ARNOLDO MONDADORI EDITORE S.p.A.

Share capital Euro 64,079,168.40
Registered office in Milan
Administrative offices in Segrate (Milan)

MONDADORI

Annual Report

Company Financial Statements at 31 December 2011
Group Consolidated Financial Statements at 31 December 2011
Directors' Report on Operations

Call Notice for Shareholders' Meeting

The persons eligible to intervene and exercise the right to vote are invited to participate in the ordinary Shareholders' Meeting in first call on 19 April 2012 at 10:30 a.m., in Segrate (Milan), via Mondadori 1 and, if needed, in second call on 20 April 2012, same time and place, to resolve upon the following:

Agenda

1. Company financial statements at 31 December 2011, Directors' report on operations and the reports from the Board of Statutory Auditors and from the Independent Auditing Firm. Presentation of the Group consolidated financial statements at 31 December 2011. Resolutions relative to the approval of the financial statements at 31 December 2011.
2. Resolutions relative to the allocation of 2011 net income.
3. Report on Remuneration; resolutions relative to the first Section pursuant to art. 123-*ter*, par. 6, of the Italian Legislative Decree no. 58 of 24 February 1998.
4. Authorization for the purchase and sale of Treasury Shares pursuant to the combined provisions set out in art. 2357 and 2357-*ter* of the Italian Civil Code.
5. Appointment of the Board of Directors.
   - 5.1. Determination of the number of members.
   - 5.2. Determination of their duration in office.
   - 5.3. Determination of their compensation.
   - 5.4. Appointment of the members of the Board of Directors.
6. Appointment of the Board of Auditors for the financial years 2012-2013-2014.
   - 6.1. Determination of their compensation.
   - 6.2. Appointment of the members of the Board of Auditors.

Integrations to the agenda

Pursuant to art. 126-*bis* of Italian Legislative Decree no. 58 of 24 February 1998, the Shareholders who, also jointly, represent at least one fortieth of the share capital with voting rights, may request, within ten days after the publication of this call for notice, integrations to the agenda to discuss, and specify the additional items to discuss in the relevant request. The request shall be made in writing within the afore mentioned term and sent by registered mail to the Company's registered offices in Milan, via Bianca di Savoia no. 12, or by certified electronic mail to the following address: societario@pec.mondadori.it, together with a copy of the communication confirming the ownership of the shares held by the intermediaries responsible for the management of the accounts containing the applicant's shares. Within the afore mentioned term and with the same criteria, any eventual applying shareholders are invited to present a report on the topics to be discussed. The integrations to the agenda that the Shareholders' Meeting will discuss shall be advertised according to the same criteria used for the publication of the call of notice, at least fifteen days before the date of the Shareholders' Meeting in first call. Concurrently with the advertisement of the integrations to the agenda, the report submitted by the applying shareholders shall be made available to the public according to the same criteria envisaged for the presentation of the documentation to the Shareholders' Meeting, along with any valuations from the Board of Directors. It should be noted that integrations are not admitted for issues upon which the Shareholders' Meeting resolves, pursuant to law, on proposals advanced by members of the Board of Directors or based on a project or report drafted by them, other than those provided for in art. 125-*ter*, par. 1, of the Italian Legislative Decree no. 58 of 24 February 1998.

Intervention in the Shareholders' Meeting

Holders of voting rights are eligible to intervene in the Shareholders' Meeting in compliance with the provisions set out in the currently applicable law. In this respect, pursuant to art. 83-*sexies* of the Italian Legislative Decree no. 58 of 24 February 1998, the eligibility to intervene and to exercise the voting rights in the Shareholders' Meeting is confirmed by a communication served by the Company, prepared by the intermediary based on the accounting entries, in favour of the entity entitled to the voting rights, based on the evidence relative to the end of the seventh trading day prior to the date scheduled for the Shareholders' Meeting in first call (coinciding with 10 April 2012). Those who are confirmed to be holding Company shares only after such date, shall not be deemed eligible to intervene and exercise the right to vote in the Shareholders' Meeting. The communication of the intermediary as per this point shall be served to the Company by the end of the third market trading day prior to the date scheduled for the Shareholders' Meeting in first call (i.e. by 16 April 2012), without prejudice to the eligibility to intervene and exercise the right to vote in the case in which the communications are served to the Company after such term, provided that this is made before the beginning of the Shareholders' Meeting in single call.

Any person eligible to intervene in the Shareholders' Meeting may be represented by giving proxy in writing pursuant to the currently applicable law provisions.
To this end, the specifically authorized form shall be used, which is made available at the Company's head offices, on the Company's website (www.mondadori.it; Governance section) and at the authorized intermediaries. The proxy may be notified to the Company by means of registered mail sent to the Company's legal offices or by certified electronic mail to the following address: societario@pec.mondadori.it. Any preventive notice does not relieve the proxy holder from the obligation to confirm compliance with the original copy notified and the identity of the delegating person upon accreditation to access the Shareholders' Meeting.

The proxy may be conferred, without expenses to the charge of the delegating person, with voting instructions on all or only some of the items on the agenda, to Istifid S.p.A. Società Fiduciaria e di Revisione, as representative appointed by the Company pursuant to art. 135-*undecies*, of the Italian Legislative Decree no. 58 of 24 February 1998, provided that it is served by registered mail to Istifid S.p.A. Società Fiduciaria e di Revisione, Servizio Fiduciario – Ufficio Assemblee in Milano, viale Jenner no. 51, or by certified electronic mail to the following address: 2012assemblea.aa27@istifidpec.it by the end of the second trading day before the date scheduled for the Shareholders' Meeting in first call (i.e. by 17 April 2012). The proxy does not have any effect on the proposals for which no voting instructions are given. The proxy and the voting instructions are revocable until 17 April 2012.
The proxy form and the relevant instructions, including the instructions for the compilation and forwarding of the form, are available at the Company's head offices and on the Company's website (www.mondadori.it; Governance section).

Share capital and voting rights

The share capital of Euro 64,079,168.40 is divided in no. 246,458,340 ordinary shares with a nominal value of Euro 0.26 each. Considering the overall number of no. 12,322,917 treasury shares with

suspended voting right pursuant to law, currently directly or indirectly held by the Company, the shares with voting right amount to no. 234,135,423. Any change in Treasury shares will be communicated at the beginning of the Shareholders' Meeting.

Questions on the items on the agenda

The shareholders may submit questions on the items on the agenda also before the Meeting and possibly by 17 April 2012, by registered mail sent to the Company's legal offices in Milan, via Bianca di Savoia 12, or by certified electronic mail to the following address: societario@pec.mondadori.it.
The eligibility to exercise the voting right is confirmed by the forwarding to the Company at the afore specified addresses, of the communication issued by the intermediaries in charge of updating the accounts in which the ordinary shares owned by each shareholder are registered or, in alternative, of the same communication required for participation in the proceedings of the Shareholders' Meeting, as anticipated above.

The questions received prior to the Shareholders' Meeting shall be answered during the Meeting at the latest. The Company may provide a single answer to multiple questions regarding the same issue.

Documentation

The Directors' reports, the relevant proposals and any additional documentation relative to the Shareholders' Meeting requested by law, are made available to the public, within the terms provided by law, at the Company's premises and Borsa Italiana S.p.A., and on the Company's website www.mondadori.it (Governance section). The shareholders may review and ask a copy of such documentation.

As to items 5. and 6. on the agenda, pursuant to the currently applicable regulatory provisions and the Company's By-Laws, the Board of Directors and the Board of Statutory Auditors are appointed by voting slates. In this respect, the provisions of art. 17 and 27 of the Company's By-Laws, available in the website www.mondadori.it (Governance section) fully apply.

Necessary shareholding for the presentation of the slates

The shareholders having voting right who, alone or together with other shareholders represent at least 2.5% (percentage established in Consob Resolution no. 18083 of 25/01/2012) of the share capital underwritten at the date of presentation of the slate, reserve the right to present slates.
The slates, underwritten by the shareholder or shareholders presenting them together with the documentation envisaged by the Company's By-Laws, shall be submitted to the Company's legal offices in Milan, via Bianca di Savoia 12 – or by certified electronic mail to the following address: societario@pec.mondadori.it or by fax at the following number +39 02 75423094 – for filing purposes, at least 25 calendar days prior to the date scheduled for the Shareholders' Meeting in first call.
In the case in which the afore mentioned deadline is a public holiday (25 March 2012), the term is extended to the first subsequent work day and, therefore, 26 March 2012.

As to item 6. on the agenda, it should also be noted that pursuant to art. 144-*sexies* of Consob Resolution no. 11971/1999 and subsequent changes (Issuer Regulation), in the case in which, within 25 days prior to the Shareholders' Meeting in first call, no slate has been presented, or only one slate has been presented, or only slates have been presented by shareholders identified as related parties pursuant to art. 144-*quinquies* of the Issuer

regulation, the term for the presentation of the slates shall be extended by another 3 days and, therefore, until 29 March 2012 (06:00 p.m.) and the percentage for the presentation of the slates shall be reduced to 1.25% of the underwritten share capital.
With regard to the foregoing in relation to the presentation of the slates for the appointment of the Board of Directors and the Board of Statutory Auditors, the shareholders are invited to take the recommendations contained in Consob Resolution DEM/9017893 of 26 February 2009 into account.

This call of notice is advertised in the Company's website www.mondadori.it (Governance section) on 9 March 2012, pursuant to art. 125-*bis*, par. 2, of Italian Legislative Decree no. 58 of 24 February 1998 and in Il Sole 24 Ore on the same date.

The legal offices are open to the public for consultation and/or delivery of the afore mentioned documentation in workdays, from Monday to Friday, 9:00 a.m. - 06:00 p.m.

Segrate, 9 March 2012

For the Board of Directors
The Chairman
Marina Berlusconi

Corporate Offices and Boards

Board of Directors

The Chairman
Marina Berlusconi

Deputy Chairman and Chief Executive Officer
Maurizio Costa

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

Board of Statutory Auditors

Chief Statutory Auditor
Ferdinando Superti Furga

Standing Statutory Auditors
Francesco Antonio Giampaolo
Franco Carlo Papa

Substitute Statutory Auditors
Ezio Simonelli
Francesco Vittadini

Independent auditing firm
Deloitte & Touche S.p.A.

(*) Secretary

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Directors' Report on Operations

Directors' Report on Operations as at 31 December 2011

Dear Shareholders,

in the second part of 2011 the global economic situation remained grim and, in particular, the countries in the Euro zone continued to show strong signs of difficulty with the worsening of the sovereign debt crisis, the measures applied to curb the public debt, which had a negative impact on consumer spending, a banking liquidity problem and the resulting credit squeeze on both businesses and individuals.

The macroeconomic performance in the markets of reference for the Mondadori Group, Italy and France, reflected these negative trends.

In Italy, the economic outlook deteriorated in the fall, marking the beginning of recession. The sharp drop in manufacturing recorded in the last quarter (-2.9%) resulted in an additional drop in GDP, with a 0.4% growth rate for the year.
As to employment and consumer spending trends, the outlook in Italy is rather problematic, with an unemployment rate of 9.0% at December 2011, the highest level since 2004 (31% youth unemployment) and a stagnation in spending (+0.2% showing a downtrend in the last months of the year).

The situation is hardly rosier in France, where the main macroeconomic indicators in 2011 showed negative trends compared to the previous year for unemployment (which rose to 9.8%); the figures for consumer spending were likewise nearly flat, up only 0.6% against +1.3% in 2010; conversely, GDP rose 1.7% against +1.4% in 2010.

As to the main sectors of activity for Mondadori:

- Magazines in Italy dropped in terms of circulation (full year estimate including new launches at -5.0% against -4.8% at end of September) and also in terms of advertising, which showed negative acceleration (-3.7% on a year basis against -1.8% at end of September); the market of ancillary products is stable;
- as for Magazines in France, sales at newsstands are in line with the latest quarterly results (-4.2%), while subscriptions held steady; advertising, still positive at end of September, dipped slightly on the minus side at year end (-0.4%) as a result of a significant reduction in investments in the last quarter;
- Books in Italy showed a 1.4% reduction on a year-on-year basis as a result of the significant sales reduction in hypermarkets, the reduced average sale price (4% in the first 100 books of 2011; 10% only in the month of December) and a substantial drop in the average quantity of copies sold by book (13% for the top ten of the year);
- as to the non-book products sold in the Group's retail stores, the figures relative to the commercial networks (supermarkets, hypermarkets and store chains) showed a significant drop in the sales volume in the last and most important months of the year, with yearly totals of -16% for DVDs, -5% for music and -22% for consumer electronics.

Based on the context outlined above, Mondadori Group closed 2011 with a 3% drop in sales volume and ROI (excluding non-recurring items and investments in the development of the digital business); EBITDA dropped 7.0% while net profits rose 17.8% (due to lower financial charges and taxes paid in 2010 relative to preceding years).

Below is a summary of the key financial highlights at 31 December 2011.

Consolidated net revenues totalled Euro 1,509.8 million, down 3.1% against Euro 1,558.3 million in 2010.

Consolidated EBITDA amounted to Euro 130.4 million, down 7.0% against Euro 140.2 million of the previous year; the incidence on revenues was 8.6% against 9.0% of 2010.
Excluding non-recurring items and investments for the development of the digital business, the reduction in EBITDA would be equal to 3.3%.

Consolidated EBIT totalled Euro 103.8 million, down 9.1% against Euro 114.2 million recorded in 2010, with depreciation and amortisation of tangible and intangible assets of Euro 26.6 million (Euro 26.0 million in 2010).

Consolidated profit before taxes amounted to Euro 82.7 million, down 8.4% against Euro 90.3 million of the previous year, thanks to reduced financial charges for Euro 3.4 million and charges from investments of Euro 0.6 million.

Consolidated net profit totalled Euro 49.6 million, up 17.8% against Euro 42.1 million of the previous year, which included taxes paid relative to preceding years for Euro 8.7 million.

Gross cash flow in 2011 equalled Euro 76.2 million against Euro 68.1 million of 2010.

As for the balance sheet, **Shareholders' equity** at 31 December 2011 amounted to Euro 608.9 million against Euro 581.0 million at end 2010; the **Group's net financial position** with a deficit of Euro -335.4 million showed an improvement of Euro 7.0 million from the end of 2010: in May 2011 dividends were paid out for a total amount of Euro 40.3 million.

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

Financial and non-financial indicators

Consolidated income statement

(Euro/million)	FY 2011	FY 2010	Var. %
Revenues from sales and services	1,509.8	1,558.3	(3.1%)
Personnel	270.7	271.5	(0.3%)
Cost of sales and operating costs (*)	1,123.6	1,143.2	(1.7%)
Income (charges) from investments			
Valued at equity	14.9	(3.4)	n.a.
EBITDA	130.4	140.2	(7.0%)
EBITDA incidence on revenues	8.6%	9.0%	
Depreciation of properties, plants and machinery	12.1	12.8	(5.5%)
Amortisation of intangible assets	14.5	13.2	9.8%
EBIT	103.8	114.2	(9.1%)
EBIT incidence on revenues	*6.9%*	*7.3%*	
Net financial revenues (costs)	(20.5)	(23.9)	(14.2%)
Revenues (costs) from other investments	(0.6)	-	n.a.
Profit before taxes for the period	82.7	90.3	(8.4%)
Income tax	33.2	47.6	(30.3%)
Third party profits	0.1	(0.6)	n.a.
Net profit	49.6	42.1	17.8%

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

Consolidated revenues, down 3.1% against the previous year amounted to Euro 1,509.8 million.

Sales by sector of activity

(Euro/million)	FY 2011	FY 2010	Var. %
Books	389.1	413.9	(6.0%)
Magazines Italy	458.8	471.4	(2.7%)
Magazines France	348.1	344.2	1.1%
Advertising	219.9	233.9	(6.0%)
Digital	17.2	10.5	63.8%
Direct	265.5	269.2	(1.4%)
Radio	16.3	14.5	12.4%
Corporate and other business activities	21.8	19.0	14.7%
Total aggregate revenues	1,736.7	1.776,6	(2.2%)
Intercompany revenues	(226.9)	(218,3)	3.9%
Total consolidated revenues	1,509.8	1.558,3	(3.1%)

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

Sales by geographical area

(Euro/million)	FY 2011	FY 2010	Var. %
Italian domestic market	1,136.0	1,181.5	(3.9%)
France	330.4	328.2	0.7%
Other EU countries	32.4	39.3	(17.6%)
US market	0.4	0.4	-
Other countries	10.6	8.9	19.1%
Total consolidated revenues	1,509.8	1,558.3	(3.1%)

Books

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

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

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

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

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

Market performance

In 2011 the Trade Book market remained stable in terms of copies sold, while showing a 1.4% decline in terms of value (source: Nielsen).
As for the distribution channels, the slowdown of large-scale retailers was particularly critical, where the shortfall over the year was -7.9% with a peak of -20.3% in December.
This figure is even more striking when one considers the performance of the ten best selling titles, which were down 48% in 2011 in terms of value compared to 2007.

Various factors combined to create this situation, but the most important to mention here refer to the general economic scenario, the recession that started a few years ago, and the Levi Law on the price of books, which was enforced in December 2011, according to which limitations are established on the discount percentage allowed and the number and timing of promotions. The law, which prohibits promotional launches in the month of December, immediately resulted in plummeting Christmas sales, the period which is normally the most profitable for the book market.

Also in 2011, Mondadori confirmed its leadership in the Trade Book market with a 26.5% share in terms of value (source: Nielsen).

The 2008 government measures on school reform that included the introduction of a ban on the adoption of new textbooks in primary and secondary schools, as well as the adoption in the 2012-2013 school year of textbooks including both the hard copy and the digital copy of the book, did not substantially impact the market of textbooks or the balance among the key players.

Increasingly important is the growing trend in the purchase of second-hand books and the gradual reduction in the average price of a book.

In 2011 digital publishing and, in particular, e-books, grew considerably. Mondadori is reacting proactively, reaching out to a market that is still taking off to adapt to new readers' needs. In 2011, the digital proposal included 3,000 books. The objective is to convert the entire catalogue of the publishing houses into digital, including 15,000 titles, by 2014.

Publisher	Market share 2011	Market share 2010
Mondadori Group	26.5	27.1
RCS Group	11.8	12.2
Gems Group	10.2	10.1
Giunti Group	6.2	5.9
Feltrinelli Group	4.2	4.2
Newton & Compton	2.2	1.7
DeAgostini Group	1.6	1.6
Sellerio	1.4	1.5

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

The Book market performance

Revenues amounted to Euro 389.1 million, down 6% against the previous year.

The production of new titles in 2011 included 2,730 titles of which 2,168 Trade (2,118 in 2010), 197 of Mondadori Electa S.p.A. (261 in 2010) and 365 of Mondadori Education S.p.A. (316 in 2010).

The copies produced accounted for Euro 60.5 million (+4.6% against 2010).

In particular, the Group has 43 titles among the first 100 bestsellers in the year and, specifically, *Le prime luci del mattino* by Fabio Volo, *Nessuno si salva da solo* by Margaret Mazzantini, Walter Isaacson's biography of *Steve Jobs*, published by Mondadori, and *Tre atti e due tempi* by Giorgio Faletti, published by Einaudi, ranked first, fourth, eighth and tenth, respectively, in the year's general rankings.

Here below are the key financial highlights with regard to the Book Area: EBITDA is substantially in line with 2010 despite the already mentioned downturn in revenues, thanks to an attentive cost containment policy and the positive contribution of affiliated companies, above all Random House Mondadori.

Books

(Euro/million)	FY 2011	FY 2010	Var. %
Edizioni Mondadori	126.2	132.9	(5.0%)
Einaudi	49.4	48.8	1.2%
Sperling & Kupfer	24.1	23.3	3.4%
Edizioni Piemme	40.5	46.0	(12.0%)
Mondadori Electa	33.6	33.8	(0.6%)
Mondadori Education	77.7	79.8	(2.6%)
Book distribution	32.0	43.4	(26.3%)
Other revenues	5.6	5.9	(5.1%)
Total consolidated revenues	389.1	413.9	(6.0%)

Below is a detailed analysis of revenues by publishing house.

Edizioni Mondadori

(Euro/million)	FY 2011	FY 2010
Revenues from the sales of books	381.6	405.8
Other revenues	7.5	8.1
	389.1	413.9
Operating costs	(321.3)	(345.2)
EBITDA	67.8	68.7
Amortisation and depreciation	(1.9)	(2.1)
EBIT	65.9	66.6

Edizioni Mondadori is the leading Publishing House in the Trade segment with a 13.1% market share in 2011, taking first both in the Fiction Hardcover with a 14.9% market share and in Non Fiction Hardcover with a 6.3% market share. In the Children's category, Mondadori confirms its third position after Piemme and Giunti, with a 10% market share.

2011 sales amounted to Euro 126.2 million, down 5% against the previous year.
Despite the difficult market situation in 2011, Mondadori performed well, with many successful books.

Below are the titles which mainly attracted the attention of the public and critics.
Le prime luci del mattino by Fabio Volo, was the year's best selling book, with 570,000 copies sold in slightly more than two months; *Nessuno si salva da solo* by Margaret Mazzantini, fourth, sold over 365,000 copies; and *Steve Jobs's* biography, by Walter Isaacson, which placed eighth with over 300,000 copies, proved very successful for different reasons and confirmed Mondadori's leadership in the year's top ten bestsellers list.

Other important authors for the year were: Carlos Ruiz Zafón with two titles, *Le luci di settembre* published in spring (235,000 copies) and *Il principe della nebbia*, the latest novel completing the trilogy (launch of 130,000 copies); Alessandro D'Avenia with his second novel, *Cose che nessuno sa*, 165,000 copies, coupled with the success of his debut novel under the NumeriPrimi° brand, *Bianca come il latte, rossa come il sangue*, that continued over the entire year; Aldo Cazzullo with *La mia anima è ovunque tu sia* (60,000 copies) and in October Jeffrey Eugenides with *La trama del matrimonio*, a long-awaited follow-up to his successful *Middlesex*, published by Mondadori in 2003 (over 100,000 copies sold).

Worth mentioning is certainly Mondadori's share in the year's literary prizes: Mauro Corona with *La fine del mondo storto*, won the Bancarella Prize in July 2011 (140,000 copies sold), Federica Manzon took second at the 2011 Campiello Prize for her second novel, *Di fama e di sventura* and Mario Desiati, with *Ternitti*, was a finalist for the 2011 Strega Prize.

As for mainstream/entertainment fiction, in addition to the already mentioned book by Fabio Volo, other Mondadori authors confirmed their success: above all Sophie Kinsella with *Ho il tuo numero*, which is expected to become one of the top-selling books by the author (150,000 copies for the launch), Madeleine Wickham with

Vacanze in villa, published in the spring (75,000 copies), Patricia Cornwell with *Autopsia virtuale* and John Grisham with *I contendenti*.

As for Non Fiction, Walter Isaacson's biography of *Steve Jobs* - Isaacson has also written a biography of *Albert Einstein* - was eighth on the bestseller list. The book appeared on the shelves simultaneously all around the world, on 24 October, following the death of the founder of Apple.
Among Italian titles, *Sanguisughe*, by Mario Giordano, put in an excellent performance (over 150,000 copies sold).
As to Christmas books, the launch of the new book by Bruno Vespa (200,000 copies), *Questo amore. Il sentimento misterioso che muove il mondo*, proved successful.

Still in relation to Non Fiction, worthy of note is the strengthening activity concentrated on the Strade Blu Mondadori brand, with *Cosa tiene accese le stelle* by Mario Calabresi, exceeding 120,000 copies sold and *Alla mia sinistra* by Federico Rampini, an essay focusing on the Western left, published at year end with over 75,000 copies for the launch.
In addition, Michela Marzano with *Volevo essere una farfalla. Come l'anoressia mi ha insegnato a vivere*, reached a broader reader base, exceeding the copies sold by her previous books.

As for Non Fiction, in various segments, the historically popular authors held their ground, including Raffaele Morelli, with more than 120,000 copies sold with the two titles *La felicità è qui*, published in May with a new run, and *Dimagrire senza dieta*, a new Christmas title; Luciano De Crescenzo with *Tutti santi me compreso* and authors like Alberto Angela, who with *Impero* sold over 140,000 copies in 2011; Roberto Giacobbo with *Aldilà. La vita continua?* and Carlo Conti with *Io che…* .

Among the new acquisitions: Rhonda Byrne with the long-awaited *The Power*, sold 80,000 copies for the year; Alessandro Siani with *Non si direbbe che sei napoletano* on the wake of the success of the movie *Benvenuti al Sud*; Zucchero Fornaciari with his autobiography *Il suono della domenica*.
Sonia Peronaci's cookbook project also achieved important results, with *Le mie migliori ricette. GialloZafferano*, three editions in just one month.
In the Childrens' category, some fantasy-based sagas dedicated to children proved very successful: among these, in addition to the good results recorded by *La Ragazza Drago* by Licia Troisi, is the US phenomenon of Rick Riordan. In 2011 the third and fourth episode of *Percy Jackson e gli dei dell'Olimpo* (by the same author) were published with excellent results, exceeding 60,000 and 75,000 copies sold, respectively.
In February and September two titles by John Grisham were launched, who dedicated to young readers the legal thriller series of *Theodore Boone*, which sold over 80,000 copies as a series last year.
Dedicated to smaller children are the *Kung Fu Panda 2* adventures published in summer, confirming the popularity of the movie.
At year end there was the great launch of the new saga by Licia Troisi, *I Regni di Nashira*, with more than 100,000 copies sold.

As for Paperback the most important initiative referred to the launch of the new NumeriPrimi° trademark, which involved all the Publishing Houses of the Book Area (Edizioni Mondadori, Einaudi, Piemme, Sperling & Kupfer).
The initiative, launched in March 2011, includes the publication of the bestselling quality titles in paperback for the Trade Paperback segment. In the first ten months, NumeriPrimi° reached two million copies, with excellent circulation figures recorded in large-scale retailers.

Giulio Einaudi editore

Einaudi continues the editorial plan that has characterised it in the past years and, in particular, for the Fiction Area, with the works of major authors, including Philip Roth, Orhan Pamuk, the 2010 Nobel Prize winner Mario Vargas Llosa, and new authors. In past years the sales and the success of the Stile Libero trademark have grown steadily, and now account for approximately one fourth of the Publishing House's overall turnover.

Einaudi sales in 2011 amounted to Euro 49.4 million, in line with the Euro 48.8 million recorded in 2010, enabling it to gain a significant market share, 5.6% (source: Nielsen).

Once again Einaudi brought successful foreign authors to the fore, like Jonathan Franzen with *Libertà*, exceeding 100,000 copies sold and Haruki Murakami with two volumes published for Christmas *1Q84. Libro 1 e 2. Aprile-Settembre* (over 87,000 copies).

Among the 2011 successes worthy of mention are Jo Nesbø topping 80,000 copies sold with *Il Leopardo*, Thomas Pynchon with the publication of his first new novel, *Vizio di forma* and the Italians Mariapia Veladiano, finalist at the 2011 Strega Prize with the novel, *La vita accanto* (62,000 copies sold), Marco Presta with *Un calcio in bocca fa miracoli* and Maurizio De Giovanni with *Per mano mia. Il Natale del commissario Ricciardi*.

Also, in the Non Fiction segment, Einaudi confirms its author-based policy and titles like Eugenio Scalfari's *Scuote l'anima mia Eros*, and Enzo Bianchi's *Ogni cosa alla sua stagione* proved very successful among the reading public.

In 2011 the Stile Libero trademark recorded a particularly positive performance: Giorgio Faletti with *Tre atti e due tempi*, 479,000 copies sold, the beloved Fred Vargas with *La cavalcata dei morti*, almost 120,000 copies and, in Non Fiction, Luciana Littizzetto and Franca Valeri with *L'educazione delle fanciulle. Dialogo tra due signorine per bene*, 277,000 copies, Michela Murgia with Ave Mary. *E la Chiesa inventò la donna* and Concita De Gregorio with *Così è la vita. Imparare a dirsi addio*.

Sperling & Kupfer

Sperling & Kupfer is the Group Publishing House that controls the Sperling & Kupfer, Frassinelli and Mondadori Informatica trademarks, focusing on the Fiction book offering for the female public, Non Fiction books and books mainly for professional use.

2011 sales amounted to Euro 24.1 million, up 3.4% against the previous year, particularly thanks to the large-scale retailers channel and e-books. Sperling's market share in 2011 was equal to 2.4%.

As for Non Fiction, a good performance was registered by Pierre Dukan's books, always in the bestseller list throughout the year with *La dieta Dukan*, which finished out the year in the top ten. This success was accompanied by a second title, *Le ricette della dieta Dukan* (a total of over 300,000 copies all in 2011).

As for literary Fiction, under the Frassinelli trademark good performances were posted by Nicholas Sparks with *Vicino a te non ho paura* (120,000 copies sold in the year) and Maud Lethielleux with *Da qui vedo la luna*, Francesca Petrizzo with *Il rovescio del buio* and Clarissa Pinkola Estés with *Forte è la donna*.

Important is also the short novel by Sveva Casati Modignani *Un amore di marito* (150,000 copies sold), Stephen King with the long awaited *22/11/'63* (130,000 copies), Danielle Steel with *Gli inganni del cuore* and *Le luci del sud* and the launch of Simon Toyne's book, *Sanctus*.

The NumeriPrimi° series also recorded a positive performance (for a total of 180,000 copies sold), including Clarissa Pinkola Estés with *Donne che corrono coi lupi*, Nicholas Sparks with *L'ultima canzone*, Sveva Casati Modignani with *Mister Gregory* and Stephen King with *Notte buia, niente stelle*.

Edizioni Piemme

Piemme is the publisher characterised by an undisputed leadership in children's books, holder of the Stilton and Il Battello a Vapore trademarks in Italy, along with a consolidated and recognisable offering of mainstream books in all the main Trade segments.

In 2011 Piemme posted Euro 40.5 million in sales, down 12% against Euro 46 million of 2010 with a 4.2% market share (first publisher for children with a 17.4% market share, source: Nielsen).

As for Fiction, the top positions were held by the beloved Michael Connelly with *L'uomo di paglia*, more than 95,000 copies sold, and Lauren Weisberger with *Il diavolo vola a Hollywood*, over 60,000 copies. Worthy of mention is also the publication of *Il cacciatore di aquiloni. La graphic novel*, a transposition of the great success of the publishing house, written by Khaled Hosseini.

In Non Fiction, Pino Aprile was again the publisher's bestselling author with *Giù al Sud*, over 70,000 copies sold together with the preceding title *Terroni*. The bestselling title deals with religion, a Non Fiction segment notoriously important to Piemme, *Viaggio a Medjugorje* by Paolo Brosio, with over 110,000 copies sold. In this context the good performance of *Il mio tesoro nascosto. La forza interiore che ispira la mia vita* by Dalila Di Lazzaro is also worth mentioning, with over 45,000 copies.

As for Non Fiction, Various, *Falli soffrire 2.0. Gli uomini preferiscono le stronze* by Sherry Argov sold over 45,000 copies and *Sette fiori di senape* by Conor Grennan 39,000 copies.
As for Children's books, once again we must emphasize the great popularity of the Geronimo Stilton series, dedicated to children aged 6-9, with the Christmas gift book *Settimo viaggio nel regno della fantasia* (over 160,000 copies sold), followed by *Viaggio nel tempo 4* (over 100,000 copies) and *Le avventure di re Artù* (65,000 copies). A good performance was also registered by the new series *I Preistotopi* (with 38,000 copies sold for each of the two titles published).
Il Battello a Vapore confirmed the success of the *GOL!* series for another consecutive year (five new titles in 2011 written by Luigi Garlando, each with between 21,000 and 31,000 copies sold). Good sales were also posted by Luigi Garlando and Alessia Cruciani with *Un leone su due ruote* (28,000 copies sold).

The Freeway series, dedicated to young adults, brought to the fore Becca Fitzpatrick with *Sulle ali di un angelo* (over 19,000 copies) and *Angeli nell'ombra* (16,000 copies).

Art books and exhibitions

Mondadori Electa publishes Art & Architecture books under the Electa trademark, including exhibition catalogues, museum guides and sponsor guides and, under the Mondadori brand, in the Tourist Guides Area and in the Non Fiction Illustrated Area.

In 2011 various new development projects were kicked off for the purpose of identifying a new positioning for the Publishing House, which, however, due to reduced revenues from the Instalments, Coeditions and above all Sponsor channels, considerably reduced its production.

Here below is the performance by each area:

- Art&Architecture: Electa's performance remained steady in the bookshops. Positive signals also came from the launch of some gift books like *Pittura Cinese/Dal V al XIX secolo* and *Louvre. Tutti i dipinti*, both of which sold out, as well as the re-issue of *La Storia dell'arte* by Flavio Caroli, welcomed warmly by the public;
- Sponsor (publishing by order): sales are slightly down in the traditional channels;
- Illustrated: good sales performance in 2011. In this year there was a significant development of cookbooks and books with gifts or gadgets. As for cookbooks, the success of *Piccoli chef*, the *Yogurt* and *Cioccolato* boxes, the *Torte salate* and *Pizza* round books, and *Cosa Mangiamo* by Allan Bay and Nicola Sorrentino, are certainly worth mentioning. In the Illustrated segment, *Spostare le Montagne* by Reinhold Messner and *New York vista dal cielo* by Yann Arthus-Bertrand and John Tauranac, both did well;
- Tourist Guides: despite the success of the promotions, the lack of new titles over the year and the slowdown in the shipments in the last part of the year led to the attainment of results basically in line with 2010.

As for the management and organisation of exhibitions, sales were in line with 2010, registering a significant growth in profits both in relation to editorial activities, including the sales at the bookshops, and the so-called special projects.

The increase in revenues deriving from the higher number of paying visitors of the *Colosseo - Foro Romano - Palatino* circuit, +7% against the previous year, was offset by a downtrend in the segment of temporary exhibitions organised on behalf of Scabec and the Campania Region.

As to government concessions, which will remain under extension until new tenders are launched, the situation of uncertainty is destined to continue, with a few exceptions, also as a result of the appeals admitted by the Regional Administrative Tribunal for the tenders of Pompeii, Naples and Polo Romano.

Mondadori Education

Mondadori Education is the company of the Mondadori Group operating in the Educational market through two areas of editorial activities: school textbooks and miscellaneous.
As for school textbooks, the key sector, Mondadori Education offers textbooks, courses, teaching tools and multimedia content for all school levels, from the primary school to the primary and secondary high schools, through thirteen proprietary brands and two distributed in English.
As for miscellaneous, Mondadori Education offers textbooks for universities under the Mondadori Università and Le Monnier Università brands, books for the teaching of the Italian language, and dictionaries under the Le Monnier trademark.

Thanks to its broad and varied offering, Mondadori Education maintained a good level of performance also in 2011 in the school textbooks market with a 12.8% share of books adopted, and closed out the year with net revenues of Euro 77.7 million against Euro 79.8 million of the previous year.

The most important fact in the primary school was the introduction of the new religion programmes; for this subject the Piemme Scuola trademark, already market leader, maintained a significant market share as a result of the excellent result of the new publications. The difficult economic scenario led to a reduction in the sales of extracurricular products.

In the junior high school segment, apart the extraordinary result of the new edition of the music textbook by Rosanna Castello and the good performance of a science textbook, some other new books performed below expectations. Some books published in 2010, which were adopted increasingly also over 2011, have registered a good performance. Overall, Mondadori Education's market share dropped slightly.

In the secondary high schools, the situation again reflected the effect of the reform on the programmes adopted in 2010, particularly for some specific subjects.
The Company also performed well in the area of classical studies and in the technical-professional area; results are steady in the scientific and language-specific areas.

Comprehensively, Mondadori Education also lost some market shares here.

The programme for the digitalisation of the entire catalogue of books is 90% complete (approximately 1,300 titles); the books are already available for sale in the e-book format on the Mondadori Education e-commerce website.

As for the lexicographic area, two new Apps were developed in 2011: the Devoto-Oli 2012 (May) and Latin (June), adding to the games and Latinisms already present on the iTunes Store since 2010.

From a regulatory perspective, in 2011 no substantial changes were recorded. The secondary high school reform was continued where, apart from some specific subjects, the situation is gradually returning to normal and elements of uncertainty are being resolved.

E-Book

The e-book segment was certainly the most important for the Book Area in 2011, with the Mondadori distribution platform entering full operation and, in the second part of the year, the penetration of the Italian market by the leading international e-book retailers.

In 2011, Mondadori introduced more than 3,000 e-books on the market, with the Mondadori platform accounting for a quarter of total sales.

The Christmas shopping period posted the highest daily sales averages, with peaks of 4,000 downloads per day. The most popular titles included both electronic versions of 2011 bestsellers in traditional format, like the biography of *Steve Jobs* by Walter Isaacson, *Le prime luci del mattino* by Fabio Volo, *Tre atti e due tempi* by Giorgio Faletti and *Mare al mattino* by Margaret Mazzantini, and catalogue favourites like Steven King's *Miglio 81*.

Distribution and logistics

Book Distribution is handled by the Group's Distribution and Logistics unit and offers services for the management of inventory and distribution both for the Mondadori Group Publishing Houses and third party publishing houses, including Baldini e Castoldi Dalai Editore, Edizioni EL (50% owned by Giulio Einaudi editore) and ADD Editore.
Activities are performed at the Logistics Centre of Verona and in addition to managing inventory, services are provided to control shipments to bookshops in relation to new publications, carry-on books and the management of copies returned.
In 2011, activities regarding logistics registered a downtrend in the number of shipments (-6.7%) and a concurrent slight increase in the number of copies shipped (+1.2%).
The steady focus on the efficiency of production processes, the strategic management of investments in automated equipment and the multi-year experience of the operators ensure the quality of the logistics system and a steady improvement in the quality level perceived by the final customer, in terms of both distribution lead time and shipment compliance.

The Book Distribution activity in 2011 generated revenues of Euro 32 million with a 23.6% reduction against the previous year, attributable to the market trend which particularly characterised the second part of the year.

Magazines

Mondadori Group is Italy's leading publisher in the sector by market share and number of magazines (over 40) and one of the most important in Europe. It has consolidated its presence over time in the sector, covering different segments of activities. In addition to the publication of weekly and monthly magazines sold at newsstands and by subscription (also developed through the joint ventures with Gruner+Jahr and ACI), the Group also focused on the sector of combined sales and designed websites and portals that enabled it to reach a larger number of Mondadori readers by exploiting the relevant brands. Through subsidiary Press-Di Distribuzione Stampa e Multimedia, the Group distributes its own magazines and third party magazines at the national level. Through its subsidiary Mondadori France (among the first three publishers of magazines in France with 27 titles) and the affiliated company Attica Publications, a leader in the magazines sector in the South-Eastern European markets, Mondadori is also active abroad by means of licensing agreements with international publishers for the publication of Italian magazines in foreign markets.

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

Magazines Italy

(Euro/million)	FY 2011	FY 2010
Revenues from magazines	422.1	435.8
Other revenues	36.7	35.6
	458.8	**471.4**
Operating costs	(398.1)	(423.0)
EBITDA	**60.7**	**48.4**
Amortisation and depreciation	(1.5)	(1.6)
EBIT	**59.2**	**46.8**

The current difficult macroeconomic scenario continues to significantly affect the magazine market in Italy, with a negative impact on advertising revenues (periodicals -3.7%; source: Nielsen), circulation (by copies: -5% and -7.2% under comparable conditions; internal source) and add-ons (by value: -0.5%; internal source). In addition to the economic situation there are other structural factors to consider, linked to the digital evolution, which go to the detriment of the paper copy, in which young readers seem to have an increasingly lower interest. Mondadori reacted to face the current criticalities and managed to outperform the competition, thus strengthening its leadership position in the market, as was confirmed by the continuing increase in the readership of the Group's weekly and monthly magazines. According to Audipress statistics, the aggregate number of readers of Mondadori magazines was 35 million, corresponding to 82% of the total. No other publisher has such an extensive and effective market penetration. In particular, the most recent Audipress survey found that Mondadori's readership grew by 1.6% over the previous period.

The key strategy aims at putting the brands at the centre of the editorial activity by clearly identifying the relevant characterising elements and leveraging on the relevant specific characteristics around which to create readers' communities, regardless of the format used. There is also a strong commitment aimed at preventing the risk of a reduction in the value of the titles through the re-launching and re-styling of magazines, a focus on quality, brand extension initiatives and platform diversification, also through a physical presence in the territory to establish direct contact with the final consumers.

The performance of Magazines Italy

In a period characterised by a strong recession, Mondadori performance slowed down, with revenues dipping by 2.7% from Euro 471.4 million to Euro 458.8 million.
The various elements making up sales, which are further detailed in this report, present different trends. Revenues from international activities (licensing +30%, network advertising +53%) and sales from advertising in the Mondadori websites (+47.7%) posted excellent performances and are growing sharply, while Mondadori magazines, accounting for approximately 90% of the total, reflected the recessionary trend and closed out the year with revenues down by approximately 5% as a result of the decrease in:

- revenues from circulation: -4.7%, penalised by a significant reduction in subscriptions (-15%) and a lower amount of copies sold in pack add-on activities (-11%);
- revenues from add-ons: -2.4% mainly as a result of dropping sales of music products and the total absence, in 2011, of new high-priced videogame proposals;
- revenues from advertising: -3.8% with, in particular, a negative performance for family-targeted weeklies (*TV Sorrisi*

e Canzoni) and men's newsmagazines, partially offset by the good performance of women's magazines.

Conversely, the financial results show a significant plus sign, mainly attributable to the capital gain deriving from the transfer of the holding in Hearst Mondadori Editoriale S.r.l.

Mondadori titles

Here below is a summary of the performance of the main magazines published by Mondadori in the various segments of operation.

Donna Moderna, the leading women's magazine with more than 2,700,000 readers, is successful mainly due to three key factors: problem solving, a unique positioning and steady contact with its readers.
To promptly react to the changes and evolving needs of women readers, *Donna Moderna* modified its editorial offering in June 2011 to present fashion and beauty articles and editorials, which no longer relied on models, but on "real" women. In this respect the "Experience Store" initiative was also very important: meeting places were set up in various cities in Italy, enabling *Donna Moderna* and the participating companies to establish a relationship with the readers and final consumers and interact with them directly.

Mondadori is present in the upscale women's world with three products, very different from one another: *Grazia, Flair* and *Tu Style*.
Grazia is the weekly magazine which has always been considered as the qualified representative of the Made in Italy sector. Its ability to present fashion in a typical, unique and exclusive "Grazia style" to a target of refined and educated women makes it one of the privileged media in the fashion and beauty segments. The strongly positive connotation of the brand led to the development of an important international network and to the success of territory-based events like the Milan Fashion Design, where *Grazia* organised genuine fashion shows in the city's piazzas on behalf of fashion customers. The Audipress growth figures confirm the brand's vitality.

Flair is an upscale monthly, particularly innovative in the image and representation of fashion, and certainly the most experimental among the lifestyle monthlies on the Italian publishing scene. Particularly innovative are the tabloids on fashion footwear and other topics related to fashion and developed as fashion trade mags.

Tu Style, re-launched with a new positioning in 2010, is the new generation weekly magazine that uses new communication codes to reach a young fashion-conscious target. Its key characteristic is mix and match fashion, combining glamour proposals with more affordable products.

In the people premium price magazines segment, *Chi* maintains its leadership in terms of copies sold in the newsstands, number of readers and revenues from advertising, thus consolidating the success of a unique formula in the Italian publishing market.
2011 was also characterised by enhanced brand extension activities through the consolidation of the add-ons system, which shored up sagging revenues, and the test of the new fashion and beauty-chic supplement, which strengthened the brand penetration in the two key advertising segments.

Panorama maintains its leadership in the news magazines segment and advertising. In 2012 the weekly will celebrate its 50th anniversary and is expected to present itself in a completely restyled version, featuring a new banner and involving all the brand's extensions, digital included.
Considerable attention was also devoted to the magazines correlated to *Panorama*. In 2011, *Epoca*, a prestigious brand of the Publishing House, successfully issued three special monographic editions. Concurrently, *Panorama Icon* was inaugurated, dedicated to male fashion and consumer habits: three editions in 2011, four planned for 2012. The supplement proved immediately successful, thanks to the special content and the beautiful graphics (which won the prestigious international I.D. Annual Design Review Award as the best graphics project of the year), standing out, since the very first edition, for the excellent revenues from advertising obtained in the market of reference.

Mondadori maintains its leadership position in the Television segment, confirming its 50% market share by volume (60% by value) despite the launch of a competitor's budget price product in February 2011.
TV Sorrisi e Canzoni is the undisputed leader among Italy's weekly magazines in terms of circulation and is also an unfailing market player among up-scale Television magazines. With an Audipress certified audience of 4.4 million readers, it tops the magazine rankings in Italy.

In addition, Mondadori, thanks to the pocket guides, covers all the TV weekly magazine brackets in a balanced way: *Telepiù* controls the Euro 1 price range and *Guida TV* represents the entry price product at Euro 0.60 per copy. The slight increase in the price of the pocket guides (Euro +0.10 for both titles) combined with the cost containment actions for *TV Sorrisi e Canzoni* and the more than satisfactory performance of the adds-ons attached to the magazine, allowed to consolidate revenues in 2011 over the threshold of 30%, despite the fact that these magazines operate in a market segment which is structurally decreasing in Italy, as it is in all the other mature international markets.

Mondadori holds the lead position in the sector of Furniture, Architecture and Design, thanks to the wide range of products and presence in each segment of reference (mass market, life-style design and professional). In particular, the segment of specialised magazines represents a point of excellence.

Through its embedded communication system (magazines, annuals, on board, events, Fuori Salone, travel guides and website), *Interni* continues to be the reference model for design companies and operators, also worldwide, thanks to its event exhibitions and international projects. In 2011, *Interni* was the key player in the most important Chinese exhibition dedicated to design, the First Beijing International Design Triennial, at the National Museum of China, and in the year of Italy in Brazil, *Interni* dedicated and presented a special monograph on *Brazil*, in Italian and Portuguese, at the Italian Embassy in Brasilia.

Casaviva, the leading monthly magazine in terms of circulation and number of readers in the segment of reference, was re-launched in February 2011. The new project allowed the magazine to combine the needs for entertainment and target services obtaining a balanced positioning between dream and service. The magazine, though maintaining its key characteristics which contributed to its success and brand recognition, changed its skin thanks to a steady focus on content, graphics and new contributors.

Mondadori maintains its leadership position also in the Gourmet segment with a wide range of products (*Sale&Pepe*, *Cucina Moderna*, *Cucina no problem* and *Guida Cucina*). 58% of the readers of this category of magazines read Mondadori magazines, for a total of 2.7 million per month. *Sale&Pepe* is one of the leading upscale Gourmet magazines, completely restyled since October 2011 and now a

point of reference for all women who love cooking and look for exclusive and refined recipes.
In November 2011 *Sale&Pepe Kids* was launched, the first gourmet magazine for parents and young cooks.
The Mondadori offering in this category also feature *Cook&Books Academy*, the Mondadori gourmet school on the third floor of the Milan downtown Mondadori Multicenter

Add-on sales

Since the beginning of the year the market was characterised by publishing initiatives, undertaken by dailies for promotional purposes, some of which were based on a very low price promotion (Euro 0.50-1.00).

Mondadori, which bases its leadership on the diversification of its offering and, in particular, on home video and music, generated revenues in 2011 down 2.4% against the previous year (against -0.5% of the market), maintaining its leadership (35%) and contributing to the Group result with greater profitability compared to previous year.
Excluding videogames, which were offered last year for the first time, revenues are in line with 2010, thanks to the excellent performance of home videos and gadgets, which offset reduced sales in music CDs.

The results of some specific initiatives were very positive: *Panorama "La prima visione"*, the *TV Sorrisi e Canzoni "Le collane animation"*, some musical series (Gigi D'Alessio, Zucchero, Baglioni, to give some examples), some pure collectors' collections and some book series like the *Classici della storia*, the *Diabolik* comics series and the *Scuola di pasticceria*.

Press-Di Distribuzione Stampa e Multimedia

Press-Di is Mondadori Group distribution company, whose scope is the circulation and sale of magazines, newspapers and multimedia products in the Newsstand, Large-Scale Retailer and Subscription channels; it is the second ranking Italian National Distributor by market share in the Newsstand channel and is leader in the Large-Scale Retailer and Subscription channels.
The customer portfolio includes both publishers belonging to the Mondadori Group and independent publishers, accounting for over 50% of the total revenues. Among the most important customers worthy of mention are Disney and RBA for magazines and *Libero, Il Giornale* and *Avvenire* for newspapers in the Newsstand, Large-Scale Retailer channels; and Disney, Condè Nast and Quadratum in the Subscription channel.

The service provided to publishers is summarised by the following figures:
- Distributed products: 14,700
- Copies shipped for the sale in Italy: 528 million
- Copies shipped for the sale in foreign countries: 5.7 million
- Copies shipped to subscribers: 53 million

In 2011, the markets in which Press-Di operates registered a negative performance in terms of copies and value against 2010. Since the final data for the period are not yet available, the differences against the latest results published by ADS are reported here below (December 2010-November 2011 mobile average) compared to the previous year:
- Newspapers: Newsstands/Large-Scale Retailers: -5%; Subscriptions: -8%;
- Weekly Magazines: Newsstands/Large-Scale Retailers: -6%; Subscriptions: -16%;
- Monthly Magazines: Newsstands/Large-Scale Retailers: -1%; Subscriptions: -16%.

Such a substantial reduction in volumes has had an impact on the entire distribution supply chain.

In this very complex scenario, the Company firmly implemented actions to strengthen its competitive position:
- as to the Newsstand channel, through the acquisition of the distribution of new publishers, including the Editoriale Sprea Group and the partnership consolidation with Bonelli Publishing House, started at the end of 2010;
- as to the Subscription channel, through the acquisition of the management of the publishing products of the Hearst Group.

Overall revenues generated by the Newsstand channel in 2011 amounted to Euro 516.9 million (Euro 517.7 million at 31 December 2010) with a substantially steady performance against the previous year. Net revenues at 31 December 2011 equal Euro 67.4 million, up 1% against the previous year.

International

Despite some signs of slowdown due to the persistent global negative financial scenario, International activities confirmed the positive trend established in previous years. The Group is facing the criticalities affecting consumer habits and low investments in advertising with an ongoing expansion of geographical diversification and through the consolidation of its presence in important emerging markets, like China, the Asian markets and Russia. Leading this growth trend is *Grazia*, a very strong, internationally successful brand, which developed a network of twenty editions in four continents in the first months of 2012.

Licensing: at the end of 2011 the international editions were twenty-seven: seventeen for *Grazia*, seven for *Casaviva*, one for *Flair*, one for *Interni* and one for *Sale&Pepe*.
In 2011, the different editions of *Grazia* generated aggregated revenues equal to Euro 107 million (+20% against 2010) with expectations of further growth for 2012 also thanks to the launch of new editions.

Syndication and Photo Rights: the Syndication and Photo Rights division provides high quality content and services in the Made-in-Italy excellence sectors: fashion, design/interior decor and food. The division also represents a point of reference for the entire *Grazia* International Network for the management and the sharing of publishing content.

Advertising: thanks to a dedicated team focused on fashion and interior design, Mondadori generated revenues from advertising in 2011 amounting to Euro 6.8 million, up 49% against the previous year.

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

- Attica Publications: the leading publisher in the Greek market with eighteen magazines and three radio stations, including Radio DJ, and in the Bulgarian and Serbian markets through the publication of seven and six magazines, respectively, by subsidiary companies. In the context of the financial crisis in Greece, Attica Publications intends to gain a competitive edge in its sector by acquiring assets at economically advantageous conditions (as was the case in the last months of 2011 with the acquisition of Lampsi FM, one of the leading radio stations in the Athens region, and the license for the publication of the US magazine *Esquire*, which was previously published by a competitor);
- China: Mondadori has a 50% stake in Mondadori Seec Advertising Co. Ltd, an exclusive advertising sales agency for the local edition of *Grazia*. The magazine, launched in February 2009, proved very successful (revenues equal to Euro 7.1 million, +87% against 2010). Given

the sharp growth and the potential of the Chinese market, Mondadori is now focusing on the development of other new projects, the first of which are expected to be presented in the upcoming months;
- Russia: *Grazia* in Russia, which will celebrate the fifth anniversary of its first publication in March, posted revenues in 2011 equal to Euro 4.1 million, up 20% against an already positive trend in 2010.

Properties

In 2011, Mondadori implemented important actions on the Group Properties associated with the main magazines, thus obtaining excellent results both in terms of revenues and traffic.
The 2011 performance was particularly positive, improving all indicators well above market trends and, specifically, with regard to advertising (+ 47.7% against a 12.3% general market growth; source: Nielsen) and the growing number of individual users, more than 6.6 million, up 23.5% against the previous year.
These results were corroborated by the positive performance of the three main Properties:
- the www.donnamoderna.com website (+27%) was entirely re-designed and subject to a restyling in spring 2011; this operation, aimed at developing a product better suited to the new digital guidelines (social network activities, ability to include multimedia proposals, user-friendly standards and user experiences) generated excellent results in terms of increased number of individual users and visited pages;
- the www.grazia.it website (73%), was restyled in spring 2011, to become an innovative product both in terms of team and commercial strategy. The success, particularly linked to the greater emphasis put on fashion bloggers, was repeated during the fashion shows of the September fashion week, a month during which sales for advertising and traffic increased considerably. The P/L account met all the criteria set out in the three-year plan, reflecting, obviously, the expenses for its launch, but still laying the foundations for a rapid growth towards sustainability;
- the www.panorama.it website (+63%) benefited from the actions implemented by the production team, targeting a higher number of users and visited pages against the previous year. The growth in revenues and traffic flows is entirely attributable to commercial and content-based strategies. The excellent debut in 2011 leaves room for hopes for a positive performance in 2012 when the new website is expected to be launched and, more in general, for the new *Panorama* digital product;
- the www.panoramauto.it website, online since 13 July, developed with an outsourcing model for the production of content and a very lean internal structure, is currently registering a rapid success which has resulted in a growth rate in the first five months of activity higher than the top competitor's, with particularly positive financial indicators. The www.panoramauto.it website is expected to become one the sector's top three in 2012.

Magazines France

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

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

The market

The French magazines market slowed down considerably in the second half of the year from a circulation and advertising sales perspective, though at a slower pace than in Italy. During the year of reference, advertising sales remained steady in terms of value (-0.4%) against the previous year, while circulation dropped by 4.2%.

(Euro/million)	FY 2011	FY 2010
Revenues from magazines	334.7	330.6
Other revenues	13.4	13.6
	348.1	**344.2**
Operating costs	(314.7)	(315.6)
EBITDA	33.4	28.6
Amortisation and depreciation	(12.1)	(12.1)
EBIT	21.3	16.5

The economic performance of Magazines France

In the afore described market, Mondadori France registered positive growth figures thanks to the positive performance of all the publications.

Consolidated revenues amounted to Euro 348.1 million, up 1.1% against the previous year.
EBITDA reached Euro 33.4 million, up 16.8% (Euro 28.6 million in 2010) thanks to the positive performance of all the magazines, especially *Grazia*, and lower industrial costs and overhead.

Revenues from advertising grew by 3.3% to Euro 85.4 million. This excellent performance is mainly due to the strong growth in revenues from advertising in the magazines of the Féminins Haut de Gamme segment, in particular the weekly magazine *Grazia* (+34%) and the monthly magazine *Biba* (+10%), which currently account for 33.6% of total revenues from advertising (27.2% in 2010). *Grazia*, with 2,495 ad pages, up 39%, ranks second in the market.

Revenues from circulation rose by 1.3% to Euro 239.5 million, accounting for 69% of total revenues; particularly important is the portion of the Subscription channel, a steady revenue generation source, with 32.5% of total revenues.

In 2011, various activities focused on innovation and quality were launched, key factors for the positive performance posted in terms of circulation.
In particular:
- the new formats for the magazines *Science & Vie, Auto Plus, Le Film*

- *Français, Le Chasseur Français, Pleine Vie, Diapason* and *L'Ami des Jardins* and the continuation of the brand development policy with the launch of a new quarterly magazine *Guerres & Histoire* under the *Science & Vie* brand;
- *Modes & Travaux* has become the key magazine in the segment of reference with a 5.9% market share and 444,000 copies;
- *L'Ami des Jardins* has become the key gardening magazine, with 155,000 copies (+3.6%).

As for women's magazines, *Top Santé* (+5.8% with 350,000 copies, +12% in two years) and *Closer*, ahead of competition with 414,000 copies, strengthened their position.
The sales of magazines of the Science segment continue to grow: *Science & Vie* (+2.4% with 289,000 copies) and *Science & Vie Junior* (+2.7% with 169,000 copies).
Mondadori France leads the Auto segment: sales of the weekly magazine *Auto Plus* and the bi-monthly *Auto-Journal* are stable.

Grazia confirms the success of its launch, growing by 3.1% with 184,000 copies. *Biba* continues its success story with the strongest growth against competition: +80% since 2004 and +4.5% against 2010 with 326,000 copies.

Pleine Vie, after last June's restyling, grew by 54.5% in the newsstand channel with a total circulation of 844,000 copies (+1.3%).

Télé Star posted the best performance in the Television segment for the second consecutive year (with a limited decline equal to 2.5%).

Advertising

The market

The performance of the advertising market in Italy showed an overall reduction equal to 3.8%, confirming that the global financial crisis and the bearish trend of GDP, particularly reflected in the market, involve all the communications means except for the web.

Television (including satellite channels) posted a 3.1% reduction, though showing various differences between generalistic television broadcasters and digital ones, with the latter growing both in audience and advertising sales.

Radio is another communications media showing a downtrend (-7.8%), like Outdoor (-12%) and Direct Mail (-6.9%).

As for Press, Dailies were down sharply (-7.7%), with a particularly negative performance of the Free Press (-42.9%), while Magazines showed a more limited reduction (-3.7%).

The reduction in advertising involved all key sectors of the advertising market except for Cosmetics and Pharmaceuticals.

Advertising market

(Euro/million)	FY 2011	FY 2010	Var. %
Television	4.627	4.775	(3.1%)
Magazines	799	830	(3.7%)
Dailies	1,345	1,458	(7.7%)
Radio	433	470	(7.8%)
Internet	636	566	12.3%
Other	794	876	(9.4%)
Total advertising market	**8,634**	**8,975**	**3.8%**

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

The performance of the advertising agency

In 2011, Mondadori Pubblicità posted a reduction in revenues from advertising against the previous year, from Euro 233.9 million to Euro 219.9 million.
The implementation of a strict cost control policy limited losses to Euro 1.4 million compared to the previous year.

As for **Magazines**, the reduction in advertising sales reflected the particularly negative performance of some sectors like consumables and furniture.

In particular: weeklies slumped (-7.4%), despite the positive performance of *Grazia* (+3.2%) and *Tu Style* (+11.1%) and a substantial steady performance of *Donna Moderna*; all the other Group weeklies posted negative results.
The monthly magazines showed a limited downturn (-1.2%), thanks to the steady performance of the publication regarding furniture and cuisine and the success of *Panorama Icon*, launched in April 2011, which enabled the Group to consolidate its position in the men's fashion segment and the advertising agency to offer a product in line with the needs of the companies operating in the high end of the market.

It is worth noting that in 2011 Mondadori Pubblicità continued to focus on the average prices of *Donna Moderna, Grazia* and *Tu Style*, keeping them in line with 2010 for the weekly magazines and increasing them with regard to the monthly Furniture and Gourmet magazines, sometimes also at the expense of ad volume.

In the weekly segment, women's news magazines (by far the most relevant segment by volume) posted a 1% market growth with Mondadori down 1.1% (source: FCP). Net of the performance of *Chi*, whose re-launch is expected in March, Mondadori would be growing by 1.6% by volume.
In the monthly segment, women's fashion magazines, the most important segment by volume, posted a 3.7% market growth in line with the positive trend of the fashion business (source: FCP). In this context Mondadori's performance reflected the loss of its license to *Cosmopolitan* in the last two months of the year.

Comprehensively, the magazines published by Mondadori closed the year with a bearish trend after a positive performance in the first half of the year, in line with the competitive scenario, in severe difficulty as a result of the global crisis, which caused a substantial drop in advertising sales.

Revenues from advertising on the **Radio** (*R101* and *KissKiss*) grew 0.7% above all thanks to the performance of the new organisational model implemented by Mondadori Pubblicità in May 2011; particularly positive is the performance of *R101* in a market sector whose advertising revenues fell by 7.8% (source: Nielsen).

(Euro/million)	FY 2011	FY 2010
Revenues from advertising	214.8	229.1
Other revenues	5.1	4.8
	219.9	233.9
Operating costs	(226.8)	(239.4)
EBITDA	(6.9)	(5.5)
Amortisation and depreciation	(0.1)	(0.1)
EBIT	(7.0)	(5.6)

In 2011 Events represented an important lever to complete the offering, transforming an experimental activity into a best practice.
The driving engine of these activities is fashion; the Milan Fashion Design, now in its fourth edition, which takes place during the Milano Moda Donna, and the inaugural evening of Pitti Uomo in Florence, are the most successful examples; both represent excellent opportunities for gaining visibility for the customers of the fashion industry and for the extra-sector sponsors and they also offer an opportunity to consolidate their presence in the territory also thanks to the involvement of all city institutions.
The Experience Store represents the first approach of a touring event in the medium-large cities in Italy, with the intention of promoting *Donna Moderna* and the brands of the sponsors involved in a context of closer contact with consumers; in 2012 additional activities are expected to be implemented to increase revenues and margins.

As for Internet, the Mediamond joint venture posted a performance showing an overall growth of 56% against 2010, thanks to the positive results posted by the main Group websites and the great success of TgCom (+59%) and Sport Mediaset (+30.2%) of the RTI Group.
Comprehensively, the website portfolio managed by Mediamond added the www.ilGiornale.it website in 2011, with sales from advertising topping expectations.
Two years after its establishment, Mediamond can rely on the sale of advertising space in 30 vertical websites, 11.5 million individual users per month and a considerable number of case studies with leading companies in the relevant sector of reference.

Digital

The Digital Area of the Mondadori Group has the following objectives and segments of activity:
- the improvement of the assets characterising the Publishing House (brand, content, authors, community of readers, advertisers) in every digital perspective through the use of technology, websites and new online platforms in strict correlation with the traditional activities;
- the search for development opportunities in the digital market through the identification of all the possible new development lines of the asset and thus increasing its relevant revenues.

(Euro/million)	FY 2011	FY 2010
Revenues	15.5	10.5
Other revenues	1.7	-
	17.2	10.5
Operating costs	(32.9)	(11.4)
EBITDA	(15.7)	(0.9)
Amortisation and depreciation	(0.3)	(0.1)
EBIT	(16.0)	(1.0)

Following the above, while at the segment level the Digital Area revenues accounted for Euro 17.2 million, sales in terms of digital publishing activities, e-commerce activities, diversified and inherent to the development of IT infrastructures and database, amounted to Euro 44.2 million, up 23.5% against the previous year

Digital publishing activities

In digital publishing, the main activities refer to e-books, self publishing, the club online, properties and digital advertising.

With reference to e-books and properties, as already indicated in the comments made to the Book and Magazine Area, to which reference should be made for additional information, 3,000 titles of the catalogue of the different Publishing Houses have been digitalised and the websites of the main magazines published by Mondadori (*Panorama, Donna Moderna, Grazia*) have been developed and re-designed, leading to the attainment of significant positive results both in terms of advertising sales and traffic flows.

E-commerce

As for e-commerce, the main activities carried out in 2011 referred to the following websites:
- www.bol.it, dedicated to culture, including the sale of Books, CDs, DVDs and e-books, which closed out the year characterised by strong elements of discontinuity as compared to the previous period: on one hand the new competitive scenario that led to the progressive consolidation of a strong international player like Amazon, and, on the other, the regulatory framework after the enforcement of the Levi Law that modified the "discount progression scale" of publishing products since last September, with an impact on the publisher's promotion policies. The website registered a growing number of orders (+23%) and number of individual users (+42%);
- www.abbonamenti.it, linked to the development of the digital copy and subscription. In collaboration with Press-Di, the Mondadori Group company dedicated to the distribution of Mondadori branded magazines and third party publishers' magazines, the Digital Area developed an IT product

and a targeted distribution strategy to maximise the number of subscriptions, specifically, the web presence for the sale of physical and digital magazines, for use with smartphones and tablets (with Apple Ios, Google Android and Microsoft operating systems), permitting the purchase of a subscription or a single copy, or the reading of the product purchased using an ad hoc software;
- www.easyshop.it, mainly dedicated to the sale of best brand products in the fashion, furniture, design and technology industry, launched in February. After an initial experimentation phase, following the particularly competitive mechanisms in the market of reference, the Group decided not to pursue the activity.

Other activities

Customer Relationship Management Services
CRM activities in 2011 included the development of the Mondadori Customer Database, a single platform containing the Customers of all the business units and the development of information processes to carry out the reconciliation of the Customers belonging to different Group companies.

Since September 2011 it is possible to identify the same Mondadori Customer who has a subscription to a Group magazine, buys on e-commerce and is registered in on online community. This allows the collection of important cross-sectional data to be used in targeted communications campaigns or special initiatives. The Customer Database at end of 2011 included more than 8 million users, of which approximately 2 million also contained an email address. On average, one customer out of six is associated with more than one business unit.

Apps
In 2011, by drawing from the large archive of content made available by the different business units, Mondadori launched a series of products in different cultural and entertainment directions: the *Virtual History* series, the cookery apps and those in collaboration with the Book Area and in the sector of children's entertainment.

The *Virtual History* series recorded a great success in terms of public and revenues with the apps developed on Rome, Florence and the Last Supper: all these three apps ranked first in the Italian ranking of the most sold Apps.

Other Apps launched in 2011 include the cooking apps bearing the *Sale&Pepe* brand and the game ones, including *Feed the Hippo*, available for iPad and iPhone, as well as those developed for the Book Area, *Diabolik* and *Alexandros*.

Glaming
In the second quarter Glaming S.r.l. was established, a company 70% owned by Arnoldo Mondadori Editore S.p.A. and 30% by Fun Gaming S.r.l, for the purpose of remote management of public games (regulated according to the standards of the Autonomous Administration of the State Monopolies, the authority responsible for the oversight of the entire sector).
The activity started last 18 November with the launch of the www.glaming.it website and was initially focused on Poker Cash, Poker Tournament and Bingo. It developed rapidly both in terms of number of open game accounts and the amounts wagered, with net gaming revenues growing steadily.

The initial offering is expected to be extended in 2012 with the launch of other games like *Casinò live* with *Roulette, Blackjack* and *Baccarat*.

Direct

The Direct Area, comprising retail business and direct marketing, operates through a network of 628 points of sale at end of 2011:
- bookshops, of which 22 directly managed and 307 in franchising with an offering concentrated for 80% on books and publishing products;
- multicenters, a total of 9 directly managed multicenters with a very broad offering, comprising media, dailies and magazines; multimedia products and services, and consumer electronics, very similar to a department store;
- newsstands, 213 in franchising, a formula that combines the characteristics of a bookshop and a newsstand, offering a wide range of publishing and non-publishing products;
- book clubs, of which 18 directly managed and 59 in franchising with an offering exclusively dedicated to members of the six theme-based book clubs;

and through Cemit, a market leader in the offering of diversified strategies for the design and development of one-to-one communication tools and CRM tools thanks to a large data bank of over 30 million private users and companies, which is constantly updated.

Since October 2011, with the launch of Digital Solutions, Cemit completed its offer through the proposition of highly integrated Data Marketing solutions, providing the opportunity to simultaneously leverage on all communication tools, both online and off line. In addition it offers multiple services of direct mailing, customer magazine and sampling, e-mail marketing (DEM), web marketing (SEO, Affiliation Marketing), display and performance advertising (SEM), mobile marketing (gamification, apps development), social media marketing and integration with the Mondadori channels.

The market

Excluding the gift box market, which just started and is already expanding, all the products offered in the Direct Area through the points of sale show significant signs of decline.

These trends (source: Nielsen) are connected not only with emerging technological innovations, which especially influenced the market of music products (-5%) and DVDs (-16%), but also with a profound consumer spending crisis, which escalated in the second part of the year, determining a drop in the sale of books (-2%) and consumer electronics (-22%).

The current Direct Marketing market embraces different contact media, from the most traditional, such as mailing and telemarketing, to the most recent, such as emailing and social networks.

The latest surveys show that email is the most widely used medium for these activities, with 94% penetration, while direct mailing stands at 79%, but it is strongly declining due to the high production costs and fees. Following are telemarketing (68%), which records very high customer satisfaction, and the social media (52%), which is the current focus of attention and experimentation for the future.

Forecasts point to a margin reduction, the market is awaiting developments and a natural selection process that winnows out players, to the advantage of those who invested and made a commitment to crossmedia communication.

Nielsen data confirm the negative trend in direct mail, which follows the trend in the press and the advertising field as a whole.

Economic trend of the Direct Area

The following table shows the main economic indicators of the last two financial years.

It is pointed out that 2010 indicators have been adjusted following the disposal of the Bol going concern to the Digital Area on 1 June 2011 in order to make them comparable.

Conversely, the acquisition of 100% of Mondolibri S.p.A. capital, concluded on 1 May 2010, does not allow for an immediate comparison because the 2010 values do not include the first four months.

(Euro/million)	FY 2011	FY 2010
Revenues	258.8	265.9
Other revenues	6.7	3.3
	265.5	269.2
Operating costs	(257.4)	(254.6)
EBITDA	8.1	14.6
Amortisation, depreciation and impairment loss	(6.4)	(5.6)
EBIT	1.7	9.0

Having said all this, revenues of the Direct Area – under comparable conditions – would point to a 5% contraction, distributed among all the business areas described.

Multicenters, book clubs and directly run bookstores are all affected by significant downturns, sometimes by as much as 12%; only franchise stores and newsstands are showing a still positive trend in revenues.

Cemit, which suffered significantly from the generalised lower investments in direct communication, closed the fiscal period with 24% lower revenues.

On account of such difficulties, more attention is being paid to costs; this is the rationale that led to the incorporation of Mondadori Franchising S.p.A. and Mondolibri S.p.A. into Mondadori Retail S.p.A., which was subsequently renamed as Mondadori Direct S.p.A. at the start of the second semester.

Initial synergies could already be seen in the second semester, above all in the purchasing of products for resale purposes; additional savings were achieved after renegotiating a few rental agreements and rationalising a few organisational units, resulting in a workforce reduction of 19 units against 31 December 2010.

The most significant developments in 2011 were related to:

- private brand: the offer of stationery and accessory products branded Emporio Mondadori has been growing in the last months of the year; the Group network currently includes 500 products, which will be launched on the external market already in early 2012;
- Mondadori box for you: the sale of the gift boxes developed by the Direct Area, with a high customer service level characterising the offering, will be extended to the major sales points of the domestic market in the coming weeks;
- Mondadori card: the loyalty card, which has been offering the most loyal Group customers benefits, discounts and promotional offers, exceeded the 300,000 threshold in 2011.

Radio

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

(Euro/million)	FY 2011	FY 2010
Revenues	16.3	14.5
Other revenues	-	-
	16.3	14.5
Operating costs	(16.6)	(15.4)
EBITDA	(0.3)	(0.9)
Amortisation, depreciation and impairment loss	(1.6)	(1.8)
EBIT	(1.9)	(2.7)

Radio Area performance

Market data relating to the radio channel’s revenues from advertising show a general decrease of -7.8% in 2011 against 2010 (source: Nielsen).

The Group’s *R101* channel posted a growth of 12.4% in net revenues, driven by segments such as automotive, food, media/publishing and telecommunications, which accounted for approximately 50% of overall revenues.

The revenue increase is attributable not only to the alignment of broadcasting activities with other Group operations but also to the performance of the sales network, no longer only dedicated to this field but more generally selling within Mondadori Pubblicità, which brought many new customers to the company (especially from the textile, clothing and shoe industries).

The business developed by *R101* during the financial year was focused on continuously improving the product. Major changes were made to the programme schedule, which was enriched with new programmes and new hosts, with talent coming from radio and show business.

R101 continued to strengthen its positioning also as an online music channel, thus developing digital along with the traditional activities, extending the variety of the offer with the goal of reaching different audience groups, gaining a deeper relationship with the fans and attracting advertisers with new promotional spaces.
Currently, there are five theme web radio channels (dedicated to the most popular songs of the ’70s, ’80s, ’90s, ’00s and to a selection of the best pop music of the last 40 years), which can be listened to on the Radio’s website and on next generation smartphones thanks to dedicated apps.

R101 is also present on the main social networks such as Facebook, Twitter, FriendFeed and YouTube, with official fan pages and proprietary channels, which are essential media for daily communication with its vast audience.
The website, enhanced with a new web TV presenting the radio station’s entire video production, shows significant web traffic data (over 200,000 single visitors and about 3 million page visits per month) while the Radio’s official Facebook page recently reached about 150,000 fans.

Corporate and other business

The Corporate segment includes – besides organisations managing the Group's financial assets – Parent Company functions providing services to Group companies and the different business areas.

These services are mainly associated with activities regarding ITC, administration, management control and planning, treasury and finance, human resources, legal and corporate affairs and public relations.
Revenues are mainly referred to amounts billed to subsidiaries and associated companies as well as other entities using the services described above.

Mondadori International

The financial assets managed by the Company at 31 December 2011 amounted to Euro 30.9 million (Euro 33.8 million at the end of 2010). In the period of reference, the Company posted a loss of Euro 0.2 million.

Financial assets at 31 December 2011 are broken down as follows:
- current accounts, cash and cash equivalents and time deposits with leading Italian banks with maturity lower than three months, for a total of Euro 15.9 million;
- floating rate bonds available for sale, for a total of Euro 15.0 million.

Financial position

Mondadori Group's financial position at 31 December 2011 showed a deficit of Euro 335.4 million, an improvement of Euro 7.0 million against 2010, after paying out dividends for Euro 40.3 million during the period of reference.

It is pointed out that the net financial position would show a deficit of Euro 342.3 million if calculated according to the method recommended by Consob as mentioned in note 13 of the Explanatory Notes, as it would not include the balance of "Non-current financial assets".

Net financial position

(Euro/million)	31/12/2011	31/12/2010
Cash and cash equivalents	82.9	84.9
Financial assets at fair value	-	-
Financial assets held for sale	15.7	26.2
Assets (liabilities) in derivatives	(11.6)	(5.3)
Other financial assets (liabilities)	3.7	(9.8)
Loans (short and medium long-term)	(426.1)	(438.4)
Net financial position	**(335.4)**	**(342.4)**

Interest and exchange rate trends

The fourth quarter of 2011 was characterised by a slowdown in the global economy, a reduction of international trade flows and the mitigation of the inflationary trend, thanks to a decrease in the main raw material prices.

Especially critical was the situation in certain Eurozone countries, where starting from the summer the further worsening of the sovereign debt crisis played an important role in the sharp downturn reflected in the last quarter's economic data.

Despite the measures adopted by the governments, tensions have not eased off, also because the main rating agencies downgraded some sovereign debts.

In this scenario, the monetary policies promoted by the main central banks have been definitely expansionary, with the aim of mitigating the risk that the economic cycle might slow down and slackening tensions on the financial markets.

More specifically, in the last quarter of 2011 the European Central Bank adopted measures concretely aimed at injecting liquidity into the credit system. In this sense, apart from cutting down the prime rate twice by 0.25% (currently at 1.00%) in November and December, it increased bank credit opportunities by offering favourable conditions on such operations.

In 2011 the 3-month Euribor started moving up from its minimum of 0.995% in January and closed the year at 1.356%, after reaching its peak at 1.615% at the end of July, before the global slowdown and the worsening of the sovereign debt crisis. The average value for the period was equal to 1.393%; the average cost of the Mondadori Group debt in 2011 was equal to 3.41%.

After four months of nearly constant growth from the trough of 1.291 recorded in January to the peak of 1.483 recorded in May, the Euro/Dollar exchange rate started fluctuating, closing 2011 at 1.296. The Euro/Sterling exchange rate followed a rather similar trend, from the trough of 0.830 recorded in January to the peak of 0.904 at the beginning of July, then backing down to 0.834 at year end.

The overall credit lines available to the Group at 31 December 2011 amounted to Euro 1,107.5 million, of which Euro 781.7 million committed.

The Group's short-term loans, equal to Euro 325.8 million and used for a total of Euro 1.2 million at 31 December 2011, included overdraft credit lines on current accounts and advances subject to collection.

The main medium/long-term loans are:
- Euro 320.0 million for a float rate bank loan with expiry in December 2014, granted by a pool of leading banks with international standing; the loan specifically includes a term loan for Euro 150.0 million, entirely utilised at 31 December, and a Revolving Facility loan for Euro 170.0 million, still unused; some Interest Rate Swaps contracts have been attached (linked bind) to the term loan for the purpose of transforming the float rate into fixed rate;
- a float rate term loan for Euro 50.0 million, expiring in May 2013, entirely utilised at 31 December;
- a float rate loan for Euro 200.0 million, expiring in December 2016, broken down into a term loan for Euro 50 million and a Revolving Facility loan for Euro 150 million, unused at 31 December; in September 2011 an Interest Rate Swap contract was attached to part of the Term Loan, with expiry in January 2014;
- a float rate amortising loan for Euro 104 million, specifically a Term Loan, granted by a pool of leading Italian banks with expiry in June 2015; an Interest Rate Swap Amortising contract is attached to part of the loan;
- a float rate bullet loan for Euro 50 million, specifically a term loan, granted by Mediobanca, expiring in March 2017; an Interest Rate Swap contract was attached to the term loan for the purpose of transforming the float rate into fixed;
- a float rate bullet loan for Euro 50 million, specifically a Revolving Credit Facility, granted by Mediobanca in July 2011 with expiry in December 2017, utilised for Euro 15 million at 31 December.

Personnel

Human resources

Employees with a fixed-term or permanent labour contract employed by the Group companies at 31 December 2011 totalled 3,664 people, compared with the 3,649 employees at the end of 2010; net of the effects of the consolidation of Mondadori Rodale S.p.A. and as a result of the development of new activities, the figure is down 0.6% against December 2010.

The early retirement plans authorised by the Ministry were fully implemented in 2011. As a result, 233 employees – having both a graphic-publishing and a journalism employment contract – left the Company in the two-year period. A similar situation was experienced in France, where the implementation of the approved Plan Social caused 74 employees to leave the Company in the two-year period.

Overall, it may therefore be said that the Reorganisation Plan announced in 2009, of which the above mentioned ministerial schemes were an important, but not exclusive part, has been completed successfully.

The following table provides a detailed overview of the Group personnel at 31 December 2011:

Personnel	31/12/2011	31/12/2010
Arnoldo Mondadori Editore S.p.A.:		
- Managers, journalists, office staff	1,153	1,108
- Workers	90	96
	1,243	**1,204**
Italian subsidiaries:		
- Managers, journalists, office staff	1,452	1,478
- Workers	57	58
	1,509	**1,536**
Foreign subsidiaries:		
- Managers, journalists, office staff	912	909
- Workers	-	-
	912	**909**
Total	**3,664**	**3,649**

Trade union relations

On the whole, 2011 was characterised by intense discussions with Trade Union representatives.
The renewal – in May and in July, respectively – of the Graphic-Publishing National Labour Agreement and of the two-year Journalists National Labour Agreement were very important in terms of economic impact. Mondadori participated in the negotiations as a representative of the employers' delegation.
In April, an agreement covering about 600 people was signed with the trade unions, according to which a new pole (Mondadori Direct) was created in the retailing area, by way of the merger by incorporation of Mondadori Franchising S.p.A. and Mondolibri S.p.A. into Mondadori Retail S.p.A.
In October, the first meeting of the European Business Committee of the Mondadori Group was held. In compliance with EU regulations, every year the Committee brings the Italian and French Trade Union representatives to the same table with the head of Personnel to analyse international media trends and outline perspectives for the Mondadori Group.
Lastly, it should be remembered that the top management and Trade Union

representatives have been carrying on negotiations throughout the year with a view to implementing the reorganisation plans signed in 2009.

Organisational evolution

The difficult market scenario led the Company to redefine the Group's macro-organisational structure for the purpose of setting the scene to maximize both efficiency of operating processes and the focus on business areas.
The Business Units focused more attention to the products and markets in order to pave the way for dealing with a possible severe industry crisis and long-term structural changes.
Moreover, we would like to underscore the already mentioned reorganisation of the Group in the retail business, through the merger of Mondadori Retail S.p.A., Mondadori Franchising S.p.A. and Mondolibri S.p.A., which consequently led to a rationalisation within the organisation.

Training

In 2011, Mondadori created and offered all its employees the Mondadori Training Program, a training plan that offers content, methodologies and educational tools designed to bring competences in synch with corporate strategies and business requirements.

The 10-year-tradition of planned training is therefore continuing, with the aim of supporting phases of change and making the most of the Group's managerial assets.

The Mondadori Training Program 2011 started from an attentive analysis of organisational needs and requirements, carried out by the development team with the direct and constant cooperation of business line managers.

The training offer was consequently divided into four areas: Corporate Training (courses dedicated to entry level employees, new middle managers and new executives, to support professional and managerial growth), Knowledge (courses dedicated to technical competences), Capabilities & Behaviour (courses to support managerial and behavioural skills) and Thematic Areas (courses designed for the development of the different professional profiles and competences within the company: administration, finance and control, marketing, digital, publishing, sales).

Training courses, held in-house in partnership with the most renowned business schools and training institutes, achieved an average participant consensus and satisfaction score of 90 on a scale of 0 to 100, confirming again this year that the educational standard is of excellent quality.

The investment in training within the framework of the Mondadori Training Program 2011 amounted to almost Euro 450,000, for a total of 20,000 training hours.
In 2011, the demand for training was definitely on the increase: excluding language training, the courses offered were 40 (36 in 2010) and participants 278 (224 in 2010). More specifically, middle and top managers accounted for 25% of participants.

Apart from these activities, various ad hoc training initiatives were held, designed for specific corporate populations, dedicated mostly to the development of digital skills, to supporting the organisational shift towards a matrix structure and to the growth of key profiles identified within the Group.

Ad hoc training activities involved 140 participants on the whole, for a total of 2,500 hours training and an investment of Euro 40,000.

Some Euro 217,000 cash was recovered last year after obtaining the loans requested in 2010 from Fondimpresa, Fondirigenti and Forte funds.

Risks connected with health and safety

In 2011, the work started in the previous years was carried on, with the aim of achieving further improvement in terms of health protection and safety in the workplace.

The usual fire drills took place during the period of reference in compliance with the schedule and modes provided for by the laws and regulations in force, with highly satisfactory results.

The company continued to train human resources to be appointed to the different roles, as provided for by law, in order to consolidate and integrate – where necessary – the organisational team dedicated to safety, which will in any case be thoroughly reviewed in 2012.

Apart from ordinary activities, which were performed according to schedule, an inter-company workgroup completed the analysis of the Section on work-related stress contained in Italian Legislative Decree 81/08.

As a result of this activity, also supported by the Group's Legal Affairs function, a specific procedure was defined and put into effect as of 1 September 2011. A memorandum on the matter was circulated to all the employees of the different company offices.

Capital expenditures

During the fiscal period closing on 31 December 2011, the Group made investments in technical assets for about Euro 10 million, mostly for the purpose of replacing electronic office machinery, furniture, décor and equipment for the new bookstores opened in the Direct Area and in relation to the setup of the new office of Mondadori France S.A.

Goods were disposed of with a residual value of Euro 0.4 million.

Performance of Arnoldo Mondadori Editore S.p.A.

The financial statements of the Parent Company Arnoldo Mondadori Editore S.p.A. at 31 December 2011 showed net income equal to Euro 55.3 million (Euro 51.7 million at 31 December 2010), while EBITDA totalled Euro 48.5 million (70.8 million in 2010).

The economic indicators mentioned point to a contrasting trend. EBITDA reflects the significant sales drop in the Books Area and in the Magazines Area, where revenues both from book sales and from advertising were down against financial year 2010.

Total investments in digital activities were rather significant in absolute values, as these are still in the start-up phase.

On the other hand, net income benefited from the higher proceeds from equity investments, which for 2011 included capital gains for about Euro 10 million from the disposal of the Hearst Mondadori Editoriale S.r.l. stake, and from lower taxes. In 2010, taxes included the non-recurring amount of Euro 8.7 million, relative to the settlement of pending fiscal litigation, in compliance with Italian Law 73 of 22 May 2010, with regard to the dispute pending with the Milan IRS Office relating to financial year 1991.

Main risks and uncertainties the Mondadori Group is exposed to

In defining the guidelines of its Internal Control System, pursuant to the provisions of the Corporate Governance Code of listed companies and to Italian Legislative Decree 195/2007 on transparency, the Mondadori Group implemented a process aimed at identifying and managing the main risks and uncertainties the Group's various business units are exposed to.

The internal model developed for the identification, assessment and management of risks is based on the principles of "COSO – Enterprise Risk Management" (COSO ERM), an international standard and one of the most authoritative and widely adopted approaches at the Italian and international level.

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

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

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

The actual existence and effectiveness of mitigating actions is verified by the Internal Auditing function. In addition, in cooperation with the Risk Management function, the management implements a Risk Response activity to align the risk relating to certain areas within a threshold considered acceptable (Risk Appetite).

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

Based on the results of the analyses carried out, the following is a brief summary of the main risks and uncertainties the Group is exposed to, in the following risk spheres:

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

Risks related to the economic scenario

In Italy, the latest GDP data available show a decline in the second half of the year attributable to a persistent slackening in domestic demand, related to the lower consumer and business confidence index. Industrial investments are hindered by the difficulties in obtaining financing and by tight liquidity, while private consumption is affected by shrinking household income and the critical situation of the labour market, especially in relation to youth unemployment (15-24 y.o.).

Future prospects remain highly uncertain, which affects the decision-making and spending of consumers and businesses, who are waiting to see any positive effects resulting from the structural measures currently being approved to boost the economy.

The Mondadori Group activities are significantly affected by scenario-related risk factors. Specifically, the lower advertising investments of businesses and decreasing consumer spending are the main risk factors arising from the last Risk Assessment.

Main risk	Mitigating actions
Lower advertising investments, in terms of both sales volumes and average prices, in a context characterised by discontinuity in the advertising market.	Innovation of the offer portfolio in order to respond promptly to advertisers' requirements, with a multimedia and integrated approach. Defence of value by adopting measures aimed at retaining the average price level. Reorganisation of sales networks.
Lower consumption may affect on Group performance, causing a slow recovery of revenues and margins.	Focus on product quality and innovation, both on traditional markets and as regards the development of digital markets, also through diversification strategies. Key is the power and value of the brands, crucial assets for business development.

Financial and credit risks

The critical issues linked to the current economic-financial situation persist, with significant reverberations on business trends, above all in a moment of remarkable technological/structural evolution for the publishing industry.
The Group is exposed to financial risks related to the availability and cost of money – due to the credit crunch – and to the impact of business performance on asset value. The risk associated with trade receivables arises from the extension of average collection time (also when doing business with the Public Administration) and includes the risk of contract and counterparty default.

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

Main risks	Mitigating actions
The current market situation and future trend as well as the Group's financial performance could affect the value of assets in the financial statements, not ensuring adequate coverage.	Accurate monitoring to ensure that financial performance is in line with forecasts. Timely action by management in case of discrepancy, in order to improve performance and minimise the likelihood and scope of the risk. Regular/consistent reporting to top management and the Board of Directors.
The unbalance between cash inflows and payments as well as the insolvency of any customers might worsen the Group's financial position.	Continuous monitoring with ad hoc analysis of customers' credit exposure, aimed at achieving a sustainable balance in the needs of both sides. In addition, regularly the Group recourse to adequate hedging instruments.
The current difficult economic-financial situation could reverberate on the actual availability and cost of money for the Group.	With the aim of achieving financial balance, definition of a financial structure favouring recourse to committed financing, in order to ensure that maturities are distributed over an extended timeframe.

Business risk: competitive scenario and strategic risk

The publishing and media sector is still characterised by deep discontinuity and major changes, driven above all by the increasingly digital evolution of business models, which leads publishers to re-think their role and activities in order to update and continue to value traditional assets (content, authors, brands, reader community) in the emerging scenarios.

Consequently, the main business risks the Mondadori Group is exposed to include specific aspects related to evolving technology – discontinuity affecting both expertise / know-how and technical advancements – as well as elements linked to the competitive arena, characterised by pressure by traditional competitors and new players from other industries (e.g. Google, Amazon), and to product innovation.

Main risks	Mitigating actions
Technological discontinuity driving changes in traditional business models.	Constant monitoring of digital developments in the publishing and media sector; swift development of products and services in line with the market trends, with a view to closely integrating traditional and new media, taking advantage of the value of the Group's brands and intangible assets. The Digital division was created to this end, with the aim of supporting the digital evolution of the different business areas with a synergic and integration-oriented rationale.
Growing competition in the Group's markets, due to the growing competitiveness of existing players and to new players coming into the market.	Ongoing investment in product quality, extending and re-thinking the offer with the aim of distinguishing it from its competitors', making the most of the resources and know-how generated by business synergies and taking advantage of the Company's leadership position in several market sectors (e.g. books, magazines).
Insufficient focus on product innovation and business development could jeopardise the ability to adequately live up to market requirements.	Constant re-design of the publishing offer (e.g. restyling and reviewing magazines, series, strategies, formats), always taking advantage of the brand's consolidated standing and content quality, combining the unchanged focus on traditional business with a determined digital growth, so as to diversify the platforms and offer a greater added value to both end customers and advertisers.

Regulatory risk

The Mondadori Group operates in a complex regulatory context. The introduction of new regulations as well as changes to existing regulations may have an impact in terms of higher charges in the internal Governance & Compliance processes with regard to specific issues, such as Italian Legislative Decree 231/2001, Italian Legislative Decree 196/2003 on Privacy and Italian Law 262/2005 in the matter of protection of savings and fiscal fulfilments, and significantly affect competitiveness as well as market conditions in some business areas.

Main risks	Mitigating actions
Higher charges in fulfilling regulatory requirements with regard to specific issues involving the Group's business areas.	Constant control and active participation, also through category associations (e.g. Fieg), in discussions for the issuance of new regulatory provisions. Punctual implementation of regulatory novelties/changes within the Group's internal policies and timely adjustment of business activities to the new regulatory context of reference.
Higher charges and/or critical issues in fulfilling regulatory requirements with regard to applicable fiscal regulations.	The Legal and Tax Office constantly monitors the evolution of tax regulations, also thanks to the support of sector experts, and is involved in all fiscal matters regarding both the single companies and the Group.
Critical compliance issues specifically relating to the Italian law on the administrative liability of legal entities (Italian Legislative Decree 231/2001).	Adoption of a Group Organisational, Management and Control Model that meets the requirements of Italian Legislative Decree 231/2001, updated and integrated in accordance with regulatory changes, legal interpretations and the accrued experience on enforcement. The Model is constantly monitored by the Supervisory Body, which checks that it is enforced and that it works correctly, also with the help of the Internal Audit function.

Risk associated with brand protection

The Mondadori Group is aware that the value of its brands, content, authors and reader community is a key asset to continue to grow and reach levels of excellence even in the newly emerging publishing business scenario. Consequently, the Group's policies and activities are geared to maintain and improve the value of such intangible assets.

Main risks	Mitigating actions
The occurrence of events that may damage the Group's image and brands could result in the loss of customers, profits and reputation.	Monitoring and promptly acting to manage any such occurrence in the best possible way, limiting any negative repercussions. This goes hand in hand with the organisation of cultural initiatives and events that proactively communicate the positive identity traits driving the Group's activities.

Relevant events occurred in the period

Acquisition of 50% of Mondadori Rodale S.r.l.

At the end of June 2011, Arnoldo Mondadori Editore S.p.A. acquired from Rodale Inc. 50% of the capital of Mondadori Rodale S.r.l., publisher of *Starbene* and *Men's Health* magazines, thus increasing its holding to 100%.

The transaction was completed against the payment of a price of Euro 250 thousand.

Moreover, as a result of the acquisition of the residual 50% holding, it was incorporated into Arnoldo Mondadori Editore S.p.A. as of 31 December 2011.

Disposal of stake in Hearst Mondadori Editoriale S.r.l.

At the end of June 2011 Arnoldo Mondadori Editore S.p.A. transferred to HMI International Holdings LLC, against a price of approximately Euro 10 million, the whole stake held in Hearst Mondadori Editoriale S.r.l., equal to 50% of the company's capital.

Purchase of stake in AR Technology S.a.s.

In the second half of November 2011, EMAS Digital S.a.s., a joint venture specifically set up by Mondadori France and Axel Springer, acquired 83% of the capital of AR Technology, which – through its wholly owned subsidiary Autoreflex – operates in the field of value-added web services.

Setup of Glaming S.r.l.

As part of the development strategy for the Digital Area, together with Fun Gaming S.r.l. – a company owned by Mr. Marco Bassetti – Arnoldo Mondadori Editore S.p.A. set up a new company, called Glaming S.r.l., in which it holds a 70% stake. The company will manage online public games, the licenses for which have been granted by the Amministrazione Autonoma dei Monopoli di Stato (Italian Autonomous Administration of the State Monopolies).

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

The following table shows a comparison between Arnoldo Mondadori Editore S.p.A.'s Shareholders' equity and results in 2011 and the Group's consolidated Shareholders' equity and results.

(Euro/thousand)	Net equity	Net result for the period
Balance - Parent Company's financial statements	524,439	55,343
Dividends received by the Parent Company from subsidiary and associated companies		(37,949)
Cancellation of intercompany profits	(8,721)	(446)
Equity and financial contribution from directly associated companies	9,847	3,259
Equity and financial contribution from subsidiary and indirectly associated companies, net of the aforementioned items	48,246	29,414
Balance - Group's consolidated financial statements	573,811	49,621

Foreseeable evolution

During the first two months of 2011, the general consumption trends and the specific trends relating to the markets of reference for Mondadori have remained negative, in line with the last months of 2011.
At present, there are no signs pointing to a reversal of this trend and an improvement of the scenario, at least for the first semester; moreover, advertising investment planning remains shaky, even in the short term.
Priorities for 2012 include Group leadership retention actions in the Italian magazine and book markets, performance consolidation actions in France, digital development actions – both in books (e-books) and in other business areas – international business expansion and diversification actions. The reduction of operating costs will be further pursued as well, in order to limit the negative impact of increased production costs.
In such a problem-ridden market scenario, even assuming full efficacy of the above mentioned actions, it is unlikely that the Group will achieve the same level of profitability as in financial year 2011.

Significant events occurred after closure

Disposal of the residual 20% stake in Mondadori Printing S.p.A. to the Pozzoni group

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

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

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

As a result of the transaction, Mondadori Printing S.p.A. is now fully owned by Pozzoni.
The eight-year printing agreement signed by the parties at the same time as the above mentioned 2008 agreement remains in full effect.

Other information

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

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

Grant pursuant to article 1, par. 40 of Italian Law 220 of 13 December 2010

Pursuant to article 1, par. 40 of Italian Law 220 of 13 December 2010 and to article 4, par. 181-186 of Italian Law 350 of 24 December 2003, in February 2012 Arnoldo Mondadori Editore S.p.A. filed an application to obtain the grant in the form of tax credit calculated as 10% of the cost of paper used for printing publishing products in 2011.

Since as of the reporting date there is no certain data on the amount that will actually be granted, prudentially no amount at all was posted in this respect in the financial statements at 31 December 2011.

Transactions with related parties

In compliance with the provisions set out in article 5, par. 8 and article 13, par. 3 of the "Regulation in the matter of transactions with related parties" issued by Consob through Resolution 17221 of 12 March 2010 (the "Consob Regulation"), the following is reported relating to the period of reference:

a) one single transaction with a related party was completed, which qualifies as a significant transaction since it exceeds the relevant quantitative threshold.
   The transaction is exempted from the provisions under the above mentioned article 13, par. 3, letter c) of the Consob Regulation and contained in the procedures adopted by Arnoldo Mondadori Editore S.p.A. in compliance with article 4 of said Regulation because it qualifies as an ordinary transaction concluded at market conditions, as specified herein below.
   Here are the details of the transaction:
   Counterparty: Mediobanca - Banca di Credito Finanziario S.p.A., as Lending Bank.
   Object: Loan agreement of 6 July 2011 relating to a Revolving Credit Facility for a total of Euro 50,000,000.00, with expiry on 15 December 2017.
   Consideration: annual interest equal to Euribor for the period plus 175 basis points, without prejudice to any variations arising from changes in the NFP/EBITDA ratio.
   Fees: upfront fee equal to 80 basis points on the amount of the loan.
   The following is further specified:
   - the use of the credit line is ancillary with respect to the Group's operating activities;
   - the terms and conditions, specifically relating to Euribor and fees, are in line with similar transactions defined or negotiated with other banking institutions that do not qualify as related parties;
   - the scope of the transaction does not exceed that of other similar transactions defined or negotiated with other banking institutions that do not qualify as related parties;
b) No transactions were concluded with related parties as defined in article 2427, par. 2 of the Italian Civil Code, which had a significant impact on the Company's equity or performance.
c) No changes or developments relating to the transactions with related parties illustrated in the last Annual Report are reported which had a significant impact on the Company's equity or performance in the financial year of reference.

Moreover, also in relation to article 2427 par. 22 *bis* and *ter* of the Italian Civil Code, no atypical or unusual operations are reported outside the Company's ordinary management of operations.
Transactions with related parties were completed at standard market conditions. Those concluded with Mondadori Group companies are intercompany current account trade and financial transactions, managed by Arnoldo Mondadori Editore S.p.A., to which the various subsidiaries and associated companies participate based on their relevant debt and credit positions.

For further details, reference should be made to the Explanatory Notes to the Financial Statements of Arnoldo Mondadori Editore S.p.A. and to the Group's Consolidated Financial Statements.

Tax consolidation

In relation to the tax consolidation regime pursuant to art. 117 and following of Italian Presidential Decree 917/1986, Arnoldo Mondadori Editore S.p.A. exercised the option to adhere to the tax consolidation regime with Fininvest S.p.A. as consolidating company.

The consolidation agreement contains a protection clause according to which the Mondadori Group shall not be required to pay more income tax than the Group would have paid if Arnoldo Mondadori Editore S.p.A. had created its own tax consolidation agreement.

Moreover, according to the agreement, on account of the taxable income transferred by all Fininvest Group companies adhering to the tax consolidation, any tax benefits for the consolidating Fininvest S.p.A. deriving from the Mondadori Group's adherence to the tax consolidation regime shall be acknowledged to Arnoldo Mondadori Editore S.p.A.

Any credit and debit resulting from adherence to such tax consolidation agreement are posted as credit or debit to holding companies.

Tax transparency

With reference to art. 115 of Italian Presidential Decree 917/1986, the "tax transparency" option was exercised jointly by Arnoldo Mondadori Editore S.p.A. and the following associated companies:
- Harlequin Mondadori S.p.A.
- Società Europea di Edizioni S.p.A.

Furthermore, the same option was exercised by Mondadori Pubblicità S.p.A. and Mediamond S.p.A.

After exercising this option, the taxable income and tax losses of the above mentioned companies concur to form the taxable income of Arnoldo Mondadori Editore S.p.A. and Mondadori Pubblicità S.p.A. proportionally to the stake held.

Direction and coordination activities (article 2497 and following of the Italian Civil Code))

Although Fininvest S.p.A. holds a controlling stake pursuant to art. 2359 of the Italian Civil Code, it does not exert any direction and coordination activity as defined in art. 2497 *bis* and following of the Italian Civil Code on Arnoldo Mondadori Editore S.p.A., it manages the stake held in Arnoldo Mondadori Editore S.p.A. merely from a financial standpoint.

In relation to the companies controlled by Arnoldo Mondadori Editore S.p.A., the Board of Directors ascertained – pursuant to law requirements and bearing in mind that the Board of Directors defines the general strategic and organisational orientation for the subsidiaries as well – the exercise of direction and coordination activities pursuant to art. 2497 and following of

the Italian Civil Code in relation to the following subsidiaries pursuant to art. 2359 of the Italian Civil Code:
Cemit Interactive Media S.p.A.
Edizioni Piemme S.p.A.
Mondadori Education S.p.A.
Giulio Einaudi editore S.p.A.
Mondadori Electa S.p.A.
Mondadori Pubblicità S.p.A.
Mondadori Direct S.p.A.
Press-Di Distribuzione Stampa
e Multimedia S.r.l.
Sperling & Kupfer Editori S.p.A.
Monradio S.r.l.
Mondadori Iniziative Editoriali S.p.A.
Mondadori International S.p.A.

The abovementioned companies consequently fulfilled their respective information obligations pursuant to art. 2497 *bis* of the Italian Civil Code.

Documento Programmatico sulla Sicurezza (privacy) (Italian Safety and Security Policy)

In relation to the confidentiality obligations specified in Italian Legislative Decree 196/2003, data owner Arnoldo Mondadori Editore S.p.A. lawfully states and assures it has prepared the Documento Programmatico sulla Sicurezza (Italian Safety and Security Policy) provided for in rule no. 19 of the minimum technical safety and security specifications (Annex B to Italian Legislative Decree 196/2003), in compliance with the terms and conditions provided by the law.

Operations relating to Treasury shares

Disposal of portion of Treasury shares held in the Company's portfolio corresponding to 5% of the share capital
The extraordinary Shareholders' Meeting of 21 April 2011 resolved to sell no. 12,971,492 Treasury shares with a nominal unit value of Euro 0.26, which correspond to 5% of the Company's share capital, which is reduced accordingly, keeping no. 4,878,609 shares in the Company's portfolio at the date of the Meeting – also for stock option plan purposes – as well as another no. 4,517,486 shares held by subsidiary Mondadori International S.p.A.

The proposal to dispose of such portion of the Treasury shares held in the Company's portfolio arises from the consideration that in recent years there has been no opportunity to use the shares consistently with the purpose for which the Shareholders' Meeting had authorised their purchase, such as stock exchange or financial instrument conversion transactions.

As a result of said disposal and the consequent reduction of shares representing the Company's share capital, the Company's equity structure is optimised with a positive impact in terms of increased earnings per share and dividend per share, concurrently retaining the soundness necessary to support the Company's future growth objectives.

The operation was successfully completed on 3 August 2011 after the expiry of the term provided for in article 2445 of the Italian Civil Code, without opposition.

The operation resulted in a reduction of registered "Treasury shares" – posted as a reduction in Shareholders' equity, in compliance with international accounting standards – for an amount corresponding to the value of the shares sold (approximately Euro 80,030,000.00), specifically entailing:
- a share capital reduction amounting to nominal Euro 3,372,587.92, i.e. from Euro 67,451,756.32 to Euro 64,079,168.40, as a result of the disposal of no. 12,971,492 Treasury shares with a nominal unit value of Euro 0.26;
- a reduction in the "Share premium reserve" of approximately Euro 76,658,000.00, corresponding to the value of the Treasury Shares sold net of the overall nominal value of the same shares charged – as above – to the share capital decrease.

Renewal of the authorisation to purchase and sell Treasury shares
Pursuant to article 2357 and following of the Italian Civil Code, the Shareholders' Meeting of 21 April 2011 resolved upon the renewal of the authorisation to purchase and sell Treasury shares, following the expiry of the preceding authorisation resolved upon on 27 April 2010, with the aim of retaining the applicability of law provisions in the matter of any additional re-purchase plans and, consequently, of picking up any investment and operational opportunities involving Treasury Shares.

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

2. Duration
Until the approval of the 2011 financial statements.
3. Maximum number of purchasable Treasury shares
A maximum of no. 16,546,887 shares, equal to 6.71% of the current share capital.
On account of the shares already directly or indirectly held by the Company and upon completion of the disposal process involving no. 12,971,492 Treasury shares and the consequent above described capital reduction, the authorised purchases would result in the attainment of a total of 10.52% of the Company's share capital.
4. Purchase criteria and indication of the minimum and maximum price
Purchases would be made on markets regulated pursuant to art. 132 of Italian Legislative Decree 58 of 24 February 1998 and art. 144 *bis*, par. 1, letter B of Consob Regulation 11971/99 in accordance with the operating procedures established by the rules for the organisation and management of said markets, which do not allow the direct matching of buy orders with predetermined sell orders.

The minimum and maximum purchase price is determined under the same conditions established by the preceding Shareholders' Meeting authorisations and, therefore, at a unit price not lower than the official Stock Exchange price of the day preceding the purchase transaction, reduced by 20%, and not higher than the official Stock Exchange price of the day preceding the purchase transaction, increased by 10%.
In terms of daily prices and volumes the purchase transactions would be completed in compliance with the conditions established in EC Regulation 2273/2003, and, specifically:
- the Company shall not purchase Treasury shares at a price higher than the highest between the price of the latest single transaction and that of the highest single bid traded in the regulated market in which such purchase takes place;
- in terms of daily purchase volumes, the Company shall not purchase a quantity of shares higher than 25% of the daily average volume of Mondadori shares

traded in the regulated market and calculated based on the daily average traded volume of Mondadori shares in the 20 trading days preceding the dates of purchase.

Between July and November 2011, in accordance with the criteria defined in the Shareholders' Meeting resolution, Arnoldo Mondadori Editore S.p.A. purchased a total of no. 2,926,822 Treasury shares on the Mercato Telematico Azionario (Italian Telematic Stock Exchange), for a total value of Euro 5,518,368.81. The Company did not proceed to any disposal and subsidiaries did not proceed to any purchase or disposal.

At the date of approval of this report, the Company holds no. 12,322,917 Treasury shares in total (5% of the Company's share capital), of which no. 7,805,431 are held directly in the portfolio of Arnoldo Mondadori Editore S.p.A. (average unit price: Euro 4.56) and no. 4,517,486 held by the subsidiary Mondadori International S.p.A. (average unit price: Euro 7.71).

Report on corporate governance and ownership structure (article 123 *bis* of Italian Legislative Decree no. 58 of 24 February 1998)

The report on corporate governance and ownership structure containing information on the adoption by Arnoldo Mondadori Editore S.p.A. of the Corporate Governance Code of listed companies established by Borsa Italiana S.p.A., as well as further information pursuant to article 123 *bis* par. 1 and 2 of the Italian Legislative Decree 58 of 24 February 1998 is available – together with this report on operations – on the www.mondadori.it website under Governance and can also be obtained as provided for in article 89 *bis* of Consob Regulation 11971/1999.

Proposals of the Board of Directors

Proposal for resolution

The Financial Statements as at 31 December 2011 show a net income for the financial year of Euro 55,342,667.63.

First resolution:

The Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A., ordinarily convened, having acknowledged the Statutory Auditors' report and the Independent Auditors' report

resolves

to approve the Board of Directors' Report on Operations and the Financial Statements at 31 December 2011, including all the information and results therein contained.

Second resolution:

In consideration of the current market scenario, as described in the "Foreseeable evolution" section, and although the net result of the financial year 2011 is increasing against the previous period, the Board of Directors proposes not to pay out dividends on the financial year 2011 with the aim of reinforcing the Company's equity and financial structure.

Therefore, the following resolution is proposed:

The Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A., ordinarily convened, with reference to the destination of the net income of Euro 55,342,667.63 resulting from the Financial Statements as at 31 December 2011

resolves

to fully allocate the net income of the financial year amounting to Euro 55,342,667.63 to extraordinary reserves (under item "Other reserves").

For the Board of Directors
The Chairman
Marina Berlusconi

Arnoldo Mondadori Editore S.p.A.
Financial Statements
at 31 December 2011

Balance sheet

Assets (in Euros)	Note	31/12/2011	31/12/2010
Intangible assets	1	90,638,979	91,116,210
Property investments	2	2,760,831	2,382,845
Land and buildings		7,965,386	8,317,461
Plants and machinery		4,508,202	4,765,495
Other tangible assets		3,963,266	3,906,661
Property, plants and equipment	3	16,436,854	16,989,617
Investments	4	638,857,192	642,448,638
Non-current financial assets	4	50,000,000	50,605,220
Anticipated tax assets	5	19,773,498	20,766,540
Other non-current assets	6	423,121	464,946
Total non-current assets		818,890,475	824,774,016
Tax receivables	7	25,163,635	14,858,703
Other current assets	8	40,486,942	39,100,597
Inventory	9	30,643,209	31,619,890
Trade receivables	10	195,077,560	222,634,782
Other current financial assets	11	100,182,014	93,699,519
Cash and other cash equivalents	12	61,987,100	73,440,320
Total current assets		453,540,460	475,353,811
Assets held for sale or transferred		-	-
Total assets		1,272,430,935	1,300,127,827

Liabilities (in Euros)	Note	31/12/2011	31/12/2010
Share capital		64,079,168	67,451,756
Share premium reserve		210,199,564	286,857,191
Treasury shares		(35,617,923)	(110,129,768)
Other reserves and result carried forward		230,435,463	222,192,103
Profit (loss) for the period		55,342,668	51,733,096
Total net equity	13	524,438,940	518,104,378
Provisions	14	29,292,844	27,520,665
Post-employment benefits	15	24,467,870	24,393,095
Non-current financial liabilities	16	253,923,569	265,021,935
Deferred tax liabilities	5	21,185,854	19,935,902
Other non-current liabilities		-	-
Total non-current liabilities		328,870,137	336,871,597
Income tax payables	17	10,101,067	14,305,492
Other current liabilities	18	71,301,253	69,482,291
Trade payables	19	182,250,390	173,982,897
Payables t/w banks and other financial liabilities	16	155,469,148	187,381,172
Total current liabilities		419,121,858	445,151,852
Liabilities held for sale or transferred		-	-
Total liabilities		1,272,430,935	1,300,127,827

Income statement

(in Euros)	Note	FY 2011	FY 2010
Revenues from sales and services	20	720,912,296	751,419,488
Inventory decrease (increase)	9	1,296,358	(364,071)
Costs of raw, ancillary, consumption materials and goods	21	161,201,683	181,087,701
Costs of services	22	392,225,724	385,141,419
Personnel	23	113,510,583	116,348,869
Other cost (income)	24	4,149,453	(1,627,963)
EBITDA		48,528,495	70,833,533
Depreciation of properties, plants and machinery	2-3	3,509,283	3,650,713
Amortisation and impairment loss of intangible assets	1	1,237,240	1,180,902
EBIT		43,781,972	66,001,918
Financial income (costs)	25	(7,473,361)	(6,648,803)
Income (costs) from investments	26	35,446,973	23,055,480
Pre-tax result		71,755,584	82,408,595
Income tax	27	16,412,916	30,675,499
Net result		55,342,668	51,733,096

Comprehensive income statement

(in Euros)	Note	FY 2011	FY 2010
Net result		55,342,668	51,733,096
Effective portion of income (loss) on cash flow hedge instruments		(4,058,835)	635,265
Tax impact on differences		941,482	-
Comprehensive net result		52,225,315	52,368,361

For the Board of Directors
The Chairman
Marina Berlusconi

Table of changes in Shareholders' equity

(Euro/000)	Note	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other reserves	Income (loss) for the period	Total of net equity
Balance at 01/01/2010		67,452	286,857	(104,002)	6,701	160,963	53,180	471,151
Changes in:								
- Profit allocation						53,180	(53,180)	
- Dividend payout								
- (Purchase) of Treasury shares				(6,128)				(6,128)
- Sale/cancellation of Treasury shares								
- Stock options	23				424	288		712
- Other reserves								
- Comprehensive income for the period						636	51,733	52,369
Balance at 31/12/2010		67,452	286,857	(110,130)	7,125	215,067	51,733	518,104

(Euro/000)	Note	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other reserves	Income (loss) for the period	Total of net equity
Balance at 01/01/2011		67,452	286,857	(110,130)	7,125	215,067	51,733	518,104
Changes in:								
- Profit allocation						10,664	(10,664)	
- Dividend payout							(41,069)	(41,069)
- (Purchase) of Treasury shares				(5,518)				(5,518)
- Sale/cancellation of Treasury shares		(3,373)	(76,657)	80,030				
- Stock options	23				(1,176)	1,872		696
- Other reserves								
- Comprehensive income for the period						(3,117)	55,343	52,226
Balance at 31/12/2011		64,079	210,200	(35,618)	5,949	224,486	55,343	524,439

For the Board of Directors
The Chairman
Marina Berlusconi

Cash flow statement

(Euro/000)	Note	31/12/2011	31/12/2010
Net result for the period		55,343	51,733
Adjustments			
Amortisation, depreciation and impairment loss		17,280	21,441
Income tax	27	16,413	30,675
Stock options	23	648	622
Provision for post-employment benefits		3,680	(7,560)
Capital loss (gain) from the sale of intangible assets, properties, plants and machinery		(10,072)	(60)
Revenues from investments - dividends	26	(37,948)	(39,665)
Net financial costs (revenues) on loans and transactions with derivatives		9,633	7,487
Cash flow generated from operations		54,977	64,673
Trade receivables (increase) decrease		30,724	(18,203)
Inventory (increase) decrease		1,066	(364)
Trade payables increase (decrease)		8,703	12,423
Income tax payables		(17,733)	(30,665)
Increase (decrease) in the provisions for post-employment benefits		(5,847)	(5,782)
Net difference for other assets/liabilities		(8,866)	61,431
Cash flow generated from (absorbed by) operations		63,024	83,513
(Purchase) disposal of intangible assets		(1,027)	(391)
(Purchase) disposal of properties, plants and machinery		(4,217)	(1,433)
(Purchase) disposal of investments		922	(16,293)
Revenues from investments - dividends	26	37,948	39,665
(Purchase) disposal of securities and other financial assets	11	(6,523)	(77,198)
Cash flow generated from (absorbed by) investment activities		27,103	(55,650)
Increase (decrease) of payables due to banks		(31,912)	(101,220)
(Purchase) sale of Treasury shares	13	(5,518)	(6,128)
Net difference of other financial assets/liabilities	16	(15,879)	125,612
Collection of net financial revenues (payment of costs) on loans and transactions with derivatives		(7,988)	(8,109)
Dividend payout	13	(40,283)	-
Cash flow generated from (absorbed by) financing activities		(101,580)	10,155
Cash and cash equivalent increase (decrease)		(11,453)	38,018
Cash and cash equivalent at the beginning of the year	12	73,440	35,422
Cash and cash equivalent at the end of the year	12	61,987	73,440
Cash and cash equivalent composition			
Cash, cheques and securities		4	4
Bank and postal deposits	12	61,983	73,436
		61,987	73,440

For the Board of Directors
The Chairman
Marina Berlusconi

Financial situation pursuant to Consob Resolution no. 15519 of 27 July 2006

Balance sheet

Assets					
(Euro/000)	Note	31/12/2011	of which related parties (note 30)	31/12/2010	of which related parties (note 30)
Intangible assets	1	90,639		91,116	
Property investments	2	2,761		2,383	
Land and buildings		7,965		8,317	
Plants and machinery		4,508		4,766	
Other tangible assets		3,963		3,907	
Properties, plants and machinery	3	16,436		16,990	
Investments	4	638,857		642,449	
Non-current financial assets	4	50,000	50,000	50,605	50,000
Anticipated tax assets	5	19,774		20,766	
Other non-current assets	6	423		465	
Total non-current assets		818,890	50,000	824,774	50,000
Tax receivables	7	25,164		14,859	
Other current assets	8	40,487		39,101	
Inventory	9	30,643		31,620	
Trade receivables	10	195,078	125,399	222,635	132,284
Other current financial assets	11	100,182	96,685	93,699	91,536
Cash and cash equivalents	12	61,987		73,440	
Total current assets		453,541	222,084	475,354	223,820
Assets held for sale or transferred		-		-	
Total assets		1,272,431	272,084	1,300,128	273,820

Liabilities					
(Euro/000)	Note	31/12/2011	of which related parties (note 30)	31/12/2010	of which related parties (note 30)
Share capital		64,079		67,452	
Share premium reserve		210,200		286,857	
Treasury shares		(35,618)		(110,130)	
Other reserves and results carried forward		230,435		222,192	
Income (loss) for the period		55,343		51,733	
Total net equity	13	524,439		518,104	
Provisions	14	29,293		27,521	
Post-employment benefits	15	24,468		24,393	
Non-current financial liabilities	16	253,924	65,000	265,022	50,000
Deferred tax liabilities	5	21,186		19,936	
Other non-current liabilities					
Total non-current liabilities		328,871	65,000	336,872	50,000
Income tax payables	17	10,101	10,101	14,306	14,306
Other current liabilities	18	71,301		69,482	
Trade payables	19	182,250	102,109	173,983	101,719
Payables due to banks and other financial liabilities	16	155,469	128,355	187,381	157,024
Total current liabilities		419,121	240,565	445,152	273,049
Liabilities held for sale or transferred		-		-	
Total liabilities		1,272,431	305,565	1,300,128	323,049

Income statement

(Euro/000)	Note	FY 2011	of which related parties (note 30)	of which non-recurring costs (revenues) (note 29)	FY 2010	of which related parties (note 30)	of which non-recurring costs (revenues) (note 29)
Revenues from sales and services	20	**720,912**	**529,120**	-	**751,419**	**541,865**	-
Inventory decrease (increase)	9	1,296	-	-	(364)	-	-
Cost of raw, ancillary, consumption materials and goods	21	161,202	132,307	-	181,087	139,658	-
Costs for services	22	392,226	188,663	-	385,141	188,979	
Personnel	23	113,511		-	116,349	-	-
Other costs (revenues)	24	4,149	(11,217)	-	(1,628)	(12,514)	-
EBITDA		48,528	219,367	0	70,834	225,742	0
Depreciation of properties, plants and machinery	2-3	3,509	-	-	3,651	-	-
Amortisation and impairment loss of intangible assets	1	1,237	-	-	1,181	-	-
EBIT		43,782	219,367	0	66,002	225,742	0
Financial revenues (costs)	25	(7,473)	2,008	-	(6,649)	2,440	-
Revenues (costs) from investments	26	35,447	37,948	-	23,055	39,664	-
Pre-tax result		71,756	259,323	0	82,408	267,846	0
Income tax	27	16,413	-	-	30,675	-	8,654
Net result		55,343	259,323	0	51,733	267,846	(8,654)

In relation to Arnoldo Mondadori Editore S.p.A. activities and results, number of employees, economic outlook and significant events occurred after closure, refer to the "Directors' Report on Operations" for the financial year 2011.

Accounting principles and explanatory notes to the financial statements

1. General information

Arnoldo Mondadori Editore S.p.A.'s core business is the performance of activities in the publishing sector of books, magazines and the sale of advertising space. The Company has its legal offices in Milan, via Bianca di Savoia 12, and headquarters in Segrate, Milan, Strada privata Mondadori.

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

The values indicated in the tables and in these notes, if not otherwise specified, are expressed in Euro thousands.

The Arnoldo Mondadori Editore S.p.A. financial statement for the year closed at 31 December 2011 were approved by the Board of Directors on 19 March 2012 and published together with any additional documents of the Company's Annual Report pursuant to art. 154-*ter* of the Italian Finance Consolidation Act and the Statutory Auditors' Report as well as the Report of the Independent Auditing Firm in compliance with the terms envisaged by law, at Borsa Italiana S.p.A. and on the Company's website. The financial statements will be published by means of filing with the Registrar of Companies within 30 days after the Shareholders' Meeting of 19 April 2012, called for the approval of the 2011 financial statement.

2. Form and content

The financial statements at 31 December 2011 was drafted in compliance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU and in compliance with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The financial statements were prepared with the understanding that the company will continue to operate in the future. The company has decided that, despite the difficult economic and financial context, there is no significant uncertainty (as defined by IAS 1.25) surrounding its ability to continue operating in the future, partly as a result of the actions already undertaken to adjust to the changing levels in demand and to the industrial and financial flexibility of the company.

The Arnoldo Mondadori Editore S.p.A. adopted the principles applied as of 1 January 2005, following the adoption of European Regulation no. 1606 of 19 July 2002.

It should be noted that the disclosures pursuant to IFRS 1, related to the impact of the first adoption of the International Accounting Principles, are contained in a separate attachment "Transition to the IAS/IFRS accounting principles" to the 2005 Half-Year Interim Report and the 2005 Company's Financial Statements, to which reference should be made.

The financial statements at 31 December 2011 were prepared in accordance with the accounting standards used for the preparation of IAS/IFRS financial statements as at 31 December 2011, taking into consideration any new amendments and standards with effect from 1 January 2011, 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 consolidated 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 consolidated comprehensive income statement contains revenue and cost items that are not recognised under income (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

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

The amounts shown in the tables and in these notes are expressed in Euro thousands unless otherwise specified.

3. Accounting principles and valuation criteria

The following is an explanation of the principles adopted by the Company in preparing the IAS/IFRS financial statements at 31 December 2011.

3.1 Intangible assets

When it is probable that costs will generate future economic benefits, intangible assets include the cost and related 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, based on the fact that cost is determined 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 valued at cost, net of accumulated depreciation and any accumulated impairment losses.

Intangible assets purchased separately and those purchased as part of business combinations that took place before the first adoption of IAS/IFRS are initially recognised at cost, while those purchased as part of business combination transactions carried out after the first adoption of IAS/IFRS are initially recognised at 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 that the asset is available for use. The amortisation criteria depend on how the related future economic benefits contribute to the Company's results.

The depreciation 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 and useful life
Goods under concession or license	Duration of concession or license
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 table below:

Intangible assets with an indefinite useful life
Titles
Brands
Goodwill

Goodwill represents the excess of the cost of a business combination over the Company's purchased share in the fair value of the assets, liabilities and contingent liabilities acquired, as identifiable at the time of purchase. Goodwill and other intangible assets, with an indefinite useful life, are not subject to depreciation but to an impairment test of their book 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 related to a Cash Generating Unit (or to a group of units) whose assets are partially disposed of, goodwill associated with the asset disposed of is reviewed in order to determine any capital gains or losses resulting from the transaction. In these circumstances, 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 Property investments
A property investment is recognised as an asset when it is held in order to earn income from its rental or to increase its invested capital value, on condition that the cost of the asset can be reliably measured and that future economic benefits will flow to the entity.

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

Costs, incurred 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.

Cost of property investments, except for that part pertaining to the cost of the land, is systematically amortised over the useful life of the asset. Depreciation criteria depend on the related future economic benefits.

The depreciation rates that reflect the useful life attributed to the Company's property investments are shown in the table below:

Property investments	Depreciation rate
Non-instrumental buildings	3%

The useful life and the depreciation criteria are periodically 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 accordingly.

Income and losses deriving from the disposal of property investments are recognised in the income statement in the year in which the transaction takes place.

Property investments are reclassified when there is a change in use following to 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 relevant costs can be reliably calculated and any related future economic benefits.

Property, plant and equipment are valued at cost, including any accessory charges, and are stated net of accumulated depreciation and any impairment.

Costs incurred after the initial purchase are recognised as an increase in cost in direct relation to the extent that these costs can improve the asset's yield.

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are initially recognised at fair value as determined at the time of purchase and, subsequently, at cost.
Assets recognised as property, plant and equipment, with the exception of land, are depreciated on a straight line basis 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 that generally reflect the useful lives attributed to Company property, plant and equipment are shown in the table below:

Property, plant and equipment	Depreciation rate
Instrumental buildings	3%
Plants	10% - 25%
Machinery	15.5%
Equipment	25%
Electronic office equipment	30%
Office furniture and machines	12%
Motor vehicles and transport vehicles	20% - 30%
Other tangible assets	20%

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

Leasehold improvements are recognised as fixed assets and depreciated over the lower between the residual useful life of the asset and the residual term of the lease contract.

3.4 Finance lease assets
Assets acquired under finance leases, which transfer all the relevant risks and benefits to the Company, are recognised at current value or, if lower, at the value of the minimum lease payments, including the amount to be paid for exercising an eventual purchase option.
Liabilities arising from leasing contracts are recognised under financial liabilities.

These assets are classified in the relevant categories under properties, plant and equipment and they are depreciated over the lower between the contract term and the useful life of the asset.

Lease contracts (in which the lessor substantially retains all the risks and benefits associated with asset ownership) are classified as operating leases and the relevant costs are recognised in the income statement for the entire duration of contract term.

3.5 Borrowings
Borrowings resulting from asset purchase, development or production are capitalised. In case of assets which do not justify capitalisation, the relevant costs are recognised in the income statement in the year in which they are incurred.

3.6 Impairment
The book value of intangible assets, investment property and property, plant and machinery is subject to an impairment test at least once a year or more in case of a trigger event.

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. Those tests are performed by comparing the book value with whichever is higher between the fair value minus the sales cost and the value in use of the asset.

If no binding sales agreement or active market for an asset exist, the fair value is calculated on the basis of the best information available as to the amount the entity would obtain at closing from the disposal of an asset in a free transaction between informed and willing parties, having deducted the costs of disposal.

The value in use of an asset is calculated by discounting the cash flows expected from its use, subjecting forecasts of the relevant financial income on reasonable and sustainable assumptions used by the management to best represent the economic conditions foreseen for the remainder of the life of the asset, giving more weight to external indicators.

Discounting rates reflect current market estimates of the time value of money and the specific risks related to the asset.

The valuation is carried out by individual asset or by the smallest Cash Generating Unit that generates cash flows from asset use.

Should the value resulting from the impairment test be lower than cost, the loss is recognised as a reduction in the value of the asset and recognised as a cost item in the income statement.

If during subsequent financial years, when the impairment test is repeated, the reasons for the impairment no longer exist, the value of the asset, excluding goodwill, is reinstated to take into account the new recoverable value, which should never 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
Subsidiaries are companies in which the Company has the power to determine, both directly and indirectly, administrative and managerial decisions and obtain the resulting benefits. Generally, control is assumed when the Company owns, directly or indirectly, more than half of the voting rights in the ordinary Shareholders' Meeting, including any potential rights to vote resulting from convertible securities.

Joint ventures are companies in which the Company exercises, together with one or more partners, joint control over economic activities. Joint control envisages that the strategic, financial and managerial decisions are made with the unanimous agreement of the parties sharing control.

Associated companies are entities in which the Company has a considerable influence in the determination of the relevant administrative and managerial decisions, though not having control. Generally, a considerable influence is assumed when the Company owns, directly or indirectly, at least 20% of the voting rights in the ordinary Shareholders' Meeting.

Investments in subsidiaries, joint ventures and associated companies are valuated at cost, subsequently adjusted as a result of any changes in the value, determined by appropriate impairment tests, leading to conditions that make it necessary to adjust the book value to the actual value of the equity. The initial value is recovered in subsequent years, should the reasons for the adjustments no longer exist. Adjustments and any value recoveries are recognised in the income statement.

The risk resulting from any losses exceeding cost is recognised under provisions to the extent to which the Company is held liable for legal or implicit obligations.

3.8 Inventory

Inventory is valued at the lower between the cost and the net realisable value. Inventory cost includes purchase costs, processing costs 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 consumption materials and of finished products purchased for sale. 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 consumption materials corresponds to the cost of their replacement, while for work in process and finished products it corresponds to the standard estimated sales price net of estimated cost to completion and sales cost.

3.9 Financial assets

Financial assets are initially recognised at cost, corresponding to the fair value of the price paid, increased by accessory purchase charges. Purchases and sales of financial assets are recognised as of the trading date, which corresponds to the date in which the Company agrees to purchase the asset in question. After initial recognition, financial assets are posted according to the relevant classification, as outlined below:

Financial assets at fair value with adjustments recognised under income statement

This category includes financial assets held for trading, acquired for the purpose of sale in the short term.

Profit and losses deriving from fair value evaluation of assets held for trading are recognised in the income statement.

Investments held to maturity

Assets that have determinable payments with a fixed maturity date, are classified by the Company as financial assets held to maturity.

Long-term financial investments that are held to maturity, such as bonds, are determined, after their initial recognition, by 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).
The calculation of amortised cost also includes any discounts or premiums that will be applied over the period of time to maturity.

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

Loans and receivables

This item includes financial assets that do not have fixed or determinable payments and are not listed on an active market.

These assets are recognised at amortised cost using the discounting method. Profits and losses are entered in the income statement when loans and receivables are cancelled out or in case of impairment, as well as through amortisation.

Available-for-sale financial assets

Available-for-sale financial assets include all assets which are not included into any of the categories mentioned above.

After being initially measured at cost, available-for-sale financial assets are measured at fair value. Income and losses from valuations are recognised in a separate item under shareholders' equity for as long as the assets are held in the portfolio and for as long as no impairment is identified.

In the case of shares widely traded on regulated markets, fair value is determined by referring to the listing reached at the end of the trading day corresponding to the closing date.

For investments where an active market does not exist, fair value is determined by valuations based on recent trading prices between independent parties, or on the basis of the current market value of a substantially similar financial instrument or on the analysis of discounted cash flows or 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 recognised at cost (i.e. at the fair value of the price collected upon completion of the relevant transaction). Receivables are recognised at current values when the relevant financial impact linked to the expected collection time span is significant and the collection date can be reliably estimated.
Receivables are recognised in the financial statement at their estimated realisable value.

3.11 Treasury shares

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

3.12 Cash and cash equivalents

The cash and cash equivalents item includes liquidity and financial investments falling due within three months and which entail only a minimal risk of variation in their face value. They are recognised at face value.

3.13 Financial liabilities

Financial liabilities include financial payables, derivative instruments, payables associated with financial leasing contracts and trade payables. All financial liabilities other than derivative financial instruments are initially valued at fair value, increased by any transaction costs, and are subsequently valued at amortised cost using the interest rate method.
Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges), are valued at fair value, in accordance with IAS 39 hedge accounting. Income and loss resulting from subsequent variations in fair value are accounted in the income statement. Any changes related to the effective hedge portion are compensated by adjusting the value of the relevant derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in cash flow (cash flow hedges), are valued at amortised cost in compliance with IAS 39 - hedge accounting.

3.14 Derecognition of financial assets and liabilities

A financial asset or, where applicable, 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 promptly 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 liability is derecognised when the underlying obligation has been discharged, cancelled or expired.

3.15 Impairment of financial assets

The Company carries out an impairment test in order to determine whether a financial asset or group of financial assets has decreased in value.

Financial assets valued at amortised cost

If there is objective evidence of a reduction in the value of loans and receivables, the loss amount is recognised under income statement and is calculated as the difference between the asset's book value and the current value of the estimated cash flows discounted based on the interest rate used initially for the asset.
If the value loss amount decreases and this reduction is referred to an event that has occurred after recognition of impairment, the previously recognised loss of value is reversed up. Based on that the asset is recorded to the original amount booked and depreciated.

Available-for-sale financial assets

When any financial asset available for sale is subject to impairment, the accumulated value loss is accounted in the income statement. Value reversals related to equity instruments classified as available for sale are not recognised under income statement. Value reversals related to debt instruments are recognised under income statement if the increase in the fair value of the instrument can be objectively attributed to an event that occurred after recognition of impairment in the income statement.

Financial assets valued at cost

If there is objective evidence of a reduction in the value of an unlisted equity instrument which was not recognised at fair value, because its fair value could not be reliably measured, or of a derivative instrument associated with and regulated by delivery of such unlisted equity instrument, the value loss amount is measured as the difference between the book value of the asset and the current value of the expected future cash flows discounted based on the current market performance rate for similar financial assets.

3.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When the Company entered in a hedge operation, it designates and formally documents the hedge relationship for hedge accounting purposes and its objectives for risk and strategy management purposes. The documentation includes the identification of the hedging instrument, the object or transaction subject to hedge, the nature of the risk and the criteria adopted by the Company to valuate hedging effectiveness in compensating exposure to fair value fluctuations of the object hedged or cash flows correlated to the risk hedged.
It is assumed that such hedges are sufficiently effective to compensate for the exposure of the object hedged against fair value fluctuations or cash flows correlated to the risk hedged. The valuation of the effectiveness of such hedges is carried out on an ongoing basis over the years of application.
Operations that satisfy hedge accounting criteria are accounted for as follows:

Fair value hedge

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

Cash flow hedge

If a derivative financial instrument is designated as a hedging instrument against exposure to cash flow variations of an asset or liability included in the financial statement or of a highly probable transaction, the effective portion of profit or loss deriving from fair value adjustment of the derivative instrument is recognised in a special reserve under shareholders' equity. The accumulated income or loss is written off from the equity reserve and recognised under income statement, when the results of the transaction subject to hedge are recognised under income statement.
Income and loss associated with the ineffective part of a hedge are recognised under income statement. When a hedging instrument is terminated, but the transaction subject

to hedge has not yet been carried out, the accumulated income and loss are kept in the reserve under shareholders' equity and will be reclassified under income statement upon completion of the transaction. Should the transaction subject to hedge be considered as no longer probable, any unrealised income and loss posted under the relevant shareholders' equity reserve are recognised under income statement.
When hedge accounting is not applicable, income and loss deriving from the fair value valuation of the derivative financial instrument are recognised under income statement.

3.17 Provisions

Provisions established to cover liabilities that have been clearly identified, are certain or probable but whose amount or date of occurrence cannot be foreseen at the reporting date, are recognised when a legal or implicit obligation can be assumed which refers to past events and when it is also assumed that such obligation implies expenses that can be reliably measured.

Provisions are valued at fair value based. When the financial impact associated with the assumed dates of payment are relevant and they can be reliably foreseen, provisions include the financial component, which is recognised in financial income (expense) in the income statement.

3.18 Post-employment benefits

Benefits due to employees upon termination of the relevant labour contract are broken down according to their economic nature as follows:

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

In the defined contribution plans, the entity's legal or implicit obligation is limited to the amount of contributions to pay; hence, the actuarial and investment risks fall upon the employee. In the defined benefit plans, the entity's obligation consists in granting and ensuring the agreed benefits to employees; hence, the actuarial and investment risks fall upon the entity.

Post-employment benefits are calculated by applying actuarial criteria to the severance indemnity fund accrued until 31 December 2006, taking into account both demographic assumptions (including mortality rates and employee turnover) and financial assumptions (discounts reflecting the time value of money and the inflation rate).
The amount recognised as a liability for defined benefit plans is represented by the current liability value at closing, net of the current value of plan assets, if any. This liability item is listed in the income statement and includes the following components:

- social security costs related to current labour;
- cost of interest;
- actuarial gains or losses;
- the expected return from any asset plan.

The Company does not apply the so-called "corridor" method and therefore recognizes all actuarial gains and losses directly under income statement.

The amounts accrued in favour of employees during the year and any applicable actuarial gains

or losses are recognised under "Costs for personnel", while the relevant financial component, which represents the cost the company would have to incur if it were to seek a loan on the market for the same amount, is recognised under "Financial income (expense)".

The supplementary indemnity for agents is also determined on an actuarial basis. The amounts accrued in favour of agents during the year, which become payable upon termination of the labour contract only under certain conditions, is recognised under "Other expenses (income)".

3.19 Stock option plans

The Company grants additional benefits to directors and managers whose functions are strategically relevant for the attainment of the company's results, through the provision of equity-settled stock option plans. Pursuant to IFRS 2, stock options are stated at fair value upon delivery. Fair value is determined on the basis of a binomial model and subject to the provisions of the individual plans.

The cost of these benefits is recorded under personnel costs during the period of service, consistently with the relevant vesting period, starting from the date of delivery with a counter-item in "Reserve for stock options" under shareholders' equity.

The benefits, directly attributed by the parent company Arnoldo Mondadori Editore S.p.A. to the employees/managers of subsidiaries, are recorded as an increase of the cost of the relevant equity with a counter-item in "Reserve for stock options" under shareholders' equity.

Following the date of delivery, any change in the number of options implies an adjustment of the overall cost for the plan to be recognised according to the procedure described above. At the end of each financial year, the previously calculated fair value of each options is neither adjusted nor updated, but remains unchanged under shareholders' equity; at closing, the estimate of the number of options expected to be exercised to maturity (and therefore the number of employees entitled to exercise these options) is consequently updated. Any change in this estimate is recognised in item "Reserve for stock options" with a counter-item in personnel costs under income statement or a decreasing item under "Investments", if referring to benefits assigned to employees/directors of subsidiaries.

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 from the sale of goods are recognised net of agency and commercial discounts, allowances and returns when it is probable that the relevant economic benefits will flow to the Company and the relevant revenue amount may be reliably determined.

Revenues from the sale of magazines and advertising spaces are recognised on the basis of the publication date.

Revenues from services are recognised based on the relevant state of completion, when it is probable that the economic benefits arising from the sale flow to the Company and when the revenue amount may be reliably calculated.

Revenues from interest are recognised on an accrual basis by applying the interest method; royalties are recognised on an accrual basis and subject to the conditions of the relevant agreements; dividends are recognised when the shareholder is acknowledged the right to payment.

Costs are recognised based on similar criteria as revenues and, in any case, on an accrual basis.

3.21 Current, pre-paid and deferred taxes

Current taxes are calculated on the basis of a taxable income estimate and in accordance with the laws applicable in the individual countries in which the Company has its registered offices.

Deferred tax assets and liabilities are calculated on all the temporary differences between the tax base of assets and liabilities and the relevant book values in the financial statement, with the exception of the following:

- temporary taxable differences deriving from the initial recognition of goodwill;
- temporary differences resulting from the initial recognition of an asset or a liability in a transaction which does not imply business combination and which does not have any impact either on the result or the taxable income on the transaction date;
- temporary differences related to the value of investments in subsidiary, associated and jointly-controlled companies when:
  - the Company is in a position to control the timing for the reversal of temporary taxable differences and it is probable that such differences shall not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences will reverse in the foreseeable future and that taxable income is available to cover such temporary differences.

The book value of deferred tax assets is reviewed at closing and is reduced if it is no longer probable that sufficient taxable income will be available in the future to cover all or part of these assets.
Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply in the period in which assets are realised and liabilities are settled, considering the then applicable tax rates or the tax rates essentially used at closing.

Taxes relating to items directly recognised under equity (cash flow hedge reserve) are recognised directly under Shareholders’ equity and not under income statement.

3.22 Transactions denominated in foreign currencies

Revenues and costs deriving from transactions denominated in foreign currencies are accounted in the currency at the exchange rate applied on the transaction date.
Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate at the closing date and any exchange differences are recognised under income statement.
Non-monetary items valued at cost in a foreign currency are converted using the exchange rates applied on the transaction date. Non-monetary items recognised at fair value in a foreign currency are converted using the exchange rates applied on the fair value calculation date.

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 grants refer to cost items, they are recognised as revenues and systematically distributed over the years so as to reflect the cost proportion they are intended to offset. When grants refer to assets, the relevant fair value is deferred in long-term liabilities and is recognised in equal amounts under income statement over the useful life of the asset.

3.24 Assets and liabilities held for sale and discontinued operations

Non-current assets and groups of assets and liabilities whose book value is mainly expected to be recovered through disposal instead of continuous use are recognised separately from other assets and liabilities in the Company’s balance sheet. Such assets and liabilities are classified as “assets and liabilities held for sale or transferred” and are valued at the lower between their book value and fair value less probable costs of disposal. Income and loss, net of the related tax effect, resulting from the valuation or disposal of such assets or liabilities are recognised in a separate item in the income statement.

3.25 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2011 and applied by Arnoldo Mondadori Editore S.p.A.

Changes to IFRS 3R - Business combinations

The new provisions of IFRS 3R refer to the fair value valuation of minority interests in case of business combinations.
All the components related to minority interests, such as for example, privileged shares or warrants issued by the acquired company in favour of third parties, are stated at fair value, except in the case in which the IFRSs specify another valuation criterion and with the exception of solely the components that represent instruments that attribute to minority shareholders rights equipollent to ordinary shares, for which the possibility still exists to opt between the fair value and the valuation as a proportion of the minority shareholding.

IAS 24 – Disclosures about transactions with related parties

The revision of the principle, issued by IASB in November 2009 and enforced by the Group as of 2011, clarifies the definition of related parties and includes a simplification in relation to the type of disclosures requested in case of transactions completed with related parties controlled by the Government.

The adoption of the herein principles does not have any impact on the valuation of the items of the financial statement and implies limited effects in relation to disclosures regarding transactions with related parties.

3.26 New standards and interpretations not yet in effect and applied by Arnoldo Mondadori Editore S.p.A.

IFRS 9 – Financial instruments

In November 2009, IASB issued IFRS 9 – Financial instruments, subsequently amended, with effective date as of 1 January 2015, retroactively, with the intention of replacing IAS 39 and introducing new criteria for the classification and measurement of financial assets and liabilities. Specifically, the new principle uses a single approach for all financial assets, based on the management criteria of financial instruments and on the characteristics of the contractual cash flows of the same financial assets in order to identify the relevant valuation criterion, thus substituting the different rules that IAS 39 envisaged. As to financial liabilities, the main amendment refers to the accounting method used for the fair value variations of a financial liability designated as a financial liability valued at fair value in the income statement, when these are due to the variation of the credit merit of the same liability. According to the new principle such variations are recognised under “Other comprehensive income/(loss)” and no longer in the income statement.

IAS 12 – Income taxes
In December 2010 IASB revised IAS 12 – Income taxes, introducing the assumption that deferred taxes related to property investments valued at fair value pursuant to IAS 40 must be determined considering that the book value of such asset is expected to be recovered through the sale of the asset.
The amendment is effective retroactively as of 1 January 2012.

IFRS 11 – Joint arrangements
In May 2011 IASB issued IFRS 11 – Joint arrangements, to replace IAS 31 – Interests in joint ventures and SIC-13 – Jointly controlled entities – Non-monetary contributions by venture partners.
The new principle provides the criteria to assess joint arrangements based on the relevant rights and obligations instead on the relevant legal form of the same and establishes the equity method as the only accounting method to adopt in the consolidated financial statement for interests held in jointly controlled entities.
The principle is effective retroactively as of 1 January 2013.

IFRS 12 – Disclosure of interests in other entities
In May 2011 IASB issued IFRS 12 – Disclosure of interests in other entities, a new and exhaustive principle regarding disclosures to be made for any type of interest held, including those in subsidiaries, joint arrangements, associated companies and special purpose entities and other non-consolidated special purpose vehicles.
The principle is effective retroactively as of 1 January 2013.

IFRS 13 – Fair value measurement
In May 2011 IASB issued IFRS 13 – Fair value measurement, clarifying how to measure fair value for accounting purposes. It applies to all IFRS principles that require or permit the calculation of fair value or the presentation of information based on fair value.
The principle is effective retroactively as of 1 January 2013.

IAS 1 – Presentation of financial statement
In June 2011 IASB revised IAS 1 – Presentation of financial statement, which includes the recognition of elements of "Other comprehensive income /(loss)" according to whether they can or cannot be subsequently recognised under income statement.
The amendment is effective starting from the financial years following or as of 1 July 2012.

IFRS 7 – Financial instruments: disclosures
In October 2010 IASB published some amendments to IFRS 7 – Financial instruments: disclosures, applicable for accounting periods starting on or after 1 July 2011.
The amendments were issued with a view to improving the understanding of transfer transactions of financial assets, including understanding the possible effects deriving from any risk that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
In December 2011 IASB issued additional amendments to IFRS 7 – Financial instruments: disclosures, through which additional disclosures are requested about the effects or potential effects for the offsetting of financial assets and liabilities on the entity's balance sheet.

The amendments are applicable for accounting periods starting on or after 1 January 2013 and intermediate periods subsequent to such date. Disclosures must be provided retroactively.

4. Use of estimates
In preparing the attached tables and the notes to these financial statement, it was deemed necessary to use estimates and assumptions in order to calculate, in particular, the provisions for returns related to the sale of publishing products, the provisions for bad debt, inventory obsolescence and risks, post-employment benefits and taxation and the expected cash flows to calculate the value of some current and non-current activities under intangible assets and goodwill.

These estimates are periodically reviewed and any effects are recognised under income statement.

Final data could differ, even significantly, from estimates as a result of possible changes in the assumptions made initially.

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

Goodwill and intangible assets
The value reduction related to goodwill and intangible assets is tested for impairment by comparing the book value of the Cash Generating Unit and the relevant recoverable value, represented by the higher between fair value and the value in use. This process includes mainly the application of methods such as discounted cash flow, with the relevant assumptions.

Bad debt provision
The ability to recover bad debt is calculated by taking into account the risk of collection failure, the period of time receivables have been outstanding and any losses sustained in the past on similar debts.

Inventory provision
The Company estimates the amount of inventory to subject to impairment loss based on specific analyses ascertaining finished product marketability and the relevant turnover rates, and, for work in progress, the Company considers the risk of a non completion.

Books and magazines's future returns
In the publishing sector it is accepted practice that unsold books and magazines are returned to the publisher under pre-established conditions.
As a result, at year end the Company makes an estimate of the quantity that it expects will be returned in the following year. The estimate is based on historical statistics and also takes individual print runs into account.

Provision for risks
Provisions made in relation to judicial, fiscal and arbitration disputes are based on complex estimates that take into account the probability of losing the disputes.

Provision for advances to authors
The Company estimates the risk that advances paid to authors of literary works published or to be published may be fully or partially offset by copyrights accrued following publication.

Provision for post-employment benefits
Provisions made in relation to funds in favour of employees are based on actuarial assumptions: any changes in the underlying assumptions may have significant effects on them.

Income tax
Income tax (both current and deferred) is calculated in each country in which the Company operates, based on prudent interpretations of currently applicable tax laws.

5. Business combinations
Business combinations are recognised using the purchase cost method pursuant to IFRS 3. The purchase cost corresponds to the overall fair value amount of purchased assets and liabilities, as well as any liabilities identified and equity instruments issued at the date of the transaction, plus costs directly attributable to the transaction.

The positive difference between the purchase cost and the fair value portion of assets, liabilities and any liabilities identifiable upon acquisition is recognised as goodwill under assets. When the difference is negative, it is accounted in the income statement.

6. Risk management
The Company manages financial risks for all Mondadori Group Italian subsidiaries. For an exhaustive analysis of the Group's financial risks, reference should be made to the relevant section in the Group's consolidated financial statement.

7. Non-recurring income and expenses
As required by Consob Resolution no. 15519 of 27 July 2006, income and expenses deriving from non-recurring transactions are recognised under income statement. Transactions and events are considered non-recurring when, by nature, they do not occur repeatedly during normal business operations. The relevant effects have been outlined in a separate table in the "Notes to the financial statement".

Details regarding the items of the financial statement
For the sake of clarity, the amounts reported in the following notes are expressed in Euro thousands with the exception of some ancillary data, which is expressed in Euro millions. The amounts in parentheses refer to 2010 figures.

Balance sheet
Assets

1. Intangible assets
Intangible assets and changes of the period are described and commented on below:

Intangible assets (Euro/000)	31/12/2011	31/12/2010
Intangible assets with finite useful life	1,276	953
Intangible assets with indefinite useful life	89,363	90,163
Total intangible assets	90,639	91,116

The following two tables show the changes in intangible assets with a finite useful life in 2010 and 2011.

The availability and use of intangible assets recognised in this financial statement are not subject to any restriction.

Intangible assets with a finite useful life (Euro/000)	Software	Marketing rights	Total
Cost at 01/01/2010	6,932	650	7,582
Investments	767	-	767
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2010	7,699	650	8,349
Amortisation and impairment loss at 01/01/2010	6,377	650	7,027
Amortisation	369	-	369
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Amortisation and impairment loss at 31/12/2010	6,746	650	7,396
Net book value at 01/01/2010	555	-	555
Net book value at 31/12/2010	953	0	953

Intangible assets with a finite useful life (Euro/000)	Software	Marketing rights	Total
Cost at 01/01/2011	7,699	650	8,349
Investments	756	-	756
Disposals	-	-	0
Other changes	56	-	56
Cost at 31/12/2011	8,511	650	9,161
Amortisation and impairment loss at 01/01/2011	6,746	650	7,396
Amortisation	437	-	437
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	52	-	52
Amortisation and impairment loss at 31/12/2011	7,235	650	7,885
Net book value at 01/01/2011	953	-	953
Net book value at 31/12/2011	**1,276**	**0**	**1,276**

2011 investments, equal to Euro 756,000, of which Euro 19,000 related to intangible assets not yet used as of 31 December 2011, refer to the purchase of software.
Following to the merger of Ame Wellness S.r.l., completed during 2011, the cost and the amortisation of software increased by Euro 56,000 and Euro 52,000, respectively.

The following two tables show the changes in intangible assets with an indefinite useful life in 2010 and 2011.

Intangible assets with indefinite useful life (Euro/000)	Titles	Brands	Goodwill	Total
Cost at 01/01/2010	83,577	7,566	732	91,875
Investments	-	-	-	0
Disposals	-	-	-	0
Other changes	-	-	-	0
Cost at 31/12/2010	83,577	7,566	732	91,875
Impairment loss at 01/01/2010	-	(900)	-	(900)
Impairment loss/reinstatement of value	-	(812)	-	(812)
Impairment loss at 31/12/2010	0	(1,712)	0	(1,712)
Net book value at 01/01/2010	83,577	6,666	732	90,975
Net book value at 31/12/2010	**83,577**	**5,854**	**732**	**90,163**

Intangible assets with indefinite useful life (Euro/000)	Titles	Brands	Goodwill	Total
Cost at 01/01/2011	83,577	7,566	732	91,875
Investments	-	-	-	0
Disposals	-	-	-	0
Other changes	-	-	-	0
Cost at 31/12/2011	83,577	7,566	732	91,875
Impairment loss at 01/01/2011	-	(1,712)	-	(1,712)
Impairment loss/reinstatement of value	-	(800)	-	(800)
Impairment loss at 31/12/2011	83,577	(2,512)	0	(2,512)
Net book value at 01/01/2011	83,577	5,854	732	90,163
Net book value at 31/12/2011	**83,577**	**5,054**	**732**	**89,363**

Intangible assets with an indefinite useful life mainly refer to magazines (including, specifically, *TV Sorrisi e Canzoni* and *Chi*, each of which represents a different Cash Generating Unit) which were included in the acquisition of the going concern former SBE, completed in 1994.

Amortisation, impairment loss and value reinstatement of intangible assets

The following table summarises the amounts recognised in item "Amortisation of intangible assets" under income statement, following to amortisation, impairment loss and value reinstatement of intangible assets with indefinite useful life.

Amortisation and impairment loss of intangible assets (Euro/000)	FY 2011	FY 2010
Software	437	369
Marketing rights	-	-
Total amortisation of intangible assets	**437**	**369**
Impairment loss of intangible assets	800	812
Reinstatement of value of intangible assets	-	-
Total impairment loss (value reinstatement) of intangible assets	**800**	**812**
Total amortisation of intangible assets	**1,237**	**1,181**

According to IAS 36, assets with an indefinite useful life and goodwill are not subject to amortisation but to an impairment test at least once a year.
With the impairment test carried out on magazines, brands and goodwill to calculate the recoverable value, the value in use was also measured.

For the purpose of calculating the value in use, the projections contained in the three-year and five-year business plans were used, whose guidelines have been approved by the Board of Directors on 29 February 2012 and which take the macroeconomic scenario into account as well as the particular characteristics of the markets in which the different business units operate.

For Magazines, also in consideration of the negative net working capital due to the immediate collection of revenues, the operating results contained in the afore mentioned medium-term business plans have been entered as financial cash flows.

For Series, considering that the Cash Generating Unit of reference coincides with the legal entity, the operating flows contained in the afore mentioned medium-term plans have been entered as financial flows.

The cash flows going beyond the analytical projection period of the medium-term plans have always been assumed as constant (g = 0).

The expected cash flow discounting of the single assets or Cash Generating Unit subject to impairment test was based on a discount rate consistent with the economics used and equal to 7.1%.

The cost of money was calculated based on the capital asset pricing model, which includes the specific risks of the individual cash generating units, based on the following elements:

- the long-term Treasury Bond yields were used as reference to calculate the cost of capital; beta is Mondadori beta. With reference to the country risk, based on market research, a 4% correction factor was applied;
- the cost of debt considered as an assumption in the medium-term plan was used to calculate the cost of minority shareholders' equity.

As for the assessment of the value in use, a sensitivity analysis of the results was carried out, using the above mentioned rate increased by 1%, which confirmed previous data.

Following to the performance of the impairment test, Euro 800,000 impairment loss was made for the "PC Professionale" brand in order to adjust the relevant book value to the market value. The latter was calculated by making reference to the comparable royalty rates. The remaining value in use exceeds the relevant book value.

2. Property investments

This item and the relevant changes in the period are broken down here below:

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 01/01/2010	458	3,360	3,818
Investments	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2010	458	3,360	3,818
Depreciation and impairment losses at 01/01/2010	-	1,348	1,348
Depreciation	-	87	87
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2010	0	1,435	1,435
Net book value at 01/01/2010	458	2,012	2,470
Net book value at 31/12/2010	**458**	**1,925**	**2,383**

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 01/01/2011	458	3,360	3,818
Investments	-	473	473
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2011	458	3,833	4,291
Depreciation and impairment losses at 01/01/2011	-	1,435	1,435
Depreciation	-	95	95
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2011	0	1,530	1,530
Net book value at 01/01/2011	458	1,925	2,383
Net book value at 31/12/2011	**458**	**2,303**	**2,761**

Directors estimate that the fair value of property investments at December 31, 2011 is not lower than the relevant book value.

Increases in the "Property investments" item in 2011 equal to Euro 473,000 and mainly refer to the work performed at the Verona Sporting Club.

Depreciation of property investments
Depreciation for the year under item "Depreciation of property, plant and equipment", amounts to Euro 95,000, up from Euro 87,000 registered in 2010.

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

Land is not subject to depreciation.

3. Property, plant and equipment

The table below shows the item's composition and changes in the period of reference:

Property, plant and equipment (Euro/ 000)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Cost at 01/01/2010	1,114	16,636	22,126	43,747	83,623
Investments	-	16	651	2,081	2,748
Disposals	-	-	-	(490)	(490)
Other changes	-	-	-	-	0
Cost at 31/12/2010	1,114	16,652	22,777	45,338	85,881
Depreciation and impairment losses at 01/01/2010	-	8,877	16,610	40,307	65,794
Depreciation	-	571	1,402	1,591	3,564
Impairment losses/reinstatement of value	-	-	-	-	0
Disposals	-	-	-	(466)	(466)
Other changes	-	-	-	-	0
Depreciation and impairment losses at 31/12/2010	0	9,448	18,012	41,432	68,892
Net book value at 01/01/2010	1,114	7,759	5,516	3,440	17,829
Net book value at 31/12/2010	**1,114**	**7,204**	**4,765**	**3,906**	**16,989**

Property, plant and equipment (Euro/ 000)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Cost at 01/01/2011	1,114	16,652	22,777	45,338	85,881
Investments	-	224	933	1,708	2,865
Disposals	-	-	-	(1,431)	(1,431)
Other changes	-	-	-	185	185
Cost at 31/12/2011	1,114	16,876	23,710	45,800	87,500
Depreciation and impairment losses at 01/01/2011		9,448	18,012	41,432	68,892
Depreciation		576	1,190	1,648	3,414
Impairment loss/reinstatement of value		-	-	-	0
Disposals		-	-	(1,413)	(1,413)
Other changes		-	-	170	170
Depreciation and impairment losses at 31/12/2011		10,024	19,202	41,837	71,063
Net book value at 01/01/2011	1,114	7,204	4,765	3,906	16,989
Net book value at 31/12/2011	**1,114**	**6,852**	**4,508**	**3,963**	**16,437**

Item "Other tangible assets" is broken down as follows:

Other tangible assets (Euro/000)	31/12/2011	31/12/2010
Industrial and commercial equipment	305	227
Electronic office machines	2,266	1,746
Furniture and office machines	913	1,026
Motor vehicles and transport vehicles	56	218
Leasehold improvements	55	46
Assets under construction and advances	368	643
Total other tangible assets	3,963	3,906

Following the merger with Ame Wellness S.r.l. at 31 December 2011, the cost and the depreciation of other tangible assets increased by Euro 185,000 and Euro 170,000, respectively.

Investments in the period include:
- technology upgrades in the book and magazine editing offices;
- upgrade of data processing tools (personal computers and local networks) and the purchase of machinery and equipment.

Investments in the period, including those related to "Other tangible assets", equal to Euro 2,865,000, of which Euro 368,000 referring to assets not yet used at 31 December 2011, and comprise:
- Verona plant (Books&Magazines Warehouse/ Magazine Shipping and buildings) Euro 613,000
- Milan offices (editorial office automation, office automation, furniture and equipment) Euro 2,252,000

Divestments totalling Euro 1,431,000, including those related to "Other tangible assets", mainly refer to disposals of office equipment (furniture), vehicles and a significant scrapping of electronic machines completed on 25 October 2011.

Depreciation of property, plant and equipment
Depreciation for the year under item "Depreciation of property, plant and equipment" in income statement is detailed below:

Depreciation of property, plant and equipment (Euro/000)	FY 2011	FY 2010
Instrumental buildings	576	571
Plant and machinery	1,190	1,402
Equipment	130	156
Electronic office machines	1,091	893
Furniture and office machines	255	248
Motor vehicles and transport vehicles	161	284
Leasehold improvements	11	10
Total depreciation of property, plant and equipment	3,414	3,564

In 2011 no indications for impairment losses were identified.

The availability and use of property, plant and equipment in these financial statement are not subject to any lien or restrictions.

4. Financial assets

Investments

Investments equal to Euro 638,857,000 (Euro 642,449,000) are broken down and commented on below with the relevant changes in the period.

The total of item "Investments", net of provisions for losses/impairment, includes shares and units of limited liability companies for a total of Euro 582,478,000 and capital contribution payments amounting to Euro 53,512,000.

In addition, the "Investments" item includes Euro 2,867,000 resulting from the application of IFRS 2 on the stock options assigned by Arnoldo Mondadori Editore S.p.A. to executives and directors of subsidiary companies who perform strategic functions for the attainment of the Group's targets. The detail for each subsidiary and associated company is reported in Annexes A and B to which reference should be made to compare the book value entered and the relevant portion of net equity.

(Euro/000)	Shares and units owned	Capital contribution payments	Stock options assigned	Total
Value at 31/12/2010	579,078	60,552	2,819	642,449
Increases:				
Purchases, establishments and capital increases	1,170	8,039		9,209
Payments to cover losses				
Stock option assignment			84	84
Other changes				
Total increases	1,170	8,039	84	9,293
Decreases:				
Impairment loss	(13,668)			(13,668)
Coverage of losses		(15,030)		(15,030)
Other changes	(346)	(49)	(36)	(431)
Total decreases	(14,014)	(15,079)	(36)	(29,129)
Changes in the provision for losses/impairment:				
Provisions	(14,215)			(14,215)
Uses/reclassifications	30,459			30,459
Value at 31/12/2011	582,478	53,512	2,867	638,857

Shares and units owned in companies
The most important transactions in the period are detailed below.

Increases mainly refer to the underwriting of the capital increase of Mondadori Pubblicità S.p.A. for a total of Euro 4,250,000; Monradio S.r.l. for Euro 80,000; Mondadori Wellness S.r.l. for Euro 250,000; Glaming S.r.l. for Euro 2,415,000 following the waiver of part of the financial loan due from the company for an equal amount and Società Europea di Edizioni S.p.A. for Euro 2,214,000.

Decreases include:
- the coverage of losses in Società Europea di Edizioni S.p.A. for Euro 443,000;
- the coverage of losses in Mondadori Pubblicità S.p.A. for Euro 4,566,000;

- the coverage of losses in Mondadori Direct S.p.A. for Euro 1,305,000;
- the coverage of losses in Monradio S.r.l. for Euro 8,716,000.

Consistently with the IAS/IFRS accounting principles, when a potential impairment loss is identified, investments are subject to an impairment test using the higher between the value in use and the fair value. The result of the impairment test led to an impairment loss for a total value of Euro 14,215,000 broken down as follows: Società Europea di Edizioni S.p.A. for Euro 574,000; Mondadori Pubblicità S.p.A. for Euro 5,934,000; Monradio S.r.l. for Euro 3,111,000; Mondadori Direct S.p.A. for Euro 2,743,000; Glaming S.r.l. for Euro 1,079,000 and Mondadori Iniziative Editoriali S.p.A. for Euro 774,000.

Below is a commented analysis of the main changes in the book value of investments and the relevant portions of Shareholders' equity.

The higher book values of the interest held in Cemit Interactive Media S.p.A., Mondadori Education S.p.A., Sperling & Kupfer S.p.A. and in Edizioni Piemme S.p.A., against the corresponding portions of Shareholders' equity, reflect the value of the relevant production and commercial potential supported in the 2012-2014 three-year plans.

For Random House Mondadori S.A., it should be noted that the book value against the corresponding portion of Shareholders' equity is related to the publishing potential and profitability projections acknowledged to the Random House Mondadori Group in the Spanish book market as supported by the 2012-2014 three-year plans.

For Prisco Spain S.A., the higher book value against the relevant portion of Shareholders' equity reflects the value of the interest held in Random House Mondadori S.A.

Capital contribution payments

The amount of Euro 53,512,000 at 31 December 2011 (Euro 60,552,000 in 2010) includes Euro 41,240,000 for Monradio S.r.l.; Euro 2,001,000 for Mondadori Direct S.p.A.; Euro 700,000 for Mondadori Iniziative Editoriali S.p.A.; Euro 1,575,000 for Glaming S.r.l.; Euro 2,214,000 for Società Europea di Edizioni S.p.A. and Euro 5,782,000 for Mondadori Pubblicità S.p.A..

The change against the previous year is mainly due to capital contribution payments broken down as follows: Mondadori Pubblicità S.p.A. for Euro 4,250,000; Glaming S.r.l. for Euro 1,575,000; Società Europea di Edizioni S.p.A. for Euro 2,214,000 and uses of capital contribution payments to cover the losses of Monradio S.r.l. for Euro 8,716,000; Mondadori Pubblicità S.p.A. for Euro 4,566,000; Mondadori Direct S.p.A. for Euro 1,305,000; Società Europea di Edizioni S.p.A. for Euro 443,000 and the transfer of Hearst Mondadori Editoriale S.r.l. for Euro 49,000.

Non-current financial assets

The composition of Non-current financial assets equal to Euro 50,000,000 refers to the intercompany loan granted by Arnoldo Mondadori Editore S.p.A. to its subsidiary Mondadori France S.A. in 2010, with maturity in December 2017 amounting to Euro 50,000,000.

5. Deferred tax assets and liabilities

Tax assets equal to Euro 19,773,000 (Euro 20,766,000) and tax liabilities equal to Euro 21,186,000 (Euro 19,936,000) are recognised and determined based on the temporary differences between equity values stated in the financial statement and the corresponding values recognised for fiscal purposes, as summarised here below:

(Euro/000)	31/12/2011	31/12/2010
Deferred tax assets - IRES	18,715	19,706
Deferred tax assets - IRAP	1,058	1,060
Total deferred tax assets	19,773	20,766
Deferred tax liabilities – IRES	19,017	17,775
Deferred tax liabilities - IRAP	2,169	2,161
Total deferred tax liabilities	21,186	19,936

Deferred tax assets and liabilities are determined based on the tax rates that will presumably be applied when the differences are reinstated (IRES 27.50%, IRAP 3.9%).

The following tables detail the temporary differences between assets and liabilities that generated the recognition of deferred tax assets and liabilities.

Description of temporary differences that led to the recognition of deferred taxes

	31/12/2011			31/12/2010		
(Euro/000)	Amount of temporary difference	Tax rate	Deferred tax amount	Amount of temporary difference	Tax rate	Deferred tax amount
Difference between book value and tax basis of fixed assets	4,651	27.50%	1,279	4,505	27.50%	1,239
Provision for bad debt	9,615	27.50%	2,644	11,222	27.50%	3,086
Inventory provision	5,156	27.50%	1,418	4,873	27.50%	1,340
Provisions	39,908	27.50%	10,975	36,974	27.50%	10,168
Other temporary differences	8,724	27.50%	2,399	14,083	27.50%	3,873
Total for IRES purposes	68,054		18,715	71,657		19,706
Difference between book value and tax basis of fixed assets	4,795	3.9%	187	4,872	3.9%	190
Provision for bad debt	4,256	3.9%	166	4,256	3.9%	166
Inventory provision	11,872	3.9%	463	11,770	3.9%	459
Provisions	6,205	3.9%	242	6,282	3.9%	245
Total for IRAP purposes	27,128		1,058	27,180		1,060

Description of temporary differences that led to the recognition of deferred taxes

(Euro/000)	31/12/2011 Amount of temporary difference	Tax rate	Deferred tax amount	31/12/2010 Amount of temporary difference	Tax rate	Deferred tax amount
Difference between book value and tax basis of fixed assets	62,291	27.50%	17,130	54,873		15,090
Post-employment benefit provision/FISC	2,575	27.50%	708	2,916	27.50%	802
Other temporary differences	4,287	27.50%	1,179	6,847	27.50%	1,883
					27.50%	
Total for IRES purposes	**69,153**		**19,017**	**64,636**		**17,775**
Difference between book value and tax basis of fixed assets	52,641	3.9%	2,053	44,923	3.9%	1,752
Other temporary differences	2,282	3.9%	89	9,795	3.9%	382
FISC	692	3.9%	27	692	3.9%	27
Total for IRAP purposes	**55,615**		**2,169**	**55,410**	**3.9%**	**2,161**

The changes in deferred tax assets led to a cost equal to Euro 3,219,000 as shown in note 27.

6. Other non-current assets

Item "Other non-current assets" amounting to Euro 423,000 (Euro 465,000) is composed as follows.

Other non-current assets (Euro/000)	31/12/2011	31/12/2010
Guarantee deposits	131	161
Trade receivables	105	164
Other	187	140
Total other non-current assets	**423**	**465**

"Trade receivables", equal to Euro 105,000 (Euro 164,000), refer to booksellers.

7. Tax receivables

Item "Tax receivables", amounting to Euro 25,164,000 (Euro 14,859,000), is composed as follows.

Tax receivables (Euro/000)	31/12/2011	31/12/2010
Receivables for IRES	1,938	1,949
Receivables for direct and indirect taxes to recover	18,595	12,106
Advances for disputes	3,808	697
Receivables for IRAP	823	107
Total tax receivables	**25,164**	**14,859**

Receivables for IRES are mainly due to the receivable equal to Euro 1,938,000 to recover the IRES amount calculated on a taxable amount equal to 10% of IRAP paid in the period between 30 November 2004 and 31 December 2007, as envisaged by art. 6 of Italian Legislative Decree 185/2008.
Receivables for IRAP, equal to Euro 823,000, refer to higher advances paid on the IRAP amount due.

The advances equal to Euro 3,808,000 (Euro 697,000) refer to payments made provisionally in relation to pending disputes.
Receivables for direct and indirect taxes to recover, equal to Euro 18,595,000 (Euro 12,106,000) refer to VAT receivables for the period carried forward and taxes to be reimbursed.

8. Other current assets

Item "Other current assets", equal to Euro 40,487,000 (Euro 39,101,000), are composed as follows:

Other current assets (Euro/000)	31/12/2011	31/12/2010
Advances to agents	87	98
Advances to authors and collaborators	33,701	32,958
Advance to suppliers	837	1,026
Advances to personnel	258	451
Prepayments	2,888	2,238
Other	2,716	2,330
Total other current assets	**40,487**	**39,101**

"Prepayments" of Euro 2,888,000 (Euro 2,238,000) include:

(Euro/000)	31/12/2011	31/12/2010
Third publishers' editions for copies sold in 2011	2,636	2,123
Rents	54	29
Other prepayments (rents, subscriptions, membership fees)	198	86
Total prepayments	**2,888**	**2,238**

Prepayments on third publishers' editions refer to costs borne on behalf of company Harlequin Mondadori S.p.A. for the purchase of books that will be marketed in 2012.

9. Inventory

Item "Inventory", equal to Euro 30,643,000 (Euro 31,620,000), is composed as follows.

Inventory (Euro/000)	31/12/2011	31/12/2010
Raw materials and consumption materials	78	78
Provision for raw materials and consumption materials	-	-
Total raw materials and consumption materials	**78**	**78**
Work in progress and semi-finished goods	16,063	18,620
Provision for work in progress and semi-finished goods	(516)	(516)
Total work in progress and semi-finished goods	**15,547**	**18,104**
Finished products and goods	19,571	17,706
Provision for finished products and goods	(4,553)	(4,268)
Total finished products and goods	**15,018**	**13,438**
Total inventory	**30,643**	**31,620**

Decrease (increase) in inventory

The following table summarises the changes in inventory accounted in the income statement.

Decrease (increase) in inventory (Euro/000)	FY 2011	FY 2010
Changes in finished products and goods	(1,865)	(868)
Provision for finished products and goods	284	-
Utilisation of the provisions for finished products and goods	-	-
Total changes in inventory of finished products and goods	(1,581)	(868)
Changes in semi-finished products	2,877	506
Provision for semi-finished products	-	-
Utilisation of the provision for semi-finished products	-	-
Total changes in inventory of semi-finished products	2,877	506
Changes in raw, ancillary and consumption materials	-	(2)
Provision for raw, ancillary, consumption materials	-	-
Utilisation of the provisions for raw, ancillary, consumption materials	-	-
Total changes in inventory of raw, ancillary, consumption materials	0	(2)
Total decrease (increase) in inventory	1,296	(364)

It should be noted that no inventory is subject to restriction to cover liabilities.

10. Trade receivables

Item "Trade receivables", equal to Euro 195,078,000 (Euro 222,635,000), is composed as follows:

Trade receivables (Euro/000)	31/12/2011	31/12/2010
Receivables from customers	69,838	90,457
Receivables from associated companies	24,778	26,312
Receivables from subsidiaries	100,462	105,862
Receivables from parent companies	-	4
Total trade receivables	195,078	222,635

It should be noted that no trade receivables are due over five years and that the average collection period in 2011 was 94.6 days (91.5 days in 2010).

Information by geographical area is provided in the relevant separate table attachment.

Receivables from subsidiaries of Euro 100,462,000 (Euro 105,862,000) and receivables from associated companies of Euro 24,778,000 (Euro 26,312,000) refer to trade transactions performed at standard market conditions. The breakdown by company and the changes against the previous year are reported in Annex C1.

Receivables from customers include receivables from Fininvest Group companies of Euro 159,000 (Euro 105,000) and mainly include RTI S.p.A. for Euro 105,000 (Euro 72,000) and other enterprises for a total of Euro 54,000.
Trade transactions with the Fininvest Group are carried out under standard market conditions.

"Receivables from customers", equal to Euro 69,838,000 (Euro 90,457,000) include:

Trade receivables - Receivables from customers (Euro/000)	31/12/2011	31/12/2010
Receivables from customers	106,783	127,754
Customers – returns to receive	(26,819)	(26,605)
Provision for bad debt	(10,126)	(10,692)
Total receivables from customers	69,838	90,457

The changes in provision for bad debt of Euro 10,126,000 (Euro 10,692,000) are detailed here below:

Trade receivables Receivables from customers – Bad debt provision (Euro/000)	31/12/2011	31/12/2010
Balance at beginning of year	10,692	10,725
Changes in the period:		
- provisions	370	456
- utilisation	(936)	(489)
Total provision for bad debt	10,126	10,692

The provision, considered adequate to cover the risks of insolvencies, was determined in considering receivables under dispute and any situation of unrecoverability for the other receivables.

11. Other current financial assets

Item "Other current financial assets", equal to Euro 100,182,000 (Euro 93,700,000), is composed as follows:

Other current financial assets (Euro/000)	31/12/2011	31/12/2010
- Financial receivables from subsidiaries	96,684	90,467
- Financial receivables from associated companies	1	1,069
- Other financial receivables	3,497	2,164
Total financial receivables	100,182	93,700
Total other current financial assets	100,182	93,700

Financial receivables from subsidiaries of Euro 96,684,000 (Euro 90,467,000) and financial receivables from associated companies of Euro 1,000 (Euro 1,069,000) mainly refer to current account transactions amounting to Euro 84,684,000 traded at interest rates in line with market quotations and loans granted to subsidiaries for a total amount of Euro 12,000,000, specifically to Mondadori Direct S.p.A.
The breakdown by company and the changes occurred against the previous year are reported in Annex C1.

Other financial receivables of Euro 3,497,000 (Euro 2,164,000) include:
- accrued income of Euro 51,000 (Euro 60,000) related to financial components of the period;
- deferred expenses of Euro 3,315,000 related to financial components of subsequent years;

- other financial receivables of Euro 131,000 (Euro 131,000) mainly relating to current account transactions with third companies carried out at market rates.

Assets and liabilities resulting from derivative instruments
The following table shows assets and liabilities resulting from derivative instruments held at 31 December 2011.

Assets and liabilities in derivative instruments - Details (Euro/000)	Type of derivative	Fair value at 31/12/2011	Fair value at 31/12/2010
Current financial assets/liabilities			
- Currency derivatives	Trading	(18)	5

Currency derivatives
The Company stipulates currency derivative agreements to hedge against currency risk. The currency derivatives used exclusively refer to forward contracts for the purchase and sale of foreign currencies.
The main types of currency risks in the Company refer to the purchase of book copyrights and revenues from licensing contracts denominated in currencies other than Euros. In the latter case, the Company partially hedges against revenues deriving from budgeted sales.
At 31 December 2011 currency risk hedge contracts referred to:
- the purchase of forward denominated contracts in US Dollars for a total of US$ 1,275,000 (Euro 894,000) stipulated in the name and on behalf of company Edizioni Piemme S.p.A.;
- forward contracts denominated in Pound Sterling for a total amount of £ 1,440,000 (Euro 1,708,000).

12. Cash and cash equivalents

Item "Cash and cash equivalents", equal to Euro 61,987,000 (Euro 73,440,000), includes postal accounts for a total of Euro 34,000 (Euro 45,000), receivables from banks of Euro 61,949,000 (Euro 73,391,000) and Euro 4,000 (Euro 4,000) of cash and cash equivalents.

Cash and cash equivalents (Euro/000)	31/12/2011	31/12/2010
Cash and other disposable assets	4	4
Bank deposits	61,949	73,391
Postal deposits	34	45
Total cash and cash equivalents	**61,987**	**73,440**

Short-term deposits expire variably from one week to three months in line with the Company's financial requirements. The fair value of cash and cash equivalents as at 31 December 2011 is equal to the relevant book value.

It should be noted that there are no restrictions on the use of cash and cash equivalents, except for the indications provided in note 16 "Non-current financial liabilities".

Liabilities

13. Shareholders' equity

The share capital of Euro 64,079,000 is totally subscribed and paid and is represented by 246,458,340 ordinary shares with a par value of Euro 0.26.

The table below summarizes the changes in Shareholders' equity occurred in the last two periods:

(Euro/000)	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other reserves	Period income (loss)	Total Shareholders' equity
Balance at 01/01/2010	67,452	286,857	(104,002)	6,701	160,963	53,180	471,151
Changes:							
- Income allocation					53,180	(53,180)	
- Dividend paid out							
- Purchase of treasury shares			(6,128)				(6,128)
- Sale/cancellation of treasury shares							
- Stock options				424	288		712
- Other reserves							
- Period comprehensive income					636	51,733	52,369
Balance at 31/12/2010	**67,452**	**286,857**	**(110,130)**	**7,125**	**215,067**	**51,733**	**518,104**

(Euro/000)	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other reserves	Period income (loss)	Total Shareholders' equity
Balance at 01/01/2011	67,452	286,857	(110,130)	7,125	215,067	51,733	518,104
Changes:							
- Income allocation					10,664	(10,664)	
- Dividend paid out						(41,069)	(41,069)
- Purchase of treasury shares			(5,518)				(5,518)
- Sale/cancellation of treasury shares	(3,373)	(76,657)	80,030				
- Stock options				(1,176)	1,872		696
- Other reserves							
- Period comprehensive income					(3,117)	55,343	52,226
Balance at 31/12/2011	**64,079**	**210,200**	**(35,618)**	**5,949**	**224,486**	**55,343**	**524,439**

Following the adoption of IAS 32 as of 1 January 2005, treasury shares are recognised to reduce Shareholders' equity. It should be noted that such portfolio, equal to 3.17% of the share capital, includes no. 7,805,431 ordinary shares with a par value of Euro 0.26, purchased for a total of Euro 35,618,000 in line with the resolutions made by the Shareholders' Meeting held on 21 April 2011.

The table below is an analysis of Shareholders' equity with reference to the origin, availability and possible distribution of each single sub-item.

(Euro/000)				Summary of past utilisations	
Nature/description	Amount	Possible use	Available portion	to pay out dividends	other reasons
Share capital	**64,079**				
Capital reserves:					
- share premium reserve	183,222	A,B,C	147,604		
- saving share conversion reserve	26,978	A,B,C	26,978		
- capital contribution reserve	5,335	B			
Income reserves:					
- revaluation reserve					
• It. Law 72 of 19/03/1983	12,022	A,B			
• It. Law 413 of 30/12/1991	4,689	A,B			
- legal reserve	13,490	B			
- extraordinary reserve	194,458	A,B,C	163,977	195,426	784
- It. Law 675 of 12/08/1977	351	A,B			
- It. Law 904 of 16/12/1977	751	A,B			3,329
- It. Law 124/93 - art. 13	160	A,B			
- merger reserve	478	A,B,C	478		
- It. Law 576 of 02/12/1975					3,128
- reserve for waived dividends	5,873	A,B,C	5,873		
Transitions to IAS/IFRS:					
- positive transition reserves	14,008	A,B,C	9,533		
- negative transition reserves	(30,481)	-			
- stock option reserve	5,949	A,B,C	3,082		
- stock option cancellation reserve	4,475	A,B,C	4,475		
- reserve for treasury share transactions	1,359	A,B,C	1,359		
- cash flow hedge reserve	(2,482)				
Treasury shares	(35,618)				
Total	**469,096**		**363,359**	**195,426**	**7,241**
Undistributable portion (1)			**5,740**		
Residual distributable portion			**357,619**		

Legend: A: for capital increases - B: to cover losses - C: for distribution to Shareholders

(1) This represents the undistributable portion determined pursuant to the provisions set out in Italian Legislative Decree 38/2005.

The table "Changes in Shareholders' equity" includes details regarding the individual sub-items under Shareholders' equity and, specifically:

The ***Share premium and saving share conversion reserve*** of Euro 210,200,000 (Euro 286,857,000) includes:

- Euro 15,289,000, of which Euro 13,278,000 derive from the conversion into shares of the former AMEF 6.5% 1987-1991 loan stock and Euro 2,011,000 from the merger by incorporation of former AME of 29 November 1991;
- Euro 238,603,000 resulting from the capital increase of Euro 17,043,000 completed on 27 June 1994 following to extraordinary Shareholders' Meeting's resolution of 30 May 1994, which envisaged the issue of no. 33,000,000 ordinary shares with a par value of Euro 0.52 (Italian Lire 1,000) at the price of Euro 7.75 (Italian Lire 15,000) per share of which Euro 7.23 (Italian Lire 14,000); decreased by Euro 76,657,000 following the adoption of the extraordinary Shareholders' Meeting's resolution of 21 April 2011, whose agenda included an item dedicated to the share capital reduction;
- Euro 384,000 deriving from the capital increase completed on 23 November 1998;
- Euro 692,000 deriving from the capital increase completed on 17 September 1999;
- Euro 1,801,000 deriving from the capital increase completed on 18 July 2000;
- Euro 26,978,000 resulting from the conversion of no. 13,929,942 savings shares in ordinary shares in application of the Shareholders' Meeting's resolution of 30 May 1994, which provided holders of savings shares with the option to convert them into ordinary shares at a one-to-one ratio for a par value of Euro 0.52 (Italian Lire 1,000), to be exercised in the period from 16 June to 31 July 1994 with payment of the balance of Euro 1.94 (Italian Lire 3,750) for each share converted;
- Euro 3,110,000 deriving from the stock option plan management as resolved upon by the Shareholders' Meeting in favour of its management.

The ***Capital contribution reserve*** of Euro 5,335,000 (Euro 5,335,000) includes Euro 1,148,000 related to the allocation of contributions issued by the Agency for the Promotion and Development of the South of Italy (Min. Decree of 28/6/1979 and of 3/5/1989) for industrial investments made and a total of Euro 4,187,000 (including Euro 283,000 contributed by Mondadori Electa S.p.A. following the spin-off of the "magazines" going concern), related to the allocation of contributions issued by the Italian government in previous years pursuant to Italian Law no. 416 of 5/8/1981 in the matter of publishing. The accounting of the latter contributions was made according to ministerial guidelines which acknowledged their nature as capital contributions; such acknowledgement implies that no taxes are paid on the relevant amount until they are used for a purpose different than the coverage of losses.

Reserves made for tax purposes are classified as follows:

(Euro/000)	a - until 2007	a - since 2008	b	c	Total
Share premium reserve	-	-	-	183,222	183,222
Saving shares conversion reserve	-	-	-	26,978	26,978
					210,200
Reserve ex It. Law no. 72 of 19/03/1983	-	-	12,022	-	12,022
Reserve ex It. Law no. 413 of 30/12/1991	-	-	4,689	-	4,689
					16,711
Legal reserve	13,490	-	-	-	13,490
					13,490
Extraordinary reserve	54,799	139,659	-	-	194,458
Reserve ex It. Law no. 675 of 12/08/1977	-	-	351	-	351
Reserve ex It. Law no. 904 of 16/12/1977	-	-	751	-	751
Capital contribution reserve	-	-	5,335	-	5,335
Reserve ex It. Law no. 124/93 - art,13	-	-	160	-	160
Reserve for merger	478	-	-	-	478
Reserve for waived dividends	4,292	1,581	-	-	5,873
IAS/IFRS application reserves	(8,821)	1,649	-	-	(7,172)
					213,724
Total reserves	64,238	142,889	23,308	210,200	440,635
Total free capital increases with utilisation of reserves	784	0	6,46	0	7,241

a. *Reserves that upon distribution do not contribute to the formation of the shareholders' taxable income pursuant to art. 47, 59 and 89 of the It. Presidential Decree no. 917/86. Pursuant to art. 1, par. 39, of It. Law no. 244/07 income generated until 31 December 2007 and income generated subsequently are separated.*

b. *Reserves that, when distributed, contribute to the formation of the Company's taxable income.*

c. *Reserves that, in case of distribution, do not contribute to the formation of the shareholders' taxable income.*

The breakdown of reserves used for free capital increases completed in the past years is shown here below:

Reserve used (Euro)	Date of the Shareholders' Meeting's resolution	Amounts contributed
Reserve ex It. Law no. 576 of 02/12/1975	30/04/1980	1,292,433
Reserve ex It. Law no. 576 of 02/12/1975	25/05/1981	1,291,142
Reserve ex It. Law no. 576 of 02/12/1975	30/04/1982	543,943
Reserve ex It. Law no. 904 of 16/02/1977	30/04/1982	3,329,483
		6,457,001
Stock option plan reserve	25/09/1998	66,365
Stock option plan reserve	7/07/1999	105,873
Stock option plan reserve	12/05/2000	152,045
Extraordinary reserve (capital re-denomination in Euro)	24/04/2001	459,593
		783,876

14. Provisions

Item "Provisions", equal to Euro 29,293,000 (Euro 27,520,000) is broken down here below,

Provisions (Euro/000)	31/12/2010	Provisions	Utilisations	Other changes	31/12/2011
Provision for personnel re-organisation risks	3,670	-	1,624	65	2,111
Provision for bad debt	1,069	-	-	-	1,069
Provision for legal risks	12,872	2,650	1,217	6	14,311
Provision for INPGI contribution dispute	1,899	-	-	-	1,899
Provision for equity impairment exceeding cost	-	311	-	-	311
Provision for tax disputes	1,827	-	-	-	1,827
Provision for charges on advertising receivables	5,013	3,580	2,586	178	6,185
Provision for charges on subscription receivables	1,050	1,422	1,037	25	1,460
Provision for charges on Mediamond receivables	120	-	-	-	120
Total provisions	27,520	7,963	6,464	274	29,293

The provisions above are intended to cover potential liabilities resulting from legal disputes, bad debt, contractual risks and disputes with social security entities.

15. Post-employment benefits

Item "Post-employment benefits" is composed as follows:

Post-employment benefits (Euro/000)	31/12/2011	31/12/2010
Provision for post-employment benefits (TFR)	23,087	23,100
Provision for supplementary agents' indemnity (FISC)	933	868
Provision for journalists (IFGP)	448	425
Total post-employment benefits	**24,468**	**24,393**

Changes in the period of reference are detailed below:

Post-employment benefits (TFR) - Details (Euro/000)	TFR	FISC	IFGP	Total
Balance at 31/12/2010	23,100	868	425	24,393
Changes in 2011:				
- provisions	940	104	23	1,067
- utilisations	(2,599)	(39)	-	(2,638)
- reversals	-	-	-	-
- discounting	375	-	-	375
- other	1,271	-	-	1,271
Balance at 31/12/2011	**23,087**	**933**	**448**	**24,468**

The liability relating to post-employment benefits was subject to discounting pursuant to IAS 19; the supplementary agents' indemnity was determined by using a discounting method pursuant to IAS 37.

The following assumptions were used to measure the actuarial value of post-employment benefits:

Actuarial assumptions to measure post-employment benefits	31/12/2011	31/12/2010
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	15.98%	11.59%
- retirement age	Applicable regulations	Applicable regulations

The following assumptions were used to measure the provision for supplementary agents' indemnity:

Actuarial assumptions to measure FISC	31/12/2011	31/12/2010
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 agency contract termination	65	65

Employee severance indemnity was not subject to discounting because the effects are irrelevant.

The cost for post-employment benefits under income statement is broken down as follows:

Cost of post-employment benefits (Euro/000)	FY 2011	FY 2010
Cost of post-employment benefits allocated to supplementary pension plans	5,808	5,794
Current cost of employee termination benefits	1,040	793
Actuarial income (loss)	(635)	(532)
	6,213	6,055
Financial charges	1,010	987
Total cost of post-employment benefits	**7,223**	**7,042**

It should be noted that item "Current cost of employee termination benefits" and item "Actuarial (income) loss" are recognised in "Personnel costs" under income statement, while the financial component is accounted for under financial expenses for the period.

16. Non-current financial liabilities

This item, equal to Euro 253,924,000 (Euro 265,022,000), is composed as follows.

Non-current financial liabilities (Euro/000)	Effective interest rate	Due over 5 year	31/12/2011	31/12/2010
Liabilities resulting from derivatives	-		3,424	1,022
Medium/long-term loans and borrowings	1.811%		250,500	264,000
Total non-current financial liabilities	1.811%		253,924	265,022

Item "Loans and borrowings" includes the level of utilisation of the loan contracts and, specifically:

- Euro 50,000,000, the use of the bilateral loan stipulated with Intesa Sanpaolo, coming to maturity in May 2015;
- Euro 50,000,000, the use of part of the term loan of the bilateral contract stipulated with Intesa Sanpaolo, coming to maturity in December 2016;
- Euro 65,000,000, the use of the loan stipulated with Mediobanca, coming to maturity in December 2017;
- Euro 78,000,000, the use of the medium/long-term portion of the five-year amortizing loan stipulated with a pool of Italian banks, coming to maturity in June 2015;
- Euro 7,500,000, the use of the loan stipulated with GE Capital, stipulated in May 2011, coming to maturity in May 2016.

Committed loans require that specific financial covenants be complied with. Any instance of default may result in the anticipated re-payment of the loan.
The currently applicable covenants make reference to the leverage ratio, corresponding to the ratio between EBITDA, calculated over a period of twelve consecutive months, and net debt as resulting from the Group's consolidated quarterly and half-year financial statement. The leverage ratio should be lower than or equal to 4.5 for the period of reference, taking the average for the four quarters into account. The leverage ratios are pre-determined based on specific grids which, according to the level reached, envisage different spread levels to apply on the use of the loan.
Based on the quarterly/half-year analyses performed according to contract requirements, Mondadori Group has always complied with the financial covenants established in the relevant contracts.

Liabilities in derivative instruments equal to Euro 3,424,000 include the fair value related to the existing derivative contracts. Derivative agreements comprise:

- an Interest Rate Swap (IRS) floating to fix contract of Euro 50 million converting the floating rate (1 month Euribor) into fixed at 2.59% with expiry on 15 December 2017 to hedge the loan contract underwritten with Mediobanca;
- an Interest Rate Swap (IRS) floating to fix amortising contract of Euro 40 million converting the floating rate (1 month Euribor) into fixed at 1.29% with expiry on 30 June 2015, referring to a portion of the amortising loan contract stipulated with a pool led by Italian Banche Popolari for a total amount of Euro 130 million over five years;
- an Interest Rate Swap (IRS) floating to fix contract stipulated in September 2011, amounting to Euro 25 million, converting the floating rate (1 month Euribor) into fixed at 0.96% with expiry on 13 January 2014 and referring to the portion of the loan contract underwritten with Intesa Sanpaolo.

"Payables due to banks and other financial liabilities" equal Euro 155,469,000 (Euro 187,381,000) and include:

Payables due to banks and other financial liabilities (Euro/000)	31/12/2011	31/12/2010
Payables due to banks	1	1
Payables due to associated companies	3,689	6,470
Payables due to subsidiaries	124,666	150,554
Other financial liabilities	26,616	29,953
Accrued liabilities and deferred income	497	403
Total payables due to banks and other financial liabilities	155,469	187,381

Payables due to banks of Euro 1,000 (Euro 1,000) include current account overdraft short-term payables.

Payables due to subsidiaries of Euro 124,666,000 (Euro 150,554,000) and payables due to associated companies of Euro 3,689,000 (Euro 6,470,000) mainly refer to current account transactions negotiated at interest rates in line with market rates.
The breakdown by company and the changes against the previous year are specified in Annex D1.

Other financial liabilities of Euro 26,616,000 (Euro 29,953,000) include Euro 26,000,000 related to the short-term amortising loan portion underwritten with a pool led by Italian Banche Popolari.

Accrued liabilities and deferred income of Euro 497,000 (Euro 403,000) were determined on an accrual basis and refer to short-term loan interest rates.

The Company's comprehensive financial position at 31 December 2011, shown in the table below, highlights a net debt of Euro 197,223,000 (Euro 234,895,000).

Net debt (Euro/000)	31/12/2011	31/12/2010
A Cash and cash equivalents	4	4
- Bank deposits	61,950	73,391
- Postal deposits	34	45
B Other cash and cash equivalents	61,984	73,436
C Cash and cash equivalents and other financial assets (A+B)	**61,988**	**73,440**
D Securities held for trading		
- Financial receivables due from subsidiaries	146,684	140,467
- Financial receivables due from associated companies	1	1,069
- Financial assets at fair value	-	368
- Derivatives and other financial assets	3,497	2,164
E Receivables and other current financial assets	150,182	144,068
F Current and non-current financial assets (D+E)	**150,182**	**144,068**
G Current payables due to banks	1	1
- Bonds	-	-
- Loans	-	-
- Borrowings	26,000	26,000
H Current portion of non-current debt	26,000	26,000
- Financial payables due to subsidiaries	124,666	150,554
- Financial payables due to associated companies	3,689	6,470
- Derivatives and other financial liabilities	1,113	4,356
I Other current financial liabilities	129,468	161,380
L Payables due to banks and other current financial liabilities (G+H+I)	**155,469**	**187,381**
M Current and non-current net debt (C+F-L)	**56,701**	**30,127**
- Bonds	-	-
- Loans	-	-
- Borrowings	-	-
N Debt non-current portion	-	-
O Other non-current financial liabilities	253,924	265,022
P Non-current net debt (N+O)	**253,924**	**265,022**
Q Net debt (M-P)	**(197,223)**	**(234,895)**

It should be noted that the Company's net financial position, determined pursuant to Consob Recommendation, would be negative with an amount equal to Euro 147,223,000 (Euro 184,290,000), because it would not include the balance of "Non-current financial assets" (loan to the subsidiary Mondadori France).

For the analysis of the Company's net financial position and the relevant changes, reference should be made to the Annual Report attached to these financial statements.

17. Income tax payables

Item "Income tax payables", equal to Euro 10,101,000 (Euro 14,306,000), is composed as follows:

Income tax payables (Euro/000)	31/12/2011	31/12/2010
Payables due to Fininvest for IRES	10,101	14,306
Total income tax payables	**10,101**	**14,306**

The payable due to Fininvest S.p.A. includes the amount due by Mondadori for IRES following the adhesion to the tax consolidation regime introduced through Italian Legislative Decree no. 344/2003 including changes to the determination of corporate income tax.

The tax consolidation rules reserved to company groups envisage that the parent company and the subsidiary companies can exercise the option to adhere to a tax consolidation regime concentrating upon the parent company. This means that a single taxable base for IRES tax purposes is calculated as the algebraic sum of tax income and losses contributed by the Group companies adhering to the tax consolidation regime. Based on the tax returns submitted by the individual consolidated companies, the consolidating parent company submits a consolidated tax return and pays the overall tax amount due. The individual consolidated companies pay the amounts of competence related to IRES, when due, to the parent company and no longer to the competent Tax Authority, and the parent company then proceeds to pay one single consolidated tax amount.
The Company's income amounts are defined for fiscal purposes along with the corresponding tax amounts paid until 2006, except for the indications provided in note 28 "Commitments and potential liabilities".

In case of criminally relevant cases pursuant to art. 37 of Italian Legislative Decree no. 223/2006, amended and converted in Italian Law no. 248/2006, the Company envisaged a double set of assessment criteria: "in case of violations leading to obligatory reporting pursuant to art. 331 of the Italian Criminal Procedure Code for one of the crimes listed in Italian Legislative Decree no. 74 of 10 March 2000".

As to fiscally open financial years, tax amounts have been allocated and paid on the basis of taxable income and the currently applicable tax regulations upon the establishment of the relevant provision.

18. Other current liabilities

The "Other current liabilities" item, equal to Euro 71,301,000 (Euro 69,482,000), is composed as follows:

Other current liabilities (Euro/000)	31/12/2011	31/12/2010
Advances to customers	366	376
Tax payables	4,842	5,007
Payables due to welfare and social security entities	14,845	16,087
Other payables	47,927	44,265
Accrued liabilities and deferred income	3,321	3,747
Total other current liabilities	71,301	69,482

Advances to customers of Euro 366,000 (Euro 376,000) decreased by Euro 10,000 against the previous year.
Tax payables of Euro 4,842,000 (Euro 5,007,000) refer to IRPEF amounts on employee salaries and professional fees paid in January 2011.

Payables due to welfare and social security entities of Euro 14,845,000 (Euro 16,087,000) include Euro 7,016,000 (Euro 8,038,000) for contributions on salaries relating to December and paid in January 2011; Euro 2,613,000 (Euro 2,486,000) for pension funds (mainly post-employment benefits for journalists), also including post-employment benefits paid in January 2011; Euro 5,216,000 (Euro 5,563,000) for contributions allocated for deferred salary items.

Other payables of Euro 47,927,000 (Euro 44,265,000) are broken down as follows:

Other current liabilities - Other payables (Euro/000)	31/12/2011	31/12/2010
Payroll and other amounts due to personnel	17,330	18,971
Payables due to authors and collaborators	28,745	23,515
Payables due to agents	803	878
Shareholders' dividend account	88	169
Payables to directors and statutory auditors	370	280
Other	591	452
Total other payables	47,927	44,265

Accrued liabilities and deferred income of Euro 3,321,000 (Euro 3,747,000) were determined on an accrual basis and are broken down as follows:

(Euro/000)	31/12/2011	31/12/2010
Deferred salary items and relevant charges	1,368	1,340
Insurance, membership fees and other prepayments	815	677
Total accrued liabilities	2,183	2,017
Revenues from advertising per copy for magazines in 2011	848	1,562
Rentals	-	2
Other	290	166
Total deferred income	1,138	1,730
Total accrued liabilities and deferred income	3,321	3,747

19. Trade payables

Item "Trade payables" is detailed and commented on here below:

Trade payables (Euro/000)	31/12/2011	31/12/2010
Payables due to suppliers	83,101	76,779
Payables due to subsidiaries	41,964	45,504
Payables due to affiliated companies	57,178	51,693
Payables due to parent company	7	7
Total trade payables	182,250	173,983

Payables due to suppliers amount to Euro 83,101,000 (Euro 76,779,000) and include payables for the purchase of fixed assets for a total amount of Euro 1,703,000 (Euro 1,914,000).

This item also includes:
- trade payables due to other associated companies equal to Euro 19,000 (Euro 10,000); payables due to Consuledit, while in the previous year the payables were due to Editrice Portoria S.p.A.;
- trade payables due to Fininvest Group companies totalling Euro 2,871,000 (Euro 4,196,000), of which the most significant refer to Publitalia '80 S.p.A. of Euro 2,310,000 (Euro 3,739,000), Mediaset S.p.A. of Euro 90,000 (Euro 60,000), RTI S.p.A. of Euro 225,000 (Euro 264,000), Medusa Film S.p.A. of Euro 233,000 and other payables for a total amount of Euro 13,000 (Euro 133,000).

Payables due to associated companies refer to trade transactions performed at standard market conditions.

Trade payables due to subsidiaries of Euro 41,964,000 (Euro 45,504,000) and trade payables due to affiliated companies of Euro 57,178,000 (Euro 51,693,000) refer to trade transactions performed at standard market conditions.

The breakdown by company and the changes against the previous year are reported in Annex D1. The breakdown by geographical area is reported in Annex "Supplementary tables".
It should be noted that no trade payables are due over 5 years and that the average payment period in 2011 equalled 107.5 days (116.3 days in 2010).

Income statement

(Intercompany trade transactions in 2011 with related parties are detailed in Annexes C2 and D2).

20. Revenues from sales and services

Sales performance by sector is exhaustively detailed in the Directors' Report on Operations.

Revenues are detailed in the following tables.

Revenues from sales and services (Euro/000)	FY 2011	FY 2010	Var. %
Revenues from the sale of goods:			
- books	266,095	288,194	(7.67%)
- magazines/publications	233,392	242,496	(3.75%)
- magazines/subscriptions	25,591	26,995	(5.20%)
- corporate and other business:			
Reproduction rights	13,572	13,316	1.92%
Commercial items and special initiatives	1,627	1,875	(13.23%)
Sub-products and scrap material	1,792	1,681	6.60%
Storage material and other	707	282	150.71%
Revenues from the sale of services:			
- advertising services	142,649	143,953	(0.91%)
- corporate and other business:			
Online revenues, content deal, website management	1,415	1,372	3.13%
Other services, consulting and assistance	34,072	31,255	9.01%
Courses and conferences	-	-	-
Total revenues	720,912	751,419	(4.06%)

The decrease in the revenues from the sale of magazines/publications of Euro 9,104,000 is mainly due to the performance in the market of reference, which resulted in a reduction in sales in 2011.

The analysis by revenues broken down by geographical area is as follows:

Geographical area (Euro/000)	Books	Magazines	Rights	Advertising and other	FY 2011	FY 2010
Italy	264,258	258,839	5,874	178,691	707,662	738,449
EU countries	486	4	5,762	2,930	9,182	9,218
USA	45	1	61	104	211	155
Switzerland	1,079	-	20	107	1,206	1,742
Other countries	227	139	1,855	430	2,651	1,855
Total	266,095	258,983	13,572	182,262	720,912	751,419

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

This item is composed as follows:

Cost of raw, ancillary, consumption materials and goods (Euro/000)	FY 2011	FY 2010
Paper for special initiatives	158	106
Electricity, water, gas and fuel	2,059	1,642
Total cost of raw and ancillary materials	2,217	1,748
Goods for resale	135,980	152,902
Consumption and maintenance materials	23,005	26,438
Total cost of consumption materials and goods	158,985	179,340
Total cost of raw, ancillary, consumption materials and goods	161,202	181,088

22. Cost of services

This item is detailed and commented on in the table below:

Cost of services (Euro/000)	FY 2011	FY 2010
Rights and royalties	78,371	81,389
Third party collaborations	26,433	26,111
Consultancy services	14,309	10,197
Commissions	3,652	3,960
Third party graphical processing:		
- print, packaging and other	101,402	99,077
- paper	60,362	57,623
Transport and shipping	26,404	30,673
Advertising services	37,248	33,629
Other services (warehousing, porterage, data processing, photo sets)	16,934	15,687
Travel and other expense reimbursements	4,769	4,371
Maintenance	3,365	3,005
Postal and telephone	2,310	2,569
Catering and cleaning services	3,804	3,661
Market research	1,506	1,063
Insurance	1,577	1,805
Subscriptions management	7,192	7,747
Press agency	701	732
Fees for Company boards:		
- Chairman and Board of Directors (*)	1,721	1,696
- Board of Auditors (*)	166	146
Total cost of services	392,226	385,141

(*) A detailed breakdown of individual compensation paid in the year of reference is contained in Annex G (Consob Resolution no. 11971 of 14 May 1999),

With reference to art. 1, par. 40, of Italian Law no. 220 of 13 December 2010, and art. 4, par. 181-186 of Italian Law no. 350 of 24 December 2003, it should be noted that expenses for the purchase of paper amount to Euro 45,485,669.51.

23. Personnel

This item is detailed and commented on here below:

Cost of personnel (Euro/000)	FY 2011	FY 2010
Salaries and wages	82,371	85,842
Stock options	648	622
Social security charges	24,249	25,149
Post-employment benefits, retirement indemnity and supplementary pension scheme plans	8,483	12,278
Provision/utilisation for risks for personnel re-organisation	(1,605)	(7,010)
Discounting (net of interest cost)	(635)	(532)
Total cost of personnel	113,511	116,349

Cost of personnel by category is broken down here below:

(Euro/000)	2011	2010
Executives	27,312	26,872
White collars and managers	36,332	36,951
Journalists	46,432	48,761
Blue collars	3,435	3,765
Total	113,511	116,349

At 31 December 2011 the Company has 1,243 employees, 39 employees more than in the previous year, of which 20 derive from the merger of Ame Wellness S.r.l., as illustrated in the table below.

Employees	Actual 31/12/2011	Actual 31/12/2010	Average FY 2011	Average FY 2010
Executives	90	85	89	79
Journalists	369	348	366	369
White collars and managers	694	675	694	694
Blue collars	90	96	91	97
Total	1,243	1,204	1,240	1,239

In the year of reference the average number of employees is 1,240 units (1,239 in 2010).

Information about stock option plans

With reference to the stock option plans applied by Arnoldo Mondadori Editore S.p.A. for the three year 2006-2007-2008 and 2009-2010-2011 time spans and described in the Directors' Report on Operations, the table below summarises the situation of the options assigned and still to be exercised at 31 December 2011 with indication of the prices and relevant exercise period.

Stock options	2005	2006	2007	2009	2010
In circulation at 01/01/2011	2,055,000	2,075,000	2,315,000	2,130,000	1,730,000
- assigned during year	-	-	-	-	-
- cancelled during year	-	(30,000)	(60,000)	(60,000)	(50,000)
- exercised during year	-	-	-	-	-
- expired during year	(2,055,000)	-	-	-	-
In circulation at 31/12/2011	-	2,045,000	2,255,000	2,070,000	1,680,000
Exercise term	-	18/07/2009-17/07/2012	26/06/2010-25/06/2013	16/10/2012-16/10/2015	22/07/2013-21/07/2016
Exercise price in Euro	-	7.507	7.458	3.4198	2.4693
Exercisable at 31/12/2011	-	2,045,000	2,255,000		

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

Parameters for the option measuring model	2006	2007	2009	2010
Exercise price of the option	7.507	7.458	3.4198	2.4693
Option term (residual period)	0.50	1.50	3.75	4.50
Market price of the underlying shares at the date of granting	7.415	7.15	3.53	2.415
Expected volatility of share price	19.45%	17.00%	32.00%	35.40%
Dividend yield	4.72%	4.90%	5.66%	8.28%
Risk free interest rate for the option term	4.00%	4.80%	2.18%	2.16%

With reference to the assignment of options related to the 2008 stock option plan, it should be noted that 2008 performance objectives, identified as exercise conditions for the assigned options, have not been met.
Therefore, 2008 options are not exercisable under the Plan rules.

Lastly, the cost of share-based payments recognised in item "Cost of personnel" under income statement, deriving from share-based payments, totals Euro 648,000.

24. Other (income) cost

This item is broken down as follows:

Other (income) cost (Euro/000)	FY 2011	FY 2010
Other revenues and income	(22,348)	(26,477)
Cost of use of third-party assets	12,025	11,720
Various operating costs	14,472	13,129
Total other (income) cost	4,149	(1,628)

"Other revenues and income", equal to Euro 22,348,000 (Euro 26,477,000), include:

Other (income) cost - Other revenues and income (Euro/000)	FY 2011	FY 2010
Capital gains and contingent assets	(548)	(268)
Supplier rebates and other third-party contributions	(130)	(289)
Third-party expense reimbursement:		
- expense recovered from development, distribution, marketing activities	(5,988)	(6,201)
- expense recovered from advertising development	(2,109)	(3,038)
- labour costs recovered from temporary employees	(3,553)	(5,176)
- other	(8,330)	(8,441)
Rental income	-	(35)
Other (promotions, rents, publishing facilities)	(1,690)	(3,029)
Total other revenues and income	(22,348)	(26,477)

"Third-party assets use", equal to Euro 12,025,000 (Euro 11,720,000), include:

Other (income) cost - Third-party assets use (Euro/000)	FY 2011	FY 2010
Rental expense	7,996	7,924
Rental of vehicles and other	2,690	2,446
Data processing fees and other	1,339	1,350
Total cost of third-party assets use	12,025	11,720

"Other operating costs", equal to Euro 14,472,000 (Euro 13,129,000), include:

Other (income) cost - Other operating costs (Euro/000)	FY 2011	FY 2010
Compensation, settlements and allowances	4,994	8,651
Bad debt	936	489
Contributions and grants	1,393	1,581
Temporary personnel	428	861
Information material	773	818
Entertainment expenses	797	820
Other expenses	290	360
Capital loss and contingent losses	17	49
Provision for bad debt	370	456
Provision for legal risks	2,650	1,871
Provision for other risks	6,312	4,720
(Utilisation) provision for bad debt	(935)	(489)
(Utilisation) provision for legal risks	(1,217)	(380)
(Utilisation) provision for other risks	(3,642)	(8,079)
Council tax	124	124
Other taxes and duties	1,182	1,277
Total other operating costs	14,472	13,129

The provision for bad debt and the provision for other risks are accrued in order to protect the Company from potential losses that may emerge in future years.

25. Financial income (cost)

This item with the expense amount equal to Euro 7,473,000 (Euro 6,649,000 in 2010), include:

Financial income (cost) (Euro/000)	FY 2011	FY 2010
Interest from banks and post offices	279	171
Interest from affiliated companies	1	34
Interest from subsidiaries	4,959	3,859
Financial income from derivatives	2,573	1,353
Other interest and financial income	111	714
Total interest income and other financial income	7,923	6,131
Interest to banks and post offices	(8,273)	(7,217)
Interest to affiliated companies	(81)	(50)
Interest to subsidiaries	(1,248)	(737)
Interest to parent company	(164)	(162)
Financial costs from derivatives	(2,617)	(1,658)
Other financial costs for discounting assets/liabilities	(1,010)	(987)
Other interest paid and financial costs	(2,066)	(2,161)
Total interest expense and other financial costs	(15,459)	(12,972)
Realised foreign exchange gains	67	196
Unrealised foreign exchange gains	(4)	(4)
Total income (loss) on foreign exchange transactions	63	192
Total financial income (costs)	(7,473)	(6,649)

The increase in financial costs against the previous year is due to the combined effect of higher average debt (ordinary dividend payout in May 2011), partially offset by the lower cost of money.

The rates applied on receivables and payables due from and to subsidiaries and affiliated companies are in line with the average costs of money collection of Arnoldo Mondadori Editore S.p.A.

The incidence of net financial costs on revenues in 2011 is equal to 1.05% as indicated in the table below:

(Euro/000)	FY 2011	FY 2010
Interest due and financial costs on short-term payables and loans	12,749	10,049
Other financial costs (commissions/bank charges, currency risk transactions/interest rate, discounting charges on assets/liabilities)	2,710	2,923
	15,459	12,972
Interest accrued on receivables	+7,828	+5,421
Other financial income (receivables/securities, currency risk transactions /interest rate)	+95	+710
Total (A)	7,536	6,841
Revenues from sales (B)	720,912	751,419
Ratio (A/B)	1.05%	0.91%

26. Income (cost) from other investments

This item is composed as follows:

Income (cost) from other investments (Euro/000)	FY 2011	FY 2010
Dividends	37,948	39,664
Impairment loss	(12,534)	(16,609)
Capital gains from transfers/liquidation,	10,033	-
Total income (cost) from other investments	35,447	23,055

The capital gain related to the transfer of the interest held in company Hearst Mondadori Editoriale S.r.l. was entirely collected at 31 December 2011.

Dividends paid out in the year of reference are detailed here below:

(Euro/000)	FY 2011	FY 2010
Subsidiaries:		
Press-Di Distribuzione Stampa e Multimedia S.r.l.	5,400	5,000
Mondadori Pubblicità S.p.A.	-	-
Giulio Einaudi editore S.p.A.	6,440	6,440
Mondadori Iniziative Editoriali S.p.A.	-	1,565
Mondadori Education S.p.A.	10,200	11,424
Cemit Interactive Media S.p.A.	1,696	1,696
Mondadori Electa S.p.A.	-	-
Edizioni Piemme S.p.A.	4,800	5,100
Mondadori Franchising S.p.A.	5,627	5,471
Sperling & Kupfer S.p.A.	1,245	601
Total subsidiaries	35,408	37,297
Affiliated companies:		
Gruner+Jahr/Mondadori S.p.A.	1,625	1,456
Harlequin Mondadori S.p.A.	445	495
Mach 2 Libri S.p.A.	470	416
Total affiliated companies	2,540	2,367
Total dividends	37,948	39,664

The impairment loss of Euro 12,534,000 (Euro 16,609,000) resulting from the impairment test was performed to adjust the cost of investments to their recoverable value.

The details are reported under the "Investments" item in the balance sheet, while the table below provides a breakdown of the nature of the impairment loss.

(Euro/000)	FY 2011	FY 2010
Loss coverage	15,030	2,902
Capital reduction and reserves	13,747	285
	28,777	3,187
Provision for losses/impairment loss:		
- provisions	14,216	16,637
- utilisations	(30,459)	(3,215)
	(16,243)	13,422
Other	-	-
Total	12,534	16,609

The capital gains resulting from the transfer of interest equal to Euro 10,033,000 refer to the transfer by HMI International Holdings LLC of the interest held in Hearst Mondadori Editoriale S.r.l. equal to 50% of the relevant capital.

27. Income tax

The balance of the "Income tax" item is Euro 16,413,000 (Euro 30,675,000). The main components for the financial year 2011 and 2010 are illustrated in the table below:

Income tax (Euro/000)	FY 2011	FY 2010
IRES tax on income for the year	7,474	22,538
IRAP for the year	5,720	6,443
Total current taxes	**13,194**	**28,981**
Deferred (anticipated) taxes for IRES	3,204	1,662
Deferred (anticipated) taxes for IRAP	15	32
Total deferred (anticipated) taxes	**3,219**	**1,694**
Total income tax	**16,413**	**30,675**

In relation to the changes occurred in current taxes reference should be made to note 28 – Commitments and contingent liabilities and note 29 – Non-recurring income (cost).

Reconciliation between the tax charge in the financial statement and the theoretical tax charge

	FY 2011			FY 2010		
(Euro/000)	Pre-tax result	Taxes	Current tax rate	Pre-tax result	Taxes	Current tax rate
Theoretical IRES tax charge	71,756	19,733	27.50%	82,409	22,662	27.50%
Theoretical IRAP tax charge		2,798	3.90%		3,214	3.90%
Total theoretical tax charge/rate	**71,756**	**22,531**	**31.40%**	**82,409**	**25,876**	**31.40%**
Actual IRES tax charge	71,756	10,678	14.88%	82,409	24,200	29.37%
Actual IRAP tax charge		5,735	7.99%		6,475	7.85%
Actual tax charge/effective tax rate	**71,756**	**16,413**	**22.87%**	**82,409**	**30,675**	**37.22%**
Theoretical tax charge/rate	**71,756**	**22,531**	**31.40%**	**82,409**	**25,876**	**31.40%**
Effect relating to dividends	(36,073)	(9,921)	(13.83%)	(37,706)	(10,370)	(12.58%)
Effect relating to provisions for impairment losses on investments	12,844	3,533	4.92%	16,610	4,568	5.54%
Net effect relating to other permanent differences for IRES	1,987	547	0.76%	2,526	695	0.84%
Effect relating to a different taxable amount for IRAP (labour cost, collaborations, financial and extraordinary cost/income, bad debt)	75,308	2,937	4.09%	83,641	3,262	3.96%
Other	(11,684)	(3,214)	(4.48%)	24,160	6,644	8.06%
Actual tax charge/effective tax rate		**16,413**	**22.87%**		**30,675**	**37.22%**

28. Commitments and contingent liabilities

Item "Commitments and contingent liabilities" is composed as follows.

Item "Commitments" is broken down as follows:

(Euro/000)	Guarantees	Other guarantees	Total 31/12/2011	Total 31/12/2010
Guarantees, sureties, endorsements:				
- in favour of subsidiaries	66,242		66,242	102,827
- in favour of affiliated companies	4,280		4,280	4,280
- in favour of other enterprises	10,191		10,191	18,393
	80,713		80,713	125,500
Other commitments	3,496		3,496	2,374
Total	**84,209**		**84,209**	**127,874**

Guarantees, sureties and endorsements:

- ***in favour of subsidiaries***: Euro 66,242,000 (Euro 102,827,000) mainly refer to guarantees against payment obligations in favour of the VAT office of Milan in the interest of subsidiaries for the excess amount of the VAT receivable offset in the framework of the Group liquidation and Euro 9,000,000 refer to a letter of patronage issued in favour of Siic de Paris on behalf of Mondadori Magazine France;

- ***in favour of affiliated companies***: Euro 4,280,000 (Euro 4,280,000) refer to a binding letter of patronage issued to Banco Santander Central Hispano for the loan granted to Random House Mondadori Group; a guarantee against a payment obligation in favour of the VAT office of Milan in the interest of Mondadori Printing S.p.A., a former subsidiary; and a binding letter of patronage issued to Intesa Sanpaolo for the loan granted to Mondadori Seec (China);

- ***in favour of other enterprises***: Euro 10,191,000 (Euro 18,393,000) refer to sureties issued by the Company against guarantees issued by credit institutes:
  - in the interests of the Lombardy Regional Inland Revenue Office and the Italian Ministry of Production Activities to support premium contests attached to the sale of magazines of Euro 7,777,000;
  - to the Gaming Monopoly Authority for Euro 1,700,000;
  - to other entities and enterprises for a total of Euro 714,000.

In relation to **Contingent liabilities** the following pending litigations should be taken into account:

- Year 1979: the II District Division of Inland Revenue Office of Milan opposed for Euro 504,000 related to IRPEG and ILOR plus applicable ancillary charges, the application of the provisions set out in art. 34 of Italian Law no. 576/1975 in the matter of tax abatement on the capital gain resulting from the sale of going concerns. The afore mentioned Division filed an appeal before the Central Tax Commission after the favourable opinion expressed by the first level and second level Tax Commission to admit the Company's defence, declaring the claims made by the Division illegitimate.
- Year 1991: the II District Division of Inland Revenue Office of Milan, appealing to art. 10 of Italian Law no. 408/1990, posed a doubt on the tax recognition of the deficit

identified upon the incorporation in AME Finanziaria (AMEF) of Arnoldo Mondadori Editore S.p.A.; this deficit was then used to increase the value of some investments held by the incorporated company, which were later transferred; following to the challenge the Division claimed higher amounts for IRPEG and ILOR on the resulting capital gain of Euro 173,074,000, plus applicable ancillary charges.

The first two levels involved in the litigation confirmed the correct behaviour followed by the Company; in fact, by resolution issued on 4 May 1996, the first level Tax Commission accepted the appeal filed by the Company. The appeal subsequently filed by the Division was rejected by the Regional Tax Commission by resolution issued on 23 July 1999. For the latter's cassation, on 17 October 2000, the Central Tax Authority notified an appeal before the Supreme Court to the Company. At the Company's request, the case has been assigned to the Court's Civil Unit Sections, which, as of today, has not yet scheduled a date for the hearing. In 2010, the Company resorted to the definition provided for in art. 3, par. 2-*bis*, let. B) of Italian Legislative Decree no. 40 of 25 March 2010, converted through amendments into Italian Law no. 73 of 22 May 2010, making a 5% payment of the higher tax amount requested.

- Years 1996-1997-1998-1999: following inspection by the Italian Social Security Division for Journalists and the Finance Police, the Inland Revenue Office notified tax assessments containing the request for additional withholding taxes for a total of Euro 186,000 plus applicable ancillary charges as a result of failed payment. The Company filed an appeal before the Tax Commission. In this respect the following should be noted:
  - the tax assessments related to the 1996-1998 years have been suspended by the Provincial Tax Commission pending resolution of the proceedings before the labour judge;
  - the tax assessment related to 1999 was cancelled by the Provincial Tax Commission; the Division filed an appeal before the Regional Tax Commission; the Regional Tax Commission suspended the proceedings pending resolution of the proceedings before the labour judge.
- Year 2004: the Central Division of the Lombardy Region submitted findings by means of a tax assessment and, specifically, subject to challenge are the following issues:
  - IRES deductibility for a total of Euro 1,847,000, relating to the impairment loss deriving from a derivative contract; the Company filed an appeal against such assessment; the Provincial Tax Commission rejected the Company's appeal and the Company filed an appeal before the Regional Tax Commission;
  - the application of a 12.50% withholding tax on the interest paid on a loan stock in favour of a subsidiary for a total of Euro 999,000 plus applicable ancillary charges; the Company filed an appeal against such assessment; the Provincial Tax Commission rejected the Company's appeal and the Company filed an appeal before the Regional Tax Commission.
- Year 2005: The Central Division of the Lombardy Region challenged the omitted payment of a 12.5% withholding for a total of Euro 3,051,000 plus applicable ancillary charges by means of a tax assessment, in relation to interest paid on a loan stock stated in 2004; the Company filed an appeal before the Provincial Tax Commission.

For the above indicated contingent liabilities, as confirmed by tax advisors, it is not probable that the Company shall lose the cases and, therefore, no provisions for risks and charges were allocated in 2011.

29. Non-recurring (income) cost

In accordance with Consob Resolution no. 15519 of 27 July 2006, it should be noted that the Company did not carry out non-recurring transactions in 2011.

30. Related parties

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

Annexes C1, C2, D1, D2 detail the economic and financial impacts of transactions with parent companies, subsidiaries, affiliated companies and associated companies performed in 2010 and 2011.

31. Financial risk management and other information required pursuant to IFRS 7

In carrying out its business activities, the Company is exposed to various financial risks, including interest rate risk, exchange rate risk, price risk, credit/counterparty risk, issuer risk and liquidity risk.

The Group drafted a "General Policy for Financial Risk Management" aimed at regulating and defining financial risk management. The Policy also envisages the possibility of setting up a Risk Committee, whose task it would be to identify any changes. The Policy is adopted by the Parent Company, Arnoldo Mondadori Editore S.p.A., and all Group companies.

The Company analyses and measures its exposure to financial risks for the purpose of defining management and hedge strategies. The criteria used by the Company to measure the risks include the sensitivity analysis of positions subject to risk, involving mark to market analysis of variations and/or future cash flow variations in relation to small variations in risk factors.

The overall Policy objective is to minimise financial risks, by using appropriate tools available on the market. Financial derivative instruments are exclusively used to hedge against financial risks directly referring to Arnoldo Mondadori Editore S.p.A. or its subsidiaries.

Financial derivative instruments may not be used for speculative purposes.

Specific company functions are responsible for risk management and monitoring and reports are drafted periodically for each type of risk.

Interest rate risk

Interest rate risk refers to the possibility that losses may be incurred in financial management, in terms of lower business activity performance or increased liability costs (existing or potential) as a result of interest rate fluctuations.

Interest rate risk is therefore correlated to interest rate uncertainty. The key objective of interest rate risk management is to protect the Company's financial margin against market interest rate fluctuations, by steadily monitoring interest rate volatility, and prudently managing the risk consistently with the Group risk profiles and the Group financial assets and liabilities performance in a logic of asset and liability management.

The Company exposure to interest rate risk mainly refers to long-term loans, and, in particular: bilateral credit lines granted by Intesa Sanpaolo, the amortising loan coming to maturity in June 2015 granted by a pool of Italian banks and the bullet loan coming to maturity in December 2017 granted by Mediobanca.

The following table illustrates the findings of the sensitivity analysis on the interest rate risk with indication of the relevant impact on income statement and Shareholders' equity, gross of any tax effects, as requested by IFRS 7. No impact was identified on net equity, since the amount is considered irrelevant.

Sensitivity analysis (Euro/million)	Underlying	Interest rate increase (decrease)	Income (costs)
2011	(183.5)	1%	(1.8)
2010	(248.3)	1%	(2.2)
2011	(183.5)	(1%)	1.8
2010	(248.3)	(1%)	2.2

While identifying potential impact correlated to positive and negative interest rate variations, floating-rate loans (short-term credit lines) were also analysed.

The impact of the sensitivity analysis refers to future cash flows on the payment of floating-rate loans.

The basic assumptions underlying the sensitivity analysis are:
- an initial parallel shift of the interest curve of ± 100 basis points (+100/-100 basis points in 2010);
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

Exchange rate risk

Exchange rate risks refer to a set of negative effects on the margin or the value of an asset or a liability as a result of exchange rate fluctuations.

The Company, though operating internationally, is not particularly exposed to exchange rate risks since the Euro is the currency used in the Company's main business areas.

The Company has underwritten forward contracts in order to hedge against the exchange rate risk resulting from US Dollars and Pound Sterling purchase and sale transactions.

Despite the fact that these contracts are specifically entered into for hedge purposes, they do not fully meet the requirements envisaged by international accounting standards in the matter of hedge accounting, and are therefore accounted for as trading derivatives.

The Company has a policy of hedging a percentage of the positions included in the budget in order to protect its operational profitability against the negative impact resulting from exchange rate fluctuations.

In 2011 the type of exposure and the hedge policy adopted for exchange rate risks did not show any particular variations against previous years.

The results of the sensitivity analysis performed on the exchange rate risk showed an insignificant economic impact, considering the low level of average exposure in 2010 and 2011.

No impact was identified on Shareholders' equity, as a result of the fact that the derivative instruments stipulated for the purpose of exchange rate risk management do not qualify for hedge accounting.

The basic assumptions underlying the sensitivity analysis are:
- exchange rate shock at closing equal for all currencies the Company is exposed to, corresponding to ± 10%;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

Liquidity risk

Liquidity risk refers to the possibility that the Company may not be able to face payment obligations 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 being forced to sustain excessively high costs for the purpose of meeting obligations. The Company's exposure to liquidity risk mainly refers to existing loans and borrowings.

In addition, if deemed necessary, the Company may resort to pre-authorised short-term credit lines.

The Company's objective is to maintain a constant balance and flexibility between financial sources and commitments. For more detailed information regarding current and non-current financial liabilities, reference should be made to note 16 "Non-current financial liabilities".

At 31 December 2011 liquidity risk was managed by the Company by resorting to its own financial resources and the financial resources of its subsidiaries.

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

Liquidity risk	Analysis of maturity periods at 31/12/2011						
(Euro/million)	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years	Total
Trade payables	83.1						83.1
Medium/long-term intercompany loans							
Medium/long-term third party loans	30.1	4.7	80.3	117.3	75.6		308.0
Other financial liabilities:							
- committed credit lines							
- uncommitted credit lines	1.2						1.2
Other liabilities	32.8						32.8
Intercompany payables	227.5						227.5
Total	**374.7**	**4.7**	**80.3**	**117.3**	**75.6**	-	**652.6**
Derivatives on interest rate risk	(0.3)	0.2	(1.3)	(0.8)	0.1		(2.0)
Total exposure	**375.0**	**4.4**	**81.6**	**118.2**	**75.5**	-	**654.6**

Liquidity risk (Euro/million)	< 6 months	6 - 12 months	Analysis of maturity periods at 31/12/2010 1 - 2 years	2 - 5 years	5 - 10 years	> 10 years	Total
Trade payables	76.8						76.8
Medium/long-term intercompany loans							
Medium/long-term third party loans	30.0	4.5	33.3	206.8	55.5		330.1
Other financial liabilities:							
- committed credit lines							
- uncommitted credit lines	3.1	1.4					4.5
Other liabilities	27.9						27.9
Intercompany payables	254.2						254.2
Total	**392.0**	**5.9**	**33.3**	**206.8**	**55.5**	**-**	**693.5**
Derivatives on rate risk	(0.7)	(0.3)	(0.5)	1.4	1.4		1.3
Total exposure	**392.7**	**6.2**	**33.8**	**205.4**	**54.1**	**-**	**692.2**

Maturity dates were analysed by using undiscounted cash flows and the amounts were accounted for, taking into account the first date upon which payment becomes due. For this reason, uncommitted credit lines are reported in the first column.

For the purpose of meeting liquidity requirements, the Company relies on credit lines and liquidity, as already commented on above, and cash flow from operations.

Credit risk

Credit risk refers to the possibility of incurring financial losses as a result of counterparty default in complying with contractual obligations.
Credit risk includes counterparty/replacement risk in case of derivative instruments. In the latter case, the risk is associated with any deferred gains as a result of the possibility that the counterparty fails to live up to its contractual obligations and thus no positive cash flow is generated in favour of the Company. The Company is exposed to credit risk only to a limited extent, since the counterparties of derivative instrument contracts are leading financial institutions with high ratings.

The objective is to limit the risk for losses due to the unreliability of market counterparties or to the difficulty of converting or replacing existing financial positions. Hence, transactions with non-authorised counterparties are not allowed.
When approving the Policy, the Board of Directors also approved a list of authorised counterparties for financial risk hedging. Transactions with such authorised counterparties are constantly monitored and reports are periodically drafted.

Each individual Company Division is responsible for the management of trade receivables in compliance with the Company financial objectives, commercial strategies and operating procedures, restricting the sale of products and services to customers whose credit profile or provision of collateral guarantees does not conform to the standards set. The balance related to trade receivables is monitored throughout the year, so as to ensure that the amount of exposure to losses is kept low.
The table below illustrates maximum exposure to credit risk for financial statement items, including derivative instruments. Maximum risk exposure is accounted for before the effects of mitigation deriving from compensation agreements and guarantees.

Credit risk (Euro/million)	31/12/2011	31/12/2010
Deposits	62.0	73.4
Receivables and loans:		
- trade receivables and other current financial assets	279.1	302.3
- trade receivables and other non-current financial assets	62.4	62.6
- Guarantees	3.6	3.6
Total maximum exposure to credit risk	**407.1**	**441.9**

As to trade receivables, the table below illustrates the Company's exposure to credit risk by geographical area and business unit:

Credit risk concentration	31/12/2011 (Euro/million)	31/12/2010 (Euro/million)	31/12/2011 %	31/12/2010 %
By business unit:				
Books	100.7	125.2	51.6%	56.2%
Magazines	82.6	86.5	42.3%	38.8%
Other	11.8	11.1	6.1%	5.0%
Total	**195.1**	**222.8**	**100.0%**	**100.0%**
By geographical area:				
Italy	190.6	218.1	97.7%	97.9%
Other countries	4.5	4.7	2.3%	2.1%
Total	**195.1**	**222.8**	**100.0%**	**100.0%**

Below is a description of management criteria used for the main segments of activity.

Books

The Company has adopted a specific procedure to assess the risk profile of any new customer. This procedure comprises the collection of commercial information to valuate customer reliability before granting any credit line. Customer reliability is monitored on an ongoing basis.

Magazines

The activity regarding the sale and distribution in the newsstand and subscription channels is performed by subsidiary Press-Di Distribuzione Stampa e Multimedia S.r.l.
With reference to the sales in the newsstand channel, it should be noted that the Company is not exposed to credit risk, because the subsidiary responsible for the activity is also liable for any losses and, as a result, is in charge of defining the relevant criteria to manage the risk.
With reference to the sales in the subscription channel, losses on receivables suffered by Press-Di Distribuzione Stampa e Multimedia S.r.l. are charged back to the Company. However, considering the fragmentation of the balance receivable and the small amounts involved, the receivable management does not involve the use of credit lines, but the adoption of measures aimed at limiting exposure vis-à-vis the individual subscription holders.

Advertising

Receivables from advertising refer to the sale of advertising space in the Company's magazines. The sales activities are entrusted to the subsidiary Mondadori Pubblicità S.p.A., which is also responsible for the definition of the relevant criteria to efficiently manage and monitor such receivables.

With reference to bad debt from booksellers, it should be noted that the Company allocates individual provisions for the individually significant positions. The amount of bad debt takes into account an estimate of the recoverable amount, collection dates, charges and expenses, as well as any guarantees received.

In case of positions not subject to specific losses, the Company sets up a provision based on historical data and statistics.

Price risk

Price risk mainly refers to variations in the market price of equity instruments and financial assets/liabilities value impairment as a result of variations in commodity prices. The key objective of price risk management is to reduce the impact of fluctuations in the price of raw materials on the Company's financial results.

Due to the nature of its core business, the Company is exposed to variations in the price of paper.

Other information required pursuant to IFRS 7

The table below summarises financial assets and liabilities classified based on the categories defined by IAS 39 and the relevant fair value.

Classification	Book value						Fair value	
	Total		current		non-current			
(Euro/million)	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Receivables and loans:								
- cash and cash equivalents	62.0	73.4	62.0	73.4			62.0	73.4
- trade receivables	62.3	84.5	62.2	84.4	0.1	0.2	62.3	84.5
- other financial assets	7.3	6.7	7.0	6.3	0.3	0.3	7.3	6.7
- receivables due from subsidiaries, affililiates companies	271.9	273.7	209.9	211.7	62.0	62.0	271.9	273.7
Financial assets held for sale (investments)	0.2	0.2	0.2	0.2			0.2	0.2
Cash flow hedge instruments		0.6				0.6		0.6
Total financial assets	403.7	439.1	341.3	376.0	62.4	63.1	403.7	439.1
Financial liabilities at amortised cost:								
- trade payables	83.1	76.8	83.1	76.8			83.1	76.8
- liabilities due to banks and other financial payables	310.5	322.4	60.0	58.4	250.5	264.0	325.3	292.6
- receivables due from subsidiaries, affililiates companies	227.5	254.2	227.5	254.2			227.5	254.2
Cash flow hedge instruments	3.4	1.0			3.4	1.0		1.0
Total financial liabilities	624.5	654.4	370.6	389.4	253.9	265.0	635.9	624.6

The table below summarises income and expenses recognised under income statement and attributable to financial assets and liabilities, classified according to the categories defined by IAS 39.

Income and loss from financial instruments (Euro/million)	FY 2011	FY 2010
Net income on financial liabilities at amortised cost		
Net income on derivative instruments		
Interest earned on financial assets not valued at fair value:		
- deposits	0.3	0.2
- intercompany receivables		4.3
- other financial assets	5.0	0.3
Total income	5.3	4.8
Net loss on derivative instruments		0.3
Net loss on financial liabilities, loans and receivables	0.1	
Interest due on financial liabilities not valued at fair value:		
- deposits	0.2	
- loans	8.1	7.1
- intercompany payables	1.5	0.9
- other	2.4	2.2
Losses deriving from impaired financial instruments:		
- trade receivables		0.5
Total expenses	12.3	11.0
Total	(7.0)	(6.2)

32. Information pursuant to article 149-*duodecies* of Consob Issuer Regulation

The table below, drafted pursuant to article 149-*duodecies* of Consob Issuer Regulation, summarises fees paid in 2011 (net of ancillary expenses) for auditing activities and other services provided by Deloitte & Touche S.p.A. and by other entities belonging to the same network.

(Euro/000)	Entity providing the service	Amount in 2011
Auditing	Deloitte & Touche S.p.A.	336.3
Certification	Deloitte & Touche S.p.A. [1]	104.5
Other services	Deloitte & Touche S.p.A. [2]	23.0
	Deloitte ERS Enterprise Risk Services S.r.l. [3]	10.0
Total		**473.8**

[1] Attestazione Circolazione Stampa (circulation auditing). Company financial statement auditing, tax return audits.
[2] Technical and methodological support for the updating of the procedure regarding transactions with related parties.
[3] Technical and methodological support for the updating of the Safety Policy Document.

Supplementary tables

Attached is the table containing the information on the Company's receivables and payables broken down by geographical area (Annex H).

Consolidated financial statement

Attached is the Group's consolidated financial statements at 31 December 2011.

For the Board of Directors
The Chairman
Marina Berlusconi

Annexes to the Financial Statements

Annex A: Table of investments

Description (Euro/000)	Offices	Share capital	Net equity	Income (Loss) FY 2011	Total net equity	% owned	Net equity of competence	Balance sheet values Purchase/ establishment	Capital contribution payments	Impairment loss provision	Total
Subsidiaries:											
Cemit Interactive Media S.p.A.	S. Mauro Torinese (TO)	3,835	7,597	1,028	8,625	100.00%	8,625	15,597			15,597
Edizioni Piemme S.p.A.	Milan	567	12,137	4,087	16,224	90.00%	14,602	22,107			22,107
Giulio Einaudi editore S.p.A.	Turin	23,920	32,952	7,490	40,442	100.00%	40,442	28,490			28,490
Glaming S.r.l.	Milan	20	3,450	(1,537)	1,913	70.00%	1,339	840	1,575	(1,079)	1,336
Mondadori Direct S.p.A.	Milan	2,700	16,119	(5,056)	11,063	100.00%	11,063	12,532	2,001	(2,743)	11,790
Mondadori Education S.p.A.	Milan	10,608	39,136	8,547	47,683	100.00%	47,683	56,217			56,217
Mondadori Electa S.p.A.	Milan	1,594	5,071	415	5,486	100.00%	5,486	6,333			6,333
Mondadori Iniziative Editoriali S.p.A.	Milan	500	1,702	(2,195)	(493)	100.00%	(493)	500	700	(1,200)	0
Mondadori International S.p.A.	Milan	350,736	390,565	(2,091)	388,474	100.00%	388,474	357,012			357,012
Mondadori Pubblicità S.p.A.	Milan	3,120	8,968	(5,933)	3,035	100.00%	3,035	3,932	5,781	(6,678)	3,035
Monradio S.r.l.	Milan	3,030	44,066	(10,579)	33,487	100.00%	33,487	40,868	41,241	(3,111)	78,998
Press-Di Distribuzione Stampa e Multimedia S.r.l.	Milan	1,095	2,026	4,892	6,918	100.00%	6,918	1,095			1,095
Prisco Spain S.A.	Barcelona	60	37	(6)	31	100.00%	31	7,856			7,856
Sperling & Kupfer Editori S.p.A.	Milan	1,556	2,323	1,946	4,269	100.00%	4,269	10,366			10,366
Sporting Club Verona S.r.l.	Milan	100	100	(169)	(69)	100.00%	(69)	100			100
Total							564,892	563,845	51,298	(14,811)	600,332
Affiliated companies:											
ACI-Mondadori S.p.A.	Milan	590	1,569	(373)	1,196	50.00%	598	540			540
Gruner + Jahr/Mondadori S.p.A.	Milan	2,600	4,507	3,261	7,768	50.00%	3,884	1,203			1,203
Random House Mondadori S.A.	Barcelona	6,825	66,148	493	66,641 (d)	6.01% (b)	4,005	13,842			13,842
Harlequin Mondadori S.p.A.	Milan	258	1,211		1,211	50.00%	606	402			402
Mach 2 Libri S.p.A.	Peschiera Borromeo (MI)	646	11,578		11,578	30.91%	3,579	3,947			3,947
Società Europea di Edizioni S.p.A.	Milan	2,529	8,529	(4,324)	4,205	36.90%	1,552	933	2,214	(574)	2,573
Mondadori Printing S.p.A.	Cisano Bergamasco (BG)	45,396	69,930	10,204	80,134	20.00%	16,027	15,864			15,864
Total							30,250	36,731	2,214	(574)	38,371
Other companies:											
Consuledit Società consortile ar.l.	Milan	20	40		40	9.56%	4	1			1
Editrice Portoria S.p.A. (under bankruptcy)	Milan	364	300		300 (a)	16.78%	50	61		(61)	0
Immobiliare Editori Giornali S.r.l.	Rome	830	5,890		5,890	7.88%	464	52			52
Soc. Editrice Il Mulino S.p.A.	Bologna	1,175	1,685		1,685	7.05%	119	101			101
Total							637	215	0	(61)	154
Total of directly owned investments							595,778	600,791	53,512	(15,446)	638,857

(a) Net equity at 31/12/1999.
(b) 50% affiliated through Mondadori International S.p.A. and Prisco Spain S.A.
(d) IAS consolidated financial statements.
Note: values refer to balance sheet and income statement data drafted in compliance with the accounting principles used for the preparation of the individual financial statements of the Group companies.

Annex B1: List of the main indirectly owned subsidiaries and affiliated companies at 31 December 2011

Description (Values in currency/000)	Offices		Share capital	Net equity	Income (Loss) FY 2011	Total net equity	Group's ownership	Currency denominated net equity	Euro denominated net equity (b)
Subsidiaries:									
ABS Finance Fund Sicav	Luxembourg	Euro	1,545	1,545		1,545	70,57%	1,090	1,090
Editions Taitbout S.A.	Montrouge	Euro	3,049	48,226	5,151	53,377	100.00%	53,375	53,375
Mondadori France S.a.s.	Montrouge	Euro	50,000	309,479	1,209	310,688	100.00%	310,688	310,688
Mondadori Magazines France S.a.s.	Montrouge	Euro	56,957	464,630	16,414	481,044	100.00%	481,044	481,044
Star Presse Hollande B.V. (in liquidation)	Amsterdam	Euro	18	100		100	100.00%	100	100
Total									**846,298**
Affiliated companies:									
Companies belonging to the Random House Mondadori Group:	(a)								
Random House Mondadori S.A. (Colombia)	Bogotà	Columb. Pesos	15,000				50.00%		
Random House Mondadori S.A. de C.V. (Mexico)	Mexico D.F.	Pesos	86,988				50.00%		
Editorial Sudamericana S.A. (Argentina)	Buenos Aires	Australes	8,367				50.00%		
Random House Mondadori S.A. (Chile)	Santiago	Pesos	4,184,124				50.00%		
Editorial Sudamericana Uruguaya S.A. (Uruguay)	Montevideo	N. Pesos	9,893				50.00%		
Random House Mondadori S.A. (Venezuela)	Caracas	Bolivares	3,533,787				50.00%		
Market Self S.A.	Buenos Aires	Australes	1,150				25.00%		
Random House Mondadori S.A.	Barcelona	Euro	6,825				50.00%		
(Random House Mondadori Group's consolidated figures pursuant to IAS)	Barcelona	Euro	6,825	66,148	493	66,641	50.00%	33,321	33,321

(follows)

Annex B1: List of the main indirectly owned subsidiaries and affiliated companies at 31 December 2011

(follow)

Description (Values in currency/000)	Offices		Share capital	Net equity	Income (Loss) FY 2011	Total net equity	Group's ownership	Currency denominated net equity	Euro denominated net equity (b)
Companies belonging to the Attica Group:									
Airlink S.A.	Athens	Euro	801				41.98%		
Argos S.A.	Athens	Euro	2,910				2.73%		
Attica Publications S.A.	Athens	Euro	4,590				41.98%		
Attica Media Bulgaria Ltd	Sophia	Lev	155				28.89%		
Attica Media Serbia Ltd	Belgrade	Euro	1,659				37.78%		
Attica-Imako Media Ltd	Bucarest	Ron	700				20.99%		
Bandos Ltd	Cyprus	Euro	3,552				41.98%		
Civico Ltd	Cyprus	US$	2				41.98%		
E-One S.A. (in liquidation)	Athens	Euro	339				10.49%		
Emphasis Publishing S.A.	Athens	Euro	800				41.98%		
Ennalaktikes Publications S.A. (in liquidation)	Athens	Euro	487				20.57%		
G.I. Dragounios Publications S.A.	Athens	Euro	949				41.98%		
International Radio Networks Holdings S.A.	Luxembourg	Euro	2,507				41.98%		
International Radio Networks S.A.	Athens	Euro	380				41.85%		
Ionikes Publishing S.A.	Athens	Euro	1,374				27.91%		
Map Media Publishing S.A.	Budapest	Huf	60,000				20.99%		
Attica Media Romania Ltd (former PBR Publication Ltd)	Bucarest	Ron	1				41.98%		
Tilerama S.A.	Athens	Euro	1,467				20.99%		
Tiletheatis S.A.	Athens	Euro	1,134				30.08%		
(Attica Group's consolidated figures)	Athens	Euro	4,590	8,221			41.98%		
Aranova Freedom Soc. Cons. ar.l.	Bologna	Euro	19				16.67%		
Campania Arte S.c.ar.l.	Rome	Euro	100	100		100	22.00%	22	22
Consorzio Covar (in liquidation)	Rome	Euro	15	9	(1)	8	25.00%	2	2
Consorzio Forma	Pisa	Euro	4	3		3	25.00%	1	1
Edizioni EL S.r.l.	Trieste	Euro	620	6,379		6,379	50.00%	3,190	3,190
Electa S.r.l.	Milan	Euro	20	15		15	100.00%	15	15
EMAS "Editions Mondadori Axel Springer" S.n.c.	France	Euro	152	152	6,551	6,703	50.00%	3,352	3,352
Mach 2 Press S.r.l.	Peschiera Borromeo (MI)	Euro	200	1,905		1,905	46,98%	895	895
MDM Milano Distribuzione Media S.r.l.	Milan	Euro	520	1,055	311	1,366	20.00%	273	273
Mediamond S.p.A.	Milan	Euro	1,500	1,941	110	2,051	50.00%	1,026	1,026
Mondadori Independent Media LLC	Moscow	Rouble	92,232	76,067	(5,958)	70,119	50.00%	35,060	859
Mondadori Seec (Beijing) Advertising Co. Ltd	Beijing	Cny	40,000	(6,964)	(5,400)	(12,364)	50.00%	(6,182)	(629)
Novamusa Val di Mazara S.c.ar.l.	Messina	Euro	90	83		83	20.00%	17	17
Novamusa Valdinoto S.c.ar.l.	Messina	Euro	90	90		90	20.00%	18	18
Novamusa Valdemone S.c.ar.l.	Messina	Euro	90	107		107	20.00%	21	21
Roccella S.c.ar.l. (in liquidation)	Naples	Euro	100	43		43	49.50%	21	21
Selcon S.r.l.	Peschiera Borromeo (MI)	Euro	21	945		945	25.60%	242	242
Venezia Accademia Società per i servizi museali S.c.ar.l.	Venice	Euro	10	10		10	25.00%	3	3
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation)	Venice	Euro	10	22		22	34.00%	7	7
Total									**42,654**

(a) Also see Annex A - Table of investments.
(b) Currency rates:
US$ / Euro 1.3362
Cny / Euro 9.835
Rur / Euro 40.820

Annex B2: Table of relevant investments pursuant to art. 120 of Italian Legislative Decree no. 58/1998

Arnoldo Mondadori Editore S.p.A.

In compliance with art. 126 of the regulation approved by Consob through Resolution no. 11971 of 14/05/1999
disclosures are provided relative to relevant investments pursuant to art. 120 of Italian Legislative Decree no. 58/1998

reference date 31 December 2011

Company name		Share capital	% owned	Ownership mode	Partner	% owned	Offices	Tax code	Date of establishment
ACI-Mondadori S.p.A. (Italy)	Euro	590,290	50%	direct	Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Bianca di Savoia 12	13277400159	17/11/2000
Aranova Freedom Soc. Cons. ar.l. (Italy)	Euro	19,200	16.67%	indirect	Monradio S.r.l.	16.67%	Bologna - via Guinizzelli 3	02532501208	24/01/2005
Campania Arte S.c.ar.l. (Italy)	Euro	100,000	22%	indirect	Mondadori Electa S.p.A.	22%	Rome - via Tunisi 4	09086401008	18/07/2006
Cemit Interactive Media S.p.A. (Italy)	Euro	3,835,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	San Mauro Torinese (TO) - via Toscana 9	04742700018	13/12/1984
Editrice Portoria S.p.A. in liquidation (Italy)	Euro	364,000	16.786%	direct	Arnoldo Mondadori Editore S.p.A.	16.786%	Milan - via Chiossetto 1	02305160158	26/03/1975
Edizioni EL S.r.l. (Italy)	Euro	620,000	50%	indirect	Giulio Einaudi editore SpA	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Edizioni Piemme S.p.A. (Italy)	Euro	566,661	90%	direct	Arnoldo Mondadori Editore S.p.A.	90%	Milan - via Bianca di Savoia 12	00798930053	29/09/1982
Electa S.r.l. (Italy)	Euro	20,000	100%	indirect	Mondadori Electa S.p.A.	100%	Milan - via Bianca di Savoia 12	07136630964	08/09/2010
Giulio Einaudi editore S.p.A. (Italy)	Euro	23,920,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Turin - via U. Biancamano 2	08367150151	03/06/1986
Glaming S.r.l. (Italy)	Euro	20,000	70%	direct	Arnoldo Mondadori Editore S.p.A.	70%	Milan - via Bianca di Savoia 12	07428570969	21/04/2011
Gruner + Jahr /Mondadori S.p.A. (Italy)	Euro	2,600,000	50%	direct	Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Luisa Battistotti Sassi 11/A	09440000157	19/09/1988
Harlequin Mondadori S.p.A. (Italy)	Euro	258,250	50%	direct	Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Marco D'Aviano 2	05946780151	15/10/1980
Mach 2 Libri S.p.A. (Italy)	Euro	646,250	34.91%	direct	Arnoldo Mondadori Editore S.p.A.	30.91%	Peschiera Borromeo (MI) - via Galileo Galilei 1	03782990158	06/05/1983
				indirect	Sperling & Kupfer Ed. S.p.A.	4%			
Mach 2 Press S.r.l. (Italy)	Euro	200,000	40%	indirect	Press-Di Distribuzione Stampa e Multimedia S.r.l.	40%	Peschiera Borromeo (MI) - via Galileo Galilei 1	07014150960	27/04/2010
MDM Milano Distribuzione Media S.r.l. (Italy)	Euro	520,000	20%	indirect	Press-Di Distribuzione Stampa e Multimedia S.r.l.	20%	Milan - via Carlo Cazzaniga 19	10463540152	02/10/1991
Mediamond S.p.A. (Italy)	Euro	1,500,000	50%	indirect	Mondadori Pubblicità S.p.A.	50%	Milan - via Bianca di Savoia 12	06703540960	30/07/2009
Mondadori Direct S.p.A. (Italy)	Euro	2,700,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00212560239	19/11/1946
Mondadori Education S.p.A. (Italy)	Euro	10,608,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03261490969	01/10/2001
Mondadori Electa S.p.A. (Italy)	Euro	1,593,735	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Trentacoste 7	01829090123	23/02/1989
Mondadori Iniziative Editoriali S.p.A. (Italy)	Euro	500,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03619240967	08/07/2002
Mondadori International S.p.A. (Italy)	Euro	350,736,076	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	07231790960	18/09/1970
Mondadori Printing S.p.A. (Italy)	Euro	45,396,000	20%	direct	Arnoldo Mondadori Editore S.p.A.	20%	Cisano Bergamasco (BG) - via Luigi e Pietro Pozzoni 11	12319410150	28/11/1997
Mondadori Pubblicità S.p.A. (Italy)	Euro	3,120,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	08696660151	12/02/1987
Monradio S.r.l. (Italy)	Euro	3,030,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	04571350968	15/10/2004
Novamusa Val di Mazara S.c.ar.l. (Italy)	Euro	90,000	20%	indirect	Mondadori Electa S.p.A.	20%	Messina - via Acireale Z.I.R.	02812180830	20/04/2005
Novamusa Valdemone S.c.ar.l. (Italy)	Euro	90,000	20%	indirect	Mondadori Electa S.p.A.	20%	Messina - via Acireale Z.I.R.	02704680830	16/04/2003
Novamusa Valdinoto S.c.ar.l. (Italy)	Euro	90,000	20%	indirect	Mondadori Electa S.p.A.	20%	Messina - via Acireale Z.I.R.	02704670831	16/04/2003
Press-Di Distribuzione Stampa e Multimedia S.r.l. (Italy)	Euro	1,095,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03864370964	19/02/2003
Roccella S.c.ar.l. in liquidation (Italy)	Euro	100,000	49.50%	indirect	Mondadori Electa S.p.A.	49.50%	Naples - via Santa Lucia 39	05053571211	21/03/2005
Società Europea di Edizioni S.p.A. (Italy)	Euro	2,528,875	36.898%	direct	Arnoldo Mondadori Editore S.p.A.	36.898%	Milan - via G. Negri 4	01790590150	27/02/1974
Sperling & Kupfer Editori S.p.A. (Italy)	Euro	1,555,800	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00802780155	03/11/1927
Sporting Club Verona S.r.l. - Società Sportiva Dilettantistica (Italy)	Euro	100,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	07231600961	03/12/2010
Venezia Accademia Società per i servizi museali S.c.ar.l. (Italy)	Euro	10,000	25%	indirect	Mondadori Electa S.p.A.	25%	Venice - via L. Einaudi 74	03808820272	11/01/2008
Venezia Musei Società per i servizi museali S.c.ar.l. in liquidation (Italy)	Euro	10,000	34%	indirect	Mondadori Electa S.p.A.	34%	Venoce - via L. Einaudi 74	03534350271	22/04/2004

(follows)

Annex B2: Table of relevant investments pursuant to art. 120 of Italian Legislative Decree no. 58/1998

(follow)

reference date 31 December 2011

Company name		Share capital	% owned	Ownership mode	Partner	% owned	Offices	Tax code	Date of establishment
ABS Finance Fund Sicav (Luxembourg)	Euro	1,544,829.98	70.575%	indirect	Mondadori International S.p.A.	70.57%	Luxembourg - 19-21 Boulevard du Prince Henri		03/02/1999
Attica Publications S.A. (Greece)	Euro	4,590,000	41.987%	indirect	Mondadori International S.p.A.	41.987%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
Editions Mondadori Axel Springer S.n.c. (France)	Euro	152,500	50%	indirect	Mondadori France S.a.s.	50%	France - Montrouge Cedex - 8, rue Fançois Ory		09/12/1999
Editions Taitbout S.A. (France)	Euro	3,048,980	99.997%	indirect	Mondadori France S.a.s.	99.997%	France - Montrouge Cedex - 8, rue Fançois Ory		31/01/1989
EMAS Digital S.a.s.	Euro	12,000,000	50%	indirect	Mondadori France S.a.s.	50%	France - Levallois Perret - 68, rue Marjolin		13/09/2011
Mondadori France S.a.s. (former Ame France S.àr.l.) (France)	Euro	50,000,000	100%	indirect	Mondadori International S.p.A.	100%	France - Montrouge Cedex - 8, rue François Ory		23/06/2004
Mondadori Independent Media LLC (Russia)	Rouble	92,232,160	50%	indirect	Mondadori International S.p.A.	50%	Russia - Moscow - 3, Bldg. 1, Polkovaya Str.		26/12/2007
Mondadori Magazines France S.a.s. (France)	Euro	56,957,458	100%	indirect	Mondadori France S.a.s.	100%	France - Montrouge Cedex - 8, rue François Ory		30/03/2004
Mondadori Seec Advertising Co.Ltd (China)	Cny	40,000,000	50%	indirect	Mondadori Pubblicità S.p.A.	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		26/09/2008
Prisco Spain S.A. (Spain)	Euro	60,101.30	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Spain - Barcelona, Calle Travessera de Gracia 47/49		06/12/1988
Random House Mondadori S.A. (Spain)	Euro	6,824,600.63	50%	indirect	Mondadori International S.p.A.	33.99%	Spain - Barcellona, Calle Travessera de Gracia 47/49		05/08/1959
				direct	Arnoldo Mondadori Editore S.p.A.	6.01%			
				indirect	Prisco Spain S.A.	10%			
Star Presse Hollande B.V. in liquidation (Holland)	Euro	18,151,21	100%	indirect	Mondadori France S.a.s.	100%	Holland - Amsterdam - Rokin 55		28/09/1994

Related Parties
Annex C1: Receivables due from subsidiaries and affiliated companies at 31 December 2011

(Euro/000)	31/12/2011	31/12/2010
Current account transactions and financial receivables		
Subsidiaries:		
Edizioni Piemme S.p.A.	1,039	-
Mondadori Electa S.p.A.	1,988	4,537
Mondadori France S.a.s.	61,254	69,993
Mondadori Iniziative Editoriali S.p.A.	368	-
Mondadori Pubblicità S.p.A.	6,845	-
Mondadori Direct S.p.A.	37,695	28,646
Monradio S.r.l.	32,828	33,850
Press-Di Distribuzione Stampa e Multimedia S.r.l.	45	-
Sperling & Kupfer Editori S.p.A.	4,622	3,441
Affiliated companies:		
Harlequin Mondadori S.p.A.	-	183
Hearst Mondadori Editoriale S.r.l.	-	332
Mach 2 Libri S.p.A.	1	-
Mondadori Rodale S.r.l.	-	554
Other enterprises for amounts lower than euro 52,000 (*)	-	-
Total	146,685	141,536
% of incidence	97.7%	98.1%

(*) The amounts of the previous year also include receivables due from companies transferred during 2011.

(Euro/000)	31/12/2011	31/12/2010
Trade transactions		
Subsidiaries:		
Cemit Interactive Media S.p.A.	578	273
Edizioni Piemme S.p.A.	1,302	1,416
Mondadori Education S.p.A.	-	525
Excelsior Publications S.a.s.		-
Giulio Einaudi editore S.p.A.	2,944	2,661
Glaming S.r.l.	224	-
Mondadori Education S.p.A.	689	-
Mondadori Electa S.p.A.	664	717
Mondadori France S.a.s.	393	277
Mondadori France Digital S.a.s.	1,278	-
Mondadori Magazines France S.a.s.	-	1,367
Mondadori International S.p.A.	45	20
Mondadori Pubblicità S.p.A.	62,491	68,348
Mondadori Direct S.p.A.	14,976	18,330
Monradio S.r.l.	715	694
Mondadori Iniziative Editoriali S.p.A.	1,614	128
Press-Di Distribuzione Stampa e Multimedia S.r.l.	11,261	9,757
Sperling & Kupfer Editori S.p.A.	1,288	1,349
Affiliated companies:		
ACI-Mondadori S.p.A.	207	291
Attica Media Bulgaria Ltd	41	26
Attica Media Serbia Ltd	67	46
Attica Publications S.A.	74	19
Edizioni EL S.r.l.	377	422
Grüner + Jahr/Mondadori S.p.A.	100	126
Harlequin Mondadori S.p.A.	96	1,547
Hearst Mondadori Editoriale S.r.l.	-	252
Mach 2 Libri S.p.A.	22,756	20,199
Mediamond S.p.A.	220	1,713
Mondadori Independent Media LLC	69	65
Mondadori Printing S.p.A.	214	646
Mondadori Rodale S.r.l.	-	526
Mondadori Seec Advertising Co. Ltd	342	110
Random House Mondadori S.A.	215	163
Società Europea di Edizioni S.p.A.		161
Parent Company:		
Fininvest S.p.A.	-	4
Associated companies:		
RTI S.p.A.	105	72
Publitalia '80 S.p.A.	9	9
Taodue S.r.l.	20	-
Videotime S.p.A.	12	11
Other enterprises for amounts lower than euro 52,000 (*)	13	14
Total	125,399	132,284
% of incidence	64.3%	59.4%

(*) The amounts of the previous year also include receivables due from companies transferred during 2011.

Annex C2: Intercompany transactions in 2011

(Euro/000)

Related parties	Revenues from sales and services	Other income	Financial income	Income from investments	Total
Parent Company:					
Fininvest S.p.A.					0
Subsidiaries:					
Ame Publishing Ltd					0
Arnoweb S.A.					0
Cemit Interactive Media S.p.A.	1,099	138	10	1,696	2,943
Diana S.a.s.					0
Edizioni Piemme S.p.A.	2,940	170	42	4,800	7,952
Excelsior Publications S.a.s.					0
Mondadori Education S.p.A.	1,966	129	44	10,200	12,339
Giulio Einaudi editore S.p.A.	4,903	150	30	6,440	11,523
Glaming S.r.l.	575	408			983
Mondadori Electa S.p.A.	1,705	572	164		2,441
Mondadori France Digital S.a.s.			1,681		1,681
Mondadori International S.p.A.	150				150
Mondadori Iniziative Editoriali S.p.A.	2,138	617			2,755
Mondadori Magazines France S.a.s.	1,572	1,964			3,536
Mondadori Pubblicità S.p.A.	140,539	6,039	623		147,201
Mondadori Direct S.p.A.	44,458	1,934	1,084	5,627	53,103
Press-Di Distribuzione Stampa e Multimedia S.r.l.	287,023	1,371	43	5,400	293,837
Monradio S.r.l.	380	1,285	1,116		2,781
Sperling & Kupfer Editori S.p.A.	2,332	356	134	1,245	4,067
Total	491,780	15,133	4,971	35,408	547,292
Affiliated companies:					
ACI-Mondadori S.p.A.	636	126			762
Agenzia Lombarda Distrib. Giornali e Riviste S.r.l.					0
Attica Media Publications S.A.	119				119
Edizioni EL S.r.l.	855				855
Gruner + Jahr/Mondadori S.p.A.	34	71		1,625	1,730
Harlequin Mondadori S.p.A.	32	100			132
Hearst Mondadori Editoriale S.r.l.	311	331		445	1,087
Mach 2 Libri S.p.A.	31,347	9		470	31,826
Mediamond S.p.A.	2,273	74			2,347
Mondadori Independent Media LLC	137				137
Mondadori Rodale S.r.l.					0
Mondadori Printing S.p.A.	1,072		4		1,076
Mondadori Seec Advertising Co. Ltd	307				307
Random House Mondadori S.A.	88				88
Società Europea di Edizioni S.p.A.					0
Total	37,211	711	4	2,540	40,466

(Euro/migliaia)

Related parties	Revenues from sales and services	Other income	Financial income	Income from investments	Total
Fininvest Group companies:					
Banca Mediolanum S.p.A.	4				4
Elettronica industriale S.p.A.					0
Digitalia 08 S.r.l.					0
Fininvest Gestione Servizi S.p.A.	2				2
Il Teatro Manzoni S.p.A.	2				2
Milan A.C. S.p.A.					0
Mediaset S.p.A.	2				2
Media Shopping S.p.A.					0
Medusa Film S.p.A.	1				1
Publitalia '80 S.p.A.	9				9
RTI Reti Televisive Italiane S.p.A.	98	2			100
Video Time S.p.A.	11				11
Sub-total	129	2	0	0	131
Total	529,120	15,846	4,975	37,948	587,889
% of incidence	73.40%	70.91%	62.30%	100.00%	74.49%

Annex D1: Payables due to Parent Company, subsidiaries and affiliated companies at 31 December 2011

(Euro/000)	31/12/2011	31/12/2010
Trade transactions		
Subsidiaries:		
Cemit Interactive Media S.p.A.	9,625	11,002
Edizioni Piemme S.p.A.	-	2,036
Electa S.r.l.	238	-
Mondadori Education S.p.A. (former Edumond Le Monnier S.p.A.)	46,874	47,261
Giulio Einaudi editore S.p.A.	22,092	19,639
Glaming S.r.l.	1,413	-
Mondadori Iniziative Editoriali S.p.A.	-	2,159
Mondadori International S.p.A.	768	-
Mondadori Pubblicità S.p.A.	-	2,977
Mondolibri S.p.A.	-	9,815
Press-Di Distribuzione Stampa e Multimedia S.r.l.	43,656	55,665
Affiliated companies:		
ACI-Mondadori S.p.A.	308	589
Gruner + Jahr/Mondadori S.p.A.	177	154
Harlequin Mondadori S.p.A.	2,725	5,462
Mediamond S.p.A.	479	265
Associated companies:		
Mediobanca S.p.A.	65,000	50,000
Other enterprises for amounts lower than euro 52,000 (*)	-	-
Total	193,355	207,024
% of incidence	47.2%	45.8%

(*) The amounts of the previous year also include receivables due from companies transferred during 2011.

(Euro/000)	31/12/2011	31/12/2010
Trade transactions		
Subsidiaries:		
Cemit Interactive Media S.p.A.	45	95
Edizioni Piemme S.p.A.	11,312	13,998
Mondadori Education S.p.A.	129	110
Giulio Einaudi editore S.p.A.	13,225	15,169
Mondadori Electa S.p.A.	2,150	2,499
Mondadori France S.a.s.	-	20
Mondadori Magazines France S.a.s.	5	2
Mondadori Pubblicità S.p.A.	2,656	3,238
Mondadori Direct S.p.A.	135	211
Monradio S.r.l.	2	6
Press-Di Distribuzione Stampa e Multimedia S.r.l.	5,260	5,236
Sperling & Kupfer Editori S.p.A.	7,044	4,920

(Euro/000)	31/12/2011	31/12/2010
Affiliated companies:		
ACI-Mondadori S.r.l.	11	26
Artes Graficas Toledo S.A.	353	357
Attica Media Bulgaria Ltd	3	-
Attica Media Serbia Ltd	18	4
Attica Publications S.A.	11	3
Edizioni EL S.r.l.	4,602	4,783
Gruner + Jahr/Mondadori S.p.A.	162	166
Harlequin Mondadori S.p.A.	944	-
Hearst Mondadori Editoriale S.p.A.	-	372
Mediamond S.p.A.	48	9
Mondadori Printing S.p.A.	50,803	45,857
Mondadori Rodale S.r.l.	-	15
Mondadori Seec Advertising Co. Ltd	220	87
Random House Mondadori S.A.	1	12
Random House Mondadori S.A. de CV (Mexico)	-	1
Società Europea di Edizioni S.p.A.	2	1
Parent Company:		
Fininvest S.p.A.	7	7
Associated companies:		
RTI S.p.A.	225	264
Publitalia '80 S.p.A.	2,310	3,739
Mediaset S.p.A.	90	60
Medusa Video S.r.l.	-	20
Medusa Film S.p.A.	233	-
Other related parties:		
Sin&rgetica	42	319
Sineris	48	-
Other enterprises for amounts lower than euro 52,000 (*)	13	113
Total	102,109	101,719
% of incidence	56.0%	58.5%
Income tax payables		
Parent Company:		
Fininvest S.p.A.	10,101	14,306
Total	10,101	14,306

(*) The amounts of the previous year also include receivables due from companies transferred during 2011.

Annex D2: Intercompany transactions in 2011

(Euro/000)

Related parties	Raw, ancillary, consumption materials and goods	Services	Other costs	Financial charges	Costs from investments	Total
Parent Company:						
Fininvest S.p.A.	0	10	3	164		177
Subsidiaries:						
Ame France S.a.s.						0
Ame Publishing Ltd						0
Arnoldo Mondadori Deutschland GmbH						0
Cemit Interactive Media S.p.A.		600		99		699
Diana S.a.s.						0
Edizioni Piemme S.p.A.	38,767	13	52	19		38,851
Mondadori Education S.p.A.	19	65	148	282		514
Giulio Einaudi editore S.p.A.	40,764	192		214		41,170
Glaming S.r.l.				9		9
Mondadori Electa S.p.A.	8,446	303	39			8,788
Mondadori France S.a.s.						0
Mondadori Magazines France S.a.s.		22				22
Mondadori Franchising S.p.A.						0
Mondadori Iniziative Editoriali S.p.A.				16		16
Mondadori International S.p.A.						0
Mondadori Pubblicità S.p.A.	2,197	2,153	2,748	18		7,116
Mondadori Direct S.p.A.	39	184	292	20		535
Mondolibri S.p.A.						0
Press-Di Distribuzione Stampa e Multimedia S.r.l.	2	28,256	1,079	534		29,871
Monradio S.r.l.		4	1	42		47
Monradio Servizi S.r.l. (former Rock FM S.r.l.)						0
Sperling & Kupfer Editori S.p.A.	24,033	14	3			24,050
Total	114,267	31,806	4,362	1,253	0	151,688
Affiliated companies:						
ACI-Mondadori S.p.A.		9		8		17
Artes Graficas Toledo S.A.						0
Attica Media Serbia Ltd						0
Attica Publications S.A.		43				43
Edizioni EL S.r.l.	6,985					6,985
Gruner + Jahr/Mondadori S.p.A.		233		27		260
Harlequin Mondadori S.p.A.	10,552			36		10,588
Hearst Mondadori Editoriale S.r.l.		9	89			98
Mach 2 Libri S.p.A.		17				17
Mediamond S.p.A.		87		7		94
Mondadori Independent Media LLC						0
Mondadori Rodale S.r.l.						0
Mondadori Printing S.p.A.	195	140,252	106	3		140,556
Mondadori Seec Advertising Co. Ltd		166				166
Random House Mondadori S.A.		86				86
Società Europea di Edizioni S.p.A.			5			5
Total	17,732	140,902	200	81	0	158,915

(Euro/000)

Related parties	Raw, ancillary, consumption materials and goods	Services	Other costs	Financial charges	Costs from investments	Total
Fininvest Group companies:						
Alba Servizi Aerotrasporti S.p.A.			37			37
Consorzio Campus Multimedia						0
Digitalia 08 S.r.l.		134				134
Il Teatro Manzoni S.p.A.						0
Fininvest Gestione Servizi S.p.A.			21			21
Mediaset S.p.A.		150				150
Mediobanca S.p.A.				1,469		1,469
Medusa Film S.p.A.		643				643
Medusa Video S.r.l.						0
Milan A.C. S.p.A.			6			6
Milan Entertainment S.r.l.		1				1
Promoservice Italia S.r.l.						0
Publitalia '80 S.p.A.		14,121				14,121
Radio e Reti S.r.l.						0
RTI Reti Televisive Italiane S.p.A.	308	317				625
Taodue S.r.l.						0
Total	308	15,366	64	1,469	0	17,207
Other related parties:						
Sin&rgetica		539				539
Sineris		40				
Sub-total	0	579	0	0	0	539
Total	132,307	188,663	4,629	2,967	0	328,526
% of incidence	82.08%	48.10%	17.47%	19.19%	0,00%	55.18%

Annex E: Financial highlights of subsidiaries drafted in compliance with statutory accounting principles

(Euro/000) Financial year at	Mondadori International 31/12/2011	Monradio 31/12/2011	Mondadori Iniziative Edit. 31/12/2011	Sporting Club Verona 31/12/2011	Glaming 31/12/2011
Balance sheet					
Assets					
Intangible assets	-	50,929	2,760	26	1,177
Tangible assets	-	7,184	8	23	44
Financial assets	357,419	101	-	-	14
Total fixed assets	357,419	58,214	2,768	49	1,235
Inventory	-	-	2,108	-	-
Receivables due from customers	-	7,588	772	83	-
Receivables due from Group companies	152,145	2	-	-	1,413
Other receivables	147	7,933	930	-	717
Financial assets (no fixed assets)	16,398	-	-	-	-
Cash and cash equivalents	14,020	-	-	879	-
Total current assets	182,710	15,523	3,810	962	2,130
Accrued income and deferred expenses	446	73	63	1	68
Total assets	540,575	73,810	6,641	1,012	3,433
Liabilities					
Shareholders' equity	350,736	3,030	500	100	20
Reserves	39,829	14,554	654	-	1,180
Capital contribution payments from Shareholders	-	26,482	548	-	2,250
Income (loss) for the period	(2,091)	(10,579)	(2,195)	(169)	(1,537)
Total net equity	388,474	33,487	(493)	(69)	1,913
Provision for risks and charges	36	1,111	116	-	-
Post-employment benefits	-	385	201	16	4
Payables due to banks	150,000	-	10	-	3
Payables due to suppliers	103	3,237	4,539	193	1,004
Payables due to Group companies	45	33,541	1,972	-	226
Other payables	92	1,947	296	119	283
Accrued liabilities and deferred income	1,825	102	-	753	-
Total liabilities	540,575	73,810	6,641	1,012	3,433

(Euro/000) Financial year	Mondadori International 2011	Monradio 2011	Mondadori Iniziative Edit. 2011	Sporting Club Verona 2011	Glaming 2011
Income statement					
Revenues from sales	-	16,252	9,300	1,625	22
Differences in inventory	-	-	-		
Other revenues	3	1,589	-	34	1
Total value of production	3	17,841	9,300	1,659	23
Purchases and services	339	14,343	11,319	1,302	1,812
Personnel	-	2,072	740	466	320
Amortisation, depreciation and impairment loss	-	13,442	228	8	43
Differences in raw materials and goods	-	-	(140)	-	-
Provisions	1,032	154	110	-	-
Other operating costs	2	778	83	28	3
Total cost of production	1,373	30,789	12,340	1,804	2,178
Revenues from investments	768	-	-	-	-
Financial revenues (costs)	1,529	(1,074)	11	1	9
Total financial revenues (costs)	2,297	(1,074)	11	1	9
Revaluations (impairment loss)	(2,950)	-	-	-	-
Extraordinary revenues (costs)	(1)	(2)	12	-	-
Pre-tax result	(2,024)	(14,024)	(3,017)	(144)	(2,146)
Income tax	67	(3,445)	(822)	25	(609)
Net income (loss) for the period	(2,091)	(10,579)	(2,195)	(169)	(1,537)

Annex E: Financial highlights of subsidiaries according to IAS international accounting principles

(Euro/000)	Cemit Interactive Media	Edizioni Piemme	Mondadori Education	Giulio Einaudi editore	Mondadori Electa	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Direct	Prisco Spain	Sperling & Kupfer Editori
Financial year at	31/12/2011	31/12/2011	31/12/2011	31/12/2011	31/12/2011	31/12/2011	31/12/2011	31/12/2011	31/12/2011	31/12/2011
Balance sheet										
Assets										
Intangible assets	-	581	23,774	64	240	-	196	20,058	-	98
Property investments	-	-	-	-	-	-	-	-	-	-
Property, plants and machinery	48	673	316	222	468	96	40	16,525	-	69
Investments	-	-	-	1,332	398	2,847	762	-	18	26
Non-current financial assets	-	-	-	-	-	2,144	-	-	-	-
Anticipated tax assets	116	1,632	2,896	4,811	1,841	890	741	4,037	-	633
Other non-current assets	3	7	-	-	-	-	3	422	-	12
Total non-current assets	167	2,893	26,986	6,429	2,947	5,977	1,742	41,042	18	838
Tax receivables	54	3,781	223	131	103	2,122	70	7,261	-	46
Other current assets	43	7,947	544	10,274	759	569	4,205	1,389	-	6,327
Inventory	306	6,258	10,762	5,147	8,410	-	112	66,469	-	3,308
Trade receivables	7,001	12,197	6,501	24,138	13,747	102,344	45,821	33,201	-	7,306
Securities and other current financial assets	9,626	98	46,874	22,106	1,976	551	43,656	-	-	-
Cash and cash equivalents	28	4	34	15	20	4	1,105	2,610	14	2
Total current assets	17,058	30,285	64,938	61,811	25,015	105,590	94,969	110,930	14	16,989
Assets held for sale or transferred	-	-	-	-	-	-	-	-	-	-
Total assets	17,225	33,178	91,924	68,240	27,962	111,567	96,711	151,972	32	17,827
Liabilities										
Shareholders' equity	3,835	567	10,608	23,920	1,594	3,120	1,095	2,700	60	1,556
Reserves	3,762	11,570	28,528	9,032	3,477	5,848	931	13,419	(24)	767
Income (loss) for the period	1,028	4,087	8,547	7,490	415	(5,933)	4,892	(5,056)	(6)	1,946
Total net equity	8,625	16,224	47,683	40,442	5,486	3,035	6,918	11,063	30	4,269
Provisions	10	-	5,445	2,201	2,916	1,060	390	3,708	-	-
Post-employment benefits	1,479	782	5,142	2,935	876	2,640	1,989	6,487	-	721
Non-current financial liabilities	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	60	444	5,033	49	34	56	49	410	-	48
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	1,549	1,226	15,620	5,185	3,826	3,756	2,428	10,605	0	769
Income tax payables	698	-	3,506	3,947	305	-	2,046	-	-	844
Other current liabilities	1,733	8,146	16,279	11,841	3,662	8,181	35,845	11,402	-	3,565
Trade payables	4,620	6,542	8,772	6,807	10,345	89,075	49,380	81,201	2	3,757
Payables due to banks and other financial liabilities	-	1,040	64	18	4,338	7,520	94	37,701	-	4,623
Total current liabilities	7,051	15,728	28,621	22,613	18,650	104,776	87,365	130,304	2	12,789
Assets held for sale or transferred	-	-	-	-	-	-	-	-	-	-
Total liabilities	17,225	33,178	91,924	68,240	27,962	111,567	96,711	151,972	32	17,827

(follows)

Annex E: Financial highlights of subsidiaries according to IAS international accounting principles

(follow)

(Euro/000)	Cemit Interactive Media	Edizioni Piemme	Mondadori Education	Giulio Einaudi editore	Mondadori Electa	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Direct	Prisco Spain	Sperling & Kupfer Editori
Financial year at	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011
Income statement										
Revenues from sales and services	18,076	40,830	78,030	49,370	37,647	219,941	67,379	254,301	-	24,190
Inventory decrease (increase)	29	(619)	(1,731)	51	1,040	-	11	(2,645)	-	(110)
Purchase of raw, ancillary, consumption materials and goods	4,193	680	6,959	1,091	3,481	-	2,378	152,160	-	70
Purchases of services	7,976	30,667	49,014	31,853	22,883	214,346	56,041	62,966	6	18,331
Personnel	4,571	3,161	7,773	6,525	4,943	10,202	5,604	26,937	-	2,293
Other costs (revenues)	(515)	549	2,805	(426)	3,372	2,391	(4,384)	10,804	-	502
Income from investments valued at equity	-	-	-	-	-	-	250	-	-	-
EBITDA	1,822	6,392	13,210	10,276	1,928	(6,998)	7,479	4,079	(6)	3,104
Depreciation of property, plants and machinery	42	114	151	135	548	92	26	4,074	-	31
Amortisation of intangible assets	-	23	65	41	145	-	201	2,263	-	9
EBIT	1,780	6,255	12,994	10,100	1,235	(7,090)	7,252	(2,258)	(6)	3,064
Financial revenues (costs)	21	30	132	78	(212)	(686)	297	(1,303)	-	(175)
Income (costs) from investments	-	-	-	837	(6)	-	-	-	-	61
Pre-tax result	1,801	6,285	13,126	11,015	1,017	(7,776)	7,549	(3,561)	(6)	2,950
Income tax	773	2,198	4,579	3,525	602	(1,843)	2,657	1,495	-	1,004
Net result	1,028	4,087	8,547	7,490	415	(5,933)	4,892	(5,056)	(6)	1,946

Annex F: Financial highlights of the main indirectly owned subsidiaries

(Euro/000)	Mondadori France S.a.s (100% owned by Mondadori International S.p.A.)
Financial year at	31/12/2011
Balance sheet	
Assets	
Intangible assets	-
Property investments	-
Property, plants and machinery	-
Investments	749,223
Non-current financial assets	-
Anticipated tax assets	-
Other non-current assets	-
Total non-current assets	749,223
Tax receivables	-
Other current assets	14.278
Inventory	-
Trade receivables	1.229
Securities and other current financial assets	-
Cash and cash equivalents	-
Total current assets	15,507
Assets held for sale or transferred	-
Total assets	**764,730**
Liabilities	
Shareholders' equity	50,000
Reserves	259,479
Income (loss) for the period	1,209
Total net equity	310,688
Provisions	276
Post-employment benefits	-
Non-current financial liabilities	-
Deferred tax liabilities	-
Other non-current liabilities	-
Total non-current liabilities	276
Income tax payables	-
Other current liabilities	10,324
Trade payables	120
Payables due to banks and other financial liabilities	443,322
Total current liabilities	453,766
Assets held for sale or transferred	-
Total liabilities	**764,730**

(Euro/000)	Mondadori France S.a.s (100% owned by Mondadori International S.p.A.)
Financial year at	2011
Income statement	
Revenues from sales and services	2,998
Inventory decrease (increase)	-
Purchase of raw, ancillary, consumption materials and goods	-
Purchases of services	1,049
Personnel	1,595
Other costs (revenues)	848
EBITDA	(494)
Depreciation of property, plants and machinery	-
Amortisation of intangible assets	-
EBIT	(494)
Financial revenues (costs)	(10,493)
Income (costs) from investments	9,008
Pre-tax result	(1,979)
Income tax	(3,188)
Net result	**1,209**

Annex G: Financial highlights of affiliated companies

(Euro/000)	ACI- Mondadori	MDM Milano Distrib. Media	Gruner + Jahr/ Mondadori	Random House Mondadori Group (*) (consolidated financial statements)	Harlequin Mondadori	Mach 2 Libri	Mondadori Printing	Società Europea di Edizioni
Financial year at	31/12/2011	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2010	31/12/2011	31/12/2011
Balance sheet								
Assets								
Intangible assets	3	46	230	4,715	42	587	849	8,813
Tangible assets	13	50	108	3,851	38	285	104,248	938
Financial assets	-	-	60	21,834	43	650	90	738
Total assets	16	96	398	30,400	123	1,522	105,187	10,489
Inventory	229	-	1,321	18,324	186	11,001	15,338	908
Receivables due from customers	900	2,439	11,671	18,256	3,137	34,871	77,792	15,411
Receivables due from Group companies	1,618	439	-	-	-	256	3,573	3,229
Other receivables	128	4,559	8,673	15,451	249	13,874	4,282	431
Financial assets (no fixed assets)	-	-	-	9,550	467	-	-	
Cash and cash equivalents	602	-	1,766	17,028	468	44	35,164	36
Total current assets	3,477	7,437	23,431	78,609	4,507	60,046	136,149	20,015
Accrued income and deferred liabilities	17	6	248	362	339	252	580	902
Total assets	3,510	7,539	24,077	109,371	4,969	61,820	241,916	31,406
Liabilities								
Shareholders' equity	590	520	2,600	6,825	258	646	45,396	2,529
Reserves	979	535	1,907	59,323	57	9,409	24,534	6,000
Capital contribution payments from shareholders	-	-	-	-	-	-		-
Income (loss) for the period	(373)	311	3,261	493	896	1,523	10,204	(4,324)
Total net equity	1,196	1,366	7,768	66,641	1,211	11,578	80,134	4,205
Provision for risks and charges	201	35	167	-	-	1,132	13,623	5,133
Post-employment benefits	339	381	1,921	-	632	1,139	14,826	5,022
Payables due to banks	-	310	-	426	-	2,954	36,298	4,225
Payables due to suppliers	1,060	1,542	7,398	19,415	2,362	23,004	83,824	7,434
Payables due to Group companies	157	2,952	-	-	-	20,192	3,837	124
Other payables	406	953	6,553	22,889	719	1,821	9,148	4,776
Accrued liabilities and deferred income	151	-	270	-	45	-	226	487
Total liabilities	3,510	7,539	24,077	109,371	4,969	61,820	241,916	31,406

(*) Drafted according to (IAS/IFRS) international accounting principles.

(follows)

Annex G: Financial highlights of affiliated companies

(follow)

(Euro/000)	ACI-Mondadori	MDM Milano Distrib. Media	Gruner + Jahr/ Mondadori	Random House Mondadori Group (*) (consolidated financial statements)	Harlequin Mondadori	Mach 2 Libri	Mondadori Printing	Società Europea di Edizioni
Financial year	2011	2011	2010	2011	2010	2010	2011	2011
Income statement								
Revenues from sales	7,373	11,874	37,697	117,738	10,870	138,047	280,234	61,301
Inventory differences	(77)	-	(38)	(20,822)	4	-	(868)	-
Other revenues	70	2,986	2,412	5,492	412	1,855	9,946	2,454
Total value of production	7,366	14,860	40,071	102,408	11,286	139,902	289,312	63,755
Purchases and services	6,727	13,625	22,911	16,324	7,992	133,267	201,192	39,228
Personnel	937	785	10,775	26,452	1,769	4,929	51,889	19,611
Amortisation, depreciation and impairment losses	5	114	341	2,305	-	547	17,519	3,721
Differences in inventory of raw materials and goods	-	-	(11)	-	-	(1,790)	683	493
Provisions	-	35	150	4,277	91	48	1,531	2,347
Other operating costs	51	46	696	47,786	76	404	774	1,410
Total cost of production	7,720	14,605	34,862	97,144	9,928	137,405	273,588	66,810
Revenues from investments	-	-	-	-	-	-	2,007	-
Financial revenues (costs)	13	10	61	(1,384)	33	38	(683)	(143)
Total financial revenues (costs)	13	10	61	(1,384)	33	38	1,324	(143)
Revaluations (impairment loss)	-	-	-	-	-	-	-	-
Extraordinary revenues (costs)	-	1	-	-	-	-	(1)	(503)
Pre-tax result	(341)	266	5,270	3,880	1,391	2,535	17,047	(3,701)
Income tax	32	(45)	2,009	3,387	495	1,012	6,843	623
Income (loss) for the period	**(373)**	**311**	**3,261**	**493**	**896**	**1,523**	**10,204**	**(4,324)**

(*) Drafted according to (IAS/IFRS) international accounting principles.

Annex H: Breakdown of receivables and payables by geographical area

(Euro/000)	Italy	Other EU countries	USA	Switzerland	Canada	Other countries	Total
Receivables							
Non-current assets:							
Non-current financial assets		50,000					50,000
Anticipated tax assets	18,832						18,832
Other non-current assets	423						423
Current assets:							
Tax receivables	25,164						25,164
Other current assets	20,838	6,094	11,145	576	122	1,712	40,487
Trade receivables	190,557	2,803	52	569	4	1,093	195,078
Securities and other current financial assets	88,928	11,254					100,182
Total receivables	344,742	70,151	11,197	1,145	126	2,805	430,166
Payables							
Non-current liabilities:							
Non-current financial liabilities	253,924						253,924
Deferred tax liabilities	21,186						21,186
Other non-current liabilities							
Current liabilities:							
Income tax payables	10,101						10,101
Other current liabilities	68,792	783	1,480	34	16	196	71,301
Trade payables	178,477	3,222	123	26	3	399	182,250
Payables due to banks and other financial liabilities	155,451						155,451
Total payables	687,931	4,005	1,603	60	19	595	694,213

Statement of the Company's financial statements pursuant to art. 81-*ter* of Consob Resolution no. 11971 of 14 May 1999 and subsequent changes and supplements

1. The undersigned Maurizio Costa in his capacity as Deputy Chairman and CEO and Carlo Maria Vismara in his capacity as Executive Manager responsible for the drafting of the corporate accounting documentation of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-*bis*, par. 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby declare:

   - the adequacy in relation to the Group's characteristics and
   - the effective application

   of the administrative and accounting procedures for the drafting of the Company's financial statements closed at 31 December 2011.

2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Company's financial statements at 31 December 2011 was carried out based on a specific process defined by Arnoldo Mondadori Editore S.p.A. consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which groups together a set of general principles of reference for internal control generally accepted at the international level.

3. We also hereby declare that:

3.1 the financial statements at 31 December 2011:

a) were drafted in compliance with the applicable international accounting standards acknowledged at the EU level pursuant to EC Regulation no. 1606/2002 of the EU Parliament and Council of 19 July 2002 as well as the provisions set out for the implementation of art. 9 of Italian Legislative Decree no. 38/2005;

b) reflect the accounting books and entries;

c) provide a true and fair description of the financial position and results of operations of the Company;

3.2 the report on operations includes a reliable analysis of the Company's performance and results, the financial position of the Company and the companies included in the consolidation area, along with the description of the main risks and uncertainties they are exposed to.

19 March 2012

The Deputy Chairman and CEO
(Maurizio Costa)

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

Mondadori Group Consolidated Financial Statements at 31 December 2011

Consolidated balance sheet

Assets (Euro/000)	Note	31/12/2011	31/12/2010
Intangible assets	2	947,303	901,468
Property investments	3	2,761	2,383
Land and buildings		10,215	10,680
Plants and machinery		12,405	5,513
Other tangible assets		30,651	39,766
Property, plants and machinery	4	53,271	55,959
Investments valued at equity		126,134	131,464
Other investments		995	222
Total investments	5	127,129	131,686
Non-current financial assets	12	6,925	1,889
Anticipated tax assets	6	48,137	45,679
Other non-current assets	7	1,052	1,390
Total non-current assets		1,186,578	1,140,454
Tax receivables	8	40,831	28,709
Other current assets	9	80,280	81,667
Inventory	10	137,066	131,484
Trade receivables	11	360,369	385,207
Other current financial assets	12	24,583	31,942
Cash and other cash equivalents	13	82,942	84,901
Total current assets		726,071	743,910
Assets held for sale or transferred		-	-
Total assets		1,912,649	1,884,364

Liabilities (Euro/000)	Note	31/12/2011	31/12/2010
Share capital		64,079	67,452
Share premium reserve		210,200	286,857
Treasury shares		(70,456)	(144,968)
Other reserves and result carried forward		320,367	327,771
Income (loss) for the period		49,621	42,101
Group's Shareholders' equity	14	573,811	579,213
Minority shareholders' capital and reserves	15	35,068	1,750
Total net equity		608,879	580,963
Provisions	16	47,443	43,416
Post-employment benefits	17	53,508	53,159
Non-current financial liabilities	18	412,812	418,468
Deferred tax liabilities	6	103,259	91,189
Other non-current liabilities		-	-
Total non-current liabilities		617,022	606,232
Income tax payables	19	22,938	22,619
Other current liabilities	20	259,932	250,966
Trade payables	21	366,837	380,895
Payables due to banks and other financial liabilities	18	37,041	42,689
Total current liabilities		686,748	697,169
Liabilities held for sale or transferred		-	-
Total liabilities		1,912,649	1,884,364

Consolidated income statement

(Euro/000)	Note	FY 2011	FY 2010
Revenues from sales and services	22	1,509,843	1,558,302
Inventory decrease (increase)	10	(4,102)	(833)
Cost of raw, ancillary, consumption materials and goods	23	238,657	254,910
Cost of services	24	844,474	832,537
Personnel	25	270,748	271,508
Other costs (revenues)	26	44,661	56,596
Revenues (costs) from investments valued at equity	27	14,949	(3,392)
EBITDA		130,354	140,192
Depreciation and impairment loss on investments, plants and machinery	3-4	12,117	12,823
Amortisation and impairment loss on intangible assets	2	14,464	13,145
EBIT		103,773	114,224
Financial revenues (costs)	28	(20,504)	(23,919)
Revenues (costs) form other investments		(597)	(38)
Pre-tax result		82,672	90,267
Income tax	29	33,196	47,633
Result from operations		49,476	42,634
Revenues (costs) from assets/liabilities held for sale or transferred		-	-
Net result		49,476	42,634
Attributable to:			
- Minority shareholders		(145)	533
- Parent Company's shareholders		49,621	42,101
Net earnings per share (in Euro units)	30	0.210	0.177
Diluted net earnings per share (in Euro units)	30	0.210	0.177

For the Board of Directors
The Chairman
Marina Berlusconi

Consolidated comprehensive income statement

(Euro/000)	Note	FY 2011	FY 2010
Net result before minority interests		49,476	42,634
Income (loss) deriving from the conversion of currency denominated financial statements of foreign companies	14	(5)	19
Other income (loss) from companies valued at equity	14	(1,615)	(62)
Effective portion of income (loss) on cash flow hedge instruments	12	(6,165)	(575)
Income (loss) deriving from assets held for sale (fair value)	12	(2,603)	(1,536)
Tax impact relative to other income (loss)		941	-
Total other income (loss) net of tax		(9,447)	(2,154)
Comprehensive result for the period		40,029	40,480
Attributable to:			
- Parent Company's shareholders		40,174	39,947
- Minority shareholders' interest		(145)	533

For the Board of Directors
The Chairman
Marina Berlusconi

Table of changes in the consolidated Shareholders' equity at 31 December 2010

(Euro/000)	Note	Shareholders' equity	Share premium reserve	Treasury shares	Stock options reserve	Cash flow hedge reserve	Fair value reserve	Currency reserve	Other reserve	Income (loss) for the period	Total Group's equity	Minority shareholders' equity	Total
Balance at 01/01/2010		67,452	286,857	(138,840)	6,701	(4,660)	(257)	(567)	293,484	34,333	544,503	1,778	546,281
- Allocation of net income									34,333	(34,333)	-		0
- Dividend payout											-	(567)	(567)
- Changes in the consolidation area											-		0
- Transactions on Treasury shares	14			(6,128)							(6,128)		(6,128)
- Stock options	25				424				300		724		724
- Other changes	14								167		167	6	173
- Comprehensive income (loss)						(575)	(1,536)	(43)		42,101	39,947	533	40,480
Balance at 31/12/2010		67,452	286,857	(144,968)	7,125	(5,235)	(1,793)	(610)	328,284	42,101	579,213	1,750	580,963

Table of changes in the consolidated Shareholders' equity at 31 December 2011

(Euro/000)	Note	Shareholders' equity	Share premium reserve	Treasury shares	Stock options reserve	Cash flow hedge reserve	Fair value reserve	Currency reserve	Other reserve	Income (loss) for the period	Total Group's equity	Minority shareholders' equity	Total
Balance at 01/01/2011		67,452	286,857	(144,968)	7,125	(5,235)	(1,793)	(610)	328,284	42,101	579,213	1,750	580,963
- Allocation of net income									1,800	(1,800)	-		0
- Dividend payout										(40,301)	(40,301)	(533)	(40,834)
- Changes in the consolidation area											-	34,000	34,000
- Disposal of Treasury shares	14	(3,373)	(76,657)	80,030							-		0
- Transactions on Treasury shares	14			(5,518)							(5,518)		(5,518)
- Stock options	25				(1,176)				1,871		695		695
- Other changes	14								(452)		(452)	(4)	(456)
- Comprehensive income (loss)						(5,224)	(2,603)	(1,620)		49,621	40,174	(145)	40,029
Balance at 31/12/2011		64,079	210,200	(70,456)	5,949	(10,459)	(4,396)	(2,230)	331,503	49,621	573,811	35,068	608,879

For the Board of Directors
The Chairman
Marina Berlusconi

Consolidated cash flow statement

(Euro/000)	Note	31/12/2011	31/12/2010
Net result for the period		49,621	42,101
Adjustments			
Amortisation, depreciation and write-downs	2-3-4	26,581	25,968
Income tax for the period	29	33,196	47,633
Stock options	25	695	724
Fund provisions (utilisation) and post-employment benefits		9,843	5,556
Capital loss (gain) from the transfer of intangible assets, properties, plants and machinery, investments		(2,823)	(933)
Capital loss (gain) from financial assets valuation	28	557	547
(Revenues) costs of companies valued at equity	27	(14,949)	3,392
Net financial costs on loans and transactions with derivatives	28	15,832	18,351
Cash flow generations from operations		118,553	143,339
Trade receivable (increase) decrease		33,235	(1,800)
Inventory (increase) decrease		(4,798)	(1,239)
Trade payable increase (decrease)		(14,709)	80
Income tax payments		(33,088)	(47,795)
Advances and post-employment benefits		(4,681)	(11,996)
Net difference for other assets/liabilities		(11,437)	(11,075)
Cash flow generated (absorbed) by operations		83,075	69,514
Price collected (paid) net of cash transferred/acquired	1	985	1,955
(Purchase) disposal of intangible assets		852	(2,549)
(Purchase) disposal of properties, plants and machinery		(16,758)	(12,858)
(Purchase) disposal of investments		8,633	1,577
(Purchase) disposal of financial assets		(3,918)	5,363
Cash flow generated (absorbed) by investment activities		(10,206)	(6,512)
Net difference in financial liabilities		(15,608)	(69,669)
Payment of net financial costs on loans and transactions with derivatives		(13,401)	(21,931)
(Purchase) transfer of treasury shares	14	(5,518)	(6,128)
Dividends paid out	14	(40,301)	-
Cash flow generated (absorbed) by the financing activity		(74,828)	(97,728)
Increase (decrease) of cash and cash equivalents		(1,959)	(34,726)
Cash and cash equivalents at the beginning of the period	13	84,901	119,627
Cash and cash equivalents at the end of the period	13	82,942	84,901
Cash and other cash equivalents composition			
Cash, cheques and securities		2,159	1,180
Bank and postal deposits		80,783	83,721
		82,942	84,901

For the Board of Directors
The Chairman
Marina Berlusconi

Consolidated financial situation
pursuant to Consob Resolution no. 15519 of 27 July 2006

Assets (Euro/000)	Note	31/12/2011	of which related parties (note 33)	31/12/2010	of which related parties (note 33)
Intangible assets	2	947,303	-	901,468	-
Property investments	3	2,761	-	2,383	-
Land and buildings		10,215	-	10,680	-
Plants and machinery		12,405	-	5,513	-
Other tangible assets		30,651	-	39,766	-
Property, plants and machinery	4	53,271	0	55,959	0
Investments valued at equity		126,134	-	131,464	-
Other investments		995	-	222	-
Total investments	5	127,129	0	131,686	0
Non-current financial assets	12	6,925	6,477	1,889	-
Anticipated tax assets	6	48,137	-	45,679	-
Other non-current assets	7	1,052	-	1,390	-
Total non-current assets		1,186,578	6,477	1,140,454	0
Tax receivables	8	40,831	2,470	28,709	2,481
Other current assets	9	80,280	-	81,667	-
Inventory	10	137,066	-	131,484	-
Trade receivables	11	360,369	38,478	385,207	39,155
Other current financial assets	12	24,583	3,057	31,942	1,399
Cash and other cash equivalents	13	82,942	-	84,901	-
Total current assets		726,071	44,005	743,910	43,035
Assets held for sale or transferred		-	-	-	-
Total assets		1,912,649	50,482	1,884,364	43,035

Liabilities (Euro/000)	Note	31/12/2011	of which related parties (note 33)	31/12/2010	of which related parties (note 33)
Share capital		64,079	-	67,452	-
Share premium reserve		210,200	-	286,857	-
Treasury shares		(70,456)	-	(144,968)	-
Other reserves and result carried forward		320,367	-	327,771	-
Income (loss) for the period		49,621	-	42,101	-
Group's shareholders' equity	14	573,811	0	579,213	0
Minority shareholders' capital and reserves	15	35,068	-	1,750	-
Total net equity		608,879	0	580,963	0
Provisions	16	47,443	-	43,416	-
Post-employment benefits	17	53,508	-	53,159	-
Non-current financial liabilities	18	412,812	65,000	418,468	50,000
Deferred tax liabilities	6	103,259	-	91,189	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		617,022	65,000	606,232	50,000
Income tax payables	19	22,938	13,953	22,619	18,487
Other current liabilities	20	259,932	-	250,966	-
Trade payables	21	366,837	84,509	380,895	90,891
Payables due to banks and other financial liabilities	18	37,041	3,689	42,689	8,831
Total current liabilities		686,748	102,151	697,169	118,209
Liabilities held for sale or transferred		-	-	-	-
Total liabilities		1,912,649	167,151	1,884,364	168,209

Consolidated income statement pursuant to Consob Resolution no. 15519 of 27 July 2006

(Euro/000)	Note	FY 2011	of which related parties (note 33)	of which non-recurring costs (revenues) (nota 32)	FY 2010	of which related parties (note 33)	of which non-recurring costs (revenues) (note 32)
Revenues from sales and services	22	1,509,843	61,548	-	1,558,302	69,420	-
Inventory decrease (increase)	10	(4,102)	-	-	(833)	-	-
Cost of raw, ancillary, consumption materials and goods	23	238,657	19,841	-	254,910	19,685	-
Cost of services	24	844,474	206,931	-	832,537	214,568	-
Personnel	25	270,748	-	-	271,508	-	-
Other costs (revenues)	26	44,661	(6,588)	-	56,596	(6,383)	-
Revenues (costs) from investments valued at equity	27	14,949	-	-	(3,392)	-	-
EBITDA		130,354	(158,636)	0	140,192	(158,450)	0
Depreciation and impairment loss on investments, plants and machinery	3-4	12,117	-	-	12,823	-	-
Amortisation and impairment loss on intangible assets	2	14,464	-	-	13,145	-	-
EBIT		103,773	(158,636)	0	114,224	(158,450)	0
Financial revenues (costs)	28	(20,504)	(1,690)	-	(23,919)	(1,112)	-
Revenues (costs) form other investments		(597)	-	-	(38)	-	-
Pre-tax result		82,672	(160,326)	0	90,267	(159,562)	0
Income tax	29	33,196	-	-	47,633	-	8,653
Result from operations		49,476	(160,326)	0	42,634	(159,562)	(8,653)
Revenues (costs) from assets/liabilities held for sale or transferred		-	-	-	-	-	-
Net result		49,476	(160,326)	0	42,634	(159,562)	(8,653)
Attributable to:							
- Minority shareholders		(145)	-	-	533	-	-
- Parent Company's shareholders		49,621	-	-	42,101	-	-

Accounting principles and other information

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

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

In 2011 Mondadori extended its offer of products and services through the use of cutting edge technology and a dedicated division (Digital Area).

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

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

The advertisement of Mondadori Group's consolidated financial statements ended at 31 December 2011 was authorised by the Board of Directors' resolution of 19 March 2012.

2. Form and content
The consolidated financial statements as at 31 December 2011 were drafted in compliance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU and in compliance with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The financial statements were prepared with the understanding that the company will continue to operate in the future. The Group has decided that, despite the difficult economic and financial context, there is no significant uncertainty (as defined by IAS 1.25) surrounding its ability to continue operating in the future, partly as a result of the actions already undertaken to adjust to the changing levels in demand and to the industrial and financial flexibility of the Group.

The Mondadori Group adopted the body of the principles applied as of 1 January 2005, following the adoption of European Regulation no. 1606 of 19 July 2002.

The financial statements as at 31 December 2011 were prepared in accordance with the accounting standards used for the preparation of IAS/IFRS consolidated financial statements as at 31 December 2011, taking into consideration any new amendments and standards with effect from 1 January 2011, which are referred to in note 6.26.

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 consolidated balance sheet;
- in the consolidated separate income statement, the analysis of costs is carried out on the basis of the nature of the costs, since the Group decided that this method is more representative than an analysis by function;
- the consolidated comprehensive income statement contains revenue and cost items that are not recognised under income (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

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

The amounts shown in the tables and in these notes are expressed in Euro thousands unless otherwise specified.

3. Consolidation principles

Mondadori Group consolidated financial statements include:
- the financial statements of the Parent Company and the financial statements of directly or indirectly owned Italian and foreign companies according to the provisions set out 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 of Italian and foreign companies in which Arnoldo Mondadori Editore S.p.A. has joint control, either directly or indirectly, pursuant to IAS 31. In these cases investments are recognised in compliance with the equity method pursuant to IAS 31;
- the financial statements of Italian and foreign companies in which Arnoldo Mondadori Editore S.p.A. has a direct or indirect investment in an associated company pursuant to IAS 28. In these cases investments are recognised in compliance with the equity method pursuant to IAS 28.

The application of the above mentioned consolidation policies has led to the following adjustments:
- the book value of investments in companies included in the consolidation area is discharged against the related net equity;
- the difference between the cost borne for the acquisition of the investment and the relevant share of net equity is recognised on the date of purchase and allocated to the specific asset and liability items at fair value. Any positive difference is recognised under goodwill; any negative difference is recognised under income statement;
- consolidated equity amounts, reserves and the financial result attributable to third party minority interests are recognised under separate items in consolidated shareholders' equity and income statement;
- in preparing the consolidated financial statements, receivables and payables, revenues and expenses resulting from transactions between companies included in the consolidation area are discharged as are any unrealised gains or losses on intercompany operations.

The financial statements of companies included in the consolidation area are prepared at the same closing date of Arnoldo Mondadori Editore S.p.A., in accordance with IAS/IFRS.

In cases where the closing date is different from the Parent Company's closing date, adjustments are made in order to recognise the effects of any significant transactions or events that have occurred between that date and the Parent Company's closing date.

The most significant transactions occurred in the period are:
- the acquisition of the remaining 50% interest in Mondadori Rodale S.r.l., subsequently incorporated into the Parent Company Arnoldo Mondadori Editore S.p.A;
- the transfer of the interest held in Hearst Mondadori Editoriale S.r.l.;
- the acquisition of the controlling interest in EMAS S.n.c., a company already belonging to the Mondadori France Group with 50% of stake;
- the establishment of Glaming S.r.l. in order to develop the public game management activity under concession from the Autonomous Administration of the State Monopolies.

For more details reference should be made to note 8 - Business combinations and other acquisitions.

Other transactions mainly included the acquisition, transfer and liquidation of minority interests.

Company name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2011	% held as of 31/12/2010
Companies consolidated using line-by-line method						
Arnoldo Mondadori Editore S.p.A.	Milan	Publishing	Euro	64,079,168.40		
Italian subsidiaries						
Cemit Interactive Media S.p.A.	S.Mauro Torinese (To)	Trade	Euro	3,835,000.00	100.00	100.00
Edizioni Piemme S.p.A.	Milan	Publishing	Euro	566,661.00	90.00	90.00
Mondadori Education S.p.A.	Milan	Publishing	Euro	10,608,000.00	100.00	100.00
Mondadori Electa S.p.A.	Milan	Publishing	Euro	1,593,735.00	100.00	100.00
Electa S.r.l. (former Electa Rmn S.r.l.)	Milan	Services	Euro	20,000.00	100.00	75.00
Mondadori Direct S.p.A. (former Mondadori Retail S.p.A.)	Milan	Trade	Euro	2,700,000.00	100.00	100.00
Giulio Einaudi editore S.p.A.	Turin	Publishing	Euro	23,920,000.00	100.00	100.00
Glaming S.r.l.	Milan	Gambling	Euro	20,000.00	70.00	
Mondadori International S.p.A.	Milan	Finance	Euro	350,736,076.00	100.00	100.00
Mondadori Pubblicità S.p.A.	Milan	Advertising Agent	Euro	3,120,000.00	100.00	100.00
Mondadori Franchising S.p.A. (incorporated)						100.00
Mondadori Iniziative Editoriali S.p.A.	Milan	Trade publ.	Euro	500,000.00	100.00	100.00
Mondolibri S.p.A. (incorporated)						100.00
Press-Di Distr. Stampa e Multimedia S.r.l.	Milan	Services	Euro	1,095,000.00	100.00	100.00
Monradio S.r.l.	Milan	Radio	Euro	3,030,000.00	100.00	100.00
Sperling & Kupfer Editori S.p.A.	Milan	Publishing	Euro	1,555,800.00	100.00	100.00
Sporting Club Verona S.r.l.	Milan	Sports Club	Euro	100,000.00	100.00	100.00
Foreign subsidiaries						
ABS Finance Fund Sicav	Luxembourg	Finance	Euro	1,544,829.98	70.57	70.57
Group Mondadori France	Paris	Publishing	Euro	50,000,000.00	100.00	100.00
Ame Publishing Ltd (liquidated)						100.00
Prisco Spain S.A.	Barcelona	Finance	Euro	60,101.30	100.00	100.00

Company name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2011	% held as of 31/12/2010
Companies valued using the net equity method						
ACI-Mondadori S.p.A.	Milan	Publishing	Euro	590,290.00	50.00	50.00
MDM Milano Distribuzione Media S.r.l.	Milan	Trade	Euro	520,000.00	20.00	20.00
Group Attica Publications	Athens	Publishing	Euro	4,590,000.00	41.98	41.98
Campania Arte S.c.ar.l.	Rome	Services	Euro	100,000.00	22.00	22.00
Consorzio Covar (in liquidation)	Rome	Services	Euro	15,493.70	25.00	25.00
Consorzio Forma	Pisa	Services	Euro	3,615.00	25.00	25.00
Consorzio Editoriale Fridericiana (transferred)						33.33
Edizioni EL S.r.l.	Trieste	Publishing	Euro	620,000.00	50.00	50.00
Group Random House Mondadori	Barcelona	Publishing	Euro	6,824,600.63	50.00	50.00
Gruner + Jahr/Mondadori S.p.A.	Milan	Publishing	Euro	2,600,000.00	50.00	50.00
Harlequin Mondadori S.p.A.	Milan	Publishing	Euro	258,250.00	50.00	50.00
Hearst Mondadori Editoriale S.r.l. (transferred)						50.00
Mach 2 Libri S.p.A.	Peschiera Borromeo (Mi)	Trade	Euro	646,250.00	34.91	34.91
Mach 2 Press S.r.l.	Peschiera Borromeo (Mi)	Trade	Euro	200,000.00	46.98	46.98
Mediamond S.p.A.	Milan	Advert. agency	Euro	1,500,000.00	50.00	50.00
Mondadori Independent Media LLC	Moscow	Publishing	Ruble	92,232,160.00	50.00	50.00
Mondadori Seec Advertising Co. Ltd	Beijing	Publishing	Cny	40,000,000.00	50.00	50.00
Mondadori Printing S.p.A.	Cisano Bergamasco (BG)	Printing	Euro	45,396,000.00	20.00	20.00
Mondadori Rodale S.r.l. (incorporated)						50.00
Novamusa Valdinoto S.c.ar.l.	Messina	Services	Euro	90,000.00	20.00	20.00
Novamusa Valdemone S.c.ar.l.	Messina	Services	Euro	90,000.00	20.00	20.00
Novamusa Val di Mazara S.c.ar.l.	Messina	Services	Euro	90,000.00	20.00	20.00
Roccella S.c.ar.l. (in liquidation)	Naples	Services	Euro	100,000.00	49.50	49.50
Società Europea di Edizioni S.p.A.	Milan	Publishing	Euro	2,528,875.00	36.89	36.89
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation)	Venice	Services	Euro	10,000.00	34.00	34.00
Venezia Accademia Società per i servizi museali S.c.ar.l.	Venice	Services	Euro	10,000.00	25.00	25.00
Companies valued at cost						
Aranova Freedom Società Consortile ar.l.	Bologna	Radio	Euro	19,200.00	16.66	16.66
Audiradio S.r.l.	Milan	Services	Euro	258,000.00	9.05	2.32
Consuledit S.r.l.	Milan	Services	Euro	20,000.00	9.56	9.56
Consorzio Forte Montagnolo	Civitanova Marche	Radio	Euro	26,000.00	3.85	3.85
Consorzio riqualificazione Monte Gennaro	Rome	Radio	Euro	15,000.00	6.67	
Consorzio Antenna Colbuccaro	Ascoli Piceno	Radio	Euro	180,000.00	4.44	
Consorzio Camaldoli 1	Naples	Radio	Euro	42,000.00	4.76	
Cons. Sistemi Informativi Editoriali Distributivi	Milan	Services	Euro	103,291.38	10.00	10.00
Editrice Portoria S.p.A.	Milan	Publishing	Euro	364,000.00	16.78	16.78
Editrice Storia Illustrata S.r.l. (in liquidation)	Milan	Publishing	Itl	20,000,000	8.39	8.39
Giulio Einaudi editore S.p.A. (under receivership.)	Turin		Itl	3,000,000,000	7.35	7.35
Immobiliare Editori Giornali S.r.l.	Rome	Real Estate	Euro	830,462.00	7.88	7.88
SCABEC S.p.A.	Naples	Services	Euro	1,000,000.00	10.78	10.78
Selcon S.r.l.	Milan	Services	Euro	20,800.00	25.60	25.60
Società Editrice Il Mulino S.p.A.	Bologna	Publishing	Euro	1,175,000.00	7.05	7.05

4. Conversion of financial statements denominated in foreign currencies

All amounts in the Mondadori Group consolidated financial statements are in Euros, which is the Group's functional and presentation currency.
When the financial statements of companies are denominated in a different currency, they are converted into the entity's presentation currency as follows:

- assets and liabilities are converted at the exchange rate ruling at closing;
- 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 under shareholders' equity.

5. Segment information

The information required by IFRS 8 reflects the Group organisational structure which includes the following Areas: Books, Magazines Italy and Magazines France, Advertising, Digital, Direct, Radio and Central Units.

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

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

6. Accounting principles and valuation criteria

The following is an explanation of the principles adopted by Mondadori Group in preparing the IAS/IFRS financial statements as at 31 December 2011.

6.1 Intangible assets

When it is probable that costs will generate future economic benefits, intangible assets include the cost and related 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, based on the fact that cost is determined 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 valued 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 first adoption of IAS/IFRS are initially recognised at cost, while those purchased as part of business combination operations carried out after the first adoption of IAS/IFRS are initially recognised at 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 that the asset is available for use. The amortisation criteria depend on how the related future economic benefits contribute to the company's results.

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

Intangible assets with a finite useful life	Useful life
Magazines	Duration of license /30 years
Replacement charges for lease contracts	Duration of the lease contract
Goods under concession or license	Duration of the concession or license
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 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 are shown in the table below:

Intangible assets with an indefinite useful life
Magazines
Series
Radio stations
Brands
Goodwill
Other intangible assets

Goodwill represents the excess of the cost of a business combination over the Group's share in the fair value of the assets, liabilities and potential liabilities, as identified at the time of purchase. Goodwill and other intangible assets with an indefinite useful life are not subject to depreciation but to an impairment test of their book value. This test concerns the value of the individual assets or of 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 related to a cash generating unit (or to a group of units) whose assets are partially disposed of, goodwill associated with the asset disposed of is reviewed in order to determine any capital gains or losses resulting from the transaction.

In these circumstances, 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 Property investments

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

Property investments are valued 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 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 over the useful life of the asset. Depreciation criteria depend on how the relative future economic benefits accrue to the entity.

The depreciation rates that reflect the useful life attributed to the Group's property investments are shown in the table below:

Property investments	Depreciation rate
Non-instrumental buildings	3%

The useful life and the depreciation criteria are periodically 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 accordingly.

Income and losses deriving from the disposal of property investments are recognised in the income statement in the year in which the transaction takes place.

Property investments are reclassified when there is a change in use following to 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 relevant costs can be reliably calculated and any related future economic benefits accrue to the entity.

Property, plant and equipment are valued at cost, including any accessory charges, and are stated net of depreciation and any impairment.

Costs incurred after the initial purchase are recognised as an increase in cost in direct relation to the extent that these costs can improve the asset's yield.

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are initially recognised at fair value as determined at the time of purchase and, subsequently, at cost.

Assets recognised as property, plant and equipment, with the exception of land, are depreciated on a straight line basis 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 that generally reflect the useful lives attributed to Group property, plant and equipment are shown in the table below:

Property, plant and equipment	Depreciation rate
Instrumental buildings	3%
Plants	10% - 25%
Rotary presses	10%
Machinery	15.5%
Equipment	12.5% - 25%
Electronic office machines	30%
Office furniture and machines	12%
Motor vehicles and transport vehicles	20% - 30%
Other tangible assets	20%

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

Leasehold improvements are recognised as fixed assets and depreciated over the lower between the residual useful life of the asset and the residual term of the lease contract.

6.4 Finance lease assets

Assets acquired under finance leases, which transfer all the relevant risks and benefits to the Group, are recognised at current value or, if lower, at the value of the minimum lease payments, including the amount to be paid for exercising an eventual purchase option.

Liabilities arising from leasing contracts are recognised under financial liabilities.

These assets are classified in the relevant categories under properties, plant and equipment and are depreciated over the lower between the contract term and the useful life of the asset.

Lease contracts (in which the lessor substantially retains all the risks and benefits associated with asset ownership) are classified as operating leases and the relevant costs are recognised in the income statement for the entire duration of contract term.

6.5 Borrowings

Borrowings resulting from asset purchase, development or production are capitalised. In case of assets which do not justify capitalisation, the relevant costs 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 equipment is subject to an impairment test at least once a year or more in case of a trigger event.

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. Those tests are performed by comparing the carrying value with whichever is higher between the fair value minus the sales cost and the value in use of the asset.

If no binding sales agreement or active market for an asset exist, the fair value is calculated on the basis of the best information available as to the amount the entity would obtain at closing from the disposal of an asset in a free transaction between informed and willing parties, having deducted the costs of disposal.

The value in use of an asset is calculated by discounting the cash flows expected from its use, subjecting forecasts of the relevant financial income on reasonable and sustainable assumptions used by the management to best represent the economic conditions foreseen for the remainder of the life of the asset, giving more weight to external indicators.

Discounting rates reflect current market estimates of the time value of money and the specific risks related to the asset.

The valuation is carried out by individual asset or by the smallest Cash Generating Unit that generates cash flows from asset use.

Should the value resulting from the impairment test be lower than cost, the loss is recognised as a reduction in the value of the asset and recognised as a cost item in the income statement.
If during subsequent financial years, when the impairment test is repeated, the reasons for the impairment no longer exist, the value of the asset, excluding goodwill, is reinstated to take into account the new recoverable value, which should never exceed the value that would have been stated had no loss in value been recognised.

6.7 Investments in subsidiaries, joint ventures and associated companies

This item refers to investments in companies under joint control, in which any financial and strategically relevant decisions require the agreement of all the parties sharing control. This item also includes investments in companies in which the Group has a significant influence, i.e. where the Group has the power to take part in the definition of the company's financial and management policies without having control or joint control thereupon.

Investments in joint ventures and associated companies are initially recognised at cost and subsequently adjusted as a result of any changes in the interest the Group holds in the relevant equity .
The Group's share of any income and loss of such companies is recognised under income statement.

The relevant book value also contains any excess cost paid and attributable to goodwill.

The risk resulting from any loss exceeding Shareholders' equity is recognised as a liability to the extent to which the Group is legally bound or held liable or has made payments on behalf of the company in question.

6.8 Inventory

Inventory is valued at the lower between the cost and the net realisable value. Inventory cost includes purchase costs, processing costs 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 consumption 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 direct costs incurred, taking into account the progress of the production process.

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

6.9 Financial assets

Financial assets are valued at fair value, increased by accessory purchase charges. Purchases and sales of financial assets are recognised as of the trading date, which corresponds to the date in which the Group agrees to purchase the asset in question. After initial recognition, financial assets are posted according to the relevant classification, as outlined below.

Financial assets at fair value with adjustments recognised under income statement
In accordance with IAS 39, this category includes:
- financial assets/liabilities which the Group posted at fair value through income and loss under income statement upon first recognition;
- financial assets/liabilities held for trading as:
  - classified as held for trading, i.e. purchased or committed to for the purpose of gaining benefits from short-term price fluctuations;
  - part of a portfolio of specific financial instruments that are managed en bloc and for which there is recent, reliable evidence of short-term benefits.

In an active market, the fair value of these instruments is calculated by making reference to the market value at closing, while financial evaluation techniques are used in case of no active market. Profit and losses deriving from fair value evaluation of assets held for trading are recognised under income statement.

Held-to-maturity investments
Assets that have determinable payments with a fixed maturity date, are classified by the Group as financial assets held to maturity.

Long-term financial investments that are held to their maturity, such as bonds, are determined, after their initial recognition by 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).
The 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 listed on an active market, with the exception of those designated as being held for trading or as being available for sale. These assets are recognised at amortised cost using the discounting method. Income and loss are recognised under income statement when loans and receivables are cancelled out or in case of impairment, as well as through amortisation.

The Group includes trade receivables, both financial and other receivables into this category. These are due within 12 months and are therefore recognised at nominal value (net of any impairment loss). This category also includes item "Cash and other cash equivalents".

Available-for-sale financial assets
Available-for-sale financial assets include all assets which are not included into any of the categories mentioned above.

After being initially measured at cost, available-for-sale financial assets are measured at fair value. Income and loss from valuations are recognised in a separate item under shareholders' equity for as long as the assets are held in the portfolio and for as long as no impairment loss is identified.

In the case of shares widely traded on regulated markets, fair value is determined by referring to the listing reached at the end of the trading day corresponding to the closing date.

For investments where an active market does not exist, fair value is determined by valuations based on recent trading prices between independent parties, or on the basis of the current market value of a substantially similar financial instrument or on the analysis of discounted cash flows or 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 recognised at cost, i.e. at the fair value of the price collected upon completion of the relevant transaction. Receivables are recognised at current values when the relevant financial impact linked to the expected collection time span is significant and the collection date can be reliably estimated.
Receivables are 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 income or loss is recognised under income statement for the purchase, sale, issue, cancellation or any other transaction involving treasury shares.

6.12 Cash, liquidity and cash equivalents
The cash and cash equivalents item includes liquidity and financial investments falling due within three months and which entail only a minimal risk of variation in their face value. They are recognised at face value.

6.13 Financial liabilities
Financial liabilities include financial payables, derivative instruments, payables associated with financial leasing contracts and trade payables. All financial liabilities other than derivative financial instruments are initially valued at fair value, increased by any transaction costs, and are subsequently valued at amortised cost using the interest rate method.

Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges), are valued at fair value, in accordance with IAS 39 hedge accounting. Income and loss resulting from subsequent variations in fair value are accounted in the income statement. Any changes related to the effective hedge portion are compensated for by adjusting the value of the relevant derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in cash flow (cash flow hedges), are valued at amortised cost in compliance with IAS 39 - hedge accounting.

6.14 Derecognition of financial assets and liabilities
A financial asset or, where applicable, 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 promptly 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 when the underlying obligation has been discharged, cancelled or expired.

6.15 Impairment loss on financial assets

The Group carries out an impairment test in order to determine whether a financial asset or group of financial assets has decreased in value.

Financial assets valued at amortised cost

If there is objective evidence of a reduction in the value of loans and receivables, the loss amount is recognised under income statement and is calculated as the difference between the asset's book value and the current value of the estimated cash flows discounted based on the interest rate used initially for the asset.

If the value loss amount decreases and this reduction is referred to an event that has occurred after recognition of impairment, the previously recognised loss of value is reversed up. Based on that the asset is recorded to the original amount booked and depreciated.

Available-for-sale financial assets

When any financial asset available for sale is subject to impairment, the accumulated value loss is accounted in the income statement. Value reversals relative to equity instruments classified as available for sale are not recognised under income statement. Value reversals relative to debt instruments are recognised under income statement if the increase in the fair value of the instrument can be objectively attributed to an event that occurred after recognition of impairment in the income statement.

Financial assets valued at cost

If there is objective evidence of a reduction in the value of an unlisted equity instrument which was not recognised at fair value, because its fair value could not be reliably measured, or of a derivative instrument associated with and regulated by delivery of such unlisted equity instrument, the value loss amount is measured as the difference between the carrying value of the asset and the current value of the expected future cash flows discounted based on the current market performance rate for similar financial assets.

6.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date they are stipulated. At the start of a hedge operation, the Group designates and formally documents the hedge relationship for hedge accounting purposes and its objectives for risk and strategy management purposes. The documentation includes the identification of the hedging instrument, the object or transaction subject to hedge, the nature of the risk and the criteria adopted by the Group to valuate hedging effectiveness in compensating exposure to fair value fluctuations of the object hedged or cash flows correlated to the risk hedged.

It is assumed that such hedges are sufficiently effective to compensate for the exposure of the object hedged against fair value fluctuations or cash flows correlated to the risk hedged. The valuation of the effectiveness of such hedges is carried out on an ongoing basis over the years of application.

Transactions that satisfy hedge accounting criteria are accounted for as follows:

Fair value hedge

If a derivative financial instrument is designated as a hedge against the exposure to variations in the fair value of an asset or liability attributable to a particular risk, the income or loss deriving from subsequent variations in the fair value of the hedge instrument is recognised under income statement. The income 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 under income statement.

As for the fair value hedge of items recognised at amortised cost, the adjustment of the carrying value is amortised under income statement throughout the period before maturity. Any adjustments to the carrying value of any hedged financial instrument for which the interest rate method is applied, are amortised under income statement.

The amortisation may begin as soon as an adjustment is identified but it may not be extended after the date in which the object hedged ceases to be subject to fair value adjustments attributable to the hedging risk. If the hedged object is cancelled, the fair value that has not been amortised is immediately recognised under income statement.

Cash flow hedge

If a derivative financial instrument is designated as a hedging instrument against exposure to cash flow variations of an asset or liability included in the financial statements or of a highly probable transaction, the effective portion of profit or loss deriving from fair value adjustment of the derivative instrument is recognised in a special reserve under shareholders' equity. The accumulated income or loss is written off from the equity reserve and recognised under income statement, when the results of the transaction subject to hedge are recognised under income statement.

Income and loss associated with the ineffective part of a hedge are recognised under income statement. When a hedging instrument is terminated, but the transaction subject to hedge has not yet been carried out, the accumulated income and loss are kept in the reserve under shareholders' equity and will be reclassified under income statement upon completion of the transaction. Should the transaction subject to hedge be considered as no longer probable, any unrealised income and loss posted under the relevant shareholders' equity reserve are recognised under income statement.

When hedge accounting is not applicable, income and loss deriving from the fair value valuation of the derivative financial instrument are recognised under income statement.

6.17 Provisions

Provisions established to cover liabilities that have been clearly identified, are certain or probable but whose amount or date of occurrence cannot be foreseen at the reporting date, are recognised when a legal or implicit obligation can be assumed which refers to past events and when it is also assumed that such obligation implies expenses that can be reliably measured.

Provisions are valued at fair value based. When the financial impact associated with the assumed dates of payment are relevant and they can be reliably foreseen, provisions include the financial component, which is recognised in financial income (expense) in the income statement.

6.18 Post-employment benefits

Benefits due to employees upon termination of the relevant labour contract are broken down according to their economic nature as follows:

- defined contribution plans, represented by the sums accrued as of 1 January 2007 for Group companies with more than 50 employees;
- defined benefit plans, represented by the severance indemnity fund for companies with less than 50 employees and the severance indemnity fund accrued until 31 December 2006 for the other Group companies.

In the defined contribution plans, the entity's legal or implicit obligation is limited to the amount of contributions to pay; hence, the actuarial and investment risks fall upon the employee. In the defined benefit plans, the entity's obligation consists in granting and ensuring the agreed benefits to employees; hence, the actuarial and investment risks fall upon the entity.

Post-employment benefits for companies with more than 50 employees are calculated by applying actuarial criteria to the severance indemnity fund accrued until 31 December 2006, taking into account both demographic assumptions (including mortality rates and employee turnover) and financial assumptions (discounts reflecting the time value of money and the inflation rate).

Post-employment benefits for companies with less than 50 employees are calculated by applying the same actuarial criteria, taking into account current and future salary levels.

The amount recognised as a liability for defined benefit plans is represented by the current liability value at closing, net of the current value of plan assets, if any. This liability item is listed in the income statement and includes the following components:

- social security costs relative to current labour;
- cost of interest;
- actuarial gains and losses;
- the expected return from any asset plan.

The Group does not apply the so-called "corridor" method and therefore recognises all actuarial gains and losses directly under income statement.

The amounts accrued in favour of employees during the year and any applicable actuarial gains or losses are recognised under "Costs for personnel", while the relevant financial component, which represents the cost the company would have to incur if it were to seek a loan on the market for the same amount, is recognised under "Financial income (expense)".

The supplementary indemnity for agents is also determined on an actuarial basis. The amounts accrued in favour of agents during the year, which become payable upon termination of the labour contract only under certain conditions, is recognised under "Other expenses (income)".

6.19 Stock option plans

The Group grants additional benefits to directors and managers whose functions are strategically relevant for the attainment of the company's results, through the provision of equity-settled stock option plans.

Stock options are stated at fair value upon delivery. Fair value is determined on the basis of a binomial model and subject to the provisions of the individual plans.

The cost of these benefits is recorded under personnel costs during the period of service, consistently with the relevant vesting period, starting from the date of delivery with a counter-item in "Reserve for stock options" under shareholders' equity.

At the end of each financial year, the previously calculated fair value of every option is neither adjusted nor updated; at closing, the estimate of the number of options expected to be exercised to maturity (and therefore the number of employees entitled to exercise these options) is updated. Any change in this estimate is recognised in item "Reserve for stock options" with a counter-item in personnel costs under 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 dilution effect of options that have not yet been exercised is reflected in the calculation of diluted earnings per share.

The Mondadori Group implemented the provisions contained in IFRS 2 for all stock option plans granted after 7 November 2002.

6.20 Recognition of revenues and costs

Revenues from the sale of goods are recognised net of agency and commercial discounts, allowances and returns when it is probable that the relevant economic benefits will flow to the Group and the relevant revenue amount may be reliably determined.

Revenues from the sale of magazines and advertising spaces are recognised on the basis of the publication date.

Revenues from barter transactions are recognised at fair value when the barter deal involves dissimilar services. Dissimilar services comprise barter deals for goods and advertising, when they refer to different communications means or product positioning.

Revenues from services are recognised based on the relevant state of completion, when it is probable that the economic benefits arising from the sale flow to the Group and when the revenue amount may be reliably calculated.
Revenues from interest are recognised on an accrual basis by applying the interest method; royalties are recognised on an accrual basis and subject to the conditions of the relevant agreements; dividends are recognised when the shareholder is acknowledged the right to payment.

Costs are recognised based on similar criteria as revenues and, in any case, on an accrual basis.

6.21 Current, pre-paid and deferred taxes

Current taxes are calculated on the basis of a taxable income estimate and in accordance with the laws applicable in the individual countries in which each consolidated company has its legal offices.

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

- temporary taxable differences deriving from the initial recognition of goodwill;
- temporary differences resulting from the initial recognition of an asset or a liability in a transaction which does not imply business combination and which does not have any impact either on the result or the taxable income on the transaction date;
- temporary differences relative to the value of investments in subsidiary, associated and jointly-controlled companies when:
  - the Group is in a position to control the timing for the reversal of temporary taxable differences and it is probable that such differences shall not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences will reverse in the foreseeable future and that taxable income is available to cover such temporary differences.

The book value of deferred tax assets is reviewed at closing and is reduced if it is no longer probable that sufficient taxable income will be available in the future to cover all or part of these assets.
Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply in the period in which assets are realised and liabilities are settled, considering the then applicable tax rates or the tax rates essentially used at closing.

Taxes relating to items directly recognised under equity are recognised directly under Shareholders' equity.

6.22 Transactions denominated in foreign currencies

Revenues and costs deriving from transactions denominated in foreign currencies are accounted in the relevant currency at the exchange rate applied on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate ruling at the closing date and any exchange differences are recognised under income statement, except for the differences deriving from loans denominated in foreign currency taken out to pay for the acquisition of an interest in a foreign company. In the latter case, such differences are recognised under Shareholders' equity until disposal. Non-monetary items valued at cost in a foreign currency are converted using the exchange rates applied on the relevant transaction date. Non-monetary items recognised at fair value in a foreign currency are converted using the exchange rates applied on the fair value calculation date.

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 grants refer to cost items, they are recognised as revenues and systematically distributed over the years so as to reflect the cost proportion they are intended to offset. When grants refer to assets, the relevant fair value is deferred in long-term liabilities and is recognised in equal amounts under income statement over the useful life of the asset.

6.24 Earnings per share

Earnings per share refer to the Group's net profit divided by the weighted average number of outstanding shares in the period of reference.
For the purpose of calculating diluted earnings per share, the weighted average number of outstanding shares is adjusted on the assumption of converting shares with a dilution effect.

6.25 Assets and liabilities held for sale and discontinued operations

Non-current assets and groups of assets and liabilities whose book value is mainly expected to be recovered through disposal instead of continuous use are recognised separately from other assets and liabilities in the Group's balance sheet. Such assets and liabilities are classified as "Assets and liabilities held for sale or transferred" and are valued at the lower between their book value and fair value less probable costs of disposal. Income and loss, net of the related tax effect, resulting from the valuation or disposal of such assets or liabilities are recognised in a separate item in the income statement.

6.26 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2011 and applied by Mondadori Group

Changes to IFRS 3R - Business combinations
The new provisions of IFRS 3R refer to the fair value valuation of minority interests in case of business combinations.
All the components relative to minority interests, such as for example, privileged shares or warrants issued by the acquired company in favour of third parties, are stated at fair value, except in the case in which the IFRSs specify another valuation criterion and with the exception of solely the components that represent instruments that attribute to minority shareholders rights equipollent to ordinary shares, for which the possibility still exists to opt between the fair value and the valuation as a proportion of the minority shareholding.

IAS 24 - Disclosures about transactions with related parties
The revision of the principle, issued by IASB in November 2009 and enforced by the Group as of 2011, clarifies the definition of related parties and includes a simplification in relation to the type of disclosures requested in case of transactions completed with related parties controlled by the Government.

The adoption of the afore indicated principles does not have any impact on the valuation of the items of the financial statements and implies limited effects in relation to disclosures regarding transactions with related parties.

6.27 New standards and interpretations not yet in effect and applicable by the Mondadori Group

IFRS 9 - Financial instruments

In November 2009 IASB issued IFRS 9 - Financial instruments, subsequently amended, with effective date as of 1 January 2015, retroactively, with the intention of replacing IAS 39 and introducing new criteria for the classification and measurement of financial assets and liabilities. Specifically, the new principle uses a single approach for all financial assets, based on the management criteria of financial instruments and on the characteristics of the contractual cash flows of the same financial assets in order to identify the relevant valuation criterion, thus substituting the different rules that IAS 39 envisaged. As to financial liabilities, the main amendment refers to the accounting method used for the fair value variations of a financial liability designated as a financial liability valued at fair value in the income statement, when these are due to the variation of the credit merit of the same liability. According to the new principle such variations are recognised under "Other comprehensive income/(loss)" and no longer in the income statement.

IAS 12 - Income taxes

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

The amendment is effective retroactively as of 1 January 2012.

IFRS 10 - Consolidated Financial Statements

In May 2011 IASB issued IFRS 10 - Consolidated financial statements, replacing SIC-12 Consolidation - Special purpose entities and part of IAS 27 - Consolidated and separate financial statements.

The new principle defines the principle of control and establishes control as the basis for consolidation and provides criteria in order to identify whether an investor controls an investee, when this is difficult to be ascertained.

The principle is effective retroactively as of 1 January 2013.

IFRS 11 - Joint arrangements

In May 2011 IASB issued IFRS 11 - Joint arrangements, to replace IAS 31 - Interests in joint ventures and SIC-13 - Jointly controlled entities - Non-monetary contributions by venture partners.

The new principle provides the criteria to assess joint arrangements based on the relevant rights and obligations instead on the relevant legal form of the same and establishes the equity method as the only accounting method to adopt in the consolidated financial statements for interests held in jointly controlled entities.

The principle is effective retroactively as of 1 January 2013.

IFRS 12 - Disclosure of interests in other entities

In May 2011 IASB issued IFRS 12 - Disclosure of interests in other entities, a new and exhaustive principle regarding disclosures to be made for any type of interest held, including those in subsidiaries, joint arrangements, associated companies and special purpose entities and other non-consolidated special purpose vehicles.

The principle is effective retroactively as of 1 January 2013.

IFRS 13 - Fair value measurement

In May 2011 IASB issued IFRS 13 - Fair value measurement, clarifying how to measure fair value for accounting purposes. It applies to all IFRS principles that require or permit the calculation of fair value or the presentation of information based on fair value.

The principle is effective retroactively as of 1 January 2013.

IAS 1 - Presentation of financial statements

In June 2011 IASB revised IAS 1 - Presentation of financial statements, which includes the recognition of elements of "Other comprehensive income /(loss)" according to whether they can or cannot be subsequently recognised under income statement.

The amendment is effective starting from the financial years following or as of 1 July 2012.

IFRS 7 - Financial instruments - Disclosures

In October 2010 IASB published some amendments to IFRS 7 - Financial instruments: disclosures, applicable for accounting periods starting on or after 1 July 2011.

The amendments were issued with a view to improving the understanding of transfer transactions of financial assets, including understanding the possible effects deriving from any risk that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

In December 2011 IASB issued additional amendments to IFRS 7 - Financial instruments: disclosures, through which additional disclosures are requested about the effects or potential effects for the offsetting of financial assets and liabilities on the entity's balance sheet.

The amendments are applicable for accounting periods starting on or after 1 January 2013 and intermediate periods subsequent to such date. Disclosures must be provided retroactively.

7. Use of estimates

In preparing the attached tables and the notes to these financial statements, it was deemed necessary to use estimates and assumptions in order to calculate, in particular, the provisions for returns relative to the sale of publishing products, the provisions for bad debt, inventory obsolescence and risks, post-employment benefits and taxation and the expected cash flows to calculate the value of some current and non-current activities under intangible assets and goodwill.

These estimates are periodically reviewed and any effects are accounted in the income statement.

Final data could differ, even significantly, from estimates as a result of possible changes in the assumptions made initially.

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

Goodwill and intangible assets

The value reduction relative to goodwill and intangible assets is tested for impairment by comparing the book value of the Cash Generating Unit and the relevant recoverable value, represented by the higher between fair value and the value in use. This process includes, among others, the application of methods such as discounted cash flow, with the relevant assumptions.

Impairment loss of advances paid to authors
The Group estimates the risk that the advances paid to authors for products published or to publish may not entirely or partially be offset by copyrights accrued on sales.

Inventory provision
The Group estimates the amount of inventory to subject to write-down based on specific analyses ascertaining finished product marketability and the relevant turnover rates, and, for orders in progress, the Group considers the relevant risk of a non completion.

Bad debt provision
The ability to recover bad debt is calculated by taking into account the risk of collection failure, the period of time receivables have been outstanding and any losses sustained in the past on similar debts.

Books and magazines's future returns
In the publishing sector it is accepted practice that unsold books and magazines are returned to the publisher under pre-established conditions.
As a result, at year end the Group makes an estimate of the quantity that it expects will be returned in the following year. The estimate is based on historical statistics and also takes individual print runs into account.

Provision for risks
Provisions made in relation to judicial, fiscal and arbitration disputes are based on complex estimates that take into account the probability of losing the disputes.

Provision for post-employment benefits
Provisions made in relation to funds in favour of employees are based on actuarial assumptions: any changes in the underlying assumptions may have significant effects on them.

Income tax
Income tax (both current and deferred) is calculated in each country in which the Group operates, based on prudent interpretations of currently applicable tax laws.

8. Business combinations and other acquisitions
Business combinations are recognised using the purchase cost method pursuant to IFRS 3.
Upon acquisition date, assets and liabilities pertaining to the transaction are recognised at fair value, except for any anticipated and deferred taxes and assets and liabilities relating to benefits in favour of employees, which are valued according to the relevant reference principle.
Accessory charges relating to the transaction are recognised under income statement in the financial year in which they are incurred.

Goodwill represents the difference between acquisition price, minority shareholders' equity and the fair value of any interest previously held in the acquired company against the fair value of the net assets and liabilities acquired upon completion of the transaction.

When the value of the net assets and liabilities purchased on the acquisition date exceeds the acquisition price, the minority shareholders' equity and the fair value of any interest previously held in the acquired company, such excess amount is recognised under income statement in the year in which the acquisition transaction is completed.

Minority Shareholders' equity may be valued, at acquisition date, either at fair value or pro-rata of the net assets recognised for the acquired company.
The valuation method is selected on a case-by-case basis.

For the purpose of calculating goodwill, any prices relating to the acquisition subject to the conditions of, and envisaged by business combination contracts, are valued at fair value as at the acquisition date and included in the relevant acquisition price.
Any subsequent changes in the fair value, referred to as adjustments deriving from additional information provided about facts and circumstances existing on the business combination completion date and in any case identified within the subsequent twelve months, are retroactively included in the value of goodwill.

In case of business combinations accomplished in subsequent steps, the interest previously held in the acquired company is subject to revaluation at fair value from the date of control acquisition and any resulting income or loss is recognised under income statement in the year in which the transaction is completed.

Should the values of the assets and liabilities acquired be incomplete as at the date of drafting of these financial statements, the Group recognises provisional values that will be later subject to adjustments in the financial year of reference within twelve months thereafter, so as to take into account any new information about facts and circumstances existing at the acquisition date, that, if made available earlier, would have had an impact on the value of the assets and liabilities recognised on that same date.

Business combinations completed before 1 January 2010 are recognised pursuant to the provisions contained in the previous version of IFRS 3.

Below are the most important data regarding company transactions completed in 2011.

8.1 Acquisition of 50% of Mondadori Rodale S.r.l.
At the end of April 2011 Arnoldo Mondadori Editore S.p.A. acquired 50% of Mondadori Rodale S.r.l., publisher of the magazines *Starbene* and *Men's Health*, from Rodale Inc., thus increasing its interest to 100%.

The price for the acquisition totalled Euro 250,000. Pursuant to IFRS 3R, this transaction represents a business combination, because the Mondadori Group has acquired full control over the company through it.

Following the application of the afore mentioned accounting principle and, specifically, of the economic entity theory, goodwill equals Euro 61,000, which is recognised under goodwill.
The valuation of the interest already owned did not imply any relevant financial impact.

The table below summarises the amounts identified upon acquisition by each class of assets and liabilities.

Carrying value (Euro/000)		
Non-current assets		56
Current assets		3,230
Non-current liabilities		(779)
Current liabilities		(2,252)
Cash and cash equivalents		184
Acquired net assets	A	439
Price paid (referred to 100%)	B	500
Goodwill	**B-A**	**61**

8.2 Transfer of the interest held in Hearst Mondadori Editoriale S.r.l.

At the end of June 2011 Mondadori transferred the entire interest held and equal to 50% of the capital of Hearst Mondadori Editoriale S.r.l. to HMI International Holdings LLC, for a price of Euro 10 million, thus generating a capital gain of approximately Euro 10.1 million

8.3 Acquisition of the control interest in Editions Mondadori Axel Springer S.n.c. (EMAS)

In the second half of November 2011 Mondadori France and Axel Springer, equally owning EMAS capital with a 50% interest each, stipulated an agreement giving Mondadori France an option, exercisable for the entire duration of the same agreement, for the purchase of one share in the joint venture and Axel Springer an option for the sale of the 50% interest held less one share, to be exercised subject to the exercise of the call option by Mondadori France.
The put and call option exercise prices are in line with the company fair value.

This transaction falls within the category regulated by IFRS 3.42 and 3.43, because, though the transaction does not include any monetary payment, Mondadori France is now in a position to exercise control over the company as a result of the occurred change in the By-Laws.

Therefore, the transaction is considered a business combination, completed in different steps and, consequently, EMAS is entirely consolidated at closing, though being owned at 50% with recognition of minority interest, while the stake already owned is valued at the fair value at the same date with the relevant recognition of the resulting effects under income statement.

With reference to the latter aspect, the carrying value of EMAS stake was calculated as the sum of IAS compliant Shareholders' equity of the joint venture, the value of goodwill allocated to the magazines upon Purchase Price Allocation of the acquisition of the Emap group and a portion of goodwill attributed to the entire Cash Generating Unit, represented by the Mondadori platform in the French territory.

The portion of goodwill allocated to the entire CGU of EMAS was calculated as a proportion between the carrying value of EMAS magazines and the carrying value of the magazines belonging to the entire CGU.

Taking the fair value at the date of control acquisition into account, estimated in Euro 68 million by an independent expert, an impairment loss was identified under income statement during the valuation process performed according to the equity method, equal to approximately Euro 409,000.

Carrying value (Euro/000)		
Book value of EMAS stake (50% already owned)		(11,071)
Portion of goodwill attributed to the CGU Mondadori France to transfer		(23,338)
Total EMAS carrying value	A	(34,409)
EMAS fair value (related to 50%)	B	34,000
Impairment loss	**B-A**	**(409)**

As to the accounting of 100% EMAS fair value, calculated by an independent expert based on market multiples, a value equal to Euro 26 million was identified and attributed, on a temporary basis, to the magazines published by the Publishing House; to the portfolio of subscriptions, taking also into account the relevant mortality rate for Euro 8 million; and, for the residual part, after having taken into account the tax impact on the preceding items, to goodwill for a total amount of approximately Euro 48 million.

(Euro/000)	Carrying value	Fair value adjustment	Fair value
Non-current assets	9,912	72,500	82,412
Current assets	13,933		13,933
Non-current liabilities	(1,143)	(11,706)	(12,849)
Current liabilities	(16,481)		(16,481)
Cash and cash equivalents	985		985
Acquired net assets	7,206	60,794	68,000
Miniority interest	(3,603)	(30,397)	(34,000)

8.4 Acquisition of the interest in AR Technology S.a.s.

In the second half of November 2011, EMAS Digital S.a.s., joint venture specifically established by Mondadori France and Axel Springer, acquired 83% of the capital of AR Technology, thus obtaining its control.
Contractual provisions establish that with regard to the residual 17% a put option in favour of seller and a call option in favour of buyer are granted with an exercise price calculated as a multiple of EBITDA.

The transaction falls within the scope of a market development plan for the provision of services through web and digital platforms. Specifically, the acquisition centred on a website, one of the most important in France, offering automotive market players the opportunity to advertise products and services directly to final consumers.

Abiding by the provisions set out in IFRS 3 in relation to the valuation period after the initial accounting of a business combination, the Company has provisionally estimated the overall price and, consequently, the value of goodwill.

The value of goodwill totals approximately Euro 26.6 million and is recognised in EMAS Digital S.a.s. financial statements.

In Mondadori France consolidated financial statements, pro-rata results and any losses resulting from the performance of the impairment test will be stated based on the valuation at equity of EMAS Digital S.a.s. stake.

8.5 Establishment of Glaming S.r.l.

According to the development strategy envisaged for the Digital Area, Arnoldo Mondadori Editore S.p.A. established with Fun Gaming S.r.l., a company belonging to entrepreneur Marco Bassetti, a newco - Glaming S.r.l. -, of which it owns 70% of the capital.

The contractual provisions also envisage a put option in favour of minority shareholders on the remaining 30%, while the exercise price is determined on the basis of a multiplier of EBITDA.

After having obtained the concession for the management of public games from the Autonomous Administration of the State Monopolies, the company started operations at the beginning of October 2011 with the objective of involving consumer targets and communities that make reference to the Group’s publishing portfolio.

9. Non-recurring income and expenses

As required by Consob Resolution no.15519 of 27 July 2006, income and expenses deriving from non-recurring transactions are recognised under income statement.
Transactions and events are considered non-recurring when, by nature, they do not occur repeatedly during normal business operations.
The relevant effects have been outlined in a separate table in the “Notes to the financial statements”.

1. Acquisitions and transfers in the year

In the financial year ended at 31 December 2011 extraordinary transactions for the acquisition and transfer of investments were completed as illustrated in section 8 "Accounting principles and other information".

2. Intangible assets

Intangible assets and the changes in the period are described and commented on below:

Intangible assets (Euro/000)	31/12/2011	31/12/2010
Intangible assets with finite useful life	241,780	218,988
Intangible assets with indefinite useful life	705,523	682,480
Total intangible assets	**947,303**	**901,468**

The following two tables show the changes in intangible assets with a finite useful life in 2010 and 2011.

Intangible assets with a finite useful life

(Euro/000)	Magazines	Customer lists	Charges from shop lease contracts taking over	Software	Licenses, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31/12/2009	222,503	-	31,821	22,962	1,225	4,549	-	283,060
Investments	-	-	-	1,256	61	99	719	2,135
Disposals	(400)	-	(85)	(5,750)	(225)	(334)	-	(6,794)
Changes in the consolidation area	-	-	-	919		-	-	919
Other changes	(103)		-	-	(15)	-	-	(118)
Cost at 31/12/2010	222,000	0	31,736	19,387	1,046	4,314	719	279,202
Amortisation and impairment losses at 31/12/2009	20,632	-	8,668	19,819	1,162	3,645	-	53,926
Amortisation	7,177	-	1,797	1,927	35	297	-	11,233
Impairment loss/reinstatement of value	900	-	-	-	-	-	-	900
Disposals	(33)	-	(85)	(5,732)	(225)	(334)	-	(6,409)
Changes in the consolidation area	-	-	-	682	-	-	-	682
Other changes	(103)	-	-	-	(13)	(2)	-	(118)
Amortisation and impairment losses at 31/12/2010	28,573	0	10.380	16,696	959	3,606	0	60,214
Net book value at 31/12/2009	201,871	0	23,153	3,143	63	904	0	229,134
Net book value at 31/12/2010	**193,427**	**0**	**21,356**	**2,691**	**87**	**708**	**719**	**218,988**

In 2011, in addition to the usual purchases of software programmes and other intangible assets for a total essentially in line with the past year, the increase in intangible assets with a finite useful life mainly refers to the completion of the transaction that resulted in the control acquisition of the French company EMAS, indications of which are provided in section 8.3 - Business combinations and other acquisitions, to which reference should be made.

Upon fair value valuation of the equity of the acquired company, values were identified for a total of Euro 26 million attributed to the magazines *Auto Plus*, *Auto-Journal* and *Sport Auto*; Euro 8 million to lists of customers with a subscription and for the remaining part of Euro 47.75 million to goodwill recognised under intangible assets with indefinite useful life.

It should be noted that the valuation process, as recalled in note 8.3 of the Accounting Principles and pursuant to IFRS 3, led to the provisional computation of the acquisition. In fact, audits are currently being performed to precisely identify and determine the fair value of some assets which may lead to accounting adjustments relating to the recognition of the acquisition within the 12 months subsequent to the acquisition of the controlling stakes.

Given that the date of completion of the transaction to acquire the control of EMAS was very close to the date of closing, the acquired company was consolidated on a line-by-line basis as of 31 December 2011. Therefore, in 2011 no amortisation was calculated on the afore mentioned assets.

Intangible assets with a finite useful life

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

Intangible assets with a finite useful life mainly refer to magazines of the Mondadori France Group, including *Télé Star*, *Closer*, *Pleine Vie*, *Le Chasseur Français*, *Auto Plus*; the expected useful life of said assets, each of which represents a Cash Generating Unit, was changed from indefinite to finite (30 years) as of 1 July 2008.

As of 2011, the EMAS lists of customers with a subscription also belong to the same CGU. The relevant value will be amortised over a period of six years, being this the reasonable time span to accrue the expected economic benefits.

The costs borne for lease contract taking over did not increase over 2011; in fact, it should be noted that a shop owned by Mondadori Direct S.p.A., located in Turin, was sold. Said transfer generated a capital gain.

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

The table below illustrates data relative to intangible assets with an indefinite useful life.

Intangible assets with an indefinite useful life (Euro/000)	Magazines	Series	Brands	Radio stations	Goodwill	Total
Cost at 31/12/2009	98,158	31,509	6,470	126,361	431,903	694,401
Investments	-	-	60	1,676	7,601	9,337
Disposals	-	-	-	(341)	(652)	(993)
Changes in the consolidation area	-	-	-	-	-	0
Other changes	-	-	-	-	(3,655)	(3,655)
Cost at 31/12/2010	98,158	31,509	6,530	127,696	435,197	699,090
Impairment loss at 31/12/2009	10,226	-	2,014	2,910	4,102	19,252
Impairment/(reinstatement of value)	-	-	812	-	200	1,012
Other changes	-	-	1	-	(3,655)	(3,654)
Impairment loss 31/12/2010	10,226	0	2,827	2,910	647	16,610
Net book value at 31/12/2009	87,932	31,509	4,456	123,451	427,801	675,149
Net book value at 31/12/2010	**87,932**	**31,509**	**3,703**	**124,786**	**434,550**	**682,480**

In 2011, if the afore described transaction is excluded, which involved EMAS, resulting in the identification of a goodwill value of Euro 47.75 million and the transfer of goodwill amount relative to the acquisition of the Emap Group in August 2006, following the valuation of 50% of the stake already owned at the date of the acquisition of the control of Euro 23.3 million, other investments, of limited amount, mainly refer to the Radio segment.

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

Amortisation, impairment loss and value reinstatement of intangible assets

The following table summarizes the amounts recognised in item "Amortisation and impairment loss of intangible assets" under income statement, following to amortisation, impairment loss and value reinstatement of intangible assets with finite and indefinite useful life.

Amortisation and impairment loss of intangible assets (Euro/000)	FY 2011	FY 2010
Magazines	7,164	7,177
Charges on shop lease contract taking over	1,771	1,797
Software	1,858	1,927
Licenses, patents and rights	146	35
Other intangible assets	195	297
Total amortisation of intangible assets	**11,134**	**11,233**
Impairment loss of intangible assets	3,330	1,912
Reinstatement of value of intangible assets	-	-
Total impairment loss (value reinstatement) of intangible assets	**3,330**	**1,912**
Total amortisation and impairment loss of intangible assets	**14,464**	**13,145**

Impairment test

Pursuant to IAS 36, assets with an indefinite useful life and goodwill are not subject to amortisation but to an impairment test at least once a year.

Assets with a finite useful life are subject to amortisation, according to the useful life of each asset, and upon closing assets items are subject to impairment test to verify occurrence of value losses.

For the purpose of calculating the recoverable value of assets (whichever is higher between fair value and value in use), Mondadori Group identified Cash Generating Units, broken down by the sectors in which the Group operates, with the values shown here below:

Cash Generating Unit (Euro/000)	Magazines	Lists of customers	Series	Brands	Radio stations	Goodwill	Location	Total
Group of CGU magazines from former Silvio Berlusconi Editore	83,579					731		84,310
Group of CGU magazines former Elemond	2,246			12		311		2,569
CGU Einaudi			2,991			286		3,277
CGU Sperling & Kupfer			1,817			731		2,548
CGU Mondadori Education			18,933			12,042		30,975
CGU Piemme			7,768	519		5,059		13,346
Group of *CGU R101*				372	124,485			124,857
Group of *CGU* Mondadori France	210,063	8,000				432,200		650,263
Group of *CGU location retail*							19,481	19,481
Other *CGU*	2,107			2,000		7,334		11,441
	297,995	8,000	31,509	2,903	124,485	458,694	19,481	943,067

Assets with an indefinite useful life and goodwill

Magazines with an indefinite useful life, each one of which is a Cash Generating Unit, include:

- Euro 83.6 million for the acquisition of Silvio Berlusconi Editore in 1994 (the main magazines acquired were *TV Sorrisi e Canzoni*, *Chi* and *Telepiù*);
- Euro 2.2 million for the acquisition of Elemond Group, completed in subsequent steps between 1989 and 1994 (the main magazines acquired are *Interni* and *Casabella*).

For the purpose of the impairment test, goodwill deriving from the afore-mentioned transactions was allocated either to the individual Cash Generating Units or to groups of Cash Generating Units in the Magazine sector, as follows:

- Euro 0.7 million to a group of Cash Generating Units resulting from the acquisition of Silvio Berlusconi Editore;
- Euro 0.3 million to a group of Cash Generating Units resulting from the acquisition of the Elemond Group.

The value relative to the lists of customers refers to the customer database of customers with a subscription to EMAS magazines.

“Series” include:

- Euro 18.9 million for the acquisition on the market of the school textbook division that trades under Mondadori Education S.p.A. (former Edumond Le Monnier S.p.A.), and identified as a Cash Generating Unit in the Educational sector; goodwill for this Cash Generating Unit accounted for Euro 12 million;
- Euro 3 million for the acquisition of Casa Editrice Einaudi (former Elemond Group), identified as a Cash Generating Unit; goodwill for this Cash Generating Unit accounted for Euro 0.3 million;
- Euro 1.8 million for the acquisition of Casa Editrice Sperling & Kupfer, identified as a Cash Generating Unit; goodwill for this Cash Generating Unit accounted for Euro 0.7 million;
- Euro 7.8 million for the acquisition of Edizioni Piemme, identified as a Cash Generating Unit; goodwill for this Cash Generating Unit accounted for Euro 5.1 million.

Radio frequencies, each of which is a Cash Generating Unit, refer to a number of acquisitions completed since 2005 in the broadcasting business, including the acquisition of the Radio *One-o-One* going concern that allowed Radio *R101* broadcasting on almost the entire territory of Italy.

“Goodwill” attributable to the group of Cash Generating Units resulting from the acquisition of the Mondadori France Group accounted for Euro 432.2 million.
For purpose of the impairment test, goodwill is valued jointly with the value of the relevant magazines recognised under intangible assets with finite useful life.

Assets with a finite useful life

Titles with a finite useful life, each one of which is a Cash Generating Unit, include Euro 210.1 million relative to the acquisition of the Mondadori France Group (the main magazines are *Télé Star*, *Closer*, *Pleine Vie*, *Le Chasseur Français*, *Auto Plus*).
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 Euro 19.5 million, refers to the cost borne for the acquisition of prestige locations, considered strategic for business development. Noteworthy among these is the Multicenter shop in Corso Vittorio Emanuele in Milan.
The trend of revenues and the financial results obtained by the Network stores in the last two years called for the performance of an impairment test on the values above indicated. The test did not identify any impairment loss worth recognising.

Recoverable value

In order to verify recoverable value, Mondadori Group first calculates the value in use. When an impairment loss is identified, the fair value method minus costs of sale is applied before proceeding with value impairment.
Impairment tests are carried out for each individual magazines, series, brands, radio frequencies and locations coinciding with the relevant Cash Generating Unit.
For the purpose of the impairment test, goodwill is allocated to each individual Cash Generating Unit or groups of Cash Generating Units pursuant to IAS 36 and IFRS 8.

The following table shows the key elements, better defined below, used to calculate the recoverable value.

Cash Generating Unit	Criterion used	Economics	Growth rate on terminal value	Discounting rate
Group of CGU magazines former Silvio Berlusconi Editore	Value in use	PMT 2012-2014 EBITDA	g = 0	7.10%
Group of CGU magazines former Elemond	Value in use	PMT 2012-2014 EBITDA	g = 0	7.10%
Group of CGU Mondadori France	Value in use	PMT 2012-2016 EBITDA	g = 0	6.34%
	Fair value	PMT 2012-2016 revenues	g = 0	6.34%
CGU Einaudi	Value in use	PMT 2012-2014 EBITDA	g = 0	7.10%
CGU Sperling & Kupfer	Fair value	PMT 2012-2014 EBITDA	g = 0	7.10%
CGU Mondadori Education	Value in use	PMT 2012-2014 EBITDA	g = 0	7.10%
CGU Piemme	Value in use	PMT 2012-2014 EBITDA	g = 0	7.10%
Group of *CGU R101*	Fair value	n.a.	n.a.	n.a.
Group of *CGU location retail*	Value in use	PMT 2012-2014 EBITDA	g = 0	7.10%
	Fair value	n.a.		
Other *CGU*	Value in use	PMT 2012-2014 EBITDA	g = 0	7.10%

Value in use

For the purpose of calculating the value in use, forecast data were used, included in the three/five-year plans taken from the medium-term business plan, the guidelines of which have been approved by Mondadori Board of Directors on 29 February 2012.

The estimates take into account the macroeconomic scenario and the specific nature of the markets, which the business areas are expected to face in future years.

As for magazines, partly in consideration of the negative net working capital resulting from high revenue collection speed, gross operating margins contained in the above-mentioned medium-term plans were used as assumption for the financial flows.

As for Series, since the Cash Generating Unit coincides with the individual relevant legal entity, gross operating financial flows contained in the above-mentioned medium-term plans were used as assumption for the financial flows.

As for the values attributed to locations, in consideration of the negative net working capital resulting from the collection of trade payables mainly in cash, gross operating margins contained in the above-mentioned medium-term plans were used as assumption for the financial flows.

Apart from the analytical forecast period contained in the medium-term plans, cash flows were assumed to be always constant (g = 0).

The discounting of the expected cash flows relating to the individual assets or Cash Generating Units subject to impairment test was based on a discounting rate consistently with the economics used.

The weighted average cost of capital was estimated by making reference to the capital asset pricing model, representing the specific risks of the individual Cash Generating Unit on the basis of the following elements:

- in order to calculate the cost of capital, the returns on long-term treasury stocks in each country or market in which the Group operates, were taken as benchmark together with Mondadori beta. For the country risk, a correction factor between 4% and 5% was used, based on market studies;
- in order to calculate the cost of third-party capital, the cost of Mondadori debt was used for all Group companies since liquidity is centrally managed.

For the purpose of calculating value in use, a sensitivity analysis of the results was also performed, based on a 1% increase in the rate referred to above, which confirmed the previous results.

Fair value net of costs for sale

For the purpose of calculating the fair value net of costs for sale of French magazines, reference was made to the comparable royalty rate method, which is extensively used by major market players when calculating the value of both commercial and publishing brands.

The following parameters were taken into consideration for the application of this method :

- forecast revenues in the medium-term plan for each magazine;
- a royalty rate between 2% and 9% depending on the brand type, strategic positioning, circulation and profitability;
- a constant cash flow growth rate (g = 0) for the period subsequent to the forecast period. This period corresponds to an estimated residual life of 27 years;
- a 6.34% discounting, defined based on the capital asset pricing model. In addition, a sensitivity analysis of the results was performed based on a 1% increase in the rate referred to above.

As for radio frequencies, the fair value net of costs for sale was defined by an independent appraiser, who carried out a survey upon acquisition and drafted an update of the valuations upon closing of these financial statements.

For the purpose of the performance of the valuation, the independent appraiser took into account the type and size of the individual plants, the area in which they are located, the relevant technical characteristics and the number of people potentially served.

The valuation criteria adopted to calculate the comprehensive value of each plant and frequency included the following elements:

- a direct comparison with the current value calculations relative to plants and frequencies recently transferred in the same market;
- the number of potential listeners who can be reached, utilising an amount between Euro 0.6 and Euro 2 per person as a general reference parameter, depending on the area served and taking into account any peculiarity referring to the nature of that same area in terms of seasonal factors and local economy.

Results of the impairment test process

The impairment test process highlighted the following impairment losses:

- for the Mondadori France Cash Generating Unit, the value of magazine *Telepoche*, whose performance reflects the great difficulties of the market of television magazines, was subject to adjustment for Euro 2.2 million;
- for the residual Cash Generating Units, Euro 0.8 million were adjusted for impairment in relation to the value of *PC Professionale* and Euro 0.3 million in relation to goodwill relative to the acquisition of company Piemme Direct.

3. Property investments

This item and the relevant changes in the period are broken down here below.

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 31/12/2009	458	3,360	3,818
Investments	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2010	458	3,360	3,818
Depreciation and impairment loss at 31/12/2009	-	1,348	1,348
Depreciation	-	87	87
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment loss at 31/12/2010	0	1,435	1,435
Net book value at 31/12/2009	458	2,012	2,470
Net book value at 31/12/2010	458	1,925	2,383

During the year no purchase transactions were completed but some maintenance costs were borne on the properties owned.

It should be noted that directors estimated that the fair value of property investments at 31 December 2011 was not lower than the net book value.

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 31/12/2010	458	3,360	3,818
Investments	-	473	473
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2011	458	3,833	4,291
Depreciation and impairment loss at 31/12/2010	-	1,435	1,435
Depreciation	-	95	95
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment loss at 31/12/2011	0	1,530	1,530
Net book value at 31/12/2010	458	1,925	2,383
Net book value at 31/12/2011	**458**	**2,303**	**2,761**

Depreciation of property investments

Depreciation for the year under item "Depreciation and impairment loss of property, plant and equipment", amount to Euro 95,000 (Euro 87,000 in 2010).

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

4. Property, plant and equipment

The table below shows the item's composition and changes in the period of reference and in the previous year.

Property, plant and equipment (Euro/ 000)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Cost at 31/12/2009	1,434	19,434	33,229	129,750	183,847
Investments	-	8	720	18,780	19,508
Disposals	-	-	(6,826)	(18,335)	(25,161)
Changes in the consolidation area	-	-	2,226	5,800	8,026
Other changes	-	7	-	-	7
Cost at 31/12/2010	1,434	19,449	29,349	135,995	186,227
Depreciation and impairment loss at 31/12/2009	-	9,494	26,045	100,003	135,542
Depreciation	-	709	2,606	9,421	12,736
Impairment loss/reinstatement of value	-	-	-	-	0
Disposals	-	-	(6,826)	(18,059)	(24,885)
Changes in the consolidation area	-	-	2,011	4,864	6,875
Other changes	-	-	-	-	0
Depreciation and impairment loss at 31/12/2010	0	10,203	23,836	96,229	130,268
Net book value at 31/12/2009	1,434	9,940	7,184	29,747	48,305
Net book value at 31/12/2010	**1,434**	**9,246**	**5,513**	**39,766**	**55,959**

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

In 2011 investments of Euro 9,543,000 mainly refer to furniture, office machines, tools and electronic office equipment.
In particular Mondadori France (Euro 1.5 million) completed the layout of the new headquarters and Mondadori Direct S.p.A. (almost Euro 3.5 million) fitted out and opened new stores to the public.

Other investments refer to the Radio Area (Euro 1 million) and the Digital Area (Euro 0.5 million); other costs refer to other Group companies and were incurred to replace obsolete and completely depreciated equipment.

Item "Other tangible assets" is broken down as follows:

Other tangible assets (Euro/000)	31/12/2011	31/12/2010
Industrial and commercial equipment	9,790	11,094
Electronic office machines	4,627	3,467
Furniture and office machines	8,651	6,867
Motor vehicles and transport vehicles	101	424
Leasehold improvements	6,648	6,334
Other assets	130	76
Assets under construction and advances	704	11,504
Total other tangible assets	**30,651**	**39,766**

Depreciation of property, plant and equipment
Depreciation for the year under item "Depreciation and impairment loss of property, plant and equipment" in the income statement, amount to a Euro 12,022,000, as illustrated below.

In 2011 no impairment losses were identified in the category "Property, plant and equipment".

Depreciation of property, plant and equipment (Euro/000)	FY 2011	FY 2010
Instrumental buildings	709	709
Plant and machinery	2,370	2,606
Equipment	2,817	2,830
Electronic office machines	2,317	2,266
Furniture and office machines	1,953	2,508
Motor vehicles and transport vehicles	302	562
Leasehold improvements	1,514	1,216
Other tangible assets	40	39
Total depreciation of property, plant and equipment	12,022	12,736
Impairment loss of tangible assets	-	-
Reinstatement of value of tangible assets	-	-
Total impairment loss (value reinstatement) of tangible assets	0	0
Total depreciation and impairment loss of tangible assets	12,022	12,736

Leased assets
The table below shows the value of assets purchased through financial leasing contracts at 31 December 2011 and recognised under "Property, plant and equipment":

	31/12/2011			31/12/2010		
(Euro/000)	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Instrumental buildings	775	(290)	485	775	(266)	509
Plant and equipment	138	(83)	55	138	(56)	82
Other assets	300	(135)	165	300	(91)	209
Total assets in leasing	1,213	(508)	705	1,213	(413)	800

During the year no new financial leasing contracts were underwritten.

With reference to instrumental buildings, contracts have already been redeemed, while for other categories of assets the relevant contracts have a duration of four and five years. The rents paid in the year of reference amounted to Euro 100,000, of which Euro 6,000 refer to financial charges.

Rents were calculated according to the French depreciation plan, indexed on the three-month Euribor rate, with an initial reference rate of 5.377%.

There are no restrictions or liens in relation to the above mentioned contracts with reference to dividend payout, the stipulation of additional leasing contracts or loan contracts.

5. Investments

Investments in companies valued at equity and investments in other companies amount to Euro 127,129,000.

Investments (Euro/000)	31/12/2011	31/12/2010
Investments valued at equity	126,134	131,464
Investments in other companies	995	222
Total investments	127,129	131,686

Changes occurred over the past two years in investments valued at equity are illustrated below.

In 2011 several transactions, described in paragraph 8 of "Business combinations and other acquisitions", were completed. The most relevant transaction refers to the acquisition of majority control in subsidiary Editions Mondadori Axel Springer S.n.c. (EMAS), whose consolidation as of 31 December 2011, performed according to the line-by-line method, resulted in a decrease in the final balance of item "Investments valued at equity".

Other decreases in the latter balance amount refer to the acquisition of the residual 50% and the subsequent incorporation of Mondadori Rodale S.r.l. in the Parent Company and to the transfer of the stake owned in Hearst Mondadori Editoriale S.r.l.

The establishment of EMAS Digital S.a.s., a joint venture with the German publisher Axel Springer, special purpose entity for the acquisition of Autoreflex, one of France's leading companies in the management of websites targeting final consumers of the automotive market, generated an increase in the balance amount of item "Investments valued at equity".

"Purchases and changes in consolidation area" item also includes the recapitalisation of Mondadori Independent Media LLC., Mediamond S.p.A. and Società Europea di Edizioni S.p.A.

Investments - Investments valued at equity (Euro/000)	Net value
Balance at 31/12/2009	143,329
Changes in 2010:	
- purchases and changes in consolidation area	4,064
- changes in consolidation method	(4,060)
- disposals and other changes	(214)
- revaluations	9,639
- impairment loss	(15,720)
- dividends	(5,574)
Balance at 31/12/2010	131,464
Changes in 2011:	
- purchases and changes in consolidation area	8,764
- changes in consolidation method	(11,321)
- disposals and other changes	(811)
- revaluations	9,250
- impairment loss	(3,946)
- dividends	(7,266)
Balance at 31/12/2011	126,134

Below is a breakdown of "Investments valued at equity", whose evolution has already been illustrated before with regard to the most important aspects.

For the purpose of calculating the recoverable value of Mondadori Group investments, Mondadori calculates first value in use. When an impairment loss is identified, the fair value method minus costs of sale is applied before proceeding with the recognition of the impairment loss.

Impairment tests are carried out for each individual investment representing a separate Cash Generating Unit.

For the purpose of calculating value in use, forecast data contained in the 3-5-year plans approved by the management of the relevant companies was used, as integrating part of the medium-term plan, the guidelines of which have been approved by Mondadori Board of Directors on 29 February 2012.

Discounting of the expected cash flows relative to the individual investments subject to impairment test was based on the discount rate used for the performance of the impairment test on the assets representing the Italian Cash Generating Units, except for the interest held in the Attica Group.

In this context, the discount rate used is equal to 7.1% and the growth rate on the terminal value was kept at zero.

With regard to the Greek company acquired a 8% average discount rate and a differentiated growth rate (g comprised between 0 and 3%) were used to take into account the different markets and sectors in which the Group operates.

With reference to the determination of the fair value a sensitivity analysis on the results was performed, which confirmed the previous findings.

Investments valued at equity - Details (Euro/000)	31/12/2011	31/12/2010
Investments in joint ventures:		
- Gruner + Jahr/Mondadori S.p.A.	3,519	3,939
- Milano Distribuzione Media S.r.l.	281	217
- Harlequin Mondadori S.p.A.	717	643
- Hearst Mondadori Editoriale S.r.l.	-	300
- Mondadori Rodale S.r.l.	-	134
- Edizioni EL S.r.l.	3,053	3,120
- Group Random House Mondadori	51,948	51,910
- Group Attica Publications	29,639	31,431
- ACI-Mondadori S.p.A.	610	807
- Mediamond S.p.A.	1,026	721
- Mondadori Independent Media LLC	839	854
- Mondadori Seec Advertising Co. Ltd	-	-
- Editions Mondadori Axel Springer S.n.c.	-	11,847
- EMAS Digital S.a.s.	5,990	-
Total investments in joint ventures	97,622	105,923
Investments in affiliated companies:		
- Mach 2 Libri S.p.A.	6,690	6,831
- Mach 2 Press S.r.l.	574	792
- Società Europea Edizioni S.p.A.	7,667	6,737
- Mondadori Printing S.p.A.	13,479	11,065
- Venezia Musei Società per i servizi museali S.c.ar.l.	-	7
- Venezia Accademia Società per i servizi museali S.c.ar.l.	-	2
- Campania Arte S.c.ar.l.	22	22
- Consorzio Covar (in liquidation)	2	2
- Consorzio Forma	1	1
- Roccella S.c.ar.l.	21	21
- Novamusa Valdinoto S.c.ar.l.	18	18
- Novamusa Valdemone S.c.ar.l.	21	21
- Novamusa Gelmar S.c.ar.l.	-	-
- Novamusa Val di Mazara S.c.ar.l.	17	17
- Consorzio Editoriale Fridericiana	-	5
Total investments in affiliated companies	28,512	25,541
Total investments valued at equity	126,134	131,464

The tables below show changes in item "Investments in other companies" valued at fair value.

The transactions in the year mainly refer to the inclusion of Mondadori France S.A. in the Group's capital with a minority interest; of the national distributors MLP and Presstalis, the latter almost entirely written down.

Investments - Investments in other companies	
(Euro/000)	Net value
Balance at 31/12/2009	221
Changes in 2010:	
- acquisitions and changes in the consolidation area	1
- disposals and other changes	-
- changes in the consolidation method	-
- impairment loss	-
- dividends	-
Balance at 31/12/2010	222
Changes in 2011:	
- acquisitions and changes in the consolidation area	1,370
- disposals and other changes	-
- changes in the consolidation method	-
- impairment loss	(597)
- dividends	-
Balance at 31/12/2011	995

Below is the composition of item "Investments in other companies".

Investments in other companies - Details		
(Euro/000)	31/12/2011	31/12/2010
Investments in other companies:		
- Società Editrice Il Mulino S.p.A.	101	101
- Consuledit S.r.l.	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali S.r.l.	52	52
- Audiradio	23	21
- Consorzio Forte Montagnolo	1	1
- Consorzio Riqualificazione Monte Gennaro	1	-
- Consorzio Camaldoli 1	2	-
- Consorzio Antenna Colbuccaro	8	-
- Aranova Freedom S.c.ar.l.	30	30
- CTAV	3	3
- MLP	758	-
- Presstalis	2	-
- Sem Issy Media	3	3
Total investments in other companies	995	222

6. Deferred tax assets and liabilities

The following tables details "Deferred tax assets" and "Deferred tax liabilities".

(Euro/000)	31/12/2011	31/12/2010
Deferred tax assets - IRES	45,324	42,870
Deferred tax assets - IRAP	2,813	2,809
Total deferred tax assets	48,137	45,679
Deferred tax liabilities – IRES	98,364	86,732
Deferred tax liabilities - IRAP	4,895	4,457
Total deferred tax liabilities	103,259	91,189

Description of temporary differences that led to the recognition of anticipated taxes

	31/12/2011			31/12/2010		
(Euro/000)	Amount of temporary differences	Tax rate	Anticipated tax amount	Amount of temporary differences	Tax rate	Anticipated tax amount
Difference between book value and tax basis of intangible assets	5,939	(*)	1,633	6,799	(*)	1,869
Difference between book value and tax basis of property investments and investments in property, plant and equipment	2,512	(*)	691	2,062	(*)	568
Provision for bad debt	31,531	(*)	8,742	25,177	(*)	6,963
Provision for inventory	15,139	(*)	4,163	15,331	(*)	4,215
Provision for advances paid to authors	21,356	(*)	5,873	17,153	(*)	4,717
Provisions	36,656	(*)	10,324	38,021	(*)	10,548
Supplementary agent indemnity	4,663	(*)	1,282	5,147	(*)	1,415
Elimination of intercompany income	12,713	(*)	3,496	12,062	(*)	3,317
Other temporary differences	30,714	(*)	9,120	31,392	(*)	9,258
Total for IRES purposes	161,223		45,324	153,144		42,870
Difference between book value and tax basis of intangible assets	6,756	(*)	263	7,718	(*)	301
Difference between book value and tax basis of property investments and investments in property, plant and equipment	858	(*)	33	815	(*)	32
Provision for inventory	14,200	(*)	554	14,692	(*)	573
Provision for advances paid to authors	12,180	(*)	475	9,205	(*)	359
Provisions	12,307	(*)	480	13,718	(*)	535
Supplementary agent indemnity	4,112	(*)	160	5,051	(*)	197
Elimination of intercompany income	12,718	(*)	496	12,026	(*)	469
Other temporary differences	9,005	(*)	352	8,789	(*)	343
Total for IRAP purposes	72,136		2,813	72,014		2,809

(*) With regard to income taxes, each Group company applied the tax rate in force in the country of residence.
As for IRAP, each Group company applied the tax rate in force taking into account taxable income differences by region.

Description of temporary differences that led to the recognition of deferred taxes

(Euro/000)	31/12/2011 Amount of temporary differences	Tax rate	Deferred tax amount	31/12/2010 Amount of temporary differences	Tax rate	Deferred tax amount
Capital gains in instalments	211	(*)	58	3,538	(*)	973
Difference between book value and tax basis of intangible assets	300,776	(*)	94,320	256,238	(*)	80,411
Difference between book value and tax basis of property investments and investments in property, plant and equipment	4,486	(*)	1,234	5,229	(*)	1,437
Post-employment benefits	4,095	(*)	1,126	4,598	(*)	1,265
Supplementary agent indemnity	952	(*)	262	1,168	(*)	321
Leased assets	543	(*)	149	542	(*)	149
Other temporary differences	4.419	(*)	1,215	7,200	(*)	2,176
Total for IRES purposes	315,482		98,364	278,513		86,732
Capital gains in instalments	-	(*)	-	3,256	(*)	127
Difference between book value and tax basis of intangible assets	119,710	(*)	4,669	100,097	(*)	3,904
Difference between book value and tax basis of property investments and investments in property, plant and equipment	2,045	(*)	80	2,026	(*)	79
Supplementary agent indemnity	921	(*)	36	1,178	(*)	46
Leased assets	543	(*)	21	542	(*)	21
Other temporary differences	2,282	(*)	89	7,177	(*)	280
Total for IRAP purposes	125,501		4,895	114,276		4,457

(*) With regard to income taxes, each Group company applied the tax rate in force in the country of residence.
As for IRAP, each Group company applied the tax rate in force taking into account taxable income differences by region.

No deferred taxes were allocated for undistributed income of subsidiary and affiliated companies.

The following table shows the total amount of past tax losses resulting from companies which did not adhere to the tax consolidation regime until 2011.

Unrecognised deferred taxes (Euro/000)	31/12/2011	31/12/2010
Temporary differences excluded from the determination of deferred tax assets and liabilities	-	-
Tax losses to carry forward	2,201	1,124

7. Other non-current assets

Item "Other non-current assets" does not show any particular changes against the previous year.

Other non-current assets (Euro/000)	31/12/2011	31/12/2010
Guarantee deposits	837	683
Confirmation deposits	-	-
Receivables due to the Inland Revenue Office for IRES on post-employment benefits	27	78
Other	188	629
Total non-current assets	1,052	1,390

8. Tax receivables

The balance of item "Tax receivables" is higher than the relevant balance at 31 December 2010 for indirect taxes, for which application for reimbursement has already been filed with the Inland Revenue Office.

Tax receivables (Euro/000)	31/12/2011	31/12/2010
Receivables from Inland Revenue Office for IRAP	2,118	280
Receivables from Inland Revenue Office for IRES	907	4,237
Receivables from Fininvest for IRES	2,470	2,481
Receivables from Inland Revenue Office for VAT, direct taxes to recover and litigation advances	35,336	21,711
Total tax receivables	40,831	28,709

9. Other current assets

The balance of this item is essentially in line with that at 31 December 2010, even if, as the table below illustrates, there is a reduction in advances paid to suppliers and authors for products to publish and collaborators.

Other current assets (Euro/000)	31/12/2011	31/12/2010
Receivables from agents	336	404
Receivables from authors and collaborators	57,856	54,120
Receivables from suppliers	5,198	9,724
Receivables from personnel	497	691
Receivables for insurance compensation	-	-
Receivables from social security institutions	233	202
Receivables for guarantee deposits	351	327
Confirmation deposits	-	-
Accruals	3,192	2,620
Other receivables	12,617	13,579
Total other current assets	80,280	81,667

10. Inventory

Inventory increased considerably against 31 December 2010, mainly as a result of "Raw, ancillary and consumption materials" and "Finished products".

The changes are mainly attributed to the line-by-line consolidation of EMAS S.n.c. as of the year of reference and to the increase in products and goods for the network of stores of Mondadori Direct S.p.A., respectively, increasing by 37 units in twelve months with franchised stores, newsstands and book clubs.

Item "Inventory" is broken down and commented on below.

Inventory (Euro/000)	31/12/2011	31/12/2010
Raw, ancillary and consumption materials	14,068	11,463
Provision for raw, ancillary and consumption materials	(424)	(174)
Total raw, ancillary and consumption materials	13,644	11,289
Work in progress and semi-finished goods	23,837	25,663
Provision for work in progress and semi-finished goods	(1,386)	(1,083)
Total work in progress and semi-finished goods	22,451	24,580
Contract work in progress	2,697	2,593
Provision for contract work in progress	(82)	(22)
Total work in progress	2,615	2,571
Finished products and goods	114,285	108,693
Provision for finished products and goods	(15,929)	(15,649)
Total finished products and goods	98,356	93,044
Advances	-	-
Total inventory	137,066	131,484

Raw materials include the value of paper, plates and ink owned by Mondadori France Group and Mondadori Education S.p.A., which directly carry out printing, while other Group companies have outsourced the printing activity.

Orders in progress include costs borne for client publications.

Finished products include books produced by the Group, third-party publishers' books purchased for resale in the retail sector and merchandising, paper processing and gifts.

Inventory provision is made separately by each Group company, taking into account finished product marketability and any failed revenue generation from work in progress products.

Inventory - Provision (Euro/000)	Raw materials	Work in progress and semi-finished goods	Contract work in progress	Finished products and goods for resale
Balance at 31/12/2009	293	1,189	-	14,852
Changes in 2010:				
- provisions	64	104	22	5,255
- utilisations	(183)	-	-	(4,814)
- other changes	-	(210)	-	356
Balance at 31/12/2010	174	1,083	22	15,649
Changes in 2011:				
- provisions	116	335	60	5,876
- utilisations	(8)	(32)	-	(5,807)
- other changes	142	-	-	211
Balance at 31/12/2011	424	1,386	82	15,929

There are no inventories used to secure liabilities.

Decrease (increase) in inventory

The following table summarises the changes in inventory accounted in the income statement in the year.

Decrease (increase) in inventory (Euro/000)	FY 2011	FY 2010
Changes in finished products and goods	(5,381)	(1,551)
Provision to finished products and goods	5,876	5,255
Utilisation of finished products and goods provision	(5,807)	(4,814)
Total changes in inventory of finished products and goods	(5,312)	(1,110)
Changes in work in progress and semi-finished products	1,982	1,590
Provision to work in progress and semi-finished products	335	104
Utilisation of work in progress and semi-finished products provision	(32)	-
Total changes in inventory of work in progress and semi-finished products	2,285	1,694
Changes in work in progress orders	(46)	(246)
Provision to work in progress orders	60	22
Utilisation of work in progress orders provision	-	-
Total changes in inventory of work in progress orders	14	(224)
Changes in raw materials and consumables	(1,197)	(1,074)
Provision to raw materials and consumables	116	64
Utilisation of raw materials and consumables provision	(8)	(183)
Total changes in inventory of raw materials and consumables	(1,089)	(1,193)
Total decrease (increase) in inventory	(4,102)	(833)

11. Trade receivables

Item "Trade receivables" significantly reflects the change in the consolidation method used for EMAS S.n.c., which resulted in an increase of approximately Euro 7.8 million.

On a like-for-like basis, the Group exposure towards third party customers would be equal to less than approximately Euro 32 million, due to the increase in returns allocated both to the supply of books and magazines, and to the general reduction in revenues affecting all business areas.

The detailed breakdown of receivables due from affiliated companies, parent companies and associated companies is provided in Annex "Transactions with related parties". Commercial transactions with these companies are carried out under standard market conditions.

Trade receivables (Euro/000)	31/12/2011	31/12/2010
Receivables from customers	321,891	346,052
Receivables from affiliated companies	36,596	37,038
Receivables from parent companies	-	5
Receivables from associated companies	1,882	2,112
Total trade receivables	360,369	385,207

It should be noted that no trade receivables are due over five years and that the average collection period in 2011 was 80.8 days, up from the 78.2 days of the previous year.

The following table details item "Receivables from customers".

Trade receivables Receivables from customers (Euro/ 000)	31/12/2011	31/12/2010
Trade receivables	502,136	511,730
Customers - returns to be received	(139,695)	(125,877)
Provision for bad debts	(40,550)	(39,801)
Total receivables from customers	321,891	346,052

With reference to the provision for bad debt, it should be noted that each Group company performs an accurate analysis of each individual debt item position in order to calculate the amount to be allocated for.

Trade receivables Receivables from customers - Provision (Euro/000)	31/12/2011	31/12/2010
Balance at beginning of year	39,801	32,633
Changes in the year:		
- provisions	14,404	14,152
- utilisations	(14,126)	(11,883)
- changes in the consolidation area	471	4,899
- other changes		-
Total receivables from customers - Provision	40,550	39,801

12. Financial assets

Item "Non-current financial assets", amounting to Euro 6,925,000, include the medium-long portion of financial receivables identified in 2011 vis-à-vis the affiliated companies EMAS Digital S.a.s. and Mondadori Seec Advertising Co. Ltd for a total amount of Euro 6,477,000. The residual amount refers to receivables from third party relating to Mondadori Magazines France S.A.

Non-current financial assets (Euro/000)	31/12/2011	31/12/2010
Financial receivables from affiliated companies	6,477	-
Financial receivables	448	1,283
Financial assets at fair value with changes recognised under income statement	-	606
Available-for-sale financial assets	-	-
Assets resulting from derivative instruments	-	-
Total non-current financial assets	6,925	1,889

Changes in item "Non-current financial assets" against the previous year mainly refer to the reduction in financial assets as a result of the combined effect of security disposal and lower value.

Item "Available-for-sale financial assets" includes investments of Mondadori International S.p.A.

All financial assets are valued at fair value. For listed assets, the reference value is regulated by market prices, while for unlisted assets the relevant price is either determined by the depositary banks holding the securities or by the relevant market makers. For bonds classified under item "Available-for-sale financial assets", with no active market, a valuation model based on the discounting of the expected cash flows was used.

Item "Financial receivables from affiliated companies" includes receivables becoming due within the year vis-à-vis EMAS Digital S.a.s. and Mondadori Seec Advertising Co. Ltd.

Other current financial assets (Euro/000)	31/12/2011	31/12/2010
Financial receivables from customers	1,657	2,067
Financial receivables from affiliated companies	3,057	1,399
Financial receivables from parent companies	-	-
Financial receivables from associated companies	-	-
Financial receivables from others	4,062	2,271
Total financial receivables	8,776	5,737
Financial assets at fair value with changes recognised under income statement	-	-
Available-for-sale financial assets	15,709	26,197
Assets resulting from derivative instruments	98	8
Total other current financial assets	24,583	31,942

Assets and liabilities resulting from derivative instruments

The following table shows assets and liabilities resulting from derivative instruments held as at 31 December 2011:

Assets and liabilities in derivative instruments - Details (Euro/000)	Type of derivative	Fair value at 31/12/2011	Fair value at 31/12/2010
Non-current financial assets (liabilities)			
- Rate derivatives	Cash flow hedge	(11,701)	(5,306)
Current financial assets (liabilities)			
- Currency derivatives	Trading	80	8

Trading derivatives refer to transactions that, though established for hedging purposes, do not fully meet the requirements envisaged by the international accounting standards to qualify for hedge accounting. In the case of the Mondadori Group, trading derivatives only refer to exchange risk management.

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

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

Retroactive tests envisage that a hedge proves highly effective, when its results fall in a 80%-125% range. Tests can be performed periodically, with each test beginning immediately after the end of the previous one, or on a cumulative basis starting from any specific date.

Group criteria to test effectiveness include statistic regression analyses and the Dollar Offset Method or Ratio Analysis.

In addition, the Group calculates the fair value of current hedge transactions on a monthly basis. Such value can be obtained by either using mark to market in case of financial instruments listed on active markets, or, in case of financial instruments for which prices are not available in the market, by requesting an independent valuation from a market counterparty and/or using appropriate mark to models criteria.

<u>Interest rate derivatives</u>

Derivatives comprise:

- an Interest Rate Swap (IRS) floating to fix contract of Euro 50 million converting the floating rate (3-month Euribor) into fixed at 2.909% on average with expiry on 31 December 2014 and referring to the portion of the Term Loan underwritten in pool with UniCredit;
- an Interest Rate Swap (IRS) floating to fix contract of Euro 50 million converting the floating rate (1-month Euribor) into fixed at 2.59% with expiry on 15 December 2017 to hedge the loan contract underwritten with Mediobanca;

- an Interest Rate Swap (IRS) floating to fix amortizing contract, stipulated in August 2010, of Euro 40 million converting the floating rate (1-month Euribor) into fixed at 1.29% with expiry on 30 June 2015 and referring to a portion of the amortising loan contract stipulated with a pool led by Banche Popolari for a total amount of Euro 130 million over five years;
- an Interest Rate Swap (IRS) floating to fix contract stipulated in September 2011, amounting to Euro 25 million, converting the floating rate (1-month Euribor) into fixed at 0.96% with expiry on 13 January 2014 and referring to the portion of the loan contract underwritten with Intesa Sanpaolo.

In May a loan contract was underwritten with GE Capital for a total amount of Euro 7,500,000 with expiry in May 2016.

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

Cash flow hedge reserve (Euro/000)	31/12/2011	31/12/2010
Initial balance gross of the tax impact	(5,235)	(4,660)
Amount recognised in the period	(2,909)	3,486
Amount endorsed from reserve and recognised under income statement:		
- adjustments to expenses	(6,093)	354
- adjustments to income	2,837	(4,415)
Final balance gross of the tax impact	**(11,400)**	**(5,235)**
Inefficient part of hedge	0	0

<u>Currency derivatives</u>

The Group enters into currency derivative agreements to hedge against the currency risk. Currency derivatives used exclusively refer to forward contracts for the purchase and sale of foreign currencies.

The main types of currency risks in the Group refer to the purchase of book copyrights and revenues from licensing contracts denominated in foreign currencies other than Euro. In the latter case, the Group partially hedges against revenues deriving from budgeted sales.

At 31 December 2011 currency risk hedge contracts referred to the purchase of forward contracts denominated in US Dollars for a total of US$ 1,275,000 (Euro 894,000) and forward contract denominated in Pound Sterling of £ 1,440,000 (Euro 1,708,000).

13. Cash and cash equivalents

Item "Bank deposits" includes current account balances and bank deposits of Arnoldo Mondadori Editore S.p.A. (Euro 62.0 million) and Mondadori International S.p.A. (Euro 15.2 million). Short-term bank deposits expire after three months, in line with the Group financial requirements.

Cash and cash equivalents (Euro/000)	31/12/2011	31/12/2010
Cash and other disposable assets	2,158	1,140
Cheques	1	40
Bank deposits	79,381	82,400
Postal deposits	1,402	1,321
Total cash and cash equivalents	82,942	84,901

The fair value of cash and cash equivalents as at 31 December 2011 is equal to the relevant book value.

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

Net financial position (Euro/000)		31/12/2011	31/12/2010
A	Cash	2,159	1,180
	-Bank deposits	79,381	82,400
	-Postal deposits	1,402	1,321
B	Other cash and cash equivalents	80,783	83,721
C	Cash and cash equivalents and other financial assets (A+B)	82,942	84,901
D	Securities held for trading	-	-
	-Financial receivables from affiliated companies	3,057	1,399
	-Financial assets measured at fair value	-	-
	-Available-for-sale financial assets	15,709	26,197
	-Derivative instruments and other financial assets	5,817	4,346
E	Receivables and other current financial assets	24,583	31,942
F	Current financial assets (D+E)	24,583	31,942
G	Current bank payables	371	786
	-Bonds	-	-
	-Loans	-	-
	-Borrowings	26,863	26,044
H	Current part of non-current payables	26,863	26,044
	-Payables due to affiliated companies	3,689	8,831
	-Derivative instruments and other financial payables	6,118	7,028
I	Other current financial payables	9,807	15,859
L	Payables to banks and other current financial liabilities (G+H+I)	37,041	42,689
M	Current net financial position (C+F-L)	70,484	74,154
	-Bonds	-	-
	-Loans	-	-
	-Borrowings	399,231	412,384
N	Part of non-current payables	399,231	412,384
O	Other non-current financial payables	13,581	6,084
P	Non-current financial payables (N+O)	412,812	418,468
Q	Net financial position (M-P)	(342,328)	(344,314)

Should the balance of "Non-current financial assets", not included in the Consob format, be added to the above data, the Group net financial position would show a loss of Euro 335,403,000.

Further information regarding the Group net financial position is detailed in the notes 12, 13 and 18.

14. Shareholders' equity

More information concerning the composition and changes in shareholders' equity is detailed in the table dedicated to "Changes in consolidated shareholders' equity".

It should be noted that the legal entity controlling the Mondadori Group is Fininvest S.p.A.

Share capital

The extraordinary Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A., held on 21 April 2011, resolved upon reducing the share capital from Euro 67,451,756.32 to Euro 64,079,168.40 by cancellation of no. 12,971,492 treasury shares with a par value of Euro 0.26 each, owned by the Parent Company.

As a result of said reduction, the share capital is divided in no. 246,458,340 ordinary shares with a par value of Euro 0.26 each at 31 December 2011.
In the year of reference no new shares have been issued.

Share premium reserve

Company's share premium reserve equals Euro 210,200,000 and includes:

- Euro 15,289,000 composed by: Euro 13,278,000 related to the conversion into shares of the former AMEF 6.5% 1987/1991 bond loan; Euro 2,011,000 resulting from the merger by incorporation of the former AME on 29 November 1991;
- Euro 238,603,000 composed by: Euro 17,043,000 as capital increase completed on 27 June 1994 following a resolution by the extraordinary Shareholders' Meeting of 30 May 1994, that provided for the issue of 33,000,000 ordinary shares with a par value of Euro 0.52 (Lire 1,000) each at a price of Euro 7.75 (Lire 15,000) per share, Euro 7.23 (Lire 14,000) of which was share premium; decreased by Euro 76,657,000 following to the adoption of the extraordinary Shareholders' Meeting's resolution of 21 April 2011, whose agenda included an item dedicated to the share capital reduction;
- Euro 384,000 related to capital increase completed on 23 November 1998;
- Euro 692,000 related to capital increase completed on 17 September 1999;
- Euro 1,801,000 related to capital increase completed on 18 July 2000;
- Euro 26,978,000 resulting from the conversion of no. 13,929,942 savings shares in ordinary shares in application of the Shareholders' Meeting's resolution of 30 May 1994, which provided holders of savings shares with the option to convert them into ordinary shares at a one to one ratio for a par value of Euro 0.52 (Lire 1,000), to be exercised in the period from 16 June to 31 July 1994 with payment of the balance of Euro 1.94 (Lire 3,750) for each share converted;
- Euro 3,110,000 related to the exercise of stock options.

Treasury shares
Treasury shares owned by Arnoldo Mondadori Editore S.p.A. account for no. 7,805,431 ordinary shares and by Mondadori International S.p.A. no. 4,517,486 ordinary shares, corresponding to a total amount of Euro 70,456,000.
The value in the year reflects the effect of the transaction relative to the share capital reduction above described and the purchase of no. 2,926,822 ordinary shares.

Other reserves and results carried forward
"Other reserves and results carried forward" at 31 December 2011 amount to 320,367,000 and include:
- legal reserve for Euro 13,490,000;
- reserves equal to Euro 5,335,000 for amounts paid out by the Agency for the Promotion and Development of the South of Italy (Italian Ministerial Decrees of 28/6/1979 and 3/5/1989) and the Government by virtue of the Italian Law on Publishing no. 416 of 5/8/1981;
- a revaluation reserve used over the years for a total of Euro 16,711,000;
- a cash flow hedge reserve, negative for Euro 10,459,000, net of the relevant tax impact, for the valuation of hedge derivatives;
- a fair value reserve, negative for Euro 4,396,000, for "Available-for-sale financial assets". Further details are provided in note 12;
- a stock option reserve amounting to Euro 5,949,000 related to stock option plan granted to Group directors and managers. This item increased by the cost of Euro 695,000 accounted in the income statement and decreased following to cancellation of expired options and outgoing personnel for a total amount of Euro 1,871,000. Further details are provided in note 25;
- the conversion reserve, negative for Euro 2,230,000 at 31 December 2011 (Euro -610,000 at 31 December 2010), mainly coming from the conversion of the financial statements of the companies belonging to the Random House Mondadori Group operating in Latin America, companies belonging to the Attica Group, with offices in Eastern European countries, and the Chinese joint venture Mondadori Seec Advertising Co. Ltd. and the Russian joint venture Mondadori Independent Media LLC. The exchange rates used for the conversion of financial statements denominated in foreign currencies are summarised in the table below:

Currency	Spot 31/12/2011	Spot 31/12/2010	Average FY 2011	Average FY 2010
US dollars	1.29	1.34	1.40	1.33
Argentinian pesos	5.57	5.32	5.76	5.20
Chilean pesos	672.00	625.34	671.00	678.11
Colombian pesos	2,508.00	2,563.83	2,590.00	2,547.32
Mexican pesos	18.02	16.50	17.39	16.87
Uruguayan pesos	25.20	26.59	26.81	26.56
Venezuelan bolivares	5.56	5.74	5.99	5.47
Russian roubles	41.76	40.82	40.88	40.26
Chinese yuan	8.16	8.82	8.90	8.97
New Rumanian leu	4.32	4.212	4.21	4.262
Bulgarian leva	-	1.96	-	1.96
Serbian dinars	104.69	103.04	101.97	105.75
Hungarian florins	-	275.00	-	277.95

- the residual balance represents reserves for retained earnings.

Capital management
Mondadori Group share capital is managed in relation to the Group overall financial structure, taking into account a correct balance between net debt and capital.

The key objective is to maximise the company value and minimise the weighted average cost of debt and capital in order to support business activity development including activities other than the Group core business and provide adequate returns for shareholders.

The main index used by the Group for measuring capital adequacy compares net debt with capital to net debt. Net debt includes all borrowings (bonds and bank loans) net of cash and cash equivalents.

Capital management (Euro/million)	31/12/2011	31/12/2010
Net debt	335.4	342.4
Capital (shareholders' equity)	608.9	581.0
Total capital and net debt	944.3	923.4
Ratio of net debt/capital to net debt	35.5%	37.1%
Treasury shares in portfolio	70.5	145.0

15. Capital, reserves and results attributable to minority shareholders
In 2011 three transactions were completed, leading to changes in this item: the acquisition of the minority stake in Electa Rmn S.r.l., which changed its name into Electa S.r.l.; the acquisition of the majority stake in EMAS S.n.c.; and the establishment of company Glaming S.r.l., operating in the online gaming sector.

The table below details minority interests:

Capital, reserves and results attributable to minority shareholders (Euro/000)	Edizioni Piemme S.p.A.	Electa Rmn S.r.l.	EMAS S.n.c.	Glaming S.r.l.
Shareholders' equity at 31/12/2010	1,746	4	-	-
Result for 2010	534	(1)	-	-
Shareholders' equity at 31/12/2011	1,622	-	34,000	(554)
Result for 2011	409	-	-	(554)

16. Provisions
Provisions for risks and charges are broken down and commented on below:

Provisions (Euro/000)	31/12/2010	Provisions	Utilisations	Other changes	31/12/2011
Agents' contractual risks	2,558	1,933	(22)	(47)	4,422
Litigation	14,537	2,920	(1,691)	3	15,769
Equity investment risks	2,867	-	(1,500)	448	1,815
Tax disputes	2,363	731	(160)	(7)	2,927
Other risks	21,091	8,596	(7,845)	668	22,510
Total provisions	43,416	14,180	(11,218)	1,065	47,443

It should be noted that "Litigation" is set up mainly to cover losses generated from actions for libel associated with articles published in magazines and requests for compensation by authors and third parties in general.

"Equity investment risks" is set up to cover losses generated by companies valued at equity in excess of the value of the Group's interest in such companies.

"Other risks" include, among other, the amounts that the Group companies will have to pay in 2012 to third parties in relation to already undertaken commitments, and specific provisions allocated to cover a litigation regarding contribution issues vis-à-vis INPGI.

17. Post-employment benefits

Item "Post-employment benefits" is detailed and commented on here below:

Post-employment benefits (Euro/000)	31/12/2011	31/12/2010
Provision for post-employment benefits (TFR)	46,505	46,298
Provision for supplementary agents' indemnity (FISC)	6,555	6,436
Provision for retirement and similar obligations	448	425
Total post-employment benefits	53,508	53,159

The balance amount of "Provision for post-employment benefits (TFR)" is higher than that of the preceding year, because of the line-by-line consolidation of EMAS; net of such change in the consolidation area, a Euro 1 million reduction would be obtained, due to the fact that in companies with more than 50 employees, the provision is represented solely by the revaluation component of the initial provision according to ISTAT parameters on the cost of living.

Post-employment benefits - Details (Euro/000)	TFR	FISC	Provision for retirement
Balance at 31/12/2010	46,298	6,436	425
Changes in 2011:			
- provisions	715	1,148	23
- utilisations	(3,773)	(1,018)	-
- reversals	-	-	-
- discounting	2,053	-	-
- changes in the consolidation area	1,212	(11)	-
Balance at 31/12/2011	46,505	6,555	448

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

The following assumptions were used to measure the actuarial value of post-employment benefits:

Actuarial assumptions to measure post-employment benefits	31/12/2011	31/12/2010
Economic assumptions:		
- increase in cost of living	2.0%	2.0%
- discount rate	4.5%	4.5%
- salary increase	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 19.07%	From 6.07% to 18.50%
- retirement age	Applicable regulations	Applicable regulations

The cost of post-employment benefits under income statement is broken down as follows:

Cost of post-employment benefits (Euro/000)	FY 2011	FY 2010
Current cost of post-employment benefits	2,097	1,660
Financial charges	2,053	1,952
Actuarial (income) loss	(1,382)	(848)
Total cost of post-employment benefits	2,768	2,764

It should be noted that item "Current cost of employees post-employment benefits" and item "Actuarial (income) loss" are recognised in "Personnel costs" under income statement, while the financial component is accounted for under financial expenses for the period.

As for "Provision for supplementary agents' indemnity" the following assumptions have been used:

Assumptions to measure supplementary agents' indemnity (FISC)	31/12/2011	31/12/2010
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	Applicable regulations	Applicable regulations

The provision for retirement was not subject to discounting because the relevant impact was considered irrelevant.

18. Financial liabilities

Item "Non-current financial liabilities" equal to Euro 412,812,000 mainly include:

- Euro 148,731,000 regarding the amortised cost of the Term Loan underwritten in pool by Mondadori International S.p.A.;
- Euro 50,000,000, the use of the bilateral loan with Intesa Sanpaolo, coming to maturity in December 2015;
- Euro 50,000,000, the use of part of the term loan of the bilateral contract stipulated with Intesa Sanpaolo, coming to maturity in December 2016;

- Euro 65,000,000, the use of the loan stipulated with Mediobanca, coming to maturity in December 2017;
- Euro 78,000,000, the use of amortising loan stipulated with a pool led by Banche Popolari, coming to maturity in June 2015;
- Euro 7,500,000, the use of the loan stipulated with GE Capital, coming to maturity in May 2016;
- Euro 11,701,000, the fair value of the stipulated derivative contracts.

It should be noted that the actual interest rate relative to "Borrowings" is the weighted average of the actual rates calculated on borrowings.

Non-current financial liabilities (Euro/000)	Actual interest rate	Expiry 1- 5 years	Expiry over 5 years	31/12/2011	31/12/2010
Bonds		-	-	-	-
Convertible bonds		-	-	-	-
Borrowings	2.384%	399,231	-	399,231	412,384
Payables due to suppliers		-	-	-	-
Payables due to affiliated companies		-	-	-	-
Payables due to parent companies		-	-	-	-
Payables due to associated companies		-	-	-	-
Payables due for lease agreements	5.377% - 6.704%	72	-	72	172
Payables for shareholders' contributions		-	-	-	-
Liabilities resulting from derivative instruments		11,701	-	11,701	5,912
Other financial payables		1,808	-	1,808	-
Total non-current financial liabilities		412,812	0	412,812	418,468

"Payables to banks and other financial payables" mainly include:
- Euro 26,000,000, relative to the utilisation of the short-term part of the amortising loan underwritten with a pool led by Italian banks;
- Euro 3,689,000, relative to financial payables due to affiliated companies using the intercompany current account. See annex "Transactions with related parties" for more detailed information.

Payables to banks and other financial payables (Euro/000)	Actual interest rate	31/12/2011	31/12/2010
Bank deposits		371	786
Bonds		-	-
Convertible bonds		-	-
Borrowings	2.697%	26,863	26,044
Payables due to suppliers		2,232	1,786
Payables due to affiliated companies		3,689	8,831
Payables due to parent companies		-	-
Payables due to associated companies		-	-
Payables for lease agreements		100	93
Payables for shareholders' contributions		-	-
Liabilities resulting from derivative instruments		18	-
Other financial payables		3,768	5,149
Total payables to banks and other financial payables		37,041	42,689

Committed loans require that specific financial covenants be complied with. Any instance of default may result in the anticipated re-payment of the loan.
The currently applicable covenants make reference to the leverage ratio, corresponding to the ratio between EBITDA, calculated over a period of twelve consecutive months, resulting from the Group's consolidated financial statements. The leverage ratio should be lower than or equal to 4.5 for the period of reference, taking the average for the four quarters into account.

The leverage ratios are pre-determined based on specific grids which, according to the level reached, envisage different spread levels to apply on the use of the loan.

Based on the quarterly analyses performed according to contract requirements, Mondadori Group has always complied with the financial covenants established in the relevant contracts.

For information relative to the financial instruments reference should be made to note 12 - "Financial assets" in these Notes.

19. Income tax payables

This item is detailed below:

Income tax payables (Euro/000)	31/12/2011	31/12/2010
Payables for IRAP	235	3,958
Payables for IRES	8,750	174
Payables to Fininvest for IRES	13,953	18,487
Total income tax payables	22,938	22,619

Item "Payables to Fininvest for IRES" refers to tax payables due to Fininvest S.p.A., the consolidating entity, by the companies adhering to the tax consolidation regime; the decrease reflects the financial performance.

The payable amount is in line with the balance registered in 2010 as a result of the good performance obtained by Mondadori France Group, which in 2011 is particularly exposed to the Inland Revenue Office, since it has not yet paid any advance account.

20. Other current liabilities

The sharp increase in this item by more than 50% derives from the line-by-line consolidation of EMAS and the increase, not particularly relevant but general, of almost all the sub-items composing it.

Other current liabilities (Euro/000)	31/12/2011	31/12/2010
Customer advances	38,396	39,849
Income tax payables	17,999	13,579
Amounts due to pension funds and social security institutions	36,469	35,900
Other payables	167,068	161,638
Total other current liabilities	259,932	250,966

Item "Other payables" is broken down below.

Other current liabilities - Other payables (Euro/000)	31/12/2011	31/12/2010
Payroll and other payables to personnel	36,071	37,973
Payables to authors and collaborators	57,694	51,097
Payables to agents	11,643	10,965
Payables to subscription and instalment customers	49,541	51,064
Payables to directors and auditors	683	743
Deferred income for anticipated rents	-	61
Other payables, accrued expense and deferred income	11,436	9,735
Total other payables	167,068	161,638

21. Trade payables

"Trade payables" reflect the general reduction in sales and, consequently, also in the purchase of raw materials, products and services.

Trade payables (Euro/000)	31/12/2011	31/12/2010
Payables to suppliers	282,418	290,323
Payables to affiliated companies	79,875	83,416
Payables to parent company	7	7
Payables to associated companies	4,537	7,149
Total trade payables	366,837	380,895

See Annex "Transactions with related parties" attached to these Notes for more detailed information about payables due to associated, parent and affiliated companies.

It should be noted that no trade payables are due over 5 years and that the average payment period in 2011 was 101.7 days, up against 105.8 days registered in 2010.

22. Revenues from sales and services

The Group's overall volume in 2011 dropped 3.1% against the previous year; all the market segments in which the Group operates were significantly penalised by the current global economic crisis which slowed down household consumption and, above all, non-commodities.

The table below shows the following aspects:

- revenues from the sale of books sharply dropped particularly with reference to Edizioni Piemme publications, which did not feature any bestselling product as the success of Hosseini's books in its catalogue;
- magazines registered a downtrend, relatively limited, thanks to the positive performance of the business in France and the positive revenues from add-ons registered in Italy;
- revenues deriving from direct marketing posted a sharp increase as a result of the different contribution provided by Mondolibri S.p.A., which was consolidated as of 1 May 2010; on a like-for-like basis the balance would have registered a slight drop;
- also revenues from retail posted a remarkable reduction despite the increased number of points of sale in the network.

Revenues from services posted relevant reductions for direct marketing, concentrated on Cemit, and the transfer of the rights to publish books to resell in combination with dailies and magazines, while the reduction in revenues from the sale of advertising spaces was more limited, especially for third party publishers.

Revenues from sales and services (Euro/000)	FY 2011	FY 2010	Var. %
Revenues from the sale of products:			
- books	303,573	328,356	(7.5%)
- magazines	547,721	554,254	(1.2%)
- direct	50,172	39,259	27.8%
- retail	195,466	216,798	(9.8%)
- other products	14,101	4,760	n.a.
Revenues from the sale of services:			
- transfer of publication rights	6,089	14,869	(59.0%)
- advertising services	304,657	314,568	(3.2%)
- direct marketing	17,821	23,381	(23.8%)
- ticket sale and organisation of exhibitions	10,789	11,435	(5.6%)
- other services	59,454	50,622	17.4%
Total revenues from sales and services	1,509,843	1,558,302	(3.1%)

For further information reference should be made to the Directors' Report on Operations, including details about sale volumes and the performance of the segments of activity in which the Group operates.

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

The reduction in revenues led to the application of a cost containment policy, particularly with reference to costs of third-party products, goods and gadgets primarily sold in the segment of activity controlled by Mondadori Direct S.p.A. through the network of stores scattered throughout Italy and by Mondadori Electa S.p.A. operating in the most important Italian museums.

Cost of raw, ancillary and consumption materials and goods (Euro/000)	FY 2011	FY 2010
Paper	49,522	47,801
Electricity, water, gas and fuel	7,968	6,011
Other production materials	4,013	5,840
Total cost of raw and ancillary materials	61,503	59,652
Goods for resale	147,375	160,645
Consumption and maintenance materials	3,287	3,270
Other	26,492	31,343
Total cost of consumption materials and goods	177,154	195,258
Total cost of raw, ancillary and consumption materials and goods	238,657	254,910

24. Cost of services

"Cost of services", showing an apparently bucking trend, increases as a result of capex made in the Digital Area, currently in a start-up phase.

It should be noted that cost of shipping increased as a result of a new postal fees changed starting from the second half of 2010.

Cost of services (Euro/000)	FY 2011	FY 2010
Rights and royalties	125,083	132,212
Consultancy services and third party collaborations	81,106	74,137
Commissions	65,638	65,407
Third-party graphical processing	271,280	264,175
Transport and shipping	66,217	60,778
Purchase of advertising space and promotion expenses	64,305	59,678
Travel and other expense reimbursements	12,525	11,568
Maintenance expenses	8,169	7,675
Warehouse and porterage expenses	11,201	12,694
Telephone and postal expenses	12,008	11,460
Catering and cleaning services	8,213	7,675
Market research	4,333	5,110
Insurance	3,150	3,341
Subscriptions management	29,760	29,323
Publisher's share	28,611	33,287
Job order services	4,645	7,346
Bank services and commissions	2,165	2,353
Directors' and statutory auditors' fees	3,500	3,819
Other services	42,565	40,499
Total cost of services	844,474	832,537

It should also be noted that item "Directors' and statutory auditors' fees" comprises fees paid to Directors and Statutory Auditors for Euro 2,936,000 and Euro 564,000, respectively.

25. Personnel

Personnel is composed as follows:

Cost of personnel (Euro/000)	FY 2011	FY 2010
Salaries and wages	186,561	193,557
Stock options	695	724
Social security charges	56,864	56,752
Post-employment benefits TFR	715	812
Supplementary pension scheme plans	9,609	9,029
Retirement indemnity and similar obligations	18	12
Other costs	16,286	10,622
Total cost of personnel	270,748	271,508

As a result of the limited change in the number of employees of the Group companies, cost of personnel is in line with the previous year.

The table below shows information regarding Group employees.

Employees	Actual 31/12/2011	Actual 31/12/2010	Average FY 2011	Average FY 2010
Executives	156	153	156	148
Journalists	805	770	807	818
White collars and managers	2,556	2,572	2,570	2,580
Blue collars	147	154	154	151
Total	3,664	3,649	3,687	3,697

Information about stock option plans

With reference to the stock option plans applied by Parent Company Arnoldo Mondadori Editore S.p.A. for the three-year 2006-2007-2008 and 2009-2010-2011 time spans and described in the Remuneration Report in compliance with art. 123-*ter* of Italian Legislative Decree no. 58 of 24/2/1998, published concurrently with this Annual Report, the table below summarises the situation of the options assigned and still to be exercised at 31 December 2011 with indication of the prices and relevant exercise period.

It should be noted that the granting of loans or other facilities for the purchase of shares is not admitted pursuant to art. 2358, par. 3, of the Italian Civil Code.

Stock options	2005	2006	2007	2009	2010
In circulation at 01/01/2011	2,055,000	2,075,000	2,315,000	2,130,000	1,730,000
- assigned during year	-	-	-	-	-
- cancelled during year	-	(30,000)	(60,000)	(60,000)	(50,000)
- exercised during year	-	-	-	-	-
- expired during year	(2,055,000)	-	-	-	-
In circulation at 31/12/2011	-	2,045,000	2,255,000	2,070,000	1,680,000
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	22/07/2013-21/07/2016
Exercise price in Euro	7.87	7.507	7.458	3.4198	2.4693
Exercisable at 31/12/2011	-	2,045,000	2,255,000	-	-

Options assigned after 7 November 2002 were accounted at their fair value based on the binomial tree method, using the following parameters:

Parameters for the option measuring model	2006	2007	2009	2010
Exercise price of the option in Euro	7.507	7.458	3.4198	2.4693
Option term (residual period)	0.5	1.5	3.75	4.5
Market price of the underlying shares at the grant date in Euro	7.415	7.15	3.53	2.415
Expected volatility of share price	19.45%	17.00%	32.00%	35.40%
Dividend yield	4.72%	4.90%	5.66%	8.28%
Risk free interest rate for the option term	4.00%	4.80%	2.18%	2.16%

With reference to the assignment of options relative to the 2008 stock option plan, it should be noted that 2008 performance objectives, identified as exercise conditions for the assigned options, have not been met.

Therefore, 2008 options are not exercisable under the Plan rules.
Lastly, the cost of share-based payments recognised in item "Cost of personnel" under income statement, deriving from share-based payments, totals Euro 695,000.

26. Other (income) cost

This item is broken down as follows:

Other (income) cost (Euro/000)	FY 2011	FY 2010
Other revenues and income	(39,311)	(34,180)
Cost of use of third-party assets	44,100	48,775
Various operating costs	39,872	42,001
Total other (income) cost	44,661	56,596

The increase in item "Other (income) cost" is mainly attributed to the capital gain resulting from the transfer of the store in Turin owned by Mondadori Direct S.p.A.

Other (income) cost - Other revenues and income (Euro/000)	FY 2011	FY 2010
Year's contributions	5	156
Capital gains from the transfer of assets	3,707	1,144
Supplier rebates and other third party contributions	276	1,473
Insurance reimbursements	170	198
Rents	1,233	1,279
Contingent assets	3,756	3,305
Third party expense reimbursements	21,248	17,845
Other	8,916	8,780
Total other revenues and income	39,311	34,180

"Cost of third-party assets use" considerably dropped as a result of the saving obtained by Mondadori France following to the transfer of the headquarters completed at the end of 2010.

Other (income) cost - Cost of third party assets use (Euro/000)	FY 2011	FY 2010
Rental expense	34,935	39,721
Data processing fees, leases and rentals	7,189	7,341
Other	1,976	1,713
Total cost of third party assets use	44,100	48,775

"Other operating costs" dropped against 31 December 2010 as a result of lower costs from transactions.

Other (income) cost - Other operating costs (Euro/000)	FY 2011	FY 2010
Compensation and settlements	1,953	5,526
Bad debt	13,621	11,359
Provisions	30,704	28,384
Utilisations	(24,169)	(26,040)
Contributions and grants	1,725	1,799
Contingent liabilities	2,518	6,852
Capital loss from the transfer of assets	287	173
Entertainment expenses, gifts and information material	5,355	5,010
Other taxes and duties	5,813	5,953
Other	2,065	2,985
Total other operating costs	39,872	42,001

27. Result from investments valued at equity

The table below details 2010 and 2011 results of companies valued at equity.

Income (cost) from investments valued at equity (Euro/000)	FY 2011	FY 2010
- Hearst Mondadori Editoriale S.r.l.	(223)	130
- Gruner + Jahr/Mondadori S.p.A.	1,205	1,578
- Harlequin Mondadori S.p.A.	519	449
- Milano Distribuzione Media S.r.l.	64	30
- ACI-Mondadori S.p.A.	(197)	(25)
- Ame Editoriale Wellness S.r.l. (former Mondadori Rodale S.r.l.)	116	(69)
- Group Attica Publications	(842)	(6,097)
- Società Europea di Edizioni S.p.A.	(1,284)	(2,824)
- Group Random House Mondadori	247	(4,080)
- Edizioni Electa Bruno Mondadori S.r.l. (liquidated)	-	(1)
- Mach 2 Libri S.p.A.	390	384
- Mach 2 Press S.r.l.	(218)	(46)
- Mondadori Independent Media LLC	(325)	(598)
- Edizioni EL S.r.l.	705	931
- Mondadori Printing S.p.A.	2,414	2,116
- Mondolibri S.p.A.	-	(344)
- Novamusa Gelmar S.c.ar.l.	-	(2)
- Venezia Musei Società per i servizi museali S.c.ar.l.	(61)	-
- Mediamond S.p.A.	55	(505)
- Consorzio Editoriale Fridericiana	-	(1)
- Venezia Accademia Società per i servizi museali S.c.ar.l.	(33)	-
- Mondadori Seec Advertising Co. Ltd	(270)	(614)
- Editions Mondadori Axel Springer S.n.c.	3,052	3,506
- EMAS Digital S.a.s.	(10)	-
Capital gain from the transfer of Hearst Mondadori Editoriale S.r.l.	10,054	-
Cost for acquisition majority stake in Editions Mondadori Axel Springer S.n.c.	(409)	-
Income from acquisition of majority stake in Mondolibri S.p.A.	-	2,690
Total income (cost) from investments valued at equity	14,949	(3,392)

The different result from investments valued at equity contributed to the Group's net result against the previous year is attributed, in addition to some non-recurring items, to the following:

- in 2010 Attica Publications impairment loss for Euro 5.2 million and the income deriving from the valuation of the already owned stake in Mondolibri S.p.A. valued at fair value upon acquisition of the majority stake for Euro 2.7 million;
- in 2011 the capital gain resulting from the transfer of the stake owned in Hearst Mondadori Editoriale S.r.l. for a total of Euro 10.1 million and the cost of Euro 0.4 million, deriving from the valuation of the already owned stake in EMAS S.a.s. valued at fair value upon acquisition of the majority stake;

to the remarkably improved performance of Random House Mondadori which, in 2010, suffered from the poor performance of the Latin American area and Società Europea di Edizioni S.p.A., publisher of the daily *Il Giornale*.

It should be noted that the performance of Ame Editoriale Wellness S.r.l. corresponds to the first half year, since the company was integrally consolidated as of 1 July.

28. Financial income (cost)

The decrease in the financial cost against the previous year is mainly attributed to the improved performance on the cost of money and liquidity, which led to the obtaining of an advantage totalling approximately Euro 4.0 million.

The item is broken down as follows:

Financial income (cost) (Euro/000)	FY 2011	FY 2010
Interest from banks and post offices	560	246
Interest from affiliated companies	50	52
Interest from other enterprises	-	-
Interest on bonds and loans	-	-
Financial income from derivatives	4,577	1,785
Other interest and financial income	1,695	2,197
Total interest and other financial income	6,882	4,280
Interest to banks	223	91
Interest to affiliated companies	106	86
Interest to other enterprises	314	449
Interest on bonds, loans and borrowings	12,963	13,480
Financial costs from derivatives	7,541	6,656
Other financial costs for discounting assets/liabilities	2,053	1,952
Other interest paid and financial costs	3,664	5,173
Total interest expense and other financial costs	26,864	27,887
Realised positive exchange differences	489	497
Unrealised positive exchange differences	24	40
Realised negative exchange differences	(454)	(279)
Unrealised negative exchange differences	(24)	(23)
Total income (loss) on foreign exchange transactions	35	235
Income (cost) from financial assets	(557)	(547)
Total financial income (cost)	(20,504)	(23,919)

29. Income tax

The following table shows the composition of current, anticipated and deferred taxes.

The variation against the previous year is attributed to two main phenomena:

- in 2010 the cost for taxes included a payment of Euro 8,653,000 made pursuant to Italian Law no. 73 of 22 May 2010 in the matter of pending tax disputes, specifically referring to the pending litigation against the Tax Authorities in relation to the tax recognition of the deficit identified in 1991 resulting from the merger by incorporation of Arnoldo Mondadori Editore S.p.A. in AME Finanziaria (AMEF);
- in 2011 capital gains amounting to approximately Euro 10 million subject to taxation pursuant to the participation exemption regime.

Income tax (Euro/000)	FY 2011	FY 2010
IRES tax on income for the year	25,776	23,583
IRAP for the year	10,181	11,289
Total current taxes	35,957	34,872
Deferred (anticipated) tax - IRES	(3,214)	3,494
Deferred (anticipated) tax - IRAP	441	528
Total deferred (anticipated) tax	(2,773)	4,022
Other tax items	12	8.739
Total income tax	33,196	47,633

Reconciliation between the theoretical tax charge and the current tax charge

	FY 2011			FY 2010		
(Euro/000)	Pre-tax result	Tax amount	Current tax rate	Pre-tax result	Tax amount	Current tax rate
Theoretical tax amount - IRES	82,672	22,735	27.50%	90,267	24,823	27.50%
Theoretical tax amount - IRAP	82,672	3,224	3.90%	90,267	3,520	3.90%
Total theoretical tax amount/rate		25,959	31.40%		28,343	31.40%
Current tax amount - IRES		22,562	27.29%		35,668	39.51%
Current tax amount - IRAP		10,634	12.86%		11,965	13.26%
Total current tax amount/rate		33,196	40.15%		47,633	52.77%
Theoretical tax amount/rate		25,959	31.40%		28,343	31.40%
Effect relating to consolidation entries		(1,326)	(1.60%)		456	0.51%
Effect deriving from the payment of taxes for the settlement of pending tax disputesi		-	-		8,653	9.59%
Effect of utilisation of tax losses from previous years		-	-		-	-
Effect of differences in tax rates on taxable income of foreign subsidiaries		1,978	2.39%		(757)	(0.84%)
Net effect of other permanent differences		(825)	(1.00%)		2,493	2.75%
Effect of different IRAP tax base		7,410	8.96%		8,445	9.36%
Current tax amount/rate		33,196	40.15%		47,633	52.77%

30. Earnings per share

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

	FY 2011	FY 2010
Net income for the period (Euro/000)	49,621	42,101
Average number of outstanding ordinary shares (no./000)	236,126	237,346
Basic earnings per share (Euro)	**0.210**	**0.177**

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

	FY 2011	FY 2010
Net income for the period (Euro/000)	49,621	42,101
Average number of outstanding ordinary shares (no./000)	236,126	237,346
Number of options with diluted effect (Euro/000)	0	0
Diluted earnings per share (Euro)	**0.210**	**0.177**

31. Commitments and contingent liabilities

At 31 December 2011 Mondadori Group has commitments underwritten for a total amount of Euro 102,444,000 (Euro 155,141,000 at 31 December 2010) almost entirely represented by guarantees issued vis-à-vis VAT receivables subject to reimbursement and premium contests transactions; Euro 2,602,000 refer to forward currency purchase/sale contracts.

The decrease against the previous year is mainly attributed to the cancellation of specific letters of patronage issued by the Parent Company in favour of subsidiaries.

In addition to the details provided in these Notes in relation to the Parent Company (note 28 - Commitments and contingent liabilities – to which reference should be made), it should be noted that the Tax Authorities submitted findings in relation to specific tax investigations performed in some Group companies.

During the year Mondadori Direct S.p.A. (former Mondadori Retail S.p.A.) received a tax assessments for IRES, IRAP and VAT related to the years 2003-2006. For all of these tax assessments the company presented to the Provincial Tax Commission the appeal. The Provincial Tax Commission accepted the appeal presented for IRAP for the 2004 year; the Commission later appealed to the Regional Tax Commission.
All the other appeals are still pending with the Provincial Tax Commission.
As to Giulio Einaudi editore S.p.A. the 2005-2009 tax years are still pending settlement. All the tax assessments relative to the afore mentioned years have been challenged before the Provincial Tax Commission and the relevant appeals are still pending.
For the above indicated contingent liabilities, as confirmed by tax advisors, it is not probable that the Group shall lose the cases and, therefore, no provisions for risks were allocated in 2011.

32. Non-recurring (income) cost

In accordance with Consob Resolution no. 15519 of 27 July 2006, it should be noted that the Group did not carry out non-recurring transactions in 2011.

33. Related parties

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

Benefits to executives with strategically relevant functions

Executives holding responsibilities in relation to Mondadori Group planning, direction and control activities are listed below:

Directors	
Maurizio Costa	Deputy Chairman and CEO
Carlo Maria Vismara	CFO
Roberto Briglia	Chief Content Officer
Executives	
Stefano De Alessandri	Director General Magazines Italy
Rossella Citterio	Head of Public Relations and Communications
Ernesto Mauri	Director General Magazines France
Riccardo Cavallero	Director General Books Trade
Antonio Porro	Director General Books Educational
Angelo Sajeva	Managing Director of Mondadori Pubblicità
Carlo Luigi Mandelli	Managing Director of Monradio
Renato Rodenghi	Director General Direct
Enrico Selva Coddè	Director of Human Resources, IT Systems and Operations
Vittorio Veltroni	Director General Digital

The comprehensive amount due for compensation by Arnoldo Mondadori Editore S.p.A. or by the Group companies to executives holding strategically relevant functions is equal to Euro 10.8 million.

Transactions with parent companies, affiliated and associated companies

Below is a detail of the economic and financial impact of transactions with parent companies, affiliated and associated companies relative to 2010 and 2011.

Transactions with related parties: figures at 31 December 2011

(Euro/000)	Trade receivables	Financial receivables	Tax receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Parent company:											
- Fininvest S.p.A.	-	-	2,470	7	-	13,953	-	-	10	4	(164)
Affiliated companies:											
- Gruner + Jahr/Mondadori S.p.A.	5,176	-	-	6,707	177	-	2,877	112	5,617	(759)	(27)
- Mach 2 Libri S.p.A.	22,971	1	-	7	-	-	31,348	-	53	(4)	-
- MDM Milano Distribuzione Media S.r.l. (former Agenzia Lombarda Distribuz. Giornali e Riviste S.r.l.)	1,008	-	-	13	-	-	-	-	311	10	-
- Venezia Musei Società per i servizi museali S.c.ar.l.	260	-	-	-	-	-	-	-	-	-	-
- Hearst Mondadori Editoriale S.r.l. (affiliated until 30/06/2011)	-	-	-	-	-	-	609	-	2,384	(300)	(2)
- Harlequin Mondadori S.p.A.	281	-	-	947	2,725	-	511	10,567	-	(111)	(36)
- Ame Editoriale Wellness S.r.l. (affiliated until 30/06/2011)	-	-	-	-	-	-	666	-	2,362	(314)	(10)
- Attica Publications Group	182	-	-	32	-	-	119	-	43	-	-
- Edizioni EL S.r.l.	1,064	-	-	4,718	-	-	876	7,126	24	(667)	-
- Random House Mondadori Group	215	-	-	2	-	-	196	-	86	-	-
- Società Europea di Edizioni S.p.A.	789	-	-	2,918	-	-	3,775	366	-	(4)	-
- ACI-Mondadori S.p.A.	434	-	-	911	308	-	1,397	7	1,491	(180)	(12)
- Consorzio COVAR (in liquidation)	4	-	-	-	-	-	-	-	-	-	-
- EMAS Digital S.a.s.	-	6,519	-	-	-	-	-	-	-	-	19
- Roccella S.c.ar.l. (in liquidation)	-	160	-	60	-	-	-	-	-	-	-
- Campania Arte S.c.ar.l.	24	134	-	10	-	-	6	-	10	1	-
- Editions Mondadori Axel Springer S.n.c.	-	-	-	-	-	-	7,996	87	741	(3,807)	17
- Mondadori Independent Media LLC	70	-	-	-	-	-	137	-	-	-	-
- Venezia Accademia Società per i servizi museali S.c.ar.l.	9	25	-	95	-	-	8	6	73	(1)	-
- Mondadori Printing S.p.A.	606	-	-	61,385	-	-	1,568	427	174,077	32	1
- Artes Graficas Toledo S.A.	-	-	-	566	-	-	-	-	-	-	-
- Consorzio Fridericiana	-	-	-	-	-	-	-	-	-	-	-
- Mediamond S.p.A.	3,161	-	-	948	479	-	5,244	-	1,089	(568)	(7)
- Mondadori Seec Advertising Co. Ltd	342	2,695	-	220	-	-	307	-	166	-	-
- Mach 2 Press S.r.l.	-	-	-	336	-	-	-	-	1,225	-	-
Total affiliated companies	36,596	9,534	0	79,875	3,689	0	57,640	18,698	189,752	(6,672)	(57)

Transactions with related parties: figures at 31 December 2011

(Euro/000)	Trade receivables	Financial receivables	Tax receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Associated companies:											
- RTI - Reti Televisive Italiane S.p.A.	898	-	-	1,264	-	-	1,378	601	719	4	-
- Publitalia '80 S.p.A.	9	-	-	2,310	-	-	9	-	14,322	-	-
- Digitalia '08 S.r.l. (former Promoservice Italia S.r.l.)	226	-	-	12	-	-	10	-	135	-	-
- Fininvest Gestione Servizi S.p.A. (former Finedim Italia S.p.A.)	2	-	-	-	-	-	2	-	-	21	-
- Il Teatro Manzoni S.p.A.	2	-	-	-	-	-	2	-	-	-	-
- Banca Mediolanum S.p.A.	9	-	-	-	-	-	157	-	-	-	-
- Medusa Film S.p.A.	10	-	-	271	-	-	46	542	662	-	-
- Alba Servizi Aerotrasporti S.p.A.	-	-	-	-	-	-	-	-	-	37	-
- EI Towers S.p.A.	6	-	-	-	-	-	5	-	-	-	-
- Radio e Reti S.r.l.	9	-	-	-	-	-	-	-	-	-	-
- Isim S.p.A.	-	-	-	2	-	-	-	-	-	-	-
- Videotime S.p.A.	12	-	-	-	-	-	12	-	-	-	-
- Mediaset S.p.A.	17	-	-	90	-	-	17	-	151	-	-
- A.C. Milan S.p.A.	-	-	-	-	-	-	-	-	-	18	-
- Media Shopping S.p.A.	144	-	-	11	-	-	272	-	15	-	-
- Publieurope Ltd	510	-	-	577	-	-	1,998	-	578	-	-
- The Space Cinema 2 S.p.A. (former Medusa Cinema S.p.A.)	-	-	-	-	-	-	-	-	-	-	-
- Taodue S.r.l.	20	-	-	-	-	-	-	-	-	-	-
- Milan Entertainment S.r.l.	8	-	-	-	-	-	-	-	8	-	-
- Boing S.p.A.	-	-	-	-	-	-	-	-	-	-	-
- Mediobanca S.p.A.	-	-	-	-	65,000	-	-	-	-	-	(1,469)
Total associated companies	1,882	0	0	4,537	65,000	0	3,908	1,143	16,590	80	(1,469)
Other related parties:											
- Sin&rgetica S.r.l.	-	-	-	42	-	-	-	-	539	-	-
- Sineris S.r.l.	-	-	-	48	-	-	-	-	40	-	-
Total other related parties	0	0	0	90	0	0	0	0	579	0	0
Total related parties	38,478	9,534	2,470	84,509	68,689	13,953	61,548	19,841	206,931	(6,588)	(1,690)
% of incidence	10.7%	30.3%	6.0%	23.0%	15.3%	60.8%	4.1%	8.3%	24.5%	n.a.	8.2%

Transactions with related parties: figures at 31 December 2010

(Euro/000)	Trade receivables	Financial receivables	Tax receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Parent company:											
- Fininvest S.p.A.	5	-	2,481	7	-	18,487	6	-	10	76	(162)
Affiliated companies:											
- Gruner + Jahr/Mondadori S.p.A.	4,978	-	-	6,833	154	-	3,267	80	6,563	(589)	(13)
- Mach 2 Libri S.p.A.	20,416	-	-	14	-	-	33,088	3	388	(6)	-
- MDM Milano Distribuzione Media S.r.l. (former Agenzia Lombarda Distribuz. Giornali e Riviste S.r.l.)	992	-	-	-	-	-	-	-	342	1	-
- Venezia Musei Società per i servizi museali S.c.ar.l.	31	-	-	-	-	-	14	-	41	-	-
- Hearst Mondadori Editoriale S.r.l.	327	332	-	2,615	-	-	938	-	3,974	59	(4)
- Harlequin Mondadori S.p.A.	1,733	183	-	-	5,462	-	578	10,510	1	(132)	(23)
- Mondadori Rodale S.r.l.	705	554	-	3,209	-	-	2,321	-	5,257	(531)	(7)
- Attica Publications Group	91	-	-	6	-	-	154	-	35	-	-
- Edizioni Electa Bruno Mondadori S.r.l. (liquidated)	-	-	-	-	-	-	3	-	-	-	-
- Edizioni EL S.r.l.	919	-	-	4,911	-	-	863	7,433	24	(721)	-
- Group Random House Mondadori	176	-	-	15	-	-	317	-	104	-	-
- Società Europea di Edizioni S.p.A.	1,010	-	-	5,436	-	-	4,122	271	9	(499)	-
- ACI-Mondadori S.p.A.	521	-	-	1,390	589	-	2,214	17	1,708	(102)	(10)
- Consorzio COVAR (in liquidation)	4	-	-	-	-	-	-	-	-	-	-
- Mondolibri S.p.A. (affiliated until 30/04/2010)	-	-	-	-	-	-	2,425	89	1,404	(272)	-
- Roccella S.c.ar.l. (in liquidation)	-	160	-	60	-	-	-	-	-	-	-
- Campania Arte S.c.ar.l.	65	134	-	68	-	-	13	-	18	-	-
- Editions Mondadori Axel Springer S.n.c.	2,096	11	-	877	2,361	-	7,534	11	778	(3,355)	4
- Mondadori Independent Media LLC	65	-	-	1	-	-	114	-	33	-	-
- Venezia Accademia Società per i servizi museali S.c.ar.l.	-	25	-	44	-	-	5	7	133	-	-
- Mondadori Printing S.p.A.	927	-	-	56,608	-	-	2,444	681	172,762	89	(5)
- Artes Graficas Toledo S.A.	-	-	-	569	-	-	-	-	870	-	-
- Consorzio Fridericiana	-	-	-	5	-	-	-	-	-	-	-
- Mediamond S.p.A.	1,872	-	-	235	265	-	3,490	-	618	(455)	24
- Mondadori Seec Advertising Co. Ltd	110	-	-	87	-	-	110	-	178	-	-
- Mach 2 Press S.r.l.	-	-	-	433	-	-	-	30	824	-	-
Total affiliated companies	37,038	1,399	0	83,416	8,831	0	64,014	19,132	196,064	(6,513)	(34)

Transactions with related parties: figures at 31 December 2010

(Euro/000)	Trade receivables	Financial receivables	Tax receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Associated companies:											
- RTI - Reti Televisive Italiane S.p.A.	829	-	-	2,318	-	-	2,369	78	567	(14)	-
- Publitalia '80 S.p.A.	9	-	-	3,739	-	-	9	-	15,994	-	-
- Digitalia '08 S.r.l. (former Promoservice Italia S.r.l.)	300	-	-	76	-	-	257	-	159	-	-
- Fininvest Gestione Servizi S.p.A. (former Finedim Italia S.p.A.)	3	-	-	-	-	-	3	-	-	21	-
- Il Teatro Manzoni S.p.A.	2	-	-	8	-	-	1	-	-	9	-
- Banca Mediolanum S.p.A.	18	-	-	-	-	-	182	-	-	-	-
- Medusa Film S.p.A.	26	-	-	247	-	-	51	468	340	-	-
- Alba Servizi Aerotrasporti S.p.A.	-	-	-	19	-	-	-	-	-	28	-
- Consorzio Servizi Vigilanza	-	-	-	-	-	-	-	-	-	-	-
- Radio e Reti S.r.l.	9	-	-	-	-	-	-	-	-	-	-
- Isim S.p.A.	-	-	-	2	-	-	-	-	-	-	-
- Videotime S.p.A.	12	-	-	-	-	-	11	-	-	-	-
- Mediaset S.p.A.	41	-	-	60	-	-	41	-	150	-	-
- A.C. Milan S.p.A.	-	-	-	-	-	-	-	-	-	10	-
- Elettronica Industriale S.p.A.	5	-	-	-	-	-	5	-	-	-	-
- Media Shopping S.p.A.	74	-	-	50	-	-	274	7	74	-	-
- Publieurope Ltd	778	-	-	630	-	-	2,186	-	630	-	-
- The Space Cinema 2 S.p.A. (former Medusa Cinema S.p.A.)	-	-	-	-	-	-	6	-	-	-	-
- Taodue S.r.l.	-	-	-	-	-	-	-	-	32	-	-
- Milan Entertainment S.r.l.	-	-	-	-	-	-	-	-	17	-	-
- Boing S.p.A.	6	-	-	-	-	-	5	-	-	-	-
- Mediobanca S.p.A.	-	-	-	-	50,000	-	-	-	-	-	(916)
Total associated companies	2,112	0	0	7,149	50,000	0	5,400	553	17,963	54	(916)
Other related parties:											
- Sin&rgetica S.r.l.	-	-	-	319	-	-	-	-	531	-	-
Total related parties	39,155	1,399	2,481	90,891	58,831	18,487	69,420	19,685	214,568	(6,383)	(1,112)
% of incidence	10.2%	4.1%	8.6%	23.9%	12.8%	81.7%	4.5%	7.7%	25.8%	n.a.	4.6%

34. Financial risk management and other information required pursuant to IFRS 7

In carrying out its business activities, Mondadori Group is exposed to various financial risks, including interest rate risk, exchange rate risk, price risk, credit/counterparty risk, issuer risk and liquidity risk.

The Group drafted a “General Policy for Financial Risk Management” aimed at regulating and defining financial risk management. The Policy also envisages the possibility of setting up a Risk Committee, whose task it would be to identify any changes. The Policy is adopted by the Parent Company, Arnoldo Mondadori Editore S.p.A., and all Group companies.

The Group analyses and measures its exposure to financial risks for the purpose of defining management and hedge strategies. The criteria used by the Group to measure the risks include the sensitivity analysis of positions subject to risk, involving mark to market analysis of variations and/or future cash flow variations in relation to small variations in risk factors.

The overall Policy objective is to minimise financial risks, by using appropriate tools available on the market. Financial derivative instruments are exclusively used to hedge against financial risks directly referring to Arnoldo Mondadori Editore S.p.A. or its subsidiaries.
Financial derivative instruments may not be used for speculative purposes.

Specific company functions are responsible for risk management and monitoring and reports are drafted periodically for each type of risk.

Interest rate risk

Interest rate risk refers to the possibility that losses may be incurred in financial management, in terms of lower business activity performance or increased liability costs (existing or potential) as a result of interest rate fluctuations.

Interest rate risk is therefore correlated to interest rate uncertainty. The key objective of interest rate risk management is to protect the Group’s financial margin against market interest rate fluctuations, by steadily monitoring interest rate volatility, and prudently managing the risk consistently with the Group risk profiles and the Group financial assets and liabilities performance in a logic of asset and liability management.

The Group exposure to interest rate risk mainly refers to long-term loans, and, in particular: the loan granted by a pool of international credit institutes (Club Deal), bilateral credit lines granted by Intesa Sanpaolo; the amortising loan coming to maturity in June 2015 and granted by a pool of leading Italian Banche Popolari and the bullet loan coming to maturity in December 2017 granted by Mediobanca.

Interest rate risk hedging is ensured through interest rate swap contracts, converting exposure from floating to fixed rate.

In particular:

- a 2.91%, fixed interest 3-month Euribor hedge with a notional value of Euro 150 million comprising interest rate swap contracts coming into force as of end of July 2011;
- a 1.29% fixed interest 1-month Euribor hedge, comprising an amortising interest rate swap for a notional value of Euro 40 million initially, with annual amortisation;
- a 2.59% fixed interest 1-month Euribor hedge, comprising an interest rate swap for a notional value of Euro 50 million, with forward start as of end of July 2011;
- a 0.96% fixed rate 1-month Euribor hedge, comprising an interest rate swap of a notional value of Euro 25 million, coming into force as of September 2011.

For more detailed information regarding debt, reference should be made to note 12, “Financial assets”, and note 18, “Financial liabilities”.

The following table illustrates the findings of the sensitivity analysis on the interest rate risk with indication of the relevant impact on income statement and Shareholders’ equity, gross of any tax effects, as requested by IFRS 7.

Sensitivity analysis (Euro/million)	Underlying	Interest rate increase/ (decrease)	Income (cost)	Shareholders’ equity increase (decrease)
2011	(192.1)	1%	(1.8)	2.2
2010	(200.7)	1%	(1.7)	10.1
2011	(192.1)	(1%)	1.8	(2.2)
2010	(200.7)	(1%)	1.7	(10.1)

While identifying potential impact correlated to positive and negative interest rate variations, floating-rate loans were also analysed.

The impact of the sensitivity analysis refers to future cash flows on the payment of floating-rate loans, while in the case fixed rate liabilities refer to variations in the fair value.

The basic assumptions underlying the sensitivity analysis are:

- an initial parallel shift of the interest curve of +100 basis points / -100 basis points;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

Exchange risk

Exchange rate risks refers to a set of negative effects on the margin or the value of an asset or a liability as a result of exchange rate fluctuations.
The Group is not particularly exposed to exchange rate risks.

The Group has underwritten forward contracts in order to hedge against the exchange rate risk resulting from US Dollars and Pound Sterling purchase and sale transactions.
Despite the fact that these contracts are specifically underwritten for hedge purposes, they do not fully meet the requirements envisaged by international accounting standards in the matter of hedge accounting, and are therefore accounted for trading derivatives.
The Group has a policy of hedging a percentage of the positions included in the budget

in order to protect its operational profitability against the negative impact resulting from exchange rate fluctuations.

In 2011 the type of exposure and the hedge policy adopted for exchange rate risks did not show any particular variations against previous years.
The results of the sensitivity analysis performed on the exchange rate risk showed an insignificant economic impact, considering the low level of average exposure in 2010 and 2011.
No impact was identified on Shareholders' equity, as a result of the fact that the derivative instruments stipulated for the purpose of exchange rate risk management do not qualify for hedge accounting.

The basic assumptions underlying the sensitivity analysis are:
- exchange rate shock at closing equal for all currencies the Group is exposed to, corresponding to ± 10%;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

Liquidity risk

Liquidity risk refers to the possibility that the Group may not be able to face payment obligations 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 being forced to sustain excessively high costs for the purpose of meeting obligations.

Mondadori Group's exposure to liquidity risk mainly refers to existing loans and borrowings. Currently, the Group has medium/long-term borrowings (bilateral loans granted in pool) granted by credit institutes.
In addition, if deemed necessary, the Group may resort to pre-authorised short-term credit lines. For more detailed information regarding current and non-current financial liabilities, reference should be made to note 18 "Financial liabilities".

At 31 December 2011 liquidity risk was managed by Mondadori Group through the following tools:
- bank and post office deposits totalling Euro 82.9 million;
- committed credit lines totalling approximately Euro 781.7 million (Euro 310 million of which unused) and uncommitted credit lines of Euro 325.8 million, of which Euro 1.2 million used at 31 December 2011;
- cash pooling contracts.

The table below details the Group exposure to liquidity risk and the relevant maturity dates.

Liquidity risk	Analysis of maturity periods at 31/12/2011						
(Euro/million)	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	287.0	-	-	-	-	-	287.0
Medium/long-term loans	32.5	7.4	84.2	272.8	75.6	-	472.5
Other financial liabilities:							
- committed credit lines	-	-	-	-	-	-	0
- uncommitted credit lines	6.4	-	-	-	-	-	6.4
Other liabilities	96.5	-	-	-	-	-	96.5
Payables to affiliated companies	83.6	-	-	-	-	-	83.6
Total	506.0	7.4	84.2	272.8	75.6	0	946.0
Derivatives on interest rate risk	1.5	0.4	4.4	3.5	(0.1)	-	9.7
Derivatives on currency risk	-	-	-	-	-	-	0
Total exposure	507.5	7.8	88.6	276.3	75.5	0	955.7

Liquidity risk	Analysis of maturity periods at 31/12/2010						
(Euro/million)	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	297.5	-	-	-	-	-	297.5
Medium/long-term loans	32.8	6.0	38.2	371.4	55.5	-	503.9
Other financial liabilities:							
- committed credit lines	-	-	-	-	-	-	0
- uncommitted credit lines	6.2	1.5	-	-	-	-	7.7
Other liabilities	88.1	-	-	-	-	-	88.1
Payables to affiliated companies	92.3	-	-	-	-	-	92.3
Total	516.9	7.5	38.2	371.4	55.5	0	989.5
Derivatives on interest rate risk	1.3	0.8	2.7	(0.9)	(1.4)	-	2.5
Derivatives on currency risk	-	-	-	-	-	-	0
Total exposure	518.2	8.3	40.9	370.5	54.1	0	992.0

Maturity dates were analysed by using undiscounted cash flows and the amounts were accounted for, taking into account the first date upon which payment becomes due. For this reason, uncommitted credit lines are reported in the first column.

For the purpose of meeting liquidity requirements, the Group relies on credit lines and liquidity, as already commented on above, and cash flow from operations.

Credit risk

Credit risk refers to the possibility of incurring financial losses as a result of counterparty default in complying with contractual obligations.

Credit risk includes counterparty/replacement risk in case of derivative instruments. In the latter case, the risk is associated with any deferred gains as a result of the possibility that the counterparty fails to live up to its contractual obligations and thus no positive cash flow is generated in favour of the Group.

The Group is exposed to credit risk only to a limited extent, since the counterparties of derivative instrument contracts are leading financial institutions with high ratings.

The objective is to limit the risk for losses due to the unreliability of market counterparties or to the difficulty of converting or replacing existing financial positions. Hence, transactions with non-authorised counterparties are not allowed.

When approving the Policy, the Board of Directors also approved a list of authorised counterparties for financial risk hedging. Transactions with such authorised counterparties are constantly monitored and reports are periodically drafted.

Each individual Group company is responsible for the management of trade receivables in compliance with the Group financial objectives, commercial strategies and operating procedures, restricting the sale of products and services to customers whose credit profile or provision of collateral guarantees does not conform to the standards set. The balance relative to trade receivables is monitored throughout the year, so as to ensure that the amount of exposure to losses is kept low.

The table below illustrates maximum exposure to credit risk for financial statements items, including derivative instruments. Maximum risk exposure is accounted for before the effects of mitigation deriving from compensation agreements and guarantees.

Credit risk (Euro/million)	31/12/2011	31/12/2010
Deposits	81.2	83.8
Receivables and loans:		
- trade receivables and other current financial assets	373.9	401.5
- trade receivables and other non-current financial assets	15.9	17.6
Available-for-sale assets	16.7	26.4
Receivables from hedge derivatives	-	-
Guarantees	3.6	3.6
Total maximum exposure to credit risk	**491.3**	**532.9**

The table below illustrates the Group's exposure to credit risk by geographical area:

Credit risk concentration (Euro/million)	31/12/2011	31/12/2010	% 31/12/2011	% 31/12/2010
By geographical area:				
Italy	294.8	319.9	81.8%	83.1%
France	65.6	65.3	18.2%	16.9%
Other countries	-	-	-	-
Total	**360.4**	**385.2**	**100.0%**	**100.0%**

Below is a description of management criteria used for the main segments of activity:

Books
The Group has adopted a specific procedure to assess the risk profile of any new customer. This procedure comprises the collection of commercial information to valuate customer reliability before granting any credit line. Customer reliability is monitored on an ongoing basis.

Magazines
With reference to the Italian market, the Group's exposure relates to local distributors mainly represented by small/medium enterprises.

Given the fact that contractual provisions establish the collection of significant advances on supplies, exposure is represented by the residual amount of sales relative to the month of December.

In addition, for the purpose of limiting the credit risk, the Group stipulated an insurance.

The French market of magazines is characterised by only two national players, whose stake is also owned by the main French publishers.

Therefore, considering counterparty financial robustness and solvency, the Group does not consider credit risk relevant.

Advertising
The Group's exposure refers to small/medium advertising agencies; the credit risk vis-à-vis said entities is monitored through the performance of reliability analyses before the delivery of the relevant services in relation to investments of significant amount, while for smaller investments the same risk is monitored on an ongoing basis through the trade relations with the sales network.

Exposure vis-à-vis media centres, managing advertising on behalf of their customers, is characterised by a higher credit risk concentration.

In relation to said entities, the Group constantly monitors exposures and collects trade information to confirm solvency.

With reference to bad debt, it should be noted that each Group company allocates individual provisions for the individually significant positions.

The amount of bad debt takes into account an estimate of the recoverable amount, collection dates, charges and expenses, as well as any guarantees received.

In case of positions not subject to specific losses, each individual Group company sets up a provision based on historical data and statistics.

The Group credit risk exposure by business area is detailed below:

Credit risk concentration (Euro/million)	Analysis of maturities at 31/12/2011	Net overdraft				
	Net to maturity	0-30 dd	30-60 dd	60-90 dd	over	Bad debt provision
Books	97.6	1.3	1.3	1.5	9.2	18.8
Magazines Italy	32.6	8.2	0.4	0.7	2.2	10.4
Magazines France	56.4	6.0	3.0	0.1	0.1	3.4
Advertising	62.1	12.7	5.1	3.1	15.7	1.4
Digital	0.4	0.8	-	-	-	-
Direct	27.3	5.1	1.5	1.0	3.7	5.8
Radio	0.4	-	-	-	-	0.2
Other business activities	0.7	0.1	0.1	-	-	0.1
Total	**277.5**	**34.2**	**11.4**	**6.4**	**30.9**	**40.1**

Credit risk concentration (Euro/million)	Analysis of maturities at 31/12/2010 Net overdraft					
	Net to maturity	0-30 dd	30-60 dd	60-90 dd	over	Bad debt provision
Books	120.5	2.7	1.3	1.3	9.1	18.6
Magazines Italy	28.6	7.1	0.3	0.2	1.0	9.5
Magazines France	54.7	6.9	3.0	0.7	-	4.0
Advertising	75.8	9.8	5.0	2.0	14.2	1.3
Digital	-	-	-	-	-	-
Direct	23.6	6.5	4.7	2.3	2.2	6.2
Radio	0.2	-	-	-	-	0.1
Other business activities	0.9	0.6	-	-	-	0.1
Total	**304.3**	**33.6**	**14.3**	**6.5**	**26.5**	**39.8**

Price risk

Price risk mainly refers to variations in the market price of equity instruments and financial assets/liabilities value impairment as a result of variations in commodity prices.

The key objective of price risk management is to reduce the impact of fluctuations in the price of raw materials on the results of each individual Group company.

Due to the nature of its core business, the Group is exposed to variations in the price of paper.

Other information required pursuant to IFRS 7

The table below summarises financial assets and liabilities classified based on the categories defined by IAS 39 and the relevant fair value.

Classification	Book value						Fair value	
	Total		Current		Non current			
(Euro/million)	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Financial assets valued at fair value with differences recognised under income statement, held for trading	0.1	-	0.1	-	-	-	0.1	-
Receivables and loans:	-	-	-	-	-	-	-	-
- cash and cash equivalents	82.9	84.9	82.9	84.9	-	-	82.9	84.9
- trade receivables	323.8	348.2	316.1	339.9	7.7	8.3	323.8	348.2
- other financial assets	26.4	32.6	24.8	30.0	1.6	2.6	26.4	32.6
- receivables from affiliated companies and joint ventures	46.1	38.4	39.7	38.4	6.4	-	46.1	38.4
Available-for-sale financial assets	16.7	26.4	16.7	26.4	-	-	16.7	26.4
Derivatives	-	0.6	-	-	-	0.6	-	0.6
Total financial assets	**496.0**	**531.1**	**480.3**	**519.6**	**15.7**	**11.5**	**496.0**	**531.1**
Financial liabilities valued at fair value:								
- non-hedge derivatives	-	-	-	-	-	-	-	-
Financial liabilities valued at amortised cost:								
- trade payables	287.0	297.5	287.0	297.5	-	-	287.0	297.5
- payables to banks and other financial liabilities	530.9	534.5	129.8	121.9	401.1	412.6	552.2	575.6
- payables to affiliated companies and joint ventures	83.6	92.3	83.6	92.3	-	-	83.6	92.2
Derivatives	11.7	5.9	-	-	11.7	5.9	11.7	5.9
Total financial liabilities	**913.2**	**930.2**	**500.4**	**511.7**	**412.8**	**418.5**	**934.5**	**971.2**

The table below details fair value valuations of available-for-sale financial assets (securities) pursuant to IFRS 7, reconciling initial and final balances based on the variations and results occurred in the period of reference.

IFRS 7 requires that values are classified based on a scale of levels reflecting input significance, used when calculating fair value.

Level 1 includes securities whose evaluation is based on listed prices (not adjusted) on an active market for identical assets or liabilities; Level 2 includes procedures to either directly or indirectly monitor inputs having a significant impact on fair value; Level 3 includes stocks valued based on inputs having a significant impact on fair value and which are not based on observable market data.

In 2011 no transfers from one Level to another were identified.

(Euro/million)	Total	Level 1	Level 2	Level 3
Fair value at 31/12/2010	**26.2**	**1.8**	**3.1**	**21.3**
Sales/refunds	(7.3)	(1.8)	(0.9)	(4.6)
Realised net income (loss)	0.3	-	0.3	-
Non-realised income (loss)	(3.5)	-	(0.5)	(3.0)
Fair value at 31/12/2011	**15.7**	**0.0**	**2.0**	**13.7**

As at 31 December 2011, the Group had current and non-current financial liabilities in the form of derivative instruments as described in note 18 above, that were classified as Level 2.

The table below summarises income and expense recognised under income statement and attributable to financial assets and liabilities, classified according to the categories defined by IAS 39.

Income and loss from financial instruments (Euro/million)	31/12/2011	31/12/2010
Net income from instruments held for trading and valued at fair value with changes recognised under income statement	0.2	-
Net income from receivables and loans	-	-
Net income from financial derivative instruments	-	-
Interest earned on financial assets not valued at fair value:		
- deposits	0.6	0.3
- other financial assets	1.7	2.1
Total income	**2.5**	**2.4**
Net loss from instruments held for trading and valued at fair value with changes recognised under income statement	-	-
Net loss on loans and receivables	-	-
Net loss on available-for-sale assets	1.3	0.6
Net loss on financial liabilities at amortised cost	-	-
Net loss on financial derivative instruments	3.0	4.9
Interest paid on financial liabilities not valued at fair value:		
- deposits	0.2	0.1
- bonds	-	-
- loans	13.0	13.5
- others	3.7	4.1
Losses from financial instrument impairment:		
- trade receivables	12.4	15.0
Expense and commission not included in effective interest rates	0.4	1.6
Total cost	**33.9**	**39.8**
Total	**(31.4)**	**(37.4)**

35. Information pursuant to article 149-*duodecies* of Consob Issuer Regulation

The table below, drafted pursuant to article 149-*duodecies* of Consob Issuer Regulation, summarises fees paid in 2011 for auditing activities and other services provided by Deloitte & Touche S.p.A. and by other entities belonging to the same network.

Service	Entity providing the service	Beneficiary of the service		Amount (Euro/000)
Auditing	Deloitte & Touche S.p.A.	Arnoldo Mondadori Editore S.p.A.		336.3
	Deloitte & Touche S.p.A.	Subsidiary		449.9
	Deloitte & Associés S.A.	Subsidiary		249.0
Certification	Deloitte & Touche S.p.A.	Arnoldo Mondadori Editore S.p.A.	(1)	104.5
	Deloitte & Touche S.p.A.	Subsidiary	(2)	13.0
	Deloitte & Associés S.A.	Subsidiary	(3)	6.0
Other services	Deloitte & Touche S.p.A.	Arnoldo Mondadori Editore S.p.A.	(4)	23.0
	Deloitte ERS Enterprise Risk Services S.r.l.	Arnoldo Mondadori Editore S.p.A.	(5)	10.0
Total				**1,191.7**

(1) Attestazione Circolazione Stampa (circulation auditing). Company financial statements auditing, audits for underwriting of tax returns.
(2) Audits for underwriting of tax returns.
(3) Auditing procedure for the obtaining of subsidised postal tariffs (CPAPP).
(4) Technical and methodological support for the updating of the procedure regarding transactions with related parties.
(5) Technical and methodological support for the updating of the Safety Policy Document.

For the Board of Directors
The Chairman
Marina Berlusconi

Sector Analysis

Sector analysis: figures at 31 December 2011

(Euro/000)	Books	Magazines Italy	Magazines France	Avertising	Digital	Direct	Radio	Corporate & other business	Adjustments for consolidation	Consolidated result
Revenues from sales and services from external customers	346,444	320,541	348,105	215,023	16,309	258,714	797	3,910	-	1,509,843
Revenues from sales and services from other sectors	42,690	138,300	19	4,918	935	6,767	15,455	17,922	(227,006)	0
Revenues (costs) from investments valued at NE	1,767	9,364	2,633	55	-	-	-	1,130	-	14,949
EBITDA	67,833	60,737	33,388	(6,944)	(15,653)	8,050	(289)	(16,118)	(650)	130,354
EBIT	65,942	59,186	21,297	(7,036)	(15,966)	1,726	(1,919)	(18,807)	(650)	103,773
Financial revenues (costs)	-	-	-	-	-	-	-	(20,504)	-	(20,504)
Result before taxes and minority interests	65,942	59,186	20,700	(7,036)	(15,966)	1,726	(1,919)	(39,311)	(650)	82,672
Income tax	-	-	-	-	-	-	-	33,196	-	33,196
Minority shareholders' result	409	-	-	-	(554)	-	-	-	-	(145)
Net result	65,533	59,186	20,700	(7,036)	(15,412)	1,726	(1,919)	(72,507)	(650)	49,621
Amortisation, depreciation and impairment loss	1,891	1,551	12,091	92	313	6,324	1,630	2,689	-	26,581
Non-monetary costs	14,797	9,091	8,083	2,863	419	6,857	195	1,364	-	43,669
Non-recurring revenues (costs)	-	-	-	-	-	-	-	-	-	0
Investments	891	703	66,630	41	1,855	3,952	2,159	2,725	-	78,956
Investments valued at NE	62,510	35,462	5,990	1,026	-	-	-	21,146	-	126,134
Total assets	355,753	252,186	757,610	103,363	7,561	150,889	140,021	255,315	(110,049)	1,912,649
Total liabilities	157,717	226,570	164,047	102,473	10,496	110,089	6,656	623,058	(97,336)	1,303,770

	Revenues from sales and services	Fixed assets
Italy	1,136,016	341,754
France	330,428	661,581
Other EU countries	32,394	-
USA	434	-
Other countries	10,571	-
Consolidated result	1,509,843	1,003,335

Sector analysis: figures at 31 December 2010

(Euro/000)	Books	Magazines Italy	Magazines France	Avertising	Digital	Direct	Radio	Corporate & other business	Adjustments for consolidation	Consolidated result
Revenues from sales and services from external customers	374,287	329,086	344,199	229,673	10,484	265,134	516	4,923	-	1,558,302
Revenues from sales and services from other sectors	39,596	142,359	-	4,244	-	4,075	13,992	14,113	(218,379)	0
Revenues (costs) from investments valued at NE	(2,320)	(5,711)	3,506	(505)	-	2,346	-	(708)	-	(3,392)
EBITDA	68,591	48,482	28,567	(5,485)	(910)	14,603	(949)	(12,707)	-	140,192
EBIT	66,530	46,890	16,489	(5,633)	(999)	8,958	(2,699)	(15,312)	-	114,224
Financial revenues (costs)	-	-	-	-	-	-	-	(23,919)	-	(23,919)
Result before taxes and minority interests	66,530	46,890	16,489	(5,633)	(999)	8,958	(2,732)	(39,236)	-	90,267
Income tax	-	-	-	-	-	-	-	47,633	-	47,633
Minority shareholders' result	533	-	-	-	-	-	-	-	-	533
Net result	65,997	46,890	16,489	(5,633)	(999)	8,958	(2,732)	(86,869)	-	42,101
Amortisation, depreciation and impairment loss	2,061	1,592	12,078	148	89	5,645	1,750	2,605	-	25,968
Non-monetary costs	16,681	8,557	6,050	2,022	122	5,227	194	359	-	39,212
Non-recurring revenues (costs)	-	-	-	-	-	-	-	(8,653)	-	(8,653)
Investments	1,427	1,444	11,248	56	438	13,533	2,849	2,211	-	33,206
Investments valued at NE	62,620	38,474	11,847	721	-	-	-	17,802	-	131,464
Total assets	377,741	258,675	713,411	111,289	7,012	149,579	139,804	242,496	(115,643)	1,884,364
Total liabilities	159,310	230,422	160,105	114,651	7,347	115,703	6,435	613,008	(103,580)	1,303,401

	Revenues from sales and services	Fixed assets
Italy	1,181,467	346,207
France	328,240	613,603
Other EU countries	39,298	-
USA	367	-
Other countries	8,930	-
Consolidated result	1,558,302	959,810

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

1. The undersigned Maurizio Costa in his capacity as Deputy Chairman and CEO and Carlo Maria Vismara in his capacity as Executive Manager responsible for the drafting of the corporate accounting documentation of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-*bis*, par. 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby declare:

   - the adequacy in relation to the Group's characteristics and
   - the effective application

   of the administrative and accounting procedures for the drafting of the Group's consolidated financial statements closed at 31 December 2011.

2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Group's consolidated financial statements at 31 December 2011 was carried out based on a specific process defined by Arnoldo Mondadori Editore S.p.A. consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which groups together a set of general principles of reference for internal control generally accepted at the international level.

3. We also hereby declare that:

3.1 the Group's consolidated financial statements at 31 December 2011:

a) were drafted in compliance with the applicable international accounting standards acknowledged at the EU level pursuant to EC regulation no. 1606/2002 of the EU Parliament and Council of 19 July 2002 as well as the provisions set out for the implementation of art. 9 of Italian Legislative Decree no. 38/2005;

b) reflect the accounting books and entries;

c) provide a true and fair description of the financial position and results of operations of the Company and the group of companies included in the consolidation area;

3.2 the report on operations includes a reliable analysis of the Group's performance and results, the financial position of the Company and the companies included in the consolidation area, along with the description of the main risks and uncertainties they are exposed to.

19 March 2012

The Deputy Chairman and CEO
(Maurizio Costa)

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

Report from the Board of Auditors

Statutory Auditors' report to the Shareholders' Meeting called for the approval of the financial statements at 31 December 2011 (art.153 of Italian Legislative Decree no. 58/98)

Dear Shareholders,
in 2011 we carried out auditing activities pursuant to law and in accordance with Consob Resolution no. 1025564 of 6 April 2001 and subsequent amendments, taking also into account the principles recommended by the Italian National Council of certified accountants and auditors.

In particular:
- we have audited compliance with the applicable law provisions, the memorandum of association and compliance with the principles of correct management;
- we have attended Shareholders' Meetings, Board of Directors' meetings and the meetings of the Board's internal Committees, and we have received from the Directors, pursuant to art. 150 of Italian Legislative Decree no. 59/1998, periodic information on the Company's general performance and foreseeable outlook, information on financially relevant transactions and the Company's financial highlights, making sure that the resolutions made and implemented were not manifestly imprudent, risky, in potential conflict of interest, in contrast with the Shareholders' Meeting's resolutions or such as to compromise the integrity of Shareholders' equity;
- we have acquired knowledge and we have audited the adequacy of the Company's organizational structure with regard to the aspects falling under our competence through direct observations, the collection of information and meetings with the representatives of the independent auditing firm Deloitte & Touche S.p.A., entrusted with the legal auditing of the Group's consolidated financial statements and the Company's separate financial statements as well as the limited auditing of the half-year abbreviated financial statements, also for the purpose of exchanging relevant data and information. In this respect, no relevant aspects have been identified;
- we have reviewed and audited the adequacy of the internal control system, the activity performed by the person responsible for internal control and the accounting system, as well as the latter's accountability to correctly represent management data through the obtaining of information, the examination of corporate documents and the analysis of the findings resulting from the independent auditors' review. We have also had regular meetings with the person responsible for internal control, with whom we have exchanged information about the audits performed also in the subsidiaries and we have attended the meetings of the Internal Control Committee;
- we have audited the effective implementation of the corporate governance provisions established in the corporate governance code which the Company has adopted according to the criteria specified in the Report on Corporate Governance and Ownership Structure. In particular, we have audited annually the fulfilment of the independence requirements by non-executive directors qualified as independent by the Board of Directors and we have also ascertained the fulfilment of the independence requirements by Statutory Auditors;
- we have audited, with reference to compliance with the provisions of Italian Legislative Decree 39/2010, the independence of the independent auditing firm Deloitte & Touche S.p.A., based also on the statement issued pursuant to art. 17, par. 9, letter a) of the afore mentioned Italian Legislative Decree 39/2010;
- we have verified and audited the adequacy of the provisions provided to subsidiaries pursuant to art. 114, par. 2, of Italian Legislative Decree 58/1998. Said provisions allowed subsidiaries to promptly supply the necessary information to the parent company to fulfil disclosure obligations pursuant to law;
- we have audited compliance with the law provisions in the matter of preparation of the Company's separate and Group's consolidated financial statements at 31 December 2011, drafted in accordance with IAS/IFRS international accounting standards and the relevant reports on operations through direct auditing and information obtained from the independent auditing company;
- we have audited compliance with the procedures in the matter of transactions with related parties adopted by the Board of Directors in accordance with Consob Resolution no. 17221 of 12 March 2010 and the relevant compliance.

During the performance of the afore described auditing activity no omissions, reprehensible events or irregularities were found which would require reporting to the competent external supervisory and control boards or mention in this report.
In 2011 the company function responsible for the supervision on the effectiveness, compliance and updating of the organizational, management and control Model adopted pursuant to Italian Legislative Decree no. 231/2011 did not report any significant event.
Similarly, the Directors' Report on Corporate Governance and Ownership Structure did not identify any issues that need to be submitted to your attention.

In accordance with the recommendations and indications issued by Consob, the Board of Statutory Auditors herewith specifies that:

- no intercompany atypical and/or unusual transactions and no atypical and/or unusual transactions with related parties were carried out;
- the information supplied by the Board of Directors also with specific reference to intercompany transactions and transactions with related parties is considered adequate. In particular, the latter are associated with and inherent to the fulfilment of the company's scope and the characteristics and economic impact of such transactions of ordinary nature are indicated in the explanatory notes to the financial statements and are considered congruent and corresponding to the Company interest. Moreover, in this respect, no events in conflict of interest were found and no transactions were carried out which could have a remarkable impact on the Company's financial situation;
- the Company has essentially adopted the Corporate Governance guidelines of the Committee for corporate governance of listed companies of Borsa Italiana S.p.A., as resulting from the relevant Board of Directors' report;
- during the year of reference:
  - the Board of Statutory Auditors had regular meetings and exchanged information with representatives of Deloitte & Touche S.p.A. and, though the auditing reports on the Company's separate financial statements and the Group's consolidated financial statements have not yet been submitted, the Board of Statutory Auditors has reasonable grounds to believe that they will contain no relevant noteworthy findings;
  - the Board of Directors had 7 meetings and the Board of Statutory Auditors had 11 meetings;
  - the Company entrusted Deloitte & Touche S.p.A., the company in charge of auditing the Company's separate financial statements and the Group's consolidated financial statements, with the additional activities in relation to:
    - ADS audits (circulation auditing) for the year 2010 for a total of Euro 57,000;
    - the auditing of the CSR report at 31 December 2011 for a total of Euro 45,000;
    - technical support for the adoption of the procedure with related parties for a total of Euro 23,000;
    - audits for the underwriting of the tax returns for a total of Euro 15,500;
  - the Company entrusted the following activities to entities associated with the independent auditors through ongoing relations:
    - Deloitte ERS Enterprise Risk Service S.r.l.: technical and methodological support for the updating of the Safety Policy Document for a total of Euro 10,000;
    - Deloitte & Associés S.A.: agreed procedure auditing for the purpose of obtaining subsidized postal tariffs for a total of Euro 6,000;
  - the Board of Statutory Auditors did not receive any reports pursuant to art. 2408 of Italian Civil Code or complaints.

In brief, considering the above indications and in relation to its competences, the Board of Statutory Auditors did not identify any impediments to the approval of the financial statements at 31 December 2011, posting net income for the period of Euro 55,342,667.46, nor to the allocation of net income based on the proposal made by the Board of Directors.

We also remind you that the Board of Directors and the Board of Statutory Auditors come to expiry on the date of the Shareholders' Meeting called for the approval of the financial statements at 31 December 2011 and we therefore invite you to make a resolution in this respect.

Segrate, 28 March 2012

For the Board of Statutory Auditors
The Chairman
Ferdinando Superti Furga

Report from the Independent Auditing Firm

Report from the Independent Auditing Firm pursuant to art. 14 and 16 of Italian Legislative Decree no. 39 of January 27, 2010

Deloitte.

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

1. We have audited the financial statements of Arnoldo Mondadori Editore S.p.A., which comprise the statement of balance sheet as of December 31, 2011, and the income statement, comprehensive income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 30, 2011.

3. In our opinion, the financial statements give a true and fair view of the financial position of Arnoldo Mondadori Editore S.p.A. as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005.

4. The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the report of the Board of Directors and the annual report on the corporate governance and the ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report of the Board of Directors and of the information reported in compliance with art. 123-bis of Italian Legislative Decree no. 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 of the Board of Directors and the information reported in compliance with art. 123-bis of Italian Legislative Decree no. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on the corporate governance and the ownership structure are consistent with the financial statements of Arnoldo Mondadori Editore S.p.A. as of December 31, 2011.

Milan, Italy
March 28, 2012

Deloitte & Touche S.p.A.
Patrizia Arienti
Partner

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

Deloitte.

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

1. We have audited the consolidated financial statements of Arnoldo Mondadori Editore S.p.A. and its subsidiaries the ("Mondadori Group"), which comprise the consolidated balance sheet as of December 31, 2011, and the consolidated income statement, consolidated comprehensive income statement, statement of changes in consolidated shareholders' equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 30, 2011.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Mondadori Group as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005.

4. The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the report of the Board of Directors and the annual report on the corporate governance and the ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report of the Board of Directors and of the information reported in compliance with art. 123-bis of Italian Legislative Decree no. 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 of the Board of Directors and the information reported in compliance with art. 123-bis of Italian Legislative Decree no. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on the corporate governance and the ownership structure are consistent with the consolidated financial statements of Mondadori Group as of December 31, 2011.

Milan, Italy,
March 28, 2012

Deloitte & Touche S.p.A.
Patrizia Arienti
Partner

Patrizia Arienti

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

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