and paid up, is represented by 259,429,832 ordinary shares each with a par value of €0.26.

Changes over the last two years in shareholders' equity are set out below.

| (€,000) | Share capital | Share premium reserve | Treasury share reserve | Stock option reserve | Other reserves | Profit (loss) for the year | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| At 01/01/2008 | 67,452 | 286,876 | (104,002) | 6,236 | 86,308 | 89,965 | 432,835 |
| Changes: | | | | | | | |
| - Allocation of net profit | | | | | 6,199 | (6,199) | 0 |
| - Dividend payment | | | | | | (83,766) | (83,766) |
| - Operations in treasury shares | | | | | | | |
| - Stock options | | | | (497) | 2,004 | | 1,507 |
| - Net profit for the year | | | | | | 66,197 | 66,197 |
| **Balance at 31/12/2008** | **67,452** | **286,876** | **(104,002)** | **5,739** | **94,511** | **66,197** | **416,773** |

| (€,000) | Share capital | Share premium reserve | Treasury share reserve | Stock option reserve | Other reserves | Profit (loss) for the year | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| At 01/01/2009 | 67,452 | 286,876 | (104,002) | 5,739 | 94,511 | 66,197 | 416,773 |
| Changes: | | | | | | | |
| - Allocation of net profit | | | | | 66,197 | ( 66,197) | 0 |
| - Dividend payment | | | | | | | |
| - Operations in treasury shares | | | | | | | |
| - Stock options | | (19) | | 962 | 255 | | 1,198 |
| - Net profit for the year | | | | | | 53,180 | 53,180 |
| **Balance at 31/12/2009** | **67,452** | **286,857** | **(104,002)** | **6,701** | **160,963** | **53,180** | **471,151** |

Following the adoption of IAS 32 and IAS 39 on 1 January 2005, treasury shares held in portfolio are recognised as a deduction from shareholders' equity. This portfolio, equal to 6% of the share capital, consists of:

- 1,957,332 ordinary shares (1,221,726 of which came from the conversion of savings shares resolved by an extraordinary shareholders' meeting on 29 April 1999) with a par value of €0.26 each, totalling €3,519 thousand, resulting from buy-backs from shareholders of the former AMEF who exercised their right of withdrawal following the change in corporate purpose as a result of the merger with the former AME;
- 13,622,769 ordinary shares with a par value of €0.26 each purchased for €100,483 thousand in accordance with the resolutions of various shareholders' meetings, the last of which took place on 23 April 2007.

The following table provides an analysis of shareholders' equity, showing the origin, availability and distribution of each item.

| (€,000) | | | | Summary of utilisations carried out in past years | |
|---|---|---|---|---|---|
| Name/description | Amount | Possibility of utilisation | Portion available | for distribution of profits | for other reasons |
| **Share capital** | **67,452** | | | | |
| **Capital reserves:** | | | | | |
| - from share premium | 259,879 | A,B,C | 155,877 | | |
| - from conversion of saving shares | 26,978 | A,B,C | 26,978 | | |
| - capital grants reserve | 5,335 | B | | | |
| **Revenue reserves:** | | | | | |
| - evaluation reserves | | | | | |
| • law no. 72 of 19/03/1983 | 12,022 | A,B | | | |
| • law no. 413 of 30/12/1991 | 4,689 | A,B | | | |
| - legal reserve | 13,490 | B | | | |
| - extraordinary reserve | 130,614 | A,B,C | 100,133 | 195,426 | 784 |
| - reserve law no. 675 of 12/08/1977 | 351 | A,B | | | |
| - reserve law no. 904 of 16/12/1977 | 751 | A,B | | | 3,329 |
| - reserve article 13 of law no. 124/93 | 159 | A,B | | | |
| - merger reserve | 478 | A,B,C | 478 | | |
| - reserve law no. 576 of 02/12/1975 | | | | | 3,128 |
| - reserve for unrealised exchange gains | | | | | |
| - reserve for unclaimed dividends | 5,873 | A,B,C | 5,873 | | |
| **IAS/IFRS transitions:** | | | | | |
| - positive transition reserve | 8,366 | A,B,C | 11,106 | | |
| - negative transition reserve | (24,839) | | | | |
| - stock option reservet | 6,701 | A,B,C | 3,972 | | |
| - reserve for annulling stock options | 2,315 | A,B,C | 2,315 | | |
| - reserve for operations in treasury shares | 1,359 | A,B,C | | | |
| **Treasury shares** | **(104,002)** | | | | |
| **Total** | **417,971** | | **306,732** | **195,426** | **7,241** |
| **Non-distributable portion (1)** | | | **5,740** | | |
| **Distributable portion** | | | **300,992** | | |

*Key: A: for increases in capital - B: for covering losses - C: for distribution to shareholders*

(1) Represents the non-distributable portion determined in accordance with legislative decree no. 38/2005.

Details of the changes in the individual components of shareholders' equity are shown in the statement of changes in shareholders' equity.

In particular, the ***share premium and savings share conversion reserve*** of €286,857 thousand (€286,876 thousand) includes:

- €15,289 thousand, of which €13,278 thousand deriving from the conversion of the former AMEF 6.5% 1987/1991 debenture bond into shares and €2,011 thousand from the merger of the former AME on 29 November 1991;
- €238,603 thousand deriving from the €17,043 thousand capital increase completed on 27 June 1994 following a resolution by the extraordinary shareholders' meeting on 30 May 1994 that provided for the issue of 33,000,000 ordinary shares with a par value of €0.52 (1,000 Lire) at a price of €7.75 (15,000 Lire) per share, €7.23 (14,000 Lire) of which was share premium;
- €384 thousand deriving from the increase in capital completed on 23 November 1998;
- €692 thousand deriving from the increase in capital completed on 17 September 1999;
- €1,801 thousand deriving from the increase in capital completed on 18 July 2000;
- €26,978 thousand generated from the conversion of 13,929,942 savings shares into ordinary shares, following a resolution by the shareholders' meeting on 30 May 1994 granting holders of savings shares an option to convert them into ordinary shares in the ratio of one-to-one with a par value of €0.52 (1,000 Lire), to be exercised during the period 16 June to 31 July 1994 with payment of a balance of €1.94 (3,750 Lire) for every share converted;
- €3,110 thousand deriving from exercise of stock options granted by the Company in favour of its management.

The ***capital grants reserve*** of €5,335 thousand (€5,335 thousand) includes €1,148 thousand for amounts paid out by the Agenzia per la Promozione dello Sviluppo del Mezzogiorno (Ministerial Decrees of 28 June 1979 and 3 May 1989) for the purposes of industrial investments at the plant in Pomezia (Rome) and €4,187 thousand for grants paid out by the State in previous years pursuant to publishing law no. 416 of 5 August 1981 (including €283 thousand contributed by Mondadori Electa SpA following the separation of the "magazines" division). The accounting treatment of these latter two items follows the requirements of ministerial provisions which recognise these as capital grants. Under this treatment, tax is not payable on these grants unless they are used for purposes other than for covering losses.

The ***reserves*** in the financial statements are recognised as follows for tax purposes:

| (€,000) | a - up to 2007 | a - from 2008 | b | c | Total |
|---|---|---|---|---|---|
| Share premium reserve | - | - | - | 259,879 | 259,879 |
| Conversion of savings shares reserve | - | - | - | 26,978 | 26,978 |
| | | | | | 286,857 |
| Reserve law no. 72 of 19/03/1983 | - | - | 12,022 | - | 12,022 |
| Reserve law no. 413 of 30/12/1991 | - | - | 4,689 | - | 4,689 |
| | | | | | 16,711 |
| Legal reserve | 13,490 | - | - | - | 13,490 |
| Treasury share reserve | - | - | - | - | - |
| | | | | | 13,490 |
| Extraordinary reserve | 54,799 | 75,815 | - | - | 130,614 |
| Reserve law no. 675 of 12/08/1977 | - | - | 351 | - | 351 |
| Reserve law no. 904 of 16/12/1977 | - | - | 751 | - | 751 |
| Capital grants reserve | - | - | 5,335 | - | 5,335 |
| Reserve law no. 124/93 article 13 | - | - | 159 | - | 159 |
| Merger reserve | 478 | - | - | - | 478 |
| Reserve for unrealised exchange gains | - | - | - | - | - |
| Reserve for unclaimed dividends | 4,292 | 1,581 | - | - | 5,873 |
| Reserve for application of IAS/IFRS standards | (8,821) | 2,723 | - | - | (6,098) |
| | | | | | 137,463 |
| **Total reserves** | **64,238** | **80,119** | **23,307** | **286,857** | **454,521** |
| **Total bonus increases in capital from the utilisation of reserves** | **784** | **-** | **6,457** | **-** | **7,241** |

*a. Reserves that, if distributed, do not form part of shareholders' taxable income as per articles 47, 59 and 89 of DPR no. 917/86. In conformity with article 1, paragraph 39 of law 244/07, profits produced up to 31 December 2007 are shown separately from those produced after this date.*

*b. Reserves that, if distributed, form part of the company's taxable income.*

*c. Reserves that, if distributed, do not form part of shareholders' taxable income.*

Details of the reserves utilised for bonus increases in share capital in previous years are as follows:

| **Reserves utilised** (€) | Date of shareholders' resolution | Amounts transferred to capital |
|---|---|---|
| Reserve law no. 576 of 02/12/1975 | 30/04/1980 | 1,292,433 |
| Reserve law no. 576 of 02/12/1975 | 25/05/1981 | 1,291,142 |
| Reserve law no. 576 of 02/12/1975 | 30/04/1982 | 543,943 |
| Reserve law no. 904 of 16/12/1977 | 30/04/1982 | 3,329,483 |
| | | **6,457,001** |
| Reserve for stock options | 25/09/1998 | 66,365 |
| Reserve for stock options | 07/07/1999 | 105,873 |
| Reserve for stock options | 12/05/2000 | 152,045 |
| Extraordinary reserve (conversion of share capital into Euros) | 24/04/2001 | 459,593 |
| | | **783,876** |

## 14. Provisions

The composition of and changes in provisions, amounting to €36,398 thousand (€23,462 thousand), are described and commented on below:

| Provisions (€,000) | 31/12/2008 | Charge | Utilisations | Other movements | 31/12/2009 |
|---|---|---|---|---|---|
| Personnel reorganisation risks | | 10,049 | - | 630 | 10,679 |
| Collectibility risks | 1,126 | - | 57 | - | 1,069 |
| Litigation | 9,050 | 4,070 | 1,317 | (421) | 11,382 |
| Dispute over INPGI contributions | 5,532 | - | - | - | 5,532 |
| Tax disputes | 1,827 | - | - | - | 1,827 |
| Expense for advertising receivables | 5,027 | 3,000 | 3,017 | - | 5,010 |
| Expense for subscription receivables | 900 | 1,085 | 1,086 | - | 899 |
| **Total provisions** | **23,462** | **18,204** | **5,477** | **209** | **36,398** |

The purpose of these reserves is to provide against probable liabilities resulting from litigation, various collection risks, contract commitments and commitments and disputes over social security payables.

In particular, provisions for €10,049 thousand for personnel reorganisation risk attaching to the request to declare a state of crisis in the Company's magazine sector.

The long-term portion of provisions, whose payment date can be reliably estimated, was discounted to take account of implicit interest.

## 15. Employees' leaving entitlement and termination indemnities

The composition of and changes in of the employees' leaving entitlement and termination indemnities are described and commented on below.

| Leaving entitlements and termination indemnities (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Employees' leaving entitlement (TFR) | 30,985 | 32,587 |
| Agents' termination indemnity (FISC) | 1,038 | 972 |
| Termination indemnity for journalists (IFGP) | 411 | 572 |
| **Total leaving entitlements and termination indemnities** | **32,434** | **34,131** |

Changes in the year are as follows.

| Employees' leaving entitlement - Details<br>(€,000) | TFR | FISC | IFGP | Total |
|---|---|---|---|---|
| Balance at 31/12/2008 | 32,587 | 972 | 572 | 34,131 |
| Changes during 2008: | | | | |
| - provisions | 765 | 143 | 5 | 913 |
| - utilisations | (3,823) | (157) | (163) | (4,143) |
| - reversals | - | - | - | 0 |
| - discounting | 894 | 80 | - | 974 |
| - others | 562 | - | (3) | 559 |
| **Balance at 31/12/2009** | **30,985** | **1,038** | **411** | **32,434** |

The liability for employees' leaving entitlement is determined as per IAS 19; the liability for agents' termination indemnity is determined as per IAS 37, by applying an actuarial method.

The following assumptions were used when determining the actuarial value of the employees' leaving entitlement.

| Actuarial assumptions used for the employees' leaving entitlement | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Economic assumptions: | | |
| - increase in cost of living | 2.0% | 2.0% |
| - discount rate | 4.5% | 4.5% |
| 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 | 9.75% | 7.91% |
| - pensionable age | Current regulations | Current regulations |

The following assumptions were used when determining agents' termination indemnity.

| Assumptions for actuarial calculation of supplementary indemnities for agents reserve (FISC) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Economic assumptions: | | |
| - discount rate | 4.50% | 4.50% |
| Demographic assumptions: | | |
| - probability of death/disability | 1.0% | 1.0% |
| - probability of leaving service | 1.0% | 1.0% |
| - probability of voluntary resignation | 1.50% | 1.50% |
| - average age of terminating the agency agreement | 65 | 65 |

The other termination liabilities were not discounted as the effects would not be significant.

Charges to the income statement for the employees' leaving entitlement were as follows:

| Cost of employees' leaving entitlement<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Cost of TFR destined for supplementary pension | 6,250 | 6,333 |
| Current cost of employees' leaving entitlement/retirement | 770 | 1,163 |
| Actuarial (gains) losses | (426) | (641) |
| | **6,594** | **6,855** |
| Interest charge | 1,320 | 1,402 |
| **Total cost of employees' leaving entitlement** | **7,914** | **8,257** |

The "Current cost of the employees' leaving entitlement" together with the "Actuarial (gains)/losses" are booked in the income statement under "Personnel costs" while the financial component is booked under financial expense for the year.

## 16. Financial liabilities

The composition of and changes in financial liabilities, amounting to €140,031 thousand (€371,325 thousand), are described and commented on below.

| Non-current financial liabilities<br>(€,000) | Effective interest rate | Due after 5 years | 31/12/2009 | 31/12/2008 |
|---|---|---|---|---|
| Bonds | - | - | - | 289,755 |
| Liabilities from derivative instruments | - | - | 31 | 6,570 |
| Medium-long term mortgages and loans | 2.112% | 65,000 | 140,000 | 75,000 |
| **Total non-current financial liabilities** | **-** | **65,000** | **140,031** | **371,325** |

The €289,755 thousand carrying value of the US$350 million non-convertible bond issue (resolved by the shareholders on 16 June 2004 and issued on 23 June 2004) was discharged in September 2009 and the relative derivative was closed. The result of the two operations generated a total of €14,450 thousand in the income statement.
"Mortgages and loans" include the utilisations of the bilateral contracts stipulated with Intesa Sanpaolo, respectively for:

- €75,000 thousand, referring to the utilised part of the bilateral term loan with Intesa Sanpaolo, which expires in May 2013;
- €65,000 thousand, referring to the utilised part of the bilateral term loan with Intesa Sanpaolo stipulated in September 2009, which expires in December 2015.

Amounts due to banks and other financial payables amount to €288,601 thousand (€241,124 thousand) and are detailed below.

| Amounts due to banks and other financial payables<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Amounts due to banks | 5,064 | 14 |
| Amounts due to associated companies | 6,622 | 10,301 |
| Amounts due to subsidiaries | 155,034 | 150,142 |
| Other financial payables | 121,670 | 79,530 |
| Accrued expense and deferred income | 211 | 1,137 |
| **Total amounts due to banks and other financial payables** | **288,601** | **241,124** |

Amounts due to banks of €5,064 thousand (€14 thousand) consist of current account overdrafts.

Amounts due to subsidiary companies of €155,034 thousand (€150,142 thousand) and those due to associated companies of €6,622 thousand (€10,301 thousand) mainly refer to current accounts bearing interest in line with market rates.
Details by company and the changes compared with 31 December 2008 are contained in appendix D1.

Other financial payables of €121,670 thousand (€79,530 thousand) include €120,000 thousand of the revolving part of the pool loan, €1,437 thousand of debt for the purchase of the *R101* radio station from Radio Milano International SpA as part of the pending insolvency procedure and for which a current account containing the same amount has been tied, and €233 thousand for third-party debts in group current accounts.

Accrued expense and deferred income of €211 thousand (€1,137 thousand) refer to interest on short-term borrowing.

The Company's overall financial situation at 31 December 2009, as set out in the following table, shows net debt of €288,739 thousand (€390,520 thousand).

| Net financial position (€,000) | | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| A | Cash | 16 | 26 |
| | - Bank deposits | 35,368 | 112,966 |
| | - Post office deposits | 38 | 17 |
| B | Other cash and cash equivalents | 35,406 | 112,983 |
| **C** | **Cash and cash equivalents and other financial assets (A+B)** | **35,422** | **113,009** |
| D | Stocks held for negotiation | - | - |
| | - Financial receivables from subsidiaries | 100,979 | 105,679 |
| | - Financial receivables from associated companies | 2,119 | 2,240 |
| | - Financial assets measured at fair value | - | - |
| | - Derivative instruments and other financial assets | 1,373 | 1,002 |
| E | Receivables and other current financial assets | 104,471 | 108,921 |
| **F** | **Current financial assets (D+E)** | **104,471** | **108,921** |
| G | Current bank payables | 5,064 | 14 |
| | - Bonds | - | - |
| | - Mortgages | - | - |
| | - Loans | 120,000 | 78,000 |
| H | Current part of non-current payables | 120,000 | 78,000 |
| | - Payables due to subsidiaries | 155,034 | 150,142 |
| | - Payables due to associated companies | 6,622 | 10,301 |
| | - Derivatives instruments and other financial payables | 1,881 | 2,667 |
| I | Other current financial payables | 163,537 | 163,110 |
| **L** | **Payables to banks and other current financial payables (G+H+I)** | **288,601** | **241,124** |
| **M** | **Current net financial position (C+F-L)** | **(148,708)** | **(19,194)** |
| | - Bonds | - | 289,765 |
| | - Mortgages | - | - |
| | - Loans | - | - |
| N | Part of non-current payables | - | 289,756 |
| O | Other non-current financial payables | 140,031 | 81,570 |
| **P** | **Non-current financial payables (N+O)** | **140,031** | **371,326** |
| **Q** | **Net debt (M-P)** | **(288,739)** | **(390,520)** |

An analysis of the net financial position of the Company and of the relative movements is given in the cash flow statement included in the financial statements for the year.

## 17. Income tax payables

The composition of and changes in income tax payables, amounting to €17,626 thousand (€14,587 thousand), is described and commented on below.

| Income tax payables (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Payables due to Fininvest for IRES | 17,626 | 14,587 |
| **Total income tax payables** | **17,626** | **14,587** |

Payables to Fininvest SpA are amounts due from Mondadori for IRES as a result of the Company's participation in the tax consolidation system introduced by legislative decree no. 344/2003.

The law allows the parent company and subsidiary companies of a Group to opt for a consolidated tax system headed by the parent company. Under the system, there is a single taxable base as far as IRES is concerned and it is calculated as the sum of the taxable income and the tax losses of the Group companies that take part in the consolidation. The parent/consolidating company therefore presents, on the basis of the returns supplied by the individual companies taking part in the consolidation, a consolidated

income tax return and is responsible for the payment of the total amount of tax due. The individual companies involved in the consolidation then pay the amount of IRES due, where applicable, to the parent company, and not to the tax authorities as in the past.
The Company's taxable income has been finalised, and all taxes paid, up to 2004 with the exception of the details explained in note 28, "Potential commitments and liabilities".

For those years still open for fiscal purposes, taxes have been accrued and paid on the basis of the taxable income and the tax regulations prevailing at the time the provisions were made.

## 18. Other current liabilities

The composition of and changes in other current liabilities, amounting to €74,873 thousand (€72,081 thousand), are described and commented on below.

| Other current liabilities<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Customer advances | 405 | 668 |
| Income tax payables | 5,739 | 7,793 |
| Amounts due to pension funds and social security institutions | 13,853 | 12,990 |
| Other payables | 51,442 | 46,748 |
| Accrued expense and deferred income | 3,434 | 3,882 |
| **Total other current liabilities** | **74,873** | **72,081** |

Customer advances of €405 thousand (€668 thousand) decreased by €263 thousand compared with the previous year.
Income tax payables of €5,739 thousand (€7,793 thousand) refer to withholding tax on employee wages and salaries and on consultant's fees which were paid in January 2010.

Amounts due to pension funds and social security institutions amount to €13,853 thousand (€12,990 thousand) and include €5,957 thousand (€5,534 thousand) in contributions relating to wages and salaries for December paid in January 2010, €2,844 thousand (€2,626 thousand) in pension funds (mostly journalists' TFR fund) to which the TFR was written (and which was also paid in January) and €5,052 thousand (€4,830 thousand) of accruals for social security contributions relating to deferred remuneration.

Other payables of €51,442 thousand (€46,748 thousand) are as follows.

| Other current liabilities - Other payables<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Payroll and other amounts due to employees | 23,321 | 16,232 |
| Due to authors and collaborators | 25,894 | 28,858 |
| Due to agents | 1,248 | 1,080 |
| Due to shareholders for dividends | 226 | 226 |
| Due to directors and statutory auditors | 301 | 302 |
| Due to others | 452 | 50 |
| **Total other payables** | **51,442** | **46,748** |

Accrued expense and deferred income, amounting to €3,434 thousand (€3,882 thousand), are made up as follows.

| (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Deferred remuneration and relative charges | 1,619 | 1,622 |
| Insurance, association fees and other fees | 579 | 405 |
| Total accrued expense | 2,198 | 2,027 |
| Magazine advertising revenues relating to 2010 editions | 906 | 1,528 |
| Rent payable | 164 | 327 |
| Other | 166 | - |
| Total deferred income | 1,236 | 1,855 |
| **Total accrued expense and deferred income** | **3,434** | **3,882** |

## 19. Trade payables

The composition of and changes in trade payables are described and commented on below.

| Trade payables<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Suppliers | 69,602 | 65,159 |
| Subsidiaries | 45,502 | 45,502 |
| Associated companies | 44,823 | 51,901 |
| Parent company | 7 | 7 |
| **Total trade payables** | **159,952** | **162,569** |

Trade payables to suppliers amounted to €69,602 thousand (€65,159 thousand) and include €574 thousand (€1,430 thousand) for the purchase of fixed assets.

This item includes:
- trade payables to affiliated companies totalling €120 thousand (€120 thousand) and relating to Editrice Portoria SpA;
- trade payables to Fininvest group companies totalling €2,912 thousand (€931 thousand), of which €2,603 thousand (€655 thousand) to Publitalia '80 SpA, €61 thousand (€116 thousand) to Medusa Video Srl, €143 thousand (€48 thousand) to RTI SpA and a total of €105 thousand (€113 thousand) of other minor payables.

Payables to affiliated companies refer to commercial transactions carried out at market prices.

Trade payables to subsidiaries of €45,520 thousand (€45,502 thousand) and those payable to associated companies of €44,823 thousand (€51,901 thousand) refer to commercial transactions carried out at market rates. The decrease in trade payables to associated companies is mainly a reflection of business with Mondadori Printing SpA.

Details for each company and the variations compared with 2008 are contained in appendix D1, while information by geographical area is contained in the "Supplementary tables" in the appendix.
There are no trade payables with a due date of more than five years and the average payment period in 2009 was 102.7 days (125.86 days in 2008).

## Income statement

*(Details of intragroup transactions with related parties in 2009 are provided in appendices C2 and D2).*

### 20. Revenues from sales and services

Details of sales in the individual sectors are given in the report on operations.

An analysis of revenues is set out in the following table.

| Revenues from sales and services<br>(€,000) | 2009 | 2008 | Change % |
|---|---|---|---|
| Revenues from the sale of goods: | | | |
| - books | 292,712 | 291,227 | 0.51% |
| - magazines/publications | 261,992 | 297,283 | (11,87%) |
| - magazines/subscriptions | 28,073 | 28,860 | (2.73%) |
| - corporate and other business | | | |
| Reproduction rights | 11,509 | 10,770 | 6,86% |
| Commercial articles and special initiatives | 2,220 | 2,989 | (25.73%) |
| By-products and recovered products | 855 | 1,798 | (52.45%) |
| Warehouse materials and various others | 211 | 278 | (24.10%) |
| Revenues from services: | | | |
| - advertising services | 146,914 | 201,257 | (27.00%) |
| - corporate and other business | | | |
| Online income, content deals, management of websites | 2,098 | 2,360 | (11.10%) |
| Various services, consultation and assistance | 29,670 | 28,325 | 4.75% |
| Courses and conventions | - | - | - |
| **Total revenues** | **776,254** | **865,147** | **(10.27%)** |

The €35,291 thousand reduction in revenues from the sales of magazines/publications and the €54,343 thousand reduction in revenues from advertising are mainly a reflection of the contraction in sales and volumes that affected the market in 2009.

Revenues by geographical area are as follows.

| Geographical area<br>(€,000) | Books | Magazines | Rights | Advertising and other | 2009 | 2008 |
|---|---|---|---|---|---|---|
| Italy | 290,484 | 289,947 | 6,196 | 181,203 | 767,830 | 856,515 |
| Other EU countries | 447 | 5 | 3,799 | 566 | 4,817 | 5,264 |
| USA | 78 | | 108 | 9 | 195 | 109 |
| Switzerland | 1,507 | 1 | 30 | 20 | 1,558 | 1,823 |
| Other countries | 196 | 112 | 1,376 | 170 | 1,854 | 1,436 |
| **Total** | **292,712** | **290,065** | **11,509** | **181,968** | **776,254** | **865,147** |

## 21. Cost of raw materials and consumables and goods for resale

The composition of this item is illustrated in the following table.

| Cost of raw materials and consumables and goods for resale<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Paper for special initiatives | 52 | 96 |
| Electricity, water, gas, fuel | 1,671 | 1,926 |
| **Total cost of raw materials** | **1,723** | **2,022** |
| Goods for resale | 163,755 | 166,490 |
| Consumption and maintenance materials | 17,817 | 11,605 |
| **Total cost of consumables and goods for resale** | **181,572** | **178,095** |
| **Total cost of raw materials and consumables and goods for resale** | **183,295** | **180,117** |

## 22. Cost of services

The composition of this item is illustrated in the following table.

| Cost of services<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Rights and royalties | 86,954 | 98,693 |
| Third-party collaboration | 26,137 | 26,616 |
| Consultancy | 10,924 | 12,029 |
| Commissions | 5,217 | 5,296 |
| Contracted-out printing: | | |
| - printing, packaging and other | 98,592 | 113,060 |
| - paper | 65,703 | 79,703 |
| Transport and shipping | 26,931 | 31,590 |
| Advertising services | 31,501 | 31,670 |
| Other services | 16,276 | 17,251 |
| Travel and other expense reimbursements | 4,191 | 5,766 |
| Maintenance | 2,615 | 2,842 |
| Postal and telephone | 2,932 | 3,223 |
| Canteen and cleaning services | 3,546 | 3,359 |
| Market research | 1,209 | 2,187 |
| Insurance | 1,615 | 1,696 |
| Subscription management | 8,023 | 8,049 |
| Information agency | 807 | 700 |
| Expense for company boards: | | |
| - Chairman and board of directors (*) | 1,694 | 1,688 |
| - Board of statutory auditors (*) | 149 | 147 |
| **Total cost of services** | **395,016** | **445,565** |

(*) Details on an individual basis of remuneration for the year are given in appendix G (Consob resolution 11971, 14 May 1999).

## 23. Personnel costs

The composition of this item is described and commented on below:

| Personnel costs<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Salaries and wages | 89,222 | 96,904 |
| Stock options | 1,031 | 1,128 |
| Social charges | 25,695 | 25,643 |
| Leaving entitlements, termination indemnities and pensions | 19,030 | 7,496 |
| Provisions for personnel reorganisation risks | 10,048 | - |
| Discounting (excluding interest costs) | (426) | (642) |
| **Total personnel costs** | **144,600** | **130,529** |

Cost per category may be analysed as follows.

| (€,000) | 2009 | 2008 |
|---|---|---|
| Managers | 26,534 | 29,542 |
| White collar staff and intermediates | 43,025 | 39,910 |
| Journalists | 71,152 | 57,235 |
| Blue collar staff | 3,889 | 3,842 |
| **Total** | **144,600** | **130,529** |

The Company employed 1,372 people at 31 December 2009, a decrease of 24 compared with 31 December 2008, as illustrated in the table below.

| Personnel | 31/12/2009 | 31/12/2008 | Average 2009 | Average 2008 |
|---|---|---|---|---|
| Managers | 72 | 74 | 74 | 82 |
| Journalists | 412 | 432 | 424 | 445 |
| White collar staff and intermediates | 786 | 782 | 793 | 792 |
| Blue collar staff | 102 | 108 | 104 | 105 |
| **Total** | **1,372** | **1,396** | **1,395** | **1,424** |

The average number of employees for the year was 1,395 (1,424 in 2008).

*Information about stock option plans*

Following the expiry of the stock option plan for the period 2006-2008, the Arnoldo Mondadori Editore SpA shareholders' meeting on 29 April 2009 passed a resolution to set up a new three-year stock option plan (the "Plan"). The Plan is for managers of the Company and its subsidiaries whose activities have a determining impact on the attainment of the Group's strategic objectives, together with directors of the Company and of subsidiaries, journalists employed by the Company and its subsidiaries who are editors or deputy editors of titles and managers of the parent company who carry out their activities in favour of the Company.

The shareholders' meeting entrusted the board of directors with the task of managing the plan, granting the Board all the powers necessary for identifying participants, setting performance objectives, allocating option rights and managing the plan in all its aspects. The shareholders also entrusted the Board with the task of defining rules for implementing the Plan.
The rules for the 2009-2011 Plan approved by the Board provide, for every year the Plan is in force, for the allocation to the participants in the Plan of personal and non-transferable options to purchase ordinary Arnoldo Mondadori Editore SpA shares in the ratio of one share, with regular dividend, for every option exercised.
The strike prices for the year are established by the board of directors with reference to the average reference price for Mondadori shares in the period from the grant date of the options to the same day in the previous calendar month.

Options may only be exercised, in a single act, during exercise periods (specified in the table below) after the lapse of the vesting period of 36 month from the grant date. The rules further specify that the Board defines the conditions for exercising options granted to participants with reference to economic and/or financial performance parameters on an annual basis; fulfilment of conditions for exercising options is verified by the Board, for each year in which the Plan is in force, by the end of the first half of the year after that in which the options were granted.

The Board identified ROE and consolidated free-cash flow as the economic and/or financial performance parameters for the 2009-2011 stock option plan.

No provision was made for granting loans or other facilities for the purchase of shares, in accordance with article 2358, paragraph 3 of the Civil Code.

The following table illustrates the situation at 31 December 2009 regarding the total number of options that have been granted and can still be exercised, the price and the exercise term.

| Stock options | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| In circulation at 01/01/2009 | 2,255,000 | 2,305,000 | 2,565,000 | - |
| - granted during year | - | - | - | 2,300,000 |
| - cancelled during year | (95,000) | (140,000) | (110,000) | (30,000) |
| - exercised during year | - | - | - | - |
| - expired during year | - | - | - | - |
| In circulation at 31/12/2009 | 2,160,000 | 2,165,000 | 2,455,000 | 2,270,000 |
| Exercise term | 24/06/2008-23/06/2011 | 18/07/2009-17/07/2012 | 26/06/2010-25/06/2013 | 16/10/2012-16/10/2015 |
| Exercise price in Euros | 7.87 | 7.507 | 7.458 | 3.4198 |
| Exercisable at 31/12/2009 | 2,160,000 | 2,165,000 | - | - |

Those options assigned after 7 November 2002 have been measured at their fair value on the basis of a numerical calculation using binomial trees based on the following parameters:

| Parameters for option measuring model | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| Exercise price of the option | 7.87 | 7.507 | 7.458 | 3.4198 |
| Option term (residual period) | 1.5 | 2.5 | 3.5 | 5.8 |
| Market price of the underlying shares at the grant date in euros | 7.865 | 7.415 | 7.15 | 3.53 |
| Expected volatility of share price | 18.45% | 19.45% | 17.00% | 32.00% |
| Dividend yield | 4.45% | 4.72% | 4.90% | 5.66% |
| Risk free interest rate for the option term | 3.50% | 2.65% | 4.00% | 2.18% |

With reference to the allocation of options relative to the stock option plan of 2008, it should be noted that the performance objectives for year 2008, which are necessary conditions for the exercise of allocated options, were not achieved.
Under the Plan's rules, the options allocated for 2008 will not be exercisable.

It should be noted that the cost in the income statement, booked under "Personnel costs", relating to operations with payment based on shares, amounted to €1,031 thousand.

## 24. Other (income) expense

This item is made up as follows.

| Other (income) expense (€,000) | 2009 | 2008 |
|---|---|---|
| Other revenues and income | (24,224) | (26,600) |
| Cost of use of third-party assets | 12,962 | 13,746 |
| Various operating costs | 17,633 | 19,517 |
| **Total other (income) expense** | **6,371** | **6,663** |

Other revenues and income, amounting to €24,224 thousand (€26,600 thousand), is as follows.

| Other (income) expense - Other revenues and income (€,000) | 2009 | 2008 |
|---|---|---|
| Capital gains and prior year items | (771) | (362) |
| Supplier rebates and other third-party contributions | (51) | (159) |
| Recovery of expense from third parties: | | |
| - development and distribution expense | (6,402) | (7,735) |
| - expense for producing advertising | (1,928) | (2,791) |
| - cost of work for personnel loans | (4,358) | (4,196) |
| - other recoveries | (7,988) | (9,997) |
| Company rent | (35) | (35) |
| Others (promotional sales, publishing subsidiaries) | (2,691) | (1,325) |
| **Total other revenues and income** | **(24,224)** | **(26,600)** |

The cost of third-party assets, amounting to €12,962 thousand (€13,746 thousand), is as follows.

| Other (income) expense - Cost of third-party assets (€,000) | 2009 | 2008 |
|---|---|---|
| Rental expense | 8,007 | 8,286 |
| Hire of vehicles and other hire | 2,615 | 3,297 |
| Printing machinery rental and other rentals | 2,340 | 2,163 |
| **Total cost of third-party assets** | **12,962** | **13,746** |

Other charges, amounting to €17,633 thousand (€19,517 thousand), are as follows.

| Other (income) expense - Other charges (€,000) | 2009 | 2008 |
|---|---|---|
| Compensation, settlements and discounts | 6,411 | 3,954 |
| Bad debts | 2,873 | 154 |
| Contributions and grants | 1,575 | 2,001 |
| Personnel on loan | 553 | 783 |
| Information material | 973 | 1,259 |
| Entertainment expense | 508 | 986 |
| Others and various | 798 | 161 |
| Capital losses/prior year costs | 56 | 29 |
| Charge to/utilisation of bad debt provisions | (1,513) | 3,158 |
| Charge to/utilisation of provisions for legal risks | 2,753 | 2,339 |
| Charge to/utilisation of provisions for other risks | 1,335 | 3,377 |
| Council property tax | 124 | 121 |
| Taxes and dues | 1,187 | 1,195 |
| **Total other charges** | **17,633** | **19,517** |

Bad debt provisions and provisions for other risks were set up to protect the Company against probable liabilities that are likely to occur in future years.

## 25. Financial income (expense)

This item amounts to €4,093 thousand (€24,319 thousand of expense in 2008), as follows.

| Financial income (expense) (€,000) | 2009 | 2008 |
|---|---|---|
| Interest from banks and post offices | 644 | 4,377 |
| Interest from associated companies | 5 | 152 |
| Interest from subsidiaries | 3,021 | 5,463 |
| Financial income from derivative instrument operations | 14,450 | 1,039 |
| Other interest and financial income | 3,658 | 936 |
| **Total interest and other financial income** | **21,778** | **11,967** |
| Interest to banks | (2,288) | (9,703) |
| Interest to associated companies | (119) | (514) |
| Interest to subsidiaries | (13,097) | (21,297) |
| Interest to parent companies | (227) | - |
| Financial expense from derivative instrument operations | (77) | (62) |
| Financial expense from discounting assets/liabilities | (1,320) | (1,306) |
| Other interest paid and financial expense | (1,480) | (3,227) |
| **Total interest paid and other financial expense** | **(18,608)** | **(36,109)** |
| Realised foreign exchange differences | 874 | (127) |
| Unrealised foreign exchange differences | 49 | (50) |
| **Total gains (losses) on foreign exchange operations** | **923** | **(177)** |
| **Total financial income (expense)** | **4,093** | **(24,319)** |

The income from the cross currency swap closure operation and the simultaneous repurchase of the debenture loan by Mondadori International SA, amounting to €14,450 thousand, is booked under "Financial income from derivative instrument operations". Net income from derivatives mainly refers to cross currency swap operations for the purpose of hedging exchange and interest rate risks on the Company's bond. The relative financial expense is included as "Interest to subsidiaries".

The rates applied to receivables from and payables to subsidiary and associated companies are in line with the average borrowing cost for Arnoldo Mondadori Editore SpA.

Financial charges represented 0.41% of turnover in 2009, as illustrated in the following table.

| (€,000) | 2009 | 2008 |
|---|---|---|
| Interest and financial expense on short-term loans | 16,316 | 33,647 |
| Other financial expense (commission/bank charges, cover for exchange/interest rate risks, discounting expense) | 2,292 | 2,462 |
| | 18,608 | 36,109 |
| Interest on loans | +3,029 | +5,623 |
| Other financial income (receivables/securities as non-current assets, hedging of exchange/interest rate risks) | +18,749 | +6,344 |
| **Total (A)** | **+3,170** | **24,142** |
| **Revenues from sales (B)** | **776,253** | **865,147** |
| **Percentage (A/B)** | **0.41%** | **2.79%** |

## 26. Income (expense) from other investments

The details of this item are illustrated in the following table.

| Income (expense) from other investments<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Dividends | 45,894 | 51,489 |
| Writedowns | (17,509) | (30,922) |
| Capital losses/gains on corporate operations | - | 1,393 |
| **Total income (expense) from other investments** | **23,385** | **21,960** |

Dividends received during the year were as follows:

| (€,000) | 2009 | 2008 |
|---|---|---|
| Subsidiary companies: | | |
| Press-Di Distribuzione Stampa e Multimedia Srl | 4,250 | 3,354 |
| Mondadori Pubblicità SpA | 780 | 1,620 |
| Giulio Einaudi editore SpA | 6,900 | 5,980 |
| Mondadori Iniziative Editoriali SpA | 1,690 | - |
| Mondadori Education SpA | 11,934 | 10,404 |
| Cemit Interactive Media SpA | 2,552 | 2,729 |
| Mondadori Electa SpA | 920 | 2,758 |
| Edizioni Piemme SpA | 6,500 | 6,850 |
| Mondadori Franchising SpA | 5,080 | 3,615 |
| Mondadori Printing SpA | - | 4,124 |
| **Total subsidiary companies** | **40,606** | **41,434** |
| Associated companies: | | |
| Gruner + Jahr/Mondadori SpA | 2,977 | 3,159 |
| Mondolibri SpA | 570 | 4,435 |
| ACI-Mondadori SpA | - | 502 |
| Mondadori Rodale Srl | 498 | 720 |
| Harlequin Mondadori SpA | 390 | 250 |
| Mach 2 Libri SpA | 479 | 525 |
| Hearst Mondadori Editoriale Srl | 374 | 464 |
| **Total associated companies** | **5,288** | **10,055** |
| **Total dividends** | **45,894** | **51,489** |

Writedowns of €17,509 thousand (€30,922 thousand) refer to the impairment test carried out to adjust the cost of investments to their recoverable value.

Details are given in the balance sheet item "Investments", while the table below sets out the nature of the writedowns.

| (€,000) | 2009 | 2008 |
|---|---|---|
| Cover for losses | 22,020 | 7,534 |
| Reduction of capital and reserves | 8,725 | 7,172 |
| | 30,745 | 14,706 |
| Provisions for losses/write downs | | |
| - provisions | 11,261 | 30,867 |
| - utilisations | (24,497) | (14,651) |
| | (13,236) | 16,216 |
| Other | - | - |
| **Total** | **17,509** | **30,922** |

## 27. Income taxes

"Income taxes" amounted to €17,571 thousand (€24,843 thousand). The main components of income taxes for the years ended 31 December 2009 and 2008 were as follows.

| Income taxes<br>(€,000) | 2009 | 2008 |
|---|---|---|
| IRES tax on income for the year | 15,438 | 17,207 |
| IRAP tax for the year | 6,663 | 8,280 |
| **Total current taxes** | **22,101** | **25,487** |
| Deferred tax (income) expense - IRES | (4,560) | (657) |
| Deferred tax (income) expense - IRAP | 30 | 13 |
| **Total deferred tax (income) expense** | **(4,530)** | **(644)** |
| **Total income taxes** | **17,571** | **24,843** |

With reference to the changes in current income taxes, it should be noted that the calculation made for 2009 took into account the subsidies granted on IRES introduced in legislative decree 185/2008.

*Reconciliation between the tax charge in the financial statements and the theoretical tax charge*

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| (€,000) | Profit before taxes | Taxes | Current tax rate | Profit before taxes | Taxes | Current tax rate |
| Theoretical IRES tax charge | 70,751 | 19,457 | 27.50% | 91,040 | 25,036 | 27.50% |
| Theoretic IRAP tax charge | | 2,759 | 3.90% | | 3,551 | 3.90% |
| **Total theoretical tax charge/rate** | **70,751** | **22,216** | **31.40%** | **91,040** | **28,586** | **31.40%** |
| Actual IRES tax charge | 70,751 | 10,878 | 15.37% | 91,040 | 16,550 | 18.18% |
| Actual IRAP tax charge | | 6,693 | 9.46% | | 8,293 | 9.11% |
| **Actual tax charge/effective tax rate** | | **17,571** | **24.83%** | | **24,843** | **27.29%** |
| **Theoretic tax charge/rate** | **70,751** | **22,216** | **31.40%** | **91,040** | **28,586** | **31.40%** |
| Dividend effect | (43,767) | (12,036) | (17.01%) | (49,037) | (13,485) | (14.81%) |
| Effect of provisions for investment losses | 17,509 | 4,815 | 6.81% | 30,921 | 8,503 | 9.34% |
| Net effect of other permanent IRES differences | 4,146 | 1,140 | 1.61% | 5,687 | 1,564 | 1.72% |
| Effect of different IRAP tax base (cost of labour, collaboration, financial and extraordinary income/expense, losses on receivables) | 100,889 | 3,935 | 5.56% | 121,605 | 4,743 | 5.21% |
| Other | (9,090) | (2,499) | (3.53%) | (18,439) | (5,068) | (5.57%) |
| **Actual tax charge/effective tax rate** | | **17,571** | **24.83%** | | **24,843** | **27.29%** |

## 28. Commitments and contingent liabilities

The composition of commitments and contingent liabilities is described and commented on below.

"Commitments" are made up as follows.

| (€,000) | Sureties | Other guarantees | Total 31/12/2009 | Total 31/12/2008 |
|---|---|---|---|---|
| Guarantees, sureties and endorsements: | | | | |
| - in favour of subsidiaries | 79,698 | | 79,698 | 47,281 |
| - in favour of associated companies | 6,221 | | 6,221 | 4,016 |
| - in favour of other companies | 24,127 | | 24,127 | 24,167 |
| | 110,046 | | 110,046 | 75,464 |
| Other commitments | | | 2,957 | 4,008 |
| **Total** | | | **113,003** | **79,472** |

### Guarantees, sureties and endorsements

- *in favour of subsidiaries*: €79,698 thousand (€47,281 thousand) refers to undertakings given to the Milan VAT office on behalf of subsidiary companies, in respect of their VAT credits offset in the Group settlement, and €30,000 thousand refers to a letter of patronage issued to Mediofactoring SpA in favour of Mondadori Pubblicità SpA;
- *in favour of associated companies*: €6,221 thousand (€4,016 thousand) for letters of patronage issued to Banco Santander Central Hispano for credit facilities granted to the Random House Mondadori group, undertakings given to the Milan VAT office on behalf of Mondadori Printing SpA (former subsidiary), and a letter of patronage issued to Intesa Sanpaolo for a guarantee given to Mondadori Seec (China);
- *in favour of other companies*: €24,127 thousand (€24,167 thousand) refers to counter-guarantees given by the Company for bank guarantees issued by banks:
  - €5,195 thousand in favour of Lombardy Region Tax Authorities and the Ministry of Industry for competitions in magazines;
  - €15,771 thousand to tax authorities for VAT reimbursements;
  - €3,161 thousand to other authorities and companies.

With regard to **Potential liabilities**, the following disputes are still unresolved:

- 1979: the Milan District Tax Office challenged the application of the provisions contained in article 34, law 576/1975 pertaining to tax reductions regarding IRPEG and ILOR, involving a total of €504 thousand, plus accessory legal charges, applied to capital gains on the transfer of a company division. The Tax Office lodged an appeal to the Central Tax Commission after both the first and second levels of the Tax Commission agreed with the Company's defence and found against the case brought by the Tax Office.
- 1991: the Milan District Tax Office, citing article 10, law 408/1990, challenged the recognition of a tax deficit as a result of the merger of AME Finanziaria (AMEF) into Arnoldo Mondadori Editore SpA, said deficit subsequently being used to revalue a number of investments held by the merged company, then disposed of. As a consequence of that challenge, the Tax Office then claimed additional IRPEG and ILOR on the capital gains, which were re-calculated at a total of €173,074 thousand, plus accessory legal charges. The first two levels of justice confirmed that the Company had acted correctly. The sentence issued on 4 May 1996 by the first level of the Tax

Commission upheld the case presented by the Company, and the subsequent appeal lodged by the Tax Office was thrown out by the Regional Tax Commission with the sentence issued on 23 July 1999. In October 2000 the Finance Department notified the Company of its intention to lodge an appeal to the Supreme Court, and following an application by the Company the appeal was assigned to the civil section of the Court which, up to the present time, has still not set a hearing to discuss the case. The Company maintains that it can also demonstrate to this section of the Court that it operated in a correct manner and that it can establish that it did not violate the provisions referred to by the Tax Office.

- 1996-1997-1998-1999: following inspections carried out by the Istituto Nazionale Previdenza Giornalisti (national institute of social security for journalists) and the financial police, the tax authorities served an assessment notice on the Company requesting payment of €186 thousand in IRPEF tax, plus accessory legal charges, for failure to pay withholding tax. The Company lodged an appeal to the Tax Commission, for which it should be noted that:
  - the assessments regarding the years 1996 to 1998 have been suspended by the Provincial Tax Commission until the proceedings held in the employment tribunal have been settled;
  - after the assessments regarding 1999 were cancelled by the Provincial Tax Commission, the Tax Office lodged an appeal to the Regional Tax Commission. The Regional Tax Commission has suspended the case until the proceedings held in the employment tribunal have been settled.
- 2004: the Direzione Regionale della Lombardia (Lombardy regional commission) served an assessment notice on the Company regarding:
  - the deductibility for the purposes of IRES of a sum of €1,847 thousand relating to the loss in value of a derivative contract;
  - the application of the 12.50% deduction (worth €999 thousand) of interest relating to a debenture loan in favour of a subsidiary, plus accessory legal charges.
- The relative assessment notices were challenged before the Provincial Tax Commission, although up to the present no date has been fixed for a preliminary hearing.

The Company did not think the risk of losing the cases described above was high enough to warrant making specific provision for risks and charges for 2009.

### 29. Non-recurring expense (income)

In accordance with Consob resolution no. 15519, 27 July 2006, the Company signals the following non-recurring operations carried out in 2009:

- company restructuring following the request for a state of crisis for the Company's magazine division, which produced a loss of €19,540 thousand;
- the closure of the cross currency swap and the simultaneous re-purchase of the debenture loan obtained by Mondadori International SA, which produced a profit of €14,450 thousand;
- disposal of option rights by Arnoldo Mondadori Editore SpA and Fied SpA (subsequently merged into Arnoldo Mondadori Editore SpA) upon the increase in capital requested by Società Europea di Edizioni SpA by the extraordinary shareholders' meeting of 16 December 2009, which produced a profit of €649 thousand.

The operations referred to above, net of their fiscal effect, produced a negative effect on the result for 2009 amounting to €2,705 thousand.

## 30. Related parties

Operations carried out with related parties, including intragroup operations, cannot be qualified as either atypical or unusual since they are part of the normal business activities of the Group companies. These operations, when they are not carried out under normal conditions or if they are dictated by specific regulations, are in any case carried out under market conditions.
Appendies C1, C2, D1 and D2 contain details of the economic and financial effects of operations with parent, subsidiary, associated and affiliated companies that took place in 2008 and 2009.

## 31. Financial risk management and other information required by the application of IFRS 7

When carrying out its business activities the Company finds itself exposed to various financial risks, such as interest rate risk, exchange rate risk, price risk, credit/counterparty risk, issuer risk and liquidity risk.

The Group has drawn up a "General Policy for Financial Risk Management" aimed at regulating and defining financial risk management, and it has also made provision for setting up a Risk Committee whose task it will be to define any eventual modifications. The Policy has been adopted by the parent company, Arnoldo Mondadori Editore SpA, and all Group companies.

The Company analyses and measures its exposure to financial risks in order to define its management and hedge strategies. The Company uses the following means of measuring the risks it is liable to:

- sensitivity analysis of positions subject to risk, involving analysis of mark to market variations and/or future cash flow variations in relation to small variations in risk factors;
- value at risk measurement of the maximum possible loss for a specific position or a specific portfolio in a specific temporal period and with a specific level of probability.

The overall objective of the Policy is to minimise financial risks by using the best instruments offered by the market. Transactions in financial derivative instruments are only used to hedge the financial risks the Company is exposed to, arising directly from Arnoldo Mondadori Editore SpA or from companies controlled by it.
Transactions in financial instruments that are merely speculative are not permitted.

The management and monitoring of risks is carried out by company employees and representatives who produce specific reports at pre-established times.

Interest rate risk

Interest rate risks can be defined as the possibility that losses may be incurred in financial management, in terms of a decrease in returns from a business activity or an increase in the costs of a liability (either already existing or potential) as a consequence of variations in interest rates.

Interest rate risk therefore represents the uncertainty associated with interest rates. The fundamental objective of interest rate risk management is to immunize the Company's financial position against variations in market rates by constant monitoring of interest rate volatility and prudent management of the risk and return profiles of business

activities and of the Group's financial liabilities within the framework of its asset and liability management policy.

The Company's exposure to this type of risk arises mainly from its long-term loans, in particular the loan granted in 2006 by a pool of international banks (Club Deal) that was restructured in 2009, and the bilateral lines of credit guaranteed by Intesa Sanpaolo during 2008 and 2009.

The following table illustrates the results of the sensitivity analysis carried out on interest rate risks, with an indication of the impact on the income statement, as required by IFRS 7.

| **Sensitivity analysis** (€m) | Underwritten | Increase/(decrease) in interest rates | Revenues (charges) |
|---|---|---|---|
| 2009 | (184.5) | 1% | (1.8) |
| 2008 | (479.7) | 1% | (1.4) |
| 2009 | (184.5) | (0.3%) | 0.5 |
| 2008 | (479.7) | (0.3%) | 0.4 |

In identifying the potential impact of positive and negative variations in interest rates, floating-rate loans (short-term loans) were analyzed.

The sensitivity analyses looked at future cash flow relative to the payment of variable-rate interest charges.

The basic assumptions of the sensitivity analysis are:
- an initial parallel shift of the interest curve of +100/-30 basis points;
- in calculating the variations associated with floating-rate financial instruments, it is assumed that no interest rates have already been fixed;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for comparative reasons, the same measurements are carried out on both the current year and the previous year.

Exchange rate risk

Exchange rate risks can be defined as an accumulation of negative effects on profit margins or the value of an asset or a liability as a result of variations in exchange rates.

The Company, even though it operates on the international level, is not significantly exposed to exchange rate risks since the euro is the currency used for the main business areas.

In order to hedge exchange risks attaching to purchases and sales in US dollars and sterling, forward purchase and sales contracts are underwritten in these currencies.

While these contracts are stipulated for hedging against potential risks, they do not fully satisfy the requisites of international accounting standards for them to be recognised as such in accordance with hedge accounting regulations, so they are treated as trading derivatives.

The Company's policy is to cover a percentage of the positions provided for in the budget and all of the orders received, in order to safeguard the operational profitability of the Company in the face of adverse changes in exchange rates.

During 2009 the type of exposure and the hedge policy adopted for exchange rate risks did not change to any degree in comparison with previous years.

The results of the sensitivity analysis carried out on exchange rate risks showed that there was no significant economic impact, as a result of the low level of the average exposure in 2008 and 2009.

Shareholders' equity was not affected since the derivative instruments used for managing the exchange rate risk were not subject to hedge accounting.

The basic assumptions of sensitivity analyses are:
- the exchange rate shock at the time the financial statements were drawn up was the same for all the currencies where the Company has exposures and was equal to ± 10%;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for comparative reasons, the same measurements are carried out on both the current year and the previous year.

Liquidity risk

Liquidity risk is defined as the possibility that the Company may not be able to honour its payment commitments as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby forcing it to bear very high costs in meeting its financial commitments. The company's exposure to this risk is represented above all by current financial operations. The company currently has medium-long term loans:
- with a pool of international banks for the Club Deal loan contract of 2006, which was renegotiated at the end of 2009;
- with Intesa Sanpaolo SpA for two five-year loan contracts for a total of €280,000 thousand.

In addition, should it be necessary, the Company can utilise the short-term bank guarantees already granted.

The company's objective is to constantly maintain balance and flexibility between financial sources and commitments. Details of the characteristics of current and non-current financial liabilities are contained in note 16, "Financial liabilities".
At 31 December 2009, the Company's liquidity risk may be managed by using both its own financial resources and those of its subsidiaries.

The table below details the Company's exposure to liquidity risk and maturity dates.

| Liquidity risk | Analysis of maturity periods at 31/12/2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| (€m) | < 6 months | 6 - 12 months | 1 - 2 years | 2 - 5 years | 5 - 10 years | > 10 years | Total |
| Trade payables | 69.6 | | | | | | 69.6 |
| Medium to long-term intergroup loans | | | | | | | |
| Medium long-third-party loans | 122.6 | 2.9 | 6.1 | 91.5 | 69.9 | | 293.0 |
| Other financial liabilities: | | | | | | | |
| - committed lines | | | | | | | |
| - uncommitted lines | 5.7 | 1.4 | | | | | 7.1 |
| Other liabilities | 30.0 | | | | | | 30.0 |
| Intergroup payables | 252.0 | | | | | | 252.0 |
| **Total** | **479.9** | **4.4** | **6.1** | **91.5** | **69.9** | | **651.8** |
| Cross currency swap | | | | | | | |
| **Total exposure** | **479.9** | **4.4** | **6.1** | **91.5** | **69.9** | | **651.8** |

| Liquidity risk | Analysis of maturity periods at 31/12/2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| (€m) | < 6 months | 6 - 12 months | 1 - 2 years | 2 - 5 years | 5 - 10 years | > 10 years | Total |
| Trade payables | 65.2 | | | | | | 65.2 |
| Medium to long-term intergroup loans | 7.0 | 7.0 | 13.9 | 196.3 | 114.8 | | 339.0 |
| Medium-long third-party loans | 1.5 | 1.9 | 2.9 | 113.4 | | | 119.7 |
| Other financial liabilities: | | | | | | | |
| - committed lines | 0.8 | 58.9 | | | | | 59.7 |
| - uncommitted lines | 1.5 | 1.4 | | | | | 2.9 |
| Other liabilities | 32.9 | | | | | | 32.9 |
| Intergroup payables | 257.8 | | | | | | 257.8 |
| **Total** | **366.6** | **69.3** | **16.9** | **309.7** | **114.8** | | **877.3** |
| Cross currency swap | (1.3) | (1.4) | (5.3) | 23.4 | 17.0 | | 32.4 |
| **Total exposure** | **365.3** | **67.9** | **11.6** | **333.2** | **131.8** | | **909.7** |

The maturity periods were analysed using undiscounted cash flows and the amounts were entered taking into account the first date that payment could be requested, which is why the uncommitted lines of credit were entered in the first column.

From the tables in the appendices and from analyses of credit lines and managed liquidity it emerged that the Company will have no problem in meeting the next financial maturity dates.

Credit risk

Credit risks can be defined as the possibility of suffering financial losses as a result of a counterparty defaulting on contractual obligations.

A particular type of credit risk is represented by a counterparty defaulting on financial derivative exposures, in which case the risk is connected to capital gains positions where there is a possibility of not receiving cash flow due from a defaulting counterparty. For the Company, this potential risk is very limited since the counterparties in financial derivative operations are always primary financial institutions with high ratings.

The objective is to limit the risk of losses due to the unreliability of market counterparties or to the difficulty of converting or replacing current financial positions, so there are no operations with non-authorised counterparties.

When approving the policy, the board of directors also approved a list of authorised counterparties that can be used in financial risk hedging operations. Operations with authorised counterparties are constantly monitored and reports are regularly made of these operations.

The management of commercial credit is the responsibility of the individual company divisions, in compliance with the Company's financial objectives, pre-established commercial strategies and operational procedures restricting the sale of products and services to customers without an adequate credit profile or collateral guarantees. Credit balances are monitored throughout the year to ensure that the amount of exposure to losses is not significant.
The following table illustrates the maximum exposure to credit risks for the components of the financial statements. The maximum exposure to risk is indicated before the effects of mitigation deriving from compensation agreements and guarantees.

| Credit risk<br>(€m) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Deposits | 35.4 | 113.0 |
| Receivables and loans | | |
| - trade receivables and other current financial assets | 379.1 | 324.2 |
| - trade receivables and other non-current financial assets | 12.6 | 25.5 |
| Guarantees | 1.6 | 1.6 |
| **Total of maximum exposure to credit risks** | **428.7** | **463.3** |

The Company's exposure to credit risks is distributed in the following way:

| Concentration of credit risk | 31/12/2009<br>(€m) | 31/12/2008<br>(€m) | 31/12/2009<br>% | 31/12/2008<br>% |
|---|---|---|---|---|
| **Business area:** | | | | |
| Various books | 113.8 | 113.7 | 57.3% | 51.9% |
| Magazines | 75.6 | 95.9 | 38.1% | 43.8% |
| Other | 9.2 | 9.3 | 4.6% | 4.3% |
| **Total** | **198.6** | **218.9** | **100.0%** | **100.0%** |
| **Distribution area:** | | | | |
| Italy | 195.4 | 214.0 | 98.4% | 97.8% |
| Other countries | 3.2 | 4.9 | 1.6% | 2.2% |
| **Total** | **198.6** | **218.9** | **100.0%** | **100.0%** |

The method of managing the main business areas is described below.

*Books*
The Company employs a specific procedure for defining the risk profile of every new customer by collecting the commercial information necessary for evaluating their reliability before any lines of credit are opened. This reliability is constantly monitored.

*Magazines*
Magazine sales and distribution through newsstands and subscription is handled by the subsidiary company, Press-Di Distribuzione Stampa e Multimedia Srl.
With reference to sales through newsstands, the Company is not exposed to any credit risks since any eventual losses are the responsibility of the subsidiary, which is also responsible for defining and managing these risks.
With reference to subscription sales, however, any credit losses suffered by Press-Di Distribuzione Stampa e Multimedia Srl are the responsibility of the Company. Given the fragmentation of the credit balances and the small amounts involved, the credit

management procedure does not include any guarantees but is aimed at limiting the amount of exposure for each individual subscriber.

*Advertising*
Advertising receivables refer to sales of advertising in magazines belonging to the Company. Advertising sales are managed by the subsidiary, Mondadori Pubblicità SpA, which is therefore responsible for defining credit policy and monitoring its efficiency.

With reference to trade receivables from bookshops, the Company makes provisions for the positions that are particularly significant. The total amount of these provisions takes into consideration an estimate of the recoverable amount, the date of receipt, the expense, and cost of recovery and any eventual guarantees received.

The Company establishes a fund for those positions that are not subject to any specific provisions, based on historical data and statistics.

*Price risk*
The price risk refers to the uncertainty associated mainly with variations in the market price of equity instruments and to the loss of value in assets/liabilities as a result of variations in commodity prices. The fundamental objective of price risk management is to reduce the impact of the fluctuation of the price of raw materials on the Company's financial results.

Due to the nature of its business, the Company is exposed to the variations in the price of paper.

*Other information required by IFRS 7*

The following table illustrates financial assets and liabilities in the categories defined by IAS 39.

| Classification | Carrying value | | | | | | Fair value | |
|---|---|---|---|---|---|---|---|---|
| | Total | | current | | non-current | | | |
| (€m) | 31/12/2009 | 31/12/2008 | 31/12/2009 | 31/12/2008 | 31/12/2009 | 31/12/2008 | 31/12/2009 | 31/12/2008 |
| Receivables and loans: | | | | | | | | |
| - cash and cash equivalents | 35.4 | 113.0 | 35.4 | 113.0 | | | 35.4 | 113.0 |
| - trade receivables | 76.5 | 79.7 | 76.4 | 79.4 | 0.1 | 0.2 | 76.5 | 79.7 |
| - other financial assets | 90.0 | 21.9 | 89.7 | 21.6 | 0.3 | 0.3 | 90.0 | 21.9 |
| - receivables from subsidiary and associated companies | 225.2 | 247.1 | 213.2 | 223.1 | 12.0 | 24.0 | 225.2 | 247.1 |
| Financial assets available for sale (investments) | 0.2 | 0.2 | 0.2 | 0.2 | | | 0.2 | 0.2 |
| **Total financial assets** | **427.4** | **461.9** | **414.9** | **437.3** | **12.4** | **24.5** | **427.4** | **461.9** |
| Amortised cost of financial assets: | | | | | | | | |
| - trade liabilities | 69.6 | 65.1 | 69.6 | 65.1 | | | 69.6 | 65.1 |
| - liabilities due to banks and other financial payables | 297.1 | 478.6 | 157.1 | 113.8 | 140.0 | 364.8 | 297.2 | 484.3 |
| - liabilities due to subsidiary and associated companies | 252.0 | 257.8 | 252.0 | 257.8 | | | 252.0 | 257.8 |
| Interest rate swap | | 6.6 | | | | 6.6 | | 6.6 |
| **Total financial liabilities** | **618.7** | **808.1** | **478.7** | **436.7** | **140.0** | **371.4** | **618.8** | **813.8** |

The following table illustrates the income and expense attributable to financial assets and liabilities, divided into the categories defined by IAS 39.

| Profit and loss from financial instruments<br>(€m) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Net profit from financial liabilities at amortised cost | | |
| Net profit from derivative financial instruments | 17.5 | 48.7 |
| Interest earned on financial assets not valued at fair value | | |
| - deposits | 0.6 | 4.4 |
| - intergroup receivables | 3.0 | 5.6 |
| - other financial assets | 0.1 | 0.1 |
| **Total income** | **21.2** | **58.8** |
| Net loss from financial derivative instruments | | |
| Net loss from financial liabilities at amortised cost | | 47.7 |
| Interest paid on financial liabilities not valued at fair value: | | |
| - deposits | | 1.1 |
| - loans | 13.9 | 25.0 |
| - intergroup payables | 1.8 | 5.4 |
| - others | 0.6 | 2.4 |
| Losses from financial instrument writedowns | | |
| - trade receivables | 1.4 | 3.3 |
| **Total expense** | **17.7** | **84.9** |
| **Total** | **3.5** | **(26.1)** |

## 32. Information as per article 149-duodecies, Consob regulations

The following table, drawn up in accordance with article149-duodecies, Consob regulations, shows the fees paid during 2009 (net of accessory expense) for auditing and other services provided by Reconta Ernst & Young SpA and other companies belonging to the same network.

| (€,000) | Company providing services | Amount paid for 2009 |
|---|---|---|
| Audit | Reconta Ernst & Young SpA | 460 |
| Certification services | Reconta Ernst & Young SpA [1] | 45 |
| **Total** | | **505** |

[1] Certification of Circulation and Printing

### *Supplementary tables*

A supplementary table containing a geographical analysis of the Company's receivables and payables is contained in appendix I.

### *Consolidated financial statements*

The appendices also include the Group's consolidated financial statements at 31 December 2009.

*On behalf of the Board of Directors*
*Chairman*
*Marina Berlusconi*

# Appendices to the Financial Statements

# Appendix A: Investments

| Name (€,000) | Head office | | Share capital | Shareholders' equity | Profit (loss) for 2009 |
|---|---|---|---|---|---|
| *Subsidiary companies:* | | | | | |
| Arnoweb SA | Luxembourg | € | 36,257 | 32,979 | (3,869) |
| Cemit Interactive Media SpA | S. Mauro Torinese (TO) | € | 3,835 | 7,485 | 1,734 |
| Edizioni Piemme SpA | Milan | € | 567 | 12,036 | 5,743 |
| Giulio Einaudi editore SpA | Turin | € | 23,920 | 31,594 | 7,195 |
| Mondadori Education SpA | Milan | € | 10,608 | 38,870 | 11,553 |
| Mondadori Electa SpA | Milan | € | 1,594 | 7,007 | (552) |
| Mondadori Franchising SpA | Rimini | € | 1,954 | 5,823 | 5,524 |
| Mondadori Iniziative Editoriali SpA | Milan | € | 500 | 1,157 | 1,577 |
| Mondadori International SA | Luxembourg | € | 321,626 | 362,082 | 9,551 |
| Mondadori Pubblicità SpA | Milan | € | 3,120 | 5,138 | (4,920) |
| Mondadori Retail SpA | Milan | € | 2,700 | 11,289 | (3,998) |
| Press-Di Distribuzione Stampa e Multimedia Srl | Milan | € | 1,095 | 1,913 | 5,093 |
| Monradio Srl | Milan | € | 3,030 | 30,154 | (12,570) |
| Prisco Spain SA | Barcelona | € | 60 | 46 | (4) |
| Sperling & Kupfer Editori SpA | Milan | € | 1,556 | 2,010 | 749 |
| Monradio Servizi Srl (formerly Rock FM Srl) | Milan | € | 10 | 329 | 2 |
| Total | | | | | |
| *Associated companies:* | | | | | |
| ACI-Mondadori SpA | Milan | € | 590 | 1,855 | (271) |
| Gruner + Jahr/Mondadori SpA | Milan | € | 2,600 | 4,489 | |
| Random House Mondadori SA | Barcelona | € | 6,825 | 45,106 | 11,637 |
| Harlequin Mondadori SpA | Milan | € | 258 | 495 | 810 |
| Hearst Mondadori Editoriale Srl | Milan | € | 100 | 257 | 49 |
| Mach 2 Libri SpA | Peschiera Borromeo (MI) | € | 646 | 10,053 | 1,347 |
| Mondadori Rodale Srl | Milan | € | 90 | 335 | (6) |
| Mondolibri SpA | Milan | € | 1,040 | 8,024 | (296) |
| Società Europea di Edizioni SpA | Milan | € | 11,709 | 27,958 | (17,660) |
| Mondadori Printing SpA | Cisano Bergamasco (BG) | € | 45,396 | 67,336 | (5,561) |
| Total | | | | | |
| *Other companies:* | | | | | |
| Consuledit Srl | Milan | € | 20 | 38 | |
| Editrice Portoria SpA (in bankruptcy) | Milan | € | 364 | 300 | |
| Immobiliare Editori Giornali Srl | Rome | € | 830 | 5,912 | |
| Soc. Editrice Il Mulino SpA | Bologna | € | 1,175 | 1,647 | |
| Total | | | | | |
| Total direct investments | | | | | |

(a) Shareholders' equity at 31/12/1999.
(b) Associated to 50% through Arnoweb SA and Prisco Spain SA.
(d) IAS consolidated financial statements.
(e) 100% stake held through Monradio Srl.
Note: the values refer to the equity and financial data prepared in accordance with accounting standards used for preparing the individual financial statements of the invested compan

| Total shareholders' equity | | Share held | | Attributable shareholders' equity | Value of financial statements: Purchased/ Established | Capital contributions | Doubtful accounts | Total |
|---|---|---|---|---|---|---|---|---|
| 29,110 | | 100.00% | | 29,110 | 36,253 | | | 36,253 |
| 9,219 | | 100.00% | | 9,219 | 15,573 | | | 15,573 |
| 17,779 | | 90.00% | | 16,001 | 22,093 | | | 22,093 |
| 38,789 | | 100.00% | | 38,789 | 28,483 | | | 28,483 |
| 50,423 | | 100.00% | | 50,423 | 56,230 | | | 56,230 |
| 6,455 | | 100.00% | | 6,455 | 6,340 | | | 6,340 |
| 11,347 | | 100.00% | | 11,347 | 1,882 | 2,001 | | 3,883 |
| 2,734 | | 100.00% | | 2,734 | 500 | 700 | (426) | 774 |
| 371,633 | | 100.00% | | 371,633 | 320,759 | | | 320,759 |
| 218 | | 100.00% | | 218 | 3,863 | | (3,646) | 217 |
| 7,291 | | 100.00% | | 7,291 | 2,954 | 1,305 | | 4,259 |
| 7,006 | | 100.00% | | 7,006 | 1,095 | | | 1,095 |
| 17,584 | | 100.00% | | 17,584 | 49,480 | 11,956 | (13,821) | 47,615 |
| 42 | | 100.00% | | 42 | 7,856 | | | 7,856 |
| 2,759 | | 100.00% | | 2,759 | 10,366 | | | 10,366 |
| 331 | | 10.00% | (e) | 33 | 1 | | | 1 |
| | | | | **570,643** | **563,728** | **15,962** | **(17,893)** | **561,797** |
| | | | | | | | | |
| 1,584 | | 50.00% | | 791 | 540 | | | 540 |
| 4,489 | | 50.00% | | 2,244 | 1,203 | | | 1,203 |
| 56,743 | (d) | 6.01% | (b) | 3,410 | 13,842 | | | 13,842 |
| 1,305 | | 50.00% | | 653 | 402 | | | 402 |
| 306 | | 50.00% | | 153 | 50 | 49 | | 99 |
| 11,400 | | 30.91% | | 3,524 | 3,947 | | | 3,947 |
| 329 | | 50.00% | | 165 | 45 | | | 45 |
| 7,728 | | 50.00% | | 3,864 | 3,010 | | | 3,010 |
| 10,298 | | 36.90% | | 3,800 | 3,980 | 134 | (315) | 3,799 |
| 61,775 | | 20.00% | | 12,355 | 15,864 | | | 15,864 |
| | | | | **30,958** | **42,883** | **183** | **(315)** | **42,751** |
| | | | | | | | | |
| 38 | | 9.54% | | 4 | 1 | | | 1 |
| 300 | (a) | 16.78% | | 50 | 61 | | (60) | 1 |
| 5,912 | | 7.88% | | 466 | 52 | | | 52 |
| 1,647 | | 7.05% | | 116 | 101 | | | 101 |
| | | | | **636** | **215** | **0** | **(60)** | **155** |
| | | | | **602,238** | **606,826** | **16,145** | **(18,268)** | **604,703** |

ies.

# Appendix B1: Main indirect subsidiary and associated companies at 31 December 2009

| Name (€,000) | Head office | | Share capital | Shareholders' equity |
|---|---|---|---|---|
| *Subsidiary companies:* | | | | |
| ABS Finance Fund Sicav | Luxembourg | € | 59,320 | 59,320 |
| Ame Publishing Ltd | New York | US$/000 | 50 | 306 |
| Ame France SAS | Paris | € | 489 | 510 |
| Arnoldo Mondadori Deutschland GmbH (in liquidation) | Munich | € | 25 | 98 |
| Diana SAS | Issy-les-Moulineaux | € | 16,337 | 19,282 |
| Editions Taitbout SA | Issy-les-Moulineaux | € | 3,049 | 48,551 |
| Excelsior Publications SAS | Paris | € | 1,717 | 30,156 |
| Mondadori France SAS | Paris | € | 50,000 | 231,613 |
| Mondadori France Digital SAS | Issy-les-Moulineaux | € | 5,550 | 1,992 |
| Mondadori Magazines France SAS | Issy-les-Moulineaux | € | 476,036 | 479,141 |
| Monradio Servizi Srl (formerly Rock FM Srl) | Milan | € | 10 | 329 |
| Star Presse Hollande BV | Amsterdam | € | 18 | 311 |
| **Total** | | | | |

(Currency expressed in thousands)

| | | | | |
|---|---|---|---|---|
| *Associated companies:* | | | | |
| *Companies belonging to Random House Mondadori Group:* (a) | | | | |
| Random House Mondadori SA (Colombia) | Bogotà | Colombian pesos | 15,000 | |
| Random House Mondadori SA de CV (Mexico) | Mexico D.F. | Pesos | 86,988 | |
| Editorial Sudamericana SA (Argentina) | Buenos Aires | Australes | 8,367 | |
| Random House Mondadori SA (Chile) | Santiago | Pesos | 4,184,124 | |
| Editorial Sudamericana Uruguaya SA (Uruguay) | Montevideo | N. Pesos | 9,893 | |
| Random House Mondadori SA (Venezuela) | Caracas | Bolivares | 3,533,787 | |
| Market Self SA | Buenos Aires | Australes | 1,150 | |
| Random House Mondadori SA | Barcelona | € | 6,825 | |
| (Data referring to the IAS Consolidaetd Financial Statements for the Random House Mondadori Group) | Barcelona | € | 6,825 | 56,550 |

| Profit (loss) for 2009 | Total shareholders' equity | Share held by Group | Attributable shareholders' equity in currency | Attributable shareholders' equity in euros (b) |
|---|---|---|---|---|
| | 59,320 | 71.17% | 42,221 | 42,221 |
| 25 | 331 | 100.00% | 331 | 230 |
| (347) | 163 | 100.00% | 163 | 163 |
| (82) | 16 | 100.00% | 16 | 16 |
| (3,878) | 15,404 | 100.00% | 15,404 | 15,404 |
| 4,864 | 53,415 | 100.00% | 53,413 | 53,413 |
| 2,548 | 32,704 | 100.00% | 32,704 | 32,704 |
| 49,773 | 281,386 | 100.00% | 281,386 | 281,386 |
| | 1,992 | 100.00% | 1,992 | 1,992 |
| (22,950) | 456,191 | 100.00% | 456,191 | 456,191 |
| 2 | 331 | 100.00% | 331 | 331 |
| (174) | 137 | 100.00% | 137 | 137 |
| | | | | **883,720** |
| | | | | |
| | | 50.00% | | |
| | | 50.00% | | |
| | | 50.00% | | |
| | | 50.00% | | |
| | | 50.00% | | |
| | | 50.00% | | |
| | | 25.00% | | |
| | | 50.00% | | |
| 17,589 | 74,139 | 50.00% | 37,069 | 37,069 |

*(follows)*

# Appendix B1: Main indirect subsidiary and associated companies at 31 December 2009

*(follow)*

| Name<br>Figures in currency (,000) | Head office | | Share capital | Shareholders' equity |
|---|---|---|---|---|
| *Companies belonging to Attica Group:* | | | | |
| Argos SA | Athens | € | 2,910 | |
| Attica Publiactions SA | Athens | € | 4,590 | |
| Alpha Records SA | Athens | € | 390 | |
| Attica Media Bulgaria Ltd | Sofia | Lev | 155 | |
| Attica Media Serbia Ltd | Belgrade | € | 1,409 | |
| Attica-Imako Media Ltd | Bucharest | Ron | 700 | |
| Balcan Publications Investment Ltd | Cyprus | Cyprus pounds | 1 | |
| City Serves SA (in liquidation) | Athens | € | 4,338 | |
| Civico Ltd | Cyprus | US$ | 2 | |
| E-One SA (in liquidation) | Athens | € | 339 | |
| Emphasis Publishing SA | Athens | € | 800 | |
| Ennalaktikes Publications SA (in liquidation) | Athens | € | 487 | |
| G,Dragounis Publications SA | Athens | € | 949 | |
| International Radio Networks Holdings SA | Luxembourg | € | 750 | |
| International Radio Networks SA | Athens | € | 380 | |
| Ionikes Publishing SA | Athens | € | 1,374 | |
| Map Media SA | Budapest | Huf | 60,000 | |
| Attica Media Romania Ltd (formerly PBR Publication Ltd) | Bucharest | Ron | 1 | |
| Tilerama SA | Athens | € | 1,467 | |
| Tiletheatis SA | Athens | € | 1,134 | |
| (Data referring to the Consolidated Financial Statements for Attica) | Athens | € | 4,590 | 9,332 |
| Agenzia Lombarda Distribuzione Giornali e Riviste Srl | Milan | € | 208 | 182 |
| Aranova Freedom Società Consortile arl | Bologna | € | 19 | |
| Campania Arte Scarl | Rome | € | 100 | 100 |
| Consorzio Covar (in liquidation) | Rome | € | 15 | 10 |
| Consorzio Editoriale Fridericiana | Naples | € | 12 | 42 |
| Consorzio Forma | Pisa | € | 4 | 3 |
| Edizioni EL Srl | Trieste | € | 620 | 5,610 |
| Edizioni Electa Bruno Mondadori Srl | Milan | € | 10 | 58 |
| EMAS "Editions Mondadori Axel Springer" Snc | Issy-les-Moulineax | € | 152 | 5,615 |
| Mediamond SpA | Milan | € | 1,500 | 1,500 |
| Mondadori Independent Media LLC | Moscow | Rouble | 189,726 | 80,063 |
| Mondadori Seec (Beijing) Advertising Co. Ltd | Beijing | Cny | 20,000 | 20,040 |
| Nuovamusa Gelmar Biblioteca Nazionale Soc. Cons. arl | Rome | € | 10 | 11 |
| Nuovamusa Val di Mazara Soc. Cons. arl | Messina | € | 90 | 83 |
| Nuovamusa Valdinoto Soc. Cons. arl | Messina | € | 90 | 90 |
| Nuovamusa Valdemone Soc. Cons. arl | Messina | € | 90 | 107 |
| Roccella Soc. Cons. arl | Naples | € | 100 | 26 |
| Selcon Srl | Milan | € | 21 | 945 |
| Venezia Accademia Società per i servizi museali Scarl | Mestre (VE) | € | 10 | 10 |
| Venezia Musei Società per i servizi museali Scarl | Venice | € | 10 | 17 |
| **Total** | | **€** | | |

(a) See also attachment A - Table of investments

(b) Exchange rates:

US$ Euro 1.4406

CNY Euro 9.835

RUB Euro 43.154

| Profit (loss) for 2009 | Total shareholders' equity | Share held by Group | Attributable shareholders' equity in currency | Attributable shareholders' equity in euros (b) |
|---|---|---|---|---|
| | | 2.70% | | |
| | | 41.98% | | |
| | | 20.99% | | |
| | | 28.89% | | |
| | | 37.78% | | |
| | | 20.99% | | |
| | | 41.98% | | |
| | | 9.44% | | |
| | | 41.98% | | |
| | | 10.49% | | |
| | | 34.10% | | |
| | | 20.57% | | |
| | | 39.91% | | |
| | | 41.98% | | |
| | | 41.85% | | |
| | | 27.91% | | |
| | | 20.99% | | |
| | | 41.98% | | |
| | | 20.99% | | |
| | | 30.08% | | |
| (1,080) | 8,252 | 41.99% | 3,465 | 3,465 |
| (36) | 146 | 50.00% | 73 | 73 |
| | | 16.67% | | |
| | 100 | 22.00% | 22 | 22 |
| (1) | 9 | 25.00% | 2 | 2 |
| (25) | 17 | 33.33% | 6 | 6 |
| | 3 | 25.00% | 1 | 1 |
| | 5,610 | 50.00% | 2,805 | 2,805 |
| 88 | 146 | 50.00% | 73 | 73 |
| | 5,615 | 50.00% | 2,808 | 5,415 |
| (549) | 951 | 50.00% | 476 | |
| | 80,063 | 50.00% | 40,032 | 928 |
| | 20,040 | 50.00% | 10,020 | 1,019 |
| | 11 | 20.00% | 2 | 2 |
| | 83 | 20.00% | 17 | 17 |
| | 90 | 20.00% | 18 | 18 |
| | 107 | 20.00% | 21 | 21 |
| 17 | 43 | 49.50% | 21 | 21 |
| | 945 | 25.60% | 242 | 242 |
| | 10 | 25.00% | 3 | 3 |
| 3 | 20 | 34.00% | 7 | 7 |
| | | | | **51,209** |

# Appendix B2: Table of significant investments as per article 120 of legislative decree no. 58/1998

**Arnoldo Mondadori Editore SpA**

The following information refers to significant investments as referred to in article 120 of legislative decree no. 58/1998, pursuant to article 126 of Consob regulation no. 11971 of 14/05/1999

| Name | | Share capital | Total share % held | Direct/ indirect holding |
|---|---|---|---|---|
| ACI-Mondadori SpA (Italy) | € | 590,290 | 50% | direct |
| Agenzia Lombarda Distribuzione Giornali e Riviste Srl (Italy) | € | 208,000 | 50% | indirect |
| Aranova Freedom Soc. Cons. arl (Italy) | € | 19,200 | 16.67% | indirect |
| Campania Arte Scarl (Italy) | € | 100,000 | 22% | indirect |
| Cemit Interactive Media SpA (Italy) | € | 3,835,000 | 100% | direct |
| Editrice Portoria SpA (in bankrupty) (Italy) | € | 364,000 | 16.786% | direct |
| Edizioni EL Srl (Italy) | € | 620,000 | 50% | indirect |
| Edizioni Electa Bruno Mondadori Srl (Italy) | € | 10,400 | 50% | indirect |
| Edizioni Piemme SpA (Italy) | € | 566,661 | 90% | direct |
| Giulio Einaudi editore SpA (Italy) | € | 23,920,000 | 100% | direct |
| Gruner + Jahr/Mondadori SpA (Italy) | € | 2,600,000 | 50% | direct |
| Harlequin Mondadori SpA (Italy) | € | 258,250 | 50% | direct |
| Hearst Mondadori Editoriale Srl (Italy) | € | 99,600 | 50% | direct |
| Mach 2 Libri SpA (Italy) | € | 646,250 | 34.91% | direct<br>indirect |
| Mediamond SpA (Italy) | € | 1,500,000 | 50% | indirect |
| Mondadori Education SpA (Italy) | € | 10,608,000 | 100% | direct |
| Mondadori Electa SpA (Italy) | € | 1,593,735 | 100% | direct |
| Mondadori Franchising SpA (Italy) | € | 1,954,000 | 100% | direct |
| Mondadori Iniziative Editoriali SpA (Italy) | € | 500,000 | 100% | direct |
| Mondadori Printing SpA (Italy) | € | 45,396,000 | 20% | direct |
| Mondadori Pubblicità SpA (Italy) | € | 3,120,000 | 100% | direct |
| Mondadori Retail SpA (Italy) | € | 2,700,000 | 100% | direct |
| Mondadori Rodale Srl (Italy) | € | 90,000 | 50% | direct |
| Mondolibri SpA (Italy) | € | 1,040,000 | 50% | direct |
| Monradio Srl (Italy) | € | 3,030,000 | 100% | direct |
| Monradio Servizi Srl (formerly Rock FM Srl) (Italy) | € | 10,000 | 100% | indirect<br>direct |
| Novamusa Gelmar Biblioteca Nazionale Scarl (Italy) | € | 10,000 | 20% | indirect |
| Novamusa Val di Mazara Scarl (Italy) | € | 90,000 | 20% | indirect |
| Novamusa Valdemone Scarl (Italy) | € | 90,000 | 20% | indirect |
| Novamusa Valdinoto Scarl (Italy) | € | 90,000 | 20% | indirect |
| Press-Di Distribuzione Stampa e Multimedia Srl (Italy) | € | 1,095,000 | 100% | direct |
| Roccella Scarl (Italy) | € | 100,000 | 49.5% | indirect |
| Società Europea di Edizioni SpA (Italy) | € | 11,708,953.10 | 36.89838% | direct |
| Sperling & Kupfer Editori SpA (Italy) | € | 1,555,800 | 100% | direct |
| Venezia Accademia Soc.Cons.arl in liquidazione (Italy) | € | 15,000 | 26% | indirect |
| Venezia Accademia Società per i servizi museali Scarl (Italy) | € | 10,000 | 25% | indirect |
| Venezia Musei Società per i servizi museali Scarl (Italy) | € | 10,000 | 34% | indirect |

at 31/12/2009

| Shareholder | % held | Head office | Tax code | Establishment date |
|---|---|---|---|---|
| Arnoldo Mondadori Editore SpA | 50% | Milan - via Bianca di Savoia 12 | 13277400159 | 17/11/2000 |
| Press-Di Distribuzione Stampa e Multimedia Srl | 50% | Milan - via Senato 18 | 10463540152 | 02/10/1991 |
| Monradio Srl | 16.67% | Bologna - via Guinizzelli 3 | 02532501208 | 24/01/2005 |
| Arnoldo Mondadori Editore SpA | | | | |
| Mondadori Electa SpA | 22% | Rome - via Tunisi 4 | 09086401008 | 18/07/2006 |
| Arnoldo Mondadori Editore SpA | 100% | San Mauro Torinese (TO) - via Toscana 9 | 04742700018 | 13/12/1984 |
| Arnoldo Mondadori Editore SpA | 16.786% | Milan - via Chiossetto 1 | 02305160158 | 26/03/1975 |
| Giulio Einaudi editore SpA | 50% | Trieste - San Dorligo della Valle - via J. Ressel 5 | 00627340326 | 07/05/1984 |
| Mondadori education SpA | 50% | Milan - via Trentacoste 7 | 06976090156 | 05/05/1983 |
| Arnoldo Mondadori Editore SpA | 90% | Milan - via Bianca di Savoia 12 | 00798930053 | 29/09/1982 |
| Arnoldo Mondadori Editore SpA | 100% | Turin - via U. Biancamano 2 | 08367150151 | 03/06/1986 |
| Arnoldo Mondadori Editore SpA | 50% | Milan - corso Monforte 54 | 09440000157 | 10/09/1988 |
| Arnoldo Mondadori Editore SpA | 50% | Milan - via Marco d'Aviano 2 | 05946780151 | 15/10/1980 |
| Arnoldo Mondadori Editore SpA | 50% | Milan - via Bianca di Savoia 12 | 12980290154 | 17/12/1999 |
| Arnoldo Mondadori Editore SpA | 30.91% | Peschiera Borromeo (MI) - via Galileo Galilei 1 | 03782990158 | 06/05/1983 |
| Sperling & Kupfer Ed. SpA | 4% | | | |
| Mondadori Pubblicità SpA | 50% | Milan - via Bianca di Savoia 12 | 06703540960 | 30/07/2009 |
| Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 03261490969 | 01/10/2001 |
| Arnoldo Mondadori Editore SpA | 100% | Milan - via Trentacoste 7 | 01829090123 | 23/02/1989 |
| Arnoldo Mondadori Editore SpA | 100% | Verucchio (RN) - Fraz. di Villa Verucchio via Statale Marecchia 51-51/a | 08853520156 | 28/05/1987 |
| Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 03619240967 | 08/07/2002 |
| Arnoldo Mondadori Editore SpA | 20% | Cisano Bergamasco (BG) - via Luigi e Pietro Pozzoni 11 | 12319410150 | 28/11/1997 |
| Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 08696660151 | 12/02/1987 |
| Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 00212560239 | 19/11/1946 |
| Arnoldo Mondadori Editore SpA | 50% | Milan - via Bianca di Savoia 12 | 13066890156 | 25/02/2000 |
| Arnoldo Mondadori Editore SpA | 50% | Milan - via Lampedusa 13 | 12853650153 | 25/06/1999 |
| Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 04571350968 | 15/10/2004 |
| Monradio Srl | 90% | Milan - via Bianca di Savoia 12 | 04654080961 | 30/12/2004 |
| Arnoldo Mondadori Editore SpA | 10% | | | |
| Mondadori Electa SpA | 20% | Rome - via Ennio Quirino Visconti 8 | 06573391007 | 09/04/2001 |
| Mondadori Electa SpA | 20% | Messina - via Acireale ZIR | 02812180830 | 20/04/2005 |
| Mondadori Electa SpA | 20% | Messina - via Acireale ZIR | 02704680830 | 16/04/2003 |
| Mondadori Electa SpA | 20% | Messina - via Acireale ZIR | 02704670831 | 16/04/2003 |
| Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 03864370964 | 19/02/2003 |
| Mondadori Electa SpA | 49.5% | Naples - via Giovanni Capurro 1 | 05053571211 | 21/03/2005 |
| Arnoldo Mondadori Editore SpA | 36.898% | Milan - via G, Negri 4 | 01790590150 | 27/02/1974 |
| Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 00802780155 | 03/11/1927 |
| Mondadori Electa SpA | 26% | Venice - via L. Einaudi 74 | 03377400274 | 21/03/2002 |
| Mondadori Electa SpA | 25% | Venice - via L. Einaudi 74 | 03808820272 | 11/01/2008 |
| Mondadori Electa SpA | 34% | Venice - via L. Einaudi 74 | 03534350271 | 22/04/2004 |

*(follows)*

# Appendix B2: Table of significant investments as per article 120 of legislative decree no. 58/1998

*(follow)*

| Name | Share capital | Total share % held | Direct/ indirect holding | Shareholder |
|---|---|---|---|---|
| ABS Finance Fund Sicav (Luxembourg) | € | 59,320,259.91 | 71.170% | indirect |
| Ame Publishing Ltd (USA) | US$ | 50,000 | 100% | indirect |
| Ame France SAS (formerly Ame Service SAS) (France) | € | 489,140 | 100% | indirect |
| Arnoldo Mondadori Deutschland GmbH in liquidation (Germany) | € | 25,564.59 | 100% | indirect |
| Arnoweb SA (Luxembourg) | € | 36,256,900 | 100% | direct |
| Attica Publications SA (Greece) | € | 4,590,000 | 41.987% | indirect |
| Diana SAS (France) | € | 16,336,680 | 100% | indirect |
| Editions Mondadori Axel Springer Snc (France) | € | 152,500 | 50% | indirect |
| Editions Taitbout SA (France) | € | 3,048,980 | 99.997% | indirect |
| Excelsior Publications SAS (France) | € | 1,717,360 | 100% | indirect |
| Mondadori France Digital SAS (France) | € | 5,550,000 | 100% | indirect |
| Mondadori France SAS (France) (formerly Ame France Sàrl) | € | 50,000,000.00 | 100% | indirect |
| Mondadori Independent Media LLC (Russia) | Rublo | 189,726,400.00 | 50% | indirect |
| Mondadori International SA (Luxembourg) | € | 321,625,900 | 100% | direct |
| Mondadori Magazines France SAS (France) | € | 476,035,510 | 100% | indirect |
| Mondadori Seec (Beijing) Advertising Co. Ltd | Cny | 20,000,000.00 | 50% | indirect |
| Prisco Spain SA (Spain) | € | 60,101,30 | 100% | direct |
| Random House Mondadori SA (Spain) | € | 6,824,600.63 | 50% | indirect |
| | | | | direct |
| | | | | indirect |
| Star Presse Hollande BV (Holland) | € | 18,151.21 | 100% | indirect |

at 31/12/2009

| | % held | Head office | Tax code | Establishment date |
|---|---|---|---|---|
| Mondadori International SA | 71.170% | Luxembourg - 19-21 Boulevard du Prince Henri | | 03/02/1999 |
| Mondadori International SA | 100% | USA - New York NY - 740 Broadway | | 01/02/1982 |
| Mondadori France SAS | 100% | France - Paris - 9-11, Avenue Franklin D. Roosevelt | | 29/06/2006 |
| Mondadori International SA | 100% | Germany - Munich - Tal 21 | | 14/05/1970 |
| Arnoldo Mondadori Editore SpA | 100% | Luxembourg - 25C Boulevard Royal | | 16/12/1999 |
| Mondadori International SA | 41.987% | Greece - Athens - Maroussi, 40 Kifissias Avenue | | 01/08/1994 |
| Mondadori France SAS | 100% | France - Issy-les-Moulineaux Cedex 9 - 48 Rue Guynemer | | 12/01/1990 |
| Mondadori France SAS | 50% | France - Issy-les-Moulineaux Cedex 9 - 48 Rue Guynemer | | 09/12/1999 |
| Mondadori France SAS | 99.997% | France - Issy-les-Moulineaux Cedex 9 - 48 Rue Guynemer | | 31/01/1989 |
| Mondadori France SAS | 100% | France - Issy-les-Moulineaux Cedex 9 - 48 Rue Guynemer | | 05/01/1932 |
| Mondadori France SAS | 100% | France - Issy-les-Moulineaux Cedex 9 - 48 Rue Guynemer | | 08/11/2000 |
| Mondadori International SA | 100% | France - Issy-les-Moulineaux Cedex 9 - 48 Rue Guynemer | | 23/06/2004 |
| Arnoweb SA | 50% | Russia - Moscow - 3, Bldg. 1, Polkovaya Str. | | 26/12/2007 |
| Arnoldo Mondadori Editore SpA | 100% | Luxembourg - 25C, Boulevard Royal | | 18/09/1970 |
| Mondadori France SAS | 100% | France - Issy-les-Moulineaux Cedex 9 - 48 Rue Guynemer | | 30/03/2004 |
| Mondadori Pubblicità SpA | 50% | China - Peking - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2 | | 26/09/2008 |
| Arnoldo Mondadori Editore SpA | 100% | Spain - Barcelona - Calle Travessera de Gracia 47/49 | | 06/12/1988 |
| Arnoweb SA | 33.99% | Spain - Barcelona - Calle Travessera de Gracia 47/49 | | 05/08/1959 |
| Arnoldo Mondadori Editore SpA | 6.01% | | | |
| Prisco Spain SA | 10% | | | |
| Mondadori France SAS | 100% | Holland - Amsterdam - Rokin 55 | | 28/09/1994 |

# Related parties
# Appendix C1: Receivables from subsidiary and associated companies at 31 December 2009

| (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| **Current accounts and financial receivables:** | | |
| *Subsidiary companies:* | | |
| Arnoweb SA | 1,755 | 753 |
| Mondadori Electa SpA | 5,504 | 7,471 |
| Mondadori France SAS | 31 | - |
| Mondadori Franchising SpA | 1,107 | 964 |
| Mondadori International SA | - | 6 |
| Mondadori Pubblicità SpA | 3,944 | - |
| Mondadori Retail SpA | 12,000 | 24,000 |
| Monradio Srl | 72,505 | 67,065 |
| Sperling & Kupfer Editori SpA | 4,133 | 5,420 |
| *Associated companies:* | | |
| Gruner + Jahr/Mondadori SpA | 620 | 1,098 |
| Harlequin Mondadori SpA | 168 | 174 |
| Hearst Mondadori Editoriale Srl | 446 | 303 |
| Mach 2 Libri SpA | - | 4 |
| Mondadori Rodale Srl | 885 | 661 |
| Other companies for amounts lower than €52 thousand (*) | - | - |
| **Total** | **103,098** | **107,919** |
| **As a proportion of the item in the financial statements** | **98.7%** | **99.1%** |

(*) Amounts for the previous year also include receivables from companies who left the Group during 2009.

| (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| **Trade relations:** | | |
| *Subsidiary companies:* | | |
| Cemit Interactive Media SpA | 275 | 441 |
| Edizioni Piemme SpA | 1,355 | 1,288 |
| Mondadori Education SpA | 448 | 462 |
| Excelsior Publications SAS | 4 | 5 |
| Giulio Einaudi editore SpA | 2,430 | 2,504 |
| Mondadori Electa SpA | 727 | 826 |
| Mondadori France SAS | 8 | 6 |
| Mondadori France Digital SAS | 265 | 1 |
| Mondadori Magazines France SAS | 943 | 1,413 |
| Mondadori Franchising SpA | 10,789 | 8,959 |
| Mondadori International SA | - | 190 |
| Mondadori Pubblicità SpA | 67,435 | 88,562 |
| Mondadori Retail SpA | 4,289 | 2,355 |
| Monradio Srl | 394 | 716 |
| Mondadori Iniziative Editoriali SpA | 182 | 152 |
| Press-Di Distribuzione Stampa e Multimedia Srl | 7,521 | 7,153 |
| Sperling & Kupfer Editori SpA | 1,031 | 992 |
| *Associated companies:* | | |
| ACI-Mondadori SpA | 254 | 366 |
| Attica Media Bulgaria Ltd | 53 | 40 |
| Attica Media Serbia Ltd | 123 | 119 |
| Attica Publications SA | 80 | 148 |
| Dragounis Publications SA | - | 1 |
| Edizioni EL Srl | 301 | 314 |
| Gruner + Jahr/Mondadori SpA | 58 | 51 |
| Harlequin Mondadori SpA | 462 | 391 |
| Hearst Mondadori Editoriale Srl | 387 | 390 |
| Mach 2 Libri SpA | 18,611 | 17,363 |
| Mediamond SpA | 182 | - |
| Mondadori Independent Media LLC | 17 | - |
| Mondadori Printing SpA | 530 | 1,089 |
| Mondadori Rodale Srl | 417 | 743 |
| Mondolibri SpA | 2,203 | 1,880 |
| Random House Mondadori SA | 176 | 161 |
| Società Europea di Edizioni SpA | 130 | 118 |
| *Parent company:* | | |
| Fininvest SpA | 5 | 7 |
| *Affiliated companies:* | | |
| RTI SpA | 72 | 352 |
| Publitalia '80 SpA | 8 | 206 |
| Other companies for amounts lower than €52 thousand (*) | 44 | 35 |
| **Total** | **122,209** | **139,799** |
| **As a proportion of the item in the financial statements** | **59.8%** | **62.3%** |

# Appendix C2: Intragroup economic relations 2009

(€,000)

| Related parties | Revenues from sales and services | Other income | Income from investments | Investments income | Total |
|---|---|---|---|---|---|
| *Parent company* | | | | | |
| Fininvest SpA | 5 | | | | 5 |
| *Subsidiary companies*: | | | | | |
| Arnoweb SA | | | 23 | | 23 |
| Cemit Interactive Media SpA | 850 | 189 | 9 | 2,552 | 3,600 |
| Diana SAS | 1 | | | | 1 |
| Edizioni Piemme SpA | 3,201 | 208 | 22 | 6,500 | 9,931 |
| Excelsior Publications SAS | 19 | | | | 19 |
| Mondadori Education SpA | 1,409 | 75 | 49 | 11,934 | 13,467 |
| Giulio Einaudi editore SpA | 4,143 | 232 | 32 | 6,900 | 11,307 |
| Mondadori Electa SpA | 1,784 | 672 | 198 | 920 | 3,574 |
| Mondadori France Digital SAS | 115 | 150 | 8 | | 273 |
| Mondadori Franchising SpA | 24,056 | 1,089 | 36 | 5,080 | 30,261 |
| Mondadori International SA | | | 126 | | 126 |
| Mondadori Iniziative Editoriali SpA | 166 | | | 1,690 | 1,856 |
| Mondadori Magazines France SAS | 666 | 1,600 | | | 2,266 |
| Mondadori Pubblicità SpA | 147,876 | 5,722 | 443 | 780 | 154,821 |
| Mondadori Retail SpA | 13,405 | 299 | 193 | | 13,897 |
| Press-Di Distribuzione Stampa e Multimedia Srl | 318,404 | 2,378 | 17 | 4,250 | 325,049 |
| Monradio Srl | 329 | 1,107 | 1,732 | | 3,168 |
| Sperling & Kupfer Editori SpA | 2,294 | 324 | 149 | | 2,767 |
| **Total** | **518,718** | **14,045** | **3,037** | **40,606** | **576,406** |
| *Associated companies:* | | | | | |
| ACI-Mondadori SpA | 841 | 243 | | | 1,084 |
| Agenzia Lombarda Distrib. Giornali e Riviste Srl | | 3 | | | 3 |
| Attica Media Publications SA | 225 | | | | 225 |
| Edizioni EL Srl | 705 | 3 | | | 708 |
| Gruner + Jahr/Mondadori SpA | 15 | 70 | | 2,977 | 3,062 |
| Harlequin Mondadori SpA | 27 | 154 | | 390 | 571 |
| Hearst Mondadori Editore Srl | 1,117 | 262 | 1 | 374 | 1,754 |
| Mach 2 Libri SpA | 32,329 | | | 479 | 32,808 |
| Mediamond SpA | 150 | 1 | | | 151 |
| Mondadori Independent Media LLC | 17 | | | | 17 |
| Mondadori Rodale Srl | 1,761 | 478 | 4 | 498 | 2,741 |
| Mondadori Printing SpA | 1,653 | | | | 1,653 |
| Mondolibri SpA | 6,252 | 499 | | 570 | 7,321 |
| Random House Mondadori SA | 198 | | | | 198 |
| Società Europea di Edizioni SpA | 302 | 3 | | | 305 |
| **Total** | **45,592** | **1,716** | **5** | **5,288** | **52,601** |

(€,000)

| Related parties | Revenues from sales and services | Other income | Income from investments | Investments income | Total |
|---|---|---|---|---|---|
| *Fininvest Group companies:* | | | | | |
| Banca Mediolanum SpA | 9 | | | | 9 |
| Elettronica industriale SpA | 5 | | | | 5 |
| Fininvest Gestione Servizi SpA | 4 | | | | 4 |
| Il Teatro Manzoni SpA | 2 | | | | 2 |
| Milan A.C. SpA | 3 | | | | 3 |
| Mediaset SpA | 2 | | | | 2 |
| Media Shopping SpA | 11 | | | | 11 |
| Medusa Film Srl | 3 | | | | 3 |
| Publitalia '80 SpA | 8 | | | | 8 |
| RTI Reti Televisive Italiane SpA | 829 | 13 | | | 842 |
| Video Time SpA | 10 | | | | 10 |
| **Total** | **886** | **13** | **0** | **0** | **899** |
| **Grand total** | **565,201** | **15,774** | **3,042** | **45,894** | **629,911** |
| **As a proportion of the item in the financial statements** | **72.81%** | **65.12%** | **13.40%** | **100%** | **72.48%** |

# Appendix D1: Payables to parent, subsidiary and associated companies at 31 December 2009

| (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| **Current accounts and financial payables:** | | |
| *Subsidiary companies:* | | |
| Cemit Interactive Media SpA | 10,157 | 12,405 |
| Edizioni Piemme SpA | 3,569 | 6,248 |
| Mondadori Education SpA (formerly Edumond Le Monnier SpA) | 45,950 | 38,509 |
| Fied SpA (merged into Arnoldo Mondadori SpA on 31/12/2009) | - | 165 |
| Giulio Einaudi editore SpA | 18,835 | 16,409 |
| Mondadori France SAS | 23,677 | 24,400 |
| Mondadori International SA | - | 289,762 |
| Mondadori Iniziative Editoriali SpA | 796 | 738 |
| Mondadori Pubblicità SpA | - | 1,002 |
| Mondadori Retail SpA | 2,621 | 3,543 |
| Press-Di Distribuzione Stampa e Multimedia Srl | 49,402 | 46,672 |
| Monradio Servizi Srl (formerly Rock FM Srl) | 27 | 44 |
| *Associated companies:* | | |
| ACI-Mondadori SpA | 1,304 | 2,793 |
| Gruner + Jahr/Mondadori SpA | 46 | 211 |
| Harlequin Mondadori SpA | 4,571 | 4,794 |
| Società Europea di Edizioni SpA | 675 | 2,503 |
| Other companies for amounts lower than €52 thousand (*) | 26 | - |
| **Total** | **161,656** | **450,198** |
| **As a proportion of the item in the financial statements** | **37.7%** | **73.5%** |

(*) Amounts for the previous year also include payables to companies who left the Group during 2009.

| (€,000) | 31/12/2008 | 31/12/2007 |
|---|---|---|
| **Trade relations:** | | |
| *Subsidiary companies:* | | |
| Ame France SAS | 7 | 8 |
| Ame Publishing Ltd | 314 | 387 |
| Cemit Interactive Media SpA | 73 | 99 |
| Edizioni Piemme SpA | 12,728 | 13,337 |
| Mondadori Education SpA (formerly Edumond Le Monnier SpA) | 198 | 289 |
| Giulio Einaudi editore SpA | 14,258 | 15,317 |
| Mondadori Electa SpA | 3,367 | 3,820 |
| Mondadori France SAS | 139 | 185 |
| Mondadori Magazines France SAS | - | 55 |
| Mondadori Pubblicità SpA | 3,301 | 2,469 |
| Mondadori Retail SpA | 91 | 87 |
| Mondadori Iniziative Editoriali SpA | 1,165 | 175 |
| Monradio Srl | 6 | 30 |
| Press-Di Distribuzione Stampa e Multimedia Srl | 5,794 | 6,069 |
| Sperling & Kupfer Editori SpA | 4,079 | 3,175 |
| *Associated companies:* | | |
| Artes Graficas Toledo SA | 779 | 707 |
| Attica Media Bulgaria Ltd | 5 | 2 |
| Attica Media Serbia Ltd | 25 | 4 |
| Attica Publications SA | 88 | - |
| Edizioni EL Srl | 4,240 | 4,167 |
| Gruner + Jahr/Mondadori SpA | 113 | 16 |
| Harlequin Mondadori SpA | 18 | - |
| Hearst Mondadori Editoriale SpA | 6 | 7 |
| Mondadori Printing SpA | 39,380 | 46,842 |
| Mondadori Rodale Srl | 18 | 10 |
| Mondadori Seec Advertising Co. Ltd | 31 | - |
| Mondolibri SpA | 106 | 118 |
| Random House Mondadori SA (Spain) | 12 | 19 |
| Random House Mondadori SA de CV (Mexico) | - | 8 |
| Società Europea di Edizioni SpA | 2 | - |
| *Parent company:* | | |
| Fininvest SpA | 7 | 7 |
| *Affiliated companies:* | | |
| RTI SpA | 143 | 48 |
| Publitalia '80 SpA | 2,603 | 655 |
| Medusa Video Srl | 61 | 116 |
| Other companies for amounts lower than €52 thousand (*) | 105 | 113 |
| **Total** | **93,262** | **98,333** |
| **As a proportion of the item in the financial statements** | **58.3%** | **60.5%** |
| **Tax payables:** | | |
| *Parent company:* | | |
| Fininvest SpA | 17,626 | 14,587 |
| **Total** | **17,626** | **14,587** |

# Appendix D2: Intragroup economic relations in 2009

(€,000)

| Related parties | Raw materials and consumable | Services | Other expense | Financial expense | Expense from investments | Total |
|---|---|---|---|---|---|---|
| *Parent company:* | | | | | | |
| Fininvest SpA | | 10 | | 227 | | 237 |
| *Subsidiary companies:* | | | | | | |
| Ame France SAS | 1 | 235 | 7 | 138 | | 381 |
| Ame Publishing Ltd | | 1,792 | 307 | | | 2,099 |
| Arnoldo Mondadori Deutschland GmbH | | | | | | 0 |
| Cemit Interactive Media SpA | | 732 | | 131 | | 863 |
| Diana SAS | | 39 | | | | 39 |
| Edizioni Piemme SpA | 43,041 | | | 53 | | 43,094 |
| Mondadori Education SpA | 364 | 153 | 226 | 267 | | 1,010 |
| Giulio Einaudi editore SpA | 41,617 | 70 | | 181 | | 41,868 |
| Mondadori Electa SpA | 10,232 | 950 | 102 | 4 | | 11,288 |
| Mondadori France SAS | | | | | | 0 |
| Mondadori Magazines France SAS | | 50 | 106 | | | 156 |
| Mondadori Franchinsing SpA | | | | 35 | | 35 |
| Mondadori Iniziative Editoriali SpA | 7,030 | | | 8 | | 7,038 |
| Mondadori International SA | | 131 | | 11,597 | | 11,728 |
| Mondadori Pubblicità SpA | 1,860 | 2,331 | 3,086 | | | 7,277 |
| Mondadori Retail SpA | 29 | 108 | 133 | 9 | | 279 |
| Press-Di Distribuzione Stampa e Multimedia Srl | | 29,208 | 1,168 | 643 | | 31,019 |
| Monradio Srl | | 15 | | 36 | | 51 |
| Monradio Servizi Srl (formerly Rock FM Srl) | | | | 1 | | 1 |
| Sperling & Kupfer Editori SpA | 22,603 | 175 | | 1 | | 22,779 |
| **Total** | **126,777** | **35,989** | **5,135** | **13,104** | **0** | **181,005** |
| *Associated companies:* | | | | | | |
| ACI-Mondadori SpA | | | | 30 | | 30 |
| Artes Graficas Toledo SA | | 1,842 | | | | 1,842 |
| Attica Media Serbia Ltd | | | | | | 0 |
| Attica Publications SA | | 109 | | | | 109 |
| Edizioni EL Srl | 6,473 | | | | | 6,473 |
| Gruner + Jahr/Mondadori SpA | | 109 | | 29 | | 138 |
| Harlequin Mondadori SpA | 10,415 | 3 | 32 | 47 | | 10,497 |
| Hearst Mondadori Editoriale Srl | | 40 | | 7 | | 47 |
| Mach 2 Libri SpA | | 43 | | 1 | | 44 |
| Mondadori Independent Media LLC | | 29 | | | | 29 |
| Mondadori Rodale Srl | 1 | 63 | 20 | 5 | | 89 |
| Mondadori Printing SpA | 299 | 145,796 | 115 | | | 146,210 |
| Mondadori Seec Advertising Co. Ltd | | 45 | | | | 45 |
| Mondolibri SpA | | 238 | 37 | | | 275 |
| Random House Mondadori SA | | 34 | | | | 34 |
| Società Europea di Edizioni SpA | | 8 | 6 | | | 14 |
| **Total** | **17,188** | **148,359** | **210** | **119** | **0** | **165,876** |

(€,000)

| Related parties | Raw materials and consumable | Services | Other expense | Financial expense | Expense from investments | Total |
|---|---|---|---|---|---|---|
| *Fininvest Group companies:* | | | | | | |
| Alba Servizi Aerotrasporti SpA | | | 35 | | | 35 |
| Consorzio Campus Multimedia | | | | | | 0 |
| Digitalia '08 Srl | | 52 | | | | 52 |
| Il Teatro Manzoni SpA | | 13 | | | | 13 |
| Fininvest Gestione Servizi SpA | | | 21 | | | 21 |
| Mediaset SpA | | 50 | | | | 50 |
| Medusa Film SpA | | 2 | | | | 2 |
| Medusa Video Srl | | 95 | | | | 95 |
| Milan A.C. SpA | | | 4 | | | 4 |
| Milan Entertainment Srl | | 30 | | | | 30 |
| Promoservice Italia Srl | | 19 | | | | 19 |
| Publitalia '80 SpA | | 15,105 | | | | 15,105 |
| Radio e Reti Srl | | 5 | | | | 5 |
| RTI Reti Televisive Italiane SpA | 54 | 365 | | | | 419 |
| **Total** | **54** | **15,736** | **60** | **0** | **0** | **15,850** |
| **Grand total** | **144,019** | **200,094** | **5,405** | **13,450** | **0** | **362,968** |
| **As a proportion of the item in the financial statements** | **78.57%** | **50.65%** | **17.67%** | **72.28%** | **0.00%** | **56.27%** |

# Appendix E: Significant details from the financial statements of subsidiaries prepared in accordance with Italian accounting principles

| (€,000) | Arnoweb | Mondadori International | Monradio | Mondadori Iniziative Edit. |
|---|---|---|---|---|
| Year | 31/12/2009 | 31/12/2009 | 31/12/2009 | 31/12/2009 |
| Balance sheet | | | | |
| Assets | | | | |
| Intangible assets | 0 | 0 | 72,747 | 0 |
| Tangible fixed assets | 0 | 18 | 8,307 | 0 |
| Financial assets | 30,788 | 331,297 | 399 | 0 |
| Total assets | 30,788 | 331,315 | 81,453 | 0 |
| Inventories | 0 | 0 | 0 | 425 |
| Receivables from customers | 0 | 0 | 6,201 | 0 |
| Receivables from Group companies | 0 | 250,334 | 4 | 1,961 |
| Receivables from others | 38 | 57 | 8,660 | 2,677 |
| Financial activities (not non-current) | 0 | 36,760 | 0 | 0 |
| Cash and cash equivalents | 74 | 77,508 | 0 | 0 |
| Total current assets | 112 | 364,659 | 14,865 | 5,063 |
| Prepayments and accrued income | 0 | 34 | 74 | 16 |
| **Total assets** | **30,900** | **696,008** | **96,392** | **5,079** |
| Liabilities and shareholders' equity | | | | |
| Share capital | 36,257 | 321,626 | 3,030 | 500 |
| Reserves | (3,278) | 40,457 | 27,124 | 109 |
| Shareholder contributions | 0 | 0 | 0 | 548 |
| Profit (loss) for the year | (3,869) | 9,551 | (12,570) | 1,577 |
| Total shareholders' equity | 29,110 | 371,634 | 17,584 | 2,734 |
| Provisions for risks and charges | 23 | 60 | 1,342 | 28 |
| Employees' leaving entitlement | 0 | 0 | 296 | 0 |
| Payables due to banks | 0 | 250,000 | 0 | 0 |
| Trade payables | 0 | 0 | 2,776 | 2,057 |
| Payables due to Group companies | 1,755 | 72,000 | 72,899 | 185 |
| Other payables | 12 | 2,314 | 1,390 | 75 |
| Accrued expense and deferred income | 0 | 0 | 105 | 0 |
| **Total liabilities and shareholders' equity** | **30,900** | **696,008** | **96,392** | **5,079** |

| (€,000) | Arnoweb | Mondadori International | Monradio | Mondadori Iniziative Edit. |
|---|---|---|---|---|
| Year | 2009 | 2009 | 2009 | 2009 |
| Income statement | | | | |
| Revenues from sales and services | 0 | 0 | 13,806 | 6,855 |
| Decrease (increase) in inventories | 0 | 0 | 0 | 218 |
| Other income | 0 | 4,048 | 2,330 | 22 |
| Total production value | 0 | 4,048 | 16,136 | 7,095 |
| Purchases of goods and services | 72 | 1,261 | 14,910 | 5,459 |
| Personnel costs | 0 | 0 | 1,833 | 0 |
| Amortisation and depreciation | 0 | 2,264 | 13,318 | 0 |
| Decrease (increase) in inventories | 0 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 227 | 0 |
| Other (income) expense | 2 | 5 | 781 | 4 |
| Total production costs | 74 | 3,530 | 31,069 | 5,463 |
| Income (expense) from investments | 0 | 193 | 0 | 0 |
| Financial income (expense) | (6) | 8,893 | (1,697) | 8 |
| Total financial income (expense) | (6) | 9,086 | (1,697) | 8 |
| Revaluations (writedowns) | (3,789) | 0 | 0 | 0 |
| Extraordinary income (expense) | 0 | 0 | (55) | 0 |
| Result before tax | (3,869) | 9,604 | (16,685) | 1,640 |
| Income tax | 0 | 53 | (4,115) | 63 |
| **Net result** | **(3,869)** | **9,551** | **(12,570)** | **1,577** |

# Appendix E: Significant details from the financial statements of subsidiaries prepared in accordance with IAS/IFRS

| (€,000) | Cemit Interactive Media | Edizioni Piemme | Mondadori Education | Giulio Einaudi editore |
|---|---|---|---|---|
| Year ended | 31/12/2009 | 31/12/2009 | 31/12/2009 | 31/12/2009 |
| Balance sheet | | | | |
| Assets | | | | |
| Intangible assets | 0 | 558 | 23,757 | 61 |
| Investment property | 0 | 0 | 0 | 0 |
| Property, plant and equipment | 127 | 805 | 438 | 331 |
| Investments | 0 | 0 | 70 | 1,332 |
| Non-current financial assets | 0 | 0 | 0 | 0 |
| Deferred tax assets | 68 | 1,872 | 2,303 | 3,752 |
| Other non-current assets | 0 | 24 | 0 | 0 |
| Total non-current assets | 195 | 3,259 | 26,568 | 5,476 |
| Tax receivables | 0 | 3,880 | 173 | 105 |
| Other current assets | 105 | 5,563 | 786 | 8,441 |
| Inventories | 252 | 5,279 | 9,321 | 5,023 |
| Trade receivables | 8,652 | 13,737 | 6,756 | 27,045 |
| Securities and other current financial assets | 10,157 | 3,569 | 45,950 | 18,848 |
| Cash and cash equivalents | 41 | 14 | 162 | 24 |
| Total current assets | 19,207 | 32,042 | 63,148 | 59,486 |
| Assets held for sale or disposed of | 0 | 0 | 0 | 0 |
| **Total assets** | **19,402** | **35,301** | **89,716** | **64,962** |
| Liabilities and shareholders' equity | | | | |
| Share capital | 3,835 | 567 | 10,608 | 23,920 |
| Reserves | 3,650 | 11,469 | 28,262 | 7,674 |
| Profit (loss) for the year | 1,734 | 5,743 | 11,553 | 7,195 |
| Total shareholders' equity | 9,219 | 17,779 | 50,423 | 38,789 |
| Provisions | 40 | 735 | 2,522 | 2,046 |
| Employees' leaving entitlement | 1,453 | 766 | 5,458 | 3,169 |
| Non-current financial liabilities | 0 | 0 | 0 | 0 |
| Deferred tax liabilities | 407 | 444 | 4,065 | 55 |
| Other non-current liabilities | 0 | 0 | 0 | 0 |
| Total non-current liabilities | 1,900 | 1,945 | 12,045 | 5,270 |
| Income tax payables | 962 | 0 | 4,713 | 2,976 |
| Other current liabilities | 1,326 | 9,072 | 16,231 | 11,804 |
| Trade payables | 5,995 | 6,185 | 6,251 | 6,121 |
| Debts due to banks and other financial liabilities | 0 | 320 | 53 | 2 |
| Total current liabilities | 8,283 | 15,577 | 27,248 | 20,903 |
| Assets held for sale or disposed of | 0 | 0 | 0 | 0 |
| **Total liabilities and shareholders' equity** | **19,402** | **35,301** | **89,716** | **64,962** |

| Mondadori Electa 31/12/2009 | Mondadori Franchising 31/12/2009 | Mondadori Pubblicità 31/12/2009 | Press-Di Distrib. Stampa e Multimedia 31/12/2009 | Mondadori Retail 31/12/2008 | Prisco Spain 31/12/2009 | Sperling & Kupfer Editori 31/12/2009 |
|---|---|---|---|---|---|---|
| 577 | 59 | 0 | 609 | 23,227 | 0 | 65 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 529 | 1,722 | 258 | 59 | 14,175 | 0 | 71 |
| 142 | 0 | 750 | 67 | 0 | 19 | 26 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1,079 | 424 | 823 | 630 | 2,216 | 0 | 780 |
| 12 | 257 | 0 | 29 | 299 | 0 | 12 |
| 2,339 | 2,462 | 1,831 | 1,394 | 39,917 | 19 | 954 |
| 133 | 0 | 1,763 | 0 | 1,463 | 1 | 46 |
| 979 | 143 | 3,128 | 5,742 | 473 | 0 | 4,966 |
| 10,508 | 29,283 | 0 | 134 | 27,868 | 0 | 3,495 |
| 17,796 | 15,445 | 117,790 | 44,782 | 2,048 | 0 | 4,491 |
| 2,042 | 0 | 0 | 49,403 | 2,621 | 0 | 0 |
| 16 | 10 | 610 | 1,414 | 1,262 | 22 | 5 |
| 31,474 | 44,881 | 123,291 | 101,475 | 35,735 | 23 | 13,003 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **33,813** | **47,343** | **125,122** | **102,869** | **75,652** | **42** | **13,957** |
| 1,594 | 1,954 | 3,120 | 1,095 | 2,700 | 60 | 1,556 |
| 5,413 | 3,869 | 2,018 | 818 | 8,589 | (14) | 454 |
| (552) | 5,524 | (4,920) | 5,093 | (3,998) | (4) | 749 |
| 6,455 | 11,347 | 218 | 7,006 | 7,291 | 42 | 2,759 |
| 1,682 | 22 | 900 | 410 | 2,864 | 0 | 0 |
| 1,030 | 571 | 3,831 | 2,577 | 2,688 | 0 | 685 |
| 0 | 265 | 0 | 0 | 0 | 0 | 0 |
| 58 | 88 | 68 | 63 | 423 | 0 | 57 |
| 0 | 87 | 0 | 0 | 0 | 0 | 0 |
| 2,770 | 1,033 | 4,799 | 3,050 | 5,975 | 0 | 742 |
| 282 | 272 | 0 | 2,575 | 1,048 | 0 | 408 |
| 4,352 | 1,023 | 8,337 | 39,678 | 5,704 | 0 | 3,083 |
| 11,763 | 32,473 | 106,480 | 50,430 | 43,632 | 0 | 2,832 |
| 8,191 | 1,195 | 5,288 | 130 | 12,002 | 0 | 4,133 |
| 24,588 | 34,963 | 120,105 | 92,813 | 62,386 | 0 | 10,456 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **33,813** | **47,343** | **125,122** | **102,869** | **75,652** | **42** | **13,957** |

*(follows)*

# Appendix E: Significant details from the financial statements of subsidiaries prepared in accordance with IAS

*(follows)*

| (€,000) | Cemit Interactive Media | Edizioni Piemme | Mondadori Education | Giulio Einaudi editore |
|---|---|---|---|---|
| Year | 2009 | 2009 | 2009 | 2009 |
| Income statement | | | | |
| Revenues from sales and services | 20,894 | 44,509 | 82,364 | 50,175 |
| Decrease (increase) in inventories | (65) | 3 | 1,027 | 228 |
| Purchase of raw materials and consumables | 5,677 | 727 | 8,526 | 1,351 |
| Purchase of services | 8,269 | 29,933 | 45,752 | 30,370 |
| Personnel costs | 4,643 | 3,987 | 8,978 | 6,536 |
| Other (income) expense | (418) | 1,032 | 499 | 1,176 |
| Result of investments using the equity method | 0 | 0 | 0 | 0 |
| Gross operating profit | 2,788 | 8,827 | 17,582 | 10,514 |
| Depreciation of property, plant and equipment | 130 | 147 | 467 | 145 |
| Amortisation of intangible assets | 0 | 29 | 38 | 29 |
| Operating result | 2,658 | 8,651 | 17,077 | 10,340 |
| Financial income (expense) | 59 | (28) | 97 | 95 |
| Income (expense) from investments | 0 | 0 | 190 | 620 |
| Result before tax | 2,717 | 8,623 | 17,364 | 11,055 |
| Income tax | 983 | 2,880 | 5,811 | 3,860 |
| **Net result** | **1,734** | **5,743** | **11,553** | **7,195** |

| Mondadori Electa 2009 | Mondadori Franchising 2009 | Mondadori Pubblicità 2009 | Press-Di Distrib. Stampa e Multimedia 2009 | Mondadori Retail 2009 | Prisco Spain 2009 | Sperling & Kupfer Editori 2009 |
|---|---|---|---|---|---|---|
| 45,689 | 76,191 | 250,356 | 66,300 | 119,750 | 0 | 23,505 |
| 2,375 | (4,334) | 0 | 86 | (5,138) | 0 | 658 |
| 4,616 | 61,650 | 0 | 1,535 | 88,049 | 0 | 80 |
| 27,808 | 7,054 | 240,890 | 54,989 | 9,841 | 0 | 18,442 |
| 5,475 | 3,229 | 11,214 | 6,422 | 14,934 | 0 | 2,378 |
| 4,670 | (423) | 3,676 | (4,798) | 13,448 | 4 | 418 |
| 0 | 0 | 0 | 200 | 0 | 0 | 0 |
| 745 | 9,015 | (5,424) | 7,866 | (1,384) | (4) | 1,529 |
| 321 | 613 | 240 | 45 | 2,577 | 0 | 44 |
| 341 | 32 | 0 | 241 | 1,709 | 0 | 9 |
| 83 | 8,370 | (5,664) | 7,580 | (5,670) | (4) | 1,476 |
| (239) | (30) | (535) | 336 | (419) | 0 | (189) |
| 0 | 0 | 0 | 0 | 0 | 0 | 62 |
| (156) | 8,340 | (6,199) | 7,916 | (6,089) | (4) | 1,349 |
| 396 | 2,816 | (1,279) | 2,823 | (2,091) | 0 | 600 |
| **(552)** | **5,524** | **(4,920)** | **5,093** | **(3,998)** | **(4)** | **749** |

# Appendix F: Significant details from the financial statements of the most significant indirect subsidiary companies

| (€,000)<br>Year ended | Monradio Servizi Srl (formerly Rock FM Srl) (90% held by Monradio Srl and 10% by A. Mondadori Ed. SpA)<br>31/12/2009 | Mondadori France SAS (100% owned by Mondadori International SA)<br>31/12/2009 |
|---|---|---|
| Balance sheet | | |
| Assets | | |
| Intangible assets | | |
| Investment property | | |
| Property, plant and equipment | 0 | 0 |
| Investments | 0 | 735,117 |
| Non-current financial assets | 0 | 14 |
| Deferred tax assets | 0 | 0 |
| Other non-current assets | 0 | 0 |
| Total non-current assets | 0 | 735,131 |
| Tax receivables | 0 | 0 |
| Other current assets | 0 | 38,431 |
| Inventories | 0 | 0 |
| Trade receivables | 319 | 1,382 |
| Securities and other current financial assets | 0 | 0 |
| Cash and cash equivalents | 12 | 0 |
| Total current assets | 331 | 39,813 |
| Assets held for sale or disposed of | 0 | 0 |
| **Total assets** | **331** | **774,944** |
| Liabilities and shareholders' equity | | |
| Share capital | 10 | 50,000 |
| Reserves | 319 | 181,613 |
| Profit (loss) for the year | 2 | 49,773 |
| Total shareholders' equity | 331 | 281,386 |
| Provisions | | 1,413 |
| Employees' leaving entitlement | | |
| Non-current financial liabilities | 0 | 0 |
| Deferred tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | 0 | 1,413 |
| Income tax payables | | 0 |
| Other current liabilities | 0 | 2,817 |
| Trade payables | 0 | 72 |
| Payable to banks and other financial liabilities | 0 | 489,256 |
| Total current liabilities | 0 | 492,145 |
| Liabilities held for sale or disposed of | | |
| **Total liabilities and shareholders' equity** | **331** | **774,944** |

| (€,000) | Monradio Servizi Srl (formerly Rock FM Srl) (90% held by Monradio Srl and 10% by A. Mondadori Ed. SpA) | Mondadori France SAS (100% owned by Mondadori International SA) |
|---|---|---|
| Year | 2009 | 2009 |
| Income statement | | |
| Revenues from sales and services | (6) | 4,388 |
| Decrease (increase) in inventories | 0 | 0 |
| Purchase of raw materials and consumables | (7) | 0 |
| Purchase of services | 4 | 3,636 |
| Personnel costs | 0 | 3,380 |
| Other (income) expense | 2 | (2,028) |
| Gross operating profit | (5) | (600) |
| Depreciation of property, plant and equipment | 0 | 0 |
| Amortisation of intangible assets | | |
| Operating result | (5) | (600) |
| Financial income (expense) | 6 | (29,361) |
| Income (expense) from investments | 0 | 75,140 |
| Result before tax | 1 | 45,179 |
| Income tax | (1) | (4,594) |
| **Net result** | **2** | **49,773** |

# Appendix G: Significant details from the financial statements of associated companies

| (€,000) | ACI-Mondadori | Ag. Lomb. Distr. Giorn. e Riviste | Edizioni Electa Bruno Mondadori | Gruner + Jahr /Mondadori |
|---|---|---|---|---|
| Year ended | 31/12/2009 | 31/12/2009 | 31/12/2009 | 31/12/2008 |
| Balance sheet | | | | |
| Assets | | | | |
| Receivable from shareholders | | | | |
| Intangible assets | 5 | 19 | 0 | 400 |
| Tangible fixed assets | 4 | 44 | 0 | 183 |
| Financial assets | 0 | 0 | 0 | 79 |
| Total assets | 9 | 63 | 0 | 662 |
| Inventories | 176 | 1,713 | 20 | 1,489 |
| Receivables from customers | 1,723 | 1,323 | 0 | 15,106 |
| Receivables from Group companies | 2,516 | 0 | 0 | 0 |
| Receivables from others | 102 | 699 | 344 | 9,777 |
| Financial assets (not non-current assets) | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 534 | 1,472 | 0 | 1,646 |
| Total current assets | 5,051 | 5,207 | 364 | 28,018 |
| Prepayments and accrued income | 13 | 76 | 0 | 74 |
| **Total assets** | **5,073** | **5,346** | **364** | **28,754** |
| Liabilities and shareholders' equity | | | | |
| Share capital | 590 | 208 | 10 | 2,600 |
| Reserves | 1,265 | (26) | 48 | 1,886 |
| Shareholders' contributions | 0 | 0 | | 0 |
| Profit (loss) for the year | (271) | (36) | 88 | 5,957 |
| Total shareholders' equity | 1,584 | 146 | 146 | 10,443 |
| Provisions for risks and charges | 512 | 0 | 155 | 567 |
| Employees' leaving entitlement | 559 | 269 | 0 | 2,277 |
| Payables due to banks | 0 | 0 | 8 | 0 |
| Trade payables | 1,385 | 410 | 0 | 6,570 |
| Payables due to Group companies | 253 | 673 | 0 | 0 |
| Other payables | 682 | 185 | 55 | 8,815 |
| Accrued expense and deferred income | 98 | 3,663 | 0 | 82 |
| **Total liabilities and shareholders' equity** | **5,073** | **5,346** | **364** | **28,754** |

(*) Drawn up as per international accounting principles (IAS/IFRS)

| Gruppo Random House Mondadori (consolidated financial statements)* | Harlequin Mondadori | Hearst Mondadori | Mach 2 Libri | Mondadori Rodale | Mondolibri | Mondadori Printing | Società Europea di Edizioni |
|---|---|---|---|---|---|---|---|
| 31/12/2009 | 31/12/2009 | 31/12/2009 | 31/12/2009 | 31/12/2009 | 31/12/2009 | 31/12/2009 | 31/12/2009 |
| | | | | | | | |
| | | | | | | | 2,250 |
| 5,288 | 32 | 2 | 747 | 3 | 2,087 | 342 | 14,048 |
| 4,490 | 46 | 3 | 361 | 19 | 864 | 135,549 | 1,231 |
| 23,134 | 43 | 0 | 250 | 0 | 146 | 4,624 | 438 |
| 32,912 | 121 | 5 | 1,358 | 22 | 3,097 | 140,515 | 15,717 |
| | | | | | | | |
| 23,734 | 182 | 127 | 9,211 | 225 | 6,611 | 16,057 | 2,110 |
| 32,253 | 3,193 | 2,855 | 46,610 | 3,511 | 8,479 | 90,171 | 25,733 |
| 0 | 0 | 6 | 359 | 18 | 106 | 726 | 6,879 |
| 17,035 | 262 | 418 | 11,832 | 589 | 7,796 | 3,096 | 601 |
| 50 | 467 | 0 | 0 | 0 | 0 | | |
| 15,268 | 819 | 128 | 317 | 333 | 7,192 | 12,734 | 731 |
| 88,340 | 4,923 | 3,534 | 68,329 | 4,676 | 30,184 | 122,784 | 36,054 |
| | | | | | | | |
| 202 | 371 | 1 | 265 | 1 | 140 | 449 | 1,326 |
| **121,454** | **5,415** | **3,540** | **69,952** | **4,699** | **33,421** | **263,748** | **55,347** |
| | | | | | | | |
| 6,825 | 258 | 100 | 646 | 90 | 1,040 | 45,396 | 11,709 |
| 49,725 | 237 | 60 | 9,407 | 21 | 3,369 | 21,940 | 16,249 |
| 0 | 0 | 97 | 0 | 224 | 3,615 | | |
| 17,589 | 810 | 49 | 1,347 | (6) | (296) | (5,561) | (17,660) |
| 74,139 | 1,305 | 306 | 11,400 | 329 | 7,728 | 61,775 | 10,298 |
| | | | | | | | |
| 0 | 0 | 541 | 1,329 | 261 | 251 | 11,169 | 2,650 |
| 0 | 631 | 418 | 1,252 | 809 | 4,103 | 27,407 | 5,861 |
| 178 | 0 | 0 | 5,830 | 0 | 0 | 56,398 | 15,045 |
| 20,654 | 2,748 | 613 | 28,545 | 886 | 14,427 | 93,599 | 15,323 |
| 0 | 0 | 945 | 19,445 | 1,481 | 2,120 | 2,398 | 7 |
| 26,483 | 679 | 610 | 2,150 | 783 | 4,786 | 10,479 | 5,948 |
| 0 | 52 | 107 | 1 | 150 | 6 | 523 | 215 |
| **121,454** | **5,415** | **3,540** | **69,952** | **4,699** | **33,421** | **263,748** | **55,347** |

*(follows)*

# Appendix G: Significant details from the financial statements of associated companies

*(follow)*

| (€,000) | ACI-Mondadori | Ag. Lomb. Distr. Giorn. e Riviste | Edizioni Electa Bruno Mondadori | Gruner + Jahr /Mondadori |
|---|---|---|---|---|
| Year | 2009 | 2009 | 2009 | 2007 |
| Income statement | | | | |
| Revenues from sales | 10,508 | 3,293 | 270 | 48,083 |
| Changes in product inventories | (105) | | (78) | (2) |
| Other revenues | 174 | 107 | 33 | 3,128 |
| Total value of production | 10,577 | 3,400 | 225 | 51,209 |
| Purchases and services | 8,840 | 2,441 | 84 | 29,380 |
| Personnel | 1,800 | 774 | 0 | 12,155 |
| Depreciation, amortisation and write downs | 16 | 45 | 0 | 338 |
| Changes in inventory of raw materials | 0 | 0 | 0 | (503) |
| Accruals and charges to provisions | 82 | 0 | 0 | 506 |
| Other expense | 79 | 159 | 11 | 600 |
| Total cost of production | 10,817 | 3,419 | 95 | 42,476 |
| Income from investments | 0 | 0 | 0 | 0 |
| Financial income (expense) | 40 | 4 | 3 | 494 |
| Total financial income (expense) | 40 | 4 | 3 | 494 |
| Revaluations (write downs) | | | 0 | |
| Extraordinary income (expense) | (13) | 0 | (1) | 0 |
| Result before tax | (213) | (15) | 132 | 9,227 |
| Income tax | 58 | 21 | 44 | 3,270 |
| **Profit (loss) for the year** | **(271)** | **(36)** | **88** | **5,957** |

(*) Drawn up as per international accounting principles (IAS/IFRS)

| Gruppo Random House Mondadori (consolidated financial statements)* | Harlequin Mondadori | Hearst Mondadori | Mach 2 Libri | Mondadori Rodale | Mondolibri | Mondadori Printing | Società Europea di Edizioni |
|---|---|---|---|---|---|---|---|
| 2008 | 2008 | 2008 | 2008 | 2009 | 2009 | 2009 | 2008 |
| | | | | | | | |
| 112,642 | 10,724 | 7,031 | 186,202 | 11,310 | 79,220 | 302,659 | 64,156 |
| (301) | (57) | (154) | 0 | (710) | (762) | 963 | |
| 7,368 | 464 | 98 | 1,965 | 118 | 2,154 | 7,460 | 4,774 |
| 119,709 | 11,131 | 6,975 | 188,167 | 10,718 | 80,612 | 311,082 | 68,930 |
| | | | | | | | |
| 36,469 | 8,060 | 4,742 | 176,393 | 7,914 | 62,402 | 221,683 | 56,763 |
| 23,317 | 1,743 | 1,922 | 5,102 | 2,451 | 11,906 | 58,809 | 20,556 |
| 2,233 | 0 | 5 | 618 | 15 | 5,447 | 27,661 | 5,040 |
| 0 | 0 | 0 | 3,380 | 0 | (10) | 1,630 | (710) |
| 5,338 | 97 | 153 | 50 | 43 | 72 | 1,128 | 1,835 |
| 47,053 | 69 | 23 | 214 | 211 | 415 | 1,495 | 2,323 |
| 114,410 | 9,969 | 6,845 | 185,757 | 10,634 | 80,232 | 312,406 | 85,807 |
| | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 372 | 4 |
| (276) | 59 | 12 | (100) | 19 | 137 | (941) | (694) |
| (276) | 59 | 12 | (99) | 19 | 137 | (569) | (690) |
| | | | | | | | |
| | 43 | | | | | (2,613) | |
| 0 | 0 | 5 | 0 | 8 | | | (17) |
| 5,023 | 1,264 | 147 | 2,311 | 111 | 517 | (4,506) | (17,584) |
| | | | | | | | |
| (12,566) | 454 | 98 | 964 | 117 | 813 | 1,055 | 76 |
| | | | | | | | |
| **17,589** | **810** | **49** | **1,347** | **(6)** | **(296)** | **(5,561)** | **(17,660)** |

# Appendix H: Fees paid to directors, statutory auditors, general managers and managers with strategic responsibilities (art.78 of Consob resolution 11971 of 14 May 1999). The data referring to managers with strategic responsibilities are indicated on an aggregated level.

| | Description | | | Fee (€,000) | | | |
|---|---|---|---|---|---|---|---|
| Surname and name | Position held | Term for which the position is held | Expiry date of position held | Emoluments/ fees for position | Non-monetary benefits | Bonuses and other incentives | Other fees |
| Berlusconi Marina | Chairman | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 515.0 | - | - | - |
| Costa Maurizio | Deputy chairman and chief executive | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 1,010.0 | 19.7 | 440.0 | 1,205.9[1] |
| Berlusconi Pier Silvio | Director | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 10.0 | - | - | - |
| Cannatelli Pasquale | Director | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 10.0 | - | - | - |
| Ermolli Bruno | Director | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 25.0 | - | - | - |
| Forneron Mondadori Martina | Director | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 10.0 | - | - | - |
| Poli Roberto | Director | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 10.0 | - | - | - |
| Resca Mario | Director | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 25.0 | - | - | - |
| Spadacini Marco | Director | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 25.0 | - | - | - |
| Veronesi Umberto | Director | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 10.0 | - | - | - |
| Vismara Carlo Maria | Director | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 10.0 | 10.8 | 135.5 | 639.2[1] |
| Managers with strategic responsibilities | | 01/01 - 31/12/2009 | - | 515.0[2] | 62.5 | 2,502.2 | 4,036.8[1] |
| Superti Furga Ferdinando | Chairman of Mondadori Statutory Auditors | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 60.0 | - | - | - |
| Papa Franco Carlo | Mondadori Standing Statutory Auditor | 01/01 - 29/08/2009 | Approval of 2011 financial statements | 40.0 | - | - | - |
| Giampaolo Francesco Antonio | Mondadori Standing Statutory Auditor | 01/01 - 31/12/2009 | Approval of 2011 financial statements | 40.0 | - | - | - |
| Giampaolo Francesco Antonio | Standing Statutory Auditor of subsidiaries | 01/01 - 31/12/2009 | - | 3.3[2] | - | - | - |

(1) Salary
(2) Fee from subsidiary company

# Appendix H: Stock options granted to directors, general managers and managers with strategic responsibilities

| | | | Options held at beginning of year | | | Options granted during year | | | Options exercised during year | | | Options expired during year | Options held at end of year | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (A) | (B) | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11)=1+4-7-10 | (12) | (13) |
| Name and surname | Position held | Number of options | Average exercise price | Average expiry date | Number of options | Average exercise price | Average expiry date | Number of options | Average exercise price | Average market price at exercise date | Number of options | Number of options | Average exercise price | Average expiry date |
| Marina Berlusconi | Chairman | 300,000*1 | 7.87 | 23/06/2011 | | | | | | | | 300,000 | 7.87 | 23/06/2011 |
| | | 300,000*2 | 7.507 | 17/07/2012 | | | | | | | | 300,000 | 7.507 | 17/07/2012 |
| | | 360,000*3 | 7.458 | 25/06/2013 | | | | | | | | 360,000 | 7.458 | 25/06/2013 |
| | | 360,000*4 | 4.565 | 19/06/2014 | | | | | | | | | | |
| | | | | | 360,000 | 3.4198 | 15/10/2015 | | | | | 360,000 | 3.4198 | 15/10/2015 |
| | | | | | | | | | | | Tot. | 1,320,000 | | |
| Maurizio Costa | Deputy chairman and chief executive | 330,000*1 | 7.87 | 23/06/2011 | | | | | | | | 330,000 | 7.87 | 23/06/2011 |
| | | 330,000*2 | 7.507 | 17/07/2012 | | | | | | | | 330,000 | 7.507 | 17/07/2012 |
| | | 450,000*3 | 7.458 | 25/06/2013 | | | | | | | | 450,000 | 7.458 | 25/06/2013 |
| | | 450,000*4 | 4.565 | 19/06/2014 | | | | | | | | | | |
| | | | | | 450,000 | 3.4198 | 15/10/2015 | | | | | 450,000 | 3.4198 | 15/10/2015 |
| | | | | | | | | | | | Tot. | 1,560,000 | | |
| Carlo Maria Vismara | Director | 70,000*2 | 7.507 | 17/07/2012 | | | | | | | | 70,000 | 7.507 | 17/07/2012 |
| | | 70,000*3 | 7.458 | 25/06/2013 | | | | | | | | 70,000 | 7.458 | 25/06/2013 |
| | | 70,000*4 | 4.565 | 19/06/2014 | | | | | | | | | | |
| | | | | | 70,000 | 3.4198 | 15/10/2015 | | | | | 70,000 | 3.4198 | 15/10/2015 |
| | | | | | | | | | | | Tot. | 210,000 | | |
| Managers with strategic responsibilities | | 480,000*1 | 7.87 | 23/06/2011 | | | | | | | | 480,000 | 7.87 | 23/06/2011 |
| | | 500,000*2 | 7.507 | 17/07/2012 | | | | | | | | 500,000 | 7.507 | 17/07/2012 |
| | | 600,000*3 | 7.458 | 25/06/2013 | | | | | | | | 600,000 | 7.458 | 25/06/2013 |
| | | 550,000*4 | 4.565 | 19/06/2014 | | | | | | | | | | |
| | | | | | 480,000 | 3.4198 | 15/10/2015 | | | | | 480,000 | 3.4198 | 15/10/2015 |
| | | | | | | | | | | | Tot. | 2,060,000 | | |
| | | | | | | | | | | | Tot. | 5,150,000 | | |

*1 options assigned in 2005
*2 options assigned in 2006
*3 options assigned in 2007
*4 options assigned in 2008. Not exercisable as conditions were not met.

A description of the main terms of the Stock Option Plan is provided in the notes to the consolidated financial statements.

# Appendix I: Distribution of receivables and payables by geographical area

| (€,000) | Italy | Other EU countries | USA | Switzerland | Canada | Other countries | Total |
|---|---|---|---|---|---|---|---|
| Receivables: | | | | | | | |
| Non-current assets: | | | | | | | |
| Non-current financial assets | | | | | | | 0 |
| Deferred tax assets | 21,556 | | | | | | 21,556 |
| Other non-current assets | 454 | | | | | | 454 |
| Current assets: | | | | | | | |
| Tax receivables | 6,378 | | | | | | 6,378 |
| Other current assets | 24,630 | 79,619 | 12,922 | 604 | 226 | 1,630 | 119,631 |
| Trade receivables | 201,235 | 1,955 | 49 | 652 | 15 | 493 | 204,399 |
| Securities and other current financial assets | 102,585 | 1,886 | | | | | 104,471 |
| **Total receivables** | **356,838** | **83,460** | **12,971** | **1,256** | **241** | **2,123** | **456,889** |
| Payables: | | | | | | | |
| Non-current payables: | | | | | | | |
| Non-current financial liabilities | 140,032 | | | | | | 140,032 |
| Deferred tax liabilities | 19,032 | | | | | | 19,032 |
| Other non-current liabilities | | | | | | | 0 |
| Current payables: | | | | | | | |
| Income tax payables | 17,626 | | | | | | 17,626 |
| Other non-current liabilities | 71,597 | 2,168 | 907 | 20 | 1 | 180 | 74,873 |
| Trade payables | 155,433 | 3,857 | 416 | 53 | 1 | 192 | 159,952 |
| Payables to banks and other financial liabilities | 264,925 | 23,677 | | | | | 288,602 |
| **Total payables** | **668,645** | **29,702** | **1,323** | **73** | **2** | **372** | **700,117** |

# Certification of the Financial Statements for the year as per article 81-ter of Consob regulation 11971 of 14 May 1999 and subsequent modifications and integrations

1. The undersigned Maurizio Costa, in his role as deputy chairman and chief executive, and Carlo Maria Vismara, in his role as director responsible for compiling the Company financial documents of Arnoldo Mondadori Editore SpA, certify, in accordance with article 154-bis, paragraphs 3 and 4 of legislative decree no. 58 of 24 February 1998:

- the appropriateness in relation to the characteristics of the Company and
- the effective application

of the administrative and accounting procedures for representing the financial statements during 2009.

2. The evaluation of the appropriateness of the administrative and accounting procedures for representing the financial statements at 31 December 2009 is based on a process established by Arnoldo Mondadori Editore SpA that conforms to the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally accepted general reference framework.

3. It is also certified that :
- the financial statements at 31 December 2009:

a) correspond to the result contained in the account books and book entries;

b) have been compiled in conformity with the International Financial Reporting Standards adopted by the European Union and to the measures contained in art. 9 of legislative decree no. 38/2005, and provide a true and correct representation of the asset and liability, economic and financial situation of the Company;

- the report on the year includes a reliable analysis of the performance and the result and of the situation of the Company and the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

23 March 2010

Deputy chairman and chief executive
(Maurizio Costa)

Director responsible for compiling
the company's financial documents
(Carlo Maria Vismara)

# Consolidated financial statements at 31 December 2009

# Consolidated balance sheet

| Assets<br>(€,000) | Note | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| **Intangible assets** | 2 | **904,283** | **930,883** |
| **Investment property** | 3 | **2,470** | **2,554** |
| Land and buildings | | 11,374 | 18,263 |
| Property, plant and equipment | | 7,184 | 10,312 |
| Other tangible fixed assets | | 29,747 | 32,213 |
| **Property, plant and equipment** | 4 | **48,305** | **60,788** |
| Investments accounted for using the equity method | | 143,329 | 140,779 |
| Other investments | | 221 | 221 |
| **Total investments** | 5 | **143,550** | **141,000** |
| **Non-current financial assets** | 12 | **483** | **2,019** |
| **Deferred tax assets** | 6 | **46,238** | **38,947** |
| **Other non-current assets** | 7 | **2,897** | **2,858** |
| **Total non-current assets** | | **1,148,226** | **1,179,049** |
| **Tax receivables** | 8 | **23,578** | **20,059** |
| **Other current assets** | 9 | **87,042** | **90,279** |
| **Inventories** | 10 | **124,010** | **123,366** |
| **Trade receivables** | 11 | **378,269** | **417,358** |
| **Securities and other current financial assets** | 12 | **41,369** | **68,461** |
| **Cash and cash equivalents** | 13 | **119,627** | **330,530** |
| **Total current assets** | | **773,895** | **1,050,053** |
| **Assets held for sale** | | - | - |
| **Total assets** | | **1,922,121** | **2,229,102** |

| Liabilities and shareholders' equity<br>(€,000) | Note | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Share capital | | 67,452 | 67,452 |
| Share premium reserve | | 286,857 | 286,876 |
| Treasury shares | | (138,840) | (138,840) |
| Other reserves and retained earnings | | 294,701 | 194,606 |
| Profit (loss) for the year | | 34,333 | 97,080 |
| Total shareholders' equity attributable to the Group | 14 | 544,503 | 507,174 |
| Capital and reserves attributable to minorities | 15 | 1,778 | 1,925 |
| Total shareholders' equity | | 546,281 | 509,099 |
| Provisions | 16 | 58,381 | 39,693 |
| Employees' leaving entitlement and termination indemnities | 17 | 59,037 | 61,363 |
| Non-current financial liabilities | 18 | 382,187 | 674,005 |
| Deferred tax liabilities | 6 | 89,140 | 88,900 |
| Other non-current liabilities | | 72 | - |
| Total non-current liabilities | | 588,817 | 863,961 |
| Income tax payables | 19 | 20,380 | 23,637 |
| Other current liabilities | 20 | 256,731 | 258,838 |
| Trade payables | 21 | 357,693 | 356,300 |
| Payables to banks and other financial liabilities | 18 | 152,219 | 217,267 |
| Total current liabilities | | 787,023 | 856,042 |
| Liabilities held for sale | | - | - |
| Total liabilities and shareholders' equity | | 1,922,121 | 2,229,102 |

# Separate consolidated income statement

| (€,000) | Note | 2009 | 2008 |
|---|---|---|---|
| **Revenues from sales and services** | 22 | **1,540,128** | **1,819,187** |
| Decrease (increase) in inventories | 10 | (642) | 13,832 |
| Cost of raw materials, consumables and goods for resale | 23 | 254,229 | 414,702 |
| Cost of services | 24 | 824,786 | 785,419 |
| Personnel costs | 25 | 302,823 | 356,375 |
| Other (income) expense | 26 | 55,076 | 5,112 |
| Income (expense) from investments accounted for using the equity method | 27 | 2,300 | 5,442 |
| **Gross operating profit** | | **106,156** | **249,189** |
| Depreciation and impairment of property, plant and equipment | 3-4 | 13,428 | 31,053 |
| Amortisation and impairment of intangible assets | 2 | 20,928 | 14,631 |
| **Operating result** | | **71,800** | **203,505** |
| Financial income (expense) | 28 | (7,882) | (52,130) |
| Income (expense) from other investments | | - | 30 |
| **Profit before taxes** | | **63,918** | **151,405** |
| Income taxes | 29 | 29,011 | 53,623 |
| **Profit from continuing activities** | | **34,907** | **97,782** |
| Income (expense) from assets/liabilities held for sale | | - | - |
| Result attributable to minorities | 15 | (574) | (702) |
| **Net profit** | | **34,333** | **97,080** |
| Earnings per share (euros) | 30 | 0.143 | 0.406 |
| Diluted earnings per share (euros) | 30 | 0.143 | 0.406 |

*On behalf of the Board of Directors*
*Chairman*
*Marina Berlusconi*

# Comprehensive consolidated income statement

| (€,000) | Note | 2009 | 2008 |
|---|---|---|---|
| **Net result before third-party share of profits** | | **34,907** | **97,782** |
| Profits (losses) deriving from conversion of financial statements from foreign companies | 14 | (5) | 9 |
| Other profits (losses) from companies valued at net equity | 14 | 91 | (366) |
| Effective part of profits (losses) on cash flow hedge instruments | 12 | (584) | (7,098) |
| Profit (loss) deriving from assets available for sale (fair value) | 12 | 4,197 | (4,454) |
| **Total other profits (losses) net of taxes** | | **3,699** | **(11,909)** |
| **Comprehensive result for period** | | **38,606** | **85,873** |
| Attributable to: | | | |
| **- Parent company shareholders** | | **38,032** | **85,171** |
| **- Minorities** | | **574** | **702** |

*On behalf of the Board of Directors*
*Chairman*
*Marina Berlusconi*

# Changes in consolidated shareholders' equity for the year ended 31 December 2008

| (€,000) | Note | Share capital | Share premium | Treasury shares | Stock option reserve |
|---|---|---|---|---|---|
| **Balance at 01/01/2008** | | **67,452** | **286,876** | **(138,840)** | **6,236** |
| - Transfer profit | | | | | |
| - Dividends paid | | | | | |
| - Changes in scope of consolidation | | | | | |
| - Treasury share options | 14 | | | | |
| - Stock options | 25 | | | | (497) |
| - Other changes | 14 | | | | |
| - Profit (loss) for the year | | | | | |
| **At 31/12/2008** | | **67,452** | **286,876** | **(138,840)** | **5,739** |

# Changes in consolidated shareholders' equity for the year ended 31 December 2009

| (€,000) | Note | Share capital | Share premium | Treasury shares | Stock option reserve |
|---|---|---|---|---|---|
| **Balance at 01/01/2009** | | **67,452** | **286,876** | **(138,840)** | **5,739** |
| - Transfer profit | | | | | |
| - Dividends paid | | | | | |
| - Changes in scope of consolidation | | | | | |
| - Treasury share options | 14 | | | | |
| - Stock options | 25 | | | | 962 |
| - Other changes | 14 | | (19) | | |
| - Profit (loss) for the year | | | | | |
| **At 31/12/2009** | | **67,452** | **286,857** | **(138,840)** | **6,701** |

*On behalf of the Board of Directors*
*Chairman*
*Marina Berlusconi*

| Cash flow hedge reserve | Fair value reserve | Translation reserve | Other reserves | Profit (loss) for the year | Total Group | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| **3,022** | **-** | **(296)** | **167,513** | **112,639** | **504,602** | **1,932** | **506,534** |
| | | | 28,873 | (28,873) | | | - |
| | | | | (83,766) | (83,766) | (760) | (84,526) |
| | | | | | - | | - |
| | | | | | - | | - |
| | | | 2,004 | | 1,507 | | 1,507 |
| | | | (340) | | (340) | 51 | (289) |
| (7,098) | (4,454) | (357) | | 97,080 | 85,171 | 702 | 85,873 |
| **(4,076)** | **(4,454)** | **(653)** | **198,050** | **97,080** | **507,174** | **1,925** | **509,099** |

| Cash flow hedge reserve | Fair value reserve | Translation reserve | Other reserves | Profit (loss) for the year | Total Group | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| **(4,076)** | **(4,454)** | **(653)** | **198,050** | **97,080** | **507,174** | **1,925** | **509,099** |
| | | | 97,080 | (97,080) | - | | - |
| | | | | | - | (721) | (721) |
| | | | | | - | | - |
| | | - | | | | | 962 |
| | | | | | 962 | | |
| | | | (1,646) | | (1,665) | | (1,665) |
| (584) | 4,197 | 86 | | 34,333 | 38,032 | 574 | 38,606 |
| **(4,660)** | **(257)** | **(567)** | **293,484** | **34,333** | **544,503** | **1,778** | **546,281** |

# Consolidated cash flow statement

| (€,000) | Note | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Net profit for the year | | 34,333 | 97,080 |
| *Adjustments* | | | |
| Depreciation and writedowns | 2-3 | 34,356 | 45,684 |
| Stock options | 25 | 1,186 | 1,507 |
| Charges to provisions, employees' leaving entitlement and termination indemnities | | 12,716 | 16,315 |
| Capital (gains) losses on disposal of intangible assets, property, plant and equipment, investments | | (2,094) | (38,288) |
| Capital (gains) losses on financial assets | 28 | 5,992 | 13,541 |
| (Income) expense from companies accounted for using the equity method | 27 | (2,300) | (5,442) |
| **Cash from operating activities** | | **72,205** | **130,397** |
| (Increase) decrease in trade receivables | | (31,734) | (31,115) |
| (Increase) decrease in inventories | | 340 | 12,984 |
| Increase (decrease) in trade payables | | (882) | (12,541) |
| Net change in income tax receivables/payables | | (6,776) | (12,324) |
| Advances for and settlements of employees' leaving entitlement | | (6,610) | (8,306) |
| Net change in deferred tax assets and liabilities | | (6,214) | 1,384 |
| Net change in other assets/liabilities | | 8,759 | (38,682) |
| **Cash flow from (used in) operating activities** | | **92,556** | **41,797** |
| Fees received (paid) net of cash acquired (disposed of) | 1 | - | 62,800 |
| (Investments in) disposals of intangible assets | | 6,951 | 4,436 |
| (Investments in) disposals of property, plant and equipment | | 7,859 | (18,264) |
| (Investments in) disposals of equity investments | | 364 | 4,971 |
| (Investments in) disposals of financial assets | | 38,233 | 52,528 |
| **Cash flow from (used in) investing activities** | | **53,407** | **106,471** |
| Net change in financial liabilities | | (356,866) | 40,930 |
| (Purchase) disposal of treasury stock | 14 | - | - |
| Dividends paid | 14 | - | (83,766) |
| **Cash flow from (used in) financing activities** | | **(356,866)** | **(42,836)** |
| **Increase (decrease) in cash and cash equivalents** | | **(210,903)** | **105,432** |
| **Cash and cash equivalents at beginning of year** | 13 | **330,530** | **225,098** |
| **Cash and cash equivalents at end of year** | 13 | **119,627** | **330,530** |
| **Composition of cash and cash equivalents** | | | |
| Cash, cheques and valuables in hand | | 1,436 | 1,100 |
| Bank and post office deposits | | 118,191 | 329,430 |
| | 13 | **119,627** | **330,530** |

*On behalf of the Board of Directors*
*Chairman*
*Marina Berlusconi*

# Consolidated balance sheet
# as per Consob deliberation no. 15519 of 27 July 2006

| Assets<br>(€,000) | Note | 31/12/2009 | Including related parties (note 33) | 31/12/2008 | Including related parties (note 33) |
|---|---|---|---|---|---|
| **Intangible assets** | 2 | **904,283** | - | **930,883** | - |
| **Investment property** | 3 | **2,470** | - | **2,554** | - |
| Land and buildings | | 11,374 | - | 18,263 | - |
| Plant and machinery | | 7,184 | - | 10,312 | - |
| Other tangible fixed assets | | 29,747 | - | 32,213 | - |
| **Property, plant and equipment** | 4 | **48,305** | **0** | **60,788** | **0** |
| Investments accounted for using the equity method | | 143,329 | - | 140,779 | - |
| Other investments | | 221 | - | 221 | - |
| **Total investments** | 5 | **143,550** | **0** | **141,000** | **0** |
| **Non-current financial assets** | 12 | **483** | - | **2,019** | **1,500** |
| **Deferred tax assets** | 6 | **46,238** | - | **38,947** | - |
| **Other non-current assets** | 7 | **2,897** | - | **2,858** | - |
| **Total non-current assets** | | **1,148,226** | **0** | **1,179,049** | **1,500** |
| **Tax receivables** | 8 | **23,578** | - | **20,059** | - |
| **Other current assets** | 9 | **87,042** | - | **90,279** | - |
| **Inventories** | 10 | **124,010** | - | **123,366** | - |
| **Trade receivables** | 11 | **378,269** | **39,288** | **417,358** | **35,401** |
| **Securities and other current financial assets** | 12 | **41,369** | **2,508** | **68,461** | **2,656** |
| **Cash and cash equivalents** | 13 | **119,627** | - | **330,530** | - |
| **Total current assets** | | **773,895** | **41,796** | **1,050,053** | **38,057** |
| **Assets held for sale** | | - | - | - | - |
| **Total assets** | | **1,992,121** | **41,796** | **2,229,102** | **39,557** |

| Liabilities and shareholders' equity<br>(€,000) | Note | 31/12/2009 | Including related parties (note 33) | 31/12/2008 | Including related parties (note 33) |
|---|---|---|---|---|---|
| Share capital | | 67,452 | - | 67,452 | - |
| Share premium reserve | | 286,857 | - | 286,876 | - |
| Treasury shares | | (138,840) | - | (138,840) | - |
| Other reserves and retained earnings | | 294,701 | - | 194,606 | - |
| Profit (loss) for the year | | 34,333 | - | 97,080 | - |
| Total shareholders' equity attributable to the Group | 14 | 544,503 | 0 | 507,174 | 0 |
| Capital and reserves attributable to minorities | 15 | 1,778 | - | 1,925 | - |
| Total shareholders' equity | | 546,281 | 0 | 509,099 | 0 |
| Provisions | 16 | 58,381 | - | 39,693 | - |
| Employees' leaving entitlement and termination indemnities | 17 | 59,037 | - | 61,363 | - |
| Non-current financial liabilities | 18 | 382,187 | - | 674,005 | - |
| Deferred tax liabilities | 6 | 89,140 | - | 88,900 | - |
| Other non-current liabilities | | 72 | - | - | - |
| Total non-current liabilities | | 588,817 | 0 | 863,961 | 0 |
| Income tax payables | 19 | 20,380 | 19,880 | 23,637 | 22,812 |
| Other current liabilities | 20 | 256,731 | - | 258,838 | - |
| Trade payables | 21 | 357,693 | 92,243 | 356,300 | 92,000 |
| Payables to banks and other financial liabilities | 18 | 152,219 | 7,232 | 217,267 | 21,613 |
| Total current liabilities | | 787,023 | 119,355 | 856,042 | 136,425 |
| Liabilities held for sale | | - | - | - | - |
| Total liabilities and shareholders' equity | | 1,922,121 | 119,355 | 2,229,102 | 136,425 |

# Separate consolidated income statement as per Consob deliberation no. 15519 of 27 July 2006

| (€,000) | Note | 2009 | Including related parties (note 33) | Including non-recurring charges (income) (note 32) | 2008 | Including related parties (note 33) | Including non-recurring charges (income) (note 32) |
|---|---|---|---|---|---|---|---|
| **Revenues from sales and services** | 22 | **1,540,128** | **71,171** | **-** | **1,819,187** | **79,905** | **-** |
| Decrease (increase) in inventories | 10 | (642) | - | - | 13,832 | - | - |
| Cost of raw materials, consumables and goods for resale | 23 | 254,229 | 24,955 | - | 414,702 | 18,108 | - |
| Cost of services | 24 | 824,786 | 243,131 | - | 785,419 | 93,989 | - |
| Personnel costs | 25 | 302,823 | - | 30,692 | 356,375 | - | - |
| Other (income) expense | 26 | 55,076 | (8,039) | 2,101 | 5,112 | (8,123) | (38,308) |
| Income (expense) from investments accounted for using the equity method | 27 | 2,300 | - | - | 5,442 | - | - |
| **Gross operating profit** | | **106,156** | **(188,876)** | **(32,793)** | **249,189** | **(24,069)** | **38,308** |
| Depreciation and impairment of property, plant and equipment | 3-4 | 13,428 | - | 1,263 | 31,053 | - | - |
| Amortisation and impairment of intangible assets | 2 | 20,928 | - | - | 14,631 | - | - |
| **Operating result** | | **71,800** | **(188,876)** | **(34,056)** | **203,505** | **(24,069)** | **38,308** |
| Financial income (expenses) | 28 | (7,882) | (396) | 14,450 | (52,130) | (643) | - |
| Income (expenses) from other investments | | 30 | - | - | 30 | - | - |
| **Results before taxes** | | **63,918** | **(189,272)** | **(19,606)** | **151,405** | **(24,712)** | **38,308** |
| Income taxes | 29 | 29,011 | - | (5,485) | 53,623 | - | 4,219 |
| **Profit from continuing activities** | | **34,907** | **(189,272)** | **(14,121)** | **97,782** | **(24,712)** | **34,089** |
| Income (expenses) from assets/liabilities held for sale | | - | - | - | - | - | - |
| Results attributable to minorities | 15 | (574) | - | - | (702) | - | - |
| **Net profit** | | **34,333** | **(189,272)** | **(14,121)** | **97,080** | **(24,712)** | **34,089** |

## Accounting principles and notes

### 1. General information

The main corporate purpose of Arnoldo Mondadori Editore SpA and the companies in which it has direct and indirect investments (henceforth referred to as the "Mondadori Group" or the "Group") is in business activities connected with the book and magazine publishing sectors, radio and the sale of advertising.

The Group is also involved in retailing through a chain of its own shops and franchising outlets situated throughout Italy and direct marketing and mail-order sales of publishing products.

Arnoldo Mondadori Editore SpA has its registered office in via Bianca di Savoia 12, in Milan, Italy, while the main administrative offices are in Segrate, Milan, in Strada privata Mondadori.

The parent company, Arnoldo Mondadori Editore SpA, is listed on the MTA (automated stock markets) of Borsa Italiana SpA.

The publication of the consolidated financial statements of the Mondadori Group for the year ended 31 December 2009 was authorised by a resolution of the Board of Directors on 23 March 2010.

### 2. Form and content

The consolidated financial statements at 31 December 2009 was prepared in accordance with International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the EU, and in accordance with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The financial statements are compiled on the understanding that the Company will continue to operate in the future.

The Mondadori Group adopted such standards with effect from 1 January 2005, following the coming into force of European Regulation 1606, 19 July 2002.

The information required by IFRS 1 concerning the impact of the first adoption of International Accounting Standards was included in the appendix "Transition to IAS/IFRS accounting standards" in the half-yearly report for 2005 and in the consolidated financial statements at 31 December 2005, to which you are referred.

The consolidated financial statements at 31 December 2009 were prepared in accordance with the accounting standards used for preparing the IAS/IFRS consolidated financial statements at 31 December 2008, taking into consideration the new amendments and standards introduced with effect from 1 January 2009, which are referred to in note 6.26.

The financial statements have been prepared in the following way:

- current and non-current assets and current and non-current liabilities are shown separately in the balance sheet;
- in the income statement, costs are analysed by their nature since the Group has decided that this method is more representative than an analysis by function;

- the comprehensive income statement contains revenues and costs items that are not recognised among the profit (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement was prepared using the indirect method.

With reference to the requirements of Consob Resolution 15519 of 27 July 2006 concerning the tables used in financial statements, specific supplementary tables were included to highlight significant business with "Related parties" and "Non-recurring operations".

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

## 3. Consolidation policies

The consolidated financial statements of the Mondadori Group include:
- the financial statements for the year of the parent company and those of Italian and foreign companies in which Arnoldo Mondadori Editore SpA has control, direct or indirect, as defined in IAS 27. In these cases the financial statements are consolidated on a line-by-line basis in accordance with IAS 27;
- the financial statements for the year of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA has joint control, direct or indirect, as defined in IAS 31. In these cases investments are stated on an equity basis in accordance with IAS 31;
- the financial statements for the year of those Italian and foreign companies in which Arnoldo Mondadori Editore SpA has, directly or indirectly, an investment in an associated company as defined in IAS 28. In these cases investments are stated on an equity basis in accordance with IAS 28.

The application of the above mentioned consolidation techniques involves the following adjustments:
- the net carrying value of investments in companies included in the scope of consolidation is eliminated against the related net equity;
- any excess of the purchase cost of investments with respect to the Group's share of net equity at the date of purchase is allocated to the specific assets and liabilities acquired in order to state them at their fair value. Any residual excess is classified as goodwill; if the difference is negative, this is recognised immediately in the income statement;
- the amounts of capital, reserves and the consolidated financial result attributable to minority interests are recognised as separate items under shareholders' equity and in the income statement in the separate and consolidated statements;
- in preparing the consolidated financial statements, receivables and payables and income and expense resulting from transactions between companies included in the scope of consolidation are eliminated, as are any unrealised gains or losses on intragroup operations.

The financial statements of companies included in the scope of consolidation are prepared at the same balance sheet date as those of Arnoldo Mondadori Editore SpA, in accordance with IAS/IFRS.

In cases where the balance sheet date is different from the parent company's balance sheet date, adjustments are made in order to recognise the effects of significant operations or events that occurred between that date and the parent company's balance sheet date.

During 2009 there were two operations of particular note: the merger of Fied SpA into the parent company, Arnoldo Mondadori Editore SpA, which did not change the consolidation area, and the decrease in the stake held in Società Europea di Edizioni SpA, following the partial subscription of the capital increase resolved by the shareholders' meeting of 16 December 2009.
A joint venture was set up between Mondadori Pubblicità SpA and Publitalia '80 SpA, for advertising sales on the Internet.

| Name | Registered office | Business | Currency | Share capital expressed in local currency | % held as of 31/12/2009 | % held as of 31/12/2008 |
|---|---|---|---|---|---|---|
| ***Companies consolidated using the line-by-line method*** | | | | | | |
| Arnoldo Mondadori Editore SpA | Milan | Publishing | € | 67,451,756.32 | | |
| *Italian subsidiaries* | | | | | | |
| Cemit Interactive Media SpA | S. Mauro Torinese (TO) | Trade | € | 3,835,000.00 | 100.00 | 100.00 |
| Edizioni Piemme SpA | Milan | Publishing | € | 566,661.00 | 90.00 | 90.00 |
| Mondadori Education SpA | Milan | Publishing | € | 10,608,000.00 | 100.00 | 100.00 |
| Mondadori Electa SpA | Milan | Publishing | € | 1,593,735.00 | 100.00 | 100.00 |
| Mondadori Retail SpA | Milan | Trade | € | 2,700,000.00 | 100.00 | 100.00 |
| Fied SpA | | | | | | 100.00 |
| Giulio Einaudi Editore SpA | Turin | Publishing | € | 23,920,000.00 | 100.00 | 100.00 |
| Mondadori Pubblicità SpA | Milan | Advertising agent | € | 3,120,000.00 | 100.00 | 100.00 |
| Mondadori Franchising SpA | Rimini | Trade | € | 1,954,000.00 | 100.00 | 100.00 |
| Mondadori Iniziative Editoriali SpA | Milan | Publishing | € | 500,000.00 | 100.00 | 100.00 |
| Press-Di Distr. Stampa e Multimedia Srl | Milan | Services | € | 1,095,000.00 | 100.00 | 100.00 |
| Monradio Srl | Milan | Radio | € | 3,030,000.00 | 100.00 | 100.00 |
| Monradio Servizi Srl (formerly Rock FM Srl) | Milan | Radio | € | 10,000.00 | 100.00 | 100.00 |
| Sperling & Kupfer Editori SpA | Milan | Publishing | € | 1,555,800.00 | 100.00 | 100.00 |
| *Foreign subsidiaries* | | | | | | |
| ABS Finance Fund Sicav | Luxembourg | Finance | € | 59,320,259.91 | 71.17 | 91.47 |
| Ame France SAS | Paris | Services | € | 489,140.00 | 100.00 | 100.00 |
| Arnoldo Mondadori Deutschland GmbH (in liquidation) | Munich | Services | € | 25,564.59 | 100.00 | 100.00 |
| Gruppo Mondadori France | Paris | Finance | € | 50,000,000.00 | 100.00 | 100.00 |
| Ame Publishing Ltd | New York | Services | US$ | 50,000.00 | 100.00 | 100.00 |
| Arnoweb SA | Luxembourg | Finance | € | 36,256,900.00 | 100.00 | 100.00 |
| Mondadori International SA | Luxembourg | Finance | € | 393,625,900.00 | 100.00 | 100.00 |
| Prisco Spain SA | Barcelona | Finance | € | 60,101.30 | 100.00 | 100.00 |

| Name | Registered office | Business | Currency | Share capital expressed in local currency | % held as of 31/12/2009 | % held as of 31/12/2008 |
|---|---|---|---|---|---|---|
| *Companies valued using the proportional method* | | | | | | |
| ACI-Mondadori SpA | Milan | Publishing | € | 590,290.00 | 50.00 | 50.00 |
| Ag. Lombarda Distrib. Giornali e Riviste Srl | Milan | Trade | € | 208,000.00 | 50.00 | 50.00 |
| Gruppo Attica Publications | Athens | Publishing | € | 4,590,000.00 | 41.98 | 41.98 |
| Campania Arte Scarl | Rome | Services | € | 100,000.00 | 22.00 | 22.00 |
| Consorzio Covar (in liquidation) | Rome | Services | € | 15,493.70 | 25.00 | 25.00 |
| Consorzio Forma | Pisa | Services | € | 3,615.00 | 25.00 | 25.00 |
| Consorzio Editoriale Fridericiana | Naples | Services | € | 12,396.51 | 33.33 | 33.33 |
| Edizioni Electa Bruno Mondadori Srl | Milan | Publishing | € | 10,400.00 | 50.00 | 50.00 |
| Edizioni EL Srl | Trieste | Publishing | € | 620,000.00 | 50.00 | 50.00 |
| Gruppo Random House Mondadori | Barcelona | Publishing | € | 6,824,600.63 | 50.00 | 50.00 |
| Gruner + Jahr/Mondadori SpA | Milan | Publishing | € | 2,600,000.00 | 50.00 | 50.00 |
| Harlequin Mondadori SpA | Milan | Publishing | € | 258,250.00 | 50.00 | 50.00 |
| Hearst Mondadori Editoriale Srl | Milan | Publishing | € | 99,600.00 | 50.00 | 50.00 |
| Mach 2 Libri SpA | Peschiera Borromeo (MI) | Trade | € | 646,250.00 | 34.91 | 34.91 |
| Mediamond SpA | Milan | Advertising agent | € | 1,500,000.00 | 50.00 | - |
| Mondadori Independent Media LLC | Moscow | Publishing | Rouble | 189,726,400 | 50.00 | 50.00 |
| Mondadori Seec Advertising Co. Ltd | Beijing | Publishing | CNY | 20,000,000.00 | 50.00 | 50.00 |
| Mondadori Printing SpA | Cisano Bergamasco (BG) | Printing | € | 45,396,000.00 | 20.00 | 20.00 |
| Mondadori Rodale Srl | Milan | Publishing | € | 90,000.00 | 50.00 | 50.00 |
| Mondolibri SpA | Milan | Trade | € | 1,040,000.00 | 50.00 | 50.00 |
| Novamusa Gelmar Biblioteca Nazionale Scarl | Rome | Services | € | 10,000.00 | 20.00 | 20.00 |
| Novamusa Valdinoto Scarl | Messina | Services | € | 90,000.00 | 20.00 | 20.00 |
| Novamusa Valdemone Scarl | Messina | Services | € | 90,000.00 | 20.00 | 20.00 |
| Novamusa Val di Mazara Scarl | Messina | Services | € | 90,000.00 | 20.00 | 20.00 |
| Roccella Scarl | Naples | Services | € | 100,000.00 | 49.50 | 49.50 |
| Società Europea di Edizioni SpA | Milan | Publishing | € | 11,708,953.10 | 36.89 | 39.27 |
| Venezia Musei per i servizi museali Scarl | Venice | Services | € | 10,000.00 | 34.00 | 34.00 |
| Venezia Accademia per i servizi museali Scarl | Venice | Services | € | 10,000.00 | 25.00 | 25.00 |
| *Companies valued at cost* | | | | | | |
| Aranova Freedom Società Consortile a rl | Bologna | Radio | € | 19,200.00 | 16.66 | 16.66 |
| Audiradio Srl | Milan | Services | € | 258,000.00 | 2.32 | 2.32 |
| Consuledit Srl | Milan | Services | € | 20,000.00 | 9.54 | 9.54 |
| Cons. Sistemi Informativi Editoriali Distributivi | Milan | Services | € | 103,291.38 | 10.00 | 10.00 |
| Editrice Portoria SpA | Milan | Publishing | € | 364,000.00 | 16.78 | 16.78 |
| Editrice Storia Illustrata Srl (in liquidation) | Milan | Publishing | Lire | 20,000,000 | 8.39 | 8.39 |
| Giulio Einaudi editore SpA (under Chapter 11) | Turin | | Lire | 3,000,000,000 | 7.35 | 7.35 |
| Immobiliare Editori Giornali Srl | Rome | Real estate | € | 830,462.00 | 7.88 | 7.88 |
| SCABEC SpA | Naples | Services | € | 1,000,000.00 | 10.78 | 10.78 |
| Selcon Srl | Milan | Services | € | 20,800.00 | 25.60 | 25.60 |
| Società Editrice Il Mulino SpA | Bologna | Publishing | € | 1,175,000.00 | 7.05 | 7.05 |

## 4. Conversion of financial statements in foreign currencies

All amounts in the consolidated financial statements of the Mondadori Group are expressed in euros, which is the functional and presentation currency of the Mondadori Group.
The financial statements of companies whose functional currency is not the euro are converted into euros in the following way:

- assets and liabilities are converted at the exchange rate ruling at the balance sheet date;
- income statement items are converted at the average exchange rate for the period.

Currency exchange rate differences that arise from these conversions are recognised in a specific reserve in shareholders' equity.

## 5. Segment information

The information required by IFRS 8 reflects the organisational structure of the Group, which consists of the Book, Italian and French Magazine, Advertising, Direct Marketing and Retail and Radio Divisions and the Central Units.

This structure represents the Group's business in terms of products sold and services rendered and is the basis for the reporting used by the management when defining strategies and operations, evaluating investment opportunities and allocating resources.

Information relating to the various segments is included in the notes that follow.

## 6. Accounting principles and valuation methods

The following is an explanation of the principles adopted by the Mondadori Group in preparing the IAS/IFRS consolidated financial statements at 31 December 2009.

### 6.1 Intangible assets

When it is probable that costs will generate future economic benefits, intangible assets include the cost, including accessory charges, of the purchase of assets or resources, without any physical form, used in the production of goods or in the supply of services, to rent to third parties or for administrative purposes, on condition that the cost is quantifiable in a reliable manner and that the goods are clearly identifiable and controlled by the company that owns them.

Any costs incurred after the initial purchase are included in the increase of the cost of the intangible assets in direct relation to the extent to which those costs are able to generate future economic benefits.

Internal costs for producing mastheads and for the launch of newspapers, magazines or other journals are recognised in the income statement for the year in question.

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses.

Intangible assets purchased separately and those purchased as part of business combinations that took place before the adoption of IAS/IFRS are initially recognised at

cost, while those purchased as part of business combination operations that took place after the adoption of IAS/IFRS are initially recognised at their fair value.

*Intangible assets with a definite useful life*
The cost of intangible assets with a finite useful life is systematically amortised over the useful life of the asset from the moment that the asset is available for use. The amortisation criteria depend on how the Group will receive the relative future economic benefits.

The amortisation rates reflecting the useful lives attributed to intangible assets with a finite life are as follows:

| Intangible assets with a finite useful life | Amortisation rate |
|---|---|
| Titles | Term of licence/30 years |
| Costs of taking over lease contracts | Term of rental contract |
| Goods under concession or licence | Term of franchise or licence |
| Software | Straight line over 3 years |
| Patents and rights | Straight line over 3 to 5 years |
| Other intangible assets | Straight line over 3 to 5 years |

Intangible assets with a finite useful life are subject to an impairment test every time there is an indication of a possible loss of value. The period and method of amortisation applied is reviewed at the end of each year or more frequently if necessary.

Variations in the expected useful life or in the way future economic benefits linked to intangible assets are expected to be earned by the Group are recognised by modifying the period or method of amortisation, and are treated as adjustments to accounting estimates.

*Intangible assets with an indefinite useful life*
Intangible assets are considered to have an indefinite useful life when, on the basis of a thorough analysis of the relevant factors, there is no foreseeable limit to the length of time the assets may generate income for the Group.

The intangible assets identified by the Group as having an indefinite useful life include:

| Intangible assets with an indefinite useful life |
|---|
| Titles |
| Series |
| Radio frequencies |
| Imprints |
| Goodwill |

Goodwill represents the excess of the cost of a business combination over the share purchased by the Group of the fair value of the assets, liabilities and contingent liabilities acquired, as identifiable at the time of purchase. Goodwill and the other intangible assets with an indefinite useful life are not subject to amortisation but to an impairment test of their carrying value. This test concerns the value of the individual assets or of the business unit that generates financial income (Cash Generating Unit) and is carried out whenever it is believed that the value has decreased, and in any case at least once a year.

In cases where goodwill is attributed to a Cash Generating Unit (or to a group of units) whose assets are partially disposed of, the goodwill associated with the asset disposed of is reviewed in order to determine any capital gains or capital losses resulting from the operation. In these circumstances the goodwill disposed of is measured on the basis of the value of the assets disposed of compared with the asset still included in the Cash Generating Unit in question.

### 6.2 Investment property

A property investment is stated as an asset when it is held in order to earn income from its rental or to increase its invested capital, on condition that the cost of the asset can be reliably measured and that future economic benefits will flow to the Group.

Investment property is stated at cost, which includes the purchase cost and all accessory charges directly connected to this.

Costs which arise after the initial purchase are included in the increase of the cost of the property in direct relation to how much those costs are able to generate future economic benefits higher than those originally assessed.

The cost of investment property, except for that part pertaining to the cost of the land, is systematically amortised over the useful life of the asset. The depreciation criteria depend on how the relative future economic benefits are earned by the Group.

The depreciation rates that reflect the useful life attributed to the Group's investments are as follows:

| Investment property | Depreciation rate |
|---|---|
| Buildings not used in business activities | 3% |

Both the useful life and the depreciation criteria are constantly reviewed and, if any significant changes are found in the assumptions previously adopted, the depreciation rate for the period in question and for subsequent periods is adjusted.

Gains and losses deriving from the disposal of investment property are recognised in the income statement in the year the operation takes place.

Investment property is reclassified when there is a change of use determined by specific events.

### 6.3 Property, plant and equipment

Any costs attributable to the purchase of property, plant and equipment are recognised as assets, on condition that the costs of the asset can be reliably calculated and any relative future economic benefits and the relative future economic benefits will flow to the company.

Assets booked to property, plant and equipment are valued at cost, including any accessory charges, and are stated net of accumulated depreciation and any impairment.

Costs which arise after the initial purchase are recognised as an increase in cost in direct relation to the extent that these costs are able to improve the performance of the asset.

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are recognised when they are first recognised at their fair value determined at the time of their purchase and subsequently at cost.

Assets recognised as property, plant and equipment, with the exception of land, are depreciated over the useful life of the asset from the moment the assets are available for use.

If the assets include more than one significant component and the components have different useful lives, each individual component is depreciated separately.

The depreciation rates that generally reflect the useful lives attributed to property, plant and equipment are as follows:

| Property, plant and equipment | Depreciation rate |
|---|---|
| Buildings used in business activities | 3% |
| Plant | 10% - 25% |
| Rotary press | 10% |
| Machinery | 15.5% |
| Equipment | 25% |
| Electronic office equipment | 30% |
| Furniture and fixtures | 12% |
| Motor vehicles and transport vehicles | 20% - 30% |
| Other assets | 20% |

The residual value of assets, useful lives and the depreciation criteria applied, are reviewed on an annual basis and adjusted, if necessary, at the end of every year.

Leasehold improvements are recognised as fixed assets and depreciated over the lower of the residual useful life of the asset and the residual term of the lease contract.

### 6.4 Finance lease assets

Assets held under finance leases, which transfer all the risks and benefits connected with the asset to the Group, are booked at their market value or, if lower, at the present value of the minimum lease payments, including the amount to be paid for exercising any purchase option.

Liabilities arising from leasing contracts are recognised as financial liabilities.

These assets are booked under their respective categories in the item property, plant and equipment and depreciated over the lower of the contract term and the useful life of the asset in question.

A lease where the lessor retains substantially all the risks and benefits linked to the property is classified as an operating lease and the relative costs are recognised in the income statement over the contract term.

### 6.5 Borrowing costs

The Group does not capitalise any financial charges connected with the purchase, construction or production of assets that can be capitalised. These charges are recognised in the income statement in the year in which they are incurred.

### 6.6 Impairment

The carrying value of intangible assets, investment property and property, plant and machinery is subject to an impairment test whenever it is believed that it may have decreased.

Impairment tests are carried out at least once a year on goodwill, other intangible assets with an indefinite useful life and on other assets that are not available for use, and are performed by comparing the carrying value with whichever is the higher of the fair value less the sales cost and the value in use of the asset.

If no binding sales agreement or an active market for an asset exist, the fair value is calculated on the basis of the best information available as to the amount the Group would obtain, at the balance sheet date, from the disposal of an asset in a free transaction between informed and willing parties, after the costs of disposal have been deducted.

The value in use of an asset is determined by calculating the amount of income expected from its use, forecasts of financial income being based on reasonable, plausible assumptions used by the management to estimate a series of economic conditions that hold for the remainder of the life of the asset, giving more importance to external indicators.

The pre-tax discount rate used reflects the current market estimates of the time value of money and the specific risks connected to the asset.

The valuation is carried out either for each individual asset or for the smallest Cash Generating Unit of assets that generate income from the use of the assets in question.

If the value calculated by the impairment test is lower than cost, the loss is recognised as a reduction of the asset and as a cost in the income statement.

If during subsequent financial years, when the impairment test is repeated, the reasons for the writedown no longer exist, the value of the asset, excluding goodwill, is reinstated to take into account the new recoverable value, which must not, however, exceed the value that would have been stated had no loss in value been recognised.

### 6.7 Investments in joint ventures and associated companies

This item refers to investments in companies where the control of the business activity is shared and where financial and management decisions require the unanimous consensus of all the parties who share control; and to investments in companies where the Group has a significant influence that enables it to take part in determining the financial and management policies of the company even though it does not have control or joint control.

Investments in joint ventures and associated companies are initially measured at cost and subsequently adjusted as a consequence of any changes in the interest the Group holds in the equity of the companies in question.
The Group's share of any profits and losses of such companies is recognised in the income statement.
The carrying value of these investments also contains any excess cost paid and attributed to goodwill.

The risk resulting from any losses that exceed the investee's equity is recognised as a liability to the extent that the Group is legally or constructively liable or has made payments on behalf of the company in question.

### 6.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Inventory cost includes purchase cost, transformation cost and other costs involved in bringing an item to its current location and condition, without taking financial charges into consideration.

The calculation of cost is based on the average cost of raw and consumable materials and of finished products purchased for sale, while the FIFO method is used for finished products.

The valuation of goods under construction and semi-finished products and work in progress to order is based on the cost of the materials and other costs incurred, taking into account the progress of the production process.

The presumed net value for raw, subsidiary and consumer materials is their replacement cost, while for semi-finished and finished products it is the normal estimated sales price net of, respectively, estimated cost to completion and sales cost.

### 6.9 Financial assets

Financial assets are measured at fair value plus the accessory purchase charges. Purchases and sales of financial assets are valued as of the trading date, which is the date the Group agreed to purchase the asset in question. After initial measurement, financial assets are valued according to their classification as outlined below:

*Financial assets at fair value with changes recognised in the income statement ("at fair value through profit and loss")*
This category includes the following, in accordance with IAS 39:
- financial assets/liabilities which when they are first valued are designated by the Group at fair value in the income statement;
- financial assets/liabilities that are held for trading are those that:
  - are held with the sole purpose of gaining short-term benefits from price fluctuations when buying and selling them;
  - are part of a portfolio of specific financial instruments that are managed en bloc and for which there is recent, reliable evidence that a short-term profit can be made.

In an active market, the fair value of these instruments is calculated by referring to the market value on the closing date of the period, while if there is no active market the fair value is calculated using financial evaluation techniques. Profit and losses deriving from the fair value evaluation of assets held for trading are recognised in the income statement.

*Held-to-maturity investments*
Financial assets the Group intends to hold in its portfolio to maturity and which have fixed or determinable payments with fixed maturity are classified as "held-to-maturity investments".

Long-term financial investments that are held to their maturity, such as bonds, are valued after the initial valuation using the amortised cost method based on effective interest rates, i.e. the rates that will apply to future payments or returns estimated for the entire life of the financial instrument.
Calculation of amortised cost also considers any discounts or premiums that will be applied over the period of time to maturity.
Financial assets that the Group decides to keep in its portfolio for an indefinite period do not come into this category.

*Loans and receivables*
IAS 39 defines these financial assets as having fixed or determinable payments that are not quoted on an active market, with the exception of those designated as being held for trading or as being available for sale. These assets are valued at amortised cost using the effective discount rate method. Profits and losses are recognised in the income statement when the loans and receivables are eliminated or when a loss of value occurs, as well as through the amortisation process.

The Group has inserted in this category trade receivables, both financial and various. These assets mature within 12 month and are therefore recognised at their nominal value (net of eventual provisions), and include the item "Cash and other cash equivalents".

*Available-for-sale financial assets*
Available-for-sale financial assets consist of all of those assets that do not fall into any of the categories mentioned above.

After being initially measured at cost, available-for-sale financial assets are measured at fair value. The profits and losses of the valuations are recognised in a separate item in shareholders' equity for as long as the assets are held in the portfolio and for as long as there is no loss of value.

In the case of shares widely traded on regulated markets, fair value is determined by referring to the value established at the close of trading on the balance sheet date.

For investments where an active market does not exist, fair value is determined by valuations based on recent trading prices between independent parties, on the basis of the current market value of a financial instrument that is substantially similar or from an analysis of up-to-date cash flows or of option pricing models.

Available-for-sale financial assets also include investments in other companies, which are valued at cost since the fair value cannot be reliably calculated.

### 6.10 Trade receivables and other receivables

Trade receivables and other receivables are initially measured at cost, i.e. at the fair value of the amount received during the transaction. Receivables are measured at their present values when the financial effect linked to the expected collection date is significant and the collection date can be reliably estimated.
Receivables are subsequently recognised in the financial statements at their estimated realisable value.

### 6.11 Treasury shares

Treasury shares are booked in a separate reserve under shareholders' equity.
No profit or loss is recognised in the income statement for the purchase, sale, issue, cancellation or any other operation involving treasury shares.

### 6.12 Cash and cash equivalents

The item cash and cash equivalents includes liquid financial assets and financial investments with due date falling within three month and which are subject to a minimal risk of variation in their face value.

They are booked at their face value.

### 6.13 Financial liabilities

Financial liabilities include financial payables, derivative instruments, payables linked to financial leasing contracts and trade payables. All financial liabilities, unlike derivative financial instruments, are initially valued at fair value (as increased by any transaction costs) and are subsequently valued at amortised cost using the effective interest rate method.

Financial instruments consisting of bonds that can be converted into Arnoldo Mondadori Editore SpA shares are recognised by separating the liability component from the option component. The liability component is recognised in the financial statements under financial liabilities by applying the amortised cost method, while the option value, calculated as the difference between the value of the liability component and the nominal value of the financial instrument issued, is recognised in a reserve in shareholders' equity.

Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges), are valued at fair value, in accordance with the methodology outlined in IAS 39 for hedge accounting. Profits and losses resulting from subsequent variations in fair value are recognised in the income statement. The portions of these changes linked to the efficient portion of the hedge are compensated for by changes in value of the derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in cash flow (cash flow hedges), are valued at amortised cost using the method outlined in IAS 39 for hedge accounting.

### 6.14 Derecognition of financial assets and liabilities

A financial asset or, where applicable, a part of a financial asset or parts of a group of similar financial assets, is derecognised when:

- the right to receive cash flows from the asset has been extinguished;
- the Group still has the right to receive cash flows from the asset but has taken on a contractual obligation to transfer the entire cash flow immediately to a third party;
- the Group has transferred the right to receive cash flows from an asset and has transferred substantially all the risks and benefits deriving from the ownership of the financial asset or has transferred control of the financial asset.

A financial liability is derecognised from the balance sheet when the obligation relating to the liability is discharged, is cancelled or expires.

### 6.15 Impairment of financial assets

The Group performs a review to determine whether a financial asset or group of financial assets has undergone a loss of value every time the financial statements are prepared.

*Financial assets valued at amortised cost*

If there is objective evidence of a reduction in the value of loans and receivables, the amount of the loss is recognised in the income statement and is calculated as the difference between the asset's carrying value and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the loss of value decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised loss of value is reversed up to the amount the asset would have had, taking amortisation into account, at the date of the reversal.

*Available-for-sale financial assets*

If an available-for-sale financial asset suffers an effective reduction in value, the accumulated loss is recognised in the income statement. The reversal of values relative to equity instruments classified as available-for-sale are not recognised in the income statement. The reversal of values relative to debt instruments are recognised in the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the loss was recognised in the income statement.

*Financial assets valued at cost*

If there is objective evidence of a loss of value of an unquoted equity instrument that is not booked at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and settled by delivery of that unquoted equity instrument, the amount of the loss of value is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

### 6.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When a hedge operation is entered into, the Group designs and formally documents the hedge relationship to which it intends to apply the hedge accounting, its objectives in managing the risk and the strategy pursued. The documentation includes the identification of the hedging instrument, element or operation that is being hedged, the nature of the risk and the way the Group intends to evaluate the effectiveness of the hedge in compensating exposure to variations in the fair value of the element hedged or in cash flows linked to the risk hedged.

It is assumed that such hedging is effective enough to compensate for the exposure of the element hedged to variations in fair value or in cash flows attributable to the risk hedged. The evaluation of whether or not this hedge is in reality sufficiently effective is carried out on a continuous basis over the years in question.

Operations that satisfy hedge accounting criteria are accounted for as follows.

*Fair value hedge*

If a derivative financial instrument is designated as a hedge for the exposure to variations in the fair value of an asset or liability attributable to a particular risk, the profit or loss deriving from subsequent variations in the fair value of the hedge instrument is recognised in the income statement. The profit or loss deriving from the adjustment of the fair value of the item hedged, to the extent attributable to the risk hedged, modifies the carrying value of the item and is recognised in the income statement.

As for the fair value hedge of items recognised at amortised cost, the adjustment of the carrying value is amortised in the income statement throughout the period before maturity. Any eventual adjustments to the carrying value of a hedged financial instrument where the effective interest rate method is applied are amortised in the income statement.

The amortisation can begin as soon as an adjustment exists but not after the date the item being hedged ceases to be adjusted for the variations in its fair value attributable to the risk of the hedged item. If the hedged item is cancelled, the fair value that has not been amortised is immediately recognised in the income statement.

*Cash flow hedge*

If a derivative financial instrument is designated as an instrument for hedging the exposure to variations in cash flows of an asset or of a liability included in the financial statements or of a highly probable forecast transaction, the effective portion of the assets or of the losses deriving from the adjustment of the fair value of the derivative instrument is recognised in a special reserve in shareholders' equity. The accumulated profit and loss are transferred from the equity reserve and recognised in the income statement when the results of the hedge operation are recognised in the income statement.

The profit and loss associated with the ineffective part of a hedge are recognised in the income statement. If a hedging instrument is terminated but the hedging operation has not yet been carried out, the accumulated profits and losses remain in the reserve under shareholders' equity and are reclassified to the income statement when the relative operation is carried out. If the hedging operation is no longer considered probable, the profits and losses not yet realised and recognised in equity are recognised in the income statement.

If hedge accounting cannot be applied, profits and losses deriving from the valuation of the fair value of the derivative financial instrument are recognised in the income statement.

### 6.17 Provisions

Provisions against significant losses or liabilities that are certain or probable but whose amount or date of occurrence is impossible to establish when the financial statements are prepared, are recognised when it becomes probable that a present, legal or constructive obligation exists as the result of events that happened in the past, when the obligation in question is onerous and when the amount can be reliably estimated.

Provisions are valued at fair value for each obligation. When the time value of money linked to a forecast of when the payment will be made is significant and the payment date can be reliably estimated, the provision includes the financial component which is recognised in the income statement under financial income (expense).

### 6.18 Employees' leaving entitlement

Benefits due to employees on leaving a company may be separated into:

- defined contribution plans (for Group companies with more than 50 employees), represented by the amounts accrued as of 1 January 2007;
- defined benefit plans, represented by the severance indemnity (TFR) fund for companies with less than 50 employees and the TFR liabilities accrued as of 31 December 2006 for the other Group companies.

In defined contribution plans, the legal or constructive obligation of a company is limited to the amount of the contributions it has paid to the plan, and as a result the actuarial and investment risks fall on the employee. In defined benefit plans, the obligation of a company consists in granting and guaranteeing agreed benefits to employees, so the actuarial and investment risks fall on the company.

Calculation of TFR liabilities is based on the TFR fund matured at 31 December 2006, and uses an actuarial method based on demographic assumptions (including mortality rates and the turnover of the workforce) and financial assumptions (the discount rate reflecting the time value of money and the inflation rate). For companies with less than 50 employees, calculation includes also future remuneration levels.

The amount recognised as a liability for defined benefit plans is represented by the present value of the obligation at the balance sheet date, net of the present value of any plan assets.
The amount that is recognised as costs in the income statement also includes the following:

- social security costs relative to current labour;
- interest costs;
- actuarial gains or losses;
- the return expected from any plan assets.

The Group does not apply the corridor method and therefore recognises all actuarial gains and losses directly in the income statement.

The charge for the amount accruing to employees during the year and the actuarial gains or losses are booked under personnel costs, while the financial component, which represents the cost the company would have to incur if it were to seek a loan on the market for the amount of the obligation, is booked under financial income (expense).

The termination indemnity for agents is also determined on an actuarial basis. The charge for the estimated amount accruing to agents during the year, which becomes payable only under certain conditions if the agency relationship is terminated, is booked under other income (expense).

### 6.19 Stock options

The Group grants additional benefits to certain directors and managers who carry out functions that are relevant for the attainment of the company's strategic results, through equity-settled stock option plans.

These stock options are measured at their fair value at the time they are granted. Fair value is determined on the basis of a binomial model and subject to the rules of the individual plans.

The cost of these benefits is booked to personnel costs during the period of service and is recognised over the vesting period from the date the options are granted, with an equal amount being recognised in the "Reserve for stock options" in shareholders' equity.

At the end of every year, the previously calculated fair value of every option is neither reviewed nor updated, but remains unchanged in shareholders' equity, although the estimate of the number of options that mature up to the expiry date (and therefore the number of employees who have the right to exercise these options) is updated at that time. Any change in this estimate is recognised in the "Reserve for stock options" and in personnel costs in the income statement.

When an option is exercised, the part of the "Reserve for stock options" relating to exercised options is reclassified under "Share premium reserve" while the part of the "Reserve for stock options" relating to cancelled or expired options is reclassified under "Other reserves".

The dilutive effect of options that have not yet been exercised is reflected in the calculation of diluted earnings per share.

The Group has applied the provisions contained in IFRS 2 for all stock option plans assigned after 7 November 2002.

### 6.20 Recognition of revenues and costs

Revenues earned from the sale of goods are recognised net of discounts, allowances and returns when it is probable that the economic benefits arising from the sale will flow to the Group and when the amount of the revenues can be reliably determined.

Revenues earned from the sale of magazines and the relative advertising space are recognised on the basis of the date of publication of the magazines.

Revenues deriving from services are recognised on the basis of the time the services are completed, when it is probable that the economic benefits arising from the sale will flow to the Group and when the amount of the revenues can be reliably calculated.

Revenues from interest are recognised on a temporal basis using the effective interest method; royalties are recognised on an accrual basis and subject to the conditions of the respective agreements; dividends are recognised when the shareholder's right to receive payment has been established.

Costs are recognised in the same way as income and on an accrual basis.

### 6.21 Current and deferred taxes

Current taxes are calculated on the basis of an estimate of taxable income and in accordance with the laws prevailing in each country where the individual consolidated companies are resident.
Deferred tax assets and liabilities are calculated on all the temporary differences between the tax base of assets and liabilities and their relative carrying values in the consolidated financial statements, with the exception of the following:

- temporary taxable differences deriving from the initial recognition of goodwill;
- temporary taxable or deductible differences resulting from the initial recognition of an asset or a liability in an operation that is not a business combination and which does not influence either the result or the taxable income at the time of the operation in question;
- for investments in subsidiary, associated and jointly-controlled companies when:
  - the Group is able to control the timing of the reversal of temporary taxable differences and it is probable that these differences will not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at the end of every period and is reduced if it is no longer probable that sufficient taxable profit will be available in the future for realising all or part of the assets.
Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply to the period when the assets are realised or the liabilities settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Taxation relating to items recognised directly in equity is recognised directly in equity and not in the income statement.

### 6.22 Operations in foreign currencies

Revenues and costs relating to operations in foreign currencies are expressed in the money of account using the currency exchange rates ruling on the day the operation was carried out.

Monetary assets and liabilities in foreign currencies are converted at the currency exchange rate ruling at the balance sheet date and any currency exchange differences are recognised in the income statement, with the exception of those deriving from loans in foreign currencies hedging a net investment in a foreign company, which are recognised directly in equity until the net investment is disposed of.
Non-monetary items valued at historical cost in foreign currencies are converted using the currency exchange rates ruling at the time the transaction was carried out. Non-monetary items booked at fair value in foreign currencies are converted using the currency exchange rates ruling at the time that fair value was calculated.

### 6.23 Grants and contributions

Grants and contributions are recognised if there is a reasonable certainty that they will be received and if all the conditions referring to them are satisfied. When the grants are linked to cost items, they are recognised as income and recognised on a systematic basis so that they are in proportion to the costs they are intended to set off or partially set off. In the cases where a grant is linked to an asset, the relative fair value is deferred in long-term liabilities and is recognised in the income statement at a constant rate over the useful life of the asset in question.

### 6.24 Earnings per share

Earnings per share is the Group's net profit divided by the weighted average number of shares outstanding during the period.
In order to calculate diluted earnings per share, the weighted average number of shares outstanding is modified on the assumption that all potential shares with a dilutive effect are converted.

### 6.25 Assets and liabilities held for sale and discontinued operations

Non-current assets and groups of assets and liabilities whose carrying value will be mainly recovered through disposal instead of continuous use are presented separately from other assets and liabilities in the consolidated balance sheet. These assets and liabilities are classified as "assets and liabilities held for sale" and are valued at the lower of their carrying value and their fair value less probable disposable costs. Gains and losses, net of the related tax effect, resulting from the valuation or disposal of the assets or liabilities in question are recognised in a specific item in the income statement.
Should the Group retain a contact investment in assets and liabilities that have been disposed of, IFRS 5 is not applied due to the fact that an interest in still held in the associated company.

### 6.26 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2009 and applicable to the Mondadori Group

*IFRS 2 - Payment based on shares - Maturity and cancellation conditions*
The change to IFRS 2 (payment based on shares), was published in January 2008 and came into effect on 1 January 2009.
The amendment restricts the definition of "maturity conditions" to a condition that includes either a specific or an implied obligation to provide a service.

Any other condition is a non-vesting condition and must be taken into consideration when determining the fair value of the representative instrument of the assigned capital. If a premium does not mature because it does not satisfy a non-vesting condition that is under the control of the company or the opposite party, it must be recognised as a cancellation. The Group has not undertaken operations with payment based on shares with non-vesting conditions, so there was no significant effect on the recognition of agreements for share-based payment agreements.

*IAS 32 and IAS 1 modifications - Transferable financial instruments*
The changes to IAS 32 and IAS 1 were ratified in February and came into effect as from 1 January 2009.
The change to IAS 32 requires that certain transferable financial instruments and bonds that arise at the time of disposal are recognised as capital instruments if specific conditions apply. The change to IAS 1 requires that information about transfer options recognised as capital be given in the notes to the financial statements. Such modifications do not impact on the Company's financial statements.

*IFRS 8 - Operational segments*
The new principle that replaced IAS 14 and came into force on 1 January 2009 requires the Group to identify operational segments on the basis of the internal reporting regulations used by its management for analysing performance parameters.
The application of the new provision requires the data relating to the Magazine Division France to be recognised separately from the data relating to the rest of the Magazine Division. The additional information relating to each segment is contained in note 33.

*IAS 1 - Presentation of financial statements*
The amendment of IAS 1, Presentation of financial statements, was ratified in September 2007 and came into effect on 1 January 2009. The amendment separates the changes made to shareholders' equity into those for shareholders and those for non-shareholders. The table of changes to shareholders' equity only includes the details of transactions with shareholders while all the changes relating to transactions with non-shareholders are illustrated in a single line.
The amendment also introduces a comprehensive income statement table which contains all the items pertaining to revenues and costs for the period registered and non registered in the income statement.
The comprehensive income statement table is presented in the form of a separate table.

*IAS 23 - Financial expense*
On 29 March 2007 IASB issued a new version of IAS 23 (Financial expense) that came into force on 1 January 2009. The new version removed the option open to companies to immediately recognise in the income statement any financial expense sustained for business activities for which it is normally necessary for a specific period of time to pass before the asset in question is ready for use or for sale. This amendment has not had any effect on the Group's financial statements.

*IFRS 7 - Financial instruments: additional information*
The amendment makes it necessary to provide additional information concerning fair value and liquidity analysis. In the case of fair value, it is now necessary to provide additional information about the source of the input, using a system based on three

levels for each type of financial instrument. In addition, it is now necessary to provide a comparison between the initial balance and the final balance of the fair value for third-level evaluations, as well as for measuring significant transfers between the different levels. The amendment also sets out what is required in the way of information concerning the risk of liquidity, with reference to the derivatives and financial assets utilised when dealing with foreign liquidity.

*Improvements to IFRS rules*
In May 2008, the IASB issued a series of modifications to the international standards with the aim of removing inconsistencies and clarifying the terminology.
In some cases the adoption of these modifications required changes to accounting procedures but such changes had no impact on the Group's results and assets.

### 6.27 New standards and interpretations adopted by the European Union but not yet effective and applicable to the Mondadori Group

As required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the possible impact of new standards or interpretations on the financial statements in their first year of application are listed below.
Those standards and interpretations which came into effect after 1 July 2009 are indicated and briefly illustrated.

*IFRS 3R - Business combinations and IAS 27R - Consolidated and separate financial statements*
The two amendments were ratified in January 2008 and came into effect as from 1 July 2009. IFRS 3R introduces a number of changes to recognising business combinations that effect the amount of goodwill entered, the result of the year the purchase takes place and the results of subsequent years.
IAS 27R requires that any change in the amount of shares held in a subsidiary company is recognised as a capital transaction. Consequently, this change will not have any impact on goodwill and will not produce either profits or losses. In addition, the amendment introduces changes to recognising a loss sustained by a subsidiary and to losing control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied in perspective and must be applied to future purchases and transactions with minority shareholders.

## 7. Use of estimates

In preparing the attached tables and the relative notes, it has been necessary to use estimates and assumptions in order to calculate, in particular, the provision for returns of published products, provisions for writedowns of assets, for risks, employee benefits and taxation, and the value of intangible assets (including goodwill).

These estimates are constantly reviewed and any effects are recognised in the income statement.
The data in the final balance could differ, even significantly, from these estimates as a result of possible changes to the factors taken into consideration when the estimates were first made.

The most significant accounting estimates that involve a high level of subjective judgement are outlined below:

*Goodwill and intangible assets*
A check is carried out to verify if there has been a reduction in the value of goodwill and intangible assets by comparing the carrying value of the Cash Generating Unit and its recoverable value, represented by the higher of its fair value and value in use. This process includes the use of methods such as the discounted cash flow and its relative assumptions.

*Bad debt reserve*
The ability to recover debts is calculated by taking into account the collectibility risk, the length of time they have been outstanding and the losses sustained in the past on similar debts.

*Reserve for inventory provisions*
The Group estimates the amount of provisions for inventories on the basis of specific analyses of the saleability of finished products and their relative rotation rating, and, for work being carried out, by taking into account the eventual risk that it will not be completed.

*Future returns*
In the publishing sector it is accepted practice that books and magazines that have not been sold are returned to the publisher, in accordance with pre-established conditions.
Therefore, at the end of every year the Group estimates the quantity that will presumably be returned during the following year. This estimation is based on historical experience and also takes individual print runs into account.

*Risk reserve*
Provisions connected to judicial, fiscal and arbitration disputes are based on complex estimates that take into account the probability of losing the disputes.

*Employees' leaving entitlements and termination indemnities*
Provisions relating to reserves for employees are calculated on the basis of actuarial estimates, so variations in such estimates may have significant effects on these reserves.

*Income taxes*
Income taxes (both current and deferred) are calculated in each country where the Group operates and are based on prudent interpretations of current fiscal laws.

## 8. Business combinations and other purchases

Business combinations are recognised using the purchase method envisaged by IFRS 3. Under the purchase method, cost is determined as the sum of the fair values of the assets and liabilities acquired, including any contingent liabilities assumed and equity instruments issued at the date of the operation, plus any costs directly attributable to the purchase.

Any excess of purchase cost over the Group's share of the fair value of the assets, liabilities and contingent liabilities acquired and identifiable at the time of purchase is

booked as goodwill under assets. If this difference is negative it is recognised directly in the income statement.

In the case of purchases of minority interests in companies already under the control of the Group, any surplus between the amount paid and the net equity acquired is recognised in intangible assets as goodwill.

### 9. Non-recurring income and expenses

As required by Consob Resolution 15519 of 27 July 2006, income and expenses deriving from non-recurring operations were identified in the income statement. Operations and facts are considered to be non-recurring when by their nature they do not occur continuously during normal business operations.
The relative effects have been outlined in a specific table included in these "Notes".

## Notes

### 1. Purchases and disposals during the year

During the year up to 31 December 2009 no extraordinary purchase or disposal operations were carried out, with the exception of the partial subscription of the capital increase resolved by the associated company Società Europea di Edizioni SpA. Arnoldo Mondadori Editore SpA disposed of part of its option rights to third parties, registering a profit of approximately €0.6 million.

However, it is necessary to point out that as a result of the disposal of the majority holding in Mondadori Printing SpA, which was concluded in November of the last financial year, it is not possible to make a fair comparison between the balances for 2008 and those for 2009.

### 2. Intangible assets

Intangible assets are described and commented on below.

| Intangible assets<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Intangible assets with finite useful lives | 229,134 | 250,550 |
| Intangible assets with indefinite useful lives | 675,149 | 680,333 |
| **Total intangible assets** | **904,283** | **930,883** |

The following two tables show the changes in intangible assets with finite useful lives in 2008 and 2009.

| Intangible assets with finite useful lives (€,000) | Titles | Expenses for taking over shop leasing contracts | Software | Licences, patents and rights | Other intangible assets | Intangible assets under construction and advances | Total |
|---|---|---|---|---|---|---|---|
| Cost at 31/12/2007 | 15,000 | 38,688 | 22,183 | 1,177 | 3,139 | 298 | 80,485 |
| Investments | - | 79 | 2,009 | 29 | 1,233 | - | 3,350 |
| Disposals | (6,300) | (9,411) | (21) | (16) | - | - | (15,748) |
| Changes in consolidation area | - | - | (2,795) | - | (3) | - | (2,798) |
| Other changes | 223,200 | 215 | 482 | 16 | 56 | (298) | 223,671 |
| Cost at 31/12/2008 | 231,900 | 29,571 | 21,858 | 1,206 | 4,425 | 0 | 288,960 |
| Accumulated amortisation and impairment losses at 31/12/2007 | 667 | 6,876 | 18,183 | 1,077 | 1,572 | - | 28,375 |
| Amortisation | 4,075 | 2,338 | 2,104 | 34 | 1,438 | - | 9,989 |
| Writedowns/reinstatement of value | 4,400 | - | - | - | - | - | 4,400 |
| Disposals | - | (2,359) | (17) | (11) | - | - | (2,387) |
| Changes in consolidation area | - | - | (2,393) | - | (3) | - | (2,396) |
| Other changes | - | 168 | 195 | 9 | 57 | - | 429 |
| Accumulated amortisation and impairment losses at 31/12/2008 | 9,142 | 7,023 | 18,072 | 1,109 | 3,064 | 0 | 38,410 |
| Net book value at 31/12/2007 | 14,333 | 31,812 | 4,000 | 100 | 1,567 | 298 | 52,110 |
| **Net book value at 31/12/2008** | **222,758** | **22,548** | **3,786** | **97** | **1,361** | **0** | **250,550** |

| Intangible assets with finite useful lives (€,000) | Titles | Expenses for taking over shop leasing contracts | Software | Licences, patents and rights | Other intangible assets | Intangible assets under construction and advances | Total |
|---|---|---|---|---|---|---|---|
| Cost at 31/12/2008 | 231,900 | 29,571 | 21,858 | 1,206 | 4,425 | - | 288,960 |
| Investments | - | 2,250 | 1,358 | 19 | 124 | - | 3,751 |
| Disposals | (9,397) | - | (254) | - | - | - | (9,651) |
| Changes to consolidation area | - | - | - | - | - | - | 0 |
| Other changes | - | - | - | - | - | - | 0 |
| Cost at 31/12/2009 | 222,503 | 31,821 | 22,962 | 1,225 | 4,549 | 0 | 283,060 |
| Accumulated amortisation and impairment losses at 31/12/2008 | 9,142 | 7,023 | 18,072 | 1,109 | 3,064 | - | 38,410 |
| Amortisation | 7,571 | 1,645 | 2,001 | 53 | 581 | - | 11,851 |
| Writedowns/reinstatement of value | 4,316 | - | - | - | - | - | 4,316 |
| Disposals | (397) | - | (254) | - | - | - | (651) |
| Changes in consolidation area | - | - | - | - | - | - | 0 |
| Other changes | - | - | - | - | - | - | 0 |
| Accumulated amortisation and impairment losses at 31/12/2009 | 20,632 | 8,668 | 19,819 | 1,162 | 3,645 | 0 | 53,926 |
| Net book value at 31/12/2008 | 222,758 | 22,548 | 3,786 | 97 | 1,361 | 0 | 250,550 |
| **Net book value at 31/12/2009** | **201,871** | **23,153** | **3,143** | **63** | **904** | **0** | **229,134** |

Intangible assets with finite useful lives are mainly magazine titles owned by Mondadori France Group, including *Téléstar*, *Closer*, *Pleine Vie* and *Le Chasseur Français*.

On 1 July 2008, estimates of the useful lives of magazines owned by Mondadori France, which was recently purchased, were changed from indefinite to finite (30 years); each title is a Cash Generating Unit.

There is no restriction on the availability or use of intangible assets.

The following data refer to intangible assets with an indefinite useful life.

| Intangible assets with indefinite useful lives (€,000) | Titles | Series | Imprints | Radio frequencies | Goodwill | Total |
|---|---|---|---|---|---|---|
| Cost at 31/12/2007 | 321,358 | 31,509 | 5,949 | 112,154 | 432,421 | 903,391 |
| Investments | - | - | 474 | 17,223 | 429 | 18,126 |
| Disposals | - | - | - | (5,212) | (828) | (6,040) |
| Change in consolidation area | - | - | - | - | - | 0 |
| Other changes | (223,200) | - | - | - | (56) | (223,256) |
| Cost at 31/12/2008 | 98,158 | 31,509 | 6,423 | 124,165 | 431,966 | 692,221 |
| Impairment at 31/12/2007 | 10,226 | - | 1,114 | 244 | 70 | 11,654 |
| Writedowns/reinstatement of value | - | - | - | - | 242 | 242 |
| Other changes | - | - | - | - | (8) | (8) |
| Impairment at 31/12/2008 | 10,226 | 0 | 1,114 | 244 | 304 | 11,888 |
| Net book value at 31/12/2007 | 311,132 | 31,509 | 4,835 | 111,910 | 432,351 | 891,737 |
| **Net book value at 31/12/2008** | **87,932** | **31,509** | **5,309** | **123,921** | **431,662** | **680,333** |

In 2009 the most important investments were made in the radio sector, for the purchase of new frequencies.

| Intangible assets with indefinite useful lives (€,000) | Titles | Series | Imprints | Radio frequencies | Goodwill | Total |
|---|---|---|---|---|---|---|
| Cost at 31/12/2008 | 98,158 | 31,509 | 6,423 | 124,165 | 431,966 | 692,221 |
| Investments | - | - | 47 | 3,741 | - | 3,788 |
| Disposals | - | - | - | (1,545) | - | (1,545) |
| Change in consolidation area | - | - | - | - | - | 0 |
| Other changes | - | - | - | - | (63) | (63) |
| Cost at 31/12/2009 | 98,158 | 31,509 | 6,470 | 126,361 | 431,903 | 694,401 |
| Impairment at 31/12/2008 | 10,226 | - | 1,114 | 244 | 304 | 11,888 |
| Writedowns/reinstatement of value | - | - | 900 | 2,666 | 3,861 | 7,427 |
| Other changes | - | - | - | - | (63) | (63) |
| Impairment at 31/12/2009 | 10,226 | 0 | 2,014 | 2,910 | 4,102 | 19,252 |
| Net book value at 31/12/2008 | 87,932 | 31,509 | 5,309 | 123,921 | 431,662 | 680,333 |
| **Net book value at 31/12/2009** | **87,932** | **31,509** | **4,456** | **123,451** | **427,801** | **675,149** |

*Amortisation, impairment and reinstatement of value of intangible assets*

The following table summarizes the amounts charged to the income statement, under the item "Amortisation and impairment of intangible assets", for the amortisation of intangible assets with finite useful lives and the writedown and restoration of value of intangible assets with indefinite lives.

| Amortisation and impairment of intangible assets (€,000) | 2009 | 2008 |
|---|---|---|
| Titles | 7,571 | 4,075 |
| Expense for taking over shop leasing contracts | 1,645 | 2,338 |
| Software | 2,001 | 2,104 |
| Licences, patents and rights | 53 | 34 |
| Other intangible assets | 581 | 1,438 |
| **Total amortisation and impairment of intangible assets** | **11,851** | **9,989** |
| Writedowns of intangible assets | 9,077 | 4,642 |
| Reinstatement of value of intangible assets | - | - |
| **Total writedowns (reinstatement) of intangible assets** | **9,077** | **4,642** |
| **Total amortisation and impairment of intangible assets** | **20,928** | **14,631** |

*Impairment test process*

As per IAS 36, assets with an indefinite useful life and goodwill are not subject to amortization but to an impairment test at least once a year.

Assets with a finite useful life are subject to amortization, according to the useful life of each one of them, and every time financial statements are prepared a check is made to ascertain if there are any indications of a loss of value.

To calculate the recoverable value of assets (whichever is higher between the fair value and the value in use of the asset), the Mondadori Group identified Cash Generating Units in the sectors where it operates and allocated them the following values.

| Cash Generating Unit (€,000) | Titles | Series | Imprints | Radio frequencies | Goodwill | Location | Total |
|---|---|---|---|---|---|---|---|
| Group of Cash Generating Unit titles from former Silvio Berlusconi Editore | 83,579 | | | | 731 | | 84,310 |
| Group of Cash Generating Unit titles from former Elemond | 2,246 | | 12 | | 311 | | 2,569 |
| Einaudi Cash Generating Units | | 2,991 | | | 286 | | 3,277 |
| Sperling & Kupfer Cash Generating Units | | 1,817 | | | 731 | | 2,548 |
| Mondadori Education Cash Generating Units | | 18,933 | | | 12,042 | | 30,975 |
| Piemme Cash Generating Units | | 7,768 | 519 | | 5,059 | | 13,346 |
| Group of Cash Generating Units from R101 | | | 372 | 123,451 | | | 123,823 |
| Group of Cash Generating Units from Mondadori France | 201,870 | | | | 408,441 | | 610,311 |
| Group of Cash Generating Units from retail locations | | | | | | 23,153 | 23,153 |
| Other Cash Generating Units | 2,108 | | 3,553 | | 200 | | 5,861 |
| | **289,803** | **31,509** | **4,456** | **123,451** | **427,801** | **23,153** | **900,173** |

Assets with an indefinite useful life and goodwill

The value of titles with an indefinite useful life, each one of which is a Cash Generating Unit, is made up of:

- €83.6 million for the purchase of Silvio Berlusconi Editore in 1994 (the main titles acquired were *TV Sorrisi e Canzoni*, *Chi* and *Telepiù*);
- €2.2 million for the purchase of Elemond group, in stages, between 1989 and 1994 (the main titles acquired were *Interni* and *Casabella*).

Following impairment tests, goodwill for the above operations was allocated either to the individual Cash Generating Units or to groups of Cash Generating Units in the Magazine sector, as outlined below:

- €0.7 million to a group of Cash Generating Units for the purchase of Silvio Berlusconi Editore;
- €0.3 million to a group of Cash Generating Units for the purchase of Elemond group.

Series includes:

- €18.9 million for the purchase on the market of the school textbook division that trades under Mondadori Education SpA (formerly Edumond Le Monnier SpA), and identified as a Cash Generating Unit in the education sector; this Cash Generating Unit was allocated a goodwill value of €12 million;
- €3 million for the purchase of Casa Editrice Einaudi (formerly Elemond group), identified as a Cash Generating Unit and allocated a goodwill value of €0.3 million;
- €1.8 million for the purchase of Casa Editrice Sperling & Kupfer, identified as a Cash Generating Unit and allocated a goodwill value of €0.7 million;
- €7.8 million for the purchase of Edizioni Piemme, identified as a Cash Generating Unit and allocated a goodwill value of €5.1 million.

The value of radio frequencies, each of which is a Cash Generating Unit, refers to a number of purchases made in the sector since 2005, when the purchase of *Radio one-o-one* was concluded in order to allow the signal for radio *R101* to cover almost all of Italy.

"Goodwill" includes €408.4 million, the amount attributable to the group of Cash Generating Units that resulted from the purchase of the Mondadori France group.
For purposes of the impairment test, this goodwill is valued together with the value of the relative titles booked to intangible assets with finite useful lives.

Assets with a finite useful life

The value of titles with a finite useful life, each one of which is a Cash Generating Unit, refers to €201.9 million for the purchase of the Mondadori France group, which took place in 2006 (the main titles being *Téléstar*, *Closer*, *Pleine Vie* and *Le Chasseur Français*).

The decline in the French advertising market and in magazine circulation figures, which also had an impact on the revenues of the companies in the Mondadori France group, was considered an indicator of a possible impairment loss for the assets allocated to that group of Cash Generating Units.

The value attributed to the cost of taking over the rental agreements for retail outlets, each one of which represents a Cash Generating Unit, amounting to €23.2 million, refers to the cost of purchasing prestige locations held to be strategic for the business development. Among the most important of these is the Multicenter shop in Corso Vittorio Emanuele in Milan.

The decrease in revenues compared with 31 December 2008 from sales outlets already in the network at that date, together with the reduction in economic results led to the decision to subject the above mentioned values to an impairment test.

Recoverable value

In order to verify recoverable value, the Mondadori Group first calculates value in use. If an impairment loss emerges from this calculation, the fair value criteria minus the sales costs is applied before provisions are made.

Impairment tests are carried out for individual titles, publishing series, imprints, radio frequencies and locations that coincide with their respective Cash Generating Units.

In order to carry out the impairment tests, goodwill is allocated to individual or groups of Cash Generating Units in accordance with the IFRS 8 maximum combination limit for the business sector.

The following table illustrates the essential elements utilised for verifying recoverable values.

| Cash Generating Units | Criteria utilised | Economics | Growth rate on terminal value | Calculation rate |
|---|---|---|---|---|
| Group of Cash Generating Unit titles from Silvio Berlusconi Editore | Value in use | PMT 2010-2012 gross operating margin | g = 0 | 6.70% |
| Group of Cash Generating Unit titles from former Elemond | Value in use | PMT 2010-2012 gross operating margin | g = 0 | 6.70% |
| Group of Cash Generating Units from Mondadori France | Value in use | PMT 2010-2014 revenues operating margin | g = 0 | 7.00% |
| | Fair value | PMT 2010-2014 revenues | g = 2 | 7.00% |
| Einaudi Cash Generating Units | Value in use | PMT 2010-2012 operational cash flows | g = 0 | 6.70% |
| Sperling & Kupfer Cash Generating Units | Value in use | PMT 2010-2012 operational cash flows | g = 0 | 6.70% |
| Mondadori Education Cash Generating Units | Value in use | PMT 2010-2012 operational cash flows | g = 0 | 6.70% |
| Piemme Cash Generating Units | Value in use | PMT 2010-2012 operational cash flows | g = 0 | 6.70% |
| Group of Cash Generating Units from *R101* | Fair value | n.a. | n.a. | n.a. |
| Group of Cash Generating Units from retail locations | Value in use | PMT 2010-2012 gross operating margin | g = 0 | 6.70% |
| Other Cash Generating Units | Value in use | PMT 2010-2012 gross operating margin | g = 0 | 6.70% - 7.00% |

Value in use

When estimating value in use, use was made of the forecast data included in the three/five-year plans approved by the management of the Mondadori Group, which takes into account the macro-economic situation and the specific nature of the markets where the various business areas will operate in future years.

For magazine titles, partly in consideration of the presence of a net negative circulating capital as a result of the speed of collecting revenues, the operating results contained in the above-mentioned medium-term plans were adopted as the financial flows.

For the imprint values, since the Cash Generating Unit coincides with the legal entity, the operational cash flows contained in the above-mentioned medium-term plans were adopted as the financial flows.

For the location values, in the presence of a net negative circulating capital since revenues are almost totally in cash, the operating results contained in the above-mentioned medium-term plans were adopted as the financial flows.

Apart from the period covered by the forecast data in the medium-term plans, the cash flow was considered to be always constant (g = 0).

The calculation of cash flow relating to the individual assets or Cash Generating Units included in the impairment test was based on a bank rate gross of taxes, consistent with the economics utilised.

The WACC was estimated using the capital asset pricing model, representing the specific risks of the individual units generating the cash flows, on the basis of the following elements:
- in order to calculate the cost of company capital, the returns on long-term treasury stocks in each of the countries or markets where the Group operates were taken as a benchmark and the *beta* was separated as follows: the Mondadori *beta* was used for Italy while for other countries it was based on the average of the *betas* of a panel made up of the main media companies listed on European markets. For the country risk, a correction factor of between 4% and 6% was used, based on market studies;
- in order to calculate the cost of third-party capital, the cost of money taken as an assumption in the medium-term plans was used.

When calculating value in use, an analysis of the sensitivity of the results was also carried out based on a 1% increase in the rate referred to above, which confirmed the previous results.

Fair value net of sales costs

When estimating the fair value net of sales costs of French titles, use is made of the comparable royalty rate method, which is widely used by major operators for estimating the value of trade brands and publishing imprints.

The following parameters were taken into consideration when this method was applied:
- forecast revenues in the medium-term plan for each title;
- a royalty rate between 2% and 9% depending on the type of imprint, strategic positioning and circulation and profitability;
- a constant cash flow growth rate (g = 2) for the period after the forecast period. This period corresponds to an estimated residual life of 29 years;
- an actuarial rate of 7% defined by applying the capital asset pricing model. In addition, an analysis of the sensitivity of the results was carried out based on a 1% increase in the rate referred to above.

As for radio frequencies, the fair value net of sales costs was defined by an independent expert, who carried out an appraisal at the time of purchase and produced an up-date of those evaluations when the financial statements were prepared.

When carrying out the appraisal, the experts took into account the type and size of the individual plants, the area where they are situated, their technical characteristics and the number of people potentially reached by them.

The method of estimating the overall value of each plant and frequency was based on the following elements:

- a direct comparison with the actuarial calculations of plant and frequencies that were recently purchased in the same market;
- the number of potential listeners who can be reached, utilising as a general reference parameter an amount between €0.6 and €2 per person, depending on the area served and taking into account the specific nature of that area, seasonal factors and the local economy.

Results of the impairment test process

The impairment test process highlighted the following impairment losses:

- for the Mondadori France Cash Generating Unit, a total of €4.3 million was written off from the value of the titles and a €3.7 million writedown was made to goodwill as a result of the closures and disposals made during the year;
- for the residual Cash Generating Units, a €0.9 million writedown was made to the value of PC Professionale and a €0.2 million writedown in goodwill linked to the purchase of Electa Napoli.

## 3. Investment property

The composition of and changes in investment property are described and commented on below.

| Investment property (€,000) | Land | Non-business buildings | Total |
|---|---|---|---|
| Cost at 31/12/2007 | 458 | 2,253 | 2,711 |
| Investments | - | 995 | 995 |
| Disposals | - | - | 0 |
| Other changes | - | 109 | 109 |
| Cost at 31/12/2008 | 458 | 3,357 | 3,815 |
| Accumulated depreciation and impairment losses at 31/12/2007 | - | 1,186 | 1,186 |
| Depreciation | - | 74 | 74 |
| Writedowns/reinstatement of value | - | - | 0 |
| Disposals | - | - | 0 |
| Other changes | - | 1 | 1 |
| Accumulated depreciation and impairment losses at 31/12/2008 | 0 | 1,261 | 1,261 |
| Net book value at 31/12/2007 | 458 | 1,067 | 1,525 |
| **Net book value at 31/12/2008** | **458** | **2,096** | **2,554** |

During the year no work was carried out on restoring existing property. The directors estimated that the fair value of investment property at 31 December 2009 was not lower than the net carrying value.

| Investment property (€,000) | Land | Non-business buildings | Total |
|---|---|---|---|
| Cost at 31/12/2008 | 458 | 3,357 | 3,815 |
| Investments | - | 3 | 3 |
| Disposals | - | - | 0 |
| Other changes | - | - | 0 |
| Cost at 31/12/2009 | 458 | 3,360 | 3,818 |
| Accumulated depreciation and impairment losses at 31/12/2008 | - | 1,261 | 1,261 |
| Depreciation | - | 87 | 87 |
| Writedowns/reinstatement of value | - | - | 0 |
| Disposals | - | - | 0 |
| Other changes | - | - | 0 |
| Accumulated depreciation and impairment losses at 31/12/2009 | 0 | 1,348 | 1,348 |
| Net book value at 31/12/2008 | 458 | 2,096 | 2,554 |
| **Net book value at 31/12/2009** | **458** | **2,012** | **2,470** |

*Depreciation of investment property*

The depreciation charge for the year amounted to €87 thousand, included in the income statement under "Depreciation and impairment of property, plant and equipment", compared to €74 thousand in 2008.

There are no restrictions on the use of assets classified as investment property.

## 4. Property, plant and equipment

The following tables show the changes in 2008 and 2009.

| Property, plant and equipment (€,000) | Land | Business buildings | Plant and equipment | Other assets | Total |
|---|---|---|---|---|---|
| Cost at 31/12/2007 | 19,898 | 81,708 | 404,917 | 149,465 | 655,988 |
| Investments | 320 | 15,074 | 3,094 | 12,088 | 30,576 |
| Disposals | (4) | (13,440) | (2,237) | (6,216) | (21,897) |
| Changes in consolidation area | (17,180) | (56,345) | (380,835) | (16,107) | (470,467) |
| Other changes | - | 1,932 | 8,909 | (11,980) | (1,139) |
| Cost at 31/12/2008 | 3,034 | 28,929 | 33,848 | 127,250 | 193,061 |
| Accumulated depreciation and impairment losses at 31/12/2007 | - | 27,773 | 317,541 | 101,057 | 446,371 |
| Depreciation | - | 2,636 | 18,188 | 10,155 | 30,979 |
| Writedowns/reinstatement of value | - | - | - | - | 0 |
| Disposals | - | (202) | (1,862) | (4,427) | (6,491) |
| Changes in consolidation area | - | (16,507) | (310,316) | (10,773) | (337,596) |
| Other changes | - | - | (15) | (975) | (990) |
| Accumulated depreciation and impairment losses at 31/12/2008 | 0 | 13,700 | 23,536 | 95,037 | 132,273 |
| Net book value at 31/12/2007 | 19,898 | 53,935 | 87,376 | 48,408 | 209,617 |
| **Net book value at 31/12/2008** | **3,034** | **15,229** | **10,312** | **32,213** | **60,788** |

During 2009 investments mainly referred to furniture, fittings, tools and electronic office equipment in order to replace obsolete items and for fitting out new bookshops in the retail sector.

Disposals of assets included the property at Grassina, the former offices of Casa Editrice Le Monnier, which was no longer considered to be strategic for publishing operations or for production and printing operations. This disposal operation produced capital gains of approximately €116 thousand.

It should be noted that it was necessary to writedown plant in the buildings occupied by the offices of Mondadori France, as a result of the project to optimise costs in company offices, which will be completed in 2010.

| Property, plant and equipment (€,000) | Land | Business buildings | Plant and equipment | Other assets | Total |
|---|---|---|---|---|---|
| Cost at 31/12/2008 | 3,034 | 28,929 | 33,848 | 127,250 | 193,061 |
| Investments | - | 116 | 502 | 7,162 | 7,780 |
| Disposals | (1,600) | (9,633) | (1,183) | (4,174) | (16,590) |
| Changes in consolidation area | - | - | - | - | 0 |
| Other changes | - | 22 | 62 | (488) | (404) |
| Cost at 31/12/2009 | 1,434 | 19,434 | 33,229 | 129,750 | 183,847 |
| Accumulated depreciation and impairment losses at 31/12/2008 | - | 13,700 | 23,536 | 95,037 | 132,273 |
| Depreciation | - | 938 | 2,357 | 8,783 | 12,078 |
| Writedowns/reinstatement of value | - | - | 1,263 | - | 1,263 |
| Disposals | - | (5,144) | (1,110) | (3,448) | (9,702) |
| Changes in consolidation area | - | - | - | - | 0 |
| Other changes | - | - | (1) | (369) | (370) |
| Accumulated depreciation and impairment losses at 31/12/2009 | 0 | 9,494 | 26,045 | 100,003 | 135,542 |
| Net book value at 31/12/2008 | 3,034 | 15,229 | 10,312 | 32,213 | 60,788 |
| **Net book value at 31/12/2009** | **1,434** | **9,940** | **7,184** | **29,747** | **48,305** |

"Other tangible assets" are as follows.

| Other tangible fixed assets (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Industrial and commercial equipment | 11,768 | 12,122 |
| Electronic office machines | 3,163 | 4,521 |
| Furniture and fixtures | 7,766 | 8,074 |
| Motor vehicles and transport vehicles | 1,022 | 1,511 |
| Leasehold improvements | 5,534 | 5,505 |
| Other assets | 76 | 85 |
| Assets under construction and advances | 418 | 395 |
| **Total other tangible fixed assets** | **29,747** | **32,213** |

*Depreciation of property, plant and equipment*

The depreciation charge for the year, included in the income statement under "Depreciation and impairment of property, plant and equipment", amounted to €13,341 thousand and includes the writedown of plant by Mondadori France as a result of the project to transfer the administrative offices that began in 2009 and will be completed in 2010.

| Depreciation of property, plant and equipment<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Buildings used in business activities | 938 | 2,636 |
| Plant and machinery | 2,357 | 18,188 |
| Equipment | 2,618 | 2,642 |
| Electronic office machines | 2,786 | 3,519 |
| Furniture and fixtures | 1,478 | 1,574 |
| Motor vehicles and transport vehicles | 781 | 1,114 |
| Leasehold improvements | 1,076 | 1,271 |
| Other assets | 35 | 35 |
| **Total depreciation of property, plant and equipment** | **12,078** | **30,979** |
| Writedowns of fixed assets | 1,263 | - |
| Recovery of value for fixed assets | - | - |
| **Total writedowns (recovery) of fixed assets** | **1,263** | **0** |
| **Total depreciation and loss of value of fixed assets** | **13,341** | **30,979** |

*Leased assets*

The following table shows the value of leased assets at 31 December 2009 classified under fixed assets.

| | 31/12/2009 | | | 31/12/2008 | | |
|---|---|---|---|---|---|---|
| (€,000) | Gross value | Accumulated depreciation | Net book value | Gross value | Accumulated depreciation | Net book value |
| Buildings not used in business activities | - | - | 0 | - | - | 0 |
| Buildings used in business activities | 775 | (243) | 532 | 775 | ( 221) | 554 |
| Plant and machinery | 135 | (28) | 110 | - | - | 0 |
| Other assets | 300 | (45) | 225 | - | - | 0 |
| **Total leased assets** | **1,213** | **(316)** | **897** | **775** | **(221)** | **554** |

During the year, Mondadori Franchising SpA signed new financial leasing contracts for the purchase of lift trucks and shelving, for a total of €438 thousand.

The duration of the contracts is for four and five years, respectively. The rental payments made during the year amounted to €95 thousand, €10 thousand of which was for financial charges.

These rental payments were calculated as per the French depreciation plans, based on the three-month Euribor rate, with an initial reference rate of 5.377%.

The above mentioned contracts do not put any restrictions or constraints on the distribution of dividends, the signing of leasing contracts or on financing operations.

## 5. Investments

Investments in companies stated on an equity basis and in other companies amounted to €143,550 thousand.

| Investments<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Investments accounted for using the equity method | 143,329 | 140,779 |
| Investments in other companies | 221 | 221 |
| **Total investments** | **143,550** | **141,000** |

Changes over the past two years in investments stated on an equity basis are set out below.

During 2009 no significant operations were carried out. "Purchases and changes in consolidation area" mainly refer to payments made in favour of Società Europea di Edizioni SpA.

| Investments - Investments accounted for using the equity method<br>(€,000) | Net value |
|---|---|
| Balance at 31/12/2007 | 127,026 |
| Movements during 2008: | |
| - purchases and changes in consolidation area | 13,571 |
| - changes in consolidation method | 10,140 |
| - disposals and other movements | (366) |
| - revaluations | 18,296 |
| - writedowns | (12,833) |
| - dividends | (15,055) |
| **Balance at 31/12/2008** | **140,779** |
| Movements during 2009: | |
| - purchases and changes in consolidation area | 12,728 |
| - changes in consolidation method | - |
| - disposals and other movements | (1,127) |
| - revaluations | 14,587 |
| - writedowns | (12,287) |
| - dividends | (11,351) |
| **Balance at 31/12/2009** | **143,329** |

The following table sets out details of investments stated on an equity basis, which increased thanks to the positive results of the companies (see note 27).

| Investments accounted for using the equity method - Detail<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Investments in joint ventures: | | |
| - Gruner + Jahr/Mondadori SpA | 3,817 | 5,476 |
| - Agenzia Lombarda Distribuzione Giornali e Riviste Srl | 73 | 91 |
| - Harlequin Mondadori SpA | 689 | 730 |
| - Hearst Mondadori Editoriale Srl | 170 | 528 |
| - Mondadori Rodale Srl | 203 | 701 |
| - Edizioni Electa Bruno Mondadori Srl | 73 | 230 |
| - Edizioni EL Srl | 2,902 | 2,805 |
| - Gruppo Random House Mondadori | 55,697 | 46,999 |
| - Gruppo Attica Publications | 37,528 | 38,230 |
| - ACI-Mondadori SpA | 832 | 988 |
| - Mondolibri SpA | 4,404 | 5,001 |
| - Mediamond SpA | 476 | - |
| - Mondadori Independent Media LLC | 567 | 1,756 |
| - Mondadori Seec Advertising Co. Ltd | - | 1,002 |
| - Editions Mondadori Axel Springer Snc | 10,781 | 13,668 |
| - Top Santé VOF | - | 137 |
| **Total investments in joint ventures** | **118,212** | **118,342** |
| Investments in associated companies: | | |
| - Mach 2 Libri SpA | 6,931 | 7,032 |
| - Società Europea Edizioni SpA | 9,118 | 6,208 |
| - Mondadori Printing SpA | 8,949 | 9,065 |
| - Venezia Musei Società per i servizi museali Scarl | 7 | 6 |
| - Venezia Accademia Società per i servizi museali Scarl | 2 | 2 |
| - Campania Arte Scarl | 22 | 22 |
| - Consorzio Covar (in liquidation) | 2 | 2 |
| - Consorzio Forma | 1 | 1 |
| - Roccella Scarl | 21 | 27 |
| - Novamusa Valdinoto Scarl | 18 | 18 |
| - Novamusa Valdemone Scarl | 21 | 21 |
| - Novamusa Gelmar Scarl | 2 | 2 |
| - Novamusa Val di Mazara Scarl | 17 | 17 |
| - Consorzio Editoriale Fridericiana | 6 | 14 |
| **Total investments in associated companies** | **25,117** | **22,437** |
| **Total investments accounted for using the equity method** | **143,329** | **140,779** |

With reference to the book value of investments, an analysis was carried out to ascertain if any impairment losses existed, also on the basis of the data contained in the medium-term plans.

From this analysis it emerged that it was necessary to writedown €1,756 thousand for the Mondadori Independent Media LLC joint venture, which publishes the weekly title *Grazia* in Russia.

With reference to the investment in the Attica Group, quoted on the Athens Stock Exchange, it should be noted that the value that emerges from the stock exchange quotation is not held to be representative of the fair value since the floating rate is limited and tradings during the year were not significant in terms of numbers or amounts.

The following table illustrates movements in investments in other companies stated at fair value.

| Investments - Investments in other companies<br>(€,000) | Net book value |
|---|---|
| Balance at 31/12/2007 | 273 |
| Movements during 2008: | |
| - purchases and changes in consolidation area | 4 |
| - disposals and other movements | - |
| - changes in consolidation method | (56) |
| - writedowns | - |
| - dividends | - |
| **Balance at 31/12/2008** | **221** |
| Movements during 2009: | |
| - purchases and changes in consolidation area | - |
| - disposals and other movements | - |
| - changes in consolidation method | - |
| - writedowns | - |
| - dividends | - |
| **Balance at 31/12/2009** | **221** |

The following table illustrates details of investments in other companies.

| Investments in other companies - Detail<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Investments in other companies: | | |
| - Società Editrice Il Mulino SpA | 101 | 101 |
| - Consuledit Srl | 1 | 1 |
| - Cons. Sistemi Informativi Editoriali Distributivi | 10 | 10 |
| - Immobiliare Editori Giornali Srl | 52 | 52 |
| - Audiradio | 21 | 21 |
| - Aranova Freedom Scarl | 30 | 30 |
| - CTAV | 3 | 3 |
| - Sem Issy Media | 3 | 3 |
| **Total investments in other companies** | **221** | **221** |

## 6. Deferred tax assets and liabilities

The following tables set out details of "Deferred tax assets" and "Deferred tax liabilities".

| (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Deferred tax assets - IRES | 43,414 | 36,042 |
| Deferred tax assets - IRAP | 2,824 | 2,905 |
| **Total deferred tax assets** | **46,238** | **38,947** |
| Deferred tax liabilities - IRES | 85,151 | 85,084 |
| Deferred tax liabilities - IRAP | 3,989 | 3,816 |
| **Total deferred tax liabilities** | **89,140** | **88,900** |

*Description of temporary differences that led to the recognition of deferred tax assets*

| (€,000) | 31/12/2009 Amount of temporary difference | Tax rate | Deferred tax assets | 31/12/2008 Amount of temporary difference | Tax rate | Deferred tax assets |
|---|---|---|---|---|---|---|
| Difference between book value and tax basis of intangible assets | 7,713 | (*) | 2,121 | 7,527 | (*) | 2,070 |
| Difference between book value and tax basis of investment property and property, plant and equipment | 4,164 | (*) | 1,145 | 3,519 | (*) | 968 |
| Provision for bad debts | 19,214 | (*) | 5,284 | 19,261 | (*) | 5,296 |
| Inventory provision | 14,628 | (*) | 4,023 | 14,207 | (*) | 3,907 |
| Writedowns of advances to authors | 16,779 | (*) | 4,614 | 15,058 | (*) | 4,141 |
| Provisions | 54,687 | (*) | 15,039 | 32,407 | (*) | 8,911 |
| Agents' termination indemnity | 5,113 | (*) | 1,406 | 4,062 | (*) | 1,117 |
| Elimination of unrealised intragroup profits | 9,920 | (*) | 2,728 | 7,380 | (*) | 2,030 |
| Other temporary differences | 25,651 | (*) | 7,054 | 27,646 | (*) | 7,602 |
| **Total for IRES purposes** | **157,869** | | **43,414** | **131,067** | | **36,042** |
| Difference between book value and tax basis of intangible assets | 8,101 | (*) | 316 | 8,718 | (*) | 340 |
| Difference between book value and tax basis of investment property and property, plant and equipment | 1,795 | (*) | 70 | 3,744 | (*) | 146 |
| Inventory provision | 14,026 | (*) | 547 | 14,179 | (*) | 553 |
| Writedowns of advances to authors | 8,820 | (*) | 344 | 9,000 | (*) | 351 |
| Provisions | 14,897 | (*) | 581 | 15,026 | (*) | 586 |
| Agents' termination indemnity | 5,113 | (*) | 199 | 4,667 | (*) | 182 |
| Elimination of unrealised intragroup profits | 9,872 | (*) | 385 | 7,333 | (*) | 286 |
| Other temporary differences | 9,801 | (*) | 382 | 11,820 | (*) | 461 |
| **Total for IRAP purposes** | **72,425** | | **2,824** | **74,487** | | **2,905** |

(*) With regard to income taxes, each company in the Group applied the tax rate in force in the country of residence.
As for IRAP, each company in the Group applied the tax rate in force taking into account the distribution of the basic tax per region.

*Description of temporary differences that led to the recognition of deferred tax liabilities*

| (€,000) | 31/12/2009 Amount of temporary difference | Tax rate | Deferred tax liabilities | 31/12/2008 Amount of temporary difference | Tax rate | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| Capital gains | 6,516 | (*) | 1,792 | 9,774 | (*) | 2,687 |
| Difference between book value and tax basis of intangible assets | 282,330 | (*) | 77,641 | 274,873 | (*) | 75,593 |
| Difference between book value and tax basis of investment property and property, plant and equipment | 6,308 | (*) | 1,735 | 8,892 | (*) | 2,446 |
| Employees' leaving entitlement | 4,943 | (*) | 1,359 | 6,345 | (*) | 1,744 |
| Agents' termination indemnity | 1,106 | (*) | 304 | 1,045 | (*) | 287 |
| Leased assets | 542 | (*) | 149 | 543 | (*) | 149 |
| Other temporary differences | 7,896 | (*) | 2,171 | 7,923 | (*) | 2,178 |
| **Total for IRES purposes** | **309,641** | | **85,151** | **309,395** | | **85,084** |
| Capital gains | 6,487 | (*) | 253 | 9,790 | (*) | 381 |
| Difference between book value and tax basis of intangible assets | 84,872 | (*) | 3,310 | 69,795 | (*) | 2,722 |
| Difference between book value and tax basis of investment property and property, plant and equipment | 2,214 | (*) | 86 | 9,493 | (*) | 370 |
| Agents' termination indemnity | 990 | (*) | 39 | 1,018 | (*) | 40 |
| Leased assets | 542 | (*) | 21 | 543 | (*) | 21 |
| Other temporary differences | 7,179 | (*) | 280 | 7,231 | (*) | 282 |
| **Total for IRAP purposes** | **102,284** | | **3,989** | **97,870** | | **3,816** |

(*) With regard to income taxes, each company in the Group has applied the tax rate in force in the country of residence.
As for IRAP, each company in the Group applied the tax rate in force taking into account the distribution of the basic tax per region.

The following table illustrates the total progressive fiscal losses pertaining to companies which up to 2009 were not included in the fiscal consolidation system.

| Unrecognised deferred taxes (€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Temporary differences excluded from the determination of deferred tax assets and liabilities | - | - |
| Unused tax losses available for carry forward | 230 | 1,835 |

## 7. Other non-current assets

The balance of "Other non-current assets" is not significantly different from the previous year and is made up in the following way.

| Other non-current assets<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Guarantee deposits | 2,209 | 2,316 |
| Earnest money | - | - |
| Advance IRE withholding tax on the employees' leaving entitlement | 43 | 71 |
| Other | 645 | 471 |
| **Total other non-current assets** | **2,897** | **2,858** |

## 8. Tax receivables

"Tax receivables", below, show a substantial increase due to receivables from tax authorities for direct advance taxes for the Mondadori France group.

| Tax receivables<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Receivables from tax authorities for IRAP | 2,218 | 2,518 |
| Receivables from tax authorities for IRES | 8,309 | 5,393 |
| Receivables from Fininvest for IRES | - | - |
| Receivables from tax authorities for VAT to be recovered | 9,482 | 9,013 |
| Receivables from tax authorities for tax reimbursements | 3,569 | 3,135 |
| **Total tax receivables** | **23,578** | **20,059** |

## 9. Other current assets

Compared with 31 December 2008 there are no significant differences in the items booked under "Other current assets", as illustrated below.

| Other current assets<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Advances to agents | 454 | 644 |
| Advances to authors and collaborators | 48,444 | 49,585 |
| Advances to suppliers | 11,141 | 11,397 |
| Advances to personnel | 622 | 650 |
| Receivables for insurance compensation | - | - |
| Advances to social security institutions | 29 | 105 |
| Receivables for guarantee deposits | 334 | 331 |
| Earnest money | - | 413 |
| Prepayments | 3,008 | 3,256 |
| Other | 23,010 | 23,898 |
| **Total other current assets** | **87,042** | **90,279** |

## 10. Inventories

The items booked under "Inventories" are substantially in line with the amounts at 31 December 2008.

The composition of and changes in "Inventories" are described and commented on below.

| Inventories<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Raw materials and consumables | 10,278 | 9,751 |
| Provision for raw materials and consumables | (293) | ( 542) |
| **Total raw materials and consumables** | **(9,985)** | **(9,209)** |
| Work in progress and semi-finished goods | 25,309 | 28,637 |
| Provision for work in progress and semi-finished goods | (1,189) | (1,729) |
| **Total work in progress and semi-finished goods** | **24,120** | **26,908** |
| Contract work in progress | 2,347 | 2,155 |
| Provision for contract work in progress | - | - |
| **Total work in progress** | **2,347** | **2,155** |
| Finished products and goods for resale | 102,410 | 100,141 |
| Provision for finished products and goods for resale | (14,852) | (15,047) |
| **Total finished products and goods for resale** | **87,558** | **85,094** |
| Advances | - | - |
| **Total inventories** | **124,010** | **123,366** |

Provisions against inventories are made by taking into account the saleability of finished products and the extent to which work in progress and semi-finished products may not produce margins.

| Inventories - Provisions<br>(€,000) | Raw materials | Work in progress and semi-finished goods | Contract work in progress | Finished products and goods for resale |
|---|---|---|---|---|
| Balance at 31/12/2007 | 605 | 1,534 | 0 | 16,214 |
| Movements during period: | | | | |
| - provisions | 393 | 305 | - | 4,517 |
| - utilisations | (25) | (110) | - | (5,684) |
| - other movements | (431) | - | - | - |
| **Balance at 31/12/2008** | **542** | **1,729** | **0** | **15,047** |
| Movements during period: | | | | |
| - provisions | 244 | 393 | - | 5,594 |
| - utilisations | (493) | (933) | - | (5,789) |
| - other movements | - | - | - | - |
| **Balance at 31/12/2009** | **293** | **1,189** | **0** | **14,852** |

There are no inventories used to secure liabilities.

*Decrease (increase) in inventories*

The following table summarizes the changes in inventories recognised in the income statement for the year.

| Decrease (increase) in inventories<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Changes in finished products and goods | (2,269) | 5,436 |
| Charge to finished products and goods provision | 5,594 | 4,517 |
| Utilisation of finished products and goods provision | (5,789) | ( 5,684) |
| **Total changes in inventories of finished products and goods** | **(2,464)** | **4,269** |
| Changes in semi-finished products | 3,330 | 5,237 |
| Charge to work in progress and semi-finished products provision | 393 | 305 |
| Utilisation of work in progress and semi-finished products provision | (933) | (110) |
| **Total changes in inventories of work in progress and semi-finished products** | **2,790** | **5,432** |
| Changes in work in progress orders | (192) | 5,123 |
| Charge to work in progress orders provision | - | - |
| Utilisation of work in progress orders provision | - | - |
| **Total changes in inventories of work in progress orders** | **(192)** | **5,123** |
| Changes in raw materials and consumables | (527) | (1,360) |
| Charge to raw materials and consumables provision | 244 | 393 |
| Utilisation of raw materials and consumables provision | (493) | (25) |
| **Total change in inventories of raw materials and consumables** | **(776)** | **(992)** |
| **Total decrease (increase) in inventories** | **(642)** | **13,832** |

## 11. Trade receivables

The balance of "Trade receivables" was significantly influenced by sales performance in 2009. There was therefore a large decrease in revenues in the Group's various business areas and a corresponding reduction in exposure.

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

Commercial transactions with these companies are carried out in accordance with normal market conditions.

| Trade receivables<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Receivables from customers | 338,981 | 381,957 |
| Receivables from associated companies | 36,952 | 33,657 |
| Receivables from parent companies | 5 | 22 |
| Receivables from affiliated companies | 2,331 | 1,722 |
| **Total trade receivables** | **378,269** | **417,358** |

There are no trade receivables with a due date over five years; the average collection period during 2009 was 67.9 days, a decrease compared with 2008 (69.3 days) on a like-for-like basis and excluding printing operations from the consolidation perimeters.

The following table contains details of "Trade receivables", which shows a reduction in "returns to be received" due to the slow-down in sales of books and magazines.

| Trade receivables - Receivables from customers<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Trade receivables | 506,930 | 521,009 |
| Customers - returns to be received | (135,316) | (105,584) |
| Provision for bad debts | (32,633) | (33,468) |
| **Total receivables from customers** | **338,981** | **381,957** |

With reference to trade receivables, it should be noted that each company in the Group carries out an accurate analysis of the debt position in order to calculate the amount to be allocated.

| Trade receivables - Receivables from customers - Provisions<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Balance at beginning of year | 33,468 | 32,231 |
| Movements during period: | | |
| - provisions | 12,228 | 12,021 |
| - utilisations | (13,063) | (7,972) |
| - changes in scope of consolidation | - | (2,146) |
| - other movements | - | (666) |
| **Total receivables from customers - Provisions** | **32,633** | **33,468** |

## 12. Financial assets

| Non-current financial assets<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Financial receivables | 483 | 2,019 |
| Financial assets at fair value with changes through the income statement | - | - |
| Available-for-sale financial assets | - | - |
| Assets resulting from derivative instruments | - | - |
| **Total other non-current financial assets** | **483** | **2,019** |

"Non-current financial assets", amounting to €483 thousand, includes €480 thousand pertaining to Excelsior Publications SAS (Mondadori France group).

| Other current financial assets<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Financial receivables from customers | 1,655 | 809 |
| Financial receivables from associated companies | 2,508 | 2,656 |
| Financial receivables from parent companies | - | - |
| Financial receivables from affiliated companies | - | - |
| Financial receivables from others | 1,506 | 21,967 |
| **Total financial receivables** | **5,669** | **25,432** |
| Financial assets at fair value with changes through the income statement | - | 3,314 |
| Available-for-sale financial assets | 35,700 | 39,715 |
| Assets resulting from derivative instruments | - | - |
| **Total other current financial assets** | **41,369** | **68,461** |

"Available-for-sale financial assets" include Mondadori International investments managed by Luxembourg-based ABS Finance Fund.

The variations in "Current financial assets", compared with 31 December 2008, are due in part to a reduction in the financial business carried out by the Luxembourg securities broker (reflecting disposal or redemption of certain securities) and in part to a reduction in "Financial receivables from others" due to collection of €12,860 thousand from Mondadori Retail SpA.

All financial assets are measured at fair value. For listed assets, the reference is market prices, while for non-listed assets the price is either supplied by the banks holding the securities or by the respective market makers. For bonds classified under "Available-for-sale financial assets", an evaluation model based on calculating expected cash flows was used, in the absence of an active market.

*Assets and liabilities resulting from derivative instruments*
The following table illustrates assets and liabilities resulting from derivative instruments held at 31 December 2009.

**Assets and liabilities in derivative instruments - Details**

| (€,000) | Type of derivatives | Fair value at 31/12/2009 | Fair value at 31/12/2008 |
|---|---|---|---|
| Non-current financial assets (liabilities) | | | |
| -Tax derivatives | Cash flow hedge | (4,660) | (4,076) |
| -Cross currency swap | Fair value hedge | (31) | ( 6,570) |
| Current financial assets (liabilities) | | | |
| -Currency derivatives | Trading | (47) | (15) |

Trading derivatives are instruments that, even though set up as hedge operations, do not fully satisfy all the international accounting standards requisites to qualify for hedge accounting. In the case of the Mondadori Group, this only refers to currency exchange risk management.

The Group has adopted a Financial Risk Management policy. The utilisation of derivative instruments is in line with the guidelines contained in that document. In order to verify the efficiency of hedge operations, the Group carries out a series of prospective and retrospective tests at least once every quarter.

Forecast tests are used to check if at the beginning of a hedge operation, and for its entire duration, every hedge is sufficiently efficient, meaning that the variations in the fair value or cash flow of the hedged item must compensate "almost completely" for the variations in the fair value or cash flow of the hedged instrument.

Retrospective tests are used to check if a hedge is sufficiently efficient, which means it must produce results between 80% and 125%. The tests can be carried out either on the basis of a certain period of time, with each test beginning immediately after the end of the previous one, or on a cumulative basis starting from a specific date.

The methods used by the Group for verifying the efficiency are statistic regression analyses, the Dollar Offset Method or Ratio Analysis.

Every month the Group also calculates the fair value of current hedge operations. These values can be obtained either by using the mark to market, when the financial instruments employed are listed on active markets, or, when the prices of the financial instruments employed are not available from the market, by obtaining an independent evaluation from a market counterparty and/or by using appropriate mark to models.

Tax derivatives

The derivatives are as follows:

- an interest rate swap (IRS) contract signed in August 2006 for a residual amount at 31 December 2009 of €100 million. The hedge operation made it possible to convert the floating interest rate (3-month Euribor) into a fixed interest rate of 3.845% and refers to part of the (€240 million) term loan in a total loan of €470 million obtained by Mondadori International SA;
- a basis swap contract was added to the IRS in order to exploit the difference between the three-month and one-month Euribor rate and further reduce the interest rate, which is now 3.745%;
- a floating-to-fix interest rate swap contract (IRS) was signed in March 2009 for the remaining €150 million of the term loan part of the pool loan, setting the financial position at a fixed interest and making it possible to convert the floating interest rate into a fixed interest rate of 1.95%.

The table below shows the impact of current hedge operations on the income statement and shareholders' equity.

| **Cash flow hedge reserves**<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Initial reserves | (4,076) | 3,022 |
| Amount revealed during year | 4,932 | (8,083) |
| Amount taken from reserve and recognised in income statement: | | |
| - adjustments to expenses | (7,037) | 5,171 |
| - adjustments to income | 1,521 | (4,186) |
| **Final reserves** | **(4,660)** | **4,076** |
| Inefficient part of hedge | 0 | 0 |

In February 2010 an interest rate swap contract was signed for a total of €150 million, beginning in July 2011 and expiring in December 2014, to cover the new loan maturities negotiated in December 2009. The fixed interest rate was set at 2.909%.

Currency derivatives

The Group enters currency derivative agreements to hedge against the risk of fluctuations in currency exchange rates. The currency derivatives utilised are exclusively forward contracts for the purchase and sale of foreign currencies.

The main type of exchange risk affecting the Group relates to acquisition of copyright for books in markets outside the EU and the sale of printed publishing products in markets outside the EU. In the second case, the Group initially partially covers the annual budget for forecast sales and all orders for sales.

At 31 December 2009 there were currency risk hedge operations involving forward contracts for the purchase of US$1,050 thousand (€779 thousand) and forward contracts for the sale of £1,270 thousand (€1,399 thousand).

Cross Currency Swap

This refers to an operation set up in 2003 to cover exchange and interest rate risks linked to the US Private Placement debenture loan that was closed on 15 September 2009 with the simultaneous repayment of the dollar loan to the bond holders.

The closure of the two operations generated financial income of €14.5 million and eliminated their impact on the income statement in 2009 related to the valuation of the derivative.

| Fair value hedge<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Profit (loss) of hedge derivatives | - | 47,677 |
| Profit (loss) recognised in financial debt | - | (47,739) |

## 13. Cash and cash equivalents

"Bank deposits" include the current account balances and bank deposits of Arnoldo Mondadori Editore SpA (€35.4 million), and Mondadori International SA (€77.5 million). Short-term deposits have a maximum expiry date of three month, in keeping with the financial needs of the Group.

The amount of cash and cash equivalents decreased significantly compared with the balance at 31 December 2008 as a result of repayments to bond holders with the closure of the private placement loan.

| Cash and cash equivalents<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Cash and valuables | 1,334 | 896 |
| Cheques | 102 | 204 |
| Bank deposits | 116,917 | 328,775 |
| Post office deposits | 1,274 | 655 |
| **Total cash and cash equivalents** | **119,627** | **330,530** |

The fair value of cash and cash equivalents at 31 December 2009 is equal to their carrying value at that date.
The following table illustrates the net financial position in accordance with Consob recommendations.

| Net financial position (€,000) | | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| A | Cash | 1,436 | 1,100 |
| | -Bank deposits | 116,917 | 328,775 |
| | -Post office deposits | 1,274 | 655 |
| B | Other cash and cash equivalents | 118,191 | 329,430 |
| **C** | **Cash and cash equivalents and other financial assets (A+B)** | **119,627** | **330,530** |
| D | Securities held for trading | | |
| | -Financial receivables from associated companies | 2,508 | 2,656 |
| | -Financial assets measured at fair value | - | 3,314 |
| | -Available-for-sale financial assets | 35,700 | 39,715 |
| | -Derivative instruments and other financial assets | 3,161 | 22,776 |
| E | Receivables and other current financial assets | 41,369 | 68,461 |
| **F** | **Current financial assets (D+E)** | **41,369** | **68,461** |
| G | Current bank payables | 5,816 | 722 |
| | -Bonds | - | - |
| | -Mortgages | - | - |
| | -Loans | 131,645 | 190,446 |
| H | Current part of non-current payables | 131,645 | 190,446 |
| | -Payables due to associated companies | 7,232 | 21,613 |
| | -Derivative instruments and other financial payables | 7,526 | 4,486 |
| I | Other current financial payables | 14,758 | 26,099 |
| **L** | **Payables to banks and other current financial payables (G+H+I)** | **152,219** | **217,267** |
| **M** | **Current net financial position (C+F-L)** | **8,777** | **181,724** |
| | -Bonds | - | 289,085 |
| | -Mortgages | - | - |
| | -Loans | 377,231 | 374,274 |
| N | Part of non-current payables | 377,231 | 663,359 |
| O | Other non-current financial payables | 4,956 | 10,646 |
| **P** | **Non-current financial payables (N+O)** | **382,187** | **674,005** |
| **Q** | **Net financial position (M-P)** | **(373,410)** | **(492,281)** |

If the balance of "Non-current financial assets" (which is not included in the Consob format) were added to the data in the table above, the net financial position would show a loss of €372,927 thousand.

Further details of the net financial position can be found in notes 12, 13 and 18.

## 14. Shareholders' equity

More detailed information concerning the composition of and changes in shareholders' equity can be found in the section "Changes in consolidated shareholders' equity".

The Mondadori Group is controlled by Fininvest SpA.

*Share capital*

The share capital of the parent company, Arnoldo Mondadori Editore SpA, amounting to €67,452 thousand, is fully subscribed and paid up and is represented by 259,429,832 ordinary shares with a par value of €0.26. No new share issues took place during the year.

*Share premium reserve*

The share premium reserve of Arnoldo Mondadori Editore SpA, amounting to €286,857 thousand, includes:

- €15,289 thousand, €13,278 thousand of which deriving from the conversion of the former AMEF 6.5% 1987/1991 debenture bond into shares and €2,011 thousand from the merger of the former AME on 29 November 1991;
- €238,603 thousand deriving from the €17,043 thousand capital increase completed on 27 June 1994 following a resolution by the extraordinary shareholders' meeting on 30 May 1994 that provided for the issue of 33,000,000 ordinary shares with a par value of €0.52 (1,000 lire) at a price of €7.75 (15,000 lire) per share, €7.23 (14,000 lire) of which was share premium;
- €384 thousand deriving from the increase in capital completed on 23 November 1998;
- €692 thousand deriving from the increase in capital completed on 17 September 1999;
- €1,801 thousand deriving from the increase in capital completed on 18 July 2000;
- €26,978 thousand generated from the conversion of 13,929,942 savings shares into ordinary shares, following a resolution by the shareholders' meeting on 30 May 1994 granting holders of savings shares an option to convert them into ordinary shares in the ratio of one-to-one with a par value of €0.52 (1,000 lire), to be exercised during the period 16 June to 31 July 1994 with payment of a balance of €1.94 (3,750 lire) for every share converted;
- €3,110 thousand deriving from stock options being exercised.

*Treasury shares*

This item, which amounts to €138,840 thousand and is the same as the amount at 31 December 2008, represents the value at the balance sheet date of treasury shares in portfolio, with 15,580,101 ordinary shares held by Arnoldo Mondadori Editore SpA and 4,517,486 ordinary shares held by Mondadori International SA.

*Other reserves and results brought forward*

"Other reserves and results brought forward" at 31 December 2009 amounted to €294,701 thousand and are made up as follows:

- the legal reserve: €13,490 thousand;
- reserves of €5,335 thousand for amounts paid out by the Agenzia per la Promozione dello Sviluppo del Mezzogiorno (Ministerial Decrees of 28/6/1979 and 3/5/1989) for the purposes of industrial investments at the plant in Pomezia (Rome) pursuant to Publishing Law 416, 5/8/1981;
- a cash flow hedge reserve, with a deficit of €4,660 thousand, for the evaluation of a hedge derivative;
- a fair value reserve, with a deficit of €257 thousand, for "Available-for-sale financial assets" (for further details, see note 12);
- a stock option reserve, amounting to €6,701 thousand, serving the stock option plan for directors and managers of the Group. During the year, this item increased by the cost of €1,186 thousand (booked to the income statement) and decreased by €224 thousand as a result of the cancellation of expired options. Further details are provided in note 25;
- the conversion reserve, which at 31 December 2009 showed a deficit of €567 thousand (-€653 thousand at 31 December 2008), mainly due to conversion of the financial statements of companies belonging to the Random House Mondadori Group operating in Latin America, and the Attica Group, with offices in East European countries.

The exchange rates used for the conversion of financial statements in foreign currencies are summarised in the following table.

| Currency | Spot 31/12/2009 | Spot 31/12/2008 | Average 2009 | Average 2008 |
|---|---|---|---|---|
| US dollars | 1.44 | 1.39 | 1.40 | 1.47 |
| Argentinean pesos | 5.48 | 4.82 | 5.21 | 4.62 |
| Chilean pesos | 731.03 | 890.80 | 781.35 | 763.53 |
| Colombian pesos | 2,943.15 | 3,138.05 | 3,037.51 | 2,874.93 |
| Mexican pesos | 18.84 | 19.23 | 18.96 | 16.29 |
| Uruguayan pesos | 28.16 | 34.04 | 31.34 | 30.61 |
| Venezuelan bolivares | 3.09 | 2,995.88 | 2.99 | 3,158.47 |
| Rubles | 43.15 | 41.28 | 43.97 | 36.41 |
| Cypriot lire | 0.585 | 0.585 | 0.585 | 0.585 |
| Romanian new leu | 4.24 | 4.02 | 4.24 | 3.68 |
| Bulgarian lev | 1.96 | 1.96 | 1.96 | 1.96 |
| Serbian dinars | 95.88 | 89.78 | 93.93 | 81.49 |
| Hungarian florins | 270.84 | 266.70 | 280.32 | 251.51 |

- The residual balance represents retained earnings.

*Capital management*

The Mondadori Group's capital is managed in relation to its overall financial structure, in which the balance between net debt and capital is a crucial.

The main objective is to maximise the value of the company and minimise the adjusted average cost of debt and capital in order to support the development of its business activities and provide adequate remuneration for shareholders.

The main indicator used by the Group for measuring the adequacy of its capital compares the net debt with the balance sheet capitalisation value (net debt plus capital). Net debt includes all onerous loans (bonds and bank loans) net of liquid assets and equivalents.

| Capital management (€m) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Net debt | 372.9 | 490.3 |
| Capital (net equity) | 546.3 | 509.1 |
| Total capital and net debt | 919.2 | 999.4 |
| Ratio of net debt/capital to net debt | 40.1% | 49.1% |
| Treasury stock in portfolio | 138.8 | 138.8 |

## 15. Capital and reserves attributable to minorities

This item refers to the non-controlling interests in Edizioni Piemme SpA, as set out below:

| Capital and reserves attributable to minorities (€,000) | Edizioni Piemme SpA |
|---|---|
| Equity at 31/12/2008 | 1,925 |
| Result for 2008 | 702 |
| Equity at 31/12/2009 | 1,778 |
| Result for 2009 | 574 |

## 16. Provisions

The composition of and changes in provisions for risks and charges are described and commented on below.

| Provisions<br>(€,000) | 31/12/2008 | Charge | Utilisations | Other movements | 31/12/2009 |
|---|---|---|---|---|---|
| Agents' contractual risks | 2,589 | 21 | (57) | - | 2,553 |
| Litigation | 9,897 | 4,323 | (1,360) | 209 | 13,069 |
| Equity investment provision | 2,487 | 811 | - | (1,515) | 1,783 |
| Tax disputes | 2,235 | 108 | (197) | - | 2,146 |
| Other risks | 22,485 | 25,553 | (9,208) | - | 38,830 |
| **Total provisions** | **39,693** | **30,816** | **(10,822)** | **(1,306)** | **58,381** |

"Litigation" was set up mainly to deal with libel cases arising from articles published in titles and claims for damages from authors and third parties.

"Equity investment provision" represents the losses made by companies stated on an equity basis in excess of the value of the Group's interest in such companies.

"Other risks" mainly include:
- amounts that Group companies will have to pay in 2010 to third-party suppliers for onerous contracts already signed;
- disputes over social security contributions relating to INPGI;
- provisions for the reorganisation and early retirement process, launched in 2009, that will also affect the next two years.

## 17. Employees' leaving entitlement and termination indemnities

The composition of and changes in of the employees' leaving entitlement and termination indemnities are described and commented on below:

| Leaving entitlements and termination indemnities<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Employees' leaving entitlement (TFR) | 51,949 | 54,016 |
| Agents' termination indemnity (FISC) | 6,678 | 6,775 |
| Termination indemnity for journalists (IFGP) | 410 | 572 |
| **Total leaving entitlements and termination indemnities** | **59,037** | **61,363** |

The decrease in "Employee's leaving entitlement (TFR)" is also due to the fact that in companies with more than 50 employees provisions are based exclusively on re-calculations of the initial reserve as per ISTAT cost of living parameters.

| Employees' leaving entitlement - Details<br>(€,000) | TFR | FISC | IFGP |
|---|---|---|---|
| Balance at 31/12/2008 | 54,016 | 6,775 | 572 |
| Changes during 2009: | | | |
| - provisions | 1,369 | 1,650 | 5 |
| - utilisations | (5,677) | (1,747) | (167) |
| - reversals | - | - | - |
| - discounting | 2,241 | - | - |
| - change in scope of consolidation and other changes | - | - | - |
| **Balance at 31/12/2009** | **51,949** | **6,678** | **410** |

The employees' leaving entitlement and the agents' termination indemnity are determined, in accordance with IAS 19 and IAS 37, by applying an actuarial method.

The following assumptions were used when determining the actuarial value of the employees' leaving entitlement:

| Actuarial assumptions used for the employees' leaving entitlement (TFR) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Economic assumptions: | | |
| - increase in cost of living | 2.0% | 2.0% |
| - discount rate | 4.5% | 4.5% |
| - salary increases | 3.0%-4.0% | 3.0%-4.0% |
| 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 0.50% to 12.50% | From 1.78% to 9.25% |
| - pensionable age | Current regulations | Current regulations |

The cost of employees' leaving entitlements, recognised in the income statement, is shown in the following table:

| Cost of employees' leaving entitlement (TFR)<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Current cost of the employees' leaving entitlement | 1,294 | 2,857 |
| Financial charges | 2,241 | 3,292 |
| Actuarial (gains) losses | 75 | (1,484) |
| **Total cost of employees' leaving entitlement** | **3,610** | **4,665** |

The "Current cost of the employees' leaving entitlement" together with the "Actuarial (gains) losses" are booked in the income statement under "Personnel costs" while the financial component is booked under financial expense for the year.

The following assumptions were used when determining the provision for the agents' termination indemnity:

| Actuarial assumptions used for the agents' termination indemnity (FISC) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Economic assumptions: | | |
| - discount rate | 4.5% | 4.5% |
| Demographic assumptions: | | |
| - probability of death/disability | 1.0% | 1.0% |
| - probability of leaving service | 1.0% | 1.0% |
| - probability of voluntary resignation | 1.5%-2.0% | 1.5%-2.0% |
| - average retirement age | 65 | 65 |

The other termination liabilities were not discounted as the effect would not be significant.

## 18. Financial liabilities

During 2009 the Mondadori Group initiated a wide-ranging operation aimed at restructuring debt, with two objectives:

- to obtain greater elasticity for financial covenants;
- to guarantee debt maturity dates consistent with medium-long term objectives.

The results obtained were as follows:

- the US private placement loan of $350 million was paid off in September;
- a €130 million bilateral line of credit was obtained from Intesa Sanpaolo, with maturity in December 2015 and subsequent reassessment of financial covenants;
- reassessment of a €500 million club deal, with maturity in July 2011, resulting in:
  - extension of maturity to December 2014;
  - revision of the covenants in view of the Group's major economic and financial commitments in 2010 and 2011;
  - substantial confirmation of the amount refinanced (from €500 to €470 million).

"Non-current financial liabilities", totalling €382,187 thousand, mainly include:

- €237,231 thousand, representing the amortised cost of the pooled term loan;
- €75,000 thousand, representing the utilised part of the bilateral term loan from Intesa Sanpaolo, maturity May 2013;
- €65,000 thousand, representing the utilised part of the bilateral term loan from Intesa Sanpaolo signed in September 2009, maturity December 2015;
- €4,691 thousand, representing the fair value of current derivatives.

The effective interest rate shown under "Loans" is the weighted average of the effective rates applied to the subsidised loans and the effective interest rate on the term loan.

| Non-current financial liabilities (€,000) | Effective interest rate | Due between 1 and 5 years | Due after 5 years | 31/12/2009 | 31/12/2008 |
|---|---|---|---|---|---|
| Bonds | | - | - | - | 289,085 |
| Convertible bonds | | - | - | - | - |
| Loans | 4.219% | 377,231 | - | 377,231 | 374,274 |
| Amounts due to suppliers | | - | - | - | - |
| Amounts due to associated companies | | - | - | - | - |
| Amounts due to parent companies | | - | - | - | - |
| Amounts due to affiliated companies | | - | - | - | - |
| Amounts due for lease agreements | 6.704% | 265 | - | 265 | - |
| Amounts due to shareholders for loans | | - | - | - | - |
| Liabilities resulting from derivative instruments | | 4,691 | - | 4,691 | 10,646 |
| Other financial liabilities | | - | - | - | - |
| **Total non-current financial liabilities** | | **382,187** | **0** | **382,187** | **674,005** |

"Amounts payable to banks and other financial payables" mainly include:

- €130,304 thousand for the utilisation of part of the revolving pool loan and the subsidised loan for publishers;
- €7,232 thousand for loans to associated companies that utilise the intergroup current account, details of which can be found in the attachment "Transactions with related parties";
- €5,816 thousand for utilisation of current accounts.

| Amounts payable to banks and other financial payables (€,000) | Effective interest rate | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Bank overdrafts | | 5,816 | 722 |
| Bonds | | - | - |
| Convertible bonds | | - | - |
| Loans | 3.305% | 131,645 | 190,446 |
| Amounts due to suppliers | | 2,440 | 1,062 |
| Amounts due to associated companies | | 7,232 | 21,613 |
| Amounts due to parent companies | | - | - |
| Amounts due to affiliated companies | | - | - |
| Amounts due for lease agreements | | 88 | - |
| Amounts due to shareholders for loans | | - | - |
| Liabilities resulting from derivative instruments | | 47 | 15 |
| Other financial payables | | 4,951 | 3,409 |
| **Total amounts payable to banks and other financial payables** | | **152,219** | **217,267** |

The financial covenants currently applying to loans are based on the ratio of net debt to gross operating profit (EBITDA) calculated for a period of 12 consecutive month, which must be less than or equal to 3.5 for the year in progress, considering the average of the four quarters.

As from 2010, leverage ratios are fixed on the basis of tables charting the level of debt reached and the corresponding spreads to be applied to utilisation of the loans.

Quarterly analyses required under the contract show that the Mondadori Group has always kept within the financial parameters established by the contract.

Information concerning derivative financial instruments can be found in note 12 "Financial assets" above.

## 19. Income tax payables

Income tax payables are composed as follows:

| Income tax payables<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Payables due to tax authorities for IRAP | 315 | 594 |
| Payables due to tax authorities for IRES | 185 | 231 |
| Tax payables due to Fininvest for IRES | 19,880 | 22,812 |
| **Total income tax payables** | **20,380** | **23,637** |

The item "Tax payables due to Fininvest for IRES" refers to tax payables owed to Fininvest SpA by the companies participating in the tax consolidation system.
The decrease in this item is due to a decrease in taxable income.

## 20. Other current liabilities

The slight decrease compared with 31 December 2008 is due to:

- a decrease in "Income tax payables" following payment of a portion of the substitutive tax for 2007 for the absorption of a number of intangible assets;
- an increase in "Other payables" relating to amounts for early retirements in December 2009 (liquidated in January 2010).

| Other current liabilities<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Customer advances | 36,764 | 36,374 |
| Income tax payables | 15,903 | 21,817 |
| Amounts due to pension funds and social security institutions | 32,573 | 32,137 |
| Other payables | 171,491 | 168,510 |
| **Total other current liabilities** | **256,731** | **258,838** |

The following table shows the details of "Other payables".

| Other current liabilities - Other payables<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Payroll and other amounts due to personnel | 41,123 | 34,516 |
| Due to authors and collaborators | 52,983 | 56,340 |
| Due to agents | 12,534 | 13,413 |
| Due to subscription and installment customers | 53,503 | 54,694 |
| Due to directors and statutory auditors | 668 | 724 |
| Prepaid rental income | 234 | 341 |
| Other payables, accrued expense and deferred income | 10,446 | 8,482 |
| **Total other payables** | **171,491** | **168,510** |

## 21. Trade payables

There are no significant changes in "Trade payables" compared with the previous year. Precise details of payables to associated, parent and affiliated companies are contained in the section "Transactions with related parties".

| Trade payables<br>(€,000) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Suppliers | 265,450 | 264,300 |
| Associated companies | 87,820 | 90,049 |
| Parent companies | 8 | 7 |
| Affiliated companies | 4,415 | 1,944 |
| **Total trade payables** | **357,693** | **356,300** |

There are no trade payables with a due date of more than 5 years and the average payment period in 2009 was 85.8 days, a decrease compared on a like-for-like basis, excluding printing operations from the consolidation parameters, with the figure of 96.8 days in 2008.

## 22. Revenues from sales and services

It should be noted that in 2008 Mondadori Printing was consolidated up until 31 October, so it is not possible to make a comparison with certain items for year 2009.

| Revenues from sales and services<br>(€,000) | 2009 | 2008 | Change % |
|---|---|---|---|
| Revenues from the sale of goods: | | | |
| - books | 338,385 | 349,987 | (3.3%) |
| - magazines | 581,528 | 630,362 | (7.7%) |
| - direct | 4,455 | 5,465 | (18.5%) |
| - retail | 192,262 | 193,013 | (0.4%) |
| - other goods | 2,323 | 3,094 | (24.9%) |
| Revenues from services: | | | |
| - sales of publishing rights | 14,661 | 14,663 | - |
| - advertising services | 320,789 | 418,012 | (23.3%) |
| - printing and graphic work | - | 126,938 | n.a. |
| - direct | 20,456 | 21,589 | (5.2%) |
| - tickets and exhibition organisation | 11,811 | 10,666 | 10.7% |
| - other services | 53,458 | 45,398 | 17.8% |
| **Total revenues from sales and services** | **1,540,128** | **1,819,187** | **(15.3%)** |

- Revenues from the sale of books decreased slightly due to the decrease in sales posted by all the Group publishing houses, with the exception of Sperling & Kupfer.
- Revenues from magazines show a bigger change due to the continuing negative trend in add-on sales and a further reduction in the number of copies sold.
- Revenues from direct marketing decreased mainly due to the negative performance of the Group.
- The increase in the retail sector was mainly due to the opening of new sales outlets (both proprietary and under franchising).

Revenues from services registered a large decrease in advertising revenues both in Italy and in France.

Further information is contained in the directors' annual report.

## 23. Costs of raw materials and consumables and goods for resale

On a like-for-like basis, "Cost of raw materials and consumables and goods for resale" registered a 4.2% increase mainly due to "Goods for resale" following the increase in the number of sales outlets in the Retail Division.

| Cost of raw materials and consumables and goods for resale<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Paper | 51,754 | 181,189 |
| Electricity, water, gas, fuel | 6,066 | 20,317 |
| Other production materials | 5,377 | 29,571 |
| **Total cost of raw materials** | **63,197** | **231,077** |
| Goods for resale | 165,548 | 159,555 |
| Consumption and maintenance materials | 2,433 | 4,809 |
| Others | 23,051 | 19,261 |
| **Total cost of consumable materials and goods for resale** | **191,032** | **183,625** |
| **Total cost of raw materials and consumables and goods for resale** | **254,229** | **414,702** |

## 24. Cost of services

On a like-for-like basis, "Cost of services" decreased by 9.1%, mainly due to the items directly connected to production.

The negative trend in add-on sales, magazines, advertising sales and, to a lesser extent, books had an impact on "Rights and royalties", "Commissions", "Third-party processing" (which on a like-for-like basis with 2008 would have amounted to €319,411 thousand) and "Publisher's share".

| Cost of services<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Rights and royalties | 135,217 | 143,363 |
| Third-party consultancy and collaboration | 72,022 | 75,183 |
| Commissions | 45,521 | 50,416 |
| Third-party processing | 274,357 | 173,916 |
| Transport and shipping | 46,780 | 59,667 |
| Purchase of advertising space and publicity expense | 58,024 | 57,337 |
| Travel and other expense reimbursements | 10,675 | 13,837 |
| Maintenance | 7,181 | 14,550 |
| Warehousing and porter costs | 9,658 | 11,860 |
| Postal and telephone | 7,408 | 9,427 |
| Catering and cleaning services | 8,653 | 10,525 |
| Market research | 5,239 | 6,318 |
| Insurance | 3,430 | 4,974 |
| Subscriptions management | 52,496 | 49,872 |
| Publisher's share | 44,739 | 56,459 |
| Job order services | 5,674 | 6,359 |
| Bank services and commission | 2,458 | 2,338 |
| Directors' and statutory auditors' fees | 3,646 | 3,672 |
| Other services | 31,608 | 35,346 |
| **Total cost of services** | **824,786** | **785,419** |

"Directors' and statutory auditors' fees" represent the fees paid to Directors and Statutory Auditors for €3,223 thousand and €423 thousand respectively.

## 25. Personnel cost

| Personnel cost<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Salaries and wages | 193,413 | 241,345 |
| Stock options | 1,186 | 1,507 |
| Social charges | 57,841 | 72,979 |
| Leaving entitlement and increase in TFR fund | 1,369 | 1,373 |
| Leaving entitlement destined to supplementary pensions | 9,272 | 11,957 |
| Termination indemnities and similar | 5 | 9 |
| Other | 39,737 | 27,205 |
| **Total personnel cost** | **302,823** | **356,375** |

Personnel cost amounted to €302.8 million, 15% down on the previous year. The data are not comparable, however, since the 2008 amount only includes ten month of printing operations. If the costs of Mondadori Printing personnel are excluded, together with the relative restructuring costs, the decrease in personnel cost amounts to 8%.

The following table shows the number of Group personnel.

| Personnel | At 31/12/2009 | At 31/12/2008 | Average 2009 | Average 2008 |
|---|---|---|---|---|
| Managers | 143 | 153 | 148 | 174 |
| Journalists | 861 | 936 | 898 | 956 |
| White collar and intermediates | 2,610 | 2,693 | 2,656 | 3,049 |
| Blue collar | 136 | 143 | 149 | 1,000 |
| **Total** | **3,750** | **3,925** | **3,851** | **5,179** |

*Information about stock option plans*

Following the expiry of the stock option plan for the period 2006-2008, the Arnoldo Mondadori Editore SpA shareholders' meeting on 29 April 2009 passed a resolution to set up a new three-year stock option plan (the "Plan"). The Plan is for managers of the Company and its subsidiaries whose activities have a determining impact on the attainment of the Group's strategic objectives, together with directors of the Company and of associated companies, journalists employed by the Company and its subsidiaries who are editors or deputy editors of titles and managers of the parent company who carry out their activities in favour of the Company.

The shareholders' meeting entrusted the Board of Directors with the task of managing the plan, granting the Board all the powers necessary for identifying participants, setting performance objectives, allocating option rights and managing the plan in all its aspects. The shareholders also entrusted the Board with the task of defining rules for implementing the Plan.

The rules for the 2009-2011 Plan approved by the Board provide, for every year the Plan is in force, for the allocation to the participants in the Plan of personal and non-transferable options to purchase ordinary Arnoldo Mondadori Editore SpA shares in the ratio of one share, with regular dividend, for every option exercised.

The strike prices for the year are established by the Board of Directors with reference to the average reference price for Mondadori shares in the period from the grant date of the options to the same day in the previous calendar month.

Options may only be exercised, in a single act, during exercise periods (specified in the table below) after the lapse of the vesting period of 36 month from the grant date. The rules further specify that the Board defines the conditions for exercising options granted to participants with reference to economic and/or financial performance parameters on an annual basis; fulfilment of conditions for exercising options is verified by the Board, for each year in which the Plan is in force, by the end of the first half of the year after that in which the options were granted.

The Board identified ROE and consolidated free-cash flow as the economic and/or financial performance parameters for the 2009-2011 stock option plan.

No provision was made for granting loans or other subsidies for the purchase of shares, in accordance with article 2358, paragraph 3 of the Civil Code.

The following table illustrates the situation at 31 December 2009 regarding the total number of options that have been granted and can still be exercised, the price and the exercise term:

| Stock options | 2005 | 2006 | 2007 | 2009 |
|---|---|---|---|---|
| In circulation at 01/01/2009 | 2,255,000 | 2,305,000 | 2,565,000 | - |
| - assigned during year | - | - | - | 2,300,000 |
| - cancelled during year | (95,000) | (140,000) | (110,000) | (30,000) |
| - exercised during year | - | - | - | - |
| - expired during year | - | - | - | - |
| In circulation at 31/12/2009 | 2,160,000 | 2,165,000 | 2,455,000 | 2,270,000 |
| Exercise term | 24/06/2008-23/06/2011 | 18/07/2009-17/07/2012 | 26/06/2010-25/06/2013 | 16/10/2012-16/10/2015 |
| Exercise price in euros | 7.87 | 7.507 | 7.458 | 3.4198 |
| Exercisable at 31/12/2009 | 2,160,000 | 2,165,000 | - | - |

Options granted after 7 November 2002 were measured at their fair value on the basis of a numerical calculation based on binomial trees and utilising the following parameters:

| Parameters for the option measuring model | 2005 | 2006 | 2007 | 2009 |
|---|---|---|---|---|
| Exercise price of the option | 7.87 | 7.507 | 7.458 | 3.4198 |
| Option term (residual period) | 1.5 | 2.5 | 3.5 | 5.8 |
| Market price of the underlying shares at the grant date in euros | 7.865 | 7.415 | 7.15 | 3.53 |
| Expected volatility of share price | 18.45% | 19.45% | 17.00% | 32.00% |
| Dividend yield | 4.45% | 4.72% | 4.90% | 5.66% |
| Risk-free interest rate for the option term | 3.50% | 2.65% | 4.00% | 2.18% |

With reference to the allocation of options relative to the stock option plan of 2008, it should be noted that the performance objectives for year 2008, which are necessary conditions for the exercise of allocated options, were not achieved.
Under the Plan's rules, the options allocated for 2008 will not be exercisable.

The cost of share-based payments recognised in the income statement for the year, booked under the item "Personnel costs", amounted to €1,186 thousand.

## 26. Other (income) expense

This item is composed as follows:

| Other (income) expense (€,000) | 2009 | 2008 |
|---|---|---|
| Other revenues and income | (34,064) | (84,831) |
| Cost of use of third-party assets | 47,902 | 48,564 |
| Various operating costs | 41,238 | 41,379 |
| **Total other (income) expense** | **55,076** | **5,112** |

In the balance for 2008, as the following table illustrates, "Other revenues and income" includes capital gains of €42.3 million, which is the main reason for the difference compared with 2009.

| Other (income) expense - Other revenues and income<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Revenue grants | 73 | 12 |
| Capital gains on disposal of fixed assets | 1,909 | 42,285 |
| Supplier rebates and other third-party contributions | 1,294 | 5,411 |
| Insurance reimbursements | 218 | 138 |
| Rental income | 1,278 | 1,618 |
| Prior year income | 2,836 | 2,462 |
| Expense recovered from third parties | 17,214 | 19,590 |
| Others | 9,242 | 13,315 |
| **Total other revenues and income** | **34,064** | **84,831** |

"Cost of use of third-party assets" is, however, in line with the previous year.

| Other (income) expense - Cost of use of third-party assets<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Rental expense | 38,166 | 38,270 |
| Data processing, leasing and hire purchase payments | 8,197 | 8,657 |
| Others | 1,539 | 1,637 |
| **Total cost of use of third-party assets** | **47,902** | **48,564** |

"Other operating costs" are in line with 31 December 2008.

| Other (income) expense - Other operating costs<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Compensation and settlements | 4,174 | 4,538 |
| Bad debt | 10,245 | 4,884 |
| Charges to provisions | 32,078 | 29,241 |
| Utilisation of provisions | (21,988) | (16,996) |
| Contributions and grants | 1,808 | 2,696 |
| Prior year expense | 1,917 | 2,317 |
| Capital losses on the sale of fixed assets | 428 | 1,679 |
| Information material, entertainment expense and gifts | 4,338 | 5,548 |
| Taxes and dues | 5,403 | 6,199 |
| Other expense | 2,835 | 1,273 |
| **Total other operating costs** | **41,238** | **41,379** |

## 27. Results of investments accounted for using the equity method

The table shows details of the results for 2009 and 2008 of companies valued at net equity.

| Income (expense) from investments accounted for using the equity method (€,000) | 2009 | 2008 |
|---|---|---|
| - Hearst Mondadori Editoriale Srl | 16 | 365 |
| - Gruner + Jahr/Mondadori SpA | 1,318 | 3,042 |
| - Harlequin Mondadori SpA | 34/9 | 428 |
| - Agenzia Lombarda Distribuzione Giornali e Riviste Srl | (18) | (113) |
| - ACI-Mondadori SpA | (156) | 41 |
| - Mondadori Rodale Srl | 0 | 492 |
| - Gruppo Attica Publications | (521) | 587 |
| - Società Europea di Edizioni SpA | (6,190) | (9,613) |
| - Gruppo Random House Mondadori | 8,794 | 5,818 |
| - Edizioni Electa Bruno Mondadori Srl | 193 | 236 |
| - Mach 2 Libri SpA | 440 | 808 |
| - Mondadori Independent Media LLC | (2,274) | (1,835) |
| - Edizioni EL Srl | 717 | 782 |
| - Mondadori Printing SpA | (116) | (1,026) |
| - Mondolibri SpA | (27) | 806 |
| - Venezia Accademia Scarl | - | (21) |
| - Venezia Musei Società per i servizi museali Scarl | 1 | - |
| - Mediamond SpA | (274) | - |
| - Consorzio Editoriale Fridericiana | (8) | - |
| - Roccella Scarl | (6) | (18) |
| - Mondadori Seec Advertising Co. Ltd | (1,889) | - |
| - Editions Mondadori Axel Springer Snc | 1,951 | 4,731 |
| - Top Santé VOF | - | (68) |
| **Total income (expense) from investments accounted for using the equity method** | **2,300** | **5,442** |

In 2009, an impairment test provision for €1,756 thousand was made relating to Mondadori Independent Media LLC.

## 28. Financial income (expense)

The reduction in financial expense compared with the previous year was due to the decrease in taxes during the year and to a notable improvement in the net financial position.

The decrease in interest income from banks and post offices was linked to a reduction in short-term deposits, just as the decrease in interest paid for bonds, mortgages and loans was due to a reduction in debt.

Income from the closure of the cross currency swap operation and the simultaneous buy-back of the US private placement loan of €14.5 million is recognised under "Financial income from derivative instrument operations".

This item is composed as follows:

| Financial income (expense)<br>(€,000) | 2009 | 2008 |
|---|---|---|
| Interest from banks and post offices | 1,465 | 11,300 |
| Interest from associated companies | 22 | 298 |
| Interest from other companies | - | 20 |
| Interest from bonds and loans | - | - |
| Financial income from derivative instrument operations | 19,539 | 6,643 |
| Other interest and financial income | 1,271 | 1,888 |
| **Total interest income and other financial income** | **22,297** | **20,149** |
| Interest to banks | 31 | 1,152 |
| Interest to associated companies | 191 | 941 |
| Interest to other companies | 534 | 2,462 |
| Interest paid for bonds, mortgages and loans | 18,798 | 45,046 |
| Financial expense from derivative instrument operations | 11,496 | 4,826 |
| Financial charges from discounting assets/liabilities | 2,451 | 3,195 |
| Other interest paid and financial expense | 3,774 | 1,009 |
| **Total interest expense and other financial expense** | **37,275** | **58,631** |
| Realised foreign exchange gains | 1,366 | 999 |
| Unrealised foreign exchange gains | 69 | 198 |
| Realised foreign exchange losses | (323) | (1,216) |
| Unrealised foreign exchange losses | (8) | (88) |
| **Total profit (loss) on foreign exchange operations** | **1,104** | **(107)** |
| Income (expense) from financial assets | 5,992 | (13,541) |
| **Total financial income (expense)** | **(7,882)** | **(52,130)** |

## 29. Income taxes

The balance of this item at 31 December 2009 and 2008 is set out below.

| Income taxes<br>(€,000) | 2009 | 2008 |
|---|---|---|
| IRES tax on income for the year | 26,646 | 42,560 |
| IRAP for the year | 10,984 | 15,140 |
| **Total current taxes** | **37,630** | **57,700** |
| Deferred tax (income) expense - IRES | (6,586) | (1,137) |
| Deferred tax (income) expense - IRAP | 357 | 810 |
| **Total deferred tax (income) expense** | **(6,229)** | **(327)** |
| Other tax items | (2,390) | (3,750) |
| **Total income taxes** | **29,011** | **53,623** |

The tax burden for the year decreased dramatically compared with 31 December 2008, reflecting the Group's economic performance, with pre-tax profits decreasing from €151.4 million to €63.9 million in 2009.

*Reconciliation between the tax charge in the consolidated financial statements and the theoretical tax charge*

| (€,000) | 2009 Profits before taxes | 2009 Taxes | 2009 Current tax rate | 2008 Profits before taxes | 2008 Taxes | 2008 Current tax rate |
|---|---|---|---|---|---|---|
| Theoretical IRES tax charge | 63,918 | 17,577 | 27.50% | 151,405 | 41,636 | 27.50% |
| Theoretical IRAP tax charge | 63,918 | 2,493 | 3.90% | 151,405 | 5,905 | 3.90% |
| **Total theoretical tax charge/rate** | | **20,070** | **31.40%** | | **47,541** | **31.40%** |
| Actual IRES tax charge | | 18,158 | 28.40% | | 38,619 | 25.51% |
| Actual IRAP tax charge | | 10,853 | 16.98% | | 15,004 | 9.91% |
| **Actual tax charge/effective tax rate** | | **29,011** | **45.38%** | | **53,623** | **35.42%** |

| (€,000) | 2009 | | 2008 | |
|---|---|---|---|---|
| **Theoretical tax charge/rate** | **20,070** | **31.40%** | **47,541** | **31.40%** |
| Effect relating to consolidation entries | 743 | 1.16% | (2,643) | (1.74%) |
| Effect deriving from absorption of higher value of intangible assets and materials net of substitutive taxes | - | - | - | - |
| Effect of utilisation of tax losses from previous years | - | - | (583) | (0.39%) |
| Effect of differences of tax rates on taxable income of foreign subsidiaries | 782 | 1.22% | 2,236 | 1.48% |
| Net effect of other permanent differences | (944) | (1.48%) | (2,027) | (1.34%) |
| Effect of different IRAP tax base | 8,360 | 13.08% | 9,099 | 6.01% |
| **Actual tax charge/effective tax rate** | **29,011** | **45.38%** | **53,623** | **35.42%** |

## 30. Earnings per share

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

| | 2009 | 2008 |
|---|---|---|
| Net profit for the period (€,000) | 34,333 | 97,080 |
| Average number of ordinary shares outstanding (thousands) | 239,332 | 239,332 |
| **Basic profit per share (€)** | **0,143** | **0.406** |

Diluted earnings per share are calculated by dividing the net profit for the period attributable to the Group by the weighted average number of ordinary shares outstanding during the period, assuming all potential shares with a dilutive effect are converted.

| | 2009 | 2008 |
|---|---|---|
| Net profit for the period (€,000) | 34,333 | 97,080 |
| Average number of ordinary shares outstanding (thousands) | 239,332 | 239,332 |
| Number of options with dilutive effect (thousands) | 0 | 0 |
| **Diluted earnings per share (€)** | **0,143** | **0.406** |

## 31. Commitments and contingent liabilities

At 31 December 2009 the Mondadori Group had made commitments totalling €133.721 thousand (€96,747 thousand at 31 December 2008), represented almost entirely by sureties issued for VAT reimbursement claims and competitions and prizes. Future foreign currency purchase/sale contracts accounted for €2,178 thousand (€2,788 thousand in 2008).

Apart from the information already given in the notes relating to the parent company (note 28 - Potential commitments and liabilities), it should be noted that a number of queries were raised following tax inspections of the parent company by the Guardia di Finanza (financial police). They refer to Mondadori Retail SpA in the years 2003, 2004, 2005, 2006 and 2007. To date, the tax authorities have issued an assessment of €275 thousand plus accessory charges, while for Giulio Einaudi editore SpA the years under investigation are from 2004 to 2009, although as yet no assessment has been made by the tax authorities.
The Group does not believe the degree of risk warrants any provision being made and has in the meantime appealed the assessment notices.

## 32. Non-recurring expense (income)

In accordance with Consob Resolution no. 15519, 27 July 2006, Mondadori Group reports net non-recurring income of €14,121 thousand, relating mainly to reorganisation and early retirement operations stated under personnel costs (€30,692 thousand) and the closure of the cross currency swap operation and simultaneous buy-back of the US private placement loan (€14,450 thousand).

## 33. Related parties

Operations carried out with related parties, including intragroup operations, cannot be qualified as either atypical or unusual since they are part of the normal business activities of the Group companies. These operations, when they are not carried out under normal conditions or if they are dictated by specific regulations, are in any case carried out under market conditions.

*Benefits for managers with strategic responsibilities for companies*

Managers who are responsible for planning, managing and controlling the business activities of the Mondadori Group are listed below.

| | |
|---|---|
| **Directors** | |
| Maurizio Costa | Deputy Chairman and Managing Director |
| Carlo Maria Vismara | Manager of Central Administration, Finance and Control |
| | |
| **Managers** | |
| Roberto Briglia | General Manager of Magazine Division |
| Rossella Citterio | Director of External Relations and Communications |
| Ernesto Mauri | General Manager Mondadori France SAS |
| Gian Arturo Ferrari | General Manager of Book Division |
| Angelo Sajeva | Managing Director of Mondadori Pubblicità |
| Carlo Luigi Mandelli | Managing Director of Monradio |
| Renato Rodenghi | Head of Direct Division, Managing Director of the Direct Marketing Division companies and Chairman of Mondadori Franchising |
| Enrico Selva Coddè | Director of Central Personnel, Organization and Computer Systems |
| Gianni Vallardi | General Manager of Magazines (Italy) |

Total remunerations paid by Arnoldo Mondadori Editore SpA and companies controlled by the Group to managers with strategic responsibilities amounted to €10.6 million.

*Operations with parent companies, subsidiaries and associated companies*
The following part of the notes details the income, equity and cash flow effects of operations carried out with parent companies, subsidiaries and associated companies in 2008 and 2009.

# Balances and transactions with related parties at 31 December 2009

| (€,000) | Trade receivables | Financial receivables | Trade payables |
|---|---|---|---|
| **Parent companies:** | | | |
| - Fininvest SpA | 5 | - | 8 |
| **Associated companies:** | | | |
| - Gruner + Jahr/Mondadori SpA | 5,605 | 620 | 9,409 |
| - Mach 2 Libri SpA | 18,961 | - | 272 |
| - Agenzia Lombarda Distribuzione Giornali e Riviste Srl | 593 | - | - |
| - Venezia Musei Società per i servizi museali Sca rl | 252 | - | 179 |
| - Hearst Mondadori Editoriale Srl | 450 | 445 | 2,838 |
| - Harlequin Mondadori SpA | 563 | 168 | 18 |
| - Mondadori Rodale Srl | 584 | 885 | 3,524 |
| - Gruppo Attica Publications | 255 | - | 118 |
| - Edizioni Electa Bruno Mondadori Srl | 37 | - | - |
| - Edizioni EL Srl | 772 | - | 4,262 |
| - Gruppo Random House Mondadori | 182 | - | 13 |
| - Società Europea di Edizioni SpA | 1,325 | - | 10,632 |
| - ACI-Mondadori SpA | 464 | - | 1,639 |
| - Consorzio COVAR (in liquidation) | 4 | - | - |
| - Mondolibri SpA | 2,860 | - | 1,148 |
| - Roccella Sca rl | 75 | 228 | 203 |
| - Campania Arte Sca rl | 48 | 134 | 86 |
| - Editions Mondadori Axel Springer Snc | 2,644 | 3 | 1,236 |
| - Mondadori Independent Media LLC | 17 | - | 1 |
| - Venezia Accademia Società per i servizi museali Sca rl | - | 25 | 171 |
| - Mondadori Printing SpA | 1,070 | - | 50,041 |
| - Artes Graficas Toledo SA | 2 | - | 1,994 |
| - Consorzio Fridericiana | - | - | 5 |
| - Mediamond SpA | 189 | - | - |
| - Mondadori Seec Advertising Co. Ltd | - | - | 31 |
| **Total associated companies** | **36,952** | **2,508** | **87,820** |

| Financial payables | Tax payables | Revenues | Purchase of raw materials | Purchase of services | Other (income) expense | Financial income (expense) |
|---|---|---|---|---|---|---|
| - | 19,880 | 5 | - | 10 | 4 | (227) |
| 46 | - | 3,259 | 56 | 8,742 | (831) | (29) |
| - | - | 32,342 | 67 | 1,044 | - | (1) |
| - | - | - | - | 650 | (3) | - |
| - | - | 215 | 9 | 541 | - | - |
| - | - | 1,481 | - | 4,831 | (436) | (10) |
| 4,571 | - | 444 | 10,415 | 3 | (128) | (47) |
| - | - | 2,818 | 1 | 5,976 | (792) | (17) |
| - | - | 225 | - | 109 | - | - |
| - | - | 77 | - | - | - | - |
| - | - | 722 | 6,473 | 30 | (633) | - |
| - | - | 198 | - | 34 | - | - |
| 675 | - | 4,522 | 445 | 8,660 | (430) | - |
| 1,304 | - | 1,844 | 8 | 2,294 | (308) | (38) |
| - | - | - | - | - | - | - |
| - | - | 7,622 | 177 | 3,457 | (1,048) | - |
| - | - | - | - | - | - | - |
| - | - | 24 | - | 41 | 8 | - |
| 610 | - | 6,254 | 5 | 600 | (2,890) | (44) |
| - | - | 17 | - | 29 | - | 17 |
| - | - | - | 10 | 141 | - | - |
| - | - | 2,322 | 7,153 | 182,320 | (533) | - |
| - | - | 3 | - | 6,749 | - | - |
| - | - | - | - | - | - | - |
| 26 | - | 150 | - | - | (1) | - |
| - | - | - | - | 45 | - | - |
| **7,232** | **0** | **64,539** | **24,819** | **226,296** | **(8,025)** | **(169)** |

# Balances and transactions with related parties at 31 December 2009

| (€,000) | Trade receivables | Financial receivables | Trade payables |
|---|---|---|---|
| **Affiliated companies:** | | | |
| - RTI - Reti Televisive Italiane SpA | 1,462 | - | 1,193 |
| - Publitalia '80 SpA | 8 | - | 2,754 |
| - Medusa Video SpA | 14 | - | 341 |
| - Digitalia '08 Srl (formerly Promoservice Italia Srl) | 161 | - | 18 |
| - Fininvest Gestione Servizi SpA (formerly Finedim Italia SpA) | 4 | - | - |
| - Il Teatro Manzoni SpA | 2 | - | - |
| - Banca Mediolanum SpA | 38 | - | - |
| - Medusa Film SpA | 25 | - | 2 |
| - Alba Servizi Aerotrasporti SpA | - | - | - |
| - Radio e Reti Srl | 9 | - | 22 |
| - Isim SpA | - | - | 2 |
| - Videotime SpA | 11 | - | - |
| - Mediaset SpA | 50 | - | 30 |
| - A.C. Milan SpA | 3 | - | - |
| - Elettronica Industriale SpA | 5 | - | - |
| - Media Shopping SpA | 90 | - | 20 |
| - Mediolanum Comunicazione SpA | - | - | - |
| - Milan Entertainment Srl | - | - | 9 |
| - Publieurope Ltd | 441 | - | - |
| - The Space Cinema 2 SpA (formerly Medusa Cinema SpA) | 7 | - | - |
| - Taodue Srl | 1 | - | 24 |
| - Consorzio Campus Multimedia In-Formazione | - | - | - |
| **Total affiliated companies** | **2,331** | **0** | **4,415** |
| **Total related parties** | **39,288** | **2,508** | **92,243** |
| **Percentage of financial statements** | **10.4%** | **6.0%** | **25.8%** |

| Financial payables | Tax payables | Revenues | Purchase of raw materials | Purchase of services | Other (income) expense | Financial income (expense) |
|---|---|---|---|---|---|---|
| - | - | 3,323 | 125 | 420 | (76) | - |
| - | - | 8 | - | 15,335 | - | - |
| - | - | 33 | 5 | 95 | - | - |
| - | - | 295 | - | 202 | - | - |
| - | - | 4 | - | - | 21 | - |
| - | - | 13 | - | 13 | - | - |
| - | - | 210 | - | - | - | - |
| - | - | 101 | - | 2 | (2) | - |
| - | - | - | - | - | 35 | - |
| - | - | - | - | 5 | - | - |
| - | - | - | - | - | - | - |
| - | - | 10 | - | 10 | - | - |
| - | - | 47 | - | 50 | - | - |
| - | - | 3 | - | - | 4 | - |
| - | - | 5 | - | - | - | - |
| - | - | 322 | 6 | 55 | - | - |
| - | - | 6 | - | - | - | - |
| - | - | - | - | 49 | - | - |
| - | - | 2,211 | - | 559 | - | - |
| - | - | 6 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 30 | - | 30 | - | - |
| **0** | **0** | **6,627** | **136** | **16,825** | **(18)** | **0** |
| **7,232** | **19,880** | **71,171** | **24,955** | **243,131** | **(8,039)** | **(396)** |
| **1.4%** | **97.5%** | **4.6%** | **9.8%** | **29.5%** | **n.a.** | **5.0%** |

# Balances and transactions with related parties at 31 December 2008

| (€,000) | Trade receivables | Financial receivables | Trade payables |
|---|---|---|---|
| **Parent companies:** | | | |
| - Fininvest SpA | 22 | - | 7 |
| **Associated companies:** | | | |
| - Gruner + Jahr/Mondadori SpA | 4,775 | 1,098 | 8,864 |
| - Mach 2 Libri SpA | 17,571 | 3 | 346 |
| - Agenzia Lombarda Distribuzione Giornali e Riviste Srl | 428 | - | - |
| - Venezia Musei Società per i servizi museali Sca rl | 322 | - | 318 |
| - Hearst Mondadori Editoriale Srl | 479 | 303 | 3,468 |
| - Harlequin Mondadori SpA | 559 | 175 | - |
| - Mondadori Rodale Srl | 1,217 | 661 | 5,070 |
| - Gruppo Attica Publications | 307 | - | 7 |
| - Edizioni Electa Bruno Mondadori Srl | 7 | - | - |
| - Edizioni EL Srl | 722 | - | 4,197 |
| - Gruppo Random House Mondadori | 173 | - | 67 |
| - Società Europea di Edizioni SpA | 1,170 | - | 4,040 |
| - ACI-Mondadori SpA | 648 | - | 2,841 |
| - Consorzio COVAR (in liquidation) | 4 | - | - |
| - Mondolibri SpA | 2,321 | - | 812 |
| - Roccella Sca rl | 75 | 228 | 194 |
| - Campania Arte Sca rl | 13 | 134 | 30 |
| - Editions Mondadori Axel Springer Snc | 1,131 | - | 984 |
| - Mondadori Independent Media LLC | - | 1,554 | - |
| - Venezia Accademia Società per i servizi museali Sca rl | - | - | 329 |
| - Mondadori Printing SpA | 1,731 | - | 56,065 |
| - Artes Graficas Toledo SA | 4 | - | 2,412 |
| - Consorzio Fridericiana | - | - | 5 |
| **Total associated companies** | **33,657** | **4,156** | **90,049** |

| Financial payables | Tax payables | Revenues | Purchase of raw materials | Purchase of services | Other (income) expense | Financial income (expense) |
|---|---|---|---|---|---|---|
| - | 22,812 | 117 | 484 | 10 | 3 | - |
| 211 | - | 5,104 | 212 | 11,579 | (761) | (123) |
| - | - | 33,808 | 4 | 1,329 | (12) | - |
| - | - | - | - | 689 | 13 | - |
| - | - | 323 | 11 | 586 | (1) | - |
| - | - | 3,390 | - | 6,396 | (413) | (35) |
| 4,795 | - | 738 | 10,242 | 2 | (125) | (201) |
| - | - | 7,112 | - | 8,905 | (689) | (41) |
| - | - | 280 | - | 11 | (7) | - |
| - | - | 319 | - | - | - | 6 |
| - | - | 684 | 6,129 | 33 | (546) | - |
| - | - | 203 | - | 90 | - | 14 |
| 3,142 | - | 2,300 | 154 | 14,499 | (508) | - |
| 2,793 | - | 6,805 | 43 | 4,553 | (398) | (117) |
| - | - | - | - | - | - | - |
| - | - | 11,770 | 89 | 3,152 | (1,097) | - |
| - | - | - | - | 14 | 15 | - |
| - | - | 13 | - | 30 | 1 | - |
| 10,672 | - | 4,437 | 8 | 708 | (3,354) | (334) |
| - | - | - | - | - | - | 54 |
| - | - | - | 70 | 221 | - | - |
| - | - | 597 | 658 | 28,601 | (443) | 121 |
| - | - | 4 | - | 543 | - | 13 |
| - | - | - | - | 6 | 58 | - |
| **21,613** | **0** | **77,887** | **17,620** | **81,947** | **(8,267)** | **(643)** |

# Balances and transactions with related parties at 31 December 2008

| (€,000) | Trade receivables | Financial receivables | Trade payables |
|---|---|---|---|
| **Affiliated companies:** | | | |
| - RTI - Reti Televisive Italiane SpA | 837 | - | 652 |
| - Publitalia '80 SpA | 206 | - | 757 |
| - Medusa Video SpA | 7 | - | 421 |
| - Digitalia '08 Srl (formerly Promoservice Italia Srl) | 467 | - | 15 |
| - Fininvest Gestione Servizi SpA (formerly Finedim Italia SpA) | 4 | - | - |
| - Il Teatro Manzoni SpA | 2 | - | - |
| - Banca Mediolanum SpA | 25 | - | - |
| - Medusa Film SpA | 8 | - | 22 |
| - Alba Servizi Aerotrasporti SpA | - | - | 43 |
| - Radio e Reti Srl | 9 | - | 32 |
| - Isim SpA | - | - | 2 |
| - Videotime SpA | 15 | - | - |
| - Mediaset SpA | 55 | - | - |
| - A.C. Milan SpA | - | - | - |
| - Elettronica Industriale SpA | 5 | - | - |
| - Media Shopping SpA | 66 | - | - |
| - Mediolanum Comunicazione SpA | 16 | - | - |
| - Milan Entertainment Srl | - | - | - |
| **Total affiliated companies** | **1,722** | **0** | **1,944** |
| **Total related parties** | **35,401** | **4,156** | **92,000** |
| **Percentage of financial statements** | **8.5%** | **5.9%** | **25.8%** |

| Financial payables | Tax payables | Revenues | Purchase of raw materials | Purchase of services | Other (income) expense | Financial income (expense) |
|---|---|---|---|---|---|---|
| - | - | 1,334 | - | 65 | (41) | - |
| - | - | 252 | - | 11,592 | - | - |
| - | - | - | 4 | 150 | (5) | - |
| - | - | - | - | 73 | - | - |
| - | - | - | - | - | - | - |
| - | - | 2 | - | 26 | - | - |
| - | - | 1 | - | - | - | - |
| - | - | 6 | - | 22 | - | - |
| - | - | - | - | - | 186 | - |
| - | - | - | - | 49 | - | - |
| - | - | - | - | - | - | - |
| - | - | 11 | - | - | (7) | - |
| - | - | 2 | - | - | - | - |
| - | - | - | - | - | 10 | - |
| - | - | 5 | - | - | - | - |
| - | - | 243 | - | 55 | (2) | - |
| - | - | 45 | - | - | - | - |
| - | - | - | - | - | - | - |
| **0** | **0** | **1,901** | **4** | **12,032** | **141** | **0** |
| **21,613** | **22,812** | **79,905** | **18,108** | **93,989** | **(8,123)** | **(643)** |
| **2.4%** | **96.5%** | **4.4%** | **4.4%** | **12.0%** | **n.a.** | **1.2%** |

## 34. Financial risk management and other information required by the application of IFRS 7

When carrying out its business activities the Company finds itself exposed to various financial risks, such as interest rate risk, exchange rate risk, price risk, credit/counterparty risk, issuer risk and liquidity risk.

The Group has drawn up a "general policy for financial risk management" aimed at regulating and defining financial risk management, and it has also made provision for setting up a Risk Committee whose task it will be to define any eventual modifications. The policy has been adopted by the parent company, Arnoldo Mondadori Editore SpA, and all Group companies.

The Group analyses and measures its exposure to financial risks in order to define its management and hedge strategies. The Group uses the following means of measuring the risks it is liable to:

- sensitivity analysis of positions subject to risk, involving analysis of mark to market variations and/or future cash flow variations in relation to small variations in risk factors;
- value at risk measurement of the maximum possible loss for a specific position or a specific portfolio in a specific temporal period and with a specific level of probability.

The overall objective of the Policy is to minimise financial risks by using the best instruments offered by the market. Transactions in financial derivative instruments are only used to hedge the financial risks the Group is exposed to, arising directly from Arnoldo Mondadori Editore SpA or from companies controlled by it.
Transactions in financial instruments that are merely speculative are not permitted.

The management and monitoring of risks is carried out by company employees and representatives who produce specific reports at pre-established times.

Interest rate risk

Interest rate risks can be defined as the possibility that losses may be incurred in financial management, in terms of a decrease in returns from a business activity or an increase in the costs of a liability (either already existing or potential) as a consequence of variations in interest rates.

Interest rate risk therefore represents the uncertainty associated with interest rates. The fundamental objective of interest rate risk management is to immunize the Group's financial position against variations in market rates by constant monitoring of interest rate volatility and prudent management of the risk and return profiles of business activities and of the Group's financial liabilities within the framework of its asset and liability management policy.

The Group's exposure to this type of risk arises mainly from its long-term loans, in particular the loan granted in 2006 by a pool of international banks (Club Deal) that was restructured in December 2009, and the bilateral lines of credit guaranteed by Intesa Sanpaolo during 2008 and 2009.

In order to hedge against the risk of interest rate increases two interest rate swap operations were carried out on the club deal, transforming the floating rate into a fixed rate.

In particular:
- a 3.745% fixed interest hedge against the Euribor 3-month, comprising an interest rate swap linked to a basis swap Euribor 1-month against a Euribor 3-month, for a notional value of €100 million;
- a 1.95% fixed rate hedge against the Euribor1-month, comprising an interest rate swap for a notional value of €150 million.

The characteristics of the debit are detailed in note 12, "Financial assets", and note 18, "Financial liabilities".

The following table illustrates the results of the sensitivity analysis carried out on interest rate risks, with an indication of the impact on the income statement, as required by IFRS 7.

| Sensitivity analysis<br>(€m) | Underwritten | Increase/(decrease) in interest rates | Revenues (charges) | Increase/ (decrease) in net equity |
|---|---|---|---|---|
| 2009 | (30.4) | 1% | (0.3) | 2.8 |
| 2008 | (424.2) | 1% | (0.9) | 3.5 |
| 2009 | (30.4) | (0.3%) | 0.1 | (0.8) |
| 2008 | (424.2) | (0.3%) | 0.3 | (1.1) |

In identifying the potential impact linked to positive and negative variations in interest rates, floating-rate loans (short-term credit lines, non-hedged notional loans for the club deal and the Intesa Sanpaolo "bilateral" term loan) have been analysed. In 2008 this analysis also included separately the fixed rate US private placement loan.

The sensitivity analyses looked at future cash flow relative to the payment of variable-rate interest charges.

The basic assumptions of the sensitivity analysis are:
- an initial parallel shift of the interest curve of +100 basis points / -30 basis points;
- in calculating the variations associated with floating-rate financial instruments, it is assumed that no interest rates have already been fixed;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for comparative reasons, the same measurements are carried out on both the current year and the previous year.

Exchange rate risk

Exchange rate risks can be defined as an accumulation of negative effects on profit margins or the value of an asset or a liability as a result of variations in exchange rates.

While the Mondadori Group is present on the international stage, it does not have a significant exposure to currency exchange rate risks since the euro is the currency used by the main business areas of the Group.

In order to hedge the currency exchange risk attaching to the sale of US dollars and sterling the Group has underwritten forward sales contracts for the currencies in question.

Even though these contracts refer to hedging operations, they do no fully satisfy international accounting requisites for hedge accounting, so they are recognised as derivative trading.

The Group's policy is to hedge a percentage of the positions included in the budget and all orders received, in order to protect the Group's operational profitability when faced with negative exchange rate movements.

During 2009 the type of exposure and the hedge policy adopted for exchange rate risks was similar to previous years.
The results of the sensitivity analysis carried out on exchange rate risks showed that there was no significant economic impact, as a result of the low level of the average exposure in 2008 and 2009.

Shareholders' equity was not affected since the derivative instruments used for managing the exchange rate risk were not subject to hedge accounting.

The basic assumptions of sensitivity analyses are:
- the exchange rate shock at the time the financial statements were drawn up was the same for all the currencies where the company has exposures and was equal to ± 10%;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for comparative reasons, the same measurements are carried out on both the current year and the previous year.

Liquidity risk
Liquidity risk is defined as the possibility that the Group may not be able to honour its payment commitments as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby forcing it to bear very high costs in meeting its financial commitments.
The Group's exposure to this risk is represented above all by current financial operations. The Group currently has medium-long term loans (bonds, convertible bonds, subsidised loans) with banks.
In addition, if necessary the Group can use the short-term bank guarantees that have already been granted. The Group's objective is to constantly maintain balance and flexibility between financial sources and commitments. Details of the characteristics of current and non-current financial liabilities are contained in note 18, "Financial liabilities".

The Mondadori Group's liquidity risk as of 31 December 2009 may be managed using the following resources:
- bank and post office deposits totalling €119.6 million;
- an investment portfolio managed by a Luxembourg ABS Finance Fund on the understanding that 80% of the total must be realizable within one month;
- committed credit lines (guarantees) for around €750 million (€240 million of which has not been used) and uncommitted credit lines for €363.9 million (€359.5 million of which has not been used);
- cash pooling contracts.

The table below details the Group's exposure to liquidity risk and maturity dates.

| Liquidity risk | Analysis of maturity periods at 31/12/2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| (€m) | < 6 months | 6-12 months | 1-2 years | 2-5 years | 5-10 years | > 10 years | Total |
| Trade payables | 269.9 | - | - | - | - | - | 269.9 |
| Medium-to-long term loans | 125.6 | 8.2 | 18.1 | 384.2 | 69.8 | - | 605.9 |
| Other financial liabilities: | | | | | | | |
| - committed lines | 1.3 | - | - | - | - | - | 1.3 |
| - uncommitted lines | 11.8 | 1.4 | - | - | - | - | 13.2 |
| Other liabilities | 88.6 | - | - | - | - | - | 88.6 |
| Payables to associated companies | 95.1 | - | - | - | - | - | 95.1 |
| **Total** | **592.3** | **9.6** | **18.1** | **384.2** | **69.8** | **0** | **1,074.0** |
| Tax risk derivatives | 2.3 | 1.5 | 1.3 | - | - | - | 5.1 |
| Exchange risk derivatives | 0.1 | - | - | - | - | - | 0.1 |
| Cross currency swap | - | - | - | - | - | - | 0 |
| **Total exposure** | **594.7** | **11.1** | **19.4** | **384.2** | **69.8** | **0** | **1,079.2** |

| Liquidity risk | Analysis of maturity periods at 31/12/2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| (€m) | < 6 months | 6-12 months | 1-2 years | 2-5 years | 5-10 years | > 10 years | Total |
| Trade payables | 266.2 | - | - | - | - | - | 266.2 |
| Medium-to-long term loans | 13.7 | 16.1 | 27.4 | 731.5 | 114.8 | - | 903.5 |
| Other financial liabilities: | | | | | | | |
| - committed lines | 0.8 | 58.9 | - | - | - | - | 59.7 |
| - uncommitted lines | 3.8 | 1.4 | - | - | - | - | 5.2 |
| Other liabilities | 91.8 | - | - | - | - | - | 91.8 |
| Payables to associated companies | 111.7 | - | - | - | - | - | 111.7 |
| **Total** | **488.0** | **76.4** | **27.4** | **731.5** | **114.8** | **0** | **1,438.1** |
| Tax risk derivatives | 0.6 | 0.5 | 2.3 | 0.9 | - | - | 4.3 |
| Exchange risk derivatives | - | - | - | - | - | - | 0 |
| Cross currency swap | (1.3) | (1.4) | (5.3) | 23.5 | 17.0 | - | 32.5 |
| **Total exposure** | **487.3** | **75.5** | **24.4** | **755.9** | **131.8** | **0** | **1,474.9** |

The maturity periods were analysed using undiscounted cash flows and the amounts were entered taking into account the first date that payment could be requested, which is why the uncommitted lines of credit were entered in the first column.

From the tables in the appendices and analyses of credit lines and managed liquidity it emerged that the Group will have no problem in meeting the next financial maturity dates.

Credit risk

Credit risks can be defined as the possibility of suffering financial losses as a result of a counterparty defaulting on contractual obligations.
A particular type of credit risk is represented by a counterparty defaulting on financial derivative exposures, in which case the risk is connected to capital gains positions where there is a possibility of not receiving cash flow due from a defaulting counterparty.

For the Mondadori Group, this potential risk is very limited since the counterparties in financial derivative operations are always primary financial institutions with high ratings. The objective is to limit the risk of losses due to the unreliability of market counterparties or to the difficulty of converting or replacing current financial positions, so there are no operations with non-authorised counterparties.

When approving the policy, the board of directors also approved a list of authorised counterparties that can be used in financial risk hedging operations. Operations with authorised counterparties are constantly monitored and reports are regularly made of these operations.

The management of commercial credit is the responsibility of the individual Group companies, in compliance with the Group's financial objectives, commercial strategies and operational procedures restricting the sale of products and services to customers without an adequate credit profile or collateral guarantees. Credit balances are monitored throughout the year to ensure that the amount of exposure to losses is not significant.
The following table illustrates the maximum exposure to credit risks for the components of the financial statements, including derivative instruments. The maximum exposure to risk is indicated before the effects of mitigation deriving from compensation agreements and guarantees.

| Credit risk<br>(€m) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Deposits | 118.3 | 329.6 |
| Financial assets at fair value with changes recognised in the trading income statement | - | 3.3 |
| Receivables and loans | | |
| - trade receivables and other current financial assets | 404.7 | 465.5 |
| - trade receivables and other non-current financial assets | 19.9 | 22.8 |
| Available-for-sale assets | 35.7 | 39.9 |
| Receivables for hedged derivative financial instruments | - | - |
| Guarantees | 1.6 | 1.6 |
| **Total of maximum exposure to credit risks** | **580.2** | **862.7** |

Detailed below is the Group's exposure to credit risk across its distribution areas.

| Concentration of commercial credit risk | 31/12/2009 (€m) | 31/12/2008 (€m) | 31/12/2009 % | 31/12/2008 % |
|---|---|---|---|---|
| **Distribution area:** | | | | |
| Italy | 314.8 | 339.8 | 83.2% | 81.4% |
| France | 63.5 | 77.5 | 16.8% | 18.6% |
| Other countries | - | - | - | - |
| **Total** | **378.3** | **417.3** | **100.0%** | **100.0%** |

The method of managing the main business areas is described below.

*Various books*
The Group employs a specific procedure for defining the risk profile of every new customer by collecting the commercial information necessary for evaluating their reliability before any lines of credit are opened. This reliability is constantly monitored.

*Magazines*
The Group's exposure in the Italian market is with local distributors, which are mainly small and medium-sized.
Contractual agreements provide for significant advances for supplying products, which means that the exposure is for the remaining revenues in December.
In addition, the Group has taken out an insurance policy to minimise credit risk.

The French magazine distribution market has only two country-wide operators, which are part-owned by the country's main publishers.
The Group therefore believes that the solidity and solvency of the counterparties precludes any significant credit risk.

*Advertising*
Most of the Group's exposure is with small/medium-sized advertising investors. When dealing with significant investments, credit risk is controlled by means of reliability analysis before any business is done and constant monitoring through the sales outlet network.

Exposure relating to media centres, which manage advertising investments on behalf of clients, has a more significant concentration of credit risk.

The Group therefore monitors its exposure and collects commercial information about the solvency of such media centres on a constant basis.

With reference to the Group's policy on provisions in this respect, it should be noted that each company makes its own individual provisions for critical positions.

The total amount of such provisions takes into consideration an estimate of the recoverable amount, the date of receipt, the expense and cost of recovery and any eventual guarantees received.

For positions not covered by specific provisions, Group companies set up a fund based on historical data and statistics.

The table below details the Group's exposure to credit risk by business area and maturity.

| Exposure to trade credit risk (€m) | | Analysis of expiry at 31/12/2009 Net expiry | | | | |
|---|---|---|---|---|---|---|
| | Net at due date | 0-30 days | 30-60 days | 60-90 days | >90 days | Writedown reserve |
| Books | 111.2 | 6.1 | 4.2 | 1.7 | 6.0 | 16.9 |
| Magazines Italy | 32.0 | 8.1 | 0.8 | 0.1 | 1.3 | 8.5 |
| Magazines France | 52.7 | 6.5 | 2.3 | 1.3 | 0.7 | 4.3 |
| Advertising | 76.6 | 11.6 | 4.6 | 2.8 | 20.1 | 1.3 |
| Direct marketing | 6.9 | 0.8 | 0.2 | 0.1 | 0.6 | 0.1 |
| Retail | 15.0 | 0.5 | 0.3 | 0.2 | 0.5 | 1.3 |
| Radio | - | - | - | - | - | 0.1 |
| Other business | 2.5 | - | - | - | - | 0.1 |
| **Total** | **296.9** | **33.6** | **12.4** | **6.2** | **29.2** | **32.6** |

| Exposure to trade credit risk (€m) | | Analysis of expiry at 31/12/2008 Net expiry | | | | |
|---|---|---|---|---|---|---|
| | Net at due date | 0-30 days | 30-60 days | 60-90 days | >90 days | Writedown reserve |
| Books | 122.2 | 5.8 | 2.2 | 1.3 | 6.2 | 14.7 |
| Magazines Italy | 24.9 | 4.8 | 1.0 | 0.8 | 0.4 | 8.0 |
| Magazines France | 58.6 | 9.3 | 5.6 | 1.6 | 2.5 | 4.8 |
| Advertising | 99.4 | 17.9 | 6.4 | 3.9 | 16.0 | 1.3 |
| Direct marketing | 5.6 | 1.2 | 0.2 | - | - | 0.1 |
| Retail | 14.3 | 1.1 | 0.2 | - | 1.1 | 1.1 |
| Radio | - | - | - | - | - | 0.2 |
| Other business | 2.8 | - | - | - | - | 3.3 |
| **Total** | **327.8** | **40.1** | **15.6** | **7.6** | **26.2** | **33.5** |

Price risk

Price risk refers mainly to variations in the market price of equity instruments and loss of value in assets/liabilities as a result of variations in commodity prices.

The fundamental objective of price risk management is to reduce the impact of fluctuations in raw material prices on the financial results of Group companies.

Due to the nature of its business, the Group is exposed to variations in the price of paper.

*Other information required by IFRS 7*

The following table illustrates financial assets and liabilities in the categories defined by IAS 39.

| Classification | Carrying value | | | | | | Fair value | |
|---|---|---|---|---|---|---|---|---|
| | Total | | current | | non-current | | | |
| (€m) | 31/12/2009 | 31/12/2008 | 31/12/2009 | 31/12/2008 | 31/12/2009 | 31/12/2008 | 31/12/2009 | 31/12/2008 |
| Financial assets at fair value with changes recognised in the trading income statement | - | 3.3 | - | 3.3 | - | - | - | 3.3 |
| Receivables and loans: | | | | | | | | |
| - cash and cash equivalents | 119.6 | 330.5 | 119.6 | 330.5 | | - | 119.6 | 330.5 |
| - trade receivables | 341.3 | 383.8 | 332.1 | 374.0 | 9.2 | 9.8 | 341.3 | 383.8 |
| - other financial assets | 43.9 | 66.8 | 40.6 | 63.5 | 3.3 | 3.3 | 43.9 | 66.8 |
| - receivables from associated companies and joint ventures | 39.5 | 37.8 | 39.5 | 36.3 | - | 1.5 | 39.5 | 37.8 |
| Financial assets available for sale | 35.9 | 39.9 | 35.9 | 39.9 | - | - | 35.9 | 39.9 |
| Cross currency swap | - | 3.0 | - | - | - | - | - | - |
| **Total financial assets** | **580.2** | **862.1** | **567.7** | **847.5** | **12.5** | **14.6** | **580.2** | **862.1** |
| Fair value of financial liabilities: | | | | | | | | |
| - non-edged derivatives | 0.1 | - | 0.1 | - | - | - | 0.1 | - |
| Amortised cost of financial liabilities: | | | | | | | | |
| - trade payables | 269.9 | 266.2 | 269.9 | 266.2 | - | - | 269.9 | 266.2 |
| - liabilities due to banks and other financial payables | 611.0 | 950.9 | 233.5 | 287.3 | 377.5 | 663.6 | 611.0 | 958.8 |
| - liabilities due to associated companies and joint ventures | 95.1 | 111.7 | 95.1 | 111.7 | - | - | 95.1 | 111.7 |
| Interest rate swap | 4.7 | 10.6 | - | - | 4.7 | 10.6 | 4.7 | 10.6 |
| **Total financial liabilities** | **980.8** | **1,339.4** | **598.6** | **665.2** | **382.2** | **674.2** | **980.8** | **1,347.3** |

The following table details fair values of available-for-sale financial assets (stocks) as per IFRS 7, with initial and final balances and movements over the year. The levels in the IFRS 7 classification reflect the relative significance of inputs used when calculating fair value.

Level 1 is for stocks whose evaluation is based on prices (not adjusted) quoted on an active market for identical assets or liabilities; Level 2 is where all input having a significant effect on fair value can be observed either directly or indirectly; and Level 3 includes stocks evaluated using input that has a significant effect on registered fair value and is not based on observable market data.

During 2009 there were no transfers from one Level to another.

| (€m) | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Fair value at 31/12/2008** | **39.7** | **5.3** | **3.1** | **31.3** |
| Sales/refunds | (10.0) | (2.6) | (0.1) | (7.3) |
| Realised net profit (loss) | 0.6 | - | 0.1 | 0.5 |
| Non-realised profit (loss) | 5.4 | 0.3 | (0.2) | 5.3 |
| **Fair value at 31/12/2009** | **35.7** | **3.0** | **2.9** | **29.8** |

At 31 December 2009, the Group had current and non-current financial liabilities in the form of derivative instruments as described in note 18 that were classified as Level 2.

The following table illustrates the income and expense attributable to financial assets and liabilities, divided into the categories defined by IAS 39.

| Profit and loss from financial instruments<br>(€m) | 31/12/2009 | 31/12/2008 |
|---|---|---|
| Net profit from fair value instruments with changes recognised in the trading income statement | 4.2 | 0.1 |
| Net profit from receivables and loans | 1.9 | 0.9 |
| Net profit from financial derivative instruments | 8.3 | 49.6 |
| Net profit from financial liabilities at amortised cost | - | - |
| Interest earned on financial assets not valued at fair value: | | |
| - deposits | 1.5 | 11.3 |
| - other financial assets | 1.1 | 1.3 |
| **Total income** | **17.0** | **63.2** |
| Net losses on instruments at fair value with changes recognised in the income statement held for trading | 0.1 | 9.9 |
| Net loss on loans and receivables | 0.2 | - |
| Net loss on available-for-sale assets | - | 3.9 |
| Net loss on financial liabilities at amortised cost | - | 47.8 |
| Net loss on financial derivative instruments | - | - |
| Interest paid on financial liabilities not valued at fair value: | | |
| - deposits | - | 1.1 |
| - bonds | 11.8 | 16.6 |
| - convertible bonds | - | 3.8 |
| - loans | 7.0 | 24.6 |
| - others | 3.8 | 4.1 |
| Losses from financial instrument writedowns: | | |
| - trade receivables | 9.5 | 8.9 |
| Expense and commission not included in effective interest rates | 0.7 | 0.2 |
| **Total expense** | **33.1** | **120.9** |
| **Total** | **(16.1)** | **(57.7)** |

## 35. Information as per article 149-duodecies of Consob Regulations

The following table, drawn up in accordance with article 149-duodecies, Consob Regulations, shows the fees paid during 2009 (net of accessory expense) for auditing and other services provided by Reconta Ernst & Young SpA and other companies belonging to the same network.

| Service | Company providing service | Company receiving service | | Amount (€,000) |
|---|---|---|---|---|
| Audit | Reconta Ernst & Young SpA | Arnoldo Mondadori Editore SpA | (1) | 460 |
| | Reconta Ernst & Young SpA | Subsidiary company | (1) | 561 |
| | Ernst & Young Network | Subsidiary company | (1) | 447 |
| Certification services | Reconta Ernst & Young SpA | Arnoldo Mondadori Editore SpA | (2) | 45 |
| | Reconta Ernst & Young SpA | Arnoldo Mondadori Editore SpA | (3) | 5 |
| Other services | Ernst & Young Network | Subsidiary company | (4) | 93 |
| **Total** | | | | **1,611** |

(1) Includes audit of consolidated financial statements and half-yearly financial statements.
(2) Certification of Circulation and Printing.
(3) Audit aimed at certifying the net financial position in relation to the disposal of the investment in Mondadori Printing SpA.
(4) Other services.

*On behalf of the Board of Directors*
*Chairman*
*Marina Berlusconi*

# Segment information

# Segment information for the year ended 31 December 2009

| (€,000) | Books | Magazines Italy | Magazines France | Advertising services |
|---|---|---|---|---|
| **Revenues from sales and services to external customers** | **367,174** | **363,944** | **343,464** | **245,227** |
| **Revenues from sales and services to other sectors** | **58,513** | **130,310** | **-** | **5,129** |
| Income (expense) from investments using equity method | 10,480 | (3,524) | 1,951 | (274) |
| **Gross operating profit** | **84,092** | **28,426** | **13,020** | **(4,720)** |
| **Operating result** | **80,844** | **26,592** | **(7,190)** | **(4,960)** |
| Financial income (expense) | - | - | - | - |
| **Profit before taxes and minority interests** | **80,844** | **26,592** | **(7,190)** | **(4,960)** |
| Income taxes | - | - | - | - |
| Result attributable to minority interests | 574 | - | - | - |
| **Net result** | **80,270** | **26,592** | **(7,190)** | **(4,960)** |
| Depreciation, amortisation and impairment | 3,248 | 1,834 | 20,210 | 240 |
| Non-monetary costs | 17,542 | 18,859 | 16,824 | 2,592 |
| Non-recurring income (charges) | (384) | (18,400) | (10,430) | (1,080) |
| Investments | 1,177 | 338 | 1,204 | 837 |
| Investments accounted for the equity method | 66,411 | 43,190 | 10,781 | 476 |
| Total assets | 374,087 | 267,598 | 712,725 | 122,591 |
| Total liabilities | 143,680 | 253,295 | 168,548 | 119,549 |

Italian market
France
Other EU markets
USA market
Other countries

| Direct | Retail | Radio | Corporate and other business | Consolidation adjustments | Consolidated financial statements |
|---|---|---|---|---|---|
| **20,588** | **192,262** | **232** | **7,237** | **-** | **1,540,128** |
| **306** | **1,698** | **13,574** | **10,479** | **(220,009)** | **0** |
| (27) | - | - | (6,306) | - | 2,300 |
| **2,760** | **5,090** | **(2,065)** | **(20,447)** | **-** | **106,156** |
| **2,630** | **158** | **(3,777)** | **(22,497)** | **-** | **71,800** |
| - | - | - | (7,882) | - | (7,882) |
| **2,630** | **158** | **(3,777)** | **(30,379)** | **-** | **63,918** |
| - | - | - | 29,011 | - | 29,011 |
| - | - | - | - | - | 574 |
| **2,630** | **158** | **(3,777)** | **(59,390)** | **-** | **34,333** |
| 130 | 4,932 | 1,712 | 2,050 | - | 34,356 |
| 142 | 1,737 | 283 | 1,908 | - | 59,887 |
| - | (100) | - | 17,102 | - | (13,292) |
| 6 | 6,164 | 5,022 | 1,095 | - | 15,843 |
| 4,404 | - | - | 18,067 | - | 143,329 |
| 13,540 | 103,968 | 138,780 | 287,307 | (98,475) | 1,922,121 |
| 8,815 | 89,978 | 5,485 | 684,965 | (98,475) | 1,375,840 |

| Revenues from sales and services | Non-current assets |
|---|---|
| 1,172,713 | 339,552 |
| 328,631 | 615,483 |
| 31,692 | 18 |
| 437 | 5 |
| 6,655 | - |
| **1,540,128** | **955,058** |

# Segment information for the year ended 31 December 2008

| (€,000) | Books | Magazines Italy | Magazines France | Advertising services |
|---|---|---|---|---|
| **Revenues from sales and services to external customers** | **380,342** | **390,218** | **373,867** | **326,792** |
| **Revenues from sales and services to other sectors** | **53,956** | **185,503** | **213** | **4,252** |
| Income (expense) from investments using equity method | 8,033 | 2,579 | 4,663 | - |
| **Gross operating profit** | **82,896** | **93,547** | **39,251** | **2,603** |
| **Operating result** | **79,685** | **92,483** | **26,180** | **2,332** |
| Financial income (expense) | - | - | - | - |
| **Profit before taxes and minority interests** | **79,685** | **92,483** | **26,180** | **2,332** |
| Income taxes | - | - | - | - |
| Result attributable to minority interests | 702 | - | - | - |
| **Net result** | **78,983** | **92,483** | **26,180** | **2,332** |
| Depreciation, amortisation and impairment | 3,211 | 1,064 | 13,071 | 271 |
| Non-monetary costs | 13,942 | 5,522 | 8,503 | 3,173 |
| Non-recurring income (charges) | - | - | 2,723 | - |
| Investments | 3,493 | 5,005 | 2,373 | 179 |
| Investments accounted for the equity method | 57,928 | 48,772 | 13,805 | - |
| Total assets | 386,281 | 291,971 | 754,400 | 146,061 |
| Total liabilities | 156,842 | 231,749 | 171,397 | 142,533 |

| |
|---|
| Italian market |
| France |
| Other EU markets |
| USA market |
| Other countries |
| **Consolidated financial statements** |

| Direct | Retail | Radio | Corporate and other business | Consolidation adjustments | Consolidated financial statements |
|---|---|---|---|---|---|
| **21,850** | **193,013** | **141** | **132,964** | **-** | **1,819,187** |
| **424** | **1,506** | **14,709** | **200,554** | **(461,117)** | **0** |
| 806 | - | - | (10,639) | - | 5,442 |
| **4,100** | **12,298** | **(904)** | **15,398** | **-** | **249,189** |
| **3,947** | **6,137** | **(2,519)** | **(4,740)** | **-** | **203,505** |
| - | - | - | (52,130) | - | (52,130) |
| **3,947** | **6,137** | **(2,519)** | **(56,840)** | **-** | **151,405** |
| - | - | - | 53,623 | - | 53,623 |
| - | - | - | - | - | 702 |
| **3,947** | **6,137** | **(2,519)** | **(110,463)** | **-** | **97,080** |
| 153 | 6,161 | 1,615 | 20,138 | - | 45,684 |
| 177 | 4,140 | 366 | 7,695 | - | 43,518 |
| - | 8,245 | - | 23,121 | - | 34,089 |
| 123 | 15,888 | 21,289 | 7,640 | - | 55,990 |
| 5,001 | - | - | 15,273 | - | 140,779 |
| 12,789 | 95,827 | 139,065 | 516,860 | (114,152) | 2,229,102 |
| 8,857 | 73,352 | 6,742 | 1,042,683 | (114,152) | 1,720,003 |

| Revenues from sales and services | Non-current assets |
|---|---|
| 1,356,486 | 350,663 |
| 364,788 | 643,499 |
| 77,405 | 51 |
| 7,134 | 12 |
| 13,374 | - |
| **1,819,187** | **994,225** |

# Certification of the Consolidated Financial Statements for the year as per article 81-ter of Consob regulation 11971 of 14 May 1999 and subsequent modifications and integrations

1. The undersigned Maurizio Costa, in his role as deputy chairman and chief executive, and Carlo Maria Vismara, in his role as director responsible for compiling the Company financial documents of Arnoldo Mondadori Editore SpA, certify, in accordance with art. 154-bis, paragraphs 3 and 4 of legislative decree no. 58 of 24 February 1998:

- the appropriateness in relation to the characteristics of the Group, and
- the effective application

of the administrative and accounting procedures for representing the consolidated financial statements during 2009.

2. The evaluation of the appropriateness of the administrative and accounting procedures for representing the consolidated financial statements at 31 December 2009 is based on a process established by Arnoldo Mondadori Editore SpA that conforms to the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally accepted general reference framework.

3. It is also certified that:
- the consolidated financial statements at 31 December 2009:

  a) correspond to the result contained in the account books and book entries;

  b) have been compiled in conformity with the International Financial Reporting Standards adopted by the European Union and to the measures contained in art. 9 of legislative decree no. 38/2005, and provide a true and correct representation of the asset and liability, economic and financial situation of the Group and of all the companies included in the consolidation;

- the report on the year includes a reliable analysis of the performance and the result and of the situation of the Group and the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

23 marzo 2010

Deputy chairman and chief executive
Maurizio Costa

Director responsible for compiling the company's financial documents
Carlo Maria Vismara

# Report of the board of statutory auditors

# Report of the board of statutory auditors to the shareholders' meeting called to approve the financial statements for the year ended 31 December 2009 (art. 153, legislative decree no. 58/98)

Shareholders,
in 2009 we performed the supervisory activities envisaged by the law and as required by Consob Notice 1025564, 6 April 2001 and subsequent amendments, and taking into account the principles of conduct recommended by the "Consiglio nazionale dei dottori commercialisti e degli esperti contabili" (the Italian accounting profession).
In particular, we:

- ensured that legal requirements were fulfilled and that the articles of association and the principles of correct administration were adhered to;
- took part in all Meetings of Shareholders, of the Board of Directors and subcommittees of the Board, obtaining from the Directors, pursuant to article 150, legislative decree 58/1998, information on the general performance of the Company, the probable future development of business activities and the significant operations affecting the Company's economic and financial position, ensuring that resolutions taken and implemented are not manifestly imprudent, risky, potentially in conflict or contrast with the resolutions of the Shareholders' Meetings or likely to compromise the Company's equity;
- examined the Company's organization structure and oversaw its adequacy, to the extent of our responsibility, by direct observation and through information provided by the Company and meetings with the independent auditors, Reconta Ernst & Young SpA, held for the exchange of information and data, from which no significant aspects emerged;
- assessed and oversaw the adequacy of the Company's internal control system, the activities carried out by the internal control officer, the administrative-accounting system and the reliability of the latter in representing the company's operations by obtaining information, examining company documents and analysing the results of the work carried out by the independent auditors. We also had regular meetings with the head of internal control, with whom we exchanged information on the results of the procedures also performed at subsidiary companies and took part in meetings of the internal control committee;
- ensured that the corporate governance rules contained in the code of corporate governance adopted by the Company were respected. In particular, we verified the independence requisites of non-executive directors, the external auditors and the Board of Statutory Auditors, on an annual basis;
- assessed and oversaw the adequacy of the instructions given to subsidiary companies pursuant to article 114, paragraph 2, legislative decree 58/1998. Such instructions

enabled the subsidiaries to provide the parent company with the information it needs to comply with legal disclosure obligations;

- verified the legal compliance of the Company's separate financial statements and the Group's consolidated financial statements at 31 December 2009 (to IAS/IFRS standards) and of the respective annual reports through direct checks and discussions with the independent auditors.

During the performance of the activities described above, no significant omissions, reprehensible acts or irregularities emerged such as to require us to report them either to the competent external supervisory authorities or discuss them in this report.

In 2009, the body entrusted with overseeing the effectiveness, application and updating of the organisation, management and control model for the purposes of legislative decree 231/01 did not advise us of any important matters. Likewise, the annual report of the Board of Directors on corporate governance did not reveal anything that need be brought to your attention.

In line with Consob recommendations, the Board of Statutory Auditors states the following:

- we did not find any atypical and/or unusual operations, including intragroup operations and related party transactions;
- the information provided by the Board of Directors, including information concerning intragroup operations and transactions with related parties, is considered complete. In particular, intragroup operations were connected with and relevant to the corporate purpose, and the nature and economic effects of such ordinary operations are reported in the notes to the financial statements and are to be considered appropriate and in line with the Company's business interests. In addition, we did not identify in this context any conflict of interest or any operations able to have a significant impact on the Company's economic or financial position;
- with the adoption of its self-regulation code, the Company is substantially in compliance with that of Borsa Italiana SpA's Committee of Corporate Governance for listed companies, as indicated in the Board of Directors' Report;
- during the year:
  - regular meetings were held to exchange information with representatives of Reconta Ernst & Young SpA and, while we have yet to see the reports of the independent auditors on the separate financial statements and consolidated financial statements,

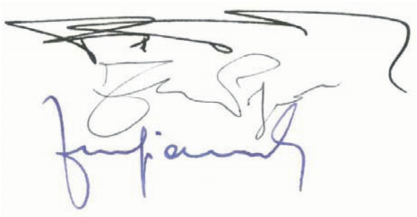
we have reason to believe that the Auditors' opinions will not be qualified;

- 9 meetings of the Board of Directors and 10 meetings of the Board of Statutory Auditors were held;
- the Board of Statutory Auditors expressed its opinions pursuant to article 2389, paragraph 3, Civil Code;
- the Company appointed Reconta Ernst & Young SpA to be responsible for an Accertamento Diffusione Stampa (ADS) circulation audit, for a cost of €45,200;
- the Board of Statutory Auditors received no indications or complaints pursuant to article 2408, Civil Code.

In conclusion, after taking into account the foregoing and to the extent of its responsiblity, the Board of Statutory Auditors is able to state that it has found no impediment to approving the separate financial statements at 31 December 2009, which show a net profit for the year of €53,179,772.38, nor to the allocation of the entire net profit to the extraordinary reserve (included under "Other reserves"), as proposed by the Board of Directors.

Segrate, 31 March 2010

The Board of Statutory Auditors
Ferdinando Superti Furga – Chairman
Franco Carlo Papa
Francesco Antonio Giampaolo



# List of appointments of the members of the Board of Statutory Auditors Attachment as per article 144 "quinquiesdecies" of Consob Regulation 11971/1999

Statutory Auditor name: FERDINANDO SUPERTI FURGA

| Company name | Position | Duration of mandate |
|---|---|---|
| Arnoldo Mondadori Editore SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2011 |
| Binda SpA in liquidation | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2011 |
| Fininvest SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2009 |
| Giuseppe Citterio Srl | Independent Director | Until approval of financial statements as of 31/12/2011 |
| Luisa Spagnoli SpA | Independent Director | Until approval of financial statements as of 31/12/2009 |
| Parmalat SpA | Independent Director | Until approval of financial statements as of 31/12/2010 |
| Publitalia 80 SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2009 |
| Spa.im. Srl | Independent Director | Until approval of financial statements as of 31/12/2009 |
| Spa.ma. Srl | Independent Director | Until approval of financial statements as of 31/12/2009 |
| Spa.pi. Srl | Independent Director | Until approval of financial statements as of 31/12/2009 |
| Telecom Italia SpA | Standing Auditor | Until approval of financial statements as of 31/12/2011 |
| Saras SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2011 |

*Number of posts held in listed companies: 4*
*Total number of posts held: 12 (included listed companies)*

## Statutory Auditor name: FRANCESCO ANTONIO GIAMPAOLO

| Company name | Position | Duration of mandate |
|---|---|---|
| Alba Servizi Aerotrasporti SpA | Standing Auditor | Until approval of financial statements as of 31/12/2009 |
| Allegri Cesare SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2011 |
| Ares Film Srl | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2011 |
| Arnoldo Mondadori Editore SpA | Standing Auditor | Until approval of financial statements as of 31/12/2011 |
| Decox SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2011 |
| Duemme Servizi Fiduciari SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2010 |
| Elettronica Industriale SpA | Standing Auditor | Until approval of financial statements as of 31/12/2011 |
| Edilizia Alta Italia SpA | Standing Auditor | Until approval of financial statements as of 31/12/2010 |
| Fascino Srl | Standing Auditor | Until approval of financial statements as of 31/12/2009 |
| Fininvest SpA | Standing Auditor | Until approval of financial statements as of 31/12/2009 |
| Finisvim SpA | Standing Auditor | Until approval of financial statements as of 31/12/2011 |
| Fininvest Gestione Servizi SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2009 |
| Fumagalli Ediliza Ind. SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2010 |
| Il Teatro Manzoni SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2009 |
| Isim SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2009 |
| Mediaset Investimenti SpA | Standing Auditor | Until approval of financial statements as of 31/12/2011 |
| Med Due Srl | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2010 |
| Mediavivere Srl | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2009 |
| Medusa Film SpA | Standing Auditor | Until approval of financial statements as of 31/12/2009 |
| Mediolanum Comunicazione SpA | Standing Auditor | Until approval of financial statements as of 31/12/2009 |
| Milan AC SpA | Standing Auditor | Until approval of financial statements as of 31/12/2011 |
| Milan Entertainment SpA | Standing Auditor | Until approval of financial statements as of 31/12/2010 |
| Milan Real Estate SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2011 |
| Mondadori Franchising SpA | Standing Auditor | Until approval of financial statements as of 31/12/2010 |
| Partner Time SpA in liquidation | Standing Auditor | Until approval of financial statements as of 31/12/2009 |
| P.I. Distribuzione SpA | Standing Auditor | Until approval of financial statements as of 31/12/2009 |
| Reteitalia SpA in liquidation | Standing Auditor | Until approval of financial statements as of 31/12/2010 |
| RTI SpA | Standing Auditor | Until approval of financial statements as of 31/12/2009 |
| Taodue Srl | Standing Auditor | Until approval of financial statements as of 31/12/2010 |
| Vacanze Italia SpA | Standing Auditor | Until approval of financial statements as of 31/12/2011 |
| Vibram SpA | Standing Auditor | Until approval of financial statements as of 31/12/2009 |
| Video Due Srl | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2009 |

*Number of posts held in listed companies: 1*
*Total number of posts held: 32 (included listed companies)*

## Statutory Auditor name: FRANCO CARLO PAPA

| Company name | Position | Duration of mandate |
|---|---|---|
| Arnoldo Mondadori Editore SpA | Standing Auditor | Until approval of financial statements as of 31/12/2011 |
| Gecofin SpA | Director | Until approval of financial statements as of 31/12/2012 |
| Metal Work SpA | Chairman of the Board of Statutory Auditors | Until approval of financial statements as of 31/12/2011 |
| Servizio Titoli SpA | Standing Auditor | Until approval of financial statements as of 31/12/2012 |
| BIt Market Services SpA | Standing Auditor | Until approval of financial statements as of 31/12/2011 |
| Garda SGR SpA | Deputy Chairman and Director | Until approval of financial statements as of 31/12/2011 |
| DGPA Advisory Srl | Chairman of the Board of Directors | Until approval of financial statements as of 31/12/2011 |
| Gefran SpA | Independent Director | Until approval of financial statements as of 31/12/2010 |
| DMT SpA | Independent Director | Until approval of financial statements as of 31/12/2010 |

*Number of posts held in listed companies: 3*
*Total number of posts held: 9 (included listed companies)*

# Independent auditors' report

# Independent auditor' Report pursuant to art. 156 of legislative decree no. 58 of 24 February, 1998 (translation from the original Italian text)

ERNST & YOUNG

To the shareholders of
Arnoldo Mondadori Editore SpA

1. We have audited the financial statements, comprising the statement of financial position, the statement of comprehensive income, changes in shareholder's equity and cash flows and the related explanatory notes of Arnoldo Mondadori Editore SpA as of and for the year ended December 31, 2009. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian legislative decree no. 38/2005 is the responsibility of Arnoldo Mondadori Editore SpA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 9, 2009.

3. In our opinion the financial statements of Arnoldo Mondadori Editore SpA at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian legislative decree no. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of Arnoldo Mondadori Editore SpA for the year then ended.

4. The management of Arnoldo Mondadori Editore SpA is responsible for the preparation of the Report of the Board of Directors and the Report on Corporate Governance and ownership structure, included in the Corporate Governance section of the Arnoldo Mondadori Editore SpA's website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and the information reported in compliance with article 123-bis of legislative decree 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance, with the financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations and the information reported in compliance with article 123-bis of legislative decree 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance are consistent with the financial statements of Arnoldo Mondadori SpA as of December 31, 2009.

Milan, Italy
April 6, 2010

*Reconta Ernst & Young SpA*
*Signed by Luca Pellizzoni*
*(Partner)*

To the Shareholders of
Arnoldo Mondadori Editore SpA

1. We have audited the consolidated financial statements, comprising the statement of financial position, the statement of comprehensive income, changes in shareholder's equity and cash flows and the related explanatory notes of Arnoldo Mondadori Editore SpA and its subsidiaries (the "Mondadori Group"), as of and for the year ended December 31, 2009. The preparation of these consolidated financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian legislative decree no. 38/2005 is the responsibility of the Arnoldo Mondadori Editore SpA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   With respect to the comparative data related to the consolidated financial statements of the prior year, which have been restated in order to reflect the changes in the presentation of the financial statement introduced by IAS1, reference should be made to our report issued on April 9, 2009.

3. In our opinion, the consolidated financial statements of the Mondadori Group at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian

legislative decree no. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of Mondadori Group as for the year then ended.

4. The management of Arnoldo Mondadori Editore SpA is responsible for the preparation of the Report of the Board of Directors and the Report on Corporate Governance and ownership structure, included in the Corporate Governance section of the Arnoldo Mondadori Editore SpA's website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and the information reported in compliance with article 123-bis of legislative decree 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance, with the financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations and the information reported in compliance with article 123-bis of legislative decree 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance are consistent with the consolidated financial statements of Arnoldo Mondadori SpA as of December 31, 2009.

Milan, Italy
April 6, 2010

*Reconta Ernst & Young SpA*
*Signed by Luca Pellizzoni*
*(Partner)*

Graphic design: Bob Noorda