

Arnoldo Mondadori Editore S.p.A.

Registered Office: Via Bianca di Savoia 12, Milan

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Tax code and Register of Companies of Milan-Monza-Brianza-Lodi 07012130584

REMUNERATION REPORT

**(prepared pursuant to Articles 123-ter
of Italian Legislative Decree 58/1998 and
84-quater
of CONSOB Regulation 11971/1999)**

March 2019

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Letter from the Chairman

Fellow Shareholders,

As Chairman of the Remuneration and Appointments Committee, I am pleased to present the annual Remuneration Report of Arnaldo Mondadori Editore Spa.

The Committee has drawn up and submitted the remuneration policy for 2019 to the Board of Directors, whose guidelines can be summarised as follows:

- the generation of value for the Company and Group, and its sustainability over time as also regards stakeholders;*
- the consolidated correlation between remuneration and performance, through which it attracts people with the best professional skills and obtains an alignment between the interests of Shareholders and those of Management;*
- attention to the variable component of remuneration with a medium-long term perspective.*

The remuneration policy for 2019, as illustrated in the first section of the annexed document, is consistent with the guidelines submitted and approved by the Shareholders' Meeting of April 2018, and takes the guidelines of the strategic plan of the Company, national and international best practices, as well as the indications emerging from the outcome of the favourable vote of said meeting into account.

To better carry out its duties, the Committee actively participated in the phases of the remuneration process to guarantee an adequate structure for the remuneration strategy, aimed at generating value in the interest of the stakeholders. A leading independent external consultant was used to ensure alignment with national and international best practices, which performed a benchmarking in order to assess the competitive positioning of the remuneration offer and its capacity to retain and motivate relevant personnel.

The variable component of remuneration, consisting of the annual component and specific long-term incentive plans, takes both performance indicators and management and risk indicators into account, broken down on an annual and three-year basis.

It is useful to emphasise that with the 2019 financial year, the "closed" 2017/2019 Performance Shares Plan is completed, along with the second Rolling Plan of 2019/2021. From 2020, the architecture of long-term incentive plans will consist solely of "rolling" plans. The "rolling" configuration of the Plan is an effective solution that allows better coordination of the remuneration policy with the Group Planning, budgeting, and control system.

The management and the Chief Executive Officer are beneficiaries of the Performance Shares annual rolling system, and share the same three-year objectives and mechanisms for calculating the pay-out.

The Remuneration and Appointments Committee hopes that increased participation in the remuneration policy reflects the support for the strategic development of the Mondadori Group.

Thank you for your attention to our 2019 Policy, I hope it will be met with your approval.

Chairman

Angelo Renoldi

Introduction

In accordance with Article 123-*ter* of Italian Legislative Decree 58/1998, Article 84-*quater* of Consob Regulation No. 11971/1999, as amended (the "Issuers' Regulation"), this Remuneration Report (the "Report") provides information on the remuneration policies adopted by Arnoldo Mondadori Editore S.p.A. (hereinafter also referred to as the "Company" or "Issuer"), which refers to the members of the Board of Directors and Executives with Strategic Responsibilities.

Pursuant to the aforementioned regulatory provisions, the Report is divided into two sections, and drawn up in compliance with Annex 3A, Scheme 7-*bis* of the Issuers Regulation.

The **first section** illustrates, in terms of principles, the purposes, mechanisms and rules, and the remuneration policy that will be adopted for 2019.

The **second section** illustrates the outcomes of the policy actually implemented in 2018, including through a presentation of tables showing the remuneration paid, to Directors and Statutory Auditors, in nominal form and in aggregate form for Key Management Personnel.

This Report was approved by the Board of Directors on 14 March 2019, at the recommendation of the Remuneration and Appointments Committee.

The first section of this Report is subject to a non-binding resolution on the part of the Ordinary Shareholders' Meeting, which has been called for 17 April 2019 (and if necessary, a second call on 18 April 2019) to approve the financial statements for as at 31 December 2018.

Pursuant to Article 123-*ter* of Italian Legislative Decree 58/1998, the Report will be made available to the public at the registered office, on the authorized storage device "1info" (www.1info.it), and on the website www.mondadori.it from 27 March 2019.

In compliance with the provisions of Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments on transactions with related parties, as implemented in the related procedures approved by the Board of Directors, the adoption and definition of the remuneration policy referred to in this Report, as implemented with the involvement of a Remuneration and Appointment Committee (see below) comprised of independent Directors and their submission to the advisory vote of the Shareholders' Meeting, exempts the resolutions on the remuneration of Directors and Key Management Personnel from the application of the procedures provided by the aforementioned Consob provisions on related parties.

EXECUTIVE SUMMARY

In accordance with the *governance* model adopted by the Company, market *best practices*, and the recommendations of the Self-Governance Code of the Italian stock market, the remuneration policy is established with a view to attracting, motivating and retaining people with the professional skills needed for the Group's growth and, at the same time, to ensure the delivery of strategic Company objectives for the sustainable creation of value in the medium/long-term.

As such, the priority of remuneration policy is to maintain a strong link between remuneration and *performance* in order to ensure that the interests of management are aligned with those of shareholders, with a view to continuously improving both individual and company *performance*.

Accordingly, the remuneration policy adopted envisages differentiated components of remuneration, in line with the following criteria:

- fixed and variable components of both short-term and medium/long-term remuneration should be suitably balanced, with a focus on long-term sustainability;
- performance objectives should be set in advance and measurable;
- maximum and minimum limits should be set for variable MBO and LTI components of remuneration.

The purposes and characteristics of the main components of the remuneration policy in use are outlined in the following table:

Element of pay	Purpose	Characteristics
Fixed pay	The purpose of fixed compensation is to remunerate the breadth and strategic importance of the role held	The aim is to progressively align remuneration to the role covered, the commitment required, and the criteria of internal and external fairness, as determined on the basis of market benchmarks Fixed compensation has a weighting of no more than 70% of total compensation
Short-term variable pay (MBO)	The short-term variable component is designed to promote and render the link between economic rewards and reaching annual objectives transparent	Variable pay is awarded when set annual objectives are delivered. These are linked to performance indicators, both at the consolidated Group level and at the individual business area or corporate function level, which are set on the basis of budget figures and measured according to set objective criteria. The target level can vary between 90% and 110%. Short-term variable pay at target level has a weighting of no less than 22.5% of total compensation
Medium/long-term variable pay (LTI)	The long-term variable component is designed to promote the sustainability corporate management through the alignment with shareholder interests, creating a stronger link between management actions and the creation of value for the company	The component is based on the attribution of financial instruments (Performance Share Plans - closed and rolling) and the delivery of the set three-year targets at a Group level. Shares are assigned considering the role covered and the criteria of internal and external fairness, as determined on the basis of market benchmarks. The performance conditions are identified as: cumulative Group Net Profit for the period, Total Shareholder Return (TSR) at the end of the period, cumulative Group EBITDA for the period, and cumulative Group Free Cash Flow for the period (operational indicators determining the value of stock and financial risk). The target level can vary between 90% and 120%. Clawback clauses are envisaged and 20% of the assignment (net of tax) is locked-up for 12 months. The variable LTI component at target level has a weighting of no less than 7.5% of total compensation
One-off/Extraordinary bonuses	From a pay for performance standpoint, we believe that the payment of one-off bonuses to managers of particular strategic significance that have distinguished themselves through their exceptional individual efforts is a meritocratic selection mechanism that helps retain excellent personnel	Cash bonuses are provided for and paid on a one-off basis over and above the variable components of compensation, based on an assessment of the outcomes and contributions made to extraordinary transactions or outstanding performance in relation to specific projects
Benefits	To provide rewards and economic benefits distinct from other forms of compensation	The benefits package is comprised of supplementary life-medical insurance and health check-up. For foreign residents, benefits include housing and cars

The structure and levels of remuneration of the Executive Directors and Strategic Executives of the Group are monitored continuously with the market through *benchmark* analyses carried out by specialised consulting companies like Willis Tower Watson or Price Waterhouse Cooper.

With reference to the information reported above, the following chart shows the minimum requirements for the target and maximum levels of the *pay mix* envisaged for Executive Directors* and Key Management Personnel.



*For Executive Directors, a major part of remuneration is tied to the delivery of specific set performance objectives determined in accordance with the guidelines contained in the general remuneration policy (6.P.2./6.P.4. Self-Governance Code), except as concerns the Chairperson, whose remuneration package consists solely of the fixed emoluments set by the Shareholders' Meeting and the Board of Directors.

This is not provided for Non-Executive Directors, in line with market *best practices* (6.P.2.- 6.C.4 Self- Governance Code), a component linked to the economic results of the Issuer. The remuneration of non-executive Directors is proportionate to the commitment asked of each of them, taking any appointments to Board committees into account. As such, in addition to the fixed compensation set by the Shareholders' Meeting, directors serving on Board committees are paid an additional fee determined by the Board of Directors on the basis of the role assumed on the committee (chairperson or member).

SECTION I – REMUNERATION POLICY 2019

1 – Governance of the process for defining the Remuneration Policy

a) Bodies and Individuals Involved

The Remuneration Policy (hereinafter also referred to as the "Policy") is approved and defined by the Board of Directors on the recommendation of the Remuneration and Appointments Committee (hereinafter also referred to as the "Committee"), established within the Board of Directors, with the composition, skills and operating methods described in point (b).

The Policy sets forth principles and guidelines that must be respected in its setting and implementation:

- to the Board of Directors, in relation to the remuneration of executive Directors and of the other Directors vested with special offices in the Company;
- the Chief Executive Officer, who is supported by the Head Office of Human Resources and Group Organisation, as regards Executives with Strategic Responsibilities.

The Director of the Head Office of Human Resources and Group Organisation reports to the Committee on the effective implementation of the Policy at least once a year.

In light of the findings of the Report, the Committee then monitors and verifies that the implementation of the Policy respects the principles laid down, and reports to the Board of Directors.

b) Remuneration and Appointments Committee

Composition and appointment of the Committee

The Committee was established by the Board of Directors in 2005. In 2012, the Board of Directors, in taking the organizational requirements of the Company into account, resolved to group the attributions regarding appointments and remuneration into a single committee within the Board, known as the Remuneration and Appointments Committee.

The composition, appointment, duties and procedures for the operation of the Committee are governed in compliance with the recommendations of the Self-Governance Code.

Committee members in office at the date of this Report were appointed by resolution of the Board of Directors on 24 April 2018, and will remain in office until the end of the Board’s term, and hence until the Shareholders’ Meeting called to approve the financial statements as at 31 December 2020, unless there is a resolution to the contrary.

The Committee currently in office is composed of three non-executive directors, since they are not holders of individual management mandates and do not cover management positions within the company or companies belonging to the Mondadori Group, and independents. The members of the Committee have proven professional skills in the sector of reference, adequate knowledge and experience in financial and remuneration policy issues.

Remuneration Committee	
Angelo Renoldi	Chairman Independent non-executive Director
Elena Biffi	Independent non-executive Director
Cristina Rossello	Independent non-executive Director

- **Committee duties and functions**

In compliance with the recommendations of the Self-Governance Code, the last with resolution of 24 April 2018, the Board of Directors has tasked the Committee with the duties and functions, for investigation, consulting and proposal purposes, as summarised below.

Duties and functions of the Committee

- ✓ to provide advice and recommendations to the Board of Directors regarding the Remuneration Policy for Directors and Key Management Personnel; and to periodically check – in conjunction with the Department of Human Resources and Organization – that the Policy is being implemented in conformity with the principles laid down in its framework, reporting their findings to the Board of Directors accordingly;
- ✓ to make recommendations to the Board of Directors regarding the remuneration of Directors holding key positions (e.g. Chairman, Chief Executive Officer, Executive Directors and Directors on committees);
- ✓ to make presentations to the Board of Directors regarding the Committee's work on identifying and laying down corporate guidelines aimed at retaining and motivating management personnel;
- ✓ to make recommendations on the implementation of Shareholder-approved Incentive Plans based on financial instruments, in accordance with article 114-bis of Legislative Decree no. 58/1998 and referred to in section II of this Report.
- ✓ to express opinions to the Board of Directors on the size and composition of the Board and on whom it would be most appropriate to include as Board members, in addition to any limitations on the number of other positions a Board member may take on;
- ✓ to propose new candidates for the position of director to the Board of Directors, in the event of an appointment by co-optation to replace an independent director.

- **Operating procedures of the Committee**

The Committee members shall meet and act collectively any time the Chairman deems it necessary, or at the request of one or both of the other members, and in any case with the frequency that is required for carrying out its functions. The Committee meetings can be held in any place, including locations other than the registered office of the Company. The presence of at least two members of the Committee is required in order for Board resolutions to be valid.

Committee resolutions are made by a simple majority and are contained in a report signed by all of the members participating in the meeting and by the Chairman of the Board of Statutory Auditors, who attends the meetings without voting rights. A secretary selected by the Chairman may also attend the meetings.

As is recommended by the Code, in relation to the proposed functions assigned to it by the Board of Directors, the Committee deliberates in the absence of those directly involved.

Specifically, a director will refrain from participating in Committee meetings in which his/her own remuneration package is being discussed for proposal to the Board of Directors.

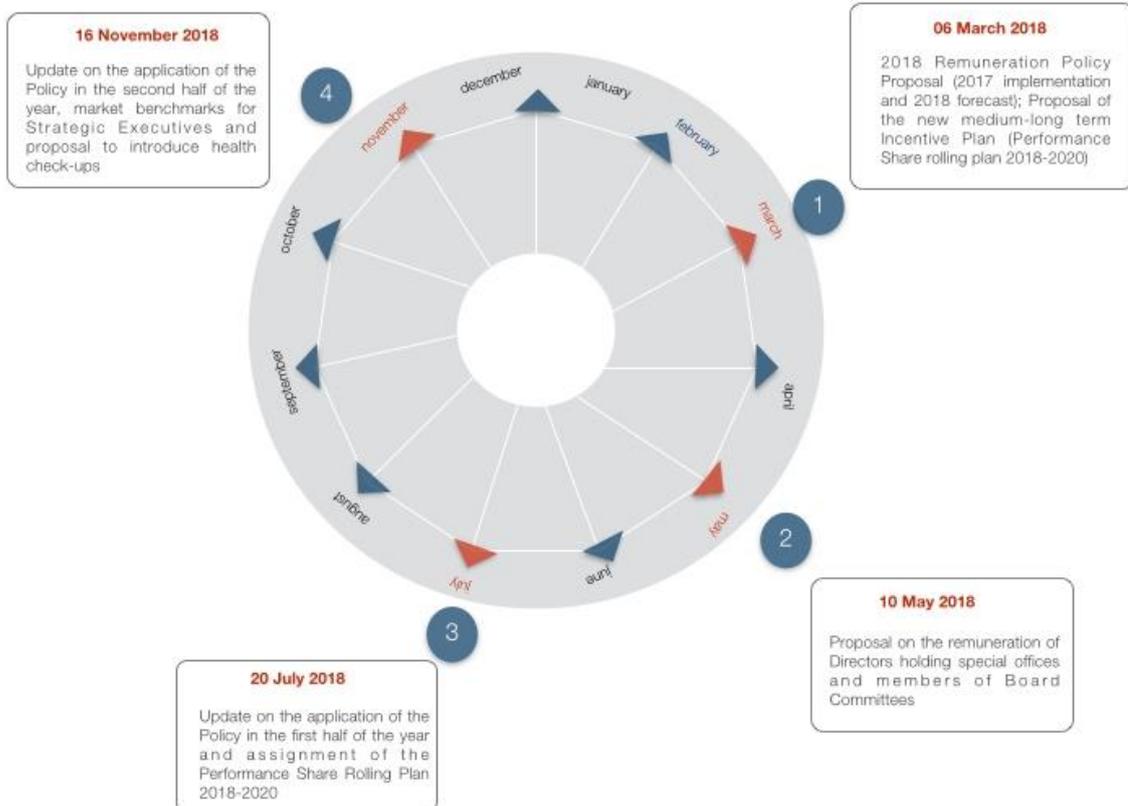
The Committee has access to all the corporate information and functions necessary to the performance of its duties. Upon the request of the Committee Chairman,

managers of the company, or other individuals, may participate in the meetings to provide information or assessments on the individual items on the agenda.

- **Committee cycle of activities**

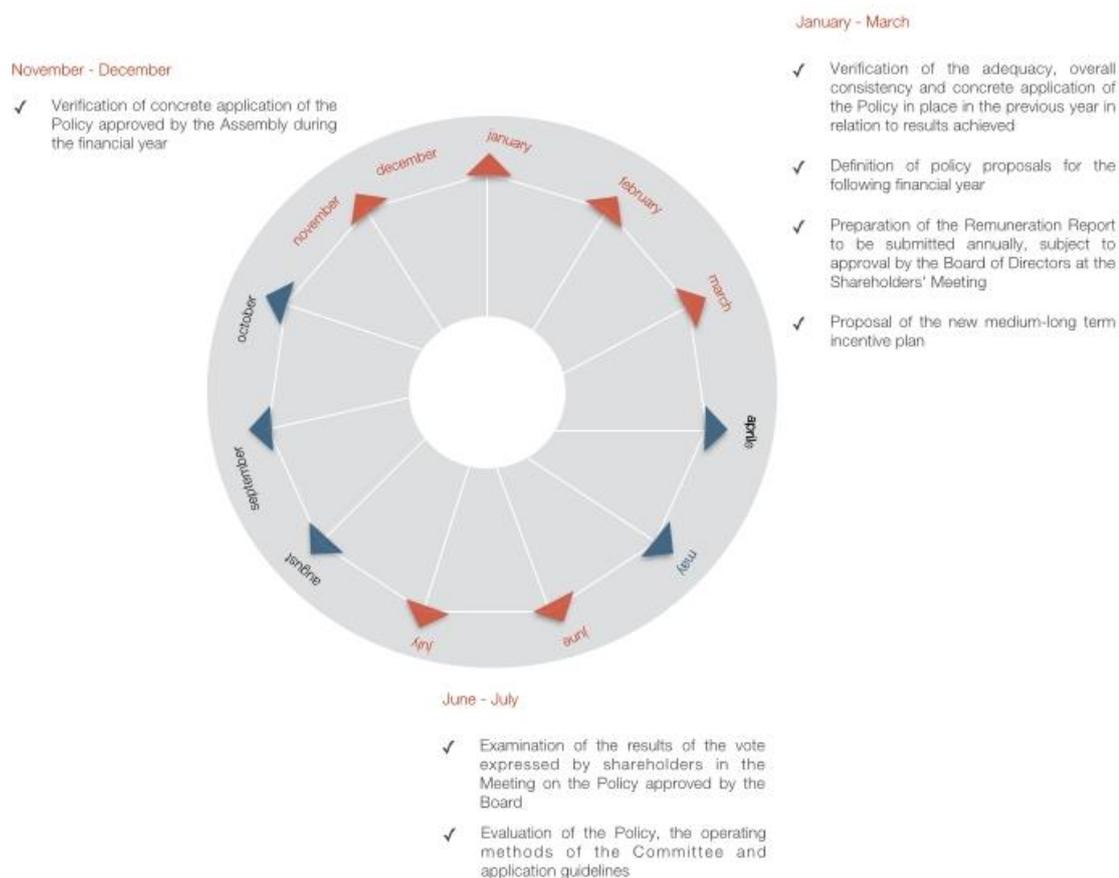
Activities carried out in the financial year 2018

In the 2018 financial year, the Committee met 4 times, with 100% of the Committee members in attendance. Minutes were regularly taken for these meetings. The graphic below contains a summary of the dates and content of meetings held.



Activities scheduled for 2019

In 2019, the activities of the Committee will take place in implementation of the annual programme, which contains the phases summarised in the graphic below.



2 – Purposes of the Policy

In general terms, in line with the *governance* model adopted by the Company and the recommendations contained in the Self-Governance Code, the Policy is set in order to attract, motivate and ensure the loyalty of individuals who possess the professional qualities required to ensure that the main objective of creating sustainable value for the Company and the Group is reached in the medium to long-term.

To this end, the Policy has identified the focal point where Shareholders' and *Management's interests* meet: maintaining a strong link between pay and *performance*.

It follows that a significant part of the overall remuneration of Executive Directors and Key Management Personnel is linked to the achievement of specific short and medium-long term objectives determined with reference to the *performance* defined both at a consolidated level and in specific business areas or functions.

3 – General Principles of the Policy

In keeping with the general purposes outlined above, the Policy is based on the following principles:

- an appropriate balance between base pay and variable pay, which shall depend on the Company's strategic objectives and risk mitigation policy, as well as on the line of business involved and the nature of the work that has actually been carried out;
- the establishment of limits on variable pay;
- pre-determination and measurability of *performance* objectives related to the provision of variable components;
- promotion of management sustainability through the provision of a relevant portion of the variable component with reference to medium-to-long-term plans, deferred over time in relation to its accrual.

4 – Policies for Fixed and Variable Remuneration Components

The content of the Remuneration Policy is structured according to different principles and procedures regarding base pay packages and short, medium or long-term variable pay packages based on the recipients of said packages.

In particular:

A) Non-executive Directors

Non-executive Directors are directors that do not hold individual management authority or executive positions in the Company or in other legal entities belonging to the Group.

Non-executive Directors are entitled to a base pay that is determined by the Ordinary Shareholders' Meeting at the time of their appointment.

At the recommendation of the Remuneration and Appointment Committee, and with the approval of the Board of Statutory Auditors, the Board of Directors may determine an additional amount of base pay depending on participation in committees instituted by the Board of Directors itself.

The principle underlying this procedure is to pay a lump sum as compensation to non-executive members of the Board of Directors.

The compensation of non-executive Directors is not linked to the Company's economic performance or the economic performance of the Group as a whole, nor is it linked to any type of *performance* objective in general.

B) Executive directors

(i) Directors vested with particular duties with the Issuer pursuant to the By-laws (Chairman/CEO)

The Directors with particular duties in the Issuer will receive, in addition to the fixed remuneration as per the above given that they are directors, remuneration (in fixed and/or variable form) as determined by the Board of Directors for the performance of the specific duty appointed, in compliance with the specific proposal of the Committee and the opinion in favour of the Board of Statutory Auditors, including in relation to the provisions under Article 2389, para. III, of the Italian Civil Code.

The variable remuneration component of the Chief Executive Officer is determined by the Board of Directors pursuant to a specific proposal of the Committee and with the opinion in favour of the Board of Statutory Auditors, in compliance with the criteria defined in the section below applicable also to Key Management Personnel.

(ii) Directors vested with particular duties in a subsidiary of the Issuer of strategic importance (Chairman/CEO of the subsidiary)

The remuneration of qualified executive directors who are tasked with particular duties within a subsidiary of the Issuer that has strategic significance (i.e. the executive officers and chairman of the subsidiary with strategic significance when they are given individual management mandates or when they have a specific role in the setting of corporate strategies) – in addition to the fixed remuneration determined by the Issuer's Shareholders Meeting at the time of their appointment as a Director – is determined by the competent corporate bodies of the subsidiary, insofar as the duties are incumbent upon it. In accordance with the principles and parameters set out below for Key Management Personnel, the determination is defined, with the support of the Head Office of Human Resources and Group Organisation.

A variable component of the remuneration may be determined and attributed to competent bodies of the subsidiary, also upon proposal of the Issuer's Chief Executive Officer, with account taken of the strategic and *performance* objectives of the subsidiary which are predetermined, measurable and connected to the creation of value.

(iii) Executive directors for managerial duties within the Issuer (see managerial duties connected with the office of Chief Financial Officer – Finance, Procurement and IT Systems)

Executive directors with managerial duties with the Issuer, in addition to the fixed remuneration as determined by the Shareholders' Meeting at the time of their appointment, will receive, upon determination of the Chief Executive Officer through the Head Office of Human Resources and Group Organisation, a remuneration package according to criteria defined in the section below for the remuneration of Key Management Personnel.

C) Key Management Personnel

As stated in Consob Regulation No. 17221 of 12 March 2010 concerning related-party transactions, as subsequently amended by IAS 24, Key Management Personnel are people, including directors, that have authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any Directors, and to make decisions that may affect the financial results, prospects and development of the Company itself.

In relation to this principle, Key Management Personnel are identified as:

1. *Executive Directors*, as Directors holding individual powers of attorney for management or management positions in the Company;
2. *Directors* of the main *Business Areas* in which the Mondadori Group operates;
3. the *Head Directors of Corporate Functions*.

The total remuneration package given to Key Management Personnel, in line with the responsibilities associated with the exercise of operational powers in the management of the Company, is related to the size of the managed business and the ability to contribute to the Group's consolidated results. It is generally comprised of the following items:

- i) annual fixed component;
 - ii) annual variable component (*MBO*);
 - iii) medium/long-term variable component (*LTI*).
-
- i) the fixed component may consist of the basic salary and other forms of remuneration of a non-variable nature, and has a percentage *not exceeding 70%* of the total remuneration;
 - ii) the annual variable component (MBO) is achievable upon the achievement of pre-defined annual quantitative targets correlated to *performance* indices both at the consolidated level of the Group and at the individual level of Business or Head Functions, and is *not less than 22.5%* of the total remuneration;

The KPIs used - *Key performance indicators* (as shown in the table below), normally taken from budget data, are normally quantitative in nature, as qualitative objectives are only allowed in exceptional circumstances and only if related to objective elements of evaluation (e.g. project timing or completion), and are therefore only partially subject to discretionary evaluation.

To guarantee the method used, the targets identified by the Chief Executive Officer, with the sole exception of those relating to their own MBO as established by the Board of Directors, are certified by the Head Management of the Group, both in the allocation and final accounting phases, and the process guarantees the traceability and transparency of each phase.

The composition of the MBOs for top management is structured so as to ensure assessment and monitoring of the main aspects of management.

KPIs' balance in MBO system		
Office	Group consolidated targets	Business area targets
CEO	<p>100% KPI</p> <p>Net Profit /Group EBITDA / EBIT Revenue Financial indicators (Free Cash Flow / PFN)</p>	
Key Management Personnel	<p>80-70% KPI</p> <p>Group EBITDA / EBIT Financial indicators (Free Cash Flow / PFN)</p>	<p>20-30% KPI</p> <p>Managed Costs</p>
Business area managers	<p>40-50% KPI</p> <p>Group EBITDA / EBIT Financial indicators (Free Cash Flow / PFN)</p>	<p>60-50% KPI</p> <p>Business Area EBITDA / EBIT Financial indicators (Free Cash Flow / PFN) Business Area revenue</p>

● weight

The mechanism for calculating remuneration linked to annual *MBOs* provides for a minimum access threshold for the disbursement **equal to 90%** of the assigned objectives and a maximum **payable at a level equal to 120%** of the basic bonus, obtainable only in the event of **reaching or exceeding 110%** of such goals.

The definition of target levels for annual objectives (*MBO*) is linked to the general achievement of *performance* objectives referred to budget forecasts, as indicated by the Board of Directors. The comparison of final data with the assigned objectives determines the measure of the variable component of remuneration payable.

	Targets achievement	Bonus payment
Targets achievement levels	less than 90%	0
	between 90% and 100%	reduced by 5% (between 95% and 50%) each point less on the achievement of objectives
	100%	100%
	between 100% and 110%	increased by 2% (between 102% and 120%) each point of exceeding the objectives
	more than 110%	120% (cap)

iii) the medium/long-term variable component (LTI) The Shareholders' Meeting of 27 April 2017, on the recommendation of the Board of Directors on 21 March 2017, approved the introduction of the incentive instrument into the Group from the 2017 financial year for medium-long term *Performance Shares*, consisting of the substantially free allocation of Mondadori shares for the achievement of pre-determined three-year objectives.

The reasons for the transition from a predominantly *cash* incentive system to a system with the assignment of financial instruments, which is supported by widely used market practices, mainly lie in the desire to promote sustainable management and create a closer link between the action of *management* and the creation of recognised value for the Company, primarily guaranteeing the maintenance of a strong correlation between remuneration and *long-term performance*.

For this reason, the three-year **performance objectives** consist of two types of indicators.

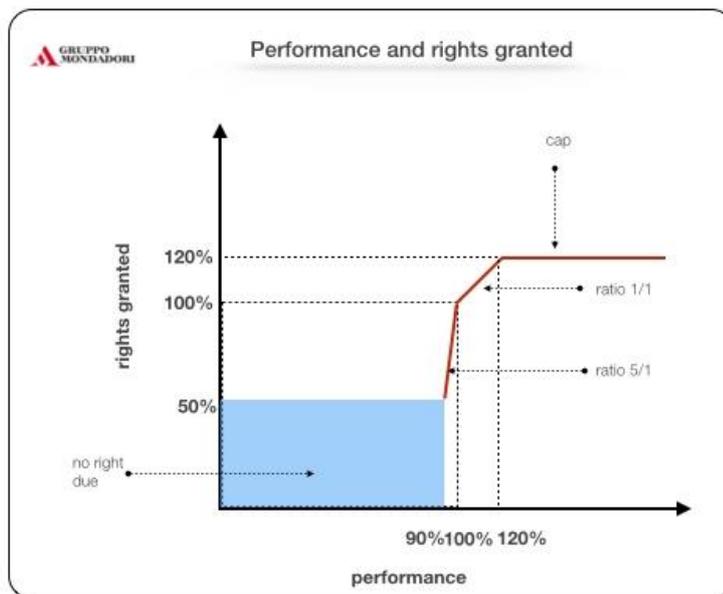
1. objectives related to shareholder remuneration

- Group *net income* over the period
- *TSR - Total Shareholder Return* at the end of the period (comparison between the performance of the share and the performance of the shares listed on the *FTSE MIB All Share* index)

2. functional management indicators for the valuation of the equity and financial risk

- Cumulative Group *EBIT* over the period
- *Free Cash Flow* of the Group over the period

Each of these objectives contributes in a balanced manner (25%) to the composition of the overall *performance* result, while the recognition of the right to assign the shares is commensurate with the target level reached at the end of the *vesting* period. The mechanism established for the calculation of the rights due provides, for the objectives of the cumulative Group of Net Income, EBIT and *Free Cash Flow*, an access threshold to 90% of the target, with allocation of 50% of the shares, a correspondence of the full result at 100% of the premium and 120% cap if the three-year objectives are exceeded. The TSR objective is an *on-off* mechanism.



Description of the correlation between performance and rights attributed for Net Income, EBIT and Free Cash Flow

Once the phase of transition to the *Performance Shares* instrument was completed through the adoption of the aforementioned "Closed 2017-2019 Plan", in line with the intent already expressed in the 2017 Remuneration Report, starting from the 2018 financial year, the launch of a "Rolling Plan", widely used in market practices, which is proposed, with the 2019 Policy, the launch of a "second cycle", similarly to what was done last year, referring to the three-year period 2019-2021.

The Rolling Plan will also be targeted to Key Management Personnel of the Group and second-line managers and will be based, subject to the approval of

the competent corporate boards, on annual cycles and a three-year *vesting* period.

The objectives assigned for each cycle, in continuity and consistency, will be based on the same KPIs of the 2018-2020 Plan with the sole exception of the EBIT; following the introduction of IFRS 16 from 2019, it is deemed to be a more significant index of company profitability (Group Net Income, EBIT and Free Cash Flow, in addition to the TSR) and is linked to the achievement of the targets established by the three-year Plans defined from year to year. This makes it possible to maintain a high level of involvement of the management team in relation to the ability to adapt its work to the evolution of the corporate strategy and general context.

Each cycle will be assigned a defined number of shares, set for every three years, in the amount of 1/3 of the value of the medium-long term variable remuneration.



For the *Chief Executive Officer*, the same LTI structure in place for Key Management Personnel has been proposed in order to encourage maximum integration among the top management team and guarantee the interests of shareholders (*see the Self-Governance Code*).

From the 2018 financial year, the CEO has become a beneficiary of the *Performance Share* system for each annual cycle of the Rolling Plan, with the same three-year objectives and the same *pay-out* mechanisms applied for management.

In line with his term of office, the Chief Executive Officer will participate, after deliberation of the competent bodies, in the 2018–2020 and 2019–2021 Plans, with a share assignment per cycle equal to 50% of the total amount set for his entire term of office.

At the end of the three-year *vesting* period, a 12 month **lock up** period will apply on 20% of the shares actually allotted (net of tax). The percentage of

shares subject to the lock-up period may be increased by decision of the Board of Directors.

Given that one of the objectives of the remuneration system is to retain people in strategic roles for the good governance of the Company in the medium term, in the event of termination of employment during the *vesting* period, “**bad leavers**” will automatically lose their entitlement, while for “**good leavers**” a more favourable package is envisaged (see the details provided in the information document).

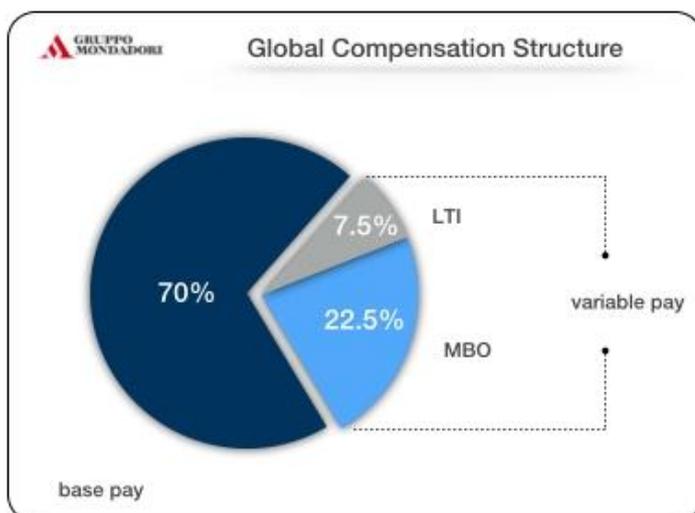


Where significant and specific projects are in place for the strategic development of an individual Business Area, lasting at least two years, with the approval of the competent bodies, a part of medium/long-term variable compensation may be linked to the project and paid out in cash instruments.

In this case, the key manager concerned will receive the compensation set at the end of the project period on the basis of the set targets reached, calculated on the same basis as for the allotment of shares under the *Performance Shares* system.

The combination of annual variable pay and medium/long-term variable pay is itself a variable percentage, whose target is not less than 30% of the total annual remuneration.

As part of the overall variable remuneration, the component related to medium/long-term performance will be no less than 25% on an annual basis, or 7.5% of total remuneration in function of the corporate management sustainability in the medium-long term.



5 – Malus or Clawback mechanism

Provision has been made for a *clawback* mechanism through which the variable component of remuneration already paid can be claimed back or deferred variable remuneration can be withheld, if it was earned on the basis of data that was later shown to be manifestly inaccurate, or through which demand can be made for the repayment of all incentives relative to the financial year (or financial years) in reference to which information is found to have been maliciously altered for the purpose of achieving the results and earning the bonus. Similarly, repayment can be required in the event of serious and intentional violations of laws and/or regulations, the Code of Conduct adopted by the Company, or Company procedures.

This principle is formalised within the regulation, which is available for viewing on the Company *intranet*.

6 – Extraordinary Transactions

In the event of extraordinary transactions regarding the Group, including but not limited to, corporate acquisitions or disposals, asset disposals, mergers or spin-offs, transfers or conferrals of business units, capital transactions, financial or equity transactions able to impact the market value of the share, and legislative or regulatory amendments with the potential to significantly influence the *performance objectives*, after consulting with the Committee, the Remuneration and Appointment Committee recommends to the Board of Directors, if and when it deems necessary, to make all changes and additions suitable in order to maintain unchanged the essential and financial contents of the Plans and the

KPIs underlying both the short term and medium/long-term plans which concern the Chief Executive Officer.

Any amendments that become necessary with regard to Key Managers based under the same assumptions and objectives may be assessed by the Chief Executive Officer.

7 – One-off Extraordinary Bonuses and Special Projects

From a *pay for performance* standpoint, we believe that the payment of one-time amounts to managers with particular strategic significance that have distinguished themselves through their exceptional individual efforts constitutes a significant differentiation and meritocratic selection mechanism which assists us in *retaining* excellent personnel.

Accordingly, cash payments not included among the variable components of remuneration are envisaged occasionally to reward extraordinary performance, consisting of *one-off cash bonuses* or the assignment of *set variable bonuses* tied to the delivery of specific projects.

The Chief Executive Officer, with the support of the Head Office of Human Resources and Group Organisation, is responsible for assessing these results and the corresponding contributions and performance.

8 – Compensation plans based on financial instruments

In relation to the Compensation Plans based on the allocation of financial instruments, to be submitted to the approval of the Shareholders' Meeting pursuant to Art. 114-*bis* of Legislative Decree no. 58/1998 and subject to specific disclosure to the market in compliance with the applicable provisions on the subject, the detailed elements and application methods are defined by the Board of Directors with the advisory and recommendation of the Remuneration and Appointments Committee, also in line with the risk profile of the Company, and with reference to the general principles of:

- i. consolidation of the process of creating sustainable value for the Company and Group in the medium-long term, and incentivisation and retention of *Management* through the definition of the terms of duration and multi-year *vesting*;
- ii. assignment or exercising of financial instruments subject to achieving company and/or market *performance* objectives that are predefined and measurable;
- iii. commitments regarding the beneficiaries' tenures with the company.

With regard to the *Performance Shares* Plan, subject to approval by the Board of Directors on 14 March 2019 upon the recommendation of the Remuneration and Appointment Committee of 6 March 2019, and for the Shareholders' Meeting of 17 April 2019, please refer to the description to the information document(s) published pursuant to Art. 84-*bis* of the Issuers Regulation and available on the website www.mondadori.it (*Governance* section).

9 – Non-monetary Benefits

The members of the Board of Directors do not receive "*fringe benefits*" at the expense of the Company. Key Managers and the Chief Executive Officer are granted health *check-ups*, and in the event of residency abroad for a Group appointment, *housing* benefits are provided. Key Management Personnel are provided with life and medical insurance in addition to the mandatory insurance coverage required by applicable collective labour agreements. The same insurance coverage is given to the CEO.

10 – Treatment in the event of Termination of Office or the Employment Relationship

For Executive Directors or Key Management Personnel, the Company does not provide for *ex-ante* agreements covering the termination of office or the employment relationship that are not compliant with the recommendations of the Self-Governance Code, laws, and reference union contracts. For Directors with specific duties, reference is made to existing laws and to recognised practices. Termination or repatriation agreements are only allowed with reference to Key Managers residing abroad for a Group appointment, and only following a change of company control or the termination/disposal of the relevant areas of activities managed.

11 – Benchmarks used for defining the Policy

The Policy is defined by taking market *best practices* into consideration, without any specific reference made to particular corporate entities.

For the implementation of the new Policy, the Mondadori Group has availed itself of the support of leading consulting companies, for the definition of medium-long term incentive plans (*Performance Shares*) and a comparison on the *compensation* levels of *Management*.

In general terms, the overall remuneration of the Key Management Personnel is set taking into account a market *benchmark* and a multitude of elements,

including the capacity to contribute to results, job *performance*, and comparability with internal remuneration levels.

SECTION II – REMUNERATION AND FEES PAID IN THE FINANCIAL YEAR 2018

This section of the Report provides an explanation of each of the items that compose the remuneration of the Directors and the Key Management Personnel of the Group, with an indication of compliance with the Policy described in the first section of the document published in 2018.

PART ONE – IMPLEMENTATION OF THE POLICY

During the 2018 financial year, the implementation procedures of the Remuneration Policy were applied in compliance with the general purposes and the reference principles for the same year, indicated in section I of the Remuneration Report approved by the Board of Directors, upon recommendation by the Committee for Remuneration on 13 March 2018, which was passed with a favourable resolution with respect to the first section by the Ordinary Shareholders' Meeting of 24 April 2018.

In accordance with the above, the item lines comprising the remuneration paid in the 2018 financial year to the members of the administrative and control bodies and Key Managers are articulated according to different principles and methods on fixed and variable components in relation to the different types of recipients.

Reference is made to tables 1, 3A and 3B for the representation of point values:

A - Remuneration of Directors

Non-executive Directors

According to the definition contained in Section I, non-executive Directors are directors that do not hold individual management authority or executive positions in the Company or in other legal entities belonging to the Group.

The following was disbursed during the 2018 financial year, in line with the procedural procedures defined in the Policy:

- fixed annual compensation due for the role of Director, including non-executive Directors, determined by the Ordinary Shareholders' Meeting of 24 April 2018. The Shareholders' Meeting determined a fixed annual lump sum amounting to 10,000 euros, disbursed in equal amounts to all Directors, with a 50% increase for the Chairman.

The individual sums paid out in 2018 are in line with the sums paid out and the previous three-year term of the Board of Directors;

- additional annual fixed compensation due to non-executive Directors members of the Internal Committees of the Board (Control and Risk Committee and Remuneration and Appointments Committee) determined by the Board of Directors on 15 May 2018, on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors pursuant to Art. 2389 of the Italian Civil Code.

The individual sums paid out in 2018 are in line with the sums paid out during the previous three-year period:

- Euro 25,000 for the Chairman,
- Euro 20,000 for Directors who are Committee members.

Additional fixed remuneration has been decided upon for participation of the Directors in the Related Parties Committee for which, in consideration of the significant number of meetings that took place during the year, the attendance fee has been set at Euro 2,000 for each Director who is a member of the Committee, and an additional 50% for the Chairman.

The compensation of Non-Executive Directors is neither linked to the Company's economic performance that of the Group as a whole, nor is it linked to any type of *performance* objective in general.

Directors holding special positions, in accordance with the By-laws: Chairman and Chief Executive Officer

In the 2018 financial year:

- The remuneration of the Chief Executive Officer Ernesto Mauri is consistent with the resolution approved by the Board of Directors on 15 May 2018 following the favourable opinion of the Remuneration Committee on 10 May 2018, and has not undergone any changes with respect to the remuneration package previously in place, with the sole difference inherent to the long-term incentive (*LTI*) which was reformulated in line with the transition to the *Performance Share* instrument. The remuneration for the Chief Executive Officer, based on a *benchmark* carried out by the company Willis Tower Watson, is in line with that of "*comparable*" companies which, like Mondadori, rank on the 3rd quartile of the market.

This compensation, in line with the principles and purposes of the Policy, is as follows:

- a) fixed component: fee for the role of € 1,100,000 and payment for the non-competition agreement, with a duration corresponding to the validity of the mandate, in addition to one year after its expiry, in the amount of € 350,000;

b) *variable assigned component*: referring to single financial year objectives (Annual MBO), amounting to Euro 500,000,

KPIs' balance in MBO system 2018		
Office	Group consolidated targets	
CEO	KPI	Group Net Profit 30%
		Group EBITDA 30%
		Consolidated Revenues 10%
		Group Free Cash Flow 30%

● weight

and those for the medium/long-term referring to the entire duration of the mandate which will expire upon approval of the financial statements as at 31 December 2020, amounting to Euro 3,000,000. The value of the package of shares that can be assigned as LTI, as per established market practice, was adjusted to the greater risk, for the transition from the Total Cash incentive system to the *Performance Share system*. The adjustment, equal to 11%, takes the market revaluation percentage into account, as certified by the company Price Waterhouse Coopers, by 14 - 15% measured according to the characteristics of the Mondadori Group's LTI system.

As set out in the Policy, variable components count towards 51% of total remuneration; of the variable components, the portion referring to medium/long-term objectives makes up 34% of variable *compensation*.

- The amount of the compensation of Chairperson Marina Berlusconi, as resolved by the Board of Directors on 15 May 2018, has not changed with respect to that paid for the previous three-year period, which is represented by a fixed annual remuneration for her role set at 500,000 euros in accordance with the specific proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors pursuant to Art. 2389 of the Italian Civil Code.

B – Remuneration of Key Management Personnel

According to the definition cited in Section I, Key Management Personnel are people, including directors, that have authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any

Directors, and to make decisions that may affect the financial results, prospects and development of the Company itself.

In 2018, there were no changes in personnel. The only change regarded Antonio Porro who, without prejudice to the direct responsibility of Enrico Selva Coddè in the *Trade Area*, took over the Management of the entire Books *Business Unit*.

As a result of the organizational changes that occurred, as described above, as of 31 December 2018, the Key Management team was composed as follows:

Key Management Personnel (at 31 December 2018)	
Pierluigi Bernasconi	Managing Director of Mondadori Retail S.p.A.
Carlo Mandelli	General Manager - Magazines Italy
Carmine Perna	Managing Director - Mondadori France
Antonio Porro	Deputy Chairman and Managing Director of Mondadori Libri S.p.A.
Daniele Sacco	Group HR and Organization Director
Enrico Selva Coddè	Managing Director of Mondadori Libri S.p.A. Trade area

The following persons also fall under the category of Key Management Personnel:

Ernesto Mauri	CEO
Oddone Maria Pozzi	Executive Director CFO, Director of Group Finance, Procurement and IT

In the November 2018 meeting, the market *benchmark* on management remuneration as carried out periodically by a company specialised by Head Office of Human Resources and Group Organisation was also examined by the Remuneration

Committee. The analysis confirmed the correct average positioning of the *compensation* around the chosen reference point of the 3rd quartile of the market.

During the year, the total value of the remuneration of the Key Managers of the Mondadori Group increased by 2%.

Specifically:

- i. *the fixed component*, consisting of the basic salary and other non-variable monetary components, has undergone an overall increase of 1.9% following adjustments to new appointments and market *benchmarks*.
- ii. *the annual variable pay (MBO)*, which is paid out based on the level of achievement of annual budget targets. Also in this case, adjustments introduced led to a 4.8% rise in short-term variable remuneration, tied to the achievement of 100% of the targets.

In 2018, the composition of the objectives was 40% correlated to Group economic indicators (70-80% for Head Directors of Corporate Functions) and 60% to specific economic indicators of Business or Head Functions.

As a result of the planned sale of the subsidiary Mondadori France, with the publication of the results of the third quarter, the Group changed the scope of consolidation and communicated the results to the market according to the new "*discontinued*" structure.

For the purposes of the final balance of short-term incentives for the year, and based on *best market practices* certified by the company Willis Tower Watson, the reclassification of accounting representation of the financial statements is considered closer to the actual business management and all *accountability* of management, in order to highlight the consolidated Group results including Mondadori France.

In terms of MBO bonuses, a total payable value, including the Chief Executive Officer, is close to 100% of the target value, *in line with the good overall performance of the Group in 2018*.

KPIs' balance in MBO system 2018			
Office	Group consolidated targets		Business Area / Key Management Pers. targets
Key Management Personnel (CFO, HR)		Group EBITDA (CFO, HR) 40%	KPI Cost Management (CFO, HR) 10-20%
	KPI	Free Cash Flow (CFO, HR) 20-40%	
		Labor Cost (HR) 30%	
Head of Business		Group EBITDA 30%	KPI Business Area EBITDA 30% Business Area Free Cash Flow 20% Business Area Revenue / Ebitda Rizzoli Libri 10%
	KPI	Free Cash Flow 10%	

 weight

iii. the medium/long-term variable component (LTI).

After the launch of the first "2017-2019 Closed Plan", the first cycle of the new "Rolling Plan 2018-2020" was launched in 2018. The value of the Rolling Plan assignments, consistent with the approved mechanism, was equal to 1/3 of the total value of the LTI of each strategic manager. The total amount of the sums allocated for this purpose has undergone changes compared to the previous year, limited to the aforementioned adjustment for the Chief Executive Officer for which the Total Cash system no longer applies.

The Plan covers the three-year period 2018-2020 and involves the assignment of Company shares to reward the delivery, over the three years, of set quantitative objectives.

The KPIs of reference for assessing the level of objectives reached remained unchanged with respect to the previous 2017-2019 Plan, and are as follows:

Performance Targets 2018-20				
Office	Group consolidated targets		% target achievement	% bonus payment
Targets related to shareholders remuneration	KPI	Net Profit 25%	90%-120%	50%-120%
		Total Shareholder Return (TSR) 25%	on-off	0%-100%
Targets related to share performance	KPI	Group Ebitda 25%	90%-120%	50%-120%
		Free Cash Flow 25%	90%-120%	50%-120%

 weight

For the remuneration of Key Management Personnel (excluding the Chief Executive Officer), we confirm that the weightings and percentages of the fixed and variable

components of remuneration described above for 2018 are in line with the parameters indicated in the Policy.

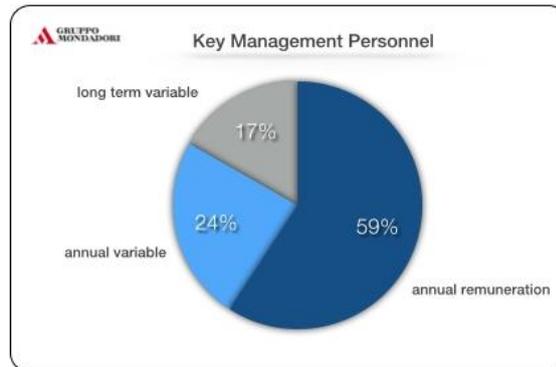
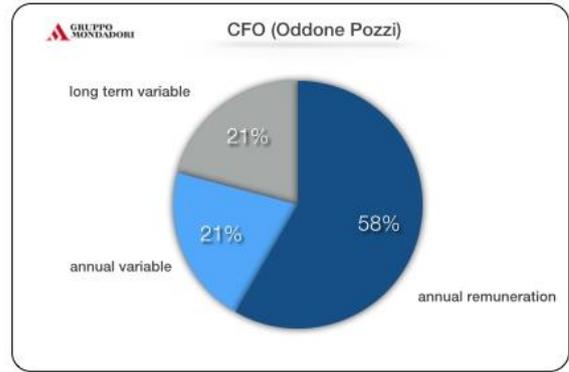
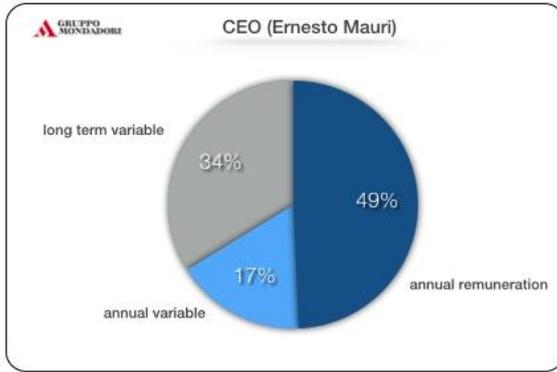
Notably:

- i)* the fixed component, which consists of the basic salary and other forms of non-variable remuneration, counts towards approximately 55% (56% in 2017) of total remuneration (compared to a maximum Policy limit on the fixed component of 70% of total remuneration); None of the managers concerned has a base salary of more than 70%; None of the parties concerned has a *salary base* higher than 70%;

- ii)* the set of variable, annual and medium-long term components, represents a percentage equal to 45% (46% in 2017) of the total annual remuneration (compared to a minimum percentage of variable components of 30% of the overall annual remuneration, as established in the Policies). None of the parties concerned has a variable remuneration totalling less than 30%;

- iii)* The weight of the component related to medium-long term results has an incidence on an annual basis of 24% (23% in 2017), compared to an incidence of the percentage of the component correlated to medium-long term results of not less than 7.5% of the total remuneration, as established in the Policies. None of the managers concerned has an LTI below the established limit.

- iv)* none of the Key Managers have *compensation* that does not comply with the minimum *pay mix requirements* indicated in the 2018 Remuneration Policy.



PART TWO – ANALYTICAL DESCRIPTION OF COMPENSATION PAID OUT DURING THE YEAR

Scheme No. 7-bis: remuneration report

TABLE 1: Compensation paid out to members of the Board of Directors, members of the Board of Statutory Auditors, Corporate Officers and other Key Management Personnel.

TABLE 2: Stock Options given to members of the administrative body, corporate officers and other Key Managers. **[The table is not filled in because there are no stock option plans active for the year in question].**

TABLE 3A: Equity incentive plans not based on stock options, for members of the Board of Directors, Corporate Officers and other Key Management Personnel

TABLE 3B: Cash incentive plans for members of the Board of Directors, Corporate Officers and other Key Management Personnel

Schedule No. 7-ter: information on the equity interests held by members of the Board of Directors, members of the Board of Statutory Auditors, Corporate Officers and other Key Management Personnel

Table 1: Equity participation of members of the Board of Directors, members of the Statutory Board of Auditors and Corporate Officers

Table 2: Equity participation of other Key Management Personnel

TABLE 1: Compensation paid to members of the Board of Directors, members of the Board of Statutory Auditors, Corporate Officers and other Key Management Personnel.

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Surname and Name	Office	Period for which the position was held	Expiration of Term of Office	Base Pay	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Severance pay for termination of office or employment
						Bonuses and other incentives	Profit sharing					
Berlusconi Marina Elvira	Chairperson	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	15,000.00 a) 500,000.00 b)						515,000.00		
Ernesto Mauri	Chief Executive Officer	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a) 1,100,000.00 b)		549,500.00			350,000.00 i)	2,009,500.00	401,596.92	
Odone Maria Pozzi	Director	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a) 420,000.00 c)		167,700.00		8,428.00		606,128.00	220,412.73	
Ainio Paolo Guglielmo Luigi	Director	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a)						10,000.00		
Berlusconi Pier Silvio	Director	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a)						10,000.00		
Biffi Elena	Director	24/04/2018 - 31/12/2018	Approval of 2020 Financial Statements	6,666.00 a)	13,333.00 e) f)					19,999.00		
Currò Francesco	Director	24/04/2018 - 31/12/2018	Approval of 2020 Financial Statements	6,666.00 a)						6,666.00		
Martina Forneron Mondadori	Director	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a)						10,000.00		
Gianguelano Patrizia Michela	Director	24/04/2018 - 31/12/2018	Approval of 2020 Financial Statements	6,666.00 a)	13,333.00 g)					19,999.00		
Pellegrino Danilo	Director	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a)						10,000.00		
Roberto Poli	Director	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a)						10,000.00		
Renoldi Angelo	Director	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a)	16,666.00 e) f) 21,666.00 g)				20,000.00 i)	68,332.00		
Mario Resca	Director	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a)						10,000.00		
Cristina Rossello	Director	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a)	20,000.00 e) f) 23,333.00 g)					53,333.00		
Cannatelli Pasquale	Director	01/01/2018 - 24/04/2018	Approval of 2017 Financial Statements	3,333.00 a)						3,333.00		
Messina Alfredo	Director	01/01/2018 - 24/04/2018	Approval of 2017 Financial Statements	3,333.00 a)	6,666.00 e)					9,999.00		
Spadacini Marco	Director	01/01/2018 - 24/04/2018	Approval of 2017 Financial Statements	3,333.00 a)	8,333.00 e) f) 6,666.00 g)					18,332.00		
Fornasiero Sara	Chairman of the Board of Statutory Auditors	24/04/2018 - 31/12/2018	Approval of 2020 Financial Statements	40,000.00 a)					16,666.00 i)	56,666.00		
Flavia Daunia Minutillo	Standing Statutory Auditor	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	40,000.00 a)						40,000.00		
Simonelli Ezio	Standing Statutory Auditor	24/04/2018 - 31/12/2018	Approval of 2020 Financial Statements	26,666.00 a)						26,666.00		
Superti Furga Ferdinando	Chairman of the Board of Statutory Auditors	01/01/2018 - 24/04/2018	Approval of 2017 Financial Statements	20,000.00 a)					8,333.00 i)	28,333.00		
Giampaolo Francesco Antonio	Standing Statutory Auditor	01/01/2018 - 24/04/2018	Approval of 2017 Financial Statements	13,333.00 a)						13,333.00		
Key Management Personnel	4 (m)	01/01/2018 - 31/12/2018		1,480,003.00 d)		686,270.00		30,725.00		2,196,998.00	514,296.42	
(l) Fees for the company that prepares the financial statements				3,784,999.00	129,996.00	1,403,470.00	0.00	39,153.00	394,999.00	5,752,617.00	1,136,306.07	

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Surname and Name	Office	Period for which the position was held	Expiration of Term of Office	Base Pay	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Severance pay for termination of office or employment
						Bonuses and other incentives	Profit sharing					
Resca Mario	Chairman of the Board of Directors of Mediolanum Vita S.p.A.	01/01/2018 - 31/12/2018	Approval of 2019 Financial Statements	120,000.00 a) 80,000.00 d)						200,000.00		
Minutillo Flavia Daunia	Standing Auditor of Rizzoli Education S.p.A.	01/01/2018 - 31/12/2018	Approval of 2018 Financial Statements	12,000.00 a)						29,230.00		
	Standing Auditor of Mondadori Electa S.p.A.	01/01/2018 - 31/12/2018	Approval of 2019 Financial Statements	7,230.00 a)								
	Statutory Auditor of Mondadori Scienza S.p.A.	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	10,000.00 a)								
Giampaolo Francesco Antonio	Standing Auditor of Rizzoli Education S.p.A.	01/01/2018 - 31/12/2018	Approval of 2018 Financial Statements	12,000.00 a)						21,000.00		
	Chairman of the Board of Auditors of Monradio S.r.l.	01/01/2018 - 31/12/2018	Approval of 2020 Financial Statements	9,000.00 a)								
Key Management Personnel	2 (m)	01/01/2018 - 31/12/2018		680,004.00 d)		219,000.00		15,510.00 h)		914,514.00	195,922.23	
(II) Compensation from subsidiaries and affiliates				930,234.00	0.00	219,000.00	0.00	15,510.00	0.00	1,164,744.00	195,922.23	
(III) Total				4,715,233.00	129,996.00	1,622,470.00	0.00	54,663.00	394,999.00	6,917,361.00	1,332,228.31	

DESCRIPTION OF COLUMNS

The following are indicated separately under "Fixed remuneration", potentially in a note and according to a criterion of competence: (i) remuneration approved by the shareholders' meeting, even if not paid; (ii) attendance fees; (iii) flat-rate expense reimbursements; (iv) remuneration received for the performance of particular duties, pursuant to Art. 2389, paragraph 3, of the Italian Civil Code (such as president, vice-president); (v) fixed remuneration for employment gross of social security and tax charges payable by the employee, excluding obligatory collective social security charges to be paid by the company and severance indemnity provisions. Any other forms of compensation linked to employment (bonuses, other compensation, non-monetary benefits, etc.) are shown in their relative columns, with a footnote specifying the part paid for the role in corporate governance and the part paid for the employment contract.

"Compensation for participation in committees" is shown on a basis of competence, and they may be shown at an aggregate level. A footnote provides information on which committees the director participated in, and in the event of participation in more than one committee, compensation received is reported for each.

The column "Bonuses and other incentives" includes accrued compensation that - based on cash incentive plans - for the achievement of objectives over the course of the fiscal year, even if it has not yet been paid out. The values of assigned or exercised stock options, or other financial instruments are not included in this column. That value can be found by adding the figures shown in Table 3B, columns 2A, 3B and 4, row (IV) together.

In the column "Profit sharing", the sum is indicated on the basis of competence, even though the financial statements and profit distribution plan have not yet been approved.

The column "Non-monetary benefits" shows the value of fringe benefits (on a taxable basis) included any insurance policies or supplemental pension funds.

The column "Other compensation" separately lists all other potential remuneration that may derive from other services provided. A footnote provides information on any loans, advances or indemnities that have been granted by the company or its subsidiaries to Executive Directors or the Chairman of the Board of Directors, which might represent a form of indirect compensation under certain conditions (which differ from market conditions or standard conditions that can be applied to specific categories of entities).

The "Fair value of equity compensation" column shows the fair value of remuneration for the year at the date of assignment against incentive plans based on financial instruments, estimated according to international accounting standards*. This value corresponds to the sum of the figures reported in column 12, row III in Table 3A.

* This item line does not refer to the entire assignment of equity compensation carried out during the year, but only to the part of it recognised in the financial statements, in application of the accounting principles which imply taking the vesting period into account, sub-dividing the relative cost in the vesting period.

NOTES

COLUMN (1): a) emoluments approved by the competent bodies b) compensation for the performance of key roles c) base salary d) remuneration for fixed employees or collaborators

COLUMN (2): e) Remuneration and Appointments Committee; f) Related Parties Committee; g) Control and Risk Committee.

It is specified that:

i) the compensation indicated for Director Renoldi for participation in the Control and Risk Committee includes the amount paid from 01/01/2018 to 24/04/2018 as Chairman of the committee and the amount paid from 24/04/2018 as of 31/12/2018 as a Committee member;

ii) the compensation indicated for Director Renoldi for participation in the Remuneration and Appointment Committee includes the amount paid from 24/04/2018 to 31/12/2018 as Chairman of the committee;

iii) the compensation indicated for Director Rossello for participation in the Control and Risk Committee includes the amount paid from 01/01/2018 to 24/04/2018 as a member of the committee and the amount paid from 24/04/2018 as of 31/12/2018 as a Committee member;

COLUMN (4): h) amount including the value of an apartment provided to one member of the Key Management Personnel residing abroad

COLUMN (5): i) compensation for the Supervisory and Control Body; l) non-competition agreement for 2018;

COLUMN (6): the "Total" represents the sum of the items from (1) to (5);

COLUMN (B): m) number of Key Managers in office at 12/31/2018.

NOTES

The total (III) is shown in reference to columns (5), (11) and (12).

For each person concerned and each incentive plan of which s/he is a recipient, the table shows:

- the financial instruments assigned in previous years which had not vested during the year, with indication of the vesting period;
- the financial instruments assigned during the year, with indication of their fair value at the grant date (1), the vesting period, the grant date and the market price on assignment;
- the financial instruments vested during the year but not allocated;
- the financial instruments vested during the year and able to be allocated, with an indication of their value at the vesting date;
- the fair value of the financial instruments accrued during the year.

The **vesting period** is the period falling between the date the right to participate in the incentive system is assigned and the date on which the right vests.

Financial instruments vested during the year and not allocated are financial instruments for which the vesting period ended during the year, and are not allocated to the recipient due to the failure to fulfil the conditions to which the assignment of the instrument was conditioned (such as failure to meet the performance targets).

The **value at the vesting date** is the value of the vested financial instrument, even if not yet allocated (e.g., due to applicable lock-up clauses) at the end of the vesting period.

Should the data be represented in aggregate form, the following information must be shown in the Table:

- the total number of financial instruments not vested held at the start of the year, with indication of their average expiration;
- the total number of financial instruments assigned at the start of the year, with indication of their total fair value, average expiration and the average market price on assignment;
- the total number of financial instruments vested during the year but not allocated;
- the total number of financial instruments vested during the year and able to be allocated, with an indication of their total market value;
- the total fair value of the financial instruments accrued during the year.

(a) the *fair value at allocation date* is indicated with reference to the financial instruments assigned during the year in relation to the market price at the allocation date

(b) the *fair value of financial instruments for the financial year* is calculated on the basis of the share price at the last market listing of the year (28 December, valued at 1.71 euros) and is related to the competence attributable to the same year based on the duration of the Plan (1/3 of the total value)

TABLE 3B: Cash incentive plans for members of the Board of Directors, Corporate Officers and other Key Management Personnel

1 It should be noted that this Table includes all incentive plans of a monetary nature, for both the short and medium-to-long term.

A	B	(1)	(2)			(3)			(4)
Surname and Name	Office	Plan	Bonuses for this year			Bonuses from previous years			Other Bonuses *
			(A)	(B)	(C)	(A)	(B)	(C)	
MAURI ERNESTO	CHIEF EXECUTIVE OFFICER		Payable/Paid	Deferred	Deferral Period	No longer payable	Payable/Paid	Still Deferred	
(I) Fees for the company that prepares the financial statements									549,500
(II) Compensation from subsidiaries and affiliates									
POZZI ODDONE MARIA	DIRECTOR		Payable/Paid	Deferred	Deferral Period	No longer payable	Payable/Paid	Still Deferred	
(I) Fees for the company that prepares the financial statements									167,700
(II) Compensation from subsidiaries and affiliates									
(III) Total			0				0		717,200
KEY MANAGEMENT PERSONNEL			Payable/Paid	Deferred	Deferral Period	No longer payable	Payable/Paid	Still Deferred	
(I) Fees for the company that prepares the financial statements									686,270
(II) Compensation from subsidiaries and affiliates		Plan 2018-2020 BoD 02/03/2018		400,000					219,000
(III) Total				400,000					905,270
(IV) Total			0	400,000			0		1,622,470

NOTES

* In column (4) Other Bonuses indicates the bonuses for the year which are included in the total amount in Tab. 1, column 3.

The total (III) shows the sum of all columns except column (2C).

“Column 2A” shows bonuses accrued for objectives achieved during the fiscal year, and which have been paid or are payable as they are not subject to further conditions (Upfront compensation).

“Column 2B” shows bonuses linked to objectives to be achieved during the fiscal year or subsequent years, but which are not payable as they are subject to further conditions (deferred bonus).

“Column 3A” shows the sum of deferred bonuses from previous years that are to be paid at the beginning of the fiscal year, but that are no longer payable due to the failure to meet the relative conditions.

“Column 3B” shows the sum of deferred bonuses from previous years which are to be paid at the beginning of the fiscal year, have been paid during the fiscal year, or are still payable.

“Column 3C” shows the sum of deferred bonuses from previous years that are still to be paid at the beginning of the fiscal year and have been still further deferred.

The column "Other Bonuses" shows bonuses accrued during the fiscal year that are not explicitly included in specific ex ante incentive plans.

Should the data be represented in aggregate form, the following information must be shown in the Table:

- total bonuses for the year, divided into paid bonuses and deferred bonuses, with information on the average deferral period of the latter;
- total bonuses from previous years, divided into bonuses that are no longer payable, paid bonuses, and bonuses that are still deferred;
- other total bonuses.

Schedule No. 7-ter: schedule reporting information on the equity participation of members of the Board of Directors, members of the Board of Statutory Auditors, Corporate Officers and other Key Management Personnel

The following tables report information on the equity participation in Arnoldo Mondadori Editore S.p.A. of Board Members and Statutory Auditors, as well as that of Key Management Personnel in aggregate form. Unless otherwise specified, the participations indicated are owned directly.

TABLE 1: Equity participation of members of the Board of Directors, members of the Statutory Board of Auditors and Corporate Officers

Surname and Name	Office	Investee Company	Number of shares held at the end of the previous fiscal year	Number of shares bought	Number of shares sold	Number of shares held at the end of the current fiscal year
Berlusconi Marina Elvira	Chairperson	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Mauri Ernesto	Chief Executive Officer	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Ainio Paolo Guglielmo Luigi	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Berlusconi Pier Silvio	Director	Arnoldo Mondadori Editore S.p.A.	172,000	-	-	172,000
Biffi Elena*	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Currò Francesco*	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Forneron Mondadori Martina	Director	Arnoldo Mondadori Editore S.p.A.	137,127	-	-	137,127
Gianguialano Patrizia Michela*	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Pellegrino Danilo	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Poli Roberto	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Pozzi Oddone Maria	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Renoldi Angelo	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Resca Mario	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Rossello Cristina	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Spadacini Marco**	Director	Arnoldo Mondadori Editore S.p.A.	8,000 ¹	-	8,000	-
Messina Alfredo**	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Cannatelli Pasquale**	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Fornasiero Sara*	Chairman of the Board of Statutory Auditors	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Minutillo Flavia Daunia	Standing Statutory Auditor	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Simonelli Ezio*	Standing Statutory Auditor	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Superti Furga Ferdinando**	Chairman of the Board of Statutory Auditors	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Giampaolo Francesco Antonio**	Standing Statutory Auditor	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
¹ shares held by the spouse						

TABLE 2: Equity participation of other Key Management Personnel

Number of Key Management Personnel	Investee Company	Number of shares held at the end of the previous fiscal year	Number of shares bought	Number of shares sold	Number of shares held at the end of the current fiscal year
6	Arnoldo Mondadori Editore S.p.A.	-	-	-	-

NOTES

* In office since the date of the shareholders' meeting of 24/04/2018 for the approval of the financial statements at 31/12/2017.

** In office until the date of the shareholders' meeting of 24/04/2018 for the approval of the financial statements at 31/12/2017.

Equity participation in the listed parent company and its subsidiaries - on the part of members of the Board of Directors and Board of Statutory Auditors, Corporate Officers and Key Management Personnel - is reported in the form of a table.

By name for the members of management and control bodies and for the general managers and other Key Managers, the number of shares, broken down by category, is indicated for each member:

- shares held at the end of the previous fiscal year;
- shares bought during the current fiscal year;
- shares sold during the current fiscal year;
- shares held at the end of the current fiscal year.

In addition, the table shows the security and its terms.

The table includes all individuals who, at some point during the current fiscal year, held office as a member of the Board of Directors, as a member of the Board of Statutory Auditors, as a Corporate Officer or as a member of Key Management Personnel.

Proposed Resolution (Article 123-ter, paragraph 6, of Legislative Decree 58/1998)

Pursuant to Art. 123-ter, paragraph 6, of Legislative Decree 58/1998, the Shareholders' Meeting is called to deliberate in favour or against the first Section of the Remuneration Report. This resolution is non-binding.

In reference to the above, the following resolution is proposed:

"The Ordinary Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A.

resolves

to approve Section I of the Remuneration Report, which concerns the remuneration policy to be adopted for members of governing bodies and Key Management Personnel, and the procedures used to adopt and implement said policy."

Arnoldo Mondadori Editore S.p.A.
on behalf of the Board of Directors

The Chair
Marina Berlusconi